



FOR IMMEDIATE RELEASE –

## **Liberty Northwest Bancorp, Inc. Earns \$165,000 in Second Quarter 2022**

### **2022 Second Quarter Financial Highlights:**

- Net income increased to \$165 thousand, or \$0.10 per share, in the second quarter of 2022, with net interest income of \$1.44 million.
- Total assets grew to \$186 million.
- Total loans grew by 9.6% in the second quarter and 19.5% from prior year.
- Total deposits increased 1.7% in the second quarter 2022, and increased 11.3% compared to the prior year. Demand deposits increased 8% year-over-year.
- Nonperforming assets to total assets remained steady at 0.63%.

POULSBO, WASH. – July 28, 2022 -Liberty Northwest Bancorp, Inc. (OTCQX: LBNW) (the “Company”) and its wholly-owned subsidiary Liberty Bank today announced earnings of \$165 thousand for the second quarter ended June 30, 2022, an increase of \$91 thousand, or 122%, compared to the second quarter ended June 30, 2021.

Return on common shareholders' equity for the second quarter of 2022 was 5.39% compared to 2.40% for the second quarter a year ago. Return on assets for the second quarter of 2022 was 0.35% compared to 0.17% for the same quarter in the prior year.

“We are pleased with the Bank’s progress this year – particularly given the challenging economic environment,” said Rick Darrow, Liberty Northwest Bancorp, Inc. President and Chief Executive Officer. “Our second quarter results reflect continued loan growth, increasing 9.6% during the quarter and nearly 20% year-over-year. We are well positioned to capitalize on additional growth opportunities and to benefit from expected future interest rate increases by the Federal Reserve.”

Total assets were \$186.0 million as of June 30, 2022, compared to \$170.3 million at June 30, 2021, primarily due to the \$24.1 million increase in loans receivable funded by continued growth in client deposits and reduction in short-term investments. In addition to growing organic loans, the Bank acquired a pool of residential mortgage loans during the quarter to support strategic initiatives and deploy available liquidity into higher earnings assets. Investment securities increased by \$4.3 million since June 30, 2021.



Total deposits increased 11.3% to \$164.5 million as of June 30, 2022, compared to \$147.9 million a year earlier and \$161.8 million at March 31, 2022. Total demand deposits increased \$6.7 million, or 7.9%, from June 30, 2021.

Credit quality remains strong. At June 30, 2022, non-performing assets remained low at \$1.17 million or 0.63% of total assets corresponding to a single borrower relationship. The allowance for loan losses totaled \$1.615 million as of June 30, 2022, and was 1.10% of total loans outstanding.

The Company recorded a \$75 thousand provision for loan losses in the second quarter of 2022, compared to a \$15 thousand provision for loan losses in the second quarter of 2021. The provision in the second quarter of 2022 was primarily due to growth in loans receivable partially offset by improvements in the credit quality of certain loan segments related to strong real estate markets and collateral conditions.

The Company's net interest margin was 3.28% for the second quarter of 2022, compared to 3.05% for the preceding quarter, and 3.46% for the second quarter of 2021. "Steady loan growth and recent short-term interest rate increases by the Federal Reserve led to improved loan yields and net interest margin expansion," said Darrow. "Earnings over the past two quarters position us well as we head into the second half of 2022."

Total non-interest income was \$36 thousand for the second quarter of 2022 compared to \$63 thousand in the second quarter a year ago. The decrease in non-interest income was primarily due to a slowing of fees earned on brokered mortgage loans due to higher interest rates.

Total noninterest expense was \$1.193 million in the second quarter of 2022, a decrease of \$258 thousand, or 17.8%, from the prior year's quarter. The Company's efficiency ratio in the second quarter of 2022 improved to 80.8%, compared to 93.2% for the same period one year ago due to active management of operating expenses. Compensation and benefits costs decreased by \$238 thousand, or 25.8%, over the prior year quarter primarily due lower staff count.

Capital ratios continue to exceed regulatory requirements, with total risk-based capital substantially above well-capitalized regulatory requirements. Tangible book value per share was \$7.45 at quarter end, compared to \$7.61 a year earlier.

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**About Liberty Northwest Bancorp, Inc.**

*Liberty Northwest Bancorp, Inc. is the bank holding company for Liberty Bank, a commercial bank chartered in the State of Washington. The Bank began operations June 11, 2009, and operates a full-service branch in Poulsbo, WA in addition to a loan production office in Bellevue, WA. The Bank provides loan and deposit services to predominantly small and middle-sized businesses and individuals in and around Kitsap and King counties. The Bank is subject to regulation by the State of Washington Department of Financial Institutions and the Federal Deposit Insurance Corporation (FDIC). For more information, please visit [www.libertybanknw.com](http://www.libertybanknw.com). Liberty Northwest Bancorp, Inc. (OTCQX: LBNW), qualified to trade on the OTCQX® Best Market in June 2022. For information related to the trading of LBNW, please visit [www.otcmarkets.com](http://www.otcmarkets.com).*

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Forward-Looking Statement Safe Harbor: This news release contains comments or information that constitutes forward-looking statements (within the meaning of the Private Securities Litigation Reform Act of 1995) that are based on current expectations that involve a number of risks and uncertainties. Forward-looking statements describe Liberty Northwest Bancorp, Inc.'s projections, estimates, plans and expectations of future results and can be identified by words such as "believe," "intend," "estimate," "likely," "anticipate," "expect," "looking forward," and other similar expressions. They are not guarantees of future performance. Actual results may differ materially from the results expressed in these forward-looking statements, which because of their forward-looking nature, are difficult to predict. Investors should not place undue reliance on any forward-looking statement, and should consider factors that might cause differences including but not limited to the degree of competition by traditional and nontraditional competitors, declines in real estate markets, an increase in unemployment or sustained high levels of unemployment; changes in interest rates; greater than expected costs to integrate acquisitions, adverse changes in local, national and international economies; changes in the Federal Reserve's actions that affect monetary and fiscal policies; changes in legislative or regulatory actions or reform, including without limitation, the Dodd-Frank Wall Street Reform and Consumer Protection Act; demand for products and services; changes to the quality of the loan portfolio and our ability to succeed in our problem-asset resolution efforts; the impact of technological advances; changes in tax laws; and other risk factors. Liberty Northwest Bancorp, Inc. undertakes no obligation to publicly update or clarify any forward-looking statement to reflect the impact of events or circumstances that may arise after the date of this release.



# STATEMENTS OF INCOME

(Unaudited)

(Dollars in thousands)

|   | Quarter Ended<br>June 30,<br>2022 | Quarter Ended<br>March 31,<br>2022 | Three Month<br>Change | Quarter Ended<br>June 30,<br>2021 | One Year<br>Change |
|---|-----------------------------------|------------------------------------|-----------------------|-----------------------------------|--------------------|
| <b>Interest Income</b>                              |                                   |                                    |                       |                                   |                    |
| Loans   | \$ 1,508                          | \$ 1,347                           | 12%                   | \$ 1,583                          | -5%                |
| Interest bearing deposits in banks                  | 16                                | 10                                 | 58%                   | 6                                 | 174%               |
| Securities  | 90                                | 90                                 | 1%                    | 46                                | 98%                |
| Total interest income                               | 1,614                             | 1,447                              | 12%                   | 1,635                             | -1%                |
| <b>Interest Expense</b>                             |                                   |                                    |                       |                                   |                    |
| Deposits  | 74                                | 60                                 | 22%                   | 49                                | 52%                |
| Other Borrowings                                    | 100                               | 101                                | -1%                   | 113                               | -12%               |
| Total interest expense                              | 174                               | 161                                | 8%                    | 161                               | 8%                 |
| <b>Net Interest Income</b>                          | 1,441                             | 1,286                              | 12%                   | 1,473                             | -2%                |
| Provision for Loan Losses                           | 75                                | 15                                 | 400%                  | 15                                | 400%               |
| Net interest income after provision for loan losses | 1,366                             | 1,271                              | 7%                    | 1,458                             | -6%                |
| <b>Non-Interest Income</b>                          |                                   |                                    |                       |                                   |                    |
| Service charges on deposit accounts                 | 11                                | 12                                 | -6%                   | 10                                | 11%                |
| Other non-interest income                           | 25                                | 57                                 | -56%                  | 52                                | -53%               |
| Total non-interest income                           | 36                                | 69                                 | -47%                  | 63                                | -42%               |
| <b>Non-Interest Expense</b>                         |                                   |                                    |                       |                                   |                    |
| Salaries and employee benefits                      | 683                               | 761                                | -10%                  | 921                               | -26%               |
| Occupancy and equipment expenses                    | 141                               | 150                                | -6%                   | 153                               | -8%                |
| Other operating expenses                            | 368                               | 380                                | -3%                   | 377                               | -2%                |
| Total non-interest expenses                         | 1,193                             | 1,290                              | -8%                   | 1,451                             | -18%               |
| Net Income Before Income Tax                        | 209                               | 49                                 | 326%                  | 70                                | 198%               |
| Provision for Income Tax                            | (44)                              | (10)                               | 326%                  | (15)                              | 198%               |
| <b>Net Income</b>                                   | \$ 165                            | \$ 39                              | 326%                  | \$ 56                             | 198%               |



**BALANCE SHEETS** (Unaudited)  
(Dollars in thousands)

|   | June 30,<br>2022 | March 31,<br>2022 | Three Month<br>Change | June 30,<br>2021 | One Year<br>Change |
|---|------------------|-------------------|-----------------------|------------------|--------------------|
| <b>Assets</b>                               |                  |                   |                       |                  |                    |
| Cash and due from Banks                     | \$ 4,381         | \$ 3,766          | 16%                   | \$ 4,981         | -12%               |
| Interest bearing deposits in banks          | 4,524            | 18,013            | -75%                  | 20,095           | -77%               |
| Securities                                  | 24,769           | 24,391            | 2%                    | 20,499           | 21%                |
| Loans                                       | 146,375          | 133,651           | 10%                   | 122,296          | 20%                |
| Allowance for loan losses                   | (1,615)          | (1,540)           | 5%                    | (1,195)          | 35%                |
| Net Loans                                   | 144,759          | 132,110           | 10%                   | 121,101          | 20%                |
| Premises and fixed assets                   | 5,580            | 4,543             | 23%                   | 1,767            | 216%               |
| Accrued Interest receivable                 | 618              | 494               | 25%                   | 507              | 22%                |
| Intangible assets                           | 78               | 85                | -8%                   | 109              | -28%               |
| Other assets                                | 1,316            | 1,198             | 10%                   | 1,200            | 10%                |
| Total Assets                                | \$ 186,026       | \$ 184,599        | 1%                    | \$ 170,260       | 9%                 |
| <b>Liabilities and Shareholders' Equity</b> |                  |                   |                       |                  |                    |
| Deposits                                    |                  |                   |                       |                  |                    |
| Demand, non-interest bearing                | \$ 52,799        | \$ 54,906         | -4%                   | \$ 63,551        | -17%               |
| Interest Bearing Demand                     | 38,042           | 39,534            | -4%                   | 20,638           | 84%                |
| Money Market and Savings                    | 59,974           | 53,406            | 12%                   | 56,818           | 6%                 |
| Certificates of Deposit                     | 13,700           | 13,929            | -2%                   | 6,862            | 100%               |
| Total Deposits                              | 164,516          | 161,776           | 2%                    | 147,869          | 11%                |
| Total Borrowing                             | 8,884            | 10,401            | -15%                  | 9,500            | -6%                |
| Accrued interest payable                    | 72               | 7                 | 1002%                 | 70               | 3%                 |
| Other liabilities                           | 348              | 265               | 31%                   | 429              | -19%               |
| Total Liabilities                           | 173,820          | 172,448           | 1%                    | 157,868          | 10%                |
| <b>Shareholders' Equity</b>                 |                  |                   |                       |                  |                    |
| Common Stock                                | 1,627            | 1,627             | 0%                    | 1,620            | 0%                 |
| Additional paid in capital                  | 13,004           | 12,993            | 0%                    | 12,822           | 1%                 |
| Retained Earnings                           | (1,863)          | (2,028)           |                       | (2,092)          |                    |
| Other Comprehensive Income                  | (562)            | (441)             | 27%                   | 43               | -1396%             |
| Total Shareholders' Equity                  | 12,206           | 12,151            | 0%                    | 12,392           | -2%                |
| Total Liabilities and Shareholders' Equity  | \$ 186,026       | \$ 184,599        | 1%                    | \$ 170,260       | 9%                 |



|  | June 30,<br>2022 | March 31,<br>2022 | June 30,<br>2021 |
|--|------------------|-------------------|------------------|
| <b>Financial Ratios</b>                  |                  |                   |                  |
| Return on Average Assets                 | 0.35%            | 0.09%             | 0.17%            |
| Return on Average Equity                 | 5.39%            | 1.25%             | 2.40%            |
| Efficiency Ratio                         | 80.8%            | 95.3%             | 93.2%            |
| Net Interest Margin                      | 3.28%            | 3.05%             | 3.46%            |
| Loan to Deposits                         | 89.0%            | 82.6%             | 82.7%            |
| <br>Tangible Book Value per Share        | <br>7.45         | <br>7.42          | <br>7.61         |
| Book Value per Share                     | 7.50             | 7.47              | 7.65             |
| Earnings per Share                       | 0.10             | 0.02              | 0.05             |
| <br>Asset Quality                        |                  |                   |                  |
| Net Loan Charge-offs (recoveries)        | \$ -             | -                 | -                |
| Nonperforming Loans                      | \$ 1,167         | 1,178             | 0                |
| Nonperforming Assets to Total Assets     | 0.63%            | 0.64%             | 0.00%            |
| Allowance for Loan Losses to Total Loans | 1.10%            | 1.15%             | 0.98%            |
| Other Real Estate Owned                  | \$ -             | -                 | -                |
| <br><b>CAPITAL (Bank only)</b>           |                  |                   |                  |
| Tier 1 leverage ratio                    | 8.60%            | 8.83%             | 9.13%            |
| Tier 1 risk-based capital ratio          | 13.00%           | 13.64%            | 16.82%           |
| Total risk-based capital ratio           | 14.25%           | 14.89%            | 18.07%           |