



FOR IMMEDIATE RELEASE –

Liberty Northwest Bancorp, Inc. Announces 2023 Second Quarter Financial Results

2023 Second Quarter Financial Highlights:

- Total assets were \$187.1 million at quarter end.
- Asset quality is excellent with zero nonperforming assets at quarter end.
- Total deposits increased to \$ 140.5 million at quarter end.
- Net interest margin of 2.51% for the second quarter.
- Tangible book value per share increased to \$7.68 at quarter end.

POULSBO, WASH. – July 28, 2023 - Liberty Northwest Bancorp, Inc. (OTCQX: LBNW) (the “Company”) and its wholly-owned subsidiary Liberty Bank today announced earnings of \$18 thousand for the second quarter ended June 30, 2023, compared to \$165 thousand reported in the second quarter ended June 30, 2022. In the first six months of 2023, net income was \$27 thousand, compared to \$204 thousand the same period in 2022.

Total assets increased to \$187.1 million as of June 30, 2023, compared to \$186.0 million at June 30, 2022. Net loans totaled \$138.6 million as of June 30, 2023, compared to \$139.8 million at March 31, 2023 and \$144.8 million a year ago. Loan demand has tapered off compared to a year ago and was impacted by loan payoffs.

Asset quality improved during the quarter, with no non-performing assets as of June 30, 2023. The allowance for credit losses totaled \$1.25 million as of June 30, 2023, and was 0.90% of total loans outstanding. The Company recorded a loan loss recovery of \$18 thousand during the quarter.

The Company recorded a \$50 thousand reversal to its provision for credit losses in the second quarter of 2023, compared to a \$30 thousand provision in the first quarter of 2023 and a \$75 thousand provision in the second quarter of 2022 as a result of improved credit metrics and performance.

Total deposits increased to \$140.5 million at June 30, 2023 compared to \$139.1 million at March 31, 2023 and decreased compared to \$164.5 million a year earlier. Non-interest bearing demand accounts represented 30.9%, interest bearing demand represented 18.0%, money market and savings accounts comprised 26.6% and certificates of deposit made up 24.5% of the total deposit portfolio at June 30, 2023.

“Deposit growth and pricing remained an industrywide challenge during the second quarter, and we have not been immune to the effects of the Federal Reserve’s tightening monetary policy. Consistent with the rest of the banking industry, we experienced net interest margin contraction during the



quarter due to pressure on funding costs,” said Rick Darrow, Liberty Northwest Bancorp, Inc. President and Chief Executive Officer. “We are taking actions to position our balance sheet to mitigate net interest margin compression and anticipate benefitting from rising interest rates in the near term. In addition, we continue to look for opportunities to grow our client base and take advantage of recent market disruptions.”

The Company’s net interest margin was 2.51% for the second quarter of 2023, compared to 2.62% for the preceding quarter, and 3.28% for the second quarter of 2022. For the first six months of 2023, the net interest margin was 2.56%, compared to 3.13% for the first six months of 2022.

Total non-interest income was \$130 thousand for the second quarter of 2023, compared to \$36 thousand in the second quarter a year ago. The year-over-year 258% increase was primarily due to an increase in referral income. For the first six months of 2023, non-interest income increased to \$260 thousand, compared to \$105 thousand for the first six months of 2022, an increase of \$ 155 thousand or 147%.

Total noninterest expense was \$1.27 million for the second quarter of 2023, an increase of \$76 thousand, or 6.0%, from the second quarter a year ago. Compensation and benefits costs increased by \$37 thousand, or 5.0%, over the prior year quarter. During the fourth quarter of 2022, the Company opened its new headquarters in Poulsbo. The banking center is in a desirable location in Poulsbo and is large enough to accommodate future growth for the bank well into the next decade. Occupancy costs increased by 12.0% from prior quarter of last year. Year-to-date, total noninterest expense decreased \$20 thousand, or 1.0%, to \$2.5 million, over the same period in 2022.

Capital ratios continue to exceed regulatory requirements, with a total risk-based capital ratio at 15.48% substantially above well-capitalized regulatory requirements. The tangible book value per share was \$7.68 at quarter end, compared to \$7.45 a year earlier.

The Company reported the level of uninsured deposits at quarter end was approximately 29% at June 30, 2023, compared to 27% three months earlier, excluding the collateralized portion of public deposits.

“Our brand of community banking is being well received in the markets that we serve, and we will continue to work to create value for our shareholders and our customers,” said Darrow. “Ultimately, we are proud to have created the ability to provide shareholders greater access to liquidity and increased market value transparency. With a strong capital position, a diversified balance sheet, ample liquidity and excellent credit quality, we believe we have a solid foundation upon which to continue to improve our financial performance.”

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. 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.otcm Markets.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 June 30, 2023	Quarter Ended March 31, 2023	Three Month Change	Quarter Ended June 30, 2022	One Year Change	Year to Date June 30, 2023	Year to Date June 30, 2022	One Year Change
Interest Income								
Loans	\$ 1,783	\$ 1,686	6%	\$ 1,508	18%	\$ 3,469	\$ 2,854	22%
Interest bearing deposits in banks	82	41	100%	16	402%	123	27	362%
Securities	114	110	4%	90	26%	224	180	24%
Total interest income	1,979	1,856	7%	1,614	23%	3,835	3,061	25%
Interest Expense								
Deposits	515	425	21%	74	596%	940	134	600%
Other Borrowings	352	308	15%	100	253%	660	201	229%
Total interest expense	867	733	18%	174	399%	1,600	335	378%
Net Interest Income	1,112	1,123	-1%	1,441	-23%	2,234	2,726	-18%
Provision for Loan Losses	(50)	30	-267%	75	-167%	(20)	90	-122%
Net interest income after provision for loan losses	1,162	1,093	6%	1,366	-15%	2,254	2,636	-14%
Non-Interest Income								
Service charges on deposit accounts	18	15	18%	11	55%	33	24	39%
Other non-interest income	112	115	-3%	25	353%	227	81	179%
Total non-interest income	130	130	0%	36	258%	260	105	147%
Non-Interest Expense								
Salaries and employee benefits	720	693	4%	683	5%	1,412	1,444	-2%
Occupancy and equipment expenses	158	141	12%	141	12%	299	291	3%
Other operating expenses	391	359	9%	368	6%	752	748	1%
Total non-interest expenses	1,269	1,193	6%	1,193	6%	2,463	2,483	-1%
Net Income Before Income Tax	23	12	97%	209	-89%	35	258	-87%
Provision for Income Tax	(5)	(2)	97%	(44)	-89%	(7)	(54)	-87%
Net Income	\$ 18	\$ 9	97%	\$ 165	-89%	\$ 27	\$ 204	-87%



BALANCE SHEETS (Unaudited)

(Dollars in thousands)

	June 30, 2023	March 31, 2023	Three Month Change	June 30, 2022	One Year Change
Assets					
Cash and due from Banks	\$ 2,352	\$ 2,574	-9%	\$ 4,381	-46%
Interest bearing deposits in banks	12,674	9,468	34%	4,524	180%
Securities	23,069	23,793	-3%	24,769	-7%
Loans	139,844	141,085	-1%	146,375	-4%
Allowance for loan losses	(1,252)	(1,284)	-2%	(1,615)	-22%
Net Loans	138,592	139,801	-1%	144,759	-4%
Premises and fixed assets	6,615	6,689	-1%	5,580	19%
Accrued Interest receivable	642	644	0%	618	4%
Intangible assets	52	59	-11%	78	-33%
Other assets	3,107	2,429	28%	1,316	136%
Total Assets	\$ 187,104	\$ 185,457	1%	\$ 186,026	1%
Liabilities and Shareholders' Equity					
Deposits					
Demand, non-interest bearing	\$ 43,382	\$ 42,214	3%	\$ 52,799	-18%
Interest Bearing Demand	25,288	23,733	7%	38,042	-34%
Money Market and Savings	37,339	36,643	2%	59,974	-38%
Certificates of Deposit	34,476	36,485	-6%	13,700	152%
Total Deposits	140,486	139,074	1%	164,516	-15%
Total Borrowing	33,415	33,407	0%	8,884	276%
Accrued interest payable	238	108	120%	72	232%
Other liabilities	365	413	-11%	348	5%
Total Liabilities	174,504	173,002	1%	173,820	0%
Shareholders' Equity					
Common Stock	1,638	1,633	0%	1,627	1%
Additional paid in capital	13,081	13,038	0%	13,004	1%
Retained Earnings	(1,501)	(1,519)	-1%	(1,863)	-19%
Other Comprehensive Income	(619)	(697)	-11%	(562)	10%
Total Shareholders' Equity	12,600	12,455	1%	12,206	3%
Total Liabilities and Shareholders' Equity	\$ 187,104	\$ 185,457	1%	\$ 186,026	1%



	Quarter Ended June 30, 2023	Quarter Ended Mar 31, 20223	Quarter Ended June 30, 2022	YTD 2023	YTD 2022
Financial Ratios					
Return on Average Assets	0.04%	0.02%	0.35%	0.03%	0.22%
Return on Average Equity	0.58%	0.29%	5.39%	0.44%	3.31%
Efficiency Ratio	105.9%	96.6%	80.8%	99.5%	87.7%
Net Interest Margin	2.51%	2.62%	3.28%	2.56%	3.13%
Loan to Deposits	98.7%	100.5%	89.0%		
Tangible Book Value per Share	7.68	7.59	7.45		
Book Value per Share	7.72	7.63	7.50		
Earnings per Share	0.01	0.01	0.10	0.02	0.13
Asset Quality					
Net Loan Charge-offs (recoveries)	(18)	\$ -	-		
Nonperforming Loans	-	\$ 647	\$ 1,167		
Nonperforming Assets to Total Assets	0.00%	0.35%	0.63%		
Allowance for Loan Losses to Total Loan	0.90%	0.91%	1.10%		
Other Real Estate Owned	\$ -	\$ -	-		
CAPITAL (Bank only)					
Tier 1 leverage ratio	9.54%	9.42%	8.60%		
Tier 1 risk-based capital ratio	14.43%	14.21%	13.00%		
Total risk based capital ratio	15.48%	15.28%	14.25%		