



**Building Relationships
Building Your Success**

19917 7th Ave NE, Suite 101
Poulsbo, WA 98370
360.779.4567
libertybanknw.com

March 31st 2021

To our Shareholders of Liberty Northwest Bancorp:

I am pleased to report we have continued to help our local business community by providing additional Paycheck Protection Program loans in this first quarter of 2021. As of February 28th, 2021, approximately \$25 million in loans have been initiated for approval with the Small Business Administration (SBA).

As indicated earlier in 2020, despite a global pandemic and its impact on people's wellbeing and the economy, Liberty Bank continued to make significant progress in growth, quality, and market expansion for the year ending December 31, 2020. We hit many milestones as we served our valued Kitsap County community and attracted new customers across the Sound in Bellevue and the Eastside. Here are some of the key milestones we hit:

- Total Assets were \$170.6 million on December 31, 2020, compared to \$128.2 million on December 31, 2019. This was **an increase of \$42.4 million or 33.1% during this annual period**. If we factor out the impact of Paycheck Protection Program (PPP) lending, assets on December 31, 2020, were \$135.5 million, **an increase of \$7.3 million or 5.6% during this annual period**.
- Loans were \$125.8 million on December 31, 2020, compared to \$82.0 million on December 31, 2019, **a \$43.8 million increase or 53.4% during this annual period**. If we exclude PPP loans of \$35.1 million, **our annual loan growth would be \$8.7 million or 10.6%**.
- Since the first round of the Small Business Administration's (SBA) PPP funding, Liberty Bank **has processed more than 500 applications** for existing and new clients, totaling more than **\$70.0 million in PPP loans**.
- On December 31, 2020, the bank had **zero non-performing loans** and no loans with payments past due more than 30 days, something we are very proud of during these challenging economic times. While our credit quality performance continues to outperform our peers, Liberty Bank also set aside additional loan loss reserves of \$331,000 during this annual period as a prudent measure during this time of economic stress.
- Net Interest Income (excluding PPP fees) **increased by \$ 400,000 or 9.9%** despite the reduction in the Fed Funds rate during the year in response to the global pandemic. The increase in Net Interest Income is due to the increase in loan volume and a reduction in deposit rates. The bank's Net Interest Margin for this annual period is 3.76%.

- Net Income for Q4 ending December 31, 2020, was \$98,000 with annual net income of \$513,000. This compares to \$148,000 of annual net income in 2019. This was an increase of \$365,000 or 246.6%.
- Liberty Northwest Bancorp’s book value per share increased to \$7.67 for Q4 from \$7.21 one year earlier.

Liberty Northwest Bancorp is providing capital strength to Liberty Bank.

In my last correspondence, I noted that shareholders approved the formation of a new bank holding company. The goal of the bank holding company is to increase shareholder value and provide access to the capital markets. I am pleased to report that on March 23rd, Liberty Northwest Bancorp successfully issued \$5 million in subordinated debt. These funds can be utilized as Tier I capital as they are injected into Liberty Bank.

I am also happy to report other important news since my last report:

- Andy Leikin joined our management team as Senior Vice President and Chief Credit Officer.
- We welcomed Loreen Arnold and Galina Georgieva to our team of experienced lenders.
- Finally, we have broken ground on a new Liberty Bank building being constructed across the street from our existing space in Poulsbo. During the last 10+ years the bank has been leasing our Poulsbo location. This move will solidify our community presence in the Poulsbo market with our very own office building providing better access and drive-up facilities.

It is also important to recognize the amazing team of individuals that have been here at the bank over the last 10+ years. They have provided the vision and foundation for what we are building today. We are thankful for their continued effort and determination. They are truly the superstars in our community and bank.

I am excited by our success and look forward to building on it in the future.

On behalf of the Board of Directors, and all Liberty Bank employees, we appreciate your continued support.

Sincerely,



Richard C. Darrow
Chief Executive Officer of Liberty Bank
President and Chief Executive Officer of Liberty Northwest Bancorp, Inc.

Liberty Bank
Fourth Quarter 2020

CONSOLIDATED STATEMENT OF OPERATIONS
(Unaudited)

	2020 4th Qtr	2020 3rd Qtr	2019 4th Qtr	2020 YTD	2019 YTD
(\$ in thousands except per share data)					
EARNINGS					
Net interest income	\$ 1,426	1,549	976	5,787	4,059
Provision for loan losses	\$ 51	105	6	329	15
Net interest income after provision for loan losses	\$ 1,375	1,444	970	5,458	4,044
NonInterest income	\$ 80	105	55	334	161
NonInterest expense	\$ 1,330	1,362	1,009	5,142	4,017
Pre-tax Net income	\$ 125	187	16	650	188
Provision for income taxes (benefit)	\$ 27	39	5	137	41
Net income	\$ 98	148	11	513	148
Earnings per share	\$ 0.06	0.09	0.01	0.32	0.09
Average shares outstanding	1,602	1,602	1,602	1,604	1,602
Total revenue	\$ 1,506	1,654	1,031	6,121	4,220
PERFORMANCE RATIOS					
Return on average assets	0.22%	0.33%	0.04%	0.32%	0.13%
Return on average equity	3.21%	4.89%	0.38%	4.28%	1.32%
Net interest margin	3.38%	3.58%	3.42%	3.76%	3.65%
Efficiency ratio	87.6%	81.7%	96.4%	83.6%	92.6%
CAPITAL					
Tier 1 leverage ratio	8.20%	8.09%	9.36%		
Tier 1 risk-based capital ratio	14.22%	14.00%	14.62%		
Total risk based capital ratio	15.47%	15.21%	15.67%		
ASSET QUALITY					
Net loan charge-offs (recoveries)	\$ 0	0	0		
Allowance for loan losses	\$ 1,074	1,074	782		
Allowance for losses to total loans	0.90%	0.78%	0.96%		
Nonperforming loans	\$ 0	0	638		
Other real estate owned	\$ 0	0	0		
Nonperforming assets to total assets	0.00%	0.00%	0.51%		

Liberty Bank
Third Quarter 2020

CONSOLIDATED FINANCIAL HIGHLIGHTS
(Unaudited)

	Quarterly		
	2020 4th Qtr	2020 3rd Qtr	2019 4th Qtr
(\$ in thousands except per share data)			
BALANCE SHEET			
Cash and Due From Banks	\$ 3,612	4,718	3,713
Short Term Investments	\$ 30,205	23,685	27,485
Investments	\$ 8,713	8,629	12,462
Permanent real estate loans	\$ 70,559	71,936	61,330
Construction & land loans	\$ 4,144	4,170	7,619
Commercial loans	\$ 40,260	51,954	7,751
Home Equity loans	\$ 5,376	4,848	4,350
Consumer loans	\$ 4,648	3,928	264
Agricultural Non RE	\$ 276	234	452
Total Loans	\$ 125,263	137,071	81,766
Allowance for Loan Losses	\$ (1,125)	(1,074)	(788)
Net Loans	\$ 124,138	135,996	80,977
Premises & Equipment	\$ 1,205	1,138	1,511
Goodwill/Core Deposit Intangible	129	140	213
Other Assets	\$ 2,582	2,006	1,866
Total Assets	\$ 170,584	176,312	128,227
Non-interest bearing Demand	\$ 51,884	49,019	27,059
Interest Bearing Demand	\$ 17,237	17,398	12,822
Money Market and Savings	\$ 50,130	48,533	49,531
Certificates of Deposit	\$ 6,782	8,687	14,905
Total Deposits	\$ 126,032	123,636	104,317
Borrowed Funds	\$ 31,149	40,057	12,000
Other Liabilities	\$ 1,118	431	356
Total Equity	\$ 12,285	12,187	11,553
Total Liabilities and Equity	\$ 170,584	176,312	128,227
Tangible book value per share	\$ 7.35	7.29	6.83
Book value per share	\$ 7.67	7.61	7.21