



FOR IMMEDIATE RELEASE –

Liberty Northwest Bancorp, Inc. Earns \$136,000 in Fourth Quarter and \$526,000 for the Year 2022

2022 Fourth Quarter and Full Year Financial Highlights:

- Net income was \$136 thousand, or \$0.08 per share, in the fourth quarter of 2022, with net interest income of \$1.35 million.
- Net income for the year was \$526 thousand, with net interest income of \$5.56 million.
- Total assets increased 10.2% year-over-year to \$193.0 million.
- Total loans decreased 0.9% in the fourth quarter and increased 21.2% from the prior year.
- Net interest margin of 3.11% for the fourth quarter and 3.18% for the year.
- Nonperforming assets to total assets improved to 0.34%.

POULSBO, WASH. – January 31, 2023 - Liberty Northwest Bancorp, Inc. (OTCQX: LBNW) (the “Company”) and its wholly-owned subsidiary Liberty Bank today announced earnings of \$136 thousand for the fourth quarter ended December 31, 2022, an increase of \$271 thousand, compared to the \$135 thousand loss reported in the fourth quarter ended December 31, 2021. For the twelve months ended December 31, 2022, net income increased \$306 thousand, or 139%, compared to the twelve months ended December 31, 2021.

In the fourth quarter of 2022, the Company generated a return on common shareholders' equity of 4.41% and a return on assets of 0.30%, compared to 6.02% and 0.40%, respectively, in the immediate prior quarter. For the year 2022, return on common shareholders' equity was 4.36%, and return on assets was 0.29%, compared to 1.77% and 0.212%, respectively, in 2021.

“Our fourth quarterly results were a strong end to what was a monumental year on several measures,” said Rick Darrow, Liberty Northwest Bancorp, Inc. President and Chief Executive Officer. “We generated positive operating results for the fourth quarter, and delivered one of the most profitable years in the Company’s history for the full year 2022, reflecting the dedicated effort put forth by all of our employees. As we look to 2023, our focus remains on improving the financial performance of the Company, while continuing to meet the needs of our community.”

“Earlier this month, we held the grand opening of our new headquarters in Poulsbo,” Darrow continued. “The banking center is in a desirable location in downtown Poulsbo and is large enough to accommodate future growth for the bank well into the next decade. This new space will add to the energy and momentum that we have generated over the last several years.”



The Company's net interest margin was 3.11% for the fourth quarter of 2022, compared to 3.35% for the preceding quarter, and 3.37% for the fourth quarter of 2021. "Higher yields on earning assets during the quarter were more than offset by the increase in deposit costs, resulting in net interest margin compression during the quarter," said Darrow. For the year, the net interest margin was 3.18%, compared to 3.48% for 2021.

Total assets increased 10.2% to \$193.0 million as of December 31, 2022, compared to \$175.1 million at December 31, 2021. The year-over-year increase was primarily due to a \$25.5 million increase in loans receivable funded by deposits, increased borrowings, and a reduction in short-term investments.

"Like other financial institutions, we experienced a decrease in deposit balances during the quarter, as deposit pricing pressures persist and customers are seeking higher yields," said Darrow. Total deposits decreased 6.3% to \$141.8 million at December 31, 2022, compared to \$151.2 million a year earlier and decreased 9.3% compared to \$156.3 million at September 30, 2022. Total demand deposits decreased \$5.3 million, or 10.4%, from December 31, 2021. Non-interest bearing demand accounts represented 32.6%, interest bearing demand represented 16.9%, money market and savings accounts comprised 28.5% and certificates of deposit made up 22.1% of the total deposit portfolio at December 31, 2022.

At September 30, 2022, non-performing assets remained low at \$659 thousand, or 0.34% of total assets, corresponding to a single borrower relationship. The allowance for loan losses totaled \$1.24 million as of December 31, 2022, and was 0.85% of total loans outstanding. The Company recorded a \$40 thousand provision for loan losses in the fourth quarter of 2022, compared to a \$60 thousand provision in the third quarter of 2022 and a \$315 thousand provision in the fourth quarter of 2021.

Total non-interest income was \$45 thousand for the fourth quarter of 2022, compared to \$78 thousand in the fourth quarter a year ago. The decrease in non-interest income was due to lower fee income earned on brokered mortgage loans in 2022. For the year 2022, non-interest income totaled \$193 thousand, compared to \$314 thousand for 2021.

Total noninterest expense was \$1.17 million for the fourth quarter of 2022, a decrease of \$237 thousand, or 16.8%, from the fourth quarter a year ago. The Company's efficiency ratio in the fourth quarter of 2022 improved to 83.9%, compared to 90.7% for the same period one year ago. Compensation and benefits costs decreased by \$271 thousand, or 30.0%, over the prior year quarter primarily due to lower staff count. For the year 2022, total noninterest expense decreased \$843 thousand, or 14.7%, to \$4.89 million, compared to \$5.73 million in 2021.

Capital ratios continue to exceed regulatory requirements, with total risk-based capital substantially above well-capitalized regulatory requirements. The tangible book value per share was \$7.51 at quarter end, compared to \$7.59 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. 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 Dec 31, 2022	Quarter Ended Sept 30, 2022	Three Month Change	Quarter Ended Dec 31, 2021	One Year Change
Interest Income					
Loans	\$ 1,708	\$ 1,568	9%	\$ 1,561	9%
Interest bearing deposits in banks	19	22	-13%	8	148%
Securities	103	102	1%	84	23%
Total interest income	1,830	1,692	8%	1,653	11%
Interest Expense					
Deposits	239	104	128%	60	300%
Other Borrowings	242	104	134%	121	100%
Total interest expense	481	208	131%	181	166%
Net Interest Income	1,349	1,483	-9%	1,473	-8%
Provision for Loan Losses	40	60	-33%	315	-87%
Net interest income after provision for loan losses	1,309	1,423	-8%	1,158	13%
Non-Interest Income					
Service charges on deposit accounts	15	15	-1%	14	4%
Other non-interest income	30	28	6%	64	-53%
Total non-interest income	45	43	4%	78	-43%
Non-Interest Expense					
Salaries and employee benefits	634	694	-9%	906	-30%
Occupancy and equipment expenses	152	142	7%	136	12%
Other operating expenses	383	391	-2%	364	5%
Total non-interest expenses	1,169	1,227	-5%	1,406	-17%
Net Income Before Income Tax	185	239	-23%	(170)	-208%
Provision for Income Tax	(49)	(52)	-7%	35	-241%
Net Income	\$ 136	\$ 187	-27%	(135)	-200%



STATEMENTS OF INCOME (Unaudited)

(Dollars in thousands)

	Year to Date Dec 31, 2022	Year to Date Dec 31, 2021	One Year Change
Interest Income			
Loans	\$ 6,129	\$ 6,422	-5%
Interest bearing deposits in banks	68	27	149%
Securities	386	229	69%
Total interest income	6,583	6,678	-1%
Interest Expense			
Deposits	477	201	138%
Other Borrowings	547	386	42%
Total interest expense	1,024	587	75%
Net Interest Income	5,559	6,091	-9%
Provision for Loan Losses	190	400	-53%
Net interest income after provision for loan losses	5,369	5,691	-6%
Non-Interest Income			
Service charges on deposit accounts	54	45	19%
Other non-interest income	139	269	-48%
Total non-interest income	193	314	-39%
Non-Interest Expense			
Salaries and employee benefits	2,773	3,693	-25%
Occupancy and equipment expenses	585	600	-3%
Other operating expenses	1,528	1,437	6%
Total non-interest expenses	4,886	5,730	-15%
Net Income Before Income Tax	682	279	144%
Provision for Income Tax	(156)	(59)	161%
Net Income	\$ 526	\$ 220	139%



BALANCE SHEETS (Unaudited)

(Dollars in thousands)

	Dec 31, 2022	Sept 30, 2022	Three Month Change	Dec 31, 2021	One Year Change
Assets					
Cash and due from Banks	\$ 2,844	\$ 2,982	-5%	\$ 2,969	-4%
Interest bearing deposits in banks	11,480	4,470	157%	22,644	-49%
Securities	23,682	23,620	0%	25,809	-8%
Loans	146,185	147,497	-1%	120,647	21%
Allowance for loan losses	(1,235)	(1,190)	4%	(1,525)	-19%
Net Loans	144,950	146,307	-1%	119,121	22%
Premises and fixed assets	6,769	6,370	6%	2,825	140%
Accrued Interest receivable	699	630	11%	507	38%
Intangible assets	65	72	-9%	93	-30%
Other assets	2,527	1,704	48%	1,142	121%
Total Assets	\$ 193,016	\$ 186,154	4%	\$ 175,111	10%
Liabilities and Shareholders' Equity					
Deposits					
Demand, non-interest bearing	\$ 46,152	\$ 50,162	-8%	\$ 51,481	-10%
Interest Bearing Demand	23,892	37,940	-37%	39,378	-39%
Money Market and Savings	40,438	56,909	-29%	51,522	-22%
Certificates of Deposit	31,286	11,302	177%	8,860	253%
Total Deposits	141,768	156,313	-9%	151,241	-6%
Total Borrowing	38,149	17,392	119%	10,956	248%
Accrued interest payable	165	3	5738%	73	126%
Other liabilities	606	343	78%	410	48%
Total Liabilities	180,690	174,048	4%	162,679	11%
Shareholders' Equity					
Common Stock	1,633	1,633	0%	1,626	0%
Additional paid in capital	13,019	13,008	0%	12,984	0%
Retained Earnings	(1,541)	(1,676)		(2,067)	
Other Comprehensive Income	(785)	(859)	-9%	(111)	608%
Total Shareholders' Equity	12,326	12,106	2%	12,432	-1%
Total Liabilities and Shareholders' Equity	\$ 193,016	\$ 186,154	4%	\$ 175,111	10%



	Quarter Ended Dec 31, 2022	Quarter Ended Sept 30, 2022	Quarter Ended Dec 31, 2021	YTD 2022	YTD 2021
Financial Ratios					
Return on Average Assets	0.30%	0.40%	-0.30%	0.29%	0.12%
Return on Average Equity	4.41%	6.02%	-4.33%	4.36%	1.77%
Efficiency Ratio	83.9%	80.4%	90.7%	85.0%	89.5%
Net Interest Margin	3.11%	3.35%	3.37%	3.18%	3.48%
Loan to Deposits	102.2%	93.6%	79.8%		
Tangible Book Value per Share	7.51	7.40	7.59		
Book Value per Share	7.55	7.44	7.65		
Earnings per Share	0.08	0.11	(0.08)	0.32	0.14
Asset Quality					
Net Loan Charge-offs (recoveries)	\$ -	\$ 485	-		
Nonperforming Loans	\$ 659	\$ 670	\$ 1,185		
Nonperforming Assets to Total Assets	0.34%	0.36%	0.68%		
Allowance for Loan Losses to Total Loan	0.85%	0.81%	1.26%		
Other Real Estate Owned	\$ -	\$ -	-		
CAPITAL (Bank only)					
Tier 1 leverage ratio	9.37%	9.08%	9.08%		
Tier 1 risk-based capital ratio	13.64%	13.46%	14.45%		
Total risk based capital ratio	14.63%	14.42%	15.70%		