

DOING GOOD IS PART OF OUR DNA.



Heritage
Helps ♥

2019 ANNUAL REPORT



Heritage Bank strives to improve the social, economic and environmental vitality of the communities we serve.

As a community bank with deep roots throughout the Pacific Northwest, our company has always had a strong commitment to giving back. We continually seek ways to create hope and opportunities in the areas we serve, because we believe that beyond helping individuals and businesses achieve their financial dreams, we can also help build strong and vibrant communities.

With service to others at our core, we're extremely proud that our community investment continues to grow. In just one year, we gave more than \$1.5 million to local organizations in Washington and Oregon that support and enhance the quality of life for each and every one of us.

Our employees are also integral to our community efforts by going above and beyond helping our customers, their neighbors. Each year, they contribute thousands of volunteer hours as financial educators, small business mentors, job-skills coaches, nonprofit board members and more. Heritage also honors employee commitment to service by offering paid volunteer time and matching their financial gifts.

On the following pages, you'll read about our corporate sponsorships, signature volunteer events, financial grant awards, affordable housing projects and other innovative programs we were a part of that help fuel economic prosperity and improve the lives of those around us.

Together we can make an impact at a scale and level of effectiveness that none of us could achieve on our own. By uniting the passion and commitment of our employees, community members and local organizations, we can create sustainable solutions that will continue to change lives for years to come.

Sincerely,

A handwritten signature in black ink that reads "Jeff Deuel". The signature is fluid and cursive, with the first name "Jeff" being more prominent than the last name "Deuel".

Jeff Deuel
President and CEO

SOCIAL RESPONSIBILITY

MISSION

Heritage Bank is committed to improving our communities by driving impact in the areas of:

- Business & Economic Development
- Education & Youth Development
- Environmental Stewardship & Social Equity
- Health & Human Services

We will pursue all of our community work and support with a holistic focus on equity and inclusion. Our thriving company culture engages our employees and inspires them to serve our communities in the pursuit of positive change.

TYPES OF SUPPORT

- Sponsorships & Donations
- Corporate Match
- Employee Donations & Volunteering

OUR CULTURE & OUR PEOPLE

Heritage Bank's success depends on the success of its people. As a result, we are focused on the following to enhance employee empowerment:

- A collaborative culture that enables employees to reach their full potential
- A strong culture with defined mission and vision statements
- The designation of a certified Diversity & Equity Inclusion Officer

- The awareness of diversity, equity and inclusion through a variety of educational opportunities
- Leadership training that focuses on communication and employee engagement
- Employee recognition programs
- Competitive pay and benefits
- Our management policies, systems and disclosures holding our people to high ethical standards

OUR CUSTOMERS & OUR COMMUNITIES

We strive to improve our communities by driving positive economic growth for businesses and individuals of all income levels, as demonstrated by the array of loan, deposit and service options we offer:

- Digital banking services that are secure, cost effective and sustainable
- Deposit products such as Fresh Start Checking that provides our customers with the opportunity to reestablish a positive checking account history
- Flexible mortgage lending options, such as FHA, VA, Rural Development and first-time homebuyer loans
- Flexible small business lending options, such as Small Business Administration (SBA) 7(a) and 504 loan programs
- Community development loans, investments and grants with a focus on:
 - Affordable housing and community services - Maximize lending and tax credits to construct multi-family housing and wellness facilities for those most in need
 - Economic development - Partnering with the SBA for higher-dollar small business lending
 - Revitalization and stabilization - Supporting multiple Washington Main Street community organizations and lending in Opportunity Zones

SERVING OUR IS WHAT WE D



Last year, 270 Heritage employees donated 6,976 hours to 300 organizations to complete 2,303 activities in the communities we serve.



NEIGHBORS O.



Top Volunteers

These employees each volunteered over 100 hours of their time.

Brett Bryant	Laura Terrazas	Kristen Connor
Kathleen Swift	Marcia Marks	Lorie Blain
Melissa McCumber	Jace Dwinell	Dean Peterson
Megan Wise	Arnie Gunderson	Letta Meaux
Brett Willis	Jay Mayer	Robert Mellish
Patrick Ranspot	Elizabeth Sholander	



The organizations we donated the most hours to included local colleges and universities, local food banks and:

			
262 hours	200 hours	176 hours	69 hours



CORPORATE MATCH PROGRAM

Heritage Bank will match each employee's donation dollar-for-dollar to the community organization of their choice, up to \$100 each year.

In 2019, the bank matched \$36,300 in employee donations through efforts such as these.



Match Madness

MARCH 11-29

For three weeks in March, employees' donations were matched two to one. There were even weekly "bracket winners" where employees could win a bonus match!

- Employee Donations: \$16,550
- Bank Match: \$33,100
- Number of Employees: 207



United Way Employee Pledge Campaign

NOVEMBER 26 - DECEMBER 7

Our United Way Employee Pledge Campaign is a long-time tradition that started back when employees had to fill out a physical form and send it in. Today, our employees continue to give back in a big way, donating nearly \$50,000 in 2019 to local United Way chapters throughout Washington and Oregon.

- Goal: \$45,000
- Employee Pledge: \$49,081
- Bank Match: \$15,000
- Number of Employees: 313

Health & Human Services **\$584,494**

Education & Youth Development **\$471,121**

Business & Economic Development **\$306,563**

Environmental Stewardship
& Social Equity **\$196,503**

CORPORATE GIVING
\$1,558,680



Bank-Wide Food Drive MAY 30 - JUNE 28



Heritage Bank teamed up with Northwest Harvest, Emergency Food Network and the Oregon Food Bank again to host a month-long food drive in June. All of our locations (61 branches plus four back offices) had collection bins for kid-friendly non-perishable food items or people could make in-branch or text message cash donations. All of the food and cash benefitted the community where the donations were collected.

- Goal: 50,000 meals
- Meals collected: 43,088
- Cash donations: \$4,261
- Bank match: \$4,261

WE BELIEVE IN STRONG COMMUNITIES

Financial Literacy Program >

Making informed financial decisions is critical to financial stability. That's why we're committed to supporting organizations that offer financial education programs to help people develop the awareness they need to succeed economically.

In 2019, 29 Heritage Bank employees gave 228 hours to organizations including Junior Achievement, Spring Street International School, Portland Rotary's Enterprise Academy, Mercy Corps NW and WA Housing Finance Commission.



Habitat for Humanity (Finance Team) v

JUNE 21, 2019

Eight employees helped demo the roof and paint the exterior of one of the houses donated by MultiCare.



Economic Development of Communities ▲

We were awarded Evergreen Business Capital's Top Producing Community Bank by dollar in 2019, which is given to the community lender with the most approved SBA loans. The SBA 504 loan program provides long-term, fixed-rate financing for small businesses and was established to contribute to the economic development of communities.

N BUILDING COMMUNITIES.



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Habitat Challenge: Urban Repel >

SEPTEMBER 27, 2019

Spencer Ekle on our finance team rappelled Hotel Murano, a 245-foot building in Tacoma, to raise money for affordable housing.



Heritage Bank was founded in 1927 with the belief that when banks and neighbors work together, great communities grow stronger. We invest significant time and resources towards creating hope and opportunities in the areas we serve, because we believe that beyond helping individuals and businesses achieve their financial dreams, we can also help build strong and vibrant communities.



< SOLVE Oregon

SEPTEMBER 21, 2019

- 13 employees cleaned Orenco Woods Nature Park and the surrounding neighborhoods in Hillsboro by picking up litter and doing graffiti abatement
- 65 lbs of trash was removed before it entered Rock Creek and the Tualatin River
- Over 1,000 cigarette butts were picked up and recycled into plastic lumber



SPOTLIGHT

Emergency Food Network Repack Project

JANUARY - DECEMBER (ONCE A MONTH)

For a second year, Heritage Bank committed to having employees volunteer for one repack a month at the Emergency Food Network (EFN). The teams repacked bulk foods into smaller, family-sized portions, which can be fresh, frozen or dry and consist of rice, beans, corn, peas, watermelon and potatoes. Once the food is repackaged, it gets distributed to the 71 food pantries, meal sites and shelters within Pierce County. In 2019, we finished in the number five spot on EFN's top 10 leaderboard, and we exceeded our meal goal by 4,586!

BY THE NUMBERS

- Goal: 90,000 meals
- 130 Heritage employees repacked 122,962 pounds of bulk foods into 94,586 meals
- 2019 top volunteers (attended four repacks)
Sandy Miller, Customer Service Center
Jillian Klingenberg, South Sound District Retail Operations Officer

EFN INDIVIDUAL VOLUNTEER OF THE QUARTER

Kristy Willet, Special Assets Officer

Kristy first volunteered with EFN back in 2015. Since then, she's given more than 100 hours volunteering at EFN and countless more hours coordinating volunteer events with her team at Heritage. Kristy has also been a member of the Ambassador Board since 2017 where she helps bring more community members and organizations into EFN's network.

"I encourage new volunteers to come see the scale of the warehouse. I think it says a lot about both the level of need in our community (which might go unnoticed to most of us in our daily lives) and of the impact EFN has. I also tell them the time goes quick and it's fun and active... I regularly ask friends from work, who I don't see as much as I'd like, to sign up for a repack with me so we can find an excuse to hang out for a couple of hours while doing some good for our community."



Green Efforts

NEW SOUTHERN OPERATIONS CENTER

In October 2019, Heritage opened an 80,000 square foot building to provide a centralized working location for back-office employees. Though the building size is substantial, we wanted to ensure we reduced our impact on the environment. So during the design and construction phases, we implemented a few simple changes for a more sustainable and green workplace.

- Water filling stations on each floor with a digital counter for how many plastic bottles have been saved from the landfill, plus the ability to fill a full-sized water bottle
- Trash bins throughout the building that separate garbage from recycling
- Repurposed furniture and hardware throughout the building (desks, chairs, paper towel dispensers, handicap grab bars)—saving both money and furniture entering the landfill
- A fully stocked kitchen with dishes and silverware to reduce the number of single-use plastics being thrown away
- Eight bike racks to encourage sustainable transportation
- LED lights throughout the building, which have a longer life and use less energy
- Multiple meeting rooms with video and chat capabilities to minimize employee travel and reduce our carbon footprint

OTHER NOTEWORTHY HAPPENINGS

- Our Loan Documentation department switched to paperless processes through the implementation of DocuSign, which has the ability to report our environmental savings
- We saved 1.3 million pounds of wood, 3.4 million gallons of water and \$223.1 million
- Our IT department eCycled 31,987 pounds of equipment through local electronic recycling programs, diverting 15 tons of electronics from landfills



Reduce, Reuse, Recaffeinate

To celebrate Earth Month in April, employees were encouraged to use their own reusable cups and/or shopping bags. In the end, we saved 1,599 cups and 1,201 bags from entering the landfill.



Oregon Bike More Challenge



29% of employees in our Portland offices participated



695 miles cycled (more miles than a one-way trip to San Francisco!)



251 pounds of CO₂ saved

We placed 56th in Oregon among all organizations of our staff size and first in the finance industry with teams of 20-49!

CAPITAL CAMPAIGNS & OTHER ACTIVITIES

Affordable Housing

LIBERTY BANK BUILDING

On March 23, 2019, Africatown Community Land Trust, the Black Community Impact Alliance, Byrd Barr Place, Capitol Hill Housing, local organizations and community members celebrated the opening of Liberty Bank Building in Seattle's Central District. The building honors the legacy of the bank that once occupied that space and offers 115 affordable apartments for low- to moderate-income households. There are also three



affordable retail spaces for local minority-owned businesses on the ground floor.

Liberty Bank Building was one of the first and largest affordable housing projects in Seattle for Heritage Bank. Financing included two construction loans totaling \$17.5 million and a tax credit investment of \$9.6 million through our tax credit syndicator, Enterprise Community Investment.

On May 31, 2019, Liberty Bank Building was chosen as an Urban Finalist in Affordable Housing Finance's 2019 Readers' Choice Awards for its innovation, impact and creative problem-solving.

AFFORDABLE HOUSING PROGRAM GRANTS

Heritage Bank was awarded four Affordable Housing Program grants from the Federal Home Loan Bank of Des Moines to support affordable housing initiatives. Our grants total \$2.15 million and will go towards creating sustainable living spaces throughout our communities.

Large Grants

MERCY CORPS NORTHWEST

Heritage has committed \$50,000 over two years to Mercy Corps to support the implementation of a long-term credit building program. Participants of the program will learn about the fundamentals of credit, meet with a credit counselor, create a budget and take a survey on their financial well-being. Within 12 months of attending the workshops, participants will meet with their credit counselor to monitor progress on their goals and identify what still needs to be completed. This combination of education, planning and advising helps participants identify a path forward and hopefully break intergenerational cycles of poverty.

LACEY'S FOOD BANK

For three years, Heritage will donate a total of \$85,000 to the Thurston County Food Bank to support the building of a new food bank in Lacey, Washington. This project is a result of the food bank seeing an 11% increase in community usage—27% identified as living in Lacey—and approximately 2,000 military families continuing to seek services on a daily basis. By establishing a new food bank in Lacey, the Thurston County Food Bank will help to address the needs of households that continue to struggle to meet their basic needs for food. Lacey's Food Bank is estimated to be complete in late 2020 and will consist of three parts: the Farm Stand, the Pantry and the Victory Garden.

- \$300,000 will support Homestead Community Land Trust to build Willowcrest Townhomes in Renton, Washington
- \$350,000 will support Homestead Community Land Trust to build Yakima Ave Townhomes in Seattle, Washington
- \$700,000 will support Housing Authority of Okanogan County to build Meadowlark Senior Housing in Omak, Washington
- \$800,000 will support Panza A Washington Nonprofit Corporation to build Shelton Veterans Village in Shelton, Washington

CORNELIUS PLACE

In partnership with the city of Cornelius and development partners BRIDGE Housing and Bienestar, Heritage helped finance the affordable housing complex Cornelius Place in Cornelius, Oregon, which opened on March 30, 2019. Cornelius Place is a mixed-use three-story building that offers housing for low- to moderate-income seniors with mobility and/or hearing impairment. There is also a resident community room for social gatherings, a YMCA and a new state-of-the-art public library.

We used creative financing with BRIDGE Housing and the city of Cornelius to structure a \$10 million dollar loan for the construction of the building and a tax credit investment for the housing portion.

SEAN BRENNAN, DANCING WITH THE STARS

On March 9, 2019, Sean Brennan, commercial lending regional manager in Bellevue, stepped out of his comfort zone and stepped on stage to dance the Cha Cha in front of 550 people at Plymouth Housing's Seattle Dances. This event raises money for Plymouth Housing, a local nonprofit with a critical mission: moving our neighbors who are struggling with chronic homelessness off the streets and into stable housing with the supports they need to thrive.

"Dancing in Seattle Dances is an opportunity for me to take my values and put them into action for something we think is a human right, and that's housing."

Sean Brennan

SHELTON YMCA

In an effort to support the specific needs of Mason County's rural community, the South Sound YMCA and Mason County community are working to open a new YMCA facility in Shelton, Washington. To support this effort, Heritage has committed \$50,000 over five years. The planned facility will include traditional YMCA features, like a workout facility, Kid Zone and activity pool, but will also include space dedicated to local partners such as Mason General Hospital, Big Brothers Big Sisters of Southwest Washington, PAC Mountain Workforce Development Council, Peninsula Community Credit Union and more. The space will be welcoming for all individuals



in the community and addresses the social determinants of health in ways that foster equity and access for all.

WE BELIEVE IN THE POWER OF COMMUNITY TO IMPROVE THE LIVES OF THOSE AROUND US



SPOTLIGHT United Way Day of Caring

MONTH OF SEPTEMBER

United Way Day of Caring is held every September and is one of the largest volunteer events in Washington. Heritage employees have been participating for over 20 years, with more counties getting involved every year. This year, employees pulled weeds, trimmed bushes, painted office buildings and cleaned up yards for nonprofit organizations and low-income households within their communities.

DAY OF CARING BY THE NUMBERS

- 228 hours volunteered
- 38 employees
- Cowlitz & Wahkiakum, King, Thurston and Snohomish Counties

Through our partnerships with all of the different United Ways, we as a bank and as individuals have the opportunity to be the change we want to see in the environment we share. Through Day of Caring specifically, we are able to have the hands-on impact to revitalize and re-energize the buildings and services that provide so much to those at the most risk.

Lorie Blain | AVP, Branch Relationship Manager | Longview Branch

In 2019, we volunteered with and contributed to over 700 organizations in the communities we serve, including:



POWER OF PROVE THE DUND US.

Kathy Swift

SVP, Commercial Banking

301 volunteer hours



"It is such a gift to be a part of the Heritage Bank family. This year, two of the nonprofits that I serve on the boards of went through major changes. As a board leader with them,

I needed to put many additional hours into helping those organizations through their transitions. Heritage Bank understood that this was part of their investment in the community, as well as mine, and they supported that work. I love coming to work because even on the hard days, I know we are helping our customers and our communities."

Kathy joined Heritage Bank in 2017. She serves as a board member for Catholic Charities of Oregon, Jesuit Volunteer Corps Northwest, the Parish Trust Fund for the Archdiocese of Western Oregon, Portland Community Reinvestment Initiative (PCRI) and El Programa Hispano. She also works with Save First, a financial wellness nonprofit for families, and Cascadia Behavioral Healthcare, which provides housing and mental health services throughout the Portland area.

Kathy loves to mix her support of nonprofits with her hobbies, putting her fabric arts and crafting talents to work creating gala centerpieces and auction items. This year's art installation consisted of over 600 ornately cut cardstock butterflies, which decorated the tables and the stage of Cascadia's fundraising gala!

MEET OUR VOLUNTEERS OF THE YEAR

Melissa McCumber

VP, Branch Relationship Manager

177 volunteer hours



"I feel very blessed to be part of a bank that truly believes in giving back to the communities that we live and work in. It is a privilege to have the opportunities to

represent our bank when we're helping our neighbors. One of my favorite quotes sums it up perfectly, 'Volunteering is the ultimate exercise in democracy. You vote in elections once a year but when you volunteer, you vote every day about the kind of community you want to live in.'"

Melissa joined Whidbey Island Bank in 1997. For the last 15 years, she's served as a board member for Oak Harbor Main Street, Habitat for Humanity of Island County and Boys and Girls Club of Oak Harbor. She also volunteers for a number of nonprofits, including Habitat for Humanity's Women's Build, Oak Harbor Music Festival, Oak Harbor Pigfest, Whidbey Health's Tour de Whidbey, Oak Harbor Chamber of Commerce, Relay for Life of Whidbey Island, NAS Whidbey Task Force and Oak Harbor Navy League.

When neighbors help
neighbors, the whole
community benefits.
And that's true prosperity.

Heritage Bank believes in the possibilities for each and every person—and the power of community to improve the lives of those around us.

Learn more about our commitment to community at
HeritageBankNW.com/community



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