



Corporate Citizenship Report

2024



Fact Sheet

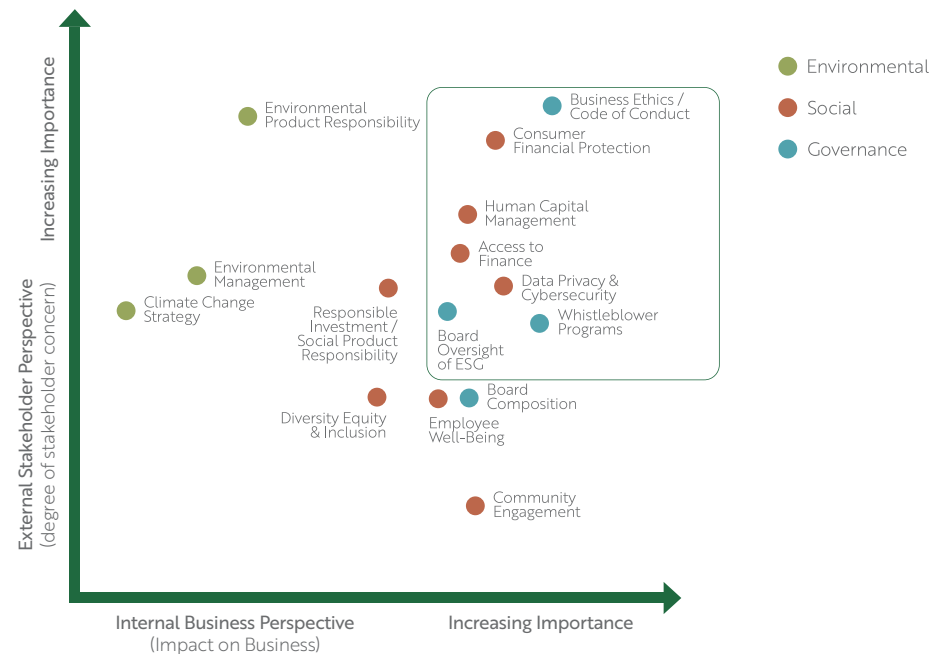
Introduction

Timberland Bank was founded in 1915 to serve the financial needs of communities in Western Washington with a full range of lending and deposit services. Over a century later, the commitment continues. We are proud to serve you and will continue to expand our services to meet the needs of our community in a responsible manner. We have 23 branch locations in Western Washington with our capable staff members that are eager to help our neighbors, families, and friends succeed financially.

Our Approach to Corporate Citizenship

Corporate Citizenship has always been part of our value system at Timberland Bank, which has been driven by our leadership and staff who all live and work in the communities we serve. We strive to support our communities by providing donations and volunteering thousands of hours annually to local non-profit organizations and organizations our staff values. Our dedicated staff members have developed meaningful relationships with our customers and the Community at large to ensure we continue to offer financial services that will help maintain the long-term viability of the cities and towns we live in and serve. We believe in helping our community, maintaining appropriate corporate governance, and being good stewards of the resources we manage. A Corporate Citizenship working group was formed in 2023. The working group engaged an independent consultant to assess our performance and help us create a comprehensive strategy to effectively manage social, community and governance risks and opportunities. The Corporate Citizenship working group leads this process with oversight from the Board of Directors through the Governance Committee. On the top right is a list of the core values we believe all Community Banks must adhere to in order to survive and thrive in our local communities.

Corporate Citizenship priorities





Community Pillar



Human Capital Management

People are one of the most important assets of the Bank. We must have high quality staff members that are passionate and capable of maintaining great relationships with our customers. We emphasize creating a nurturing dynamic, engaged, and resilient workforce that is deeply connected to the needs and values of our community. We're dedicated to continued growth, guided by the principles of service, integrity, and community stewardship.

We believe that our ability to attract and retain employees is a key to our success. Accordingly, we strive to offer competitive salaries, opportunities for growth, and employee benefits to all employees and monitor salaries in our market areas.

Strategic talent acquisition efforts have expanded our workforce with diverse skill sets aligned with our strategic goals.

We continue to manage attrition rates and highlight a retention-centric approach in working with our leaders, ensuring stability within our talented teams. Our recruitment strategy focuses on local talent acquisition and continues to result in bolstering our teams with individuals deeply rooted in the communities we serve. We observe a fair and equitable application process for positions that are advertised both internally and externally.

We provide competitive, comprehensive benefits to our employees. Our commitment to ensuring a safe, healthy workplace has been unwavering, with proactive measures to safeguard our employees' well-being.

Training programs are continuously expanded and refined to help our staff grow so they will better assist our customers.

Benefit programs available to eligible employees includes 401(k) savings plan, health and life insurance, health savings accounts and flexible spending accounts, employee assistance program, paid holidays, paid time off, paid volunteer time, paid time off for the employee's birthday and other leave as applicable.

We promote wellness initiatives to all employees that focuses on self-care, nutrition, work life balance, and financial education. Sustained focus on employee health and safety underscores our commitment to a secure workplace.

7.9 years

The average tenure of our employees was 7.9 years.



Our workforce was 80% female and 20% male.

81%

Women held 81% of the Company's management roles.*

14.8 years

The average tenure of management was 14.8 years.

*Including department supervisors and managers, as well as executive leadership. Metrics from 2023 workforce census data.



Community Pillar



Benefit programs includes:

- 401(k) savings plan
- Health and life insurance
- Health savings accounts and flexible spending accounts
- Employee assistance program
- Paid holidays, vacation and other leave

Our community-focused approach has significantly boosted employee engagement, fostering a sense of belonging and purpose. The Bank's strategy is to create long term, productive relationships through developmental growth with its employees. The Bank offers ongoing training to employees throughout their career. We use a variety of formats for both regulatory and professional development employee trainings, such as third-

party, in-house, and computer system-based trainings. Managers and supervisors are offered monthly training on a variety of management areas, including performance coaching and employee development. This training is created and facilitated in-house and can be offered virtually. We also recognize the value of allowing employees to shadow and observe other areas of the Bank to promote career development.

Currently, all employees receive performance reviews each year and can participate in an Employee Climate Survey. Results from the survey have been reviewed and additional engagement strategies continue to be developed based on the survey findings.

Our culture is one that values integrity, honesty, hard work, and community. Employees are free to voice their ideas and supported in their attempts to better themselves professionally and improve the organization. Employees receive recognition through several metrics

based on performance, time in service, process improvements and efficiencies.

We recognize that the skills and knowledge of its employees are critical to the success of the organization and promotes training and continuing education as an ongoing function for employees. Our compliance training program provides annual training courses to ensure that all employees and officers know the rules applicable to their jobs. Additional training and testing programs are offered to employees of certain job positions to promote and recognize advancement of skill and mastery within the position. Employees are encouraged to attend external education opportunities in the form of training, conferences, and networking events. Internal, robust talent development programs cater to the unique needs of our employees, ensuring their growth aligns with our organizational values. Succession planning initiatives and specific training programs ensure a pipeline of skilled individuals prepared to lead the Bank into the future.





Community Pillar



Data Privacy & Cybersecurity

Communication and information systems are essential to the conduct of our business, as we use the various systems to manage our customer relationships and all other aspects of our business. Data Privacy and Cybersecurity are key to maintaining customer and company privacy while ensuring business continuity. Risk assessments are conducted to assist in the planning of third-party annual audits and testing of critical information security controls. To effectively identify and address security risks, Timberland uses an Intrusion Detection and Response system, Data Loss Prevention tools, Antivirus/malware, and SIEM tools with third-party after-hours SOC. In addition, quarterly vulnerability scanning, and internal/external penetration testing is performed. The result of these audits and testing confirm that management oversight and control processes are satisfactory, and the program is strong.

We have made a considerable investment in technology to help us protect our clients' information. We are constantly upgrading our systems to stay ahead of malicious operators, using technology to assist in identifying fraud and cyber-attacks in real time.

We ensure controls are developed that meet industry standards and integrate best practices from our industry, state, and federal agencies.

Timberland Bank has a vendor management program that evaluates new vendors and annually reviews existing vendors. Quarterly trainings are performed on cybersecurity, information security, identity theft prevention and data privacy, including a comprehensive policy review and required employee sign-off.

Consumer Financial Protection

Safeguarding our customers' financial interests is our top priority. We have an internal training program that ensures our customers are treated fairly and protected.

Timberland Bank performs monthly, quarterly and annual training which includes:

- Elder Financial Abuse
- Red Flags
- Identity Theft Protection
- Fair Lending
- Privacy and Information Security

We assess new products for potential risk before they are launched and implement processes to mitigate risk when needed. We have a compliance team that works to keep us up to date with current regulatory best practices.

We also offer loan modification options including workout modifications, term extensions, and income-qualified modifications.

During the pandemic we offered loan deferment options and assisted customers in obtaining 1,677 Payment Protection Program ("PPP") loans totaling \$192 million.

We value customer feedback, so we have a third-party vendor that conducts phone and email surveys monthly. Our branches, call center and lending teams regularly review surveys and follow up with at-risk customers to resolve issues.

Our Marketing team reviews the results of the surveys monthly and provides results to executive management. Customers can reach out to us with comments, questions and complaints through our online banking platform, website, in person, or through the Washington State Department of Financial Institutions/FDIC.

All complaints are sent to our Compliance Officer who reviews the claim, reaches out to the business line manager for a resolution and then sends the complainant a letter with the findings and a resolution. All complaints are followed up within 10 business days and a summary is sent to the CEO and President.



Community Pillar



Access to Finance

We offer a variety of options to expand access to finance, including no minimum balance or maintenance fee checking and savings accounts. Our checking accounts offer free access to bill pay, online/mobile banking, and mobile check deposit.

We offer several types of consumer and business loans including short-term loans, SBA lending, and construction loans. We have lending options for first time home buyers. We are also proud participants in the Washington Community Reinvestment Association (WCRA) and the Washington State Office of Minority and Women's Business Enterprises Small Business Assistance.

Community Engagement

We embrace the communities we serve by supporting and volunteering at local organizations our staff members value. Volunteerism remains a cornerstone of our culture, reflecting our commitment to help those around us succeed in their lives financially and through the important causes that grow our communities.

We offer and encourage 20 hours of paid volunteer time off each year for employees to volunteer at nonprofit organizations within the Company's geographic footprint, benefiting the communities Timberland serves.

We believe in providing monetary donations to local Organizations in our community through donations and sponsorships. During 2023, Timberland contributed to 190 organizations.



\$1.9 million

Timberland donated and sponsored events totaling \$1.9 million since 2013.

In 2023

\$3.7 million

Timberland Bank originated \$3.7 million in residential loans to low/moderate income borrowers.

\$13 million

\$13.0 million in small business loans to borrowers with annual gross revenue less than \$1 million.

\$ 14.3 million

Additionally, we have lent money to create affordable housing in our local market areas and throughout Washington State. Our current portfolio has \$14.3 million in affordable housing loans.





Governance Pillar



Board Composition

A strong governance program starts with the Board of Directors. Each Director brings a diverse background of skills, tenure, age, and experiences that are necessary to oversee Timberland Bank's business. As part of its director nominee evaluation process, the Board considers diverse viewpoints, backgrounds, and experiences, as well as gender, age, race, and ethnicity, as important in selections of directors to enhance the board's diversity. The Company's board of directors is currently comprised of the Company's Chief Executive Officer and seven non-employee directors.

Business Ethics

Business ethics is a key aspect of upholding Timberland Bank's values. Every year our Code of Conduct is approved by the Board of Directors. Each employee must complete the Code of Ethics training upon joining Timberland and annually thereafter.

100%

In 2023 we received 100% completion rating of this training.

To encourage employees to speak up when a violation of the Code of Ethics occurs, we have a whistleblower hotline available 24/7 with the option for confidentiality. Third parties also have access to this whistleblower hotline. All complaints are reviewed by the Audit Committee within 30 days and escalation procedures are in place.



50%

Board has 50% gender diversity.



13%

ethnic diversity.



75%

Additionally, 75% of our board is independent, including the Board Chair.





Environmental Pillar



Timberland Bank is located in an area with rich forests, fertile farmland, and easy access to waterways. Most people living in our area treasure the rich natural resources we are blessed to live and work nearby. We believe we must be good stewards of the rich resources we manage.

We use paperless technologies to reduce our environmental impact. We accept online loan and deposit applications and have made significant progress in our electronic digitalization initiative which will promote resource efficiencies. We are continuing to assess the various areas of the Bank to determine additional documents that can be stored electronically.

Regarding operational efficiencies, we have moved to LED lighting where appropriate, installed motion-sensing lighting, and outfitted one of our branches with solar power.

We use an environmental risk assessment as a part of our loan evaluation process. When inspections are conducted the property is evaluated for visible signs or evidence that any part of the property may be contaminated by hazardous materials or if any hazardous materials are stored on the property.

When appropriate, an investigation is conducted to determine the history of the property related to environmental issues and to determine if hazardous substances had been used on the property in the past. We also require loan applicants that use potential environmental contaminants in its business to have appropriate procedures for handling and disposing of those chemicals.

Over the past 10 years we have been converting to LED lighting, adding more efficient HVAC equipment, and adding higher R-value materials to make our locations more energy efficient.

Recently we added solar panels to one branch to improve the buildings efficiency.

Policy Links

-  [Code of Conduct](#)
-  [Privacy Policy](#)
-  [Whistleblower](#)

Recycling

For several years we have partnered with a local recycling company to offer free shredding events to our local communities. In 2023 we hosted four shred events which allowed 5.1 tons of paper to be shredded and recycled. In addition, all Timberland Bank locations shred and recycle paper waste weekly.

