

Premier Commercial Bancorp (OTC PINK: PRCB; Hillsboro, OR) has agreed to merge with Heritage Financial Corporation (Nasdaq: HFWA; Olympia, WA)

Deal Value: Approximately \$88.6 Million

Sandler O'Neill acted as exclusive financial advisor and rendered a fairness opinion to Premier Commercial Bancorp in this transaction.

Sandler O'Neill has advised on 33 bank or thrift transactions in the Western Region since January 1, 2014 representing \$10.6 billion in aggregate transaction value, more transactions and transaction value than any other investment bank during that time period.¹

Olympia, Washington and Hillsboro, Oregon, March 8, 2018, Heritage Financial Corporation ("Heritage") (NASDAQ: HFWA) and Premier Commercial Bancorp ("Premier") (OTC Pink: PRCB) jointly announced today the signing of a definitive agreement under which Heritage will acquire Premier in an all-stock transaction valued at approximately \$88.6 million, or \$15.12 per share, based on the closing price of Heritage common stock of \$31.10 on March 8, 2018. Upon consummation, the shareholders of Premier will own approximately 7.7% of the combined company.

Premier Community Bank, established in 1999, is headquartered in Hillsboro, Oregon with six branch locations and \$401 million in total assets, \$344 million in total loans and \$331 million in total deposits as of December 31, 2017, and is the wholly owned subsidiary of Premier. Heritage will have total assets over \$5 billion on a pro forma basis including the impact of the Premier acquisition.

"The partnership with Premier is an excellent way for us to expand our franchise in the Portland market. Heritage has significant momentum in Portland and Seattle, which are two of the most attractive banking markets in the Pacific Northwest", said Brian Vance, President and Chief Executive Officer of Heritage Financial Corporation. Rick A. Roby, President and Chief Executive Officer of Premier, added, "We believe the combination of Premier and Heritage will be of significant value to our shareholders, customers and employees. We are pleased to partner with an organization that shares our dedication to provide high level personal service."

The definitive agreement has been unanimously approved by the boards of directors of Heritage and Premier. The merger is subject to regulatory approvals, approval by Premier shareholders, and certain other customary closing conditions and is expected to close in the third quarter of 2018.

Financial Highlights (\$ millions)²

	HFWA ³	PRCB
Total Assets	\$4,113	\$401
Gross Loans	\$2,849	\$344
Deposits	\$3,393	\$331
Equity	\$508	\$40
LTM ROAA	1.05%	0.85%
TCE / TA	9.61%	9.97%

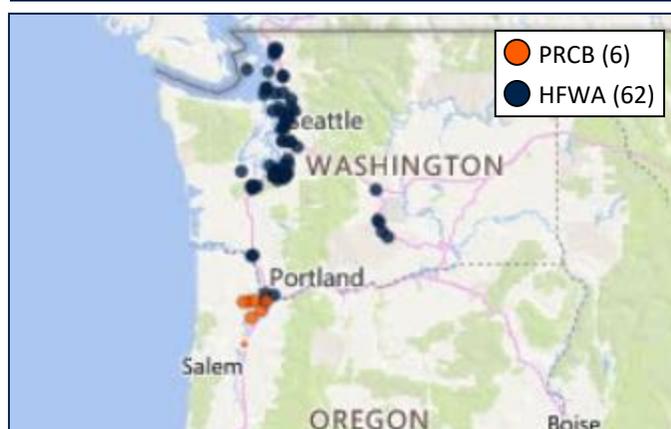
1: Excludes terminated transactions and self-advisory roles.

2: Data as of December 31, 2017.

3: Does not include the acquisition of Puget Sound Bancorp.

Source: S&P Global Market Intelligence

Pro Forma Branch Network



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