

HERITAGE FINANCIAL CORPORATION

	CPP Disbursement Date 11/21/2008	RSSD (Holding Company) 2166124	Number of Insured Depository Institutions 2	
Selected balance and off-balance sheet items				
	2008 \$ millions	2009 \$ millions	%chg from prev	
Assets	\$946	\$1,014	7.3%	
Loans	\$809	\$773	-4.4%	
<i>Construction & development</i>	\$128	\$97	-24.4%	
<i>Closed-end 1-4 family residential</i>	\$81	\$83	2.1%	
<i>Home equity</i>	\$23	\$22	-3.0%	
<i>Credit card</i>	\$0	\$0	-2.4%	
<i>Other consumer</i>	\$3	\$3	-10.6%	
<i>Commercial & Industrial</i>	\$125	\$123	-1.8%	
<i>Commercial real estate</i>	\$329	\$335	2.0%	
Unused commitments	\$183	\$173	-5.4%	
Securitization outstanding principal	\$0	\$0		
Mortgage-backed securities (GSE and private issue)	\$28	\$61	117.0%	
Asset-backed securities	\$0	\$0	-77.2%	
Other securities	\$16	\$44	178.6%	
Cash & balances due	\$61	\$107	76.1%	
Residential mortgage originations				
<i>Closed-end mortgage originated for sale (quarter)</i>	\$0	\$0		
<i>Open-end HELOC originated for sale (quarter)</i>	\$0	\$0		
<i>Closed-end mortgage originations sold (quarter)</i>	\$0	\$0		
<i>Open-end HELOC originations sold (quarter)</i>	\$0	\$0		
Liabilities	\$852	\$887	4.1%	
Deposits	\$847	\$871	2.8%	
Total other borrowings	\$1	\$11	1921.2%	
FHLB advances	\$0	\$0		
Equity				
Equity capital at quarter end	\$93	\$128	36.8%	
Stock sales and transactions with parent holding company (cumulative through calendar year)	\$5	\$34	NA	
Performance Ratios				
Tier 1 leverage ratio	8.8%	11.4%	--	
Tier 1 risk based capital ratio	10.0%	15.3%	--	
Total risk based capital ratio	11.2%	16.6%	--	
Return on equity ¹	0.3%	3.2%	--	
Return on assets ¹	0.0%	0.4%	--	
Net interest margin ¹	4.7%	4.5%	--	
Coverage ratio ((ALL+Alloc transfer risk)/Noncurrent loans)	332.5%	78.9%	--	
Loss provision to net charge-offs (qtr)	255.9%	129.0%	--	
Net charge-offs to average loans and leases ¹	0.9%	2.0%	--	
¹ Quarterly, annualized.				
	Noncurrent Loans		Gross Charge-Offs	
Asset Quality (% of Total Loan Type)	2008	2009	2008	2009
<i>Construction & development</i>	2.2%	25.7%	1.4%	3.6%
<i>Closed-end 1-4 family residential</i>	0.6%	1.0%	0.0%	0.2%
<i>Home equity</i>	0.0%	0.0%	0.0%	0.0%
<i>Credit card</i>	0.0%	0.0%	0.0%	0.0%
<i>Other consumer</i>	0.0%	0.0%	1.4%	1.0%
<i>Commercial & Industrial</i>	1.1%	3.9%	0.0%	0.1%
<i>Commercial real estate</i>	0.0%	0.4%	0.0%	0.0%
<i>Total loans</i>	0.6%	4.3%	0.2%	0.5%