

**HERITAGE BANK**

	CPP Disbursement Date 12/12/2008	Cert 30090	Number of Insured Depository Institutions 1	
<b>Selected balance and off-balance sheet items</b>	<b>2011</b> \$ millions	<b>2012</b> \$ millions	%chg from prev	
<b>Assets</b>	\$1,022	\$965	-5.7%	
Loans	\$563	\$536	-4.9%	
Construction & development	\$64	\$65	2.3%	
Closed-end 1-4 family residential	\$177	\$167	-5.6%	
Home equity	\$37	\$37	-0.6%	
Credit card	\$0	\$0		
Other consumer	\$9	\$8	-12.2%	
Commercial & Industrial	\$54	\$33	-38.5%	
Commercial real estate	\$183	\$123	-32.9%	
Unused commitments	\$119	\$108	-9.2%	
Securitization outstanding principal	\$0	\$0		
Mortgage-backed securities (GSE and private issue)	\$129	\$109	-15.7%	
Asset-backed securities	\$0	\$0		
Other securities	\$0	\$247		
Cash & balances due	\$31	\$34	9.8%	
<b>Residential mortgage originations</b>				
Closed-end mortgage originated for sale (quarter)	\$0	\$8		
Open-end HELOC originated for sale (quarter)	\$0	\$0		
Closed-end mortgage originations sold (quarter)	\$0	\$8		
Open-end HELOC originations sold (quarter)	\$0	\$0		
<b>Liabilities</b>	\$910	\$851	-6.5%	
Deposits	\$800	\$760	-5.0%	
Total other borrowings	\$106	\$87	-18.0%	
FHLB advances	\$0	\$44		
<b>Equity</b>				
Equity capital at quarter end	\$112	\$113	1.1%	
Stock sales and transactions with parent holding company (cumulative through calendar year)	\$0	-\$6	NA	
<b>Performance Ratios</b>				
Tier 1 leverage ratio	10.2%	10.6%	--	
Tier 1 risk based capital ratio	16.5%	17.8%	--	
Total risk based capital ratio	17.6%	19.1%	--	
Return on equity <sup>1</sup>	9.6%	4.8%	--	
Return on assets <sup>1</sup>	1.0%	0.6%	--	
Net interest margin <sup>1</sup>	3.1%	3.0%	--	
Coverage ratio ((ALL+Alloc transfer risk)/Noncurrent loans)	117.2%	139.0%	--	
Loss provision to net charge-offs (qtr)	51.4%	146.2%	--	
Net charge-offs to average loans and leases <sup>1</sup>	0.5%	0.3%	--	
<sup>1</sup> Quarterly, annualized.				
	<b>Noncurrent Loans</b>		<b>Gross Charge-Offs</b>	
<b>Asset Quality (% of Total Loan Type)</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>	<b>2012</b>
Construction & development	2.1%	4.3%	-0.5%	0.0%
Closed-end 1-4 family residential	1.3%	1.3%	0.2%	0.1%
Home equity	0.4%	0.2%	0.2%	0.0%
Credit card	0.0%	0.0%	0.0%	0.0%
Other consumer	0.0%	1.5%	0.6%	1.5%
Commercial & Industrial	0.3%	1.7%	0.3%	0.0%
Commercial real estate	1.2%	0.9%	0.3%	0.2%
Total loans	1.1%	1.4%	0.1%	0.1%