



## ANNUAL USE OF CAPITAL SURVEY - 2009

### NAME OF INSTITUTION

(Include Holding Company Where Applicable)

Heritage Oaks Bank, a financial subsidiary of Heritage Oaks Bancorp

Person to be contacted regarding this report:	Margaret A. Torres 805-369-5107	RSSD: (For Bank Holding Companies)	2253529
UST Sequence Number:	607	Holding Company Docket Number: (For Thrift Holding Companies)	
CPP Funds Received:	21,000,000	FDIC Certificate Number: (For Depository Institutions)	24229
CPP Funds Repaid to Date:	0	City:	Paso Robles
Date Funded (first funding):	Mar 20, 2009	State:	California
Date Repaid <sup>1</sup> :	N/A		

<sup>1</sup>If repayment was incremental, please enter the most recent repayment date.

*American taxpayers are quite interested in knowing how banks have used the money that Treasury has invested under the Capital Purchase Program (CPP). To answer that question, Treasury is seeking responses that describe generally how the CPP investment has affected the operation of your business. We understand that once received, the cash associated with TARP funding is indistinguishable from other cash sources, unless the funds were segregated, and therefore it may not be feasible to identify precisely how the CPP investment was deployed or how many CPP dollars were allocated to each use. Nevertheless, we ask you to provide as much information as you can about how you have used the capital Treasury has provided, and how your uses of that capital have changed over time. Treasury will be pairing this survey with a summary of certain balance sheet and other financial data from your institution's regulatory filings, so to the extent you find it helpful to do so, please feel free to refer to your institution's quarterly call reports to illustrate your answers. This is your opportunity to speak to the taxpayers in your own words, which will be posted on our website.*

What specific ways did your institution utilize CPP capital? Check all that apply and elaborate as appropriate, especially if the uses have shifted over time. Your responses should reflect actions taken over the past year (or for the portion of the year in which CPP funds were outstanding).

<input type="checkbox"/>	Increase lending or reduce lending less than otherwise would have occurred.	
<input checked="" type="checkbox"/>	To the extent the funds supported increased lending, please describe the major type of loans, if possible (residential mortgage loans, commercial mortgage loans, small business loans, etc.).	In 2009, gross loans increased by 7.1%. Please refer to the Holding Company's 10-k (specifically the MD&A Section) filed with the SEC on 3-31-10.
<input checked="" type="checkbox"/>	Increase securities purchased (ABS, MBS, etc.).	In 2009, Investment in US Agency securities increased by approximately \$61 million in 2009.

<input type="checkbox"/>	Make other investments	
<input checked="" type="checkbox"/>	Increase reserves for non-performing assets	In 2009, the Bank increased the Allowance for Probable Loan and Lease Loss (ALLL) by approximately \$4 million or 38%. Please refer to the Holding Company's 10-k (specifically the MD&A Section) filed with the SEC on 3-31-10.
<input type="checkbox"/>	Reduce borrowings	
<input checked="" type="checkbox"/>	Increase charge-offs	In 2009, loan charge offs increased by approximately \$12.1 million. Please refer to the Holding Company's 10-k (specifically the MD&A Section) filed with the SEC on 3-31-10.
<input type="checkbox"/>	Purchase another financial institution or purchase assets from another financial institution	
<input type="checkbox"/>	Held as non-leveraged increase to total capital	

What actions were you able to avoid because of the capital infusion of CPP funds?

Both the Holding Company and the Bank were able to avoid a downgrade in regulatory capital status from "Well-Capitalized".

What actions were you able to take that you may not have taken without the capital infusion of CPP funds?

The Bank was able to maintain the Regulatory status of "Well-Capitalized" while taking advantage of organic, core deposit growth within its primary market place. This core deposit growth was in new relationships created, in great part, by the disintermediation from failed or troubled financial institutions.

Please describe any other actions that you were able to undertake with the capital infusion of CPP funds.

Both the Holding Company and the Bank were able to strengthen the capital position to ensure stability for the customer base and th