CAPITAL PURCHASE PROGRAM (CPP) LENDING REPORT

Name of institution: Heritage Financial Corporation
Person to be contacted about this report: Kaylene Lahn, Corporate Secretary, 360.570.7355
Submission date: April 30, 2009

RSSD (for Bank Holding Companies): 2166124
Holding Company Docket Number (for Thrift Holding Companies):
FDIC Certificate Number (for depository institutions):

LENDING ACTIVITY (Thousands $)	2009 FEB	2009 MAR	Key	Comments
1. Loan Balances				
a. Average Consumer Loans	$81,005	$78,689		The banks continue to actively orginate consumer loans. We have mplemented a special loan program for home buyers that offers attractive terms to qualified buyers for the purchase of homes financed for Heritage Bank builders.
b. Average Commercial Loans	$720,382	$715,151		The company continues to actively orginate sound loans. In addition, the Heritage Bank is conducting outreach to small business owners with resulting increases in SBA guaranteed lending.
c. Total Loans (sum of lines a and b)	$801,386	$793,840		Total loans declined due to a combination of construction loan payoffs, prepayment of single-family residential mortgages, and seasonal paydowns of agricultural lines of credit. During the first quarter of 2009, total loans originated were $44.5 million and total loans renewed were $93.6 million.

2. General Market Commentary (optional)

Heritage Financial Corporation is a two bank holding company. The wholly owned subsidiaries are Heritage Bank (RSSD # 881478) and Central Valley Bank (RSSD# 37378).