




Heritage Financial Corporation

HFWA NASDAQ

Banks

Market Capitalization USD:

\$172.79 mm**CONCERN LEVEL: LOW**

- 1 The CEO's total remuneration is within the typical market range for the relevant industry and market cap.
- 2 The ratio between the CEO's pay and the median pay of the other named executive officers is 3X or less.
- 3 The CEO's annual cash incentives rose or fell in line with annual performance.
- 4 The CEO received no more than one annual cash bonus this fiscal year.
- 5 The CEO's equity remuneration reflected the company's share price movement over the last five years.
- 6 The company only pays long-term incentives to the CEO for above median performance against a peer group.
- 7 The company's dilution from equity incentives is 10 percent or less.
- 8 Unvested equity lapses when the CEO's employment is terminated. 
- 9 The CEO's potential cash severance payment is capped at two times annual cash remuneration.
- 10 The accrued benefits of the CEO's post-retirement income are within the typical market range for the relevant market cap bracket.

CEO: Brian L. Vance**Age: 57****CEO Since: 2006**

	2009	2010	2011
Base Salary	\$238,200	\$270,420	\$304,722
Discretionary Bonus	\$0	\$0	\$0
Annual Cash Incentive	\$0	\$107,190	\$109,175
Benefits and Perquisites	\$22,632	\$25,443	\$32,139
TOTAL ANNUAL COMPENSATION	\$260,832	\$403,053	\$446,036
Increase in Post-Retirement Benefits	\$0	\$0	\$0
Stock Option Awards	\$0	\$0	\$0
Stock Awards	\$67,750	\$71,457	\$100,581
TOTAL COMPENSATION	\$328,582	\$474,510	\$546,617
Median of Other Named Executive Officers Total Compensation	\$168,288	\$303,358	\$312,828
Value Realized on Exercise of Stock Option	\$0	\$13,353	\$0
Value Realized on Vesting of Stock	\$0	\$0	\$44,891
TOTAL REALIZED EQUITY COMPENSATION	\$0	\$13,353	\$44,891

Proxy Date: 19 Mar 2012

Annual Meeting Date: 2 May 2012

Equity Reserves: 8.22%

Stock Option Run Rate: 0.44%

Heritage Financial Corporation

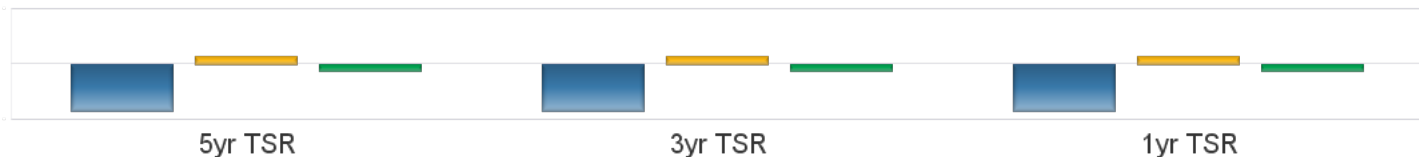
HFVA NASDAQ

Banks

Market Capitalization USD: **\$172.79 mm**

Performance Comparison

■ vs S&P500 ■ vs Industry ■ HFVA



Peer Comparisons (TRBC) =Banks

Total Summary CEO Compensation

Ticker	Company Name	2009	2010	2011	Market Cap
HFVA	Heritage Financial Corporation	\$328,582	\$474,510	\$546,617	\$172,794,801
SRCE	1st Source Corporation	\$990,891	\$1,871,600	\$1,976,362	\$504,359,747
BANF	BancFirst Corporation	\$439,368	\$435,671		\$501,562,939
PACW	PacWest Bancorp	\$1,505,375	\$3,400,078		\$494,599,605
INDB	Independent Bank Corp.	\$1,924,710	\$1,982,595		\$466,642,599
WSBC	WesBanco, Inc.	\$518,397	\$874,315	\$949,750	\$460,954,221
FIBK	First Interstate BancSystem, Inc.	\$1,353,082	\$783,245		\$460,003,207

To insure consistency, peer comparisons are based on a combination of TRBC Industry and Sector classifications and company market caps.

Missing peer pay figures for 2011 are due to differences in company filing schedules.

Pay Peer Group

Columbia Banking System, Inc., Heritage Commerce Corp., Washington Banking Company, West Coast Bancorp, Sierra Bancorp, Northrim Bancorp, Inc., Farmers & Merchants Bancorp, Pacific Continental Corporation, Heritage Oaks Bancorp, Cascade Financial Corporation, Bank of Marin Bancorp, Riverview Bancorp, Inc., PremierWest Bancorp, Intermountain Community Bancorp, North Valley Bancorp, Bridge Capital Holdings, Central Valley Community Bancorp, Timberland Bancorp, Inc.

Performance Peer Group

NA

COMPENSATION COMMITTEE MEMBERS

Director	Membership	Age	Gender	Tenure	Independence
Kimberly T. Ellwanger	Chairman	52	Female	6	Outside
Brian S. Charneski	Member	50	Male	12	Outside Related
Darvl D. Jensen	Member	72	Male	27	Outside Related
Garv B. Christensen	Member	63	Male	7	Outside
Peter N. Fluetsch	Member	74	Male	13	Outside Related

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