

Heritage Oaks Bancorp (NASDAQ: HEOP; Paso Robles, CA) has agreed to merge with Mission Community Bancorp (OTCQB: MISN; San Luis Obispo, CA)

Deal Value: \$56.4 million

Sandler O'Neill served as financial advisor and provided a fairness opinion to Heritage Oaks Bancorp in this transaction. This transaction represents Sandler O'Neill's 101st bank or thrift transaction nationwide since January 1, 2011. Sandler O'Neill has served as a financial advisor on more bank and thrift transactions than any other investment bank during that time period.¹

Since January 1, 2011, Sandler O'Neill has advised on 22 bank or thrift transactions in the western region with an aggregate deal value of \$4.7 billion, more than any other investment bank during that time period.¹

Paso Robles and San Luis Obispo, CA (October 21, 2013) – Heritage Oaks Bancorp (“Heritage Oaks”) and Mission Community Bancorp (“Mission Community”) today announced that they have signed a definitive agreement and plan of merger (“Agreement”) whereby Heritage Oaks will acquire Mission Community and merge their respective banks, Heritage Oaks Bank and Mission Community Bank. Under the terms of the Agreement, holders of Mission Community common stock, warrants and options will receive aggregate cash consideration of \$8.0 million and aggregate stock consideration of 7,541,353 shares of Heritage Oaks common stock. Based on the shares outstanding of Mission Community as of September 30, 2013, each share will be exchanged for approximately 0.8614 shares of Heritage common stock and cash consideration of approximately \$0.19. The total value of the merger consideration is \$56.4 million, based on a \$6.42 closing price of Heritage Oaks common stock on October 18, 2013.

Heritage Oaks expects that the transaction will be immediately accretive to EPS, excluding deal related and restructuring expenses in 2014, and expects earnings accretion to be in excess of 20% in 2015. Heritage Oaks expects tangible book value dilution of approximately 5.7% at close to be earned-back within 2.75 years. The transaction is currently expected to close in the first quarter of 2014, subject to customary conditions, including the approval of bank regulatory authorities and the shareholders of both companies.

Upon completion of the transaction, the combined bank will be the largest community bank headquartered on the Central Coast of California, and will operate under the Heritage Oaks name and brand. The combined organization will have approximately \$1.5 billion in assets, \$1.3 billion in deposits, and \$1.0 billion in loans, and will operate primarily in San Luis Obispo, Santa Barbara and Ventura Counties.

Financial Highlights

	<u>HEOP</u>	<u>MISN</u>
Total Assets	\$1,097	\$447
Net Loans	\$737	\$247
Deposits	\$883	\$398
Equity	\$146	\$37.0
NPAs / Assets (%)	1.45%	2.22%
LTM ROAA (%)	1.50%	0.62%
Market Cap.	\$163	\$36.8

Notes:
 Dollars in millions; financial data as of June 30, 2013
¹Includes bank & thrift transactions since January 1, 2011; Excludes terminated transactions and self-advisory roles
 Source: SNL Financial

Pro Forma Branch Network



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