



HERITAGE
COMMERCE CORP

Annual Meeting of Shareholders
May 27, 2010

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Heritage Profile

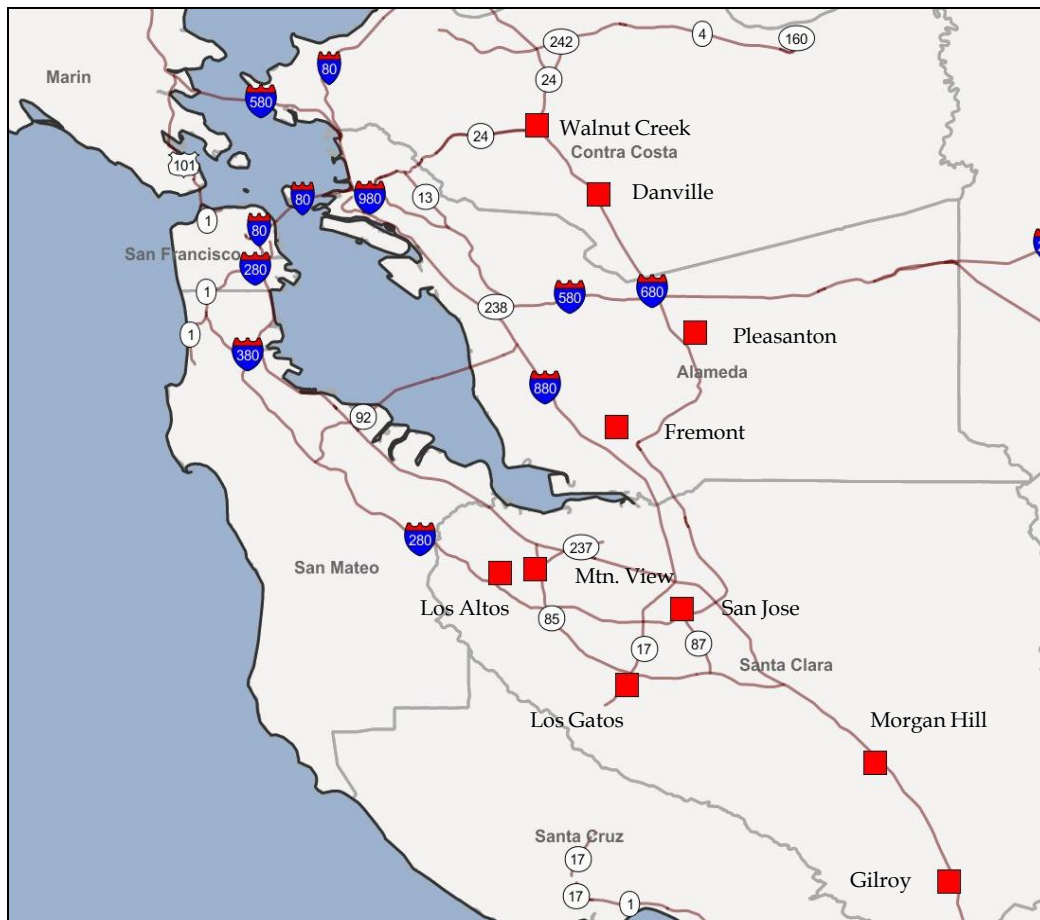
- **Heritage Bank of Commerce was founded in 1994 as a community business bank headquartered in San Jose, CA**
- **Relationship Banking Strategy**
 - A community business bank that offers a full range of banking services to small to medium sized businesses and their owners, managers and employees
- **Core Clientele**
 - Closely held businesses that are small to medium in size
 - Professionals
 - High net worth individuals
- **Specialty Expertise**
 - SBA lending and loan sales
 - Cash management
 - Non-profit organizations
 - Education
 - Churches
 - Homeowner associations
 - Commercial property and asset management



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Heritage Snapshot

Heritage Bank of Commerce – 10 Branches



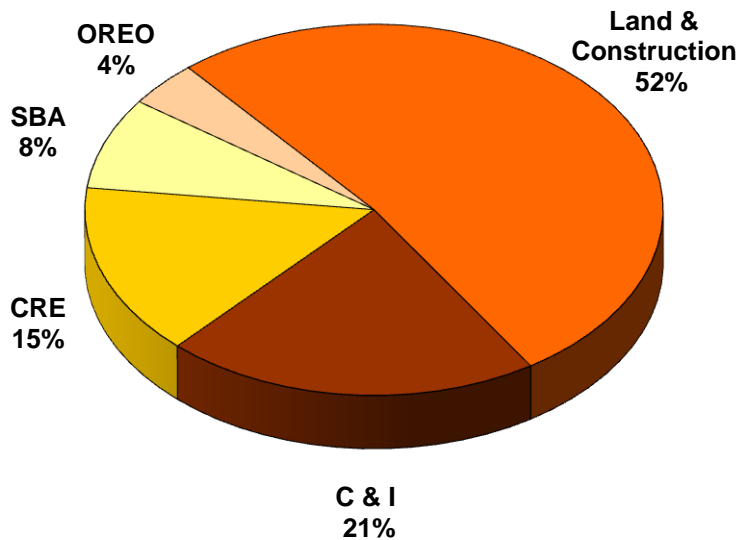
Financial Highlights 12/31/09:

■ Total Assets	\$1.4 billion
■ Total Loans	\$1.1 billion
■ Total Deposits	\$1.1 billion
■ Total Stockholders' Equity	\$172.3 million
■ CPP Preferred	\$38.2 million
■ Tangible Common Equity	\$87.3 million
■ TCE/TA	6.63%
■ Leverage Ratio	10.05%
■ Tier 1 RBC Ratio	11.59%
■ Total RBC Ratio	12.86%
■ Loans/Deposits	98.24%
■ Yield on Earning Assets ⁽¹⁾	4.69%
■ Cost of Funds ⁽¹⁾	1.14%
■ Net Interest Margin ⁽¹⁾	3.61%
■ Efficiency Ratio ⁽¹⁾	75.77%
■ Net Loss ⁽²⁾	(\$12.0) million

(1) For the quarter ended 12/31/09.

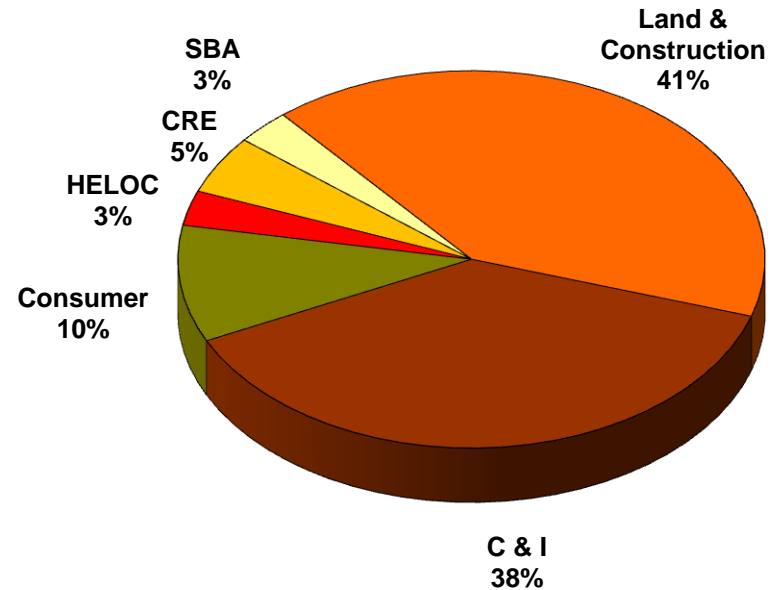
(2) For the year ended 12/31/09.

NPA & Net Charge-Off Composition



Nonperforming Asset Composition

- NPAs = \$64.6mm at 12/31/09



Net Charge-off Composition

- NCOs = \$30.2mm in 2009

Market Share

- Attractive footprint of 10 branch locations in the San Francisco East Bay Area & Silicon Valley
- Ranks fourth in its market⁽¹⁾ amongst Independent Community Banks headquartered in the San Francisco Bay Area

Top Ten Regional Banks			
2009 Rank	Bank	Branch Count	Deposits in Market (\$000)
1	Silicon Valley Bank	2	6,091,660
2	The Mechanics Bank	24	2,029,209
3	Fremont Bank	22	1,680,917
4	Heritage Bank of Commerce	10	1,172,072
5	United Commercial Bank	9	1,082,759
6	Bridge Bank, N.A.	2	708,413
7	Private Bank of the Peninsula	1	245,836
8	Bank of Alameda	6	217,793
9	Westamerica Bank	8	202,530
10	First Community Bank	2	162,923

Top National Franchises			
2009 Rank	Bank	Branch Count	Deposits in Market (\$000)
1	Wells Fargo & Co. (CA)	169	29,259,129
2	Bank of America Corp. (NC)	144	26,893,633
3	JPMorgan Chase & Co. (NY)	97	8,497,546
4	Citigroup Inc. (NY)	64	7,224,675

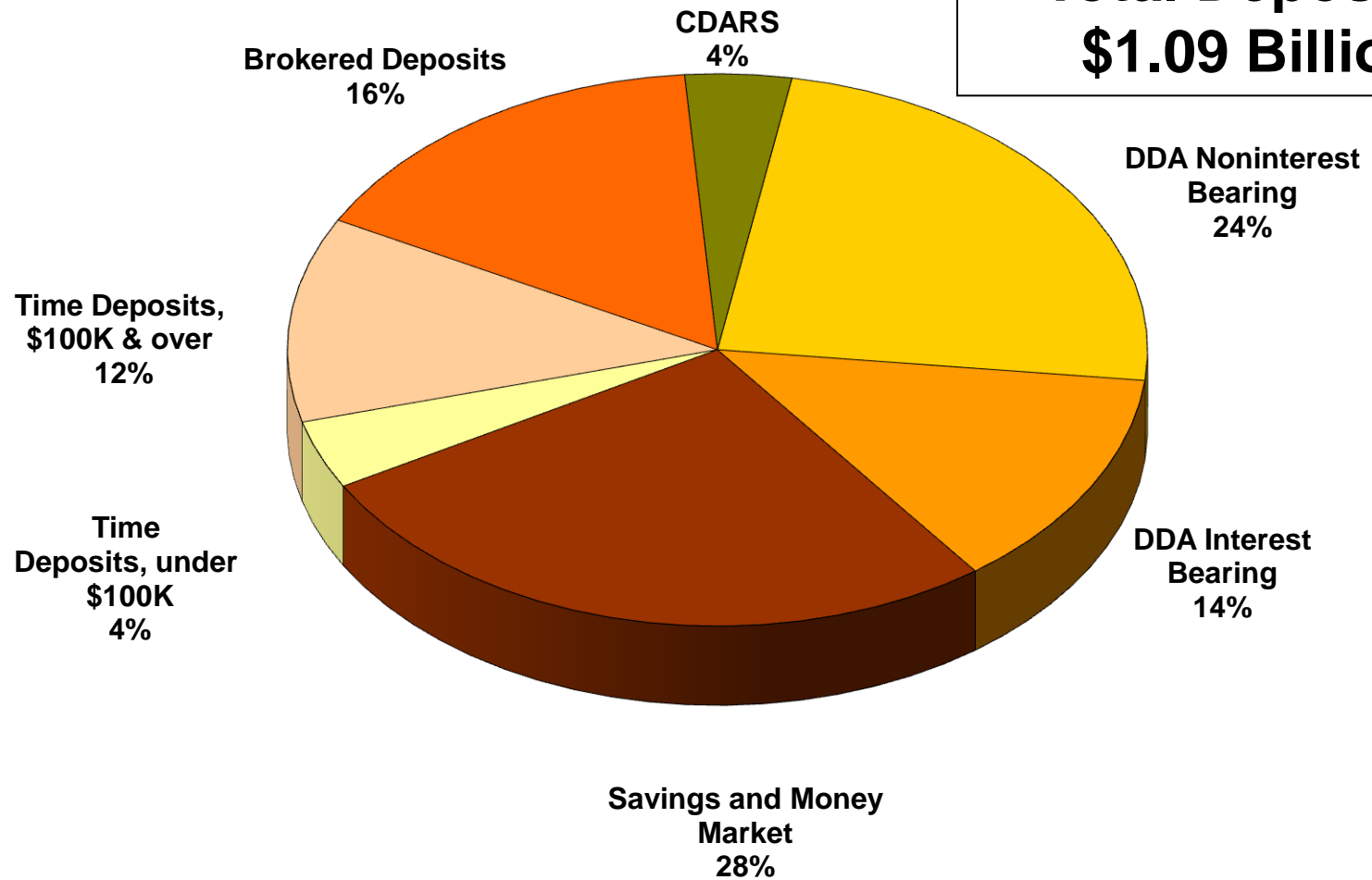
Totals for Market ⁽¹⁾			
		Branch Count	Deposits in Market (\$000)
		886	109,837,157

(1) Market refers to Alameda, Contra Costa, and Santa Clara counties. Source: SNL Financial as of June 30, 2009.

Attractive Deposit Base

Q4 2009

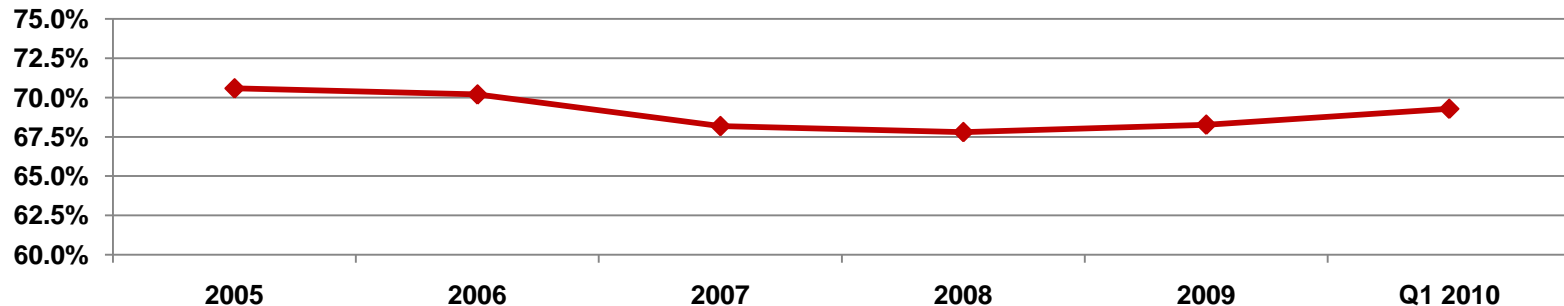
**Total Deposits:
\$1.09 Billion**



- Average Cost of Deposits: 0.99%

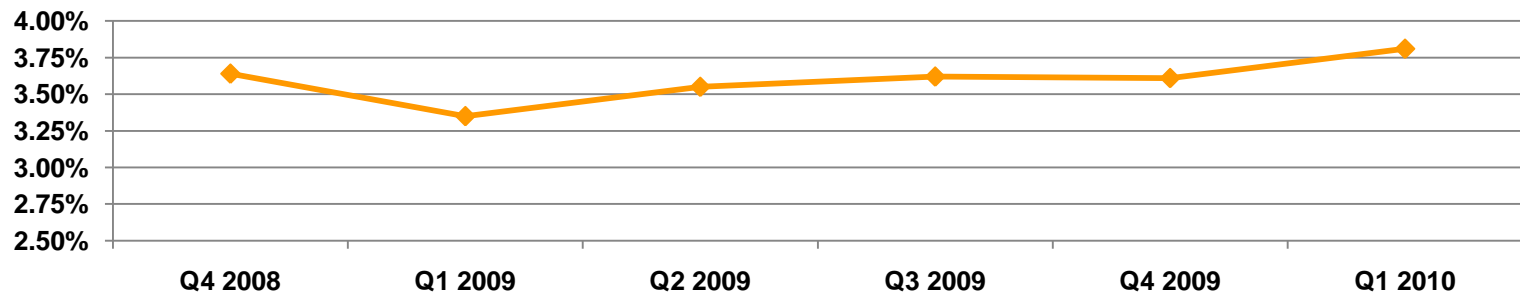
Core Deposits and Net Interest Margin

Core Deposits/Avg. Assets – Heritage Bank of Commerce

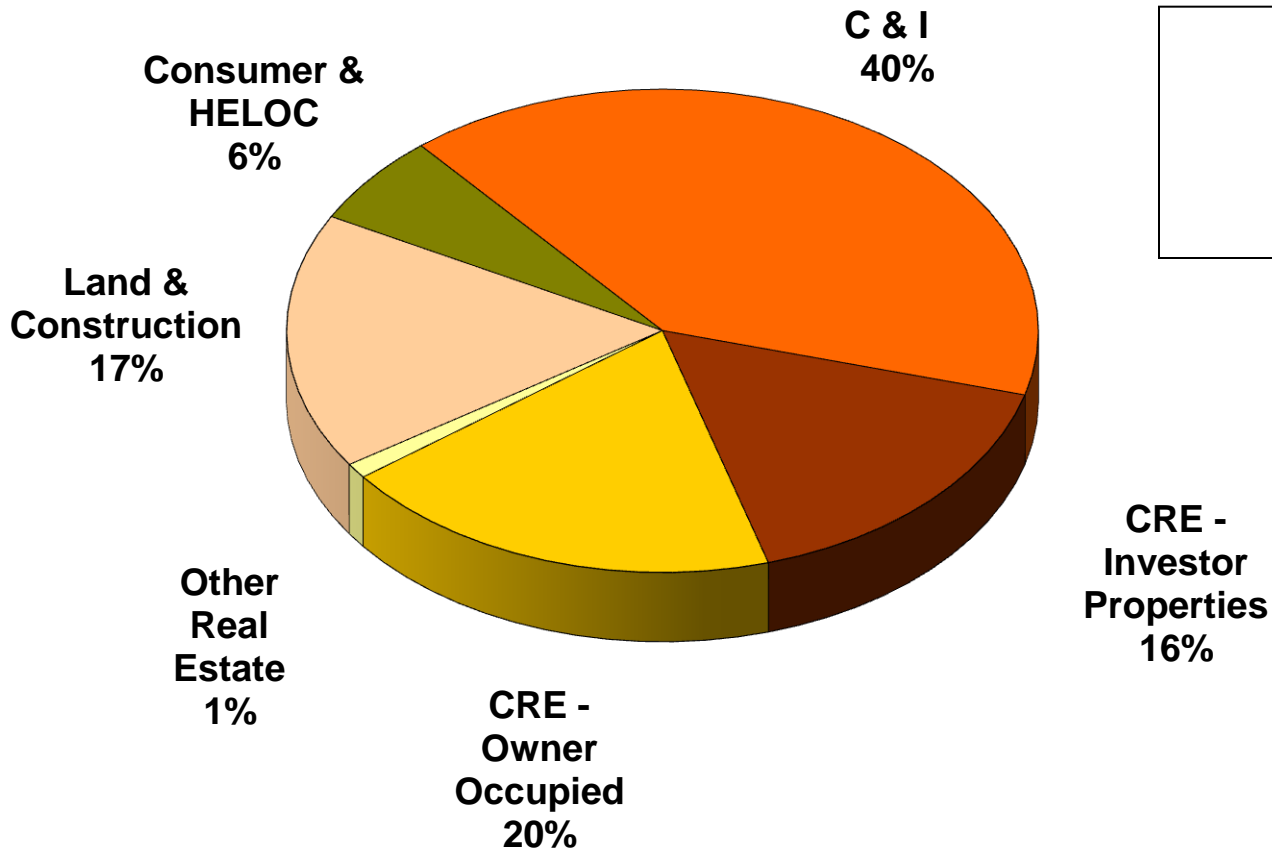


- Heritage Bank of Commerce has a higher proportion of core deposits to average assets than its peers, per the Uniform Bank Performance Report
- These valuable deposits drive lower interest expense

Net Interest Margin – Heritage Commerce Corp



- In a higher interest rate environment, Heritage's portfolio of low and noninterest deposits will be increasingly valuable



Gross Loan Portfolio: \$1.07 Billion

- Average Yield on Loans: 5.06%
- Land and Construction loans down from peak of \$257 million at December 31, 2008 to \$183 million at December 31, 2009, and \$154 million at March 31, 2010

2010 / 2011 Outlook

- **Marginal economic improvement in 2010 in Bay Area due to little employment growth**
- **Accelerating economic improvement in 2011 in Bay Area as employers begin hiring more aggressively**
- **Interest rates begin upward trend in 2011**
- **Opportunities for organic growth accelerate due to improving economy in 2011**
- **Opportunities for growth due to industry consolidation accelerates in the Bay Area as a result of board and management fatigue at small banks in 2011**

2010 Tactical Initiatives

- **Reduce problem assets**
- **Return to profitability by increasing margin, reducing loan losses and reducing costs**
- **Retain key people so bank remains in position to accelerate organic growth as economy improves**
- **Continue to improve capital ratios so bank is in position to benefit from opportunities resulting from improving economy and industry consolidation in 2011 and 2012**

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