



HERITAGE COMMERCE CORP

March 2, 2010

Forward Looking Statement Disclaimer

Forward-looking statements are based on management's knowledge and belief as of today and include information concerning the Company's possible or assumed future financial condition, and its results of operations, business and earnings outlook. These forward-looking statements are subject to risks and uncertainties. A number of factors, some of which are beyond the Company's ability to control or predict, could cause future results to differ materially from those contemplated by such forward-looking statements. The forward-looking statements could be affected by many factors, including but not limited to: (1) our ability to attract new deposits and loans; (2) local, regional, and national economic conditions and events and the impact they may have on us and our customers; (3) risks associated with concentrations in real estate related loans; (4) increasing levels of classified assets, including nonperforming assets, which could adversely affect our earnings and liquidity; (5) market interest rate volatility; (6) stability of funding sources and continued availability of borrowings; (7) changes in legal or regulatory requirements or the results of regulatory examinations that could restrict growth and constrain our activities, including the terms of our written agreement with the Board of Governors of the Federal Reserve System and California Department of Financial Institutions (8) changes in accounting standards and interpretations; (9) significant decline in the market value of the Company that could result in an impairment of goodwill; (10) our ability to raise capital or incur debt on reasonable terms; (11) regulatory limits on the Heritage Bank of Commerce's ability to pay dividends to the Company; (12) effectiveness of the Emergency Economic Stabilization Act of 2008, the American Recovery and Reinvestment Act of 2009 and other legislative and regulatory efforts to help stabilize the U.S. financial markets; (13) future legislative or administrative changes to the U.S. Treasury Capital Purchase Program enacted under the Emergency Economic Stabilization Act of 2008; (14) the impact of the Emergency Economic Stabilization Act of 2008 and the American Recovery and Reinvestment Act of 2009 and related rules and regulations on our business operations and competitiveness, including the impact of executive compensation restrictions, which may affect our ability to retain and recruit executives in competition with other firms who do not operate under those restrictions; and (15) our success in managing the risks involved in the foregoing items. For a discussion of factors that could cause results to differ, please see the Company's reports on Forms 10-K and 10-Q as filed with the Securities and Exchange Commission and the Company's press releases. Readers should not place undue reliance on the forward-looking statements, which reflect management's view only as of the date hereof. The Company undertakes no obligation to publicly revise these forward-looking statements to reflect subsequent events or circumstances.

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 Profile (continued)

- **Experienced management team with a proven track record**
- **Aggressive focus on managing credit risk**
 - High reserve to loan ratio
 - Skilled team in place to reduce problem assets
- **Well-positioned in three affluent counties in Northern California**
 - HTBK ranks fourth in asset size and deposit market share amongst regional banks headquartered in Santa Clara County or the San Francisco East Bay⁽¹⁾
- **Solid Capital**
- **Strong relationships with local businesses yields an attractive core deposit base**
- **Balanced loan portfolio**

⁽¹⁾Source: FDIC deposit market share data as of 6/30/09 and SNL Financial.

Experienced Management Team

| Management | Position | Years with HTBK | Years of Banking Experience |
|-----------------------|-----------------------------------|-----------------|-----------------------------|
| Walter T. Kaczmarek | President & CEO | 4 | 29 |
| Dan T. Kawamoto | EVP, Chief Administrative Officer | 1 | 36 |
| Lawrence D. McGovern | EVP, Chief Financial Officer | 11 | 25 |
| Michael R. Ong | EVP, Chief Credit Officer | 1 | 36 |
| Raymond Parker | EVP, Banking Division | 4 | 30 |
| Margaret A. Incandela | EVP, Credit Risk Management | 3 | 22 |
| Suzanne Zierman | SVP, Banking Operations Manager | 13 | 29 |

- Over the past 18 months, HTBK has bolstered its management team with key hires in Credit and Operations
 - Michael R. Ong joined HTBK as EVP & CCO in September 2008
 - Dan T. Kawamoto joined HTBK as EVP & CAO in July 2009
- Regional Line Managers average over 20 years of experience in Market⁽¹⁾

⁽¹⁾ Market refers to Alameda, Contra Costa, and Santa Clara counties.

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 | \$87.2 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* | 4.69% |
| Cost of Funds* | 1.14% |
| Net Interest Margin* | 3.61% |
| Efficiency Ratio* | 75.77% |

*For the quarter ended 12/31/09.

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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 |

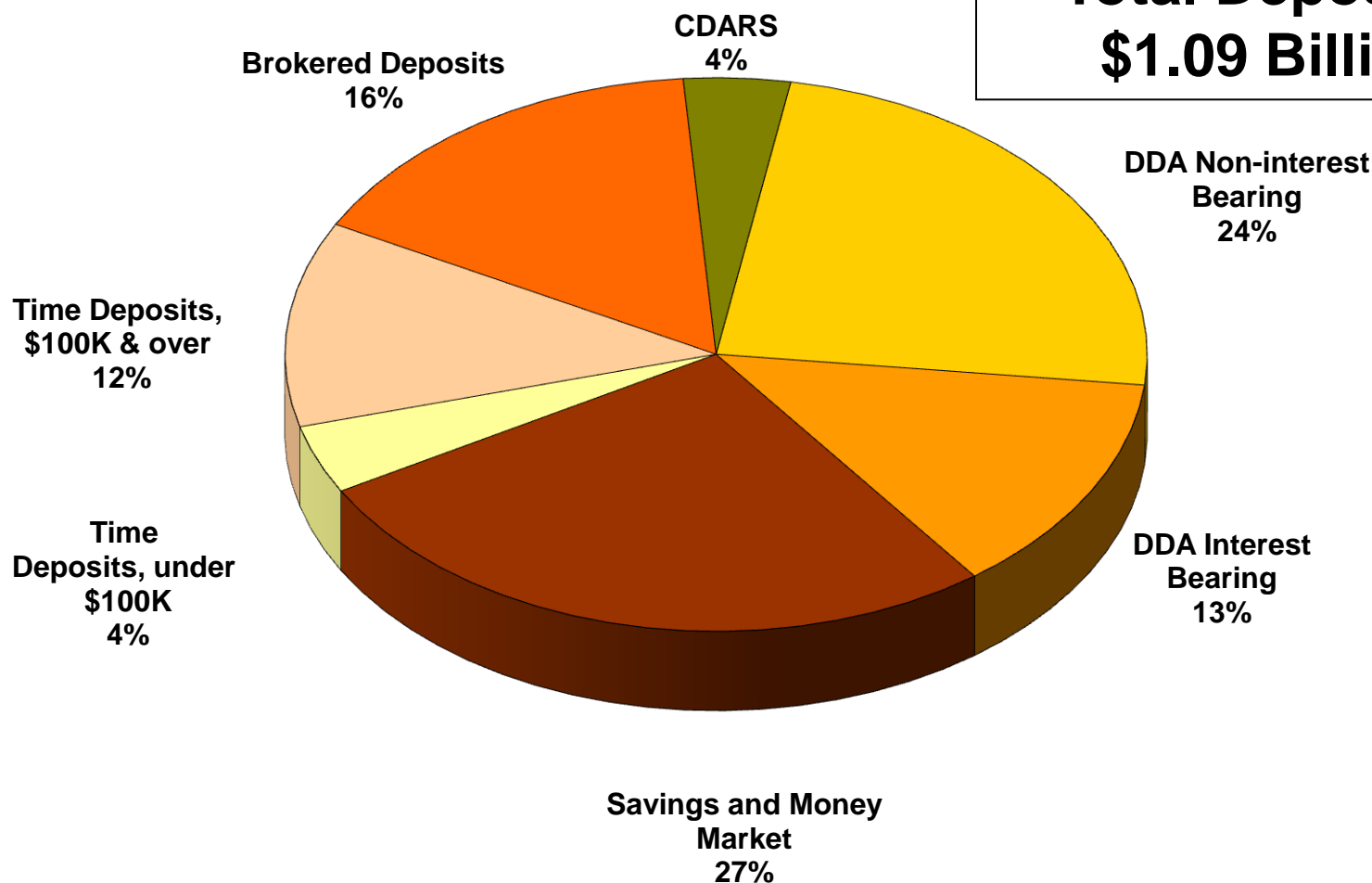
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(1) Market refers to Alameda, Contra Costa, and Santa Clara counties. Source: SNL Financial as of June 30, 2009.

Attractive Deposit Base

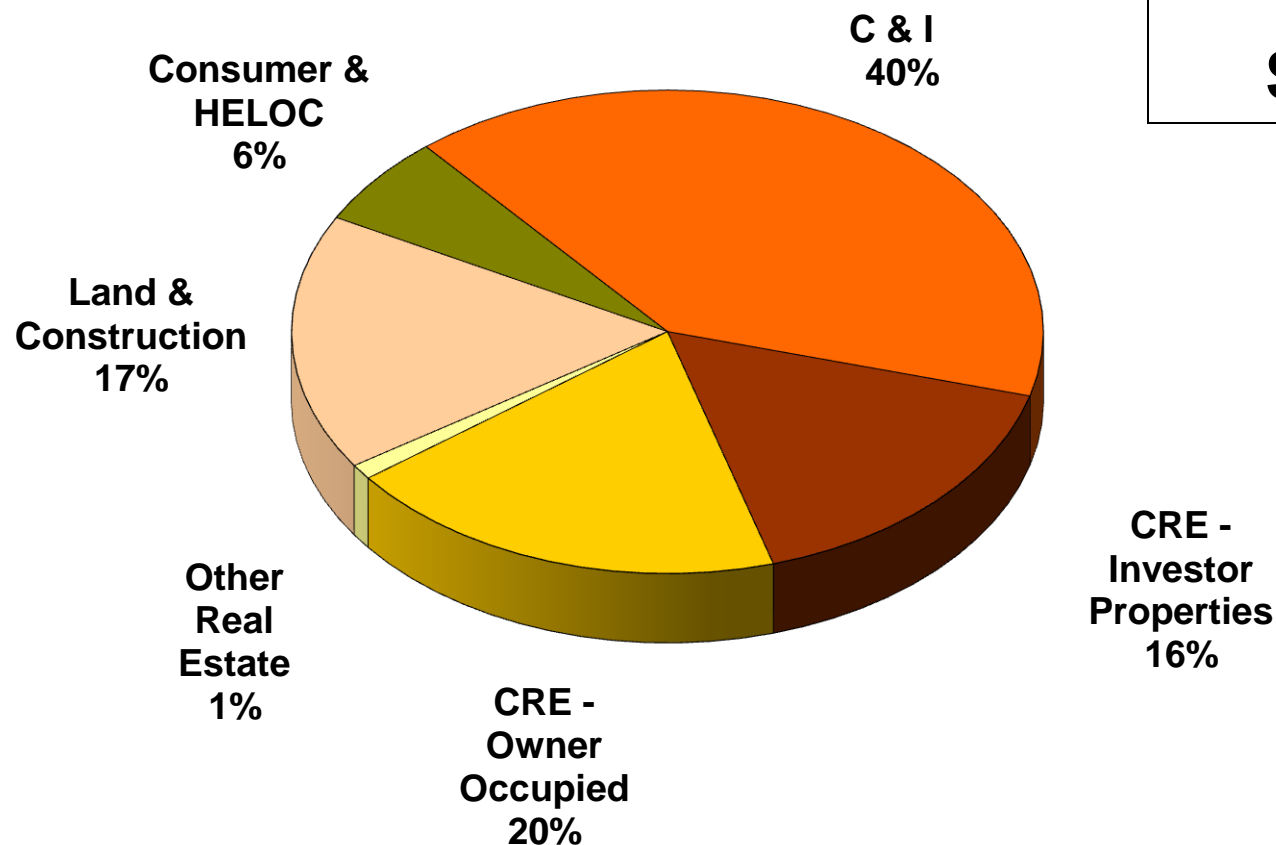
Q4 2009

**Total Deposits:
\$1.09 Billion**



**Average Cost of
Deposits: 0.99%**

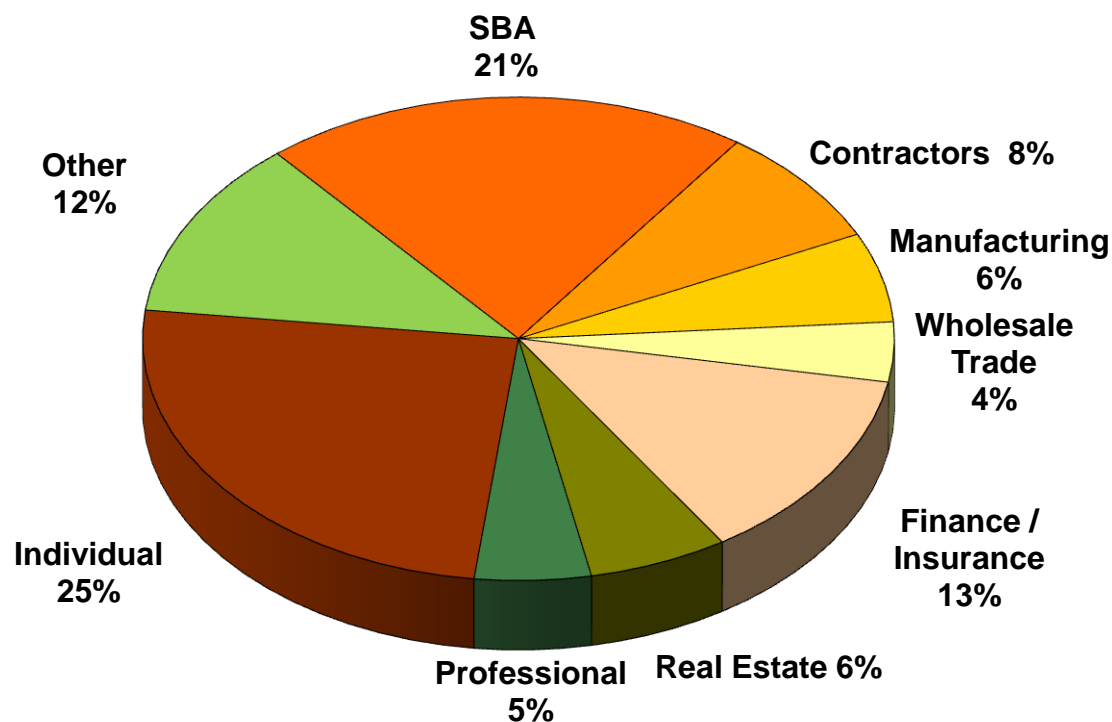
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**Gross Loan
Portfolio:
\$1.07 Billion**

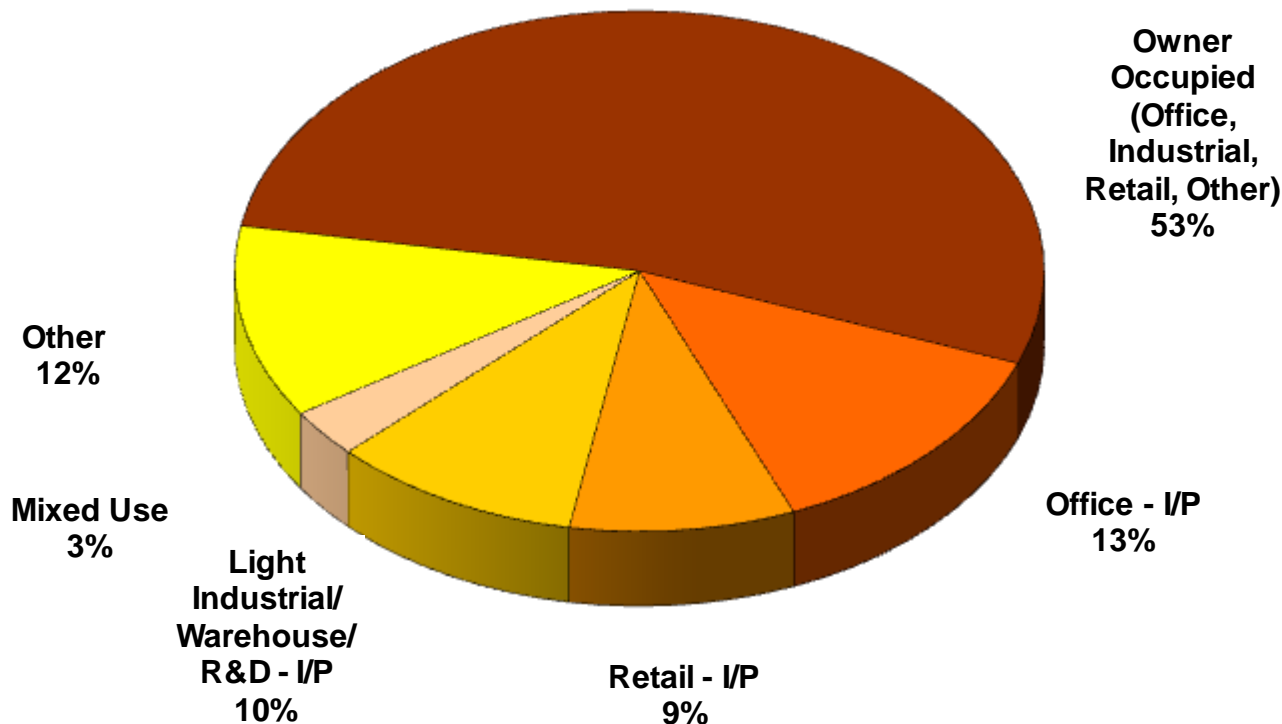
Yield on Loans: 5.06%

**Total C & I
Portfolio:
\$427.2 Billion**



- Average C & I loan is \$287,000

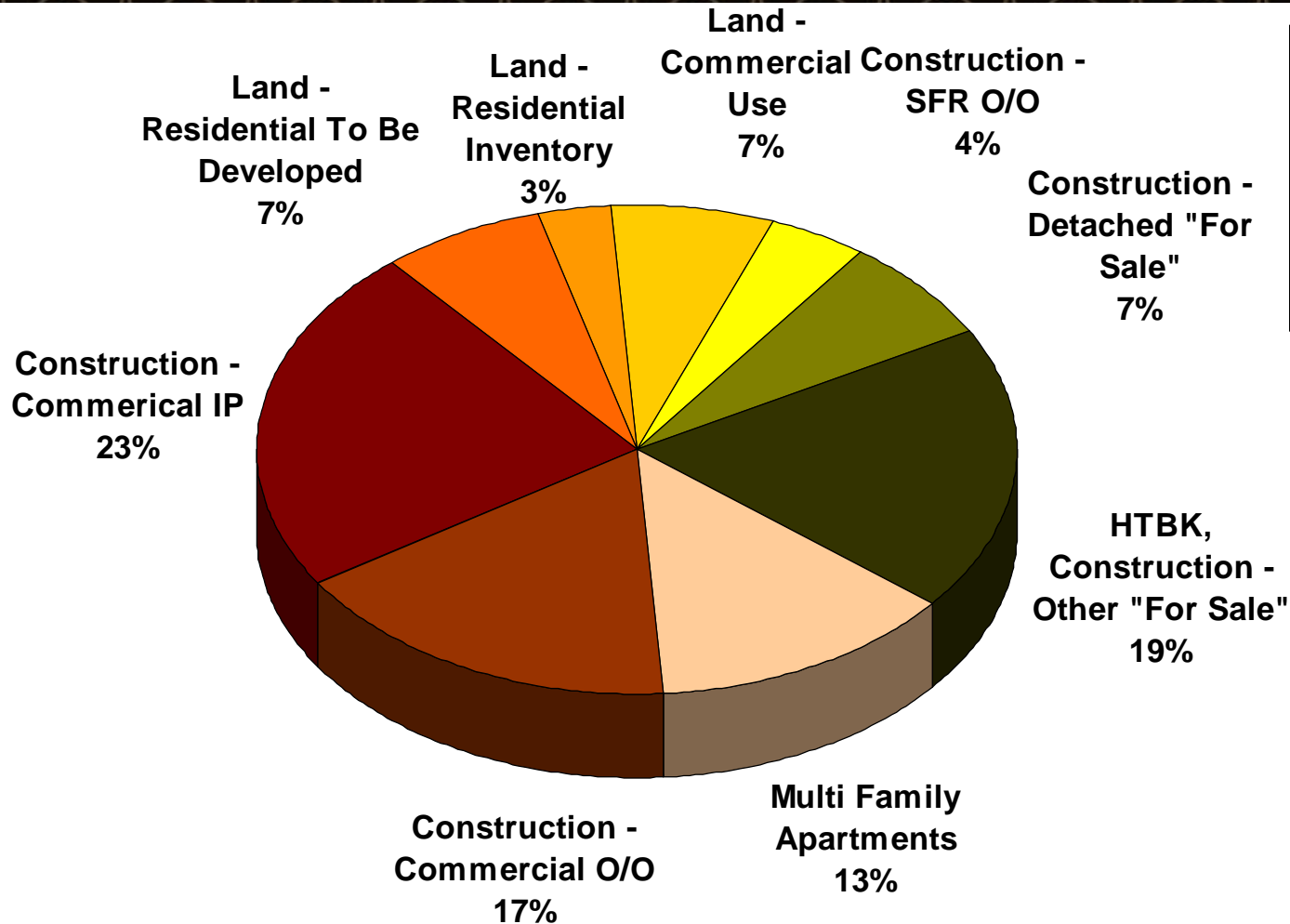
**Total CRE
Portfolio:
\$400.7
Million**



- 53% of the CRE portfolio is Owner Occupied
- Average CRE loan is \$1.35 million

Land & Construction Portfolio

Q4 2009



Total Land & Construction Portfolio: \$182.9 Million

- Land & Construction Portfolio reduced approximately 29% since 12/31/08
- Average Land & Construction loan is \$2.2 million

2010 Tactical Initiatives

- **Stay Focused on Customer - Relationship Banking Approach**
- **Increase C & I and SBA Market Share**
 - Grow organically
- **Aggressive Credit Risk Mitigation**
 - Reduce and manage CRE investor and construction & land loan concentration levels
 - Increased size of workout group – identified classified loan relationships transferred to workout group
 - Enhanced monitoring process of existing portfolios
 - Quarterly review of the loan portfolio credit quality with line units covering past due, portfolio trends, as well as potential & problem credits
 - Review land and construction portfolio monthly
 - Quarterly review of all CRE mortgages above \$500 thousand
 - Monthly forecasting/strategy meeting on all classified loans, and a weekly meeting on NPAs
 - Real estate loans approved by Executive Loan Committee (\geq \$500 thousand)

2010 Tactical Initiatives (continued)

- **Maintain Solid Capital Position**

- Return to profitability
- Manage balance sheet

- **Preserve Solid Liquidity Position**

- Focus on Core Deposit Growth in Markets

- **Improve Net Interest Margin**

- Increase loan rates – repricing
- Decrease cost of funds by replacing higher priced brokered CDs with lower priced CDs
- Decrease securities repurchase agreements

Contact Information



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