



HERITAGE
COMMERCE CORP

2011 Notice of Annual Meeting
of Shareholders, May 26, 2011

2011 Proxy Statement of
Heritage Commerce Corp

2010 Annual Report
on Form 10-K

To our Shareholders

April 15, 2011

Dear Fellow Shareholders:

Looking back on 2010, we overcame many hurdles that arose from a fragile economy while taking advantage of opportunities that strengthened the Bank. As a result, we returned to profitability in the third and fourth quarters of 2010 and we have an excellent platform to grow our franchise for the benefit of our shareholders, customers, employees, and communities.

Specifically during the second quarter of 2010, there were several financial events that affected our annual profitability, strengthened our balance sheet and positioned us for a return to profitability:

1. We raised \$75.0 million of new equity capital.
2. We identified \$31.0 million of problem loans and transferred them to loans held-for-sale and charged-off \$13.9 million of these loans.
3. We wrote off \$43.2 million of goodwill related to a prior acquisition that we determined to be impaired.

Primarily as a result of the financial affects of items 2 and 3, we posted a net loss allocable to common shareholders of (\$58.3) million for the entire year, or (\$3.64) per average diluted common share, compared to the net loss allocable to common shareholders of (\$14.4) million, or (\$1.21) per average diluted common share in 2009. However, this also positioned us well for the future, as reflected by our return to profitability in the third quarter of 2010. In the fourth quarter of 2010, we posted a second consecutive quarter of profit with net income allocable to common shareholders of \$1.1 million, or \$0.03 per average diluted common share.

Additionally, we ended the year showing significant improvement in asset quality with our nonperforming assets declining substantially from its peak in March 2010. Nonperforming assets at December 31, 2010, were \$34.6 million compared to \$64.6 million a year ago and \$69.0 million at March 31, 2010. At the end of 2010, the allowance for loan losses remained solid, increasing to 2.98% of total loans from 2.69% a year earlier. We are committed to improving credit quality in 2011 and will continue to allocate the necessary resources to do so.

As a result of the \$75.0 million of new capital, our capital ratios improved significantly from 12.9% total risk-based and 11.6% tier 1 risk-based at December 31, 2009, to 20.9% total risk-based and 19.7% tier 1 risk-based at December 31, 2010. This additional capital along with our significant credit quality improvement has fortified our balance sheet and provided a solid foundation for 2011.

We believe we are in an excellent position to capitalize on 2011 opportunities, as we build for the future and focus on serving our customers, supporting our communities, and maximizing shareholder value. Thank you for your loyalty and continued support of Heritage Commerce Corp, and we look forward to you joining us at our annual meeting on Thursday, May 26, 2011, at 1:00 p.m. Pacific time.

Sincerely,



Jack W. Conner
Chairman of the Board



Walter T. Kaczmarek
President and Chief Executive Officer

Corporate Information

Board of Directors

Jack W. Conner, Chairman
Frank G. Bisceglia
John M. Eggemeyer, III
Celeste V. Ford
Walter T. Kaczmarek
Mark E. Lefanowicz
Robert T. Moles
Humphrey P. Polanen
Charles J. Toeniskoetter
Ranson W. Webster
W. Kirk Wycoff

Executive Management

Walter T. Kaczmarek
President
Chief Executive Officer

William J. Del Biaggio, Jr.
Executive Vice President
Marketing & Community Relations

Margaret A. Incandela
Executive Vice President
Chief Credit Officer

Dan T. Kawamoto
Executive Vice President
Chief Administrative Officer

Lawrence D. McGovern
Executive Vice President
Chief Financial Officer

Raymond Parker
Executive Vice President
Banking Division

Subsidiary Bank Offices

Heritage Bank of Commerce

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San Jose, CA 95113
408.947.6900

Danville

387 Diablo Road
Danville, CA 94526
925.314.2851

Fremont

3077 Stevenson Boulevard
Fremont, CA 94538
510.445.0400

Gilroy

7598 Monterey Street
Suite 110
Gilroy, CA 95020
408.842.8310

Los Altos

419 S. San Antonio Road
Los Altos, CA 94022
650.941.9300

Los Gatos

15575 Los Gatos Boulevard
Building B
Los Gatos, CA 95032
408.356.6190

Morgan Hill

Cochrane Business Ranch
18625 Sutter Boulevard
Morgan Hill, CA 95037
408.778.2320

Mountain View

175 East El Camino Real
Mountain View, CA 94040
650.941.9300

Pleasanton

300 Main Street
Pleasanton, CA 94566
925.314.2876

Walnut Creek

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Walnut Creek, CA 94596
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Heritage Commerce Corp Investor Relations Contact

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Senior Vice President
Corporate Secretary

Transfer Agent

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Independent Auditors

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650 Town Center Drive
Suite 740
Costa Mesa, California 92626
714.668.1234

Corporate Counsel

Buchalter Nemer
A Professional Corporation
1000 Wilshire Boulevard
Suite 1500
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213.891.0700

To get further information on Heritage Commerce Corp, or to receive regular financial updates, please visit our web site HeritageCommerceCorp.com and click on "Information Request."

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