

CPP ANNUAL USE OF CAPITAL SURVEY - 2012

NAME OF INSTITUTION

(Include Holding Company Where Applicable)

Heritage Commerce Corp

Person to be contacted regarding this report:	Larry McGovern (408-494-4562)	RSSD: (For Bank Holding Companies)	2209553
UST Sequence Number:	55	Holding Company Docket Number: (For Thrift Holding Companies)	
CPP/CDCI Funds Received:	40,000,000	FDIC Certificate Number: (For Depository Institutions)	
CPP/CDCI Funds Repaid to Date:	40,000,000	Credit Union Charter Number: (For Credit Unions)	
Date Funded (first funding):	Nov 21, 2008	City:	San Jose
Date Repaid ¹ :	Mar 7, 2012	State:	California

¹If repayment was incremental, please enter the most recent repayment date.

American taxpayers are quite interested in knowing how banks have used the money that Treasury has invested under the Capital Purchase Program (CPP) and Community Development Capital Initiative (CDCI). To answer that question, Treasury is seeking responses that describe generally how the CPP/CDCI investment has affected the operation of your business. We understand that once received, the cash associated with TARP funding is indistinguishable from other cash sources, unless the funds were segregated, and therefore it may not be feasible to identify precisely how the CPP/CDCI investment was deployed or how many CPP/CDCI dollars were allocated to each use. Nevertheless, we ask you to provide as much information as you can about how you have used the capital Treasury has provided, and how your uses of that capital have changed over time. Treasury will be pairing this survey with a summary of certain balance sheet and other financial data from your institution's regulatory filings, so to the extent you find it helpful to do so, please feel free to refer to your institution's quarterly call reports to illustrate your answers. This is your opportunity to speak to the taxpayers in your own words, which will be posted on our website.

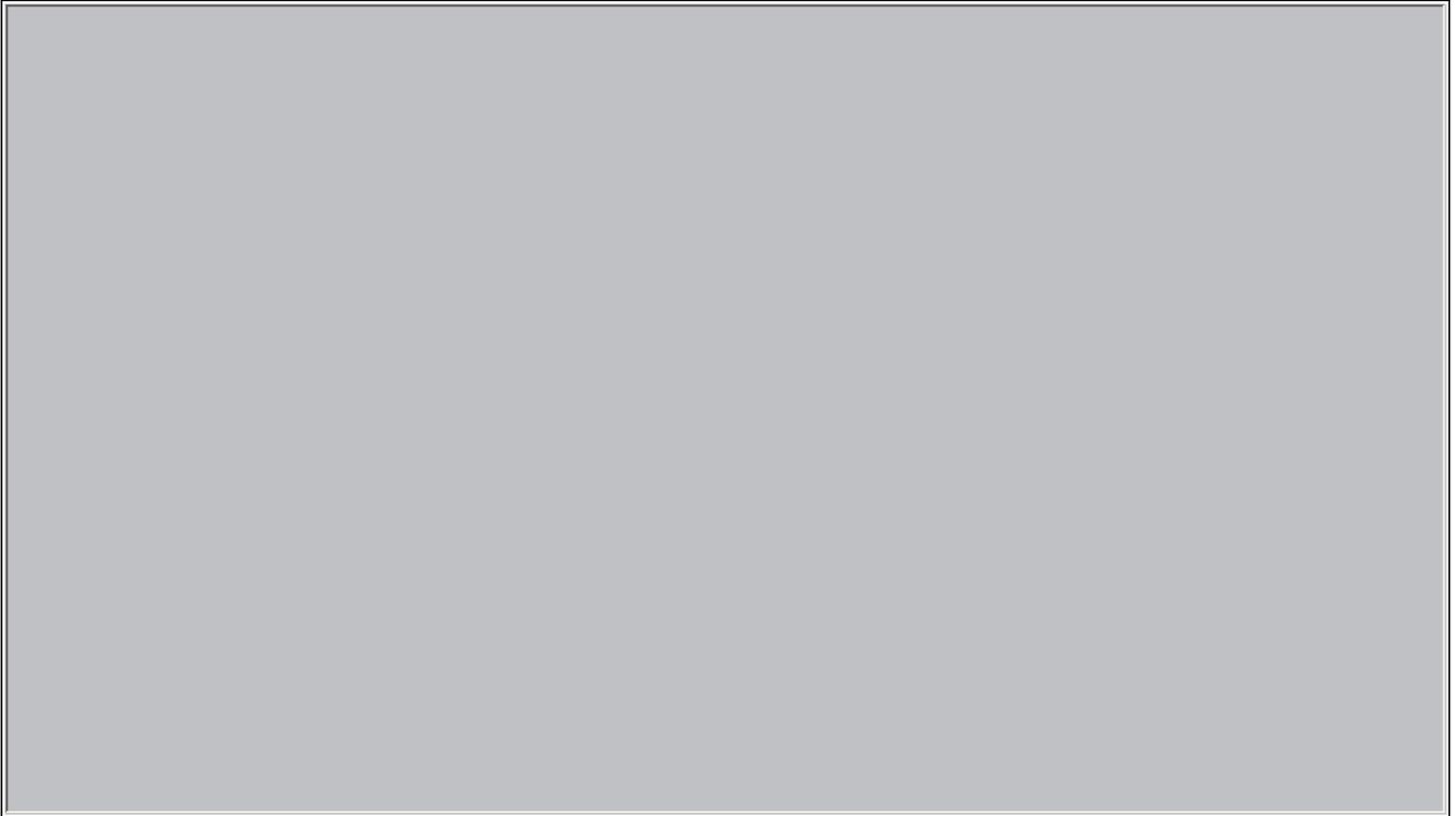
What specific ways did your institution utilize CPP/CDCI capital? Check all that apply and elaborate as appropriate, especially if the uses have shifted over time. Your responses should reflect actions taken over the past year (or for the portion of the year in which CPP/CDCI funds were outstanding).

<input checked="" type="checkbox"/>	Increase lending or reduce lending less than otherwise would have occurred.	From January 1, 2012 to March 7, 2012, the Company made total loan commitments of \$57.9 million, representing \$36.5 million in commitments for new loans and \$21.4 million in renewed loans.
<input type="checkbox"/>	To the extent the funds supported increased lending, please describe the major type of loans, if possible (residential mortgage loans, commercial mortgage loans, small business loans, etc.).	
<input checked="" type="checkbox"/>	Increase securities purchased (ABS, MBS, etc.).	The Company made purchases of \$14.9 million in mortgage-backed securities, corporate bonds and trust preferred securities from January 1, 2012 to March 7, 2012.

<input type="checkbox"/> Make other investments	
<input type="checkbox"/> Increase reserves for non-performing assets	
<input type="checkbox"/> Reduce borrowings	
<input type="checkbox"/> Increase charge-offs	
<input type="checkbox"/> Purchase another financial institution or purchase assets from another financial institution	
<input type="checkbox"/> Held as non-leveraged increase to total capital	

What actions were you able to avoid because of the capital infusion of CPP/CDCI funds?

What actions were you able to take that you may not have taken without the capital infusion of CPP/CDCI funds?



Please describe any other actions that you were able to undertake with the capital infusion of CPP/CDCI funds.

The Company received \$40 million in CPP funds in November 2008, of which the Holding Company downstreamed \$20 million of the proceeds to the Bank. Upon receiving approval of regulators and the U.S. Treasury Department, on March 7, 2012, the Company completed repayment of the \$40 million of Series A preferred stock issued under the TARP Capital Purchase Program. While participating in the TARP Capital Purchase Program, the Company paid \$6.6 million in cash dividends to the U.S. Treasury.

The Company made total loan commitments of \$1.88 billion, representing \$506.1 million in commitments for new loans and \$1.37 billion in renewed loans from the time of receipt of the CPP funds on November 21, 2008 through March 7, 2012. From January 1, 2012 to March 7, 2012, the Company made total loan commitments of \$57.9 million, representing \$36.5 million in commitments for new loans and \$21.4 million in renewed loans.

The CPP funds permitted the Company to absorb deterioration in its loan portfolio and remain "well-capitalized" until it was able to complete a private placement of convertible preferred stock for \$75 million in the second quarter of 2010 which significantly improved the Company's regulatory capital ratios and thus improved its financial position.

The Company's earnings, credit quality, capital and liquidity positions, and overall financial condition have significantly improved since the second quarter of 2010. By the first quarter of 2012, the Company recorded seven consecutive quarters of profitability.

The CPP was an important capital event for the Company, which helped it to continue lending to small to medium sized privately owned businesses in 2009 and early 2010, until the additional capital was raised. Now, with its strong capital position, the Company is in excellent position to lend to a greater number of businesses in its community, which should help those companies add employees and ultimately, improve the economy.

According to the Paperwork Reduction Act of 1995, no persons are required to respond to a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 1505-0222. The time required to complete this information collection is estimated to average 80 hours per response.