

The image features a repeating pattern of overlapping circles in a light beige color, set against a white background. Below this pattern, the text 'HERITAGE' is written in a large, gold, serif font. Underneath 'HERITAGE', the words 'COMMERCE CORP' are written in a smaller, black, serif font. In the lower right quadrant, the title 'Acquisition Summary of Tri-Valley Bank' is displayed in a bold, black, sans-serif font, with the date 'December 20, 2017' centered below it. The bottom portion of the image shows an aerial photograph of a city, likely San Jose, with a mix of urban buildings, green spaces, and a highway. The city is set against a backdrop of rolling hills and a hazy sky.

**HERITAGE**  
COMMERCE CORP

**Acquisition Summary of Tri-Valley Bank  
December 20, 2017**

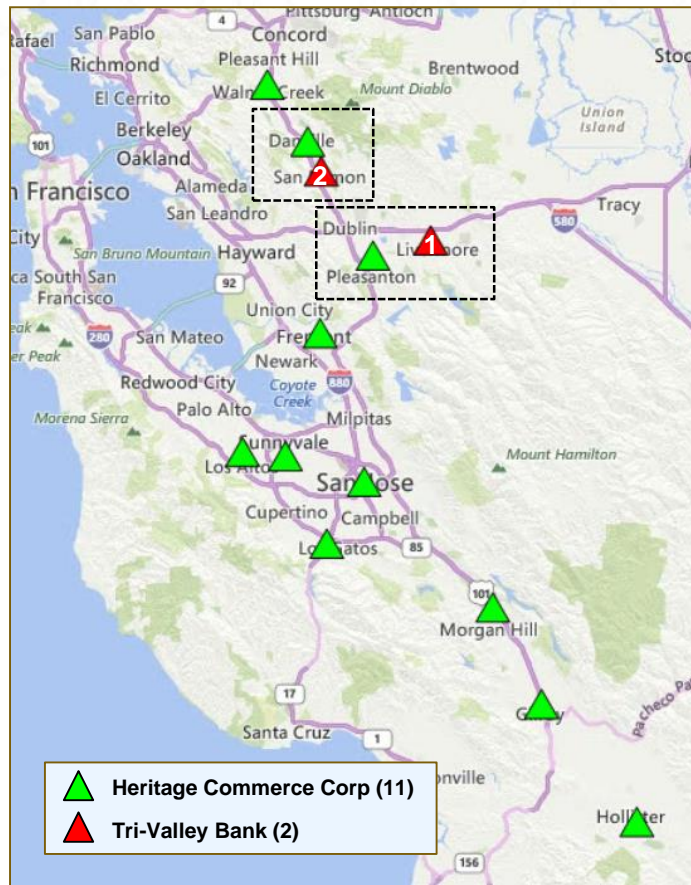
## Forward Looking Statement Disclaimer

This communication contains certain forward-looking information about Heritage Commerce Corp (“HTBK”), Tri-Valley Bank (“TRVB”) , and the combined company after the close of transaction that is intended to be covered by the safe harbor for “forward-looking statements” provided by the Private Securities Litigation Reform Act of 1995. All statements other than statements of historical fact are forward-looking statements. Such statements involve inherent risks, uncertainties, and contingencies, many of which are difficult to predict and are generally beyond the control of HTBK, TRVB and the combined company. We caution readers that a number of important factors could cause actual results to differ materially from those expressed in, or implied or projected by, such forward-looking statements. In addition to factors previously disclosed in reports filed by HTBK with the Securities and Exchange Commission (“SEC”), risks and uncertainties for each institution and the combined institution include, but are not limited to: lower than expected revenues, credit quality deterioration or a reduction in real estate values could cause an increase in the provision for credit losses and allowance for credit losses and a reduction in net earnings, increased competitive pressure among depository institutions, the ability to complete the proposed transaction, including by obtaining regulatory approvals and approval by the shareholders of TRVB, or any future transaction, successfully integrate such acquired entities, or achieve expected beneficial synergies and/or operating efficiencies, in each case within expected time-frames or at all, regulatory approvals may not be received on expected timeframes or at all, the possibility that personnel changes/retention will not proceed as planned, the possibility that a change in the interest rate environment may reduce net interest margins, higher than anticipated operating expenses, the effectiveness of our risk management framework, asset/liability re-pricing risks and liquidity risks, the costs and effects of legal, compliance, and regulatory actions, changes and developments, including the impact of adverse judgments or settlements in litigation, the initiation and resolution of regulatory or other governmental inquiries or investigations, and/or the results of regulatory examinations or reviews, general economic conditions, either nationally or in the market areas in which the entities operate or anticipate doing business, are less favorable than expected, and other risk factors described in documents filed by HTBK with the SEC.



# Strategic Rationale: Accretive, In-Market Transaction

The acquisition of Tri-Valley Bank will be an accretive investment, offering an easily digestible boost to HTBK's balance sheet while adding Bay Area market share



- The acquisition of an in-market institution will enhance HTBK's Bay Area presence while simultaneously inhibiting competitors from growing and acquiring local market share
- Attractive pro forma profile with immediate TBV accretion
- Smaller size of the acquisition relative to HTBK's capital base allows for continued pursuit of strategic opportunities
- Branch network is in close proximity to HTBK, offering an opportunity for consolidation while expanding its footprint east into the growing Livermore marketplace



# Transaction Overview

## Transaction Pricing

- \$0.77 per TRVB common share<sup>(1)(2)</sup>
- Cash out TRVB's in-the-money options and warrants outstanding for approximately \$0.6 million<sup>(2)(3)</sup> and \$0.9 million<sup>(4)</sup>, respectively
- Total aggregate transaction value of \$31.6 million<sup>(2)</sup> (inclusive of cash for in-the-money options and warrants)

## Transaction Structure

- 100% stock consideration
- Fixed exchange ratio of 0.0489x
  - The exchange ratio is fixed based on a price of \$0.77 per TRVB common share and HTBK's 20 trading day volume weighted average price of \$15.76 as of December 19, 2017
  - Approximately 1.91 million HTBK shares will be issued to TRVB common shareholders<sup>(1)</sup>
- Pro forma ownership: 95.2% HTBK / 4.8% TRVB
- No HTBK board seats given to TRVB

## Closing & Approvals

- Expected closing in the second quarter of 2018
- Customary regulatory approvals
- TRVB shareholder approval

# Financial Impact and Assumptions

## Selected Transaction Assumptions<sup>(1)</sup>

Cost savings	50% of TRVB's NIE 100% of cost savings realized in the first year after closing
Key Marks	Credit mark equal to 1.86%; of which 40% is accreted over 5 years
Intangibles	CDI of 1.24%; 10 year accelerated amortization Goodwill of approximately \$14 million <sup>(2)</sup>
Transaction Costs	Approximately \$4.4 million (pre-tax)

## Estimated Pro Forma Financial Impact <sup>(1)(2)</sup>

2018 EPS Accretion <sup>(3)</sup>	0.5%
2019 EPS Accretion	2.4%
TBV Earnback	Immediate
Internal Rate of Return	In excess of 15%
TCE / TA	8.1%
Total Risk Based Capital Ratio	14.2%

## Valuation Multiples<sup>(2)</sup>

Price / TBV per Share	1.48x
Price / LTM EPS <sup>(4)</sup>	4.3x
Market Premium <sup>(5)</sup>	22.3%
Tangible Premium / Core Deposits <sup>(6)</sup>	12.8%

- (1) Assumed transaction closing date of March 31, 2018.  
 (2) Based on a HTBK 20-day VWAP of \$15.76 as of December 19, 2017.  
 (3) Excludes one-time restructuring charges.  
 (4) Based on reported earnings. TRVB recognized tax benefits of \$3.6mm in Q4'16 and \$2.8mm in Q2'17 related to the reversal of its valuation allowance on deferred tax assets. Pricing shown on a fully diluted basis.  
 (5) Based on TRVB share price of \$0.63 as of December 19, 2017.  
 (6) Calculated as (aggregate deal value minus TRVB's tangible common equity) divided by TRVB's non-time deposits.



# Tri-Valley Bank Financial Overview



(\$ in Millions)

		Fiscal Year End			Quarter End		
		2014Y	2015Y	2016Y	2017Q1	2017Q2	2017Q3
<b>Balance Sheet</b>	Total Assets	\$95.3	\$113.0	\$134.6	\$138.4	\$147.7	\$147.2
	Total Loans	\$76.1	\$94.2	\$110.5	\$118.9	\$121.2	\$124.1
	<i>Annualized Loan Growth Rate</i>	7.1%	23.8%	17.3%	30.1%	8.0%	9.4%
	Total Deposits	\$82.3	\$100.2	\$117.9	\$121.5	\$127.6	\$126.6
	<i>Annualized Deposit Growth Rate</i>	(5.1%)	21.8%	17.6%	12.3%	20.2%	(3.1%)
	Core Deposits / Total Deposits	65.8%	67.3%	69.9%	69.0%	70.4%	70.6%
	Loans / Deposits	92.6%	94.1%	93.8%	97.8%	95.0%	98.0%
<b>Capital</b>	TCE / TA	9.9%	11.2%	12.3%	12.2%	13.5%	13.9%
	Leverage Ratio	9.8%	11.9%	10.3%	10.2%	10.2%	9.9%
	CET1 Capital Ratio	12.9%	13.9%	12.2%	11.5%	11.5%	11.4%
	Tier 1 Ratio	12.9%	13.9%	12.2%	11.5%	11.5%	11.4%
	Risk-based Capital Ratio	14.2%	15.2%	13.5%	12.8%	12.7%	12.6%
<b>Asset Quality</b>	NPAs / Assets <sup>(1)</sup>	1.93%	1.60%	1.17%	1.14%	1.07%	1.07%
	NPLs / Loans	0.08%	0.02%	–	–	–	–
	Reserves / Gross Loans	1.88%	1.57%	1.44%	1.62%	1.59%	1.57%
	OREO	\$1.8	\$1.8	\$1.6	\$1.6	\$1.6	\$1.6
	Total NPAs	\$1.8	\$1.8	\$1.6	\$1.6	\$1.6	\$1.6
<b>Performance</b>	Pre-Tax Net Income	(\$0.24)	\$0.04	\$0.26	\$0.35	\$0.27	\$0.33
	Net Income	(\$0.24)	\$0.04	\$3.87	\$0.24	\$3.06	\$0.33
	Net Interest Margin	3.39%	3.55%	3.54%	4.12%	3.69%	3.78%
	Yield on Earning Assets	3.64%	3.81%	3.81%	4.41%	4.01%	4.15%
	Cost of Total Deposits	0.28%	0.29%	0.29%	0.31%	0.35%	0.40%
	Pre-Tax ROAA	(0.24%)	0.04%	0.20%	0.26%	0.19%	0.22%
	ROAA	(0.24%)	0.04%	3.11%	0.71%	8.66%	0.89%
	Pre-Tax ROAE	(3.0%)	0.4%	2.0%	2.7%	2.5%	2.4%
	ROAE	(3.0%)	0.4%	29.9%	7.3%	114.7%	9.5%
Efficiency Ratio	104.1%	98.4%	94.0%	74.4%	79.0%	75.7%	

Source: SNL Financial. GAAP Financials.

Note: TRVB recognized tax benefits of \$3.6mm in 2016 Q4 and \$2.8mm in 2017 Q2 related to the reversal of its valuation allowance on deferred tax assets.

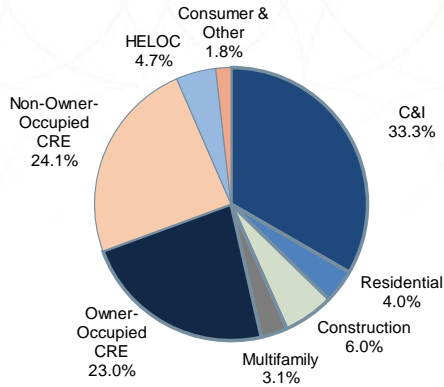
(1) NPAs include all nonaccrual loans, loans 90+ days past due, restructured loans and OREO.

# Pro Forma Loan & Deposit Composition

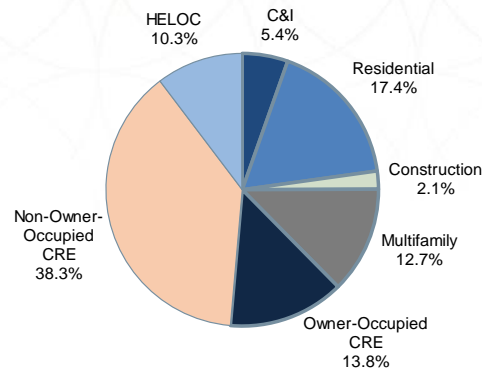


Pro Forma

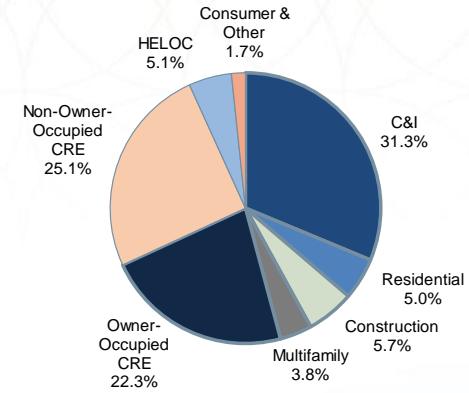
Loan Composition



Gross Loans: \$1.57bn<sup>(1)</sup>  
Yield on Loans: 5.79%

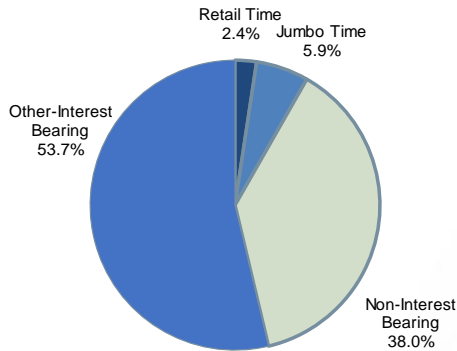


Gross Loans: \$124.1mm<sup>(1)</sup>  
Yield on Loans: 4.51%

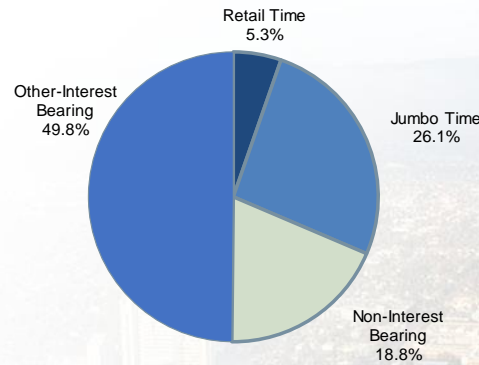


Gross Loans: \$1.69bn

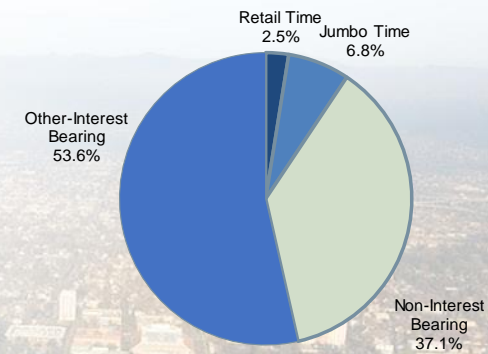
Deposit Composition



Deposits: \$2.48bn<sup>(1)</sup>  
Cost of Deposits: 0.17%



Deposits: \$126.6mm<sup>(1)</sup>  
Cost of Deposits: 0.40%



Deposits: \$2.61bn



Source: SNL Financial.  
Note: Jumbo Time deposits defined as account balances > \$250,000.  
Note: No purchase accounting adjustments assumed.  
(1) Regulatory financial data for the quarter ended September 30, 2017.

# Contact Information

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Corporate Secretary  
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**NASDAQ: HTBK**



# Additional Information about the Transaction and Where to Find It

Investors and security holders are urged to carefully review and consider Heritage Commerce Corp's ("HTBK") public filings with the SEC, including but not limited to its Annual Reports on Form 10-K, its proxy statement, its Current Reports on Form 8-K and its Quarterly Reports on Form 10-Q. The documents filed by HTBK with the SEC may be obtained free of charge at HTBK's website at [www.heritagecommercecorp.com](http://www.heritagecommercecorp.com), under Investor Relations or at the SEC's website at [www.sec.gov](http://www.sec.gov). These documents may also be obtained free of charge from HTBK by directing a request by telephone or mail to Heritage Commerce Corp, 150 Almaden Boulevard, San Jose, California 95113.

HTBK intends to file a registration statement on Form S-4 with the SEC which will include a proxy statement of Tri-Valley Bank ("TRVB") and a prospectus of HTBK. In addition HTBK may file other relevant documents regarding the proposed transaction with the SEC. This communication does not constitute an offer to sell or the solicitation of an offer to buy any securities or a solicitation of any vote or approval. Before making any voting or investment decision, investors and security holders of Tri-Valley are urged to carefully read the entire registration statement and proxy statement/prospectus, when they become available, as well as any amendments or supplements to these documents, because they will contain important information about the proposed transaction. A definitive proxy statement/prospectus will be sent to the shareholders of TRVB seeking any required shareholder approvals.

Investors and security holders will be able to obtain the registration statement and the proxy statement/prospectus when they become available free of charge from the SEC's website or from HTBK at the address provided for HTBK in the paragraph above, or from TRVB by request to Tri-Valley Bank, 3160 Crow Canyon Rd., Suite 160, San Ramon, California, 94583, attention: Marshall Griffin

HTBK and its directors and executive officers may be deemed to be participants in the solicitation of proxies from the shareholders of TRVB in connection with the transaction. Information about the directors and executive officers of HTBK is set forth in its Annual Report on Form 10-K filed with the SEC on March 3, 2017 and its Annual Meeting Proxy Statement filed on April 4, 2017 with the SEC.

TRVB and its directors and executive officers may also be deemed to be participants in the solicitation of proxies from the shareholders of TRVB in connection with the proposed transaction.

Additional information regarding the interests of these participants and other persons who may be deemed participants in the proposed transaction may be obtained by reading the proxy statement/prospectus regarding the proposed transaction when it becomes available.