

**PACIFIC MERCANTILE BANCORP
CORPORATE GOVERNANCE GUIDELINES**

May 16, 2018

I. Introduction

The Board of Directors (the "Board") of Pacific Mercantile Bancorp (the "Company"), acting on the recommendation of its Nominating and Governance Committee (the "NG Committee"), has developed and adopted a set of corporate governance principles (the "Guidelines") to promote the functioning of the Board and its committees and to set forth a common set of expectations as to how the Board should perform its functions.

II. Board Composition

The composition of the Board should balance the following goals:

- The size of the Board should facilitate substantive discussions of the whole Board in which each director can participate meaningfully;
- The Board determines the size of the Board and may enlarge or reduce its size from time to time if it so elects;
- The composition of the Board should encompass a broad range of skills, expertise, industry knowledge, diversity of opinion and contacts relevant to the Company's business;
- A majority of the Board shall consist of directors who are neither officers nor employees of the Company or its subsidiaries (and have not been officers or employees within the previous three years), who do not have a relationship which, in the opinion of the Board, would interfere with the exercise of independent judgment in carrying out the responsibilities of a director, and who are otherwise "independent" under the rules of the NASDAQ Stock Market LLC.

III. Selection of Chairman of the Board and Chief Executive Officer

The Board is free to select its Chairman and the Company's Chief Executive Officer in the manner it considers in the best interests of the Company at any given point in time. These positions may be filled by one individual or by two different individuals.

IV. Selection of Directors

Nominations. The NG Committee is responsible for recommending for the Board's selection the slate of director nominees for election to the Company's Board of Directors and for recommending for the Board's selection director nominees to fill vacancies occurring between annual meetings of shareholders, if any.

Criteria. The NG Committee shall determine new nominees for the position of independent director who satisfy the requirements of the NASDAQ Stock Market LLC and the following criteria:

- Personal qualities and characteristics, accomplishments and reputation in the business community;
- Current knowledge and contacts in the communities in which the Company does business and in the Company's industry or other industries relevant to the Company's business;
- Ability and willingness to commit adequate time to Board and committee matters;
- The fit of the individual's skills and personality with those of other directors and potential directors in building a Board that is effective, collegial and responsive to the needs of the Company;
- Diversity of viewpoints, background, experience and other demographics; and
- Other factors, such as judgment, skill diversity, experience with businesses and other organizations of comparable size, the interplay of the candidate's experience with the experience of other Board members, and the extent to which the candidate would be a desirable addition to the Board and any committees of the Board.

Invitation. The invitation to join the Board should be extended by the Board itself via the Chairman of the Board and CEO of the Company, together with an independent director, when deemed appropriate.

Orientation and Continuing Education. Management, working with the Board, will provide an orientation process for new directors, including background material on the Company, its business plan and its risk profile, and meetings with senior management. Periodically, management should prepare for the directors, or make available to the directors, additional educational sessions on matters relevant to the Company, its business plan and risk profile.

V. Lead Director

If at any time the Chairman does not satisfy the "independence" requirements of the NASDAQ Stock Market LLC, the directors who satisfy such requirements will select one such director as the Lead Director. When required by the preceding sentence, the independent directors will select the Lead Director annually in May at the Board meeting following the Company's annual meeting or otherwise when appropriate. The duties and powers of the Lead Director include the following:

- Presiding at all meetings of the Board at which the Chairman is not present, including executive sessions of the independent directors;
- Serving as liaison between the Chairman and the independent directors;
- Serving as a member of the Executive Committee;

- Reviewing and approving meeting agendas, meeting schedules and information sent to the Board;
- Ensuring that matters of concern or interest of the independent directors are appropriately scheduled for a discussion at Board meetings;
- Having the authority to call meetings of the independent directors;
- Being available for consultation and direct communication with stockholders, as appropriate; and
- Performing such other duties as the Chairman or the Board may from time to time delegate or request.

VI. Election Term

The Board does not believe it should establish term limits at this time. While term limits could help to ensure that there are fresh ideas and viewpoints available to the Board, they hold the disadvantage of losing the contribution of Directors who have been able to develop, over a period of time, increasing insight into the Company and its operations and, therefore, provide an increasing contribution to the Board as a whole. If a Director fails to contribute, then he or she should be removed.

VII. Board Meetings

The Board currently plans at least ten (10) regular meetings each year, with further meetings to occur (or action to be taken by unanimous consent) at the discretion of the Board. The meetings will usually consist of committee meetings and the Board meeting.

The agenda for each Board meeting will be prepared by the Corporate Secretary or designee. Management will seek to provide to all directors an agenda and appropriate materials in advance of meetings, although the Board recognizes that this will not always be consistent with the timing of transactions and the operations of the business and that in certain cases it may not be possible.

Materials presented to the Board or its committees should be as concise as possible, while still providing the desired information needed for the directors to make an informed judgment.

VIII. Executive Sessions

To ensure free and open discussion and communication among the independent directors of the Board, the independent directors may hold executive sessions at the conclusion of any Board meeting, whether regularly scheduled, annual or special meetings of the Board, at which only independent directors are present. The Lead Director shall preside at the executive sessions and designate an individual to act as recording secretary during such sessions.

IX. The Committees of the Board

The Company shall have at least the committees required by the rules of the NASDAQ Stock Market LLC. Currently, the Audit Committee, the HR and Compensation Committee, and the NG Committee are required. There will, from time to time, be occasions when the Board may want to form a new Committee or disband a current Committee, depending upon the circumstances.

All directors, whether members of a committee or not, are invited to make suggestions to a committee chair for additions to the agenda of his or her committee or to request that an item from a committee agenda be considered by the Board. Each committee chair will give a periodic report of his or her committee's activities to the Board.

Except as permitted by the rules of the NASDAQ Stock Market LLC, each of the NG Committee, the HR and Compensation Committee, and the Audit Committee shall be composed of directors who are not officers or employees of the Company or its subsidiaries (and have not been officers or employees within the previous three years), who do not have relationships which, in the opinion of the Board, would interfere with the exercise of independent judgment in carrying out the responsibilities of a director, and who are otherwise "independent" under the rules of the NASDAQ Stock Market LLC. The required qualifications for the members of each committee shall be set out in the respective committees' charter. A director may serve on more than one committee for which he or she qualifies.

X. Management Succession

At least annually, the Board shall review and concur on a succession plan, developed by management, addressing the policies and principles for selecting a successor to the CEO as well as certain other management positions, both in an emergency situation and in the ordinary course of business. The succession plan should include an assessment of the experience, performance, skills and planned career paths for possible successors to the subject position.

XI. Board Compensation

Acting through the HR and Compensation Committee, the Board shall conduct an annual review of the components and amount of Board compensation in relation to other similarly situated companies. Board compensation should be consistent with market practices but should not be set at a level that would call into question the Board's objectivity.

XII. Expectations of Directors

The business and affairs of the Company shall be managed by or under the direction of the Board in accordance with Delaware law. Each director shall perform the duties of a director, including duties as a member of any committee of the Board upon which such director may serve, in good faith, in a manner such director believes to be in the best interests of the Company and its shareholders and with such care, including reasonable inquiry, as an ordinarily prudent person in a like position would use under similar circumstances. The Board has developed a number of specific expectations of directors to promote the discharge of this responsibility and the efficient conduct of the Board's business.

Commitment and Attendance. All independent and management directors should make every effort to attend meetings of the Board and meetings of committees of which they are members. Members may attend by telephone or similar means of communication to mitigate conflicts.

Participation in Meetings. Each director should be sufficiently familiar with the business of the Company, including its financial statements and capital structure, regulatory requirements and the risks and competition it faces, to facilitate active and effective participation in the deliberations of the Board and of each committee on which he or she serves. Upon request, management will make appropriate personnel available to answer any questions a director may have about any aspect of the Company's

business. Directors should also review the materials provided by management and advisors in advance of the meetings of the Board and its committees and should arrive prepared to discuss the issues presented.

Loyalty and Ethics. In their roles as directors, all directors owe a duty of loyalty to the Company. This duty of loyalty mandates that the best interests of the Company take precedence over any interests possessed by a director. The Company has adopted a Code of Business Conduct and Ethics, including procedures to enforce the Code. Certain portions of the Code deal with activities of directors, particularly with respect to transactions in the securities of the Company, potential conflicts of interest, the taking of corporate opportunities for personal use, and competing with the Company. Directors should be familiar with the Code's provisions in these areas and should consult with the Company's counsel in the event of any issues.

Other Directorships. The Company values the experience directors bring from other boards on which they serve, but recognizes that those boards may also present demands on a director's time and availability and may present conflicts or legal issues. Directors shall advise the Chair of the NG Committee and the CEO before accepting membership on other boards of directors or other significant commitments involving affiliation with other businesses or governmental units.

Contact with Management. Both the Chief Financial Officer and the Chief Risk Officer shall be expected to attend all Board meetings with the exception of the Executive Sessions. Should the Chief Executive Officer (CEO) want to add additional people as attendees on a regular or special basis, it is expected that this suggestion would be made to the Board for its concurrence. All directors are invited to contact the CEO at any time to discuss any aspect of the Company's business. Directors also have complete access to other members of management. It is expected and assumed that Board members will use judgment to ensure that this contact is not distracting to the business operations of the Company and that the Chief Executive Officer is aware of the contact. The Board expects that there will be frequent opportunities for directors to meet with the CEO and other members of management in Board and committee meetings and in other formal or informal settings. Further, the Board encourages management to, from time to time, bring managers into Board meetings who: (a) can provide additional insight into the items being discussed because of direct involvement and substantial knowledge in those areas, and/or (b) are managers with future potential that the senior management believes should be given exposure to the Board.

Contact with Other Constituencies. It is important that the Company speak to employees and outside constituencies with a single voice, and that management serve as the primary spokesperson.

Confidentiality. The proceedings and deliberations of the Board and its committees are confidential. Each director shall maintain the confidentiality of information received in connection with his or her service as a director.

XIII. Evaluating Board Performance

The Board, acting through the NG Committee, should conduct a self-evaluation at least annually to determine whether it is functioning effectively. The NG Committee should periodically consider the mix of skills and experience that directors bring to the Board to assess whether the Board has the necessary tools to perform its oversight function effectively.

Each committee of the Board should conduct a self-evaluation at least annually and report the

results to the Board. Each committee's evaluation must compare the performance of the committee with the requirements of its written charter, if any.

XIV. Reliance on Management and Outside Advice

In performing its functions, the Board is entitled to rely on the advice, reports and opinions of management, counsel, accountants, auditors and other expert advisors. The Board or, in the case of services by the Company's independent auditors, the Audit Committee shall have the authority to retain and approve the fees and retention terms of its outside advisors.