

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT
PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

Date of Report (Date of earliest event reported): November 20, 2020

SILVERGATE CAPITAL CORPORATION
(Exact name of registrant as specified in its charter)

Maryland
(State or other jurisdiction of
incorporation or organization)

001-39123
(Commission file number)

33-0227337
(IRS Employer
Identification No.)

4250 Executive Square, Suite 300, La Jolla, CA 92037
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: **(858) 362-6300**

N/A
(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligations of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Securities registered pursuant to Section 12(b) of the Act:

<u>Title of Each Class</u>	<u>Trading Symbol</u>	<u>Name of Each Exchange on Which Registered</u>
Class A Common Stock, par value \$0.01 per share	SI	New York Stock Exchange

ITEM 7.01 REGULATION FD DISCLOSURE.

Silvergate Capital Corporation (the "Company") is filing an investor presentation relating to its third quarter of 2020 (the "Presentation") that will be used by Company management for presentations to investors and others. The Presentation replaces and supersedes investor presentation materials previously furnished as an exhibit to the Company's Current Reports on Form 8-K. A copy of the Presentation is attached hereto as Exhibit 99.1. The Presentation is also available on the Company's website at <https://ir.silvergatebank.com> on the Presentations page in the Investor Relations section.

The information furnished under Item 7.01 and Item 9.01, including Exhibit 99.1 hereto, of this Current Report on Form 8-K shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to liabilities under that Section, nor shall it be deemed incorporated by reference into any registration statement or other filings of the Company made under the Securities Act of 1933, as amended, except as expressly set forth by specific reference in such filing.

ITEM 9.01 FINANCIAL STATEMENTS AND EXHIBITS.

(d) Exhibits.

Exhibit

<u>Number</u>	<u>Description</u>
99.1	Investor Presentation Third Quarter 2020
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

SILVERGATE CAPITAL CORPORATION

Date: November 20, 2020

By: /s/ Alan J. Lane
Alan J. Lane
President and Chief Executive Officer

The logo for Silvergate Capital Corporation is a large, stylized letter 'S' in a dark gray color. It is centered on a black background. The 'S' is composed of a thick, rounded stroke. The background is divided into several rectangular sections by thin white lines, creating a grid-like pattern. The text is white and centered over the 'S' and the background.

Silvergate Capital Corporation
Investor Presentation
Third Quarter 2020

Forward Looking Statements

This presentation contains forward looking statements within the meaning of the Securities and Exchange Act of 1934, as amended, including statements of goals, intentions, and expectations as to future trends, plans, events or results of Company operations and policies and regarding general economic conditions. In some cases, forward-looking statements can be identified by use of words such as “may,” “will,” “anticipates,” “believes,” “expects,” “plans,” “estimates,” “potential,” “continue,” “should,” and similar words or phrases. These statements are based upon current and anticipated economic conditions, nationally and in the Company’s market, interest rates and interest rate policy, competitive factors and other conditions which by their nature, are not susceptible to accurate forecast and are subject to significant uncertainty. For details on factors that could affect these expectations, see the risk factors and other cautionary language included in the Company’s periodic and current reports filed with the U.S. Securities and Exchange Commission. Because of these uncertainties and the assumptions on which this discussion and the forward-looking statements are based, actual future operations and results may differ materially from those indicated herein. Readers are cautioned against placing undue reliance on any such forward-looking statements. The Company’s past results are not necessarily indicative of future performance. Further, given its ongoing and dynamic nature, it is difficult to predict the full impact of the COVID-19 outbreak on our business. The extent of such impact will depend on future developments, which are highly uncertain, including when the coronavirus can be controlled and abated and when and how the economy may be fully reopened. As the result of the COVID-19 pandemic and the related adverse local and national economic consequences, we could be subject to any of the following risks, any of which could have a material, adverse effect on our business, financial condition, liquidity, and results of operations: the demand for our products and services may decline, making it difficult to grow assets and income; if the economy is unable to fully reopen as planned, and high levels of unemployment continue for an extended period of time, loan delinquencies, problem assets, and foreclosures may increase, resulting in increased charges and reduced income; collateral for loans, especially real estate, may decline in value, which could cause loan losses to increase; our allowance for loan losses may increase if borrowers experience financial difficulties, which will adversely affect our net income; the net worth and liquidity of loan guarantors may decline, impairing their ability to honor commitments to us; as the result of the decline in the Federal Reserve Board’s target federal funds rate to near 0%, the yield on our assets may decline to a greater extent than the decline in our cost of interest-bearing liabilities, reducing our net interest margin and spread and reducing net income; our cyber security risks are increased as the result of an increase in the number of employees working remotely; and FDIC premiums may increase if the agency experiences additional resolution costs. The Company does not undertake to publicly revise or update forward-looking statements in this presentation to reflect events or circumstances that arise after the date of this presentation, except as may be required under applicable law. The Company makes no representation that subsequent to delivery of the presentation it was not altered. For the most current, accurate information, please refer to the investor relations section of the Company’s website at <https://ir.silvergatebank.com>.

Silvergate

“Silvergate Bank” and its logos and other trademarks referred to and included in this presentation belong to us. Solely for convenience, we refer to our trademarks in this presentation without the ® or the ™ or symbols, but such references are not intended to indicate that we will not fully assert under applicable law our trademark rights. Other service marks, trademarks and trade names referred to in this presentation, if any, are the property of their respective owners, although for presentational convenience we may not use the ® or the ™ symbols to identify such trademarks. In this presentation, we refer to Silvergate Capital Corporation as “Silvergate” or the “Company” and to Silvergate Bank as the “Bank”.



Introduction



Alan Lane, President and Chief Executive Officer

- Over 35 years of corporate and financial institution leadership experience (11 years at Silvergate)
- Joined the Company in December 2008 and formerly held the positions of Director, President and Chief Operating Officer of Southwest Community Bancorp; Vice-Chairman and Chief Executive Officer of Financial Data Solutions, Inc. and President and Chief Executive Officer of Business Bank of California
- Served as President/Chief Executive Officer or Chief Financial Officer of both manufacturing and retail companies



Ben Reynolds, Executive Vice President, Corporate Development

- Over 20 years of product development, marketing, strategy, risk and accounting experience (4 years at Silvergate)
- Joined the Company in January 2016 and formerly held the positions of Chief Marketing Officer of Carsinia Software, Chief Financial Officer of Henry Clay Motors, VP of Marketing and Product Management of HSBC and Senior Associate of KPMG
- Responsible for strategy, growth and delivering products to entrepreneurs within the digital currency, blockchain and fintech ecosystem at Silvergate



Tony Martino, Chief Financial Officer

- Joined the company in September 2019, brings 30 years of experience with 20 years in financial services and 10 years in public accounting with Ernst & Young. Tony is a Chartered Accountant.
- Most recently Chief Financial Officer at LendingPoint, a fintech lending platform that recently placed No. 17 on Inc. magazine's 37th annual ranking of the nation's fastest growing companies
- Spent 17 years with Citigroup, Inc. in various finance leadership roles across North America and EMEA regions, including Regional CFO in Central Europe, Country CFO in Turkey, and in Corporate Treasury in New York



Silvergate Overview

Our Solutions and Services **Business Model** **Our Customers**



Silvergate Exchange Network

Available 24/7, the SEN is a global payments platform that enables real-time transfer of U.S. dollars between our digital currency exchange customers and our institutional investor customers



Cash Management Solutions

Enable customers to send, receive and manage payments



Deposit Account Services

Maintain U.S. dollar deposits for our customers



Digital Currency Exchanges

Exchanges through which digital currencies are bought and sold; includes OTC trading desks



Institutional Investors

Hedge funds, venture capital funds, private equity funds, family offices and traditional asset managers, which are investing in digital currencies as an asset class



Other Customers

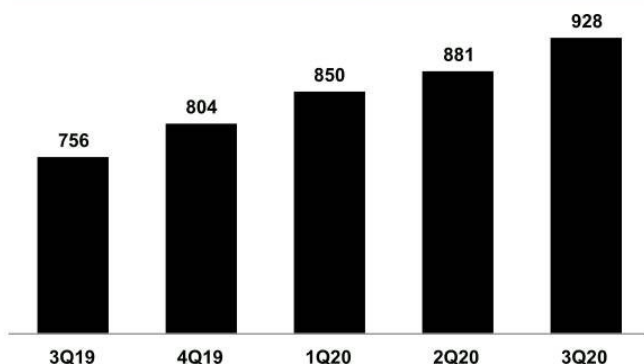
Companies developing new protocols, platforms and applications; mining operations; and providers of other services

We believe we are the leading provider of innovative financial infrastructure solutions and services to participants in the nascent and expanding digital currency industry



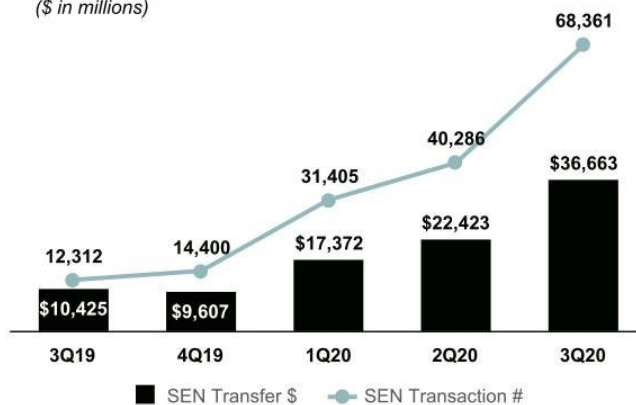
Digital Currency Platform Growth

Digital Currency Net Customer Growth



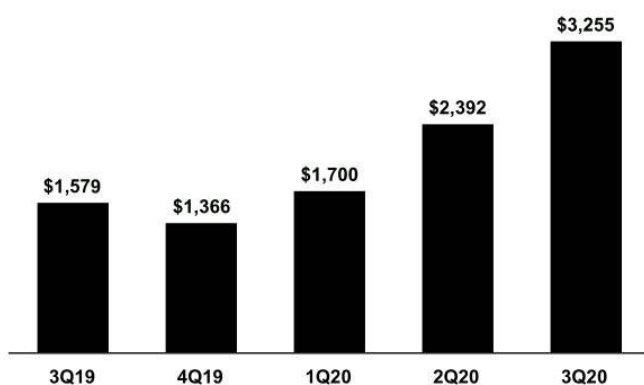
Global Payments Platform Utilization (SEN Transfers)

(\$ in millions)



Fee Income from Digital Currency Customers

(\$ in thousands)



Commentary

- At September 30, 2020, digital currency customers increased net 23% year over year to 928
- \$36.7 billion of U.S. dollar transfers occurred on the SEN in 3Q20, an increase of 64% versus 2Q20 and 252% versus 3Q19
- 3Q20 fee income from digital currency customers increased 36% versus 2Q20 and 106% versus 3Q19
- At September 30, 2020, Silvergate had over 200 prospective digital currency customer leads in pipeline or onboarding processes



Investment Highlights

Established and Rapidly Growing Customer Network

Unique and Innovative API-enabled Payments and Technology Platform

Robust Compliance Framework


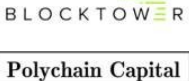

Low-Cost Deposit Base and Low-Risk Asset Strategy

Digital Currency Expansion Contributes to Attractive Risk-Adjusted Returns

Innovative Business with Multiple Growth Vectors



Focused on Customers that Consider Digital Currencies a New Asset Class

	Digital Currency Exchanges	Institutional Investors	Other Customers
Overview	<ul style="list-style-type: none"> Exchanges through which digital currencies are bought and sold; includes OTC trading desks 	<ul style="list-style-type: none"> Hedge funds, venture capital funds, private equity funds, family offices and traditional asset managers, which are investing in digital currencies as an asset class 	<ul style="list-style-type: none"> Companies developing new protocols, platforms and applications; mining operations; and providers of other services
Metrics	<ul style="list-style-type: none"> 69 customers \$729 MM in deposits 	<ul style="list-style-type: none"> 599 customers \$850 MM in deposits 	<ul style="list-style-type: none"> 260 customers \$515 MM in deposits
Noteworthy	<ul style="list-style-type: none"> Silvergate's customers include the 5 largest U.S. domiciled digital currency exchanges 	<ul style="list-style-type: none"> Silvergate's customers transferred on SEN \$76.5 billion for the nine months ended September 30, 2020 	<ul style="list-style-type: none"> Silvergate's customers have raised over \$1 billion through private placements
Customers			

Our technology platform provides financial infrastructure to the largest, global digital currency exchanges and 599 institutional investors

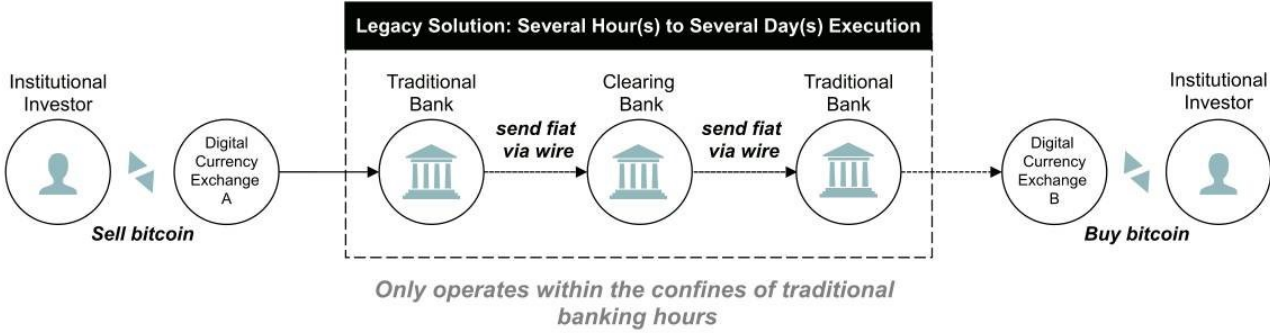
Note: Data as of the period ended September 30, 2020.



Customers were Previously Limited by Traditional Banking Services

Counterparty Risk Liquidity Banking Friction

Historical Customer Pain Points



Dependencies include internal process, time of day, holidays, geography and financial institution



Network Effect of the SEN Creates Barriers to Entry

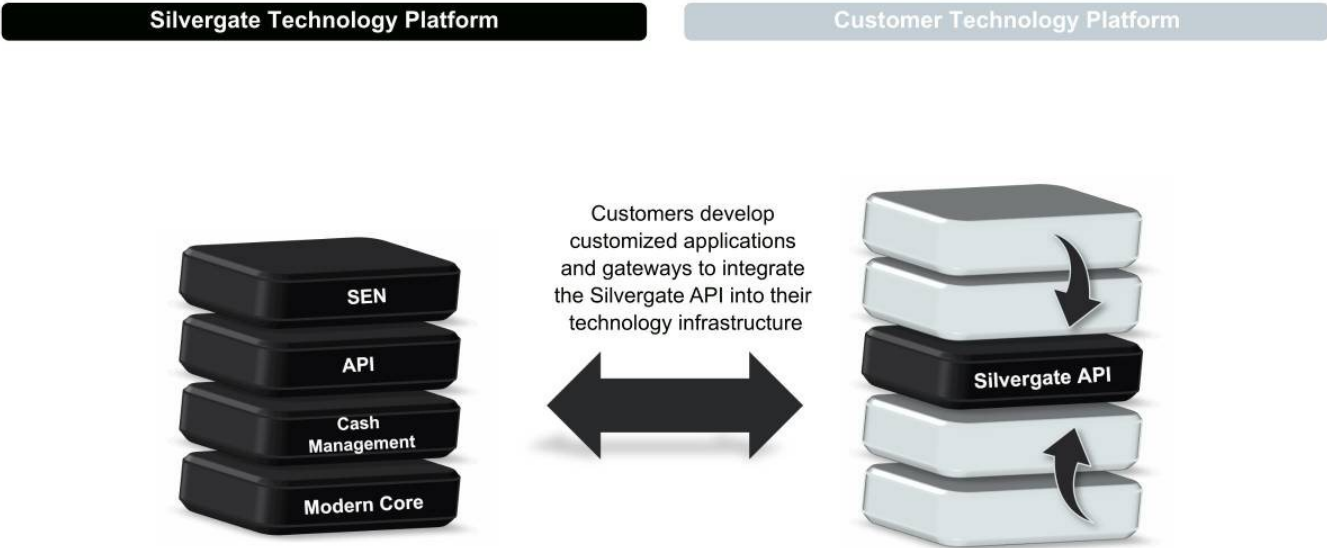
Real-time USD transfers Available 24/7/365 API enabled



The SEN facilitated \$76.5 billion of transfers during the nine months ended September 30, 2020



Our Innovative Technology Platform Alleviates Customer Pain Points



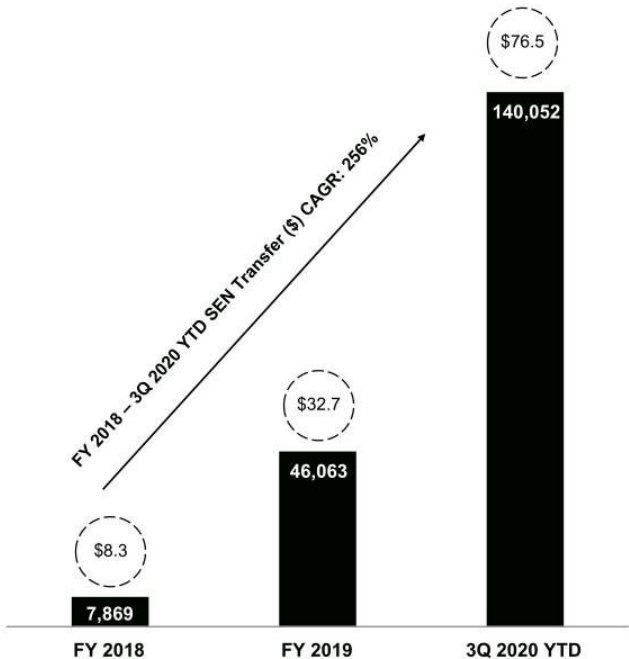
Cloud-based API enables Silvergate's customers to grow their business in a scalable manner, including real-time transfers and attribution of client funds



Business Evolving Towards a Fee-Based Model

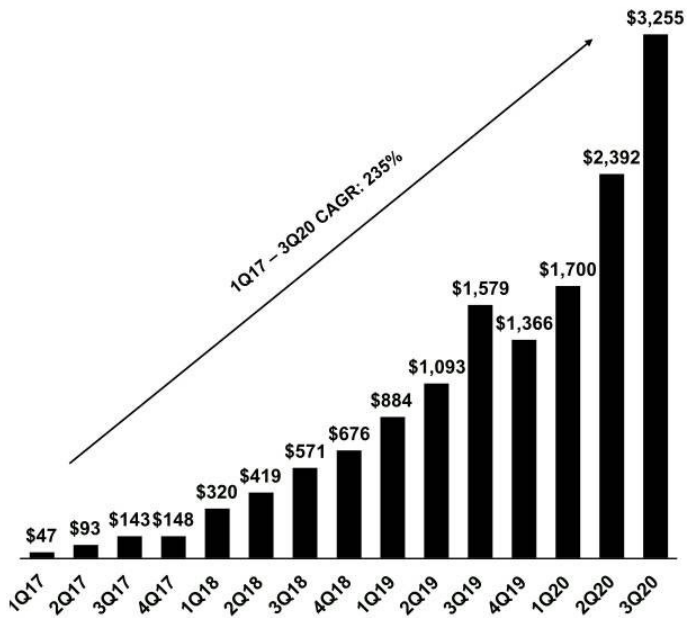
SEN Transfers (\$ and #)

(\$ in billions)



Digital Customer Related Fee Income Growth

(\$ in thousands)



Digital customer related fee income growth driven by increasing SEN-related services and deposits



Robust Compliance and Risk Management Framework



Initial Due Diligence

- **Executive Summary**
 - Company Description & Management Team
 - Product & Target Customer
 - Operational Needs
- **Reputation Review**
 - Customer Complaints
 - Pending/Prior Litigation
- **Compliance Review**
 - Review of Organization's Culture of Compliance
 - BSA/AML Program
 - Confirm Money Transmitter Registration & Licensing
 - Review Independent Audits & Exams
 - Site Visit
 - UDAAAP Policy/Procedure
 - Information Security

Ongoing Monitoring

- **Daily**
 - BSA/AML Alerts Monitoring
 - Industry News Monitoring
- **Enhanced Due Diligence**
 - Customer Counterparty Reviews
 - Negative News Reviews
- **Periodic Review**
 - Quarterly Account Activity Reviews
 - Annual Company Reviews
- **Management Reporting**
 - Monthly Fintech Committee Meeting
 - Reports to Enterprise Risk Committee
 - Reports to Directors Loan Committee (ACH Origination)
 - Quarterly BSA Risk Assessment

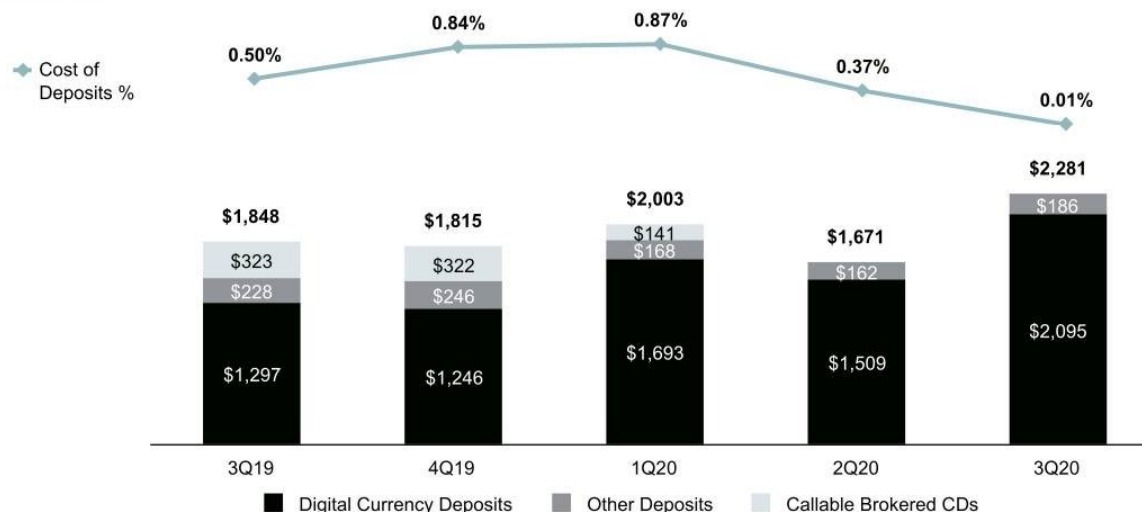
Our compliance process was built over the past six years and has provided us with a first-mover advantage within the digital currency industry that is the cornerstone of our leadership position today



Deposits

Digital Currency and Other Deposit Trends

(\$ in millions)



Commentary

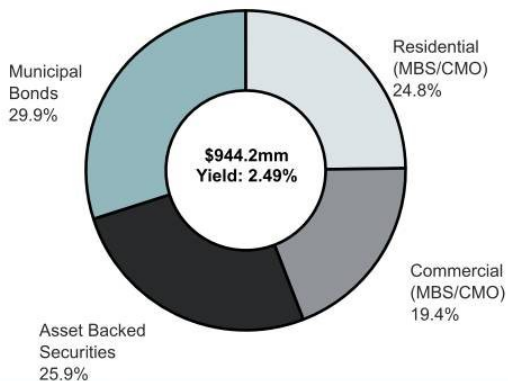
- Digital currency deposits ended 3Q20 at \$2.1 billion, with elevated client activity evidenced by the record volume of SEN transactions during the quarter
- Other deposits represent deposits from non-digital currency customers, including demand deposits, savings, money market and time deposits, with a weighted average interest rate of 10 bps during 3Q20, compared to 18 bps in 2Q20
- Callable brokered CDs were issued beginning in 2Q19 as part of a hedging strategy to fund fixed rate securities. As of June 30, 2020, all outstanding brokered CDs had been called, driving total cost of deposits down to 1 bps during 3Q20

Note: Ratios have been annualized. Totals may not foot due to rounding.



Securities and Loan Portfolio

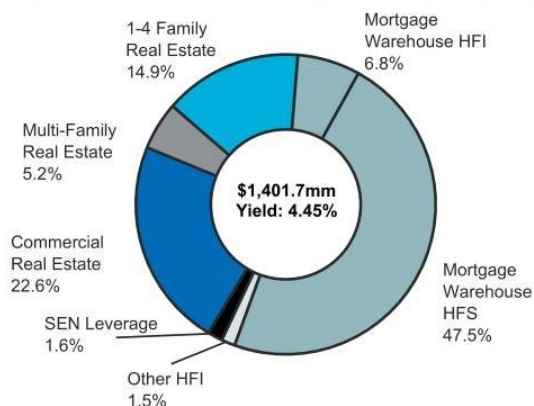
Securities Composition – 36% of Total Assets



Securities Commentary

- Securities portfolio is managed with the same disciplined credit approach as is applicable to our loan portfolio, with consideration for the underlying debt components and credit exposure for underlying asset classes
- There were no purchases or sales during 3Q20
- Municipal bonds are all general obligation or revenue bonds with 95% rated AA- or better
- Commercial MBS/CMO are non-agency with 96% rated AAA
- Residential MBS/CMO are 99% agency backed
- 100% of asset backed securities are agency backed FFELP student loan bonds and rated AA+ or better

Loan Composition – 54% of Total Assets



Loan Commentary

- 3Q20 total loans were up \$286.3 million versus 2Q20 driven by an increase in mortgage warehouse loans
- Mortgage warehouse loans were \$760.5 million representing 54% of total loans
- SEN Leverage loans were \$22.4 million
- Nonperforming assets totaled \$4.1 million, or 0.16% of total assets at September 30, 2020 compared to \$4.6 million, or 0.20% of total assets at June 30, 2020

Note: Securities and loan yields are for 3Q20 and have been annualized.



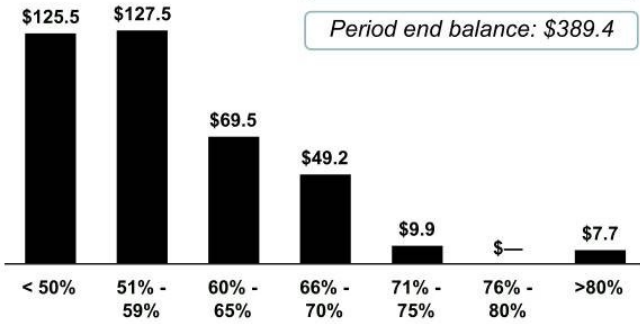
Credit Quality

Commercial & Multi-Family Real Estate Balances - LTV

(\$ in millions)

Weighted Average LTV: 53%

Period end balance: \$389.4

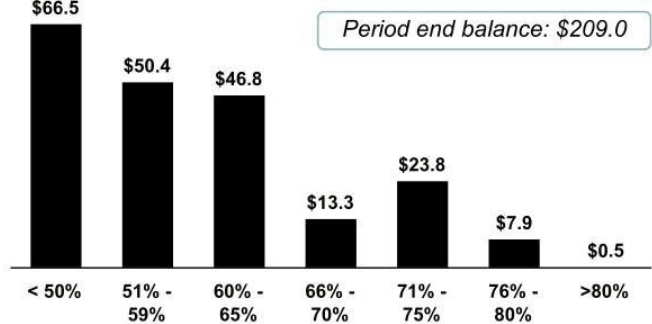


1-4 Family Residential Real Estate Balances - LTV

(\$ in millions)

Weighted Average LTV: 55%

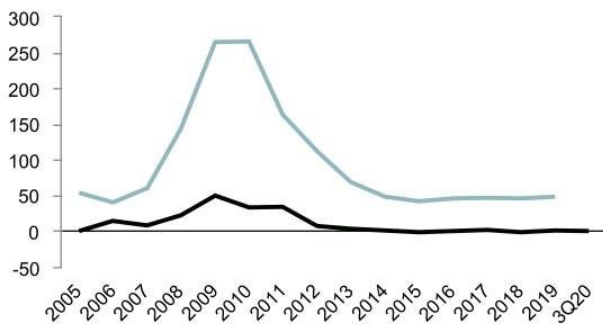
Period end balance: \$209.0



Net Charge-offs / Average Loans

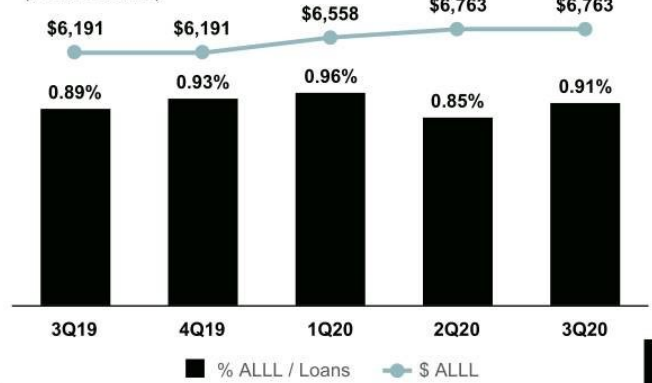
(bps)

— Silvergate — US Commercial Banks



Allowance for Loan Losses

(\$ in thousands)



Note: Company LTV data as of September 30, 2020.

Source: FRED Economic Data. US Commercial Bank data represents aggregate data of charge-off rates on all U.S. Commercial Banks.



3Q20 Highlights

Digital Currency Platform

- Record number of 3Q20 Silvergate Exchange Network (SEN) transactions of 68,361 and SEN volumes of \$36.7 billion, up 70% and 64%, respectively, versus 2Q20
- SEN transfers volumes since inception surpass \$100 billion during 3Q20
- Digital currency fee income of \$3.3 million, up 36% as compared to 2Q20 and up 106% compared to 3Q19
- SEN Leverage pilot completed with approved lines of credit totaling \$35.5 million versus \$22.5 million in 2Q20
- Digital currency deposits grew by \$586 million to \$2.1 billion as of September 30, 2020 compared to \$1.5 billion as of June 30, 2020

3Q20 Financial Highlights

- Net income of \$7.1 million as compared to \$5.5 million for 2Q20
- Diluted EPS of \$0.37 per share compared to \$0.29 per share for 2Q20
- Book value per share of \$15.18 compared to \$14.36 for 2Q20
- NIM was 3.19% compared to 3.14% for 2Q20
- Total risk-based capital ratio of 24.68% and Tier 1 leverage ratio of 10.36% as of September 30, 2020

Loan Portfolio & Credit

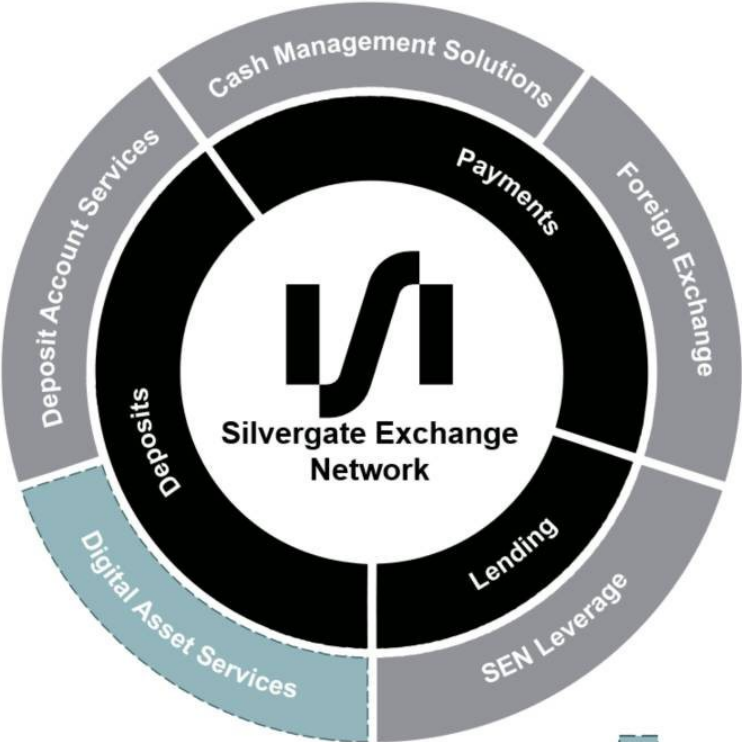
- Loan portfolio balance up 26% from prior quarter and up 40% from September 30, 2019, driven by recent residential mortgage refinance activity resulting in \$283 million growth in mortgage warehouse balance from June 30, 2020
- Conservative credit culture evidenced by relatively low loan-to-value (LTV), with a 53% LTV in commercial and multi-family real estate loans, and 55% LTV in 1-4 family loans
- As of September 30, 2020, the proportion of loans which continued under various forms of COVID-19 related modification was 4.4% of total gross HFI loans outstanding compared to 15.5% at June 30, 2020

Other

- Net income of \$7.1 million in 3Q20 included a \$0.5 million benefit to income taxes, which arose upon filing prior year tax returns including the benefit of R&D tax credits. Net income of \$5.5 million in 2Q20 included a \$2.6 million pre-tax gain on sale of securities and a \$1.2 million pre-tax accelerated premium expense related to calling brokered CDs
- Total assets increased 12% from prior quarter to \$2.6 billion, driven by record levels of digital currency deposits and mortgage warehouse loans
- Silvergate continued to operate with uninterrupted banking access for customers with approximately 95% of the Company's employees working remotely



Multiple Avenues for Growth – Leverage Network Effects of SEN



The network effects of SEN reinforce the strength of our product offerings and create a platform to launch new customer solutions and generate attractive returns



Appendix



3Q20 Financial Results

(\$ in millions, except per share data)

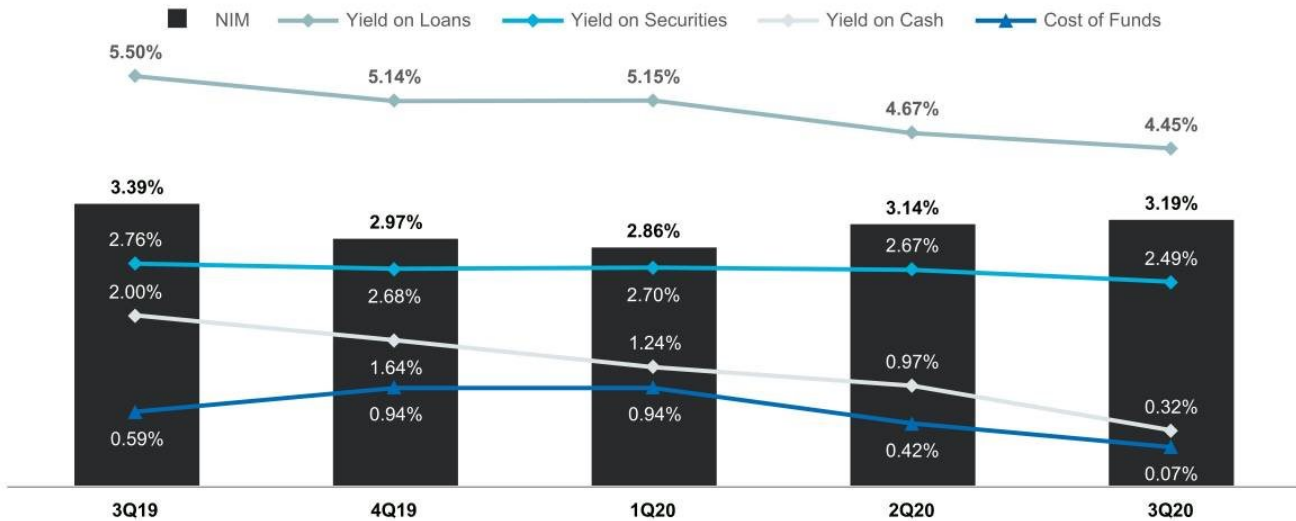
	3Q20	2Q20	3Q19	3Q20 vs	
				2Q20	3Q19
				% Inc / (Dec)	
Income Statement					
Net interest income	\$ 18.9	\$ 16.1	\$ 18.4	18 %	3 %
Provision for (reversal of) loan losses	—	0.2	(0.9)	N/M	N/M
Noninterest income	4.0	5.4	2.6	(27)%	53 %
Noninterest expense	14.1	14.0	12.6	1 %	12 %
Pre-tax income	8.8	7.3	9.3	21 %	(5)%
Income tax expense	1.7	1.8	2.6	(7)%	(36)%
Net income	\$ 7.1	\$ 5.5	\$ 6.7	29 %	6 %
Diluted EPS	\$ 0.37	\$ 0.29	\$ 0.36		
Balance Sheet					
Securities	\$ 944	\$ 951	\$ 910	(1)%	4 %
Total loans	\$ 1,402	\$ 1,115	\$ 1,003	26 %	40 %
Total assets	\$ 2,621	\$ 2,341	\$ 2,137	12 %	23 %
Digital currency related deposits	\$ 2,095	\$ 1,509	\$ 1,297	39 %	61 %
Total shareholders' equity	\$ 284	\$ 268	\$ 231	6 %	23 %
Book value per share	\$ 15.18	\$ 14.36	\$ 12.92	6 %	17 %
Key Ratios					
ROAA	1.13 %	1.02 %	1.20 %		
ROAE	10.14 %	8.72 %	11.78 %		
NIM	3.19 %	3.14 %	3.39 %		
Net charge-offs / Avg. loans	0.00 %	0.00 %	0.01 %		

N/M - Not meaningful



Yields, Cost of Funds and Net Interest Margin Trends

Yields, Cost of Deposits and Net Interest Margin Trends



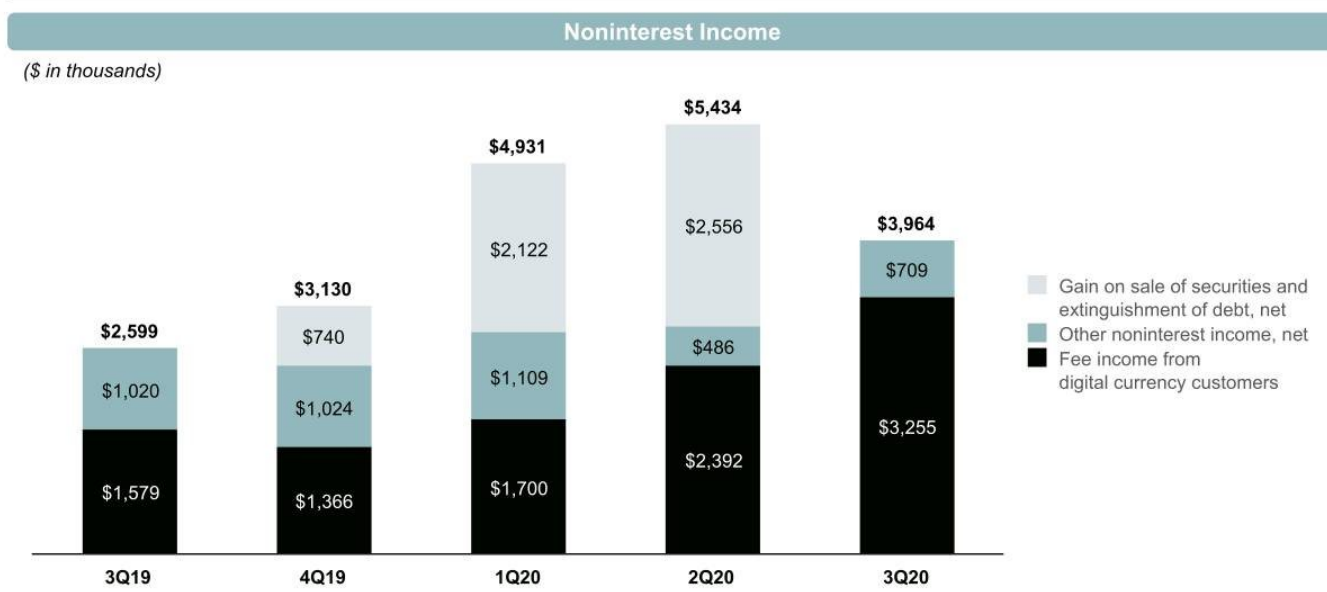
Commentary

- Net interest margin increase was driven by the reduction in callable brokered CDs, which drove down cost of funds, partially offset by lower yield on loans and the variable rate portion of securities, along with the impact of maintaining a higher level of cash and cash equivalents during the quarter related to the increase in digital currency deposits
- Securities yields down 18 bps compared to the prior quarter, as lower rates impacting variable rate securities were mitigated by the impact of interest rate floors and the fixed rate component of the securities portfolio

Note: Ratios have been annualized. NIM and yield on securities are presented on a taxable equivalent basis.



Noninterest Income

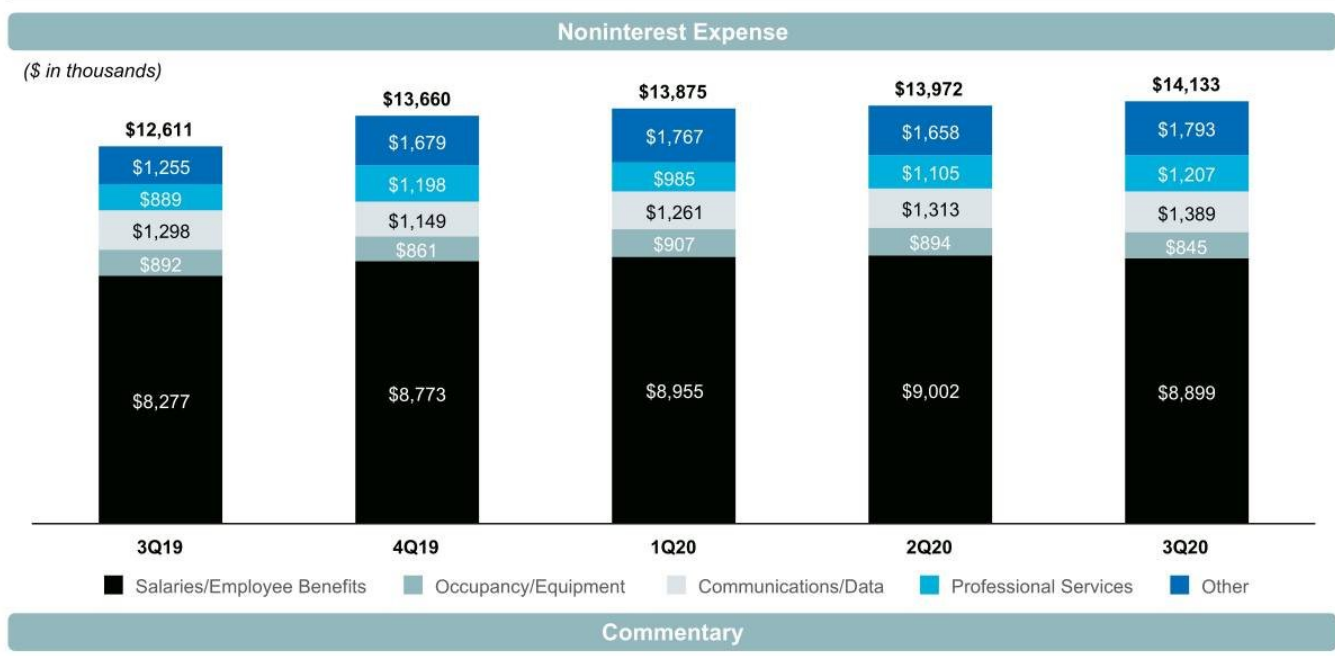


- Commentary**
- 3Q20 fee income from digital currency customers was up 106% year over year driven by increased transactional volume and related demand for cash management services
 - Other noninterest income is made up primarily of mortgage warehouse fee income of \$0.8 million, up 68% from the prior quarter and up 103% from 3Q19
 - 2Q20 includes a \$2.6 million gain on sale of securities
 - 1Q20 includes a \$1.2 million gain on sale of securities and \$0.9 million gain on extinguishment of debt from termination of FHLB term advance

Note: 3Q19 other noninterest income includes a \$16,000 loss on sale of securities.



Noninterest Expense



- 3Q20 noninterest expense up 1% versus 2Q20 and 12% versus 3Q19
- Noninterest expense remains relatively stable throughout 2020 as investments in operational infrastructure and technology have allowed for significant transactional growth and scalability
- Headcount was 215 as of September 30, 2020 compared to 213 at June 30, 2020 and 215 at December 31, 2019



Loan Portfolio (HFI) & COVID-19 Related Modifications

Loan Segments at September 30, 2020

(\$ in millions)

Loan Segment	Loan Balance	WA LTV	% of Total Loans HFI
Real estate loans:			
One-to-four family	\$ 209	55 %	28.3 %
Multi-family	73	48 %	9.8 %
Commercial:			
Retail	83	54 %	11.2 %
Hospitality	46	44 %	6.3 %
Office	58	63 %	7.8 %
Industrial	86	60 %	11.6 %
Other	43	46 %	5.9 %
Total commercial	317	55 %	42.8 %
Construction	14	52 %	1.9 %
Other	33	n/a	4.4 %
Mortgage warehouse	95	n/a	12.8 %
Total gross loans HFI	\$ 740	n/a	100.0 %

COVID-19 Loan Modifications

In Modification	Loan Balance	% of Total Loans HFI
Real estate loans:		
One-to-four family	\$ 9	1.3 %
Multi-family	—	—
Commercial:		
Retail	2	0.3 %
Hospitality	21	2.9 %
Office	—	—
Industrial	—	—
Other	—	—
Total commercial	23	3.2 %
Construction	—	—
Other	—	—
Mortgage warehouse	—	—
Total modifications	\$ 33	4.4 %

Commentary

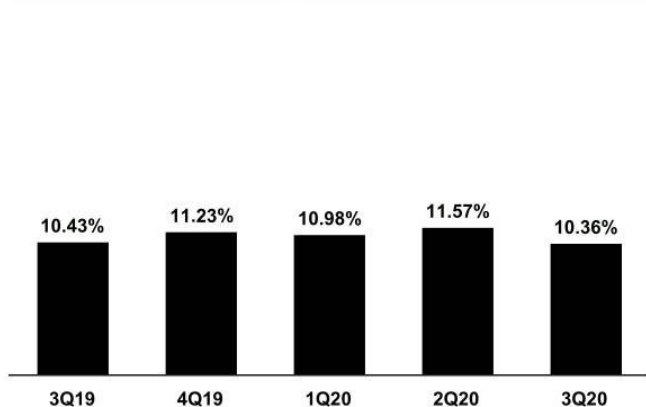
- 4.4% of loan balances are in modification with either full payment deferral or resumed partial interest only payments compared to 15.5% as of June 30, 2020
- Commercial borrowers with need for modification were initially granted payment deferrals of two months, while three months were initially granted to one-to four family borrowers in need. Both types of borrowers are considered for a further deferral for up to a total of six months if demonstrated impact from COVID-19

Note: COVID-19 loan modifications represent loans with payment deferrals as of September 30, 2020. Totals may not foot due to rounding.

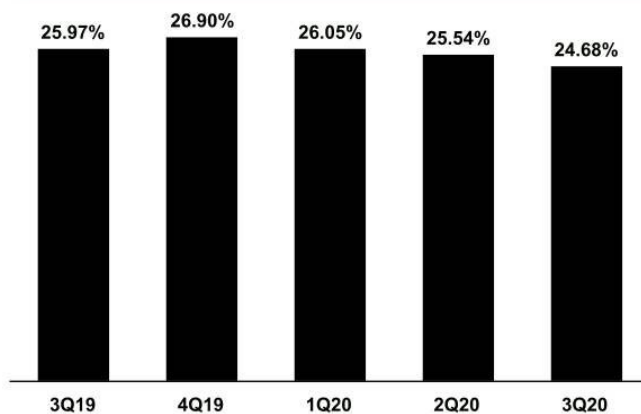


Capital and Liquidity Ratios

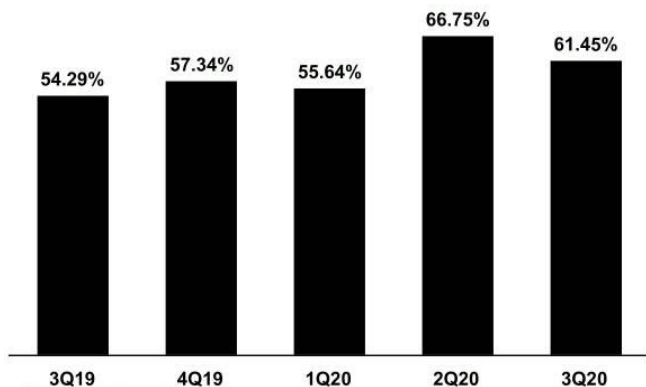
Tier 1 Leverage Ratio



Total Risk-Based Capital Ratio



Loans to Deposits



Commentary

- The Bank had a tier 1 leverage ratio of 9.84%, a common equity tier 1 capital ratio of 22.82%, a tier 1 risk-based capital ratio of 22.82% and a total risk-based capital ratio of 23.47% at September 30, 2020
- Bank capital ratios each exceeded the “well capitalized” standards defined by the federal banking regulations
- Decrease in loan to deposit ratio was driven by the increase in digital currency deposits partially mitigated by the increase in mortgage warehouse loans

Note: September 30, 2020 capital ratios are preliminary.



Summary Financials

(\$ in thousands)	2017	2018	2019	3Q20
Balance Sheet				
Cash and cash equivalents	\$ 797,668	\$ 674,420	\$ 133,604	\$ 197,482
Securities	191,921	357,251	897,766	944,161
Net loans	879,695	943,417	1,040,544	1,401,699
Other assets	22,664	29,230	56,213	77,231
Total assets	\$ 1,891,948	\$ 2,004,318	\$ 2,128,127	\$ 2,620,573
Total deposits	1,775,146	1,783,005	1,814,654	2,281,108
Total borrowings	36,788	20,659	68,530	25,827
Operating lease liabilities	—	—	4,881	3,770
Other liabilities	6,214	9,408	9,026	26,107
Total liabilities	1,818,148	1,813,072	1,897,091	2,336,812
Total shareholders' equity	73,800	191,246	231,036	283,761
Total liabilities and shareholders' equity	\$ 1,891,948	\$ 2,004,318	\$ 2,128,127	\$ 2,620,573
Income Statement				
Interest income	\$ 48,306	\$ 72,752	\$ 81,035	\$ 57,382
Interest expense	6,355	3,129	10,078	6,926
Net interest income	41,951	69,623	70,957	50,456
Provision for (reversal of) loan losses	262	(1,527)	(439)	589
Net interest income after provision	41,689	71,150	71,396	49,867
Noninterest income	3,448	7,563	15,754	14,329
Noninterest expense	30,706	48,314	52,478	41,980
Income tax expense	6,788	8,066	9,826	5,297
Net income	\$ 7,643	\$ 22,333	\$ 24,846	\$ 16,919
Key Metrics				
Loan yield	5.20 %	5.52 %	5.45 %	4.74 %
Yield on securities	2.13 %	2.78 %	2.87 %	2.62 %
Cost of deposits	0.44 %	0.10 %	0.43 %	0.40 %
Net interest margin	3.68 %	3.49 %	3.47 %	3.07 %
Noninterest income to average assets	0.30 %	0.38 %	0.76 %	0.83 % ⁽¹⁾
Noninterest expense to average assets	2.67 %	2.41 %	2.52 %	2.45 %
Efficiency ratio	67.64 %	62.59 %	60.52 %	64.80 % ⁽¹⁾
ALLL / Loans HFI	1.17 %	1.13 %	0.93 %	0.91 %
Net charge-offs (recoveries) / Avg. loans	0.02 %	(0.01)%	0.01 %	0.00 %
Return on average assets (ROAA)	0.66 %	1.11 %	1.19 %	0.99 % ⁽¹⁾
Return on average equity (ROAE)	10.80 %	13.47 %	11.54 %	8.73 % ⁽¹⁾

(1) Noninterest income in 2019 includes a \$5.5 million pre-tax / \$3.9 million after-tax gain on our branch sale in Q1 2019.

Note: Financial data as of or for the nine months ended September 30, 2020. All ratios have been annualized except for ALLL / Loans HFI and Net Charge-offs (Recoveries) / Avg. Loans and Efficiency Ratio.



Reconciliation of Non-GAAP Financial Measures

	Three Months Ended March 31, 2019	Six Months Ended June 30, 2019	Nine Months Ended September 30, 2019	Year Ended December 31, 2019
	(\$ in thousands)			
Net income				
Net income, as reported	\$ 9,436	\$ 14,592	\$ 21,248	\$ 24,846
Adjustments:				
Gain on sale of branch, net	(5,509)	(5,509)	(5,509)	(5,509)
Tax effect ⁽¹⁾	1,574	1,574	1,574	1,574
Adjusted net income	\$ 5,501	\$ 10,657	\$ 17,313	\$ 20,911
Noninterest income / average assets⁽²⁾				
Noninterest income	\$ 7,871	\$ 10,025	\$ 12,624	\$ 15,754
Adjustments:				
Gain on sale of branch, net	(5,509)	(5,509)	(5,509)	(5,509)
Adjusted noninterest income	2,362	4,516	7,115	10,245
Average assets	1,972,483	1,991,171	2,063,298	2,082,007
Noninterest income / average assets, as reported	1.62 %	1.02 %	0.82 %	0.76 %
Adjusted noninterest income / average assets	0.49 %	0.46 %	0.46 %	0.49 %
Return on average assets (ROAA)⁽²⁾				
Adjusted net income	\$ 5,501	\$ 10,657	\$ 17,313	\$ 20,911
Average assets	1,972,483	1,991,171	2,063,298	2,082,007
Return on average assets (ROAA), as reported	1.94 %	1.48 %	1.38 %	1.19 %
Adjusted return on average assets	1.13 %	1.08 %	1.12 %	1.00 %
Return on average equity (ROAE)⁽²⁾				
Adjusted net income	\$ 5,501	\$ 10,657	\$ 17,313	\$ 20,911
Average equity	195,989	200,996	208,775	215,338
Return on average equity (ROAE), as reported	19.53 %	14.64 %	13.61 %	11.54 %
Adjusted return on average equity	11.38 %	10.69 %	11.09 %	9.71 %
Efficiency ratio				
Noninterest expense	\$ 13,486	\$ 26,207	\$ 38,818	\$ 52,478
Net interest income	19,316	36,884	55,327	70,957
Noninterest income	7,871	10,025	12,624	15,754
Total net interest income and noninterest income	27,187	46,909	67,951	86,711
Adjustments:				
Gain on sale of branch, net	(5,509)	(5,509)	(5,509)	(5,509)
Adjusted total net interest income and noninterest income	21,678	41,400	62,442	81,202
Efficiency ratio, as reported	49.60 %	55.87 %	57.13 %	60.52 %
Adjusted efficiency ratio	62.21 %	63.30 %	62.17 %	64.63 %

(1) Amount represents the total income tax effect of the adjustment, which is calculated based on the applicable marginal tax rate of 28.58%.

(2) Data has been annualized.



