

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): August 10, 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 second 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 in this Current Report on Form 8-K and in the exhibit is being furnished and shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liabilities of that Section, nor shall it be incorporated by reference into any filing under the Securities Act of 1933, as amended, except as may expressly be set forth in any such filing by specific reference. The furnishing of the transcript is not intended to constitute a representation that such furnishing is required by Regulation FD or that the transcript includes material investor information that is not otherwise publicly available.

**ITEM 9.01 FINANCIAL STATEMENTS AND EXHIBITS.**

(d) Exhibits.

Exhibit

<u>Number</u>	<u>Description</u>
99.1	<a href="#">Investor Presentation Second Quarter 2020</a>
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: August 10, 2020

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

The background of the slide features a large, stylized, light gray 'S' logo that is partially obscured by a dark gray rectangular shape. The text is centered over this graphic.

Silvergate Capital  
Investor Presentation  
Second Quarter 2020

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## Forward Looking Statements

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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

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## **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**

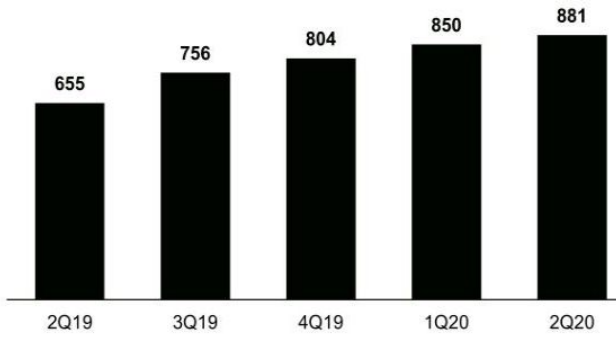
Companies developing new protocols, platforms and applications; mining operations; and providers of other services

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

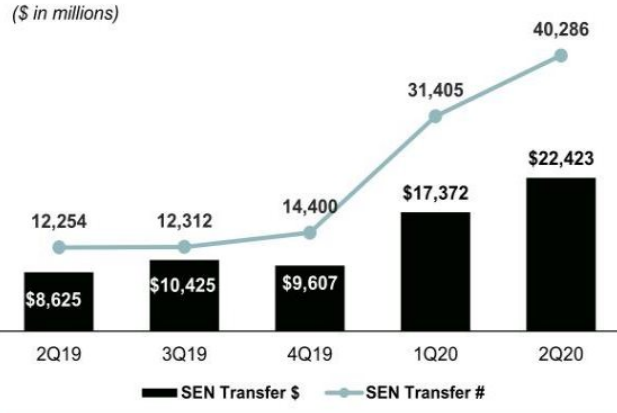


# Digital Currency Platform Expansion

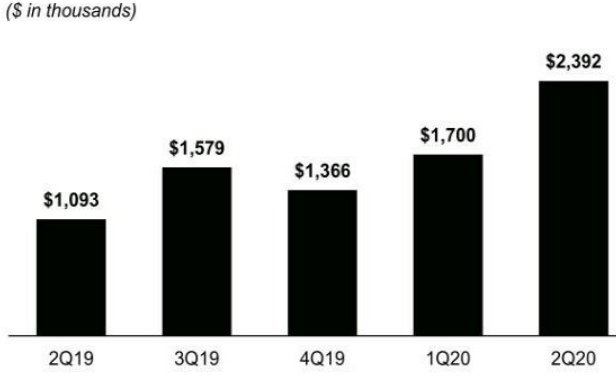
**Digital Currency Net Customer Growth**



**Global Payments Platform Utilization (SEN Transfers)**



**Fee Income from Digital Currency Customers**



**Commentary**

- At June 30, 2020, net digital currency customers increased 35% year over year to 881
- \$22.4 billion of U.S. dollar transfers occurred on the SEN in 2Q20, an increase of 29% versus 1Q20 and 160% versus 2Q19
- 2Q20 fee income from digital currency customers increased 41% versus 1Q20 and 119% versus 2Q19
- At June 30, 2020, Silvergate had over 200 prospective digital currency customer leads in pipeline or onboarding processes





## Investment Highlights

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**Established and Rapidly Growing Customer Network**

**Unique and Innovative API-enabled Payments and Technology Platform**

**Robust Compliance Framework**


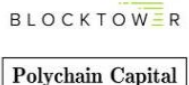

**Low-Cost Deposit Base and Low-Risk Asset Strategy**

**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"> <li>Exchanges through which digital currencies are bought and sold; includes OTC trading desks</li> </ul>	<ul style="list-style-type: none"> <li>Hedge funds, venture capital funds, private equity funds, family offices and traditional asset managers, which are investing in digital currencies as an asset class</li> </ul>	<ul style="list-style-type: none"> <li>Companies developing new protocols, platforms and applications; mining operations; and providers of other services</li> </ul>
Metrics	<ul style="list-style-type: none"> <li>64 customers</li> <li>\$601 MM in deposits</li> </ul>	<ul style="list-style-type: none"> <li>566 customers</li> <li>\$577 MM in deposits</li> </ul>	<ul style="list-style-type: none"> <li>251 customers</li> <li>\$331 MM in deposits</li> </ul>
Noteworthy	<ul style="list-style-type: none"> <li>Silvergate's customers include the 5 largest U.S. domiciled digital currency exchanges</li> </ul>	<ul style="list-style-type: none"> <li>Silvergate's customers transferred on SEN \$32.7 billion for the year ended December 31, 2019</li> </ul>	<ul style="list-style-type: none"> <li>Silvergate's customers have raised over \$1 billion through private placements</li> </ul>
Customers			

**Our technology platform provides financial infrastructure to the largest, global digital currency exchanges and 566 institutional investors**

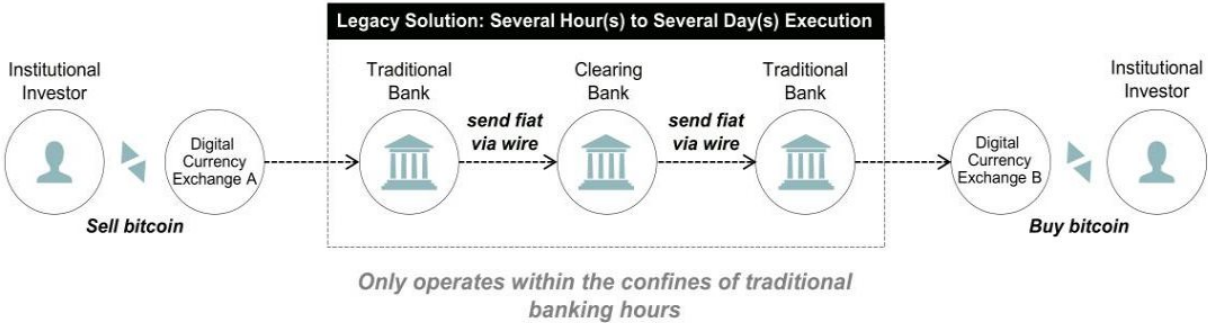
Note: Data as of the period ended June 30, 2020.



# 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 \$39.8 billion of transfers during the six months ended June 30, 2020



# Our Innovative Technology Platform Alleviates Customer Pain Points

Silvergate Technology Platform

Customer Technology Platform



Customers develop customized applications and gateways to integrate the Silvergate API into their technology infrastructure



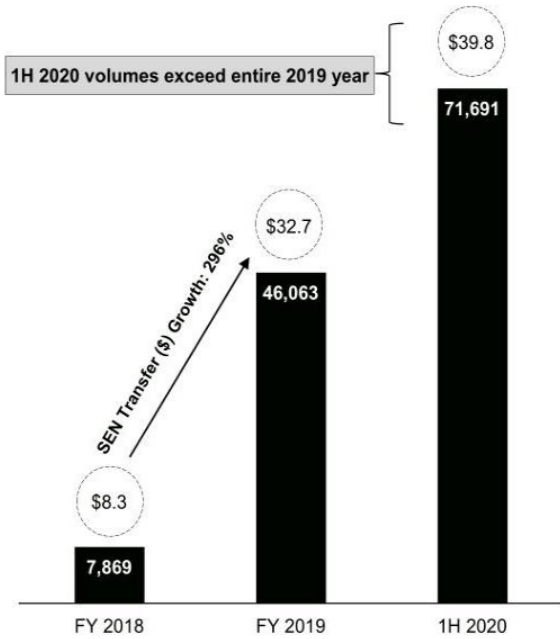
Cloud-based API enables Silvergate's customers to grow their business in a scalable manner, including real-time transfers and attribution of client funds



# Business Evolving Towards a Fee-Based Model

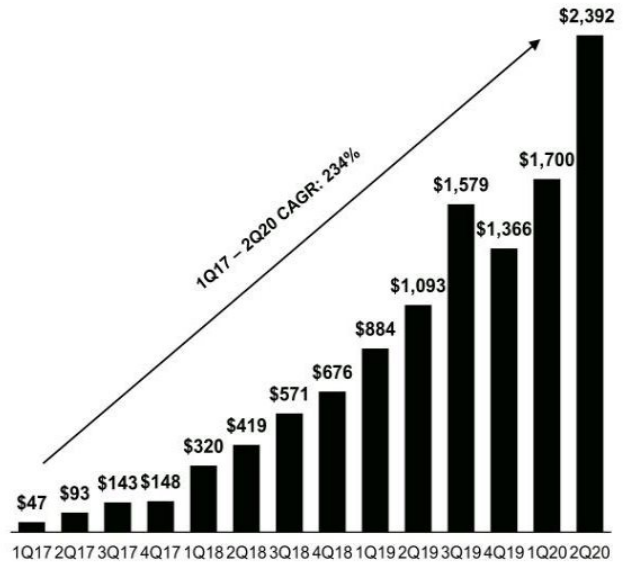
## SEN Transfers (\$ and #)

(\$ 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
  - UDAAP 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

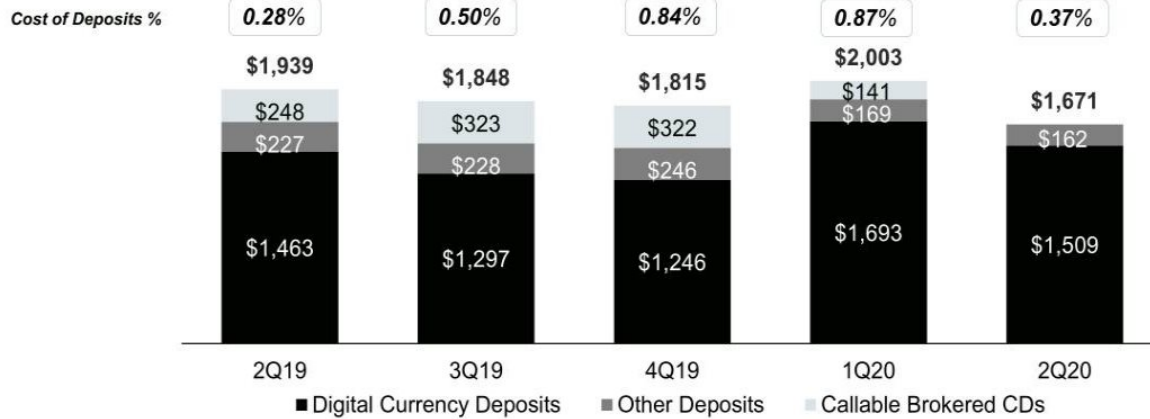
**Our compliance process was built over the past six years and has provided us with a first-mover advantage within the digital currency industry that is the cornerstone of our leadership position today**



# Deposits

## Digital Currency and Other Deposit Trends

(\$ in millions)



## Commentary

- Digital currency deposits ended 2Q20 at \$1.5 billion, pulling back as expected from the level at the end of 1Q20, which was driven by bitcoin volatility in March 2020
- Other deposits represent commercial deposits from non-digital currency customers, including demand deposits, savings, money market and time deposits, with a weighted average interest rate of 18bps during 2Q20, compared to 38bps in 1Q20
- Callable brokered CDs were issued beginning in 2Q19 as part of a hedging strategy to fund fixed rate securities. As of June 30, 2020, there were no CDs outstanding. Interest expense in 2Q20 included \$1.2 million in accelerated premium expense from calling the outstanding brokered CDs, compared to \$2.1 million in 1Q20
- The aggregate cost of deposits of 37bps in 2Q20 includes 35bps related to the callable brokered CDs and 2bps related to the other deposits, compared to 81bps and 6bps, respectively, in 1Q20

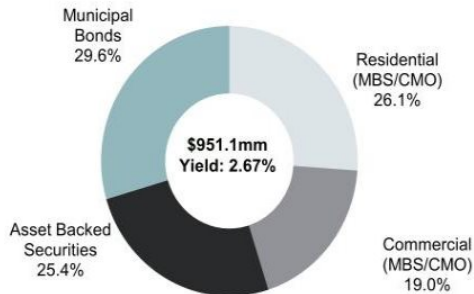
Note: Ratios have been annualized. Totals may not foot due to rounding.





# Securities and Loan Portfolio

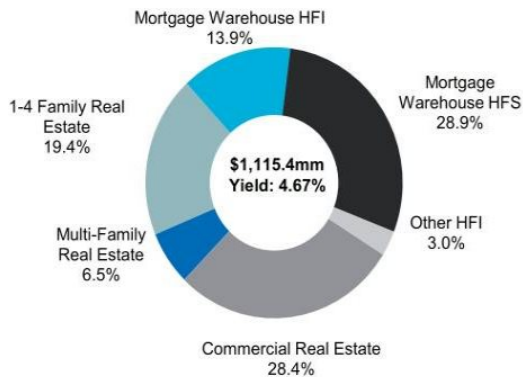
## Securities Composition – 41% of Total Assets



## 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 capped exposure for underlying asset classes
- 2Q20 includes purchases of \$179.7 million of fixed rate municipal bonds, which included general obligation, revenue or essential purpose bonds rated AA- or higher
- These purchases were part of a broader risk balancing strategy that included selling \$202.3 million of our Commercial MBS/CMO exposure during the quarter
- 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 – 48% of Total Assets



## Loan Commentary

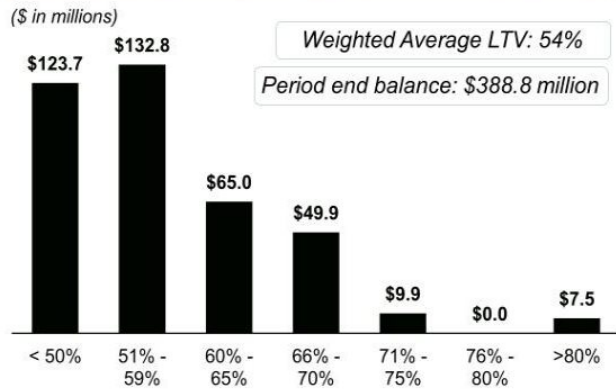
- 2Q20 total loans were up \$1.1 million versus 1Q20 driven by an increase in one-to-four family residential real estate loan originations and SEN Leverage loans offset by decreases in mortgage warehouse and commercial real estate loans
- Nonperforming assets totaled \$4.6 million, or 0.20% of total assets, at June 30, 2020 compared to \$5.1 million, or 0.22% of total assets, at March 31, 2020

Note: Securities and loan yields are for 2Q20 and have been annualized.

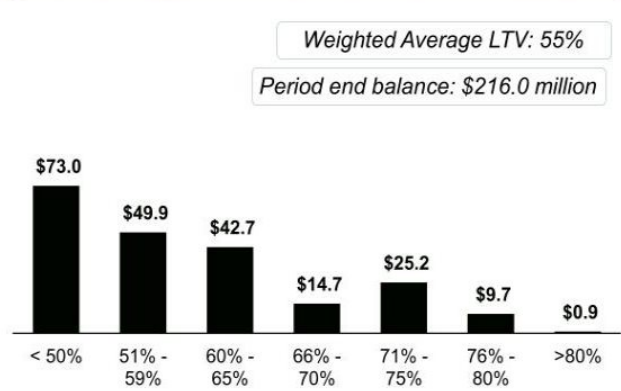


# Credit Quality

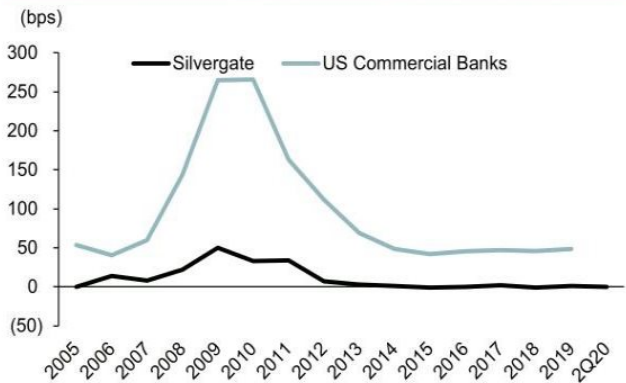
## Commercial & Multi-Family Real Estate Balances - LTV



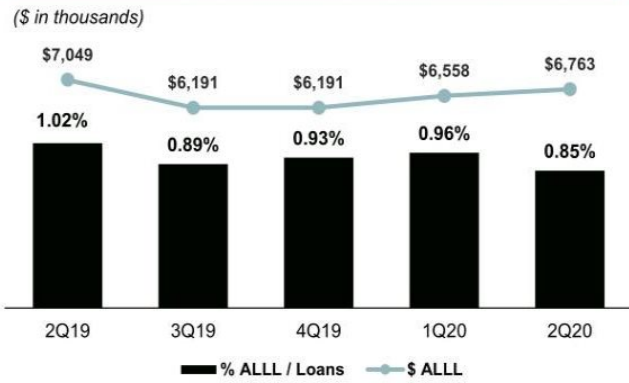
## 1-4 Family Residential Real Estate Balances - LTV



## Net Charge-offs / Average Loans



## Allowance for Loan Losses



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

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



## 2Q20 Highlights

### Digital Currency Platform

- Record number of 2Q20 Silvergate Exchange Network, or SEN transactions of 40,286 and SEN volumes of \$22.4 billion, up 28% and 29%, respectively, versus 1Q19
- Digital currency fee income of \$2.4 million up 41% as compared to 1Q20 and up 119% compared to 2Q19
- Expanded access to SEN Leverage with approved lines of credit totaling \$22.5 million versus \$12.5 million in 1Q20
- Foreign currency offering launched in 2Q20, providing direct client access to transactions in EUR & CHF, with additional currencies to be added going forward

### 2Q20 Financial Highlights

- Net income of \$5.5 million as compared to \$4.4 million for 1Q20
- Diluted EPS of \$0.29 per share compared to \$0.23 per share for 1Q20
- Book value per share of \$14.36 compared to \$13.11 for 1Q20
- NIM was 3.14% compared to 2.86% for 1Q20
- Total risk-based capital ratio of 25.54% as of June 30, 2020
- Tier 1 leverage ratio of 11.57% as of June 30, 2020

### Loan Portfolio & Credit

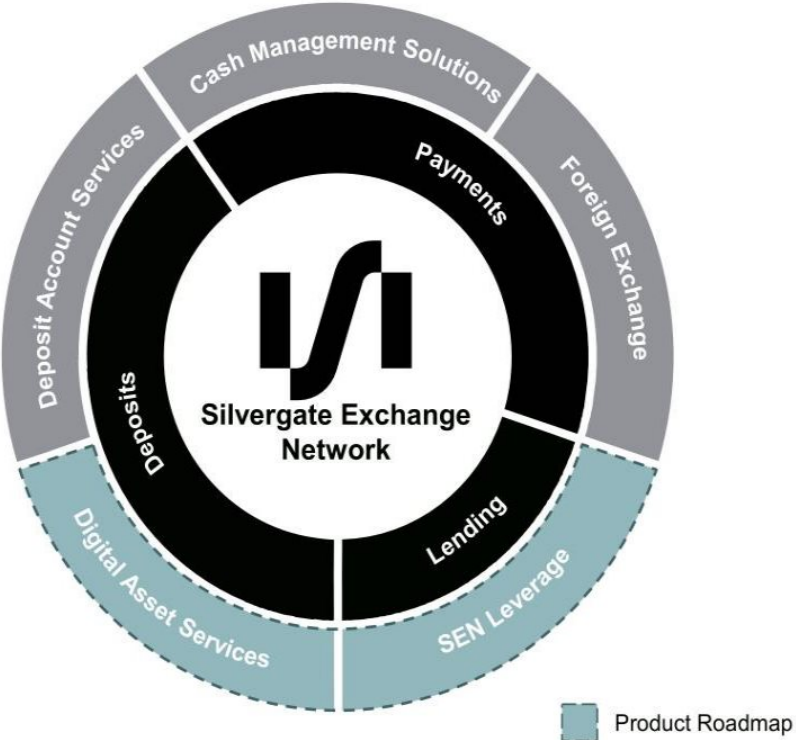
- Loan portfolio balance up 21% year-on-year and relatively unchanged from prior quarter, with nonperforming assets of \$4.6 million, or 0.20% of total assets at June 30, 2020
- Mortgage warehouse represents largest component of loan portfolio, at 42.8% of total portfolio at June 30, 2020
- Conservative credit culture evidenced by relatively low loan-to-value (LTV), with a 54% LTV in commercial and multi-family real estate loans, and 55% LTV in 1-4 family loans
- 17% of HFI loan portfolio as of June 30, 2020 had been granted payment deferrals, with 27% of those modified loans resuming payments by July 15, 2020, on a dollar volume basis

### Other

- Beginning in 3Q20, Silvergate will no longer purchase single-family real estate loans through its correspondent lending unit, but will continue to service existing loans currently on balance sheet
- Balance sheet asset focus on scalable SEN Leverage loans and mortgage warehouse, while maintaining solid CRE lending platform
- Silvergate continued to operate with uninterrupted banking access for customers and majority 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



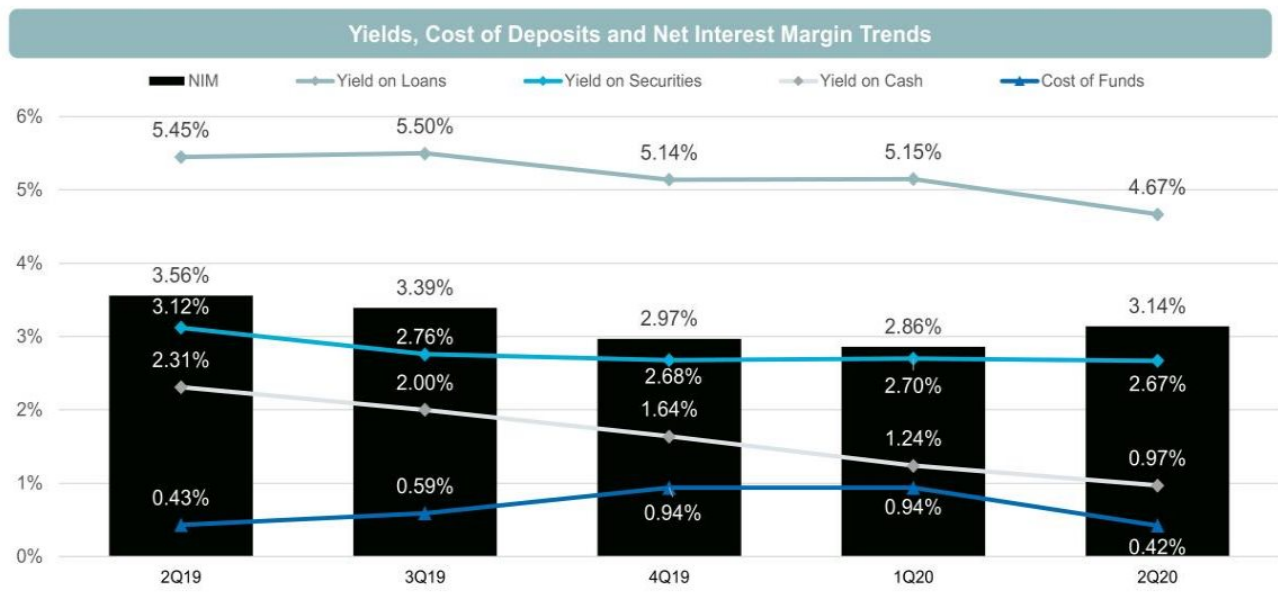
## 2Q20 Financial Results

(\$ in millions, except per share data)

	2Q20	1Q20	2Q19	2Q20 vs	
				1Q20	2Q19
				% Inc / (Dec)	
<b>Income Statement</b>					
Net interest income	\$ 16.1	\$ 15.5	\$ 17.6	4%	(9)%
Provision for loan losses	0.2	0.4	0.2	(40)%	46%
Noninterest income	5.4	4.9	2.2	10%	152%
Noninterest expense	14.0	13.9	12.7	1%	10%
Pre-tax income	7.3	6.2	6.8	18%	6%
Income tax expense	1.8	1.8	1.7	3%	8%
Net income	\$ 5.5	\$ 4.4	\$ 5.2	24%	6%
Diluted EPS	\$ 0.29	\$ 0.23	\$ 0.28		
<b>Balance Sheet</b>					
Securities	\$ 951	\$ 964	\$ 921	(1)%	3%
Total loans	\$ 1,115	\$ 1,114	\$ 920	0%	21%
Total assets	\$ 2,341	\$ 2,311	\$ 2,242	1%	4%
Digital currency related deposits	\$ 1,509	\$ 1,693	\$ 1,463	(11)%	3%
Total shareholders' equity	\$ 268	\$ 245	\$ 215	10%	25%
Book value per share	\$ 14.36	\$ 13.11	\$ 12.04	10%	19%
<b>Key Ratios</b>					
ROAA	1.02%	0.79%	1.03%		
ROAE	8.72%	7.14%	10.04%		
NIM	3.14%	2.86%	3.56%		
Net charge-offs / Avg. loans	0.00%	0.00%	0.01%		



# Yields, Cost of Funds and Net Interest Margin Trends



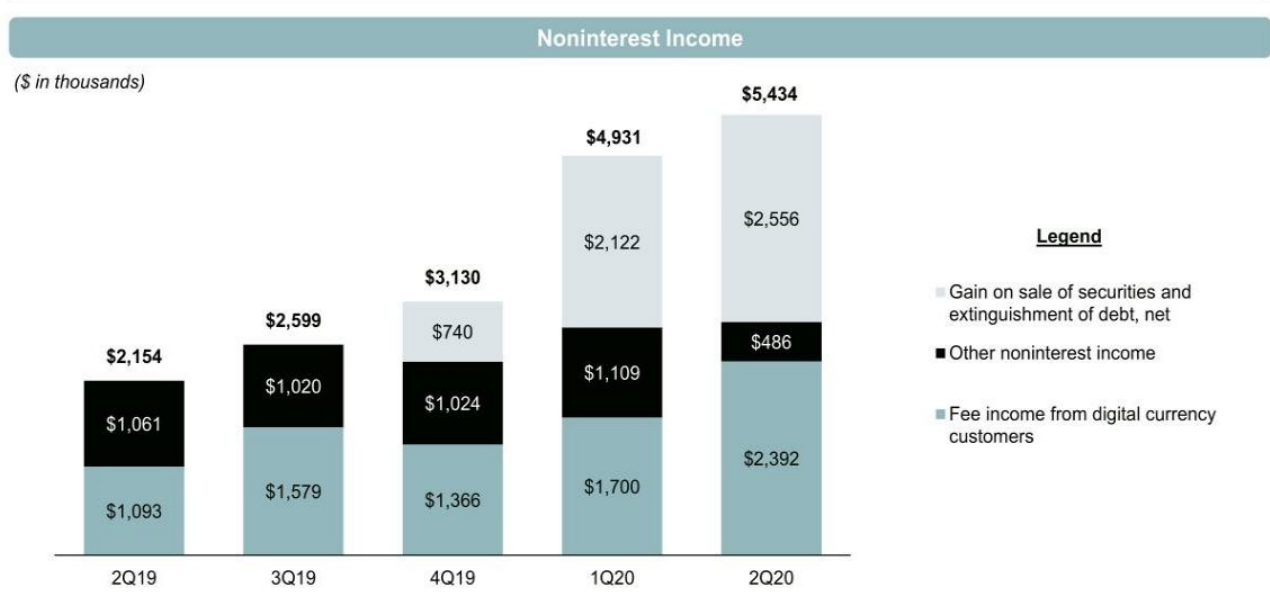
## Commentary

- Net interest margin increase was driven by the reduction in callable brokered CDs, partly offset by lower yield on loans
- Loan yield decrease was driven by mortgage warehouse loans
- Securities yields down 3bps on a sequential basis, as lower rates were mitigated by the impact of interest rate floors and investment in fixed rate tax-exempt municipal bonds
- Cost of funds decrease in 2Q20 was driven by lower level of accelerated call premium expense, lower brokered CD balances, and rate reductions on interest bearing deposits

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



# Noninterest Income



**Commentary**

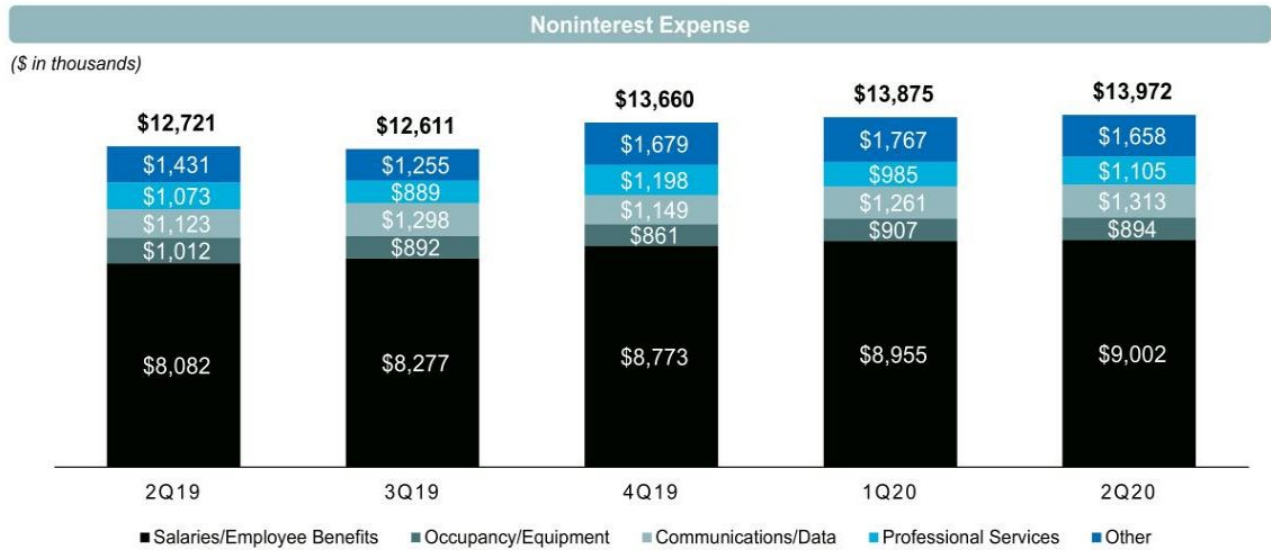
- 2Q20 includes a \$2.6 million gain on sale of securities versus a \$1.2 million gain on sale of securities and \$0.9 million gain on extinguishment of debt from termination of FHLB term advance in 1Q20
- 2Q20 fee income from digital currency customers was up 160% year over year driven by increased transactional volume and related demand for cash management services

<sup>21</sup>  
 Note: 3Q19 other noninterest income includes a \$16,000 loss on sale of securities.





# Noninterest Expense



## Commentary

- 2Q20 noninterest expense up 1% versus 1Q20 and 10% versus 2Q19
- Salaries and employee benefits expense was 64% of total expense in 2Q20
- Headcount was 213 as of June 30, 2020 compared to 211 at March 31, 2020 and 215 at December 31, 2019



## Loan Portfolio (HFI) & COVID-19 Related Modifications

### Loan Segments at June 30, 2020

(\$ in millions)

Loan Segment	#	Loan Balance	WA LTV	% of Total Loans HFI
Real estate loans:				
One-to-four family	505	\$ 216	55%	27%
Multi-family	58	72	50%	9%
Commercial:				
Retail	33	83	54%	10%
Hospitality	13	46	44%	6%
Office	13	58	63%	7%
Industrial	23	87	60%	11%
Other	20	43	47%	5%
Total commercial	102	317	55%	40%
Construction	6	11	51%	1%
Commercial and Industrial	14	25	58%	3%
Other	15	2	88%	0%
Mortgage warehouse	n/a	155	n/a	19%
<b>Total gross loans HFI</b>	<b>694</b>	<b>\$ 797</b>	<b>n/a</b>	<b>100%</b>

### COVID-19 Loan Modifications

Completed Modifications	#	Loan Balance	% of Loan Balance	% Resumed Payments
Real estate loans:				
One-to-four family	19	\$ 12	6%	25%
Multi-family	-	-	-	-
Commercial:				
Retail	13	52	63%	15%
Hospitality	8	39	85%	0%
Office	4	21	37%	90%
Industrial	1	5	6%	0%
Other	2	6	13%	100%
Total commercial	28	123	39%	27%
Construction	-	-	-	-
Commercial and Industrial	2	1	6%	100%
Other	-	-	-	-
Mortgage warehouse	-	-	-	-
<b>Total modifications</b>	<b>49</b>	<b>\$ 137</b>	<b>17%</b>	<b>27%</b>

### Commentary

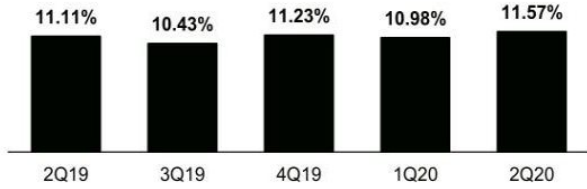
- 27% of total COVID-19 modified loans on a dollar volume basis have resumed payments as of July 15, 2020
- Commercial borrowers with need for modification were initially granted payment deferrals of two months, while three months were initially granted to one-to four family borrowers in need. Both types of borrowers are considered for a further deferral for up to a total of six months if demonstrated impact from COVID-19

Note: Completed modifications represent payment deferrals which were requested and approved up to and including June 30, 2020.

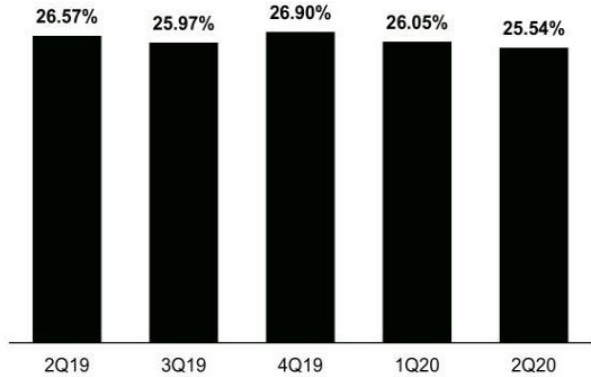


# Capital and Liquidity Ratios

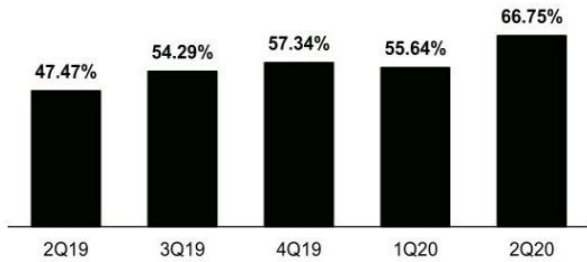
## Tier 1 Leverage Ratio



## Total Risk-Based Capital Ratio



## Loans to Deposits



## Commentary

- The Bank had a tier 1 leverage ratio of 10.92%, a common equity tier 1 capital ratio of 23.48%, a tier 1 risk-based capital ratio of 23.48% and a total risk-based capital ratio of 24.17% at June 30, 2020
- Bank capital ratios each exceeded the “well capitalized” standards defined by the federal banking regulations
- Increase in loan to deposit ratio due to lower digital currency deposits and reduction of callable brokered CDs

Note: June 30, 2020 capital ratios are preliminary.



## Summary Financials

(\$ in thousands)	2017	2018	2019	1Q20	2Q20
<b>Balance Sheet</b>					
Cash and cash equivalents	\$797,668	\$674,420	\$133,604	\$166,200	\$199,444
Securities	191,921	357,251	897,766	964,317	951,094
Net loans	879,695	943,417	1,040,544	1,114,439	1,115,383
Other assets	22,664	29,230	56,213	65,752	74,792
<b>Total Assets</b>	<b>\$1,891,948</b>	<b>\$2,004,318</b>	<b>\$2,128,127</b>	<b>\$2,310,708</b>	<b>\$2,340,713</b>
Total deposits	1,775,146	1,783,005	1,814,654	2,002,957	1,670,909
Total borrowings	36,788	20,659	68,530	45,820	375,823
Operating lease liabilities	-	-	4,881	4,515	4,146
Other liabilities	6,214	9,408	9,026	12,664	21,730
<b>Total liabilities</b>	<b>1,818,148</b>	<b>1,813,072</b>	<b>1,897,091</b>	<b>2,065,956</b>	<b>2,072,608</b>
<b>Total shareholders' equity</b>	<b>73,800</b>	<b>191,246</b>	<b>231,036</b>	<b>244,752</b>	<b>268,105</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$1,891,948</b>	<b>\$2,004,318</b>	<b>\$2,128,127</b>	<b>\$2,310,708</b>	<b>\$2,340,713</b>
<b>Income Statement</b>					
Interest income	\$48,306	\$72,752	\$81,035	\$20,062	\$18,015
Interest expense	6,355	3,129	10,078	4,584	1,963
<b>Net interest income</b>	<b>41,951</b>	<b>69,623</b>	<b>70,957</b>	<b>15,478</b>	<b>16,052</b>
Provision for (reversal of) loan losses	262	(1,527)	(439)	367	222
Net interest income after provision	41,689	71,150	71,396	15,111	15,830
<b>Noninterest income</b>	<b>3,448</b>	<b>7,563</b>	<b>15,754</b>	<b>4,931</b>	<b>5,434</b> <sup>(1)</sup>
<b>Noninterest expense</b>	<b>30,706</b>	<b>48,314</b>	<b>52,478</b>	<b>13,875</b>	<b>13,972</b>
Income tax expense	6,788	8,066	9,826	1,774	1,826
<b>Net income</b>	<b>\$7,643</b>	<b>\$22,333</b>	<b>\$24,846</b>	<b>\$4,393</b>	<b>\$5,466</b> <sup>(1)</sup>
<b>Key Metrics</b>					
Loan yield	5.20 %	5.52 %	5.45 %	5.15 %	4.67 %
Yield on securities	2.13 %	2.78 %	2.87 %	2.70 %	2.67 %
Cost of deposits	0.44 %	0.10 %	0.43 %	0.87 %	0.37 %
Net interest margin	3.68 %	3.49 %	3.47 %	2.86 %	3.14 %
Noninterest income to average assets	0.30 %	0.38 %	0.76 %	0.89 %	1.01 % <sup>(1)</sup>
Noninterest expense to average assets	2.67 %	2.41 %	2.52 %	2.50 %	2.60 %
Efficiency ratio	67.64 %	62.59 %	60.52 %	67.98 %	65.03 % <sup>(1)</sup>
ALLL / Loans HFI	1.17 %	1.13 %	0.93 %	0.96 %	0.85 %
Net charge-offs (recoveries) / Avg. loans	0.02 %	(0.01)%	0.01 %	0.00 %	0.00 %
Return on average assets (ROAA)	0.66 %	1.11 %	1.19 %	0.79 %	1.02 % <sup>(1)</sup>
Return on average equity (ROAE)	10.80 %	13.47 %	11.54 %	7.14 %	8.72 % <sup>(1)</sup>

Note: Financial data as of or for the three months ended March 31, 2020 and June 30, 2020. All ratios have been annualized except for ALLL / Loans HFI and Net Charge-offs (Recoveries) / Avg. Loans and Efficiency Ratio 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



## 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)			
<b>Net income</b>				
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 <sup>(1)</sup>	1,574	1,574	1,574	1,574
Adjusted net income	<u>\$ 5,501</u>	<u>\$ 10,657</u>	<u>\$ 17,313</u>	<u>\$ 20,911</u>
<b>Noninterest income / average assets<sup>(2)</sup></b>				
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 %
<b>Return on average assets (ROAA)<sup>(2)</sup></b>				
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 %
<b>Return on average equity (ROAE)<sup>(2)</sup></b>				
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 %
<b>Efficiency ratio</b>				
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.



