As filed with the Securities and Exchange Commission on November 16, 2018

Registration No. 333-

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

FORM S-1
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

SILVERGATE CAPITAL CORPORATION
(Exact Name of Registrant as Specified in Its Charter)

Maryland	6022	33-0227337
(State or other jurisdiction of incorporation or organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification Number)

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(858) 362-6300
(Address, Including Zip Code, and Telephone Number, Including Area Code, of Registrant's Principal Executive Offices)

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Approximate date of commencement of proposed sale to the public: As soon as practicable after the effective date of this Registration Statement.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box. ☐

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☒
		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 7(a)(2)(B) of the Securities Act. ☒

CALCULATION OF REGISTRATION FEE

Title of each Class of Security to be Registered	Proposed Maximum Aggregate Offering Price (1)(2)	Amount of Registration Fee (3)
Class A Common Stock, $0.01 par value per share	$50,000,000	$6,060

(1) Includes shares of Class A Common Stock to be sold by the selling shareholders and shares of Class A Common Stock that may be purchased by the underwriters pursuant to their option to purchase additional shares in the offering.
(2) Estimated solely for purposes of calculating the registration fee in accordance with Rule 457(o) under the Securities Act of 1933. This amount represents the proposed maximum aggregate offering price of the securities registered hereunder to be sold by the Registrant.
(3) Calculated pursuant to Rule 457(o) under the Securities Act of 1933, based on an estimate of the proposed maximum aggregate offering price.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file an amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until this

Registration Statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

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The information in this preliminary prospectus is not complete and may be changed. Neither we nor the selling shareholders may sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This preliminary prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

Subject to Completion, dated November 16, 2018

PROSPECTUS

Shares

SILVERGATE CAPITAL CORPORATION

Class A Common Stock

This prospectus relates to the initial public offering of Silvergate Capital Corporation. We are offering shares of our Class A Common Stock, or common stock. The selling shareholders identified in this prospectus are offering an additional shares of our common stock. We will not receive any proceeds from sales of shares by the selling shareholders.

Prior to this offering, there has been no established public market for our common stock. We currently estimate that the initial public offering price of our common stock will be between $ and $ per share. We have applied to list our common stock on the New York Stock Exchange under the symbol "SI ."

We are an "emerging growth company" as defined under the federal securities laws, and may take advantage of reduced public company reporting and relief from certain other requirements otherwise generally applicable to public companies. See "Implications of Being an Emerging Growth Company."

Investing in our common stock involves a high degree of risk. See " Risk Factors " beginning on page 18.

	Per Share	Total
Initial public offering price	$	$
Underwriting discount (1)	$	$
Proceeds to us (before expenses)	$	$
Proceeds to the selling shareholders (before expenses)	$	$

(1) The underwriters will also be reimbursed for certain expenses incurred in this offering. See "Underwriting" for additional information.

We and the selling shareholders have granted the underwriters an option exercisable for 30 days after the date of this prospectus to purchase, from time to time, in whole or in part, up to an additional shares of common stock from us and shares of common stock from the selling shareholders at the public offering price less underwriting discounts and commissions.

Neither the Securities and Exchange Commission nor any other regulatory authority has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus. Any representation to the contrary is a criminal offense.

The shares of our common stock that you purchase in this offering are not deposits, savings accounts or other obligations of our bank or nonbank subsidiaries and are not insured or guaranteed by the Federal Deposit Insurance Corporation or any other governmental agency.

The underwriters expect to deliver shares of common stock to purchasers on or about , 2018, subject to customary closing conditions.

Joint Book-Running Managers

Barclays **Keefe, Bruyette & Woods**
A Stifel Company

Prospectus dated , 2018

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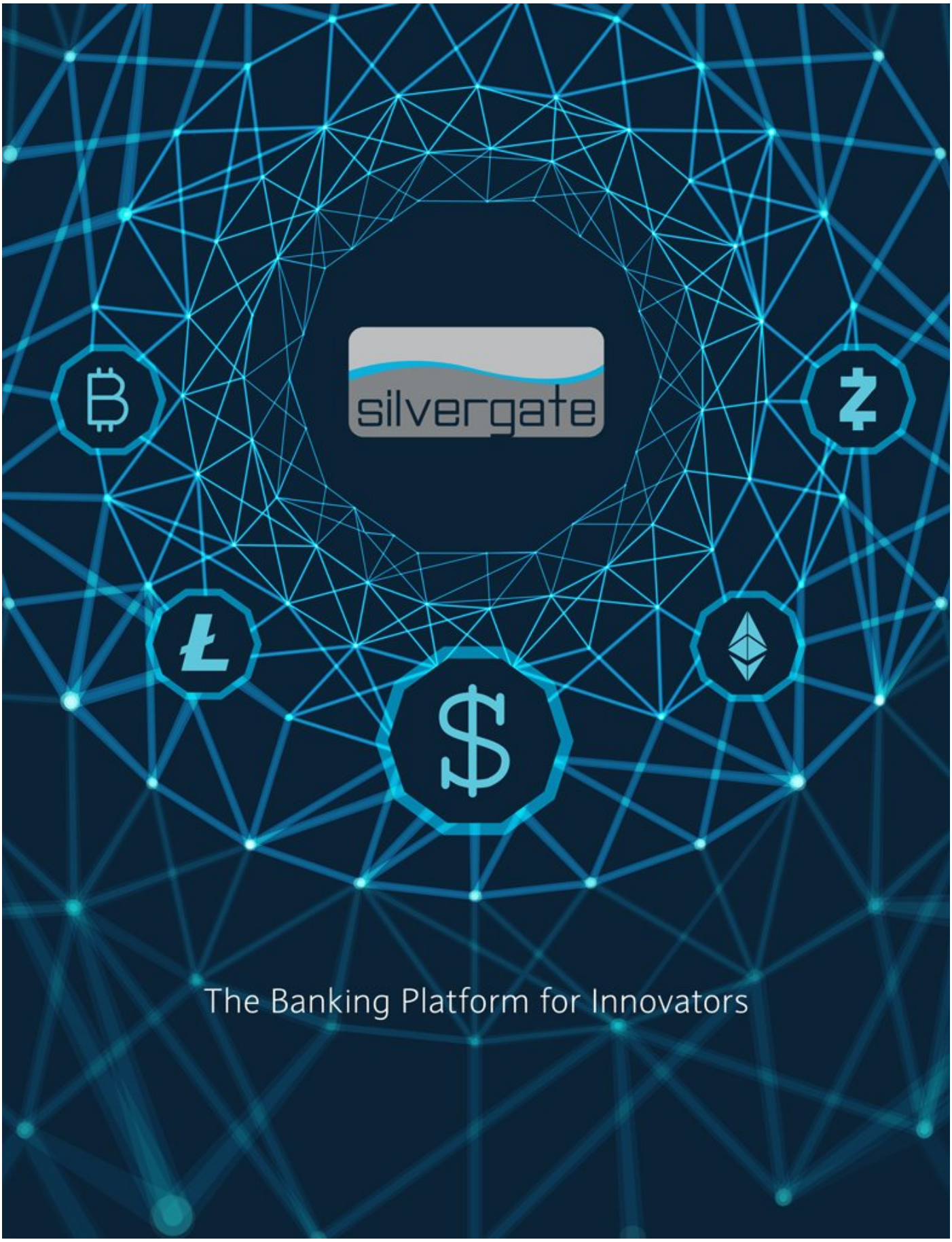

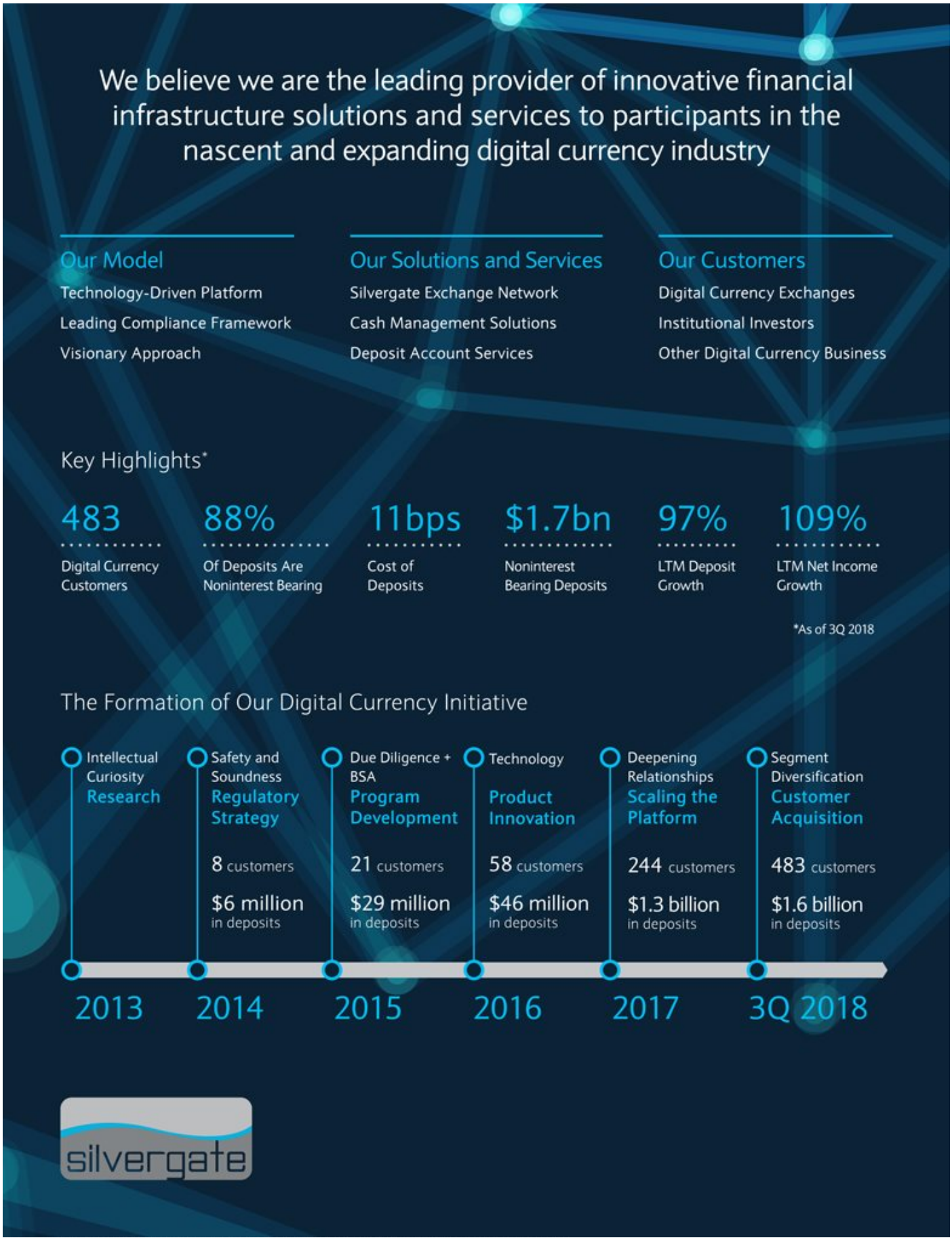
We believe we are the leading provider of innovative financial infrastructure solutions and services to participants in the nascent and expanding digital currency industry
Our Model
Technology-Driven Platform
Leading Compliance Framework
Visionary Approach
Our Solutions and Services
Silvergate Exchange Network
Cash Management Solutions
Deposit Account Services
Our Customers
Digital Currency Exchanges
Institutional Investors
Other Digital Currency Business
Key Highlights*
483
Digital Currency Customers
88%
Of Deposits Are Noninterest Bearing
11bps
Cost of Deposits
$1.7bn
Noninterest Bearing Deposits
97%
LTM Deposit Growth
109%
LTM Net Income Growth
*As of 3Q 2018
The Formation of Our Digital Currency Initiative
2013
Intellectual Curiosity
Research
2014
Safety and Soundness
Regulatory Strategy
8 customers
$6 million in deposits
2015
Due Diligence + BSA
Program Development
21 customers
$29 million in deposits
2016
Technology
Product Innovation
58 customers
$46 million in deposits
2017
Deepening Relationships
Scaling the Platform
244 customers
$1.3 billion in deposits
3Q 2018
Segment Diversification
Customer Acquisition
483 customers
$1.6 billion in deposits
silvergate

Silvergate Exchange Network

The Challenges Our Customers Faced Before Joining the Silvergate Exchange Network

Liquidity
Potentially require additional funds to maintain sufficient capital across exchanges

Banking Friction
Limited to transacting within traditional banking hours

Counterparty Risk
Slower settlement speed creates credit risk

Solutions We Provide

Technology Driven Innovation

Innovation
Market-leading infrastructure solution

Value
Increasingly valuable when paired with proprietary, cloud-based API

Speed of Value Transfer

Real-Time
Virtually real-time USD transfer, moving fiat across exchanges

Efficiency
24 hours a day, 7 days a week, 365 days a year, efficiently move USD between accounts on different exchange platforms

Speed
Transaction execution speed enhanced, which meaningfully mitigates exposures to digital currency pricing fluctuations

The Silvergate Exchange Network Executes in Real Time What Legacy Solutions Do in Several Hours to Several Days

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ABOUT THIS PROSPECTUS

In this prospectus, unless we state otherwise or the context otherwise requires, references to "we," "our," "us," "the Company" and "Silvergate" refer to Silvergate Capital Corporation and its wholly owned subsidiary, Silvergate Bank, which we sometimes refer to as "Silvergate Bank," "the Bank" or "our Bank," and references to "common stock" or "Class A Common Stock" refer to our Class A voting common stock. References to "Class B Common Stock" refer to our Class B non-voting common stock. For explanations of certain other terms used in this prospectus, please read "Glossary" beginning on page A-1.

This prospectus describes the specific details regarding this offering and the terms and conditions of our common stock being offered hereby and the risks of investing in our common stock. For additional information, please see the section entitled "Where You Can Find More Information."

The information contained in this prospectus, or any free writing prospectus prepared by or on behalf of us or to which we have referred you, is accurate only as of its date, regardless of the time of delivery of this prospectus or of any sale of our common stock. Our assets, business, cash flows, condition (financial or otherwise), liquidity, prospects or results of operations may have changed since that date.

You should not interpret the contents of this prospectus, or any free writing prospectus prepared by or on behalf of us or to which we have referred you, to be legal, business, investment or tax advice. You should consult with your own advisors for that type of advice and consult with them about the legal, tax, business, financial and other issues that you should consider before investing in our common stock.

We, the selling shareholders and the underwriters have not authorized anyone to provide any information to you other than that contained in this prospectus or in any free writing prospectus prepared by or on behalf of us or to which we have referred you. We, the selling shareholders and the underwriters take no responsibility for, and can provide no assurance as to the reliability of, any other information that others may give you.

No action is being taken in any jurisdiction outside the United States to permit a public offering of our securities or possession or distribution of this prospectus in that jurisdiction. Persons who come into possession of this prospectus in jurisdictions outside the United States are required to inform themselves about, and to observe, any restrictions as to the offering and the distribution of this prospectus applicable to those jurisdictions. We, the selling shareholders and the underwriters are not making an offer of these securities in any jurisdiction where such offer is not permitted.

"Silvergate Bank" and its logos and other trademarks referred to and included in this prospectus belong to us. Solely for convenience, we refer to our trademarks in this prospectus 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 prospectus, 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.

Market and Industry Data

This prospectus includes government, industry and trade association data, forecasts and information that we have prepared based, in part, upon data, forecasts and information obtained from independent trade associations, industry publications and surveys, government agencies and other information available to us, which information may be specific to particular markets or geographic locations. Statements as to our market position are based on market data currently available to us. Industry publications and surveys and forecasts generally state that the information contained therein has been obtained from sources believed to be reliable. Although we believe these sources are reliable, we have not independently verified the information. Some data is also based on our good faith estimates, which are derived from management's knowledge of the industry and independent sources. For example, while we believe we are the leading provider of innovative financial infrastructure solutions and services to participants in the digital currency industry, that belief has not been independently verified. That belief is based on management's knowledge of the industry and is informed by independent sources. In addition,

we exclude digital currency exchanges as providers of financial infrastructure solutions in making this statement. We believe our internal research is reliable, even though such research has not been verified by any independent sources. In this regard, we note that we estimated the addressable market for U.S. dollar deposits related to digital currencies by aggregating a number of industry estimates as of June 30, 2018, including (i) the estimated amount of corporate and venture funding and other investments into the digital currency industry from January 1, 2013 through June 30, 2018, (ii) the estimated value of assets held by various digital currency funds, which includes traditional financial products that are exposed to the digital currency industry such as exchange traded notes, trusts and futures and (iii) the estimated value of certain other retail and institutional assets held through digital currency exchanges. While we are not aware of any misstatements regarding the industry data presented herein, our estimates involve risks and uncertainties and are subject to change based on various factors, including those discussed under the heading "Risk Factors" in this prospectus. Forward-looking information obtained from these sources is subject to the same qualifications and the additional uncertainties regarding the other forward-looking statements in this prospectus.

Implications of Being an Emerging Growth Company

As a company with less than $1.07 billion in total annual gross revenue during our last fiscal year, we qualify as an "emerging growth company" under the Jumpstart Our Business Startups Act of 2012, or the JOBS Act. An emerging growth company may take advantage of reduced reporting requirements and is relieved of certain other significant requirements that are otherwise generally applicable to public companies. As an emerging growth company, we are:

- permitted to present only two years of audited financial statements, in addition to any required interim financial statements, and only two years of related discussion in "Management's Discussion and Analysis of Financial Condition and Results of Operations;"
- exempt from the requirement to obtain an attestation from our auditors on management's assessment of our internal control over financial reporting under the Sarbanes-Oxley Act of 2002, or the Sarbanes-Oxley Act;
- permitted to provide less extensive disclosure about our executive compensation arrangements; and
- not required to hold non-binding shareholder advisory votes on executive compensation or golden parachute arrangements.

We may take advantage of some or all of these provisions for up to five years or such earlier time as we cease to qualify as an emerging growth company, which will occur if we have more than $1.07 billion in total annual gross revenue, if we issue more than $1.0 billion of non-convertible debt in a three-year period, or if the market value of our common stock held by non-affiliates exceeds $700.0 million as of any June 30, in which case we would no longer be an emerging growth company as of the following December 31. We have taken advantage of certain reduced reporting obligations in this prospectus. Accordingly, the information contained herein or provided in the future may be different than the information you receive from other public companies in which you hold stock.

In addition to reduced disclosure and the other relief described above, the JOBS Act permits us an extended transition period for complying with new or revised accounting standards affecting public companies. However, we have elected not to take advantage of this extended transition period, which means that the financial statements included in this prospectus, as well as any financial statements that we file in the future, will be subject to all new or revised accounting standards generally applicable to public companies. Our election not to take advantage of the extended transition period is irrevocable.

PROSPECTUS SUMMARY

This summary highlights information contained elsewhere in this prospectus. You should read the entire prospectus carefully before making an investment decision, including the information under the headings "Risk Factors," "Cautionary Note Regarding Forward-Looking Statements," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Business" and the historical consolidated financial statements and the related notes thereto appearing elsewhere in this prospectus.

Who We Are

Overview

Silvergate Capital Corporation is the holding company for our wholly-owned subsidiary, Silvergate Bank, which we believe is the leading provider of innovative financial infrastructure solutions and services to participants in the nascent and expanding digital currency industry. As a result of this leadership position, the majority of our funding comes from noninterest bearing deposits associated with clients in the digital currency industry. This unique source of funding is a distinctive advantage over most traditional financial institutions and allows us to generate revenue from a conservative portfolio of investments in cash, short term securities and certain types of loans that we believe generate attractive risk-adjusted returns. In addition, we believe that fee income may represent a valuable source of additional future revenue as we develop and deploy fee-based solutions in connection with our digital currency initiative.

Our History

Our leadership position in the digital currency industry has enabled us to establish a significant balance of noninterest bearing deposits from our digital currency customers. While the financial services provided by the Bank have historically included commercial banking, business lending, commercial and residential real estate lending and mortgage warehouse lending, all funded primarily by interest bearing deposits and borrowings, we began pursuing digital currency customers in 2013 and since that time, we believe we have effectively leveraged our traditional commercial bank platform to become the leader in the industry. We intend to continue focusing on our digital currency initiative as the core of our future strategy and direction. We believe we will further transition from a traditional asset based bank model focused on loan generation to a deposit based model focused on increasing noninterest bearing deposits. This emphasis on noninterest bearing deposits, primarily associated with our digital currency initiative, will likely result in a continued shift in our asset composition with a greater percentage consisting of liquid assets such as interest earning deposits in other banks and investment securities, and a corresponding decrease in the percentage of loans.

Digital Currency Initiative

We leverage our technology platform and our management team's expertise in the digital currency industry to develop, implement and maintain critical financial infrastructure solutions and services for many of the largest U.S. digital currency exchanges and global investors. Our proprietary technology platform is a central element of the operations of our digital currency related customers, which enables us to grow with our existing customers and to attract new customers who can benefit from our innovative solutions and services. We believe that our management team's vision and our advanced approach to compliance complement this technology platform and empower us to extend our leadership position in the industry by developing additional infrastructure solutions and services that will facilitate growth in our business.

We began exploring the digital currency industry in 2013 based on market dynamics which we believed were highly attractive:

- **Significant and Growing Industry:** Digital currency presented a revolutionary model for executing financial transactions with substantial potential for growth.

- **Infrastructure Needs:** In order to become widely adopted, digital currency would need to rely on many traditional elements of financial services, including those services that support funds transfers, customer account controls and other security measures.
- **Regulatory Complexity as a Barrier to Entry:** Providing infrastructure solutions and services to the digital currency industry would require specialized compliance capabilities and a management team with a deep understanding of both the digital currency and the financial services industries.

These insights have been proven correct and we believe they remain true today. In fact, we believe that the market opportunity for digital currencies, the need for infrastructure solutions and services and the regulatory complexity have all expanded significantly since 2013. Our ability to address these market dynamics over the past five years has provided us with a first-mover advantage within the digital currency industry that is the cornerstone of our leadership position today.

The digital currency market has grown dramatically since 2013, with the aggregate value of the five largest digital currencies increasing from approximately $10 billion at December 31, 2013 to approximately $175.1 billion as of September 30, 2018. We believe that the total addressable market for digital currency-related financial services infrastructure solutions and services is significant and that this market will grow as the market for digital currencies grows. We also believe that existing solutions do not adequately address the infrastructure needs of industry participants, and that services enabling industry participants to efficiently and reliably transfer and hold fiat U.S. dollar deposits are critical to the industry's growth. We estimate that the addressable market for fiat currency deposits related to digital currencies alone is approximately $30 to $40 billion based on various industry sources as described under "Market and Industry Data."

We develop scalable infrastructure technology solutions to address this broader industry opportunity. We designed our proprietary Silvergate Exchange Network, or SEN, as a network of digital currency exchanges and digital currency investors that enables the efficient movement of U.S. dollars between participating digital currency exchanges and investors 24 hours a day, 7 days a week, 365 days a year. In this respect, the SEN is a first-of-its-kind digital currency infrastructure solution. The SEN was developed and tested in 2017 with a limited number of Bank customers. The SEN was made available to all of the Bank's digital currency related customers in early 2018. The core function of the SEN, enabled through the Bank's business online banking data processing system, is to allow SEN participants to make transfers of U.S. dollars from their SEN account at the Bank to any other account they have at the Bank or to the Bank account of another SEN participant with which a counterparty relationship has been established, and to view funds transfers received from their SEN counterparties. Counterparty relationships between parties effecting digital currency transactions are established on the SEN to facilitate U.S. dollar transfers associated with those transactions. The Bank provides investors with the identity of select participating exchanges and mutually agreed counterparties are reflected as such during the Bank's SEN enrollment process. SEN transfers occur on a virtually instant basis as compared to electronic funds transfers being sent outside of the Bank, such as wire transfers and ACH transactions, which can take from several hours to several days to complete. Our proprietary, cloud-based application programming interface, or API, combined with our online banking tools, allows customers to efficiently control their fiat currency, transact through the SEN and automate their interactions with our technology platform. Customers value this around-the-clock access to U.S. dollar transactions and further benefit from the SEN's powerful network effects—as more users join the SEN, its importance to digital currency exchanges and investors increases dramatically. These compelling technology tools have enabled us to attract many of the digital currency industry's largest market participants as customers.

Our solutions and services are built on our deep-rooted commitment and proprietary approach to regulatory compliance. When we began pursuing digital currency customers in 2013, many digital currency industry participants found it difficult to identify a reliable financial services partner due to the significant financial and human resources required to navigate the complex and underdeveloped regulatory regimes applicable to these

digital currency customers. To address market demand, we took a deliberate approach to developing compliance policies, procedures and controls designed to specifically address the digital currency industry and to hiring capable personnel required to implement those controls, policies and procedures. Over the past five years we have further developed our proprietary compliance capabilities—which include ongoing monitoring of customer activities and evaluating a market participant's ability to actively monitor the flow of funds of their own customers. We believe these capabilities are a distinct competitive advantage for us, and provide a meaningful barrier to entry against our potential competitors, as there is not currently a well-established and easily navigable regulatory roadmap for competitors to serve digital currency industry customers. For this reason, our long-term investment in developing and enhancing our highly specialized compliance capabilities will remain a strategic priority for us.

Our digital currency industry solutions and services are currently offered through our subsidiary, Silvergate Bank, a California-chartered commercial bank that is a member of the Federal Reserve System. The success of our digital currency initiative has enabled Silvergate Bank to rapidly grow noninterest bearing deposits from digital currency customers. Silvergate Bank deploys deposits from its digital currency customers, as well as deposits from its three branches in San Diego County, California, into interest earning deposits in other banks and investment securities, as well as into certain lending opportunities that provide attractive risk-adjusted returns. We deploy our deposits into lending opportunities across four categories: commercial real estate lending, mortgage warehouse lending, correspondent lending and commercial business lending. Silvergate Bank also generates fee revenue from transaction volume across its platform primarily from mortgage warehouse fee income, service fees related to off-balance sheet deposits and other deposit related fees. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Results of Operations—Nine Months Ended September 30, 2018 compared to Nine Months Ended September 30, 2017—Noninterest Income" and "—Year Ended December 31, 2017 compared to Year Ended December 31, 2016—Noninterest Income."

Because of our focus on the digital currency industry in recent years and the unique value-add solutions and services we provide, we have achieved substantial improvements in our deposit base and significant growth in key operating metrics:

	At September 30,		% Increase /(Decrease)
	2018	2017	
	(Dollars in thousands)		
Digital Currency Customers (#)	483	114	323.7%
Noninterest Bearing Deposits	$ 1,708,590	$ 608,698	180.7%

	Nine Months Ended September 30,		% Increase /(Decrease)
	2018	2017	
	(Dollars in thousands)		
Cost of Deposits	0.11%	0.57%	(80.7)%
Cost of Funds	0.18%	0.73%	(75.3)%
Net Interest Income	$ 48,760	$ 29,130	67.4%
Noninterest Income	$ 5,572	$ 1,951	185.6%
Net Income	$ 14,313	$ 5,704	150.9%

Industry Background

Adoption and commercialization of digital currencies have significantly expanded since the creation of bitcoin in 2009. Digital currencies are recognized as a new asset class with the prospect to act as a store of value, a currency with the ability to facilitate financial transactions, and a worldwide medium of exchange, all in ways that differ meaningfully from traditional fiat currencies.

Investor interest has grown substantially as the potential uses and advantages of digital currencies have become better understood. Although the digital currency market consists of many individual digital currencies, it is currently concentrated among the five largest digital currencies by market capitalization. As of September 30, 2018, the market value of the five largest digital currencies was $175.1 billion, equal to approximately 0.51% of the global money supply.

We believe that institutional acceptance of the digital currency asset class will continue to grow as capital flows into institutional investment vehicles and other digital currency-based business ventures. Currently, there are over 300 institutional investment funds with aggregate estimated assets under management of between approximately $7.5 billion to $10 billion. Over $8.3 billion has been invested in digital currency-related projects, excluding initial coin offering funding, since December 31, 2013. Approximately $1.3 billion in venture funding was raised in the digital currency and blockchain market in the 12 months ended June 30, 2018.

In response to the rapid growth in the industry and challenges faced by investors, we began developing technology solutions, including the SEN. While innovations, such as the SEN, have enabled increasing numbers of institutional investors to begin investing in digital currencies, many of the world's largest investors remain unable to invest in the asset class due to the continuing limitations of existing infrastructure. We believe that additional industry innovation will address these infrastructure challenges, enabling increased and accelerated growth in the industry. Services such as a federally regulated digital currency custodian and digital currency borrowing facilities do not currently exist in a meaningful way, creating significant opportunities for us to facilitate growth in the industry and to extend our leadership position into other elements of digital currency infrastructure.

Digital Currency Customers

We have developed a diverse set of 483 established and emerging digital currency industry customers as of September 30, 2018. Our customer base has grown rapidly, as many customers proactively approach us due to our reputation as the leading provider of innovative financial infrastructure solutions and services to participants in the digital currency industry, which includes our unique technology solutions. As of September 30, 2018, we had 145 prospective digital currency customers in various stages of our customer onboarding process, which includes extensive regulatory compliance diligence and integrating of the customer's technology stack for those digital currency customers interested in using our API.

Our customers include some of the largest U.S. exchanges and global investors in the digital currency industry. These market participants generally hold either or both of two distinct types of funds: (i) those funds that market participants use for digital currency investment activities, which we refer to as investor funds, and (ii) those funds that market participants use for business operations, which we refer to as operating funds.

Our customer ecosystem also includes software developers, digital currency miners, custodians and general industry participants that need our solutions and services. These customers comprised 22.6% of our digital currency customers as of September 30, 2018 and we believe this group presents future growth opportunities as the digital currency industry landscape continues to develop.

We constantly strive to grow our customer ecosystem. By expanding and deepening our customer relationships, we intend to reinforce and enhance our leadership position in the industry and to increase the value of the SEN to all participants. Our relationships with the leaders of the digital currency industry are particularly important because these participants continue to inform us of the industry's needs and enable us to continue advancing our product development to provide relevant solutions and services for the industry's most pressing challenges and greatest opportunities.

Deepening our customer relationships through integration of our solutions with our customers' processes and operating systems creates enhanced value and stronger, long-term relationships with them. For example, digital currency exchanges that integrate our API into their technology infrastructure can attribute incoming client funds, at scale, without human involvement and in virtually real-time, typically within a matter of seconds. This solution enhances our value proposition, creating even closer relationships with our customers.

To maintain our position in the industry, we must remain highly selective in our customer onboarding process to ensure the integrity of the platform. Many customers choose us as their solution provider at least in part because of our long-term commitment to the industry and their belief in our platform's longevity. Customers respect our need for onboarding and our ongoing compliance processes, as they understand that all our digital currency customers must submit to initial and continued due diligence by us.

The following chart sets forth summary information regarding the types of market participants who are our primary customers (data as of September 30, 2018):

	Digital Currency Exchanges	Institutional Investors	Other Customers
Overview	Exchanges through which digital currencies are bought and sold; includes over-the-counter, or OTC, trading desks	Hedge funds, venture capital funds, private equity funds, family offices and traditional asset managers, which are investing in digital currencies as an asset class	Companies developing new protocols, platforms and applications; mining operations; and providers of other services
Typical Uses	• SEN to facilitate fiat transfers [1] • API to attribute fiat transfers [2] • Cash management • Deposit accounts to hold investor funds and operating funds	• SEN to transfer fiat to digital currency exchanges and traditional bank accounts [1] • Cash management • Deposit accounts to hold investor funds	• SEN to facilitate fiat transfers [1] • Cash management • Deposit accounts to hold operating funds
Noteworthy metrics	Silvergate's customers include the 5 largest U.S. domiciled digital currency exchanges [3]	Silvergate's customers have transferred approximately $9 billion in fiat quarterly since January 1, 2018 [4]	Silvergate's customers have raised over $1 billion through private placements
Number of Customers	35	339	109
Total Deposits	$792.9 million	$572.7 million	$227.5 million
Select Customers			

(1) SEN transfers are funds transfers within the Bank's deposit system from one SEN participant to another SEN participant.
(2) This refers to the attribution of funds received by a SEN API user within its own platform on a programmatic basis without manual human interaction, based on the user's integration of the Bank's API into the user's own systems.
(3) Based on data reflecting U.S. dollar 30 day trading volume as of October 1, 2018 from coinmarketcap.com.

(4) Consists of $4.4 billion of U.S. dollar transfers on the SEN for the nine months ended September 30, 2018 and $21.5 billion of non-SEN transfers of U.S. dollars, primarily consisting of wire transfers, during the nine months ended September 30, 2018.

Technology-Driven Solutions for Our Digital Currency Customers

We launched our digital currency initiative in response to unmet demand for U.S. dollar deposit accounts for many market participants. Our digital currency initiative solutions and services also address various infrastructure shortfalls for market participants, including liquidity and counterparty risk management as explained in more detail below. Currently, our digital currency initiative solutions and services are focused on the SEN, cash management solutions and other deposit account services:

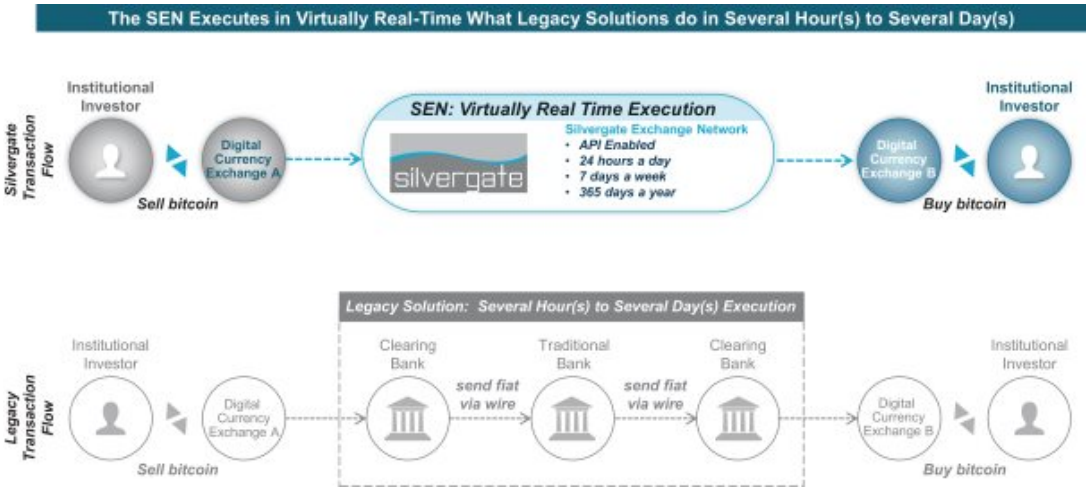
Silvergate Exchange Network (SEN) —We believe that the SEN is an innovative, market leading solution and a key point of differentiation that increases in capability and value by generating a network effect as additional users join the platform. Since launching the SEN in early 2018, as of September 30, 2018, we already had approximately 60.7% of our eligible digital currency related customers as SEN participants. The SEN only transfers fiat U.S. dollars, is only available to commercial customers and is not enabled for customers who are individual investors. The SEN reduces industry friction and creates a compelling value proposition for market participants, whether they participate as a digital currency exchange, an investor or otherwise. SEN participants can efficiently move U.S. dollars 24 hours a day, 7 days a week, 365 days a year between their Bank accounts and other SEN participants' Bank accounts, via our API or online banking system. Multiple steps are required to create, authorize and approve a SEN transfer, depending on the channel in which the SEN transfer is created (online banking system vs. API). Both channels follow a three step process by which the sender is authorized as a SEN participant, the receiver is validated as a SEN participant, and the transfer amount is confirmed to be available in the originating account. SEN transfers are push only and settle virtually instantly if all three conditions are met. No other transfer-of-value type transactions may be made on the SEN.

The ability to execute these types of transactions in virtually real-time is particularly valuable for digital currency investors and exchanges because digital currency trading occurs constantly on a global scale, with no regulated market hours. Consequently, the SEN enhances transaction execution speed, which meaningfully mitigates exposure to digital currency pricing fluctuations. In addition, SEN participants may spend a significant amount of time and resources developing customized applications that interface directly with our API in a manner that most effectively facilitates SEN participants' business models. We believe that these dynamics not only strengthen our customer relationships, but also serve as an organic marketing tool. Additional market participants are driven to the SEN as our customers urge their counterparties in digital currency transactions to join the SEN to facilitate efficient, predictable and timely transaction execution.

The following example highlights the benefits that the SEN provides to its participants with respect to liquidity and counterparty risk. A digital currency institutional investor maintains a deposit account with Silvergate Bank. The institutional investor wishes to move U.S. dollars from participating Exchange A to participating Exchange B. The institutional investor can execute the transaction in virtually real-time, outside of traditional banking hours via the SEN, if the institutional investor, Exchange A and Exchange B each maintain a deposit account at Silvergate Bank.

In contrast, if the institutional investor seeks to move funds from Exchange A to Exchange B without the SEN, the transaction would likely need to occur during traditional banking hours and could take several days to clear. This delay in transaction execution could limit the institutional investor's ability to take advantage of digital currency market movements or require the institutional investor to keep additional funds at each exchange to take advantage of other transaction opportunities, resulting in reduced capital efficiency, reduced liquidity and/or increased counterparty risk.

The graphic below illustrates the various components of a transaction effected through the SEN as compared to a similar transaction effected through a traditional execution pathway. We expect customer adoption of the SEN to increase as network effects drive expanded utility. As reflected, transactions on the SEN process in virtually real time as opposed to legacy transactions that may take from several hours to several days. Legacy transactions are subject to a number of variables that impact timing such as the daily cut-off time for the Federal Reserve wire system as well as incomplete or inaccurate information or wire destinations (country or recipient) that may require further action to confirm or clear.



Cash Management Solutions— Our cash management solutions enable our customers to send, receive and manage payments in a timely, efficient and scalable manner using the SEN, wire transfers and ACH transactions. To receive the full benefits of our cash management solutions, customers invest significant time and resources using their own development resources to build customized gateways that integrate our API and other solutions into their technology infrastructure. The Bank offers a full suite of corporate cash management solutions from deposit, reporting and reconciliation (remote deposit capture, online banking, mobile banking, file / reporting automation, API, check reconciliation), liquidity management (positive pay, ACH positive pay, off balance sheet deposit sweeps), and payment solutions (domestic and foreign wire transfers and ACH origination and receipt transactions). The Bank periodically expands its offerings in these areas to meet the needs of its customers.

Deposit Account Services— We are one of only a small group of institutions that currently open deposit accounts and provide ongoing services in a manner that is designed to be regulatory compliant for digital currency market participants. Our proprietary compliance procedures, developed over five years of serving the digital currency industry, are designed to enable us to prudently and efficiently establish deposit accounts for market participants. These deposit accounts do not consist of any digital currencies but may consist of investor funds or operating funds. Our deposit accounts offer a wide variety of features and security to market participants, including access to our cash management solutions, and other relevant business banking services.

The Company comprehensively investigates the customers it proposes to onboard according to the level it deems necessary and appropriate, based on whether the customer is an “administrator,” an “exchanger” or a “user” of virtual currencies, which terms are defined in March 2013 guidance by the U.S. Treasury Department, or the Treasury Department. Under applicable regulations, administrators and exchangers are required to register with the Treasury Department’s Financial Crimes Enforcement Network, or FinCEN, as a money service business and may also be subject to licensing as money transmitters under applicable state laws. The Company’s

due diligence and onboarding processes include, at a minimum, detailed reviews of each customer's ownership, management team, business activities and the geographies in which they operate. For customers such as exchanges which pose a higher degree of risk or have a higher degree of regulatory obligations, the Company's processes are more extensive and incorporate reputational reviews, reviews of applicable licensing requirements, plans, and status, and reviews of customer policies and procedures regarding the BSA, consumer compliance, information security, Dodd-Frank Act prohibitions against unfair, deceptive or abusive acts or practices, as well as reviews of transaction monitoring systems and audit results. The differences in these processes results in a variation in the time necessary to complete the onboarding process, which can range from a matter of days to six to eight weeks.

All regulatory compliance-related responsibilities involving onboarded customers are addressed in the Company's core banking system or through various additional manual diligence and compliance review processes. No funds transfer transactions occur on the SEN, which is simply the means by which internal account transfer transaction instructions are passed to the Bank's core banking system through which they are executed. Since all SEN participants are required to be deposit customers of the Bank, the Bank satisfies its know your customer, or KYC, obligations at the time of the customer's account opening. Transaction instructions are passed to the core banking system via the SEN, are executed on the core banking system, and are subsequently monitored through the Bank's automated BSA systems.

Our Competitive Advantages in the Digital Currency Industry

We believe our first-mover advantage serving the digital currency industry has led to numerous strategic advantages, many of which are significant barriers to entry for potential competitors. We expect that these advantages will enable us to maintain our leadership position in the industry:

Digital Currency-Focused Strategy —We believe we are the leading provider of innovative financial infrastructure solutions and services for the digital currency industry. We are one of the only financial services providers in the United States catering to our target customer base. These market participants have been underserved by the legacy financial services community due to a lack of vision and regulatory complexity associated with the digital currency industry, which we have been able to overcome because of the in-depth industry knowledge and strategic foresight of our management team and our robust risk management and regulatory compliance framework. Our commitment to, and relationship with, participants in the digital currency industry is highlighted by the fact that digital currency related investors own approximately 13.1% of the issued and outstanding common stock of the Company, as of September 30, 2018, before giving effect to this offering. The focus and mission of our talented team is to address this unique market opportunity.

Customer Base —Our first-mover advantage and expertise in the industry has allowed us to attract 483 digital currency customers, many of whom are the digital currency industry's most notable participants. These respected and recognizable customers bolster our reputation and enhance our ability to attract new customers. Our customer network also enables us to receive feedback on challenges that the industry currently faces and anticipates facing in the future. Through active dialogue with our customers, we stay at the forefront of industry trends, identify opportunities early and create solutions to address challenges. As an example, the SEN was developed as a result of conversations with our early customers about pain points in the industry. We currently penetrate a small percentage of the market opportunity, and we foresee significant growth if we can execute on our relationship-building strategy with market participants.

SEN Network Effects —We believe the SEN is unique in the industry and its power grows with each new SEN participant, thereby attracting more customers and creating higher levels of customer retention and transaction activity. The Bank provides investors with the identities of participating exchanges that have authorized the Bank to identify them to new or prospective SEN participants. Customer attraction to the SEN can

come from our explaining its advantages to a prospective participant or from encouragement from a customer's digital currency exchange counterparty for the customer to enroll in the SEN to expedite funds transfers. Customer demand for the SEN is driven by its availability, ease of use, and instant settlement functionality. SEN benefits are quickly understood from the customer's perspective and provide value to both sides of a SEN transfer. The SEN's functionality saves time and reduces costs and risks to its users, as we described above.

API Integration —Our proprietary, internally-developed, cloud-based API enables our customers to build direct access to the SEN and their deposit accounts into their technology infrastructure. Customers who use our API commit significant time and resources to integrate our API into their systems because of the increased functionality provided by our API connection. Once fully integrated, our API provides significant value for our customers via its direct interface to our core system. For example, our exchange customers using the API attribute client and counterparty funds programmatically and in virtually real time—a distinct advantage over traditional cash management systems which require human intervention to attribute such funds. Even if competitors were to develop competing solutions to our API and SEN, our customers would need to commit significant time, money and other resources to replace our solutions or adopt additional solutions.

While the Bank does not integrate into customer systems, the Bank provides tools for sophisticated customers to securely access and interact with their accounts' functions over the Bank's API. The movement toward application programming interfaces, or open banking, is an initiative that many U.S. banks have embraced. An application programming interface allows customers to automate manual processes, scale operations, or innovate on new product offerings by giving programmatic access to their account history, the ability to send payments, or the automated reconciliation of their accounts. It is the customer's efforts to leverage these tools that may require significant time and resources on the customer's part, depending on what the customer is trying to do. For instance, some of the Bank's customers integrate the API with their systems within a day while other customers have created complex programs built on the API that were built over a period of months. Each customer's use case and implementation is slightly different, but all are facilitated by the same basic APIs, documentation, developer portal, and Silvergate integration team. The SEN's ability to permit a customer to make an internal transfer from their own account to another Silvergate customer's account is one of the functionalities available through and supported by the Bank's API. For the nine months ended September 30, 2018, 21% of SEN transfers were conducted through the API.

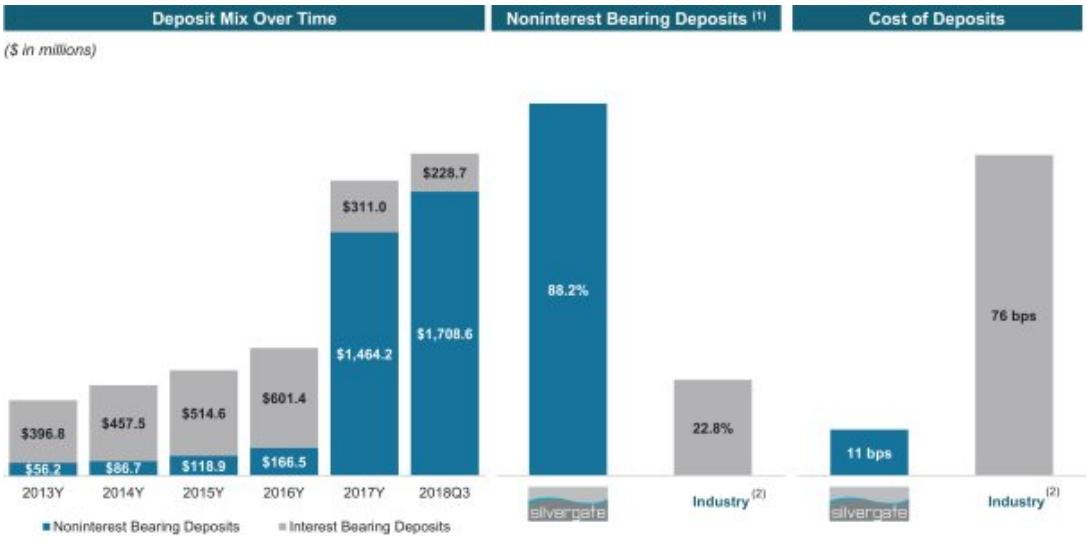
Robust Risk Management and Compliance Framework— We have invested heavily in our risk management and compliance infrastructure. We have attracted a talented, dedicated compliance team with substantial experience in regulated financial institutions, including developing, implementing and monitoring systems to detect and prevent financial crimes. Our risk management and compliance team has developed a strong risk management and compliance framework that leverages technology for onboarding and monitoring market participants. See "Supervision and Regulation."

Culture of Innovation— We have a culture of innovation that is driven by our CEO, Alan Lane, whose career in the financial services and technology industries spans over 37 years. In 2013, Mr. Lane began focusing our management team's attention on the potential long-term impact of digital currencies. Under Mr. Lane's leadership, we have developed a broad team of digital currency, technology and financial services professionals. This team helps leverage our experience and significant customer base to enable us to identify and respond to opportunities to innovate and add value to our current and future customers. Our team collaborated in the design and implementation of the SEN and coordinated and oversaw the development and deployment of our API to enable us to seamlessly address the needs of our digital currency customers. We expect our culture of product innovation will enable us to continue identifying, building and deploying new customer solutions, both within our digital currency initiative and other potential future initiatives that may be related to new innovations in the financial services industry.

Digital Currency Solutions and Services Drive Our Business Model

Our digital currency initiative has contributed significantly to an increase in our noninterest bearing deposits, which has driven the Bank's funding costs to among the lowest in the U.S. banking industry. This has allowed us to generate attractive returns on lower risk assets through increased investments in interest earning deposits in other banks and securities, as well as funding limited loan growth. Our business model is described more fully below:

Prudently Leveraging Lower-Cost Core Deposit Base —Our lower-cost core deposit base is a key element of our financial success. We have increased our noninterest bearing deposits as a percentage of total deposits from 12.4% as of December 31, 2013 to 88.2% as of September 30, 2018, an increase that is largely attributable to our digital currency initiative. Our cost of total deposits was 0.11% and our cost of funds was 0.18% for the nine months ended September 30, 2018 as compared to 0.78% and 1.00%, respectively, for the year ended December 31, 2013. This funding base allows us to manage our interest earning assets conservatively and we have transitioned from primarily deploying our funding into loans to deploying funds into assets such as interest earning deposits in other banks and securities that generate attractive risk-adjusted returns. For example, loans held-for-investment, net have decreased as a percentage of our total assets from 56.0% at December 31, 2013 to 32.0% at September 30, 2018 while the aggregate amount of interest earning deposits in other banks and securities available-for-sale have increased from 9.9% of total assets to 57.9% over the same time period.



(1) Represents noninterest bearing deposits as a percentage of total deposits as of September 30, 2018.
(2) Data represents median noninterest bearing deposits and average year to date cost of deposits for banks in the United States with total assets between $1.0 billion and $10.0 billion as of the most recent quarter reported.

We deploy our deposits into assets that generate attractive risk-adjusted returns. Our interest earning deposits in other banks and our securities portfolio have grown substantially as our noninterest bearing deposits attributable to our digital currency initiative have expanded.

We segment our deposits based on their potential volatility, which drives our choices regarding the assets we fund with such deposits. Deposits attributable to digital currency exchange customer funds and investor funds are assigned the highest potential volatility. These deposits amounted to $1.2 billion as of September 30, 2018, and we invest these funds primarily in interest earning deposits in other banks and adjustable rate securities available-for-sale.

This strategy also provides significant asset sensitivity, as we expect yields on interest earning deposits in other banks as well as yields on our securities portfolio will rise with potential increases in short term interest rates, while our deposit funding costs will not rise to the same extent.

As of September 30, 2018, our interest earning deposits in other banks totaled $943.8 million. Our average yield on these deposits was 1.80% for the nine months ended September 30, 2018.

As of September 30, 2018, our portfolio of securities available-for-sale totaled $302.3 million, an increase of 217.1% from September 30, 2017. This portfolio is primarily composed of adjustable rate mortgage-backed securities, collateralized mortgage obligations and pools of government sponsored student loans. We view our available-for-sale securities as a conservatively managed portfolio which offers a source of additional interest income and provides liquidity management flexibility.

We have more flexibility in deciding how to deploy our deposits attributable to digital currency customer operating funds, which totaled $370.6 million as of September 30, 2018.

Conservative Lending and Niche Asset Growth— We also selectively deploy our funding into specialty lending businesses, including mortgage warehouse lending, commercial real estate lending, correspondent lending, and commercial business lending. We have developed underwriting expertise across these asset classes and believe that these loans offer attractive risk-adjusted returns.

We use a portion of our deposits attributable to digital currency exchange and investor funds as the funding source for our mortgage warehouse lending activities. We are comfortable with this strategy because of the short-term nature of our mortgage warehouse assets and because we can access funding at the Federal Home Loan Bank should we experience heightened volatility in the deposit balances related to these digital currency exchange and investor funds.

We use a portion of our deposits attributable to operating funds to make loans across our other lending businesses. A significant portion of our portfolio consists of loans on both owner-occupied and non-owner-occupied commercial real estate. The properties securing these loans are located primarily throughout our markets and are generally diverse in terms of type. Our commercial business lending provides loans to small- and medium-sized businesses in a wide variety of industries and segments, including wholesalers, manufacturers, municipalities, construction and business services companies. These loans are collateralized by inventory, equipment, real estate and other commercial assets, and may be supported by other credit enhancements such as personal guarantees.

As of September 30, 2018, we had net loans (including loans held-for-sale) of $871.9 million compared to $513.3 million as of December 31, 2013. Our yield on loans was 5.47% for the nine months ended September 30, 2018 as compared to 4.84% for the year ended December 31, 2013.

Noninterest Income— For the nine months ended September 30, 2018, we had noninterest income of $5.6 million (11.4% of net interest income and a 185.6% increase from the same period in the prior year), and our ratio of noninterest income to average assets was 0.39%. Our noninterest income is primarily driven by service fees related to our digital currency customers, mortgage warehouse fee income and other fees. We anticipate an increase in our noninterest income as our customers grow and their needs develop further, and as we continue to develop and deploy fee-based solutions in connection with our digital currency initiative.

Our Growth Strategy

We intend to extend our leadership position in the digital currency industry by combining our management team's industry vision with our strategic focus, market position, and technology platform to grow our existing business lines and develop additional market-leading product offerings. Our strategies to achieve these goals include:

Focus on High-Growth Customers— Our customers have experienced significant growth as the digital currency industry has rapidly expanded. We expect these customers to continue growing, generating additional deposit potential for us and new opportunities for innovation to address customer needs.

Broaden Our Digital Currency-Related Customer Base— Our customer growth has primarily been driven by market participants proactively approaching us and by high-quality referrals from existing customers who value our sophisticated and flexible approach to addressing their industry-specific challenges. As of September 30, 2018, we had 483 digital currency customers and 145 prospective customers in various stages of our onboarding process. As we further build out our technology and brand awareness, we expect to more deeply penetrate the universe of existing digital currency-related businesses in need of banking services. By further extending the breadth of our services, we believe we will generate an increasing number of high-quality referrals.

Monetization of the SEN as Platform Matures— The competitive advantage of operating on the SEN is crucial for exchanges and investors participating in the digital currency industry. We believe the SEN can grow to a critical mass of adoption and utilization across the digital currency industry. As we continue to enhance SEN functionality and the customer ecosystem related to the SEN, we believe the capabilities and value of the network will continue to increase, providing us with the opportunity to earn fees commensurate with the significant value we are providing to our customers.

Develop New Solutions and Services for Our Customers— We are developing additional products and services to address the digital currency industry's largest opportunities. We believe we are well positioned to capitalize on these opportunities because of our technology platform and competitive advantages. Our product roadmap includes:

- *Stablecoin Transaction Flows and Collateral* . We believe that the continuing adoption of stablecoins, as well as our deep relationships with many of the leading developers of stablecoins, presents a large opportunity for our business in several ways. Stablecoins that are backed by U.S. dollars in a one-to-one ratio to their digital representations and that are offered by regulated institutions who agree to third-party audits present what we currently believe to be the largest growth opportunity for deposits for us. At scale, many believe fiat-backed stablecoins will be the catalyst for widespread adoption of digital currencies as a medium of exchange, allowing consumers to purchase goods and services using digital currency without the friction that exists today within the global banking environment and the volatility that exists in the digital currency markets. Additionally, institutional investors are looking for more

efficient ways to move capital between global exchanges that are not currently part of the SEN. The Company does not have any direct involvement with stablecoin pricing, transactions or exchanges.

We are already benefiting from our clients' interest in stablecoins by holding fiat currency for our customers that may ultimately be exchanged for stablecoins. Fiat currency held for customers that may be used for exchanging into stablecoins is not treated any differently than other fiat currency held by the Bank's depositors. We hold these funds on deposit similar to other investor funds held on an exchange. Secondly, in many cases, investors are moving fiat currency onto exchanges in order to buy stablecoins using the SEN, increasing the utility of the network and ultimately expanding the opportunity to earn fees commensurate with the value of our service. Finally, we believe the largest opportunity is to hold fiat currency in a deposit account as collateral for stablecoins and we are working closely with several leading stablecoin developers to hold their deposit collateral. In the aggregate, we believe these three opportunities represent substantial growth opportunities that could dramatically enhance our deposits and profitability.

- *Custodian Services*— We have identified significant demand among institutional investors for regulated custodians to securely store digital currency on their behalf. Many institutional investors require qualified custodians to hold assets on their behalf, and we believe we are well-positioned to capture market share in this emerging space given our existing investor relationships, our leading brand and reputation, and our ownership of a federally regulated bank. We estimate that there are custodial services currently being sought with respect to several billions of dollars worth of digital currency-related assets, and that there are limited potential providers of these custodial services because traditional qualified custodians (e.g., banks, trust companies and broker-dealers) lack the infrastructure and expertise to custody digital currency. Our growth strategy contemplates the establishment of a qualified custodian entity as a Company subsidiary to address this market opportunity. This entity would seek to become a New York state licensed limited liability trust company through which digital currency custodial activities would be conducted. The State of New York was strategically chosen due to its established track record of granting trust charters for digital currency related companies. A full application for this new entity is expected to be submitted in the fourth quarter of 2018. The Bank does not currently have custody of any digital currency assets, and is not currently planning on transferring digital currency assets across the SEN.
- *Expand Our International Customer Base*— Due to the global nature of the digital currency industry and rapid adoption of digital currencies as an asset class, we believe we will have the opportunity to extend the reach of our franchise into international markets. As part of this opportunity, we expect to offer products and services to those markets, as well as to our U.S. customers wishing to access those markets, that will drive additional growth and strategic value in our business. For example, we work with correspondent banking partners, including a leading global investment bank (transactions expected to commence in the fourth quarter of 2018), to provide competitive foreign exchange alternatives to our clients.
- *Other Potential Fintech Opportunities*— We carefully monitor events and emerging trends in the markets in which we operate to identify opportunities to further leverage our management team's experience and technology-driven approach to developing additional fintech-related business opportunities to grow our deposits, earn additional fee income and generate attractive risk adjusted returns. These potential initiatives may include developing additional applications of our API architecture. We believe the API is an attractive platform to support business activities that involve frequent transfer transactions between parties, including, among others, escrow, property/cash exchanges, non-profit non-governmental organizations, marketplace firms such as marketplace lenders and other participants in the sharing economy, and dollar aggregators that facilitate micro investing and crowdfunding activities.

Capitalize on our Unique Market Insights —Because of our management team's vision and our status as a sought-after partner within the digital currency industry, we see potential opportunities that many legacy financial services providers as well as digital currency market participants may not be able to see in the near-term. We believe that this unique position within the market will enable us to continue developing next generation financial infrastructure solutions and services and extend our first-mover advantage. Capitalizing on these opportunities has the potential to significantly accelerate our growth beyond the drivers visible to most market participants today and help us grow our position as a leading provider of innovative financial services infrastructure solutions and services to the digital currency industry.

Recent Developments

On November 15, 2018, the Company and the Bank entered into a purchase and assumption agreement to sell the Bank's small business lending division and retail branch located in San Marcos, California to HomeStreet Bank. Under the purchase and assumption agreement, HomeStreet Bank has agreed to acquire approximately $123 million of business loans and assume approximately $124 million of deposits (both as of October 31, 2018). HomeStreet Bank has agreed to acquire the loans at par value, plus accrued interest, as of the closing date and will pay deposit premiums based on the deposit type and average deposit balances for the 30 day period up to and including the closing date. Changes in the amount of total deposits and the amount of deposits within each deposit classification may change the financial impact at closing. Furthermore, the amount of loans sold may increase or decrease before closing.

This transaction enables the Company to increase its focus on its digital currency initiative and its specialty lending competencies. Subject to customary closing conditions, including all necessary regulatory approvals, the transaction is expected to be completed in the second quarter of 2019.

Summary Risk Factors

Our business is subject to many substantial risks and uncertainties you should consider before deciding to invest in our common stock. These risks are discussed more fully in the section entitled "Risk Factors." Some of these risks include the following:

- risks related to our digital currency initiative, including risks that that the digital currency industry may not gain widespread adoption, that legal and regulatory uncertainty regarding the regulation of digital currencies and digital currency activities may inhibit the growth of the digital currency industry, that our low-cost funding strategy may not be sustainable, that our deposits may be adversely affected by price volatility and that our further development and/or implementation of our solutions and services may not successful;
- risks related to cybersecurity and technology, including risks that our systems may fail or be breached, that we may not have sufficient resources to keep pace with rapid technological change in the financial services industry, that our technology may malfunction and that the third-party service providers we use may experience systems failures;
- risks related to our traditional banking business, including risks that a sustained downturn of the economy in the United States or in California may adversely impact our business, that our competitors may lower their loan rates or underwriting standards, that our risk management practices or allowance for loan losses may not be sufficient and that fluctuations in interest rates and the monetary policies and regulations of the Board of Governors of the Federal Reserve System, or the Federal Reserve, may negatively impact our business; and
- risks related to regulation, including risks that legislative and regulatory actions may increase our costs and negatively impact our business, that the capital requirements that the Bank and the Company are subject to

may limit our activities and that our compliance with anti-money laundering laws may not be adequate to detect or prevent money laundering activities and could subject us to fines or regulatory actions.

Corporate Information

Our principal executive offices are located at 4250 Executive Square, Suite 300, La Jolla, CA 92037, and our telephone number at that address is (858) 362-6300. Our website address is www.silvergatebank.com. The information on, or accessible through, our website or any other website cited in this prospectus is not part of, or incorporated by reference into, this prospectus and should not be relied upon in determining whether to make an investment decision.

The Offering

Class A Common Stock offered by us	shares.
Class A Common Stock offered by the selling shareholders	shares.
Underwriters' option to purchase additional shares	We and the selling shareholders have granted the underwriters an option exercisable for 30 days after the date of this prospectus to purchase, from time to time, in whole or in part, up to an additional shares from us and shares from the selling shareholders at the public offering price less underwriting discounts and commissions.
Shares of Class A Common Stock to be outstanding after this offering	shares of Class A Common Stock (or shares if the underwriters exercise in full their option to purchase additional shares of Class A Common Stock).
Shares of Class B Common Stock to be outstanding after this offering	shares of Class B Common Stock.
Voting rights	Each holder of our Class A Common Stock is entitled to one vote for each share on all matters submitted to a vote of shareholders, except as otherwise required by law and subject to the rights and preferences of the holders of any outstanding shares of our preferred stock. Our Class B Common Stock is non-voting while held by the initial holder with certain limited exceptions. Each share of Class B Common Stock will automatically convert into a share of Class A Common Stock upon certain sales or transfers by the initial holder including to an unaffiliated third-party and in a widely dispersed public offering. See "Description of Capital Stock."
Use of proceeds	Assuming an initial public offering price of $ per share, which is the midpoint of the price range set forth on the cover page of this prospectus, we estimate that the net proceeds to us from the sale of our Class A Common Stock in this offering will be $ million (or $ million if the underwriters exercise in full their option to purchase additional shares of Class A Common Stock), after deducting the underwriting discount and estimated offering expenses payable by us. We intend to use the net proceeds to us from this offering to fund organic growth and for general corporate purposes, which could include repayment of long-term debt, future acquisitions and other growth initiatives. We will not receive any proceeds from the sale of shares of our Class A Common Stock by the selling shareholders. See "Use of Proceeds."
Dividend policy	Holders of our Class A and Class B Common Stock are only entitled to receive dividends when, as and if declared by our board of directors out of funds legally available for dividends. We have not

	paid any cash dividends on our capital stock since inception, and we currently have no plans to pay dividends for the foreseeable future. Our ability to pay dividends to our shareholders in the future will depend on regulatory restrictions, our liquidity and capital requirements, our earnings and financial condition, the general economic climate, contractual restrictions, our ability to service any equity or debt obligations senior to our Class A and Class B Common Stock and other factors deemed relevant by our board of directors. For additional information, see "Dividend Policy."
Directed share program	At our request, the underwriters have reserved for sale, at the initial public offering price, up to 5% of the shares of our common stock offered in this offering for sale to certain of our directors, executive officers, employees and other related persons. We will offer these reserved shares of common stock to the extent permitted under applicable laws and regulations in the United States through a directed share program. Reserved shares of common stock purchased by our directors and executive officers will be subject to the lock-up provisions described in "Underwriting—Lock-Up Agreements." We do not know if these persons will choose to purchase all or any portion of the reserved shares of common stock but the number of shares of our common stock available for sale to the public will be reduced to the extent these persons purchase the reserved shares. Any reserved shares of our common stock that are not so purchased will be offered by the underwriters to the public on the same terms as the other shares of our common stock offered by this prospectus. See "Underwriting—Directed Share Program."
New York Stock Exchange Listing	We have applied to list our Class A Common Stock on the New York Stock Exchange under the trading symbol " SI."
Risk factors	Investing in our Class A Common Stock involves risks. See "Risk Factors" for a discussion of certain factors that you should carefully consider before deciding to invest in shares of our Class A Common Stock.

Except as otherwise indicated, references in this prospectus to the number of shares of Class A and Class B Common Stock outstanding after this offering are based upon 16,618,941 shares of Class A Common Stock and 1,189,548 shares of Class B Common Stock issued and outstanding as of September 30, 2018, respectively. Unless expressly indicated or the context otherwise requires, all information in this prospectus:

- assumes no exercise by the underwriters of their option to purchase up to an additional shares of Class A Common Stock;
- assumes that the shares of Class A Common Stock sold in this offering are sold at $ per share, which is the midpoint of the price range set forth on the cover page of this prospectus;
- does not attribute to any director, executive officer or principal shareholder any purchases of shares of our common stock in this offering, including through the directed share program described in "Underwriting—Directed Share Program;" and
- excludes 829,616 shares of Class A Common Stock issuable upon exercise of stock options outstanding at September 30, 2018 at a weighted average exercise price of $5.55 per share.

RISK FACTORS

Investing in our common stock involves a significant degree of risk. You should carefully consider the following risk factors, in addition to the other information contained elsewhere in this prospectus, including our consolidated financial statements and related notes, before deciding to invest in our common stock. Any of the following risks, as well as risks that we do not know of or that we currently deem immaterial, could have a material adverse effect on our business, financial condition, results of operations and future prospects. As a result, the trading price of our common stock could decline, and you could lose all or part of your investment.

Risks Related to the Digital Currency Industry

The characteristics of digital currency have been, and may in the future continue to be, exploited to facilitate illegal activity such as fraud, money laundering, tax evasion and ransomware scams; if any of our customers do so, it could adversely affect us.

Digital currencies and the digital currency industry are relatively new and, in many cases, lightly regulated or largely unregulated. Some types of digital currency have characteristics, such as the speed with which digital currency transactions can be conducted, the ability to conduct transactions without the involvement of regulated intermediaries, the ability to engage in transactions across multiple jurisdictions and encryption technology that anonymizes these transactions, that make digital currency particularly susceptible to use in illegal activity such as fraud, money laundering, tax evasion and ransomware scams. Two prominent examples of marketplaces that accepted digital currency payments for illegal activities include Silk Road, an online marketplace on the dark web that, among other things, facilitated the sale of illegal drugs and forged legal documents using digital currencies and AlphaBay, another darknet market that utilized digital currencies to hide the locations of its servers and identities of its users. Both of these marketplaces were investigated and closed by U.S. law enforcement authorities. U.S. regulators, including the Securities and Exchange Commission, or the SEC, Commodity Futures Trading Commission, or the CFTC, and Federal Trade Commission, or the FTC, as well as non-U.S. regulators, have taken legal action against persons alleged to be engaged in Ponzi schemes and other fraudulent schemes involving digital currencies. In addition, the Federal Bureau of Investigation has noted the increasing use of digital currency in various ransomware scams.

While we believe that our risk management and compliance framework, which includes thorough reviews we conduct as part of our due diligence process (either in connection with onboarding new customers or monitoring existing customers), is reasonably designed to detect any such illicit activities conducted by our potential or existing customers (or, in the case of digital currency exchanges, their customers), we cannot ensure that we will be able to detect any such illegal activity in all instances. If one of our customers (or in the case of digital currency exchanges, their customers) were to engage in illegal activities using digital currency, we could be subject to various fines and sanctions, including limitations on our activities, which could also cause reputational damage and adversely affect our business, financial condition and results of operations. For more information regarding the regulatory agencies and regulations to which we are subject, see "—Risks Related to Regulation". Lastly, we may experience a reduction in our deposits if such an incident were to impact one of our customers, even if there was no wrongdoing on our part.

Risks Related to Our Digital Currency Initiative

The majority of the Bank's deposits are from businesses involved in the digital currency industry. As a result, we rely heavily on the success of the digital currency industry, the development and acceptance of which is subject to a variety of factors that are difficult to evaluate.

We have grown rapidly over the last year because of our initiative to provide traditional banking and other services to customers in the digital currency industry. We have created a unique, technology-led infrastructure platform, including the SEN and cash management solutions, to facilitate cash transactions for the Bank's digital currency deposit customers. This platform has driven growth of a customer base that includes some of the largest and fastest growing companies within the digital currency industry, consisting primarily of digital currency

exchanges, institutional investors and other industry participants. See "Prospectus Summary—Digital Currency Customers." As of September 30, 2018, the Bank's 10 largest depositors accounted for $1.1 billion in deposits, or approximately 56.2% of the Bank's total deposits, nine of whom are customers in the digital currency industry.

The businesses in which these customers engage involve digital currencies such as bitcoin, other technologies underlying digital currencies such as blockchain, and services associated with digital currencies and blockchain. The digital currency industry includes a diverse set of businesses that use digital currencies for different purposes and provide services to others who use digital currencies. This is a new and rapidly evolving industry, and the viability and future growth of the industry and adoption of digital currencies and the underlying technology is subject to a high degree of uncertainty, including based upon the adoption of the technology, regulation of the industry, and price volatility, among other factors. Because the sector is relatively new, your investment may be exposed to additional risks which are not yet known or quantifiable.

Bitcoin, the first widely used digital currency, and many other digital currencies were designed to function as a form of money. However, digital currencies have only recently become selectively accepted as a means of payment for goods and services and then only by some retail and commercial businesses. Use of digital currency by consumers as a form of payment is limited. Some digital currencies were built for uses other than as a substitute for fiat money. For example, the Ethereum network is intended to permit the development and use of smart contracts, which are programs that execute on a blockchain. The digital asset known as Ether was designed to facilitate transactions involving smart contracts on the Ethereum network. Many of these digital currencies are listed on digital currency exchanges and are traded and purchased as investments by a variety of market participants.

Other factors affecting the further development of the digital currency industry and our business include, but are not limited to:

- the adoption and use of digital currencies, including adoption and use as a substitute for fiat currency or for other uses, which may be adversely impacted by continued price volatility;
- government and quasi-government regulation of digital currencies, their use, and intermediaries and other businesses involved in digital currencies, noting in particular that the SEC has taken action against several cryptocurrency operators and has raised questions whether certain digital currency exchanges must be registered with the SEC to continue operating;
- the use of digital currencies, or the perception of such use, to facilitate illegal activity such as fraud, money laundering, tax evasion and ransomware scams by our customers;
- restrictions on or regulation of access to and operation of the digital currency exchanges or other platforms that facilitate trading in digital currencies;
- heightened risks to digital currency businesses, such as digital currency exchanges, of hacking, malware attacks, and other cyber-security risks, which can lead to significant losses;
- developments in digital currency trading markets, including decreasing price volatility of digital currencies, resulting in narrowing spreads for digital currency trading and diminishing arbitrage opportunities across digital currency exchanges, or increased price volatility, which could negatively impact our customers and therefore our deposits, either of which in turn may reduce the benefits of the SEN and negatively impact our business;
- changes in consumer demographics and public taste and preferences;
- the maintenance and development of the software protocol of the digital currency networks;
- the availability and popularity of other forms or methods of buying and selling goods and services, including new means of using fiat currencies;
- the use of the networks supporting digital currencies for developing smart contracts and distributed applications;

- general economic conditions and the regulatory environment relating to digital currencies; and
- increased regulatory oversight of digital currencies and the costs associated with such regulatory oversight.

If any of these factors, or other factors, slows development of the digital currency industry, it could adversely affect our digital currency initiative and therefore have a material adverse effect on our business, financial condition and results of operation. For example, a decline in the digital currency industry that leads to a decline in deposit balances by our digital currency customers would negatively affect our sources of funding. In such circumstances, we may be forced to rely more heavily on other, potentially more expensive and less stable funding sources. Consequently, a decline in the growth of the digital currency industry could have a material adverse effect on our business, financial condition and results of operations.

We may not be able to implement aspects of our growth strategy, which may impact our position as the leading provider of innovative financial infrastructure solutions and services to participants in the digital currency industry and adversely affect our ability to maintain our recent growth and earnings trends.

We have grown rapidly over the last year, primarily through organic growth related to our digital currency initiative. We may not be able to execute on aspects of our growth strategy, which may impair our ability to sustain this rate of growth or prevent us from growing at all. More specifically, we may not be able to generate sufficient amounts of new loans and deposits within acceptable risk and expense tolerances or obtain the personnel or funding necessary for additional growth, which may therefore preclude us from developing products and services relating to stablecoin transaction flows and collateral, custodian services, international expansion of our customer base and other potential fintech opportunities, as described under “Business —Who We Are —Our Growth Strategy”. The process of developing new or improved solutions or services for digital currency industry participants is expensive, complex and involves uncertainties.

The success of new or improved solutions and services depends on several factors, including costs, timely completion, regulatory approvals, the introduction, reliability and stability of our solutions and services, differentiation of new or improved solutions and market acceptance. There can be no assurance that we will be successful in developing and marketing our digital currency initiative in a timely manner or at all, or that our new or improved solutions and services will adequately address market demands. Market acceptance and adoption of solutions and services within our digital currency initiative will depend on, among other things, the solutions and services demonstrating a real advantage over existing products and services, the success of our sales and marketing teams in creating awareness of our solutions and services, competitive pricing of such solutions and services, customer recognition of the value of our technology and the general willingness of potential customers to try new technologies. In particular, if we are unable to achieve sufficient market adoption of the SEN, our growth strategy may be adversely affected.

Various factors, such as general economic conditions, conditions in the digital currency industry and competition with other financial institutions and infrastructure service providers, may impede or preclude the growth of our operations. Our business and the growth of our operations are dependent on, among other things, the continued success and growth of the SEN. If conditions in digital currency markets change such that certain trading strategies currently employed by our institutional investor customers become less profitable, the benefits of the SEN and the API may be diminished, resulting in a decrease in our deposit balance and adversely impacting our growth strategy. In addition, if a competitor were to launch an alternative to the SEN, we could lose noninterest bearing deposits and our business, financial condition, results of operations and growth strategy could be adversely impacted. Further, we may be unable to attract and retain experienced employees, which could adversely affect our growth.

The success of our strategy also depends on our ability to manage our growth effectively, which depends on many factors, including our ability to adapt our regulatory, compliance, credit, operational, technology and

governance infrastructure to accommodate expanded operations, particularly as these relate to the digital currency industry. If we are successful in continuing our growth, we cannot assure you that further growth would offer the same levels of potential profitability, or that we would be successful in controlling costs and maintaining asset quality in the face of that growth. Accordingly, an inability to maintain growth, or an inability to effectively manage growth, could have a material adverse effect on our business, financial condition and results of operations. The further development and acceptance of digital currencies and blockchain technology are subject to a variety of factors that are difficult to evaluate, as discussed above. The slowing or stopping of the development or acceptance of digital currency networks and blockchain technology may adversely affect our ability to continue to grow and capitalize on our digital currency strategy.

The Bank has several large depositor relationships that are concentrated in the digital currency industry generally and among digital currency exchanges in particular, the loss of any of which could force us to fund our business through more expensive and less stable sources.

As of September 30, 2018, the Bank's 10 largest depositors accounted for $1.1 billion in deposits, or approximately 56.2% of the Bank's total deposits, nine of whom are customers operating in the digital currency industry. Deposits from digital currency exchanges represent approximately 40.9% of the Bank's overall deposits and are held by approximately 35 exchanges. Digital currency exchanges have discretion over which financial institution holds deposits on behalf of its customers. As a result, the Bank is exposed to high customer concentration with our exchange customers. A decision by the customers of an exchange to exit the exchange or a decision by an exchange to withdraw deposits or move deposits to our competitors could result in substantial changes in our deposit base. Exchanges present additional risks because they have been frequent targets and victims of fraud and cyber attacks and the failure or exit of one or more exchanges as customers could have a material adverse effect on our business, financial condition and results of operations.

In addition, withdrawals of deposits by any one of our largest depositors could force us to rely more heavily on borrowings and other sources of funding for our business and withdrawal demands, adversely affecting our net interest margin and results of operations. The Bank may also be forced, because of deposit withdrawals, to rely more heavily on other, potentially more expensive and less stable funding sources. Consequently, the occurrence of any of these events could have a material adverse effect on our business, financial condition and results of operations.

Our digital currency initiative has contributed significantly to an increase in our noninterest bearing deposits, which has driven the Bank's funding costs to levels that may not be sustainable.

Our digital currency initiative has contributed significantly to an increase in our noninterest bearing deposits, and has allowed us to generate attractive returns on lower risk assets through increased investments in interest earning deposits in other banks and securities, as well as funding limited loan growth. We have increased our noninterest bearing deposits as a percentage of total deposits from 12.4% as of December 31, 2013 to 88.2% as of September 30, 2018, an increase that is largely attributable to our digital currency initiative. Our future growth may be adversely impacted if we are unable to retain and grow this strong, low-cost deposit base. There may be competitive pressures to pay higher interest rates on deposits to our digital currency customers, which could increase funding costs and compress net interest margins. Further, even if we are able to grow and maintain our noninterest bearing deposit base, our deposit balances may decrease if our digital currency customers are offered more attractive returns from our competitors. If our digital currency customers move funds out of deposits, we could lose a low cost source of funds, increasing our funding costs, reducing our net interest income and net interest margin, which could have a material adverse effect on our business, financial condition and results of operations.

The prices of digital currencies are extremely volatile. Fluctuations in the price of various digital currencies may cause uncertainty in the market and could negatively impact trading volumes of digital currencies and therefore the extent to which participants in the digital currency industry demand our services and solutions, which would adversely affect our business, financial condition and results of operations.

The value of digital currencies is based in part on market adoption and future expectations, which may or may not be realized. As a result, the prices of digital currencies are highly speculative. The prices of digital currencies have been subject to dramatic fluctuations to date. Several factors may affect price, including, but not limited to:

- Global digital currency supply, including various alternative currencies which exist, and global digital currency demand, which can be influenced by the growth or decline of retail merchants' and commercial businesses' acceptance of digital currencies as payment for goods and services, the security of online digital currency exchanges and digital wallets that hold digital currencies, the perception that the use and holding of digital currencies is safe and secure and regulatory restrictions on their use;
- Changes in the software, software requirements or hardware requirements underlying a blockchain network. For example, a fork occurs when there is a change to a digital currency's underlying protocol, which creates new rules for the system. Forks in the future are likely to occur and there is no assurance that such a fork would not result in a sustained decline in the market price of digital currencies;
- Changes in the rights, obligations, incentives, or rewards for the various participants in a blockchain network;
- The maintenance and development of the software protocol of digital currencies;
- Digital currency exchanges deposit and withdrawal policies and practices, liquidity on such exchanges and interruptions in service from or failures of such exchanges;
- Regulatory measures, if any, that affect the use and value of crypto-assets;
- Competition for and among various digital currencies that exist and market preferences and expectations with respect to adoption of individual currencies;
- Actual or perceived manipulation of the markets for digital currencies;
- Actual or perceived threats that digital currencies and related activities such as mining have adverse effects on the environment or are tied to illegal activities; and
- Expectations with respect to the rate of inflation in the economy, monetary policies of governments, trade restrictions and currency devaluations and revaluations.

The digital currency market is volatile, and changes in the prices and/or trading volume of digital currencies may adversely impact our growth strategy and our business. In particular, the impact that changes in prices and/or trading volume of digital currencies have on our deposit balance from customers in the digital currency industry is unpredictable, as any reduction in deposits attributable to such changes may be amplified or mitigated by other developments, such as the onboarding of new customers, loss of existing customers and changes in our customers' operational and trading strategies. For example, from December 31, 2017 to September 30, 2018 the price of bitcoin fell from $13,860.14 to $6,606.08, in line with the approximately 63.4% overall decrease in the market value of all digital currencies. Over this same period, the balance of our deposits from our customers in the digital currency industry increased $273.7 million, or approximately 20.7%, primarily due to approximately $831 million in deposits from new accounts for customers in the digital currency industry, partially offset by decreases in deposit balances from existing digital currency customers. Although our overall deposit balance from customers in the digital currency industry increased from December 31, 2017 to September 30, 2018 despite the decrease in market value of digital currencies over the same period, there can be no assurance that a continued decrease in the value of digital currencies would not adversely impact the amount of such deposits in the future. In addition, volatility in the values of digital currencies caused by the factors described above or other factors may impact the demand for our services and therefore have a material adverse effect on our business, financial condition and results of operations.

Risks Related to Cybersecurity and Technology

System failure or cybersecurity breaches of our network security could subject us to increased operating costs as well as litigation and other potential losses.

Our computer systems and network infrastructure, including the SEN and API, could be vulnerable to hardware and cybersecurity issues. Our operations are dependent upon our ability to protect our computer equipment against damage from fire, power loss, telecommunications failure or a similar catastrophic event. We could also experience a breach by intentional or negligent conduct on the part of employees or other internal sources. Any damage or failure that causes an interruption in our operations could have a material adverse effect on our financial condition and results of operations.

Our operations are also dependent upon our ability to protect our computer systems and network infrastructure, including the SEN, the API, and our other online banking systems, against damage from physical break-ins, cybersecurity breaches and other disruptive problems caused by the internet or other users. Such computer break-ins and other disruptions would jeopardize the security of information stored in and transmitted through our computer systems and network infrastructure, which may result in significant liability, damage our reputation and inhibit the use of our internet banking services by current and potential customers. We could also become the target of various cyberattacks as a result of our focus on the digital currency industry. We regularly add additional security measures to our computer systems and network infrastructure to mitigate the possibility of cybersecurity breaches, including firewalls and penetration testing. However, it is difficult or impossible to defend against every risk being posed by changing technologies as well as acts of cyber-crime. Increasing sophistication of cyber criminals and terrorists make keeping up with new threats difficult and could result in a system breach. Controls employed by our information technology department and cloud vendors could prove inadequate. A breach of our security that results in unauthorized access to our data could expose us to a disruption or challenges relating to our daily operations, as well as to data loss, litigation, damages, fines and penalties, significant increases in compliance costs and reputational damage, any of which could have a material adverse effect on our business, financial condition and results of operations.

We may not have the resources to keep pace with rapid technological changes in the industry or implement new technology effectively.

The financial services industry is undergoing rapid technological changes with frequent introductions of new technology-driven products and services. In addition to serving customers better, the effective use of technology increases efficiency and enables financial institutions to reduce costs. As a result, to stay current with the industry, our business model may need to evolve as well. Our future success will depend, at least in part, upon our ability to address the needs of our customers by using technology to provide products and services that will satisfy customer demands for convenience as well as to create additional efficiencies in our operations as we continue to grow and expand our products and service offerings. We may experience operational challenges as we implement these new technology enhancements or products, which could impair our ability to realize the anticipated benefits from such new technology or require us to incur significant costs to remedy any such challenges in a timely manner. From time to time, we may modify aspects of our business model relating to our product mix and service offerings. We cannot offer any assurance that these or any other modifications will be successful.

The technology relied upon by the Company, including the SEN, the API and our other on-line banking systems, may not function properly, which may have a material impact on the Company's operations and financial conditions. There may be no alternatives available if such technology does not work as anticipated. The importance of the SEN, the API and our other on-line banking systems to the Company's operations means that any problems in its functionality would have a material adverse effect on the Company's operations. This technology may malfunction because of internal problems or because of cyberattacks or external security breaches. Any such technological problems would have a material adverse impact on the Company's business model and growth strategy.

Many of our larger competitors have substantially greater resources to invest in technological improvements. Third parties upon which we rely for our technology needs may not be able to develop, on a cost-effective basis, systems that will enable us to keep pace with such developments. As a result, our larger competitors may be able to offer additional or superior products compared to those that we will be able to provide, which would put us at a competitive disadvantage. We may lose customers seeking new technology-driven products and services to the extent we are unable to provide such products and services. The ability to keep pace with technological change is important and the failure to do so could adversely affect our business, financial condition and results of operations.

Our operations could be interrupted if our third-party service providers experience operational or other systems difficulties, terminate their services or fail to comply with banking regulations.

We outsource some of our operational activities and accordingly depend on relationships with many third-party service providers. Specifically, we rely on third parties for certain services, including, but not limited to, core systems support, informational website hosting, internet services, online account opening and other processing services. Our business depends on the successful and uninterrupted functioning of our information technology and telecommunications systems and third-party service providers. The failure of these systems, a cybersecurity breach involving any of our third-party service providers or the termination or change in terms of a third-party software license or service agreement on which any of these systems is based could interrupt our operations. Because our information technology and telecommunications systems interface with and depend on third-party systems, we could experience service denials if demand for such services exceeds capacity or such third-party systems fail or experience interruptions. Replacing vendors or addressing other issues with our third-party service providers could entail significant delay, expense and disruption of service.

As a result, if these third-party service providers experience difficulties, are subject to cybersecurity breaches, or terminate their services, and we are unable to replace them with other service providers, particularly on a timely basis, our operations could be interrupted. If an interruption were to continue for a significant period, our business, financial condition and results of operations could be adversely affected. Even if we can replace third-party service providers, it may be at a higher cost to us, which could adversely affect our business, financial condition and results of operations.

In addition, the Bank's primary federal regulator, the Federal Reserve, has issued guidance outlining the expectations for third-party service provider oversight and monitoring by financial institutions. The federal banking agencies, including the Federal Reserve, have also issued enforcement actions against financial institutions for failure in oversight of third-party providers and violations of federal banking law by such providers when performing services for financial institutions. Accordingly, our operations could be interrupted if any of our third-party service providers experience difficulties, are subject to cybersecurity breaches, terminate their services or fail to comply with banking regulations, which could adversely affect our business, financial condition and results of operations. In addition, our failure to adequately oversee the actions of our third-party service providers could result in regulatory actions against the Bank, which could adversely affect our business, financial condition and results of operations.

Risks Related to Our Traditional Banking Business

As a business operating in the financial services industry, our business and operations may be adversely affected in numerous and complex ways by weak economic conditions.

Our business and operations, which primarily consist of lending money to clients in the form of loans, borrowing money from clients in the form of deposits and investing in interest earning deposits in other banks and securities, are sensitive to general business and economic conditions in the United States. We solicit deposits throughout the United States and, while our primary lending market is the state of California, we purchase and originate loans throughout the United States. If the U.S. economy weakens, our growth and profitability from our

lending, deposit and investment operations could be constrained. Uncertainty about the federal fiscal policymaking process, the medium- and long-term fiscal outlook of the federal government and future tax rates is a concern for businesses, consumers and investors in the United States. While there has been an improvement in the U.S. economy since the 2008 financial crisis as evidenced by a rebound in the housing market, lower unemployment and higher equity capital markets, economic growth has been uneven and opinions vary on the strength and direction of the economy. Uncertainties also have arisen regarding the potential for a reversal or renegotiation of international trade agreements, the effects of the legislation commonly known as Tax Cuts and Jobs Act of 2017, or the Tax Act, and the impact such actions and other policies the current administration may have on economic and market conditions.

Weak economic conditions are characterized by numerous factors, including deflation, fluctuations in debt and equity capital markets, a lack of liquidity and depressed prices in the secondary market for mortgage loans, increased delinquencies on mortgage, consumer and commercial loans, residential and commercial real estate price declines and lower levels of home sales and commercial activity. The current economic environment is characterized by lower interest rates than historically have been the case, which impacts our ability to generate attractive earnings through our loan and investment portfolios. These factors can individually or in the aggregate be detrimental to our business, and the interplay between these factors can be complex and unpredictable. Adverse economic conditions could have a material adverse effect on our business, financial condition and results of operations.

Our commercial banking clients and their operations are concentrated in Southern California and we are more sensitive than our more geographically diversified competitors to adverse changes in the local economy.

Unlike many of our larger competitors that maintain significant operations located outside our market area, a substantial portion of our commercial business clients are located and doing business in Southern California. Therefore, our success depends substantially upon the general economic conditions in this area, which we cannot predict with certainty. As a result, our operations and profitability may be more adversely affected by a local economic downturn in Southern California than those of larger, more geographically diverse competitors. A downturn in the local economy generally could make it more difficult for our borrowers to repay their loans and may lead to loan losses that are not offset by operations in other markets. For these reasons, any regional or local economic downturn that affects Southern California, or existing or prospective borrowers in Southern California, could have a material adverse effect on our business, financial condition and results of operations. To a significantly lesser extent, our Bank provides financing to clients who live or have companies or properties located outside our core Southern California markets, such as Arizona and Florida. In such cases, we would face similar local market risks in those communities for these clients.

We face strong competition from financial services companies and other companies that offer banking services.

We operate in the highly competitive financial services industry and face significant competition for customers from financial institutions located both within and beyond our principal markets. We compete with commercial banks, savings banks, credit unions, nonbank financial services companies and other financial institutions operating both within our market areas and nationally, and in respect of our digital currency initiative we also compete with other entities in the digital currency industry, including a limited number of other banks providing services to the digital currency industry and digital currency exchanges. In addition, as customer preferences and expectations continue to evolve, technology has lowered barriers to entry and made it possible for banks to expand their geographic reach by providing services over the internet and for nonbanks to offer products and services traditionally provided by banks, such as automatic payment systems. The banking industry is experiencing rapid changes in technology and, as a result, our future success will depend in part on our ability to address our customers' needs by using technology. Customer loyalty can be influenced by a competitor's new products, especially offerings that could provide cost savings or a higher return to the customer. Increased lending activity of competing banks following the 2008–2009 economic downturn has also led to increased

competitive pressures on loan rates and terms for high quality credits. We may not be able to compete successfully with other financial institutions in our markets, and we may have to pay higher interest rates to attract deposits, accept lower yields to attract loans and pay higher wages for new employees, resulting in lower net interest margins and reduced profitability.

Many of our non-bank competitors are not subject to the same extensive regulations that govern our activities and may have greater flexibility in competing for business. The financial services industry could become even more competitive because of legislative, regulatory and technological changes and continued consolidation. In addition, some of our current commercial banking customers may seek alternative banking sources as they develop needs for credit facilities larger than we may be able to accommodate.

Our inability to compete successfully in the markets in which we operate could have a material adverse effect on our business, financial condition or results of operations.

We may not be able to measure and limit our credit risk adequately, which could lead to unexpected losses.

The business of lending is inherently risky, including risks that the principal of or interest on any loan will not be repaid in a timely manner or at all or that the value of any collateral supporting the loan will be insufficient to cover our outstanding exposure. These risks may be affected by the financial condition of the borrower, the strength of the borrower's business sector and local, regional and national market and economic conditions. Many of our loans are made to small- to medium-sized businesses that may be less able to withstand competitive, economic and financial pressures than larger borrowers. Our risk management practices, such as monitoring the concentration of our loans within specific industries, and our credit approval practices may not adequately reduce credit risk. Further, our credit administration personnel, policies and procedures may not adequately adapt to changes in economic or any other conditions affecting customers and the quality of the loan portfolio. A failure to measure and limit the credit risk associated with our loan portfolio effectively could lead to unexpected losses and have a material adverse effect on our business, financial condition and results of operations.

Our allowance for loan losses may prove to be insufficient to absorb potential losses in our loan portfolio.

We maintain an allowance for loan losses that represents management's judgment of probable losses and risks inherent in our loan portfolio. As of September 30, 2018, our allowance for loan losses totaled $8.4 million, which represents approximately 1.21% of our total gross loans held-for-investment. The level of the allowance reflects management's continuing evaluation of general economic conditions, diversification and seasoning of the loan portfolio, historic loss experience, identified credit problems, delinquency levels and adequacy of collateral. The determination of the appropriate level of our allowance for loan losses is inherently highly subjective and requires management to make significant estimates of and assumptions regarding current credit risks, all of which may undergo material changes. Inaccurate management assumptions, deterioration of economic conditions affecting borrowers, new information regarding existing loans, identification or deterioration of additional problem loans, acquisition of problem loans and other factors (including third-party review and analysis), both within and outside of our control, may require us to increase our allowance for loan losses. In addition, our regulators, as an integral part of their periodic examination, review our methodology for calculating, and the adequacy of, our allowance for loan losses and may direct us to make additions to the allowance based on their judgments about information available to them at the time of their examination. Further, if actual charge-offs in future periods exceed the amounts allocated to our allowance for loan losses, we may need additional provisions for loan losses to restore the adequacy of our allowance for loan losses. Finally, the measure of our allowance for loan losses depends on the adoption and interpretation of accounting standards. The Financial Accounting Standards Board, or FASB, has recently issued a new credit impairment model, the Current Expected Credit Loss, or CECL, model, which will become applicable to us on January 1, 2020. The CECL model will require financial institutions to estimate and develop a provision for credit losses over the lifetime of the loan at origination, as opposed to reserving for probable incurred losses up to the balance sheet date. Under

the CECL model, our estimate of credit losses over the life of the loan would be reflected in the statement of operations in the period of origination or acquisition of the loan, with changes in expected credit losses due to further credit deterioration or improvement reflected in the periods in which the expectation changes. Accordingly, the CECL model could require financial institutions like the Bank to increase their allowances for loan losses. Moreover, the CECL model may create more volatility in our level of allowance for loan losses. If we are required to materially increase our level of allowance for loan losses for any reason, such increase could adversely affect our business, financial condition and results of operations.

Our commercial real estate loan portfolio exposes us to credit risks that may be greater than the risks related to other types of loans.

As of September 30, 2018, approximately $344.8 million, or 49.6%, of our total gross loans held-for-investment were commercial real estate loans (including owner-occupied commercial real estate loans). Further, as of September 30, 2018, our commercial real estate loans (excluding owner-occupied commercial real estate loans) totaled 167.3% of our total risk-based capital. These loans typically involve repayment that depends upon income generated, or expected to be generated, by the property securing the loan in amounts sufficient to cover operating expenses and debt service. The availability of such income for repayment may be adversely affected by changes in the economy or local market conditions. These loans expose a lender to the risk of liquidating the collateral securing these loans in times when there may be significant fluctuation of commercial real estate values. Additionally, commercial real estate loans generally involve relatively large balances to single borrowers or related groups of borrowers. Unexpected deterioration in the credit quality of our commercial real estate loan portfolio could require us to increase our allowance for loan losses, which would reduce our profitability and could have a material adverse effect on our business, financial condition and results of operations.

Because a significant portion of our loan portfolio held-for-investment is comprised of real estate loans, negative changes in the economy affecting real estate values and liquidity could impair the value of collateral securing our real estate loans and result in loan and other losses.

As of September 30, 2018, approximately $557.9 million, or 80.3%, of our total gross loans held-for-investment were loans with real estate as a primary or secondary component of collateral. The market value of real estate can fluctuate significantly in a short period of time. As a result, adverse developments affecting real estate values and the liquidity of real estate in our primary markets could increase the credit risk associated with our loan portfolio, and could result in losses that adversely affect our credit quality, financial condition and results of operations. Negative changes in the economy affecting real estate values and liquidity in our market areas could significantly impair the value of property pledged as collateral on loans and affect our ability to sell the collateral upon foreclosure without a loss or additional losses. Collateral may have to be sold for less than the outstanding balance of the loan, which could result in losses on such loans. Such declines and losses would have a material adverse effect on our business, financial condition and results of operations. If real estate values decline, it is also more likely that we would be required to increase our allowance for loan losses, which could adversely affect our business, financial condition and results of operations.

Appraisals and other valuation techniques we use in evaluating and monitoring loans secured by real property, other real estate owned and repossessed personal property may not accurately describe the net value of the asset.

In considering whether to make a loan secured by real property, we generally require an appraisal of the property. However, an appraisal is only an estimate of the value of the property at the time the appraisal is made and, as real estate values may change significantly in relatively short periods of time (especially in periods of heightened economic uncertainty), this estimate may not accurately describe the net value of the real property collateral after the loan is made. As a result, we may not be able to realize the full amount of any remaining indebtedness when we foreclose on and sell the relevant property. In addition, we rely on appraisals and other valuation techniques to establish the value of our other real estate owned, or OREO, and personal property that

we acquire through foreclosure proceedings and to determine certain loan impairments. If any of these valuations are inaccurate, our combined and consolidated financial statements may not reflect the correct value of our OREO, and our allowance for loan losses may not reflect accurate loan impairments. This could have a material adverse effect on our business, financial condition or results of operations.

In the case of defaults on loans secured by real estate, we may be forced to foreclose on the collateral, subjecting us to the costs and potential risks associated with the ownership of the real property, or consumer protection initiatives or changes in state or federal law that may substantially raise the cost of foreclosure or prevent us from foreclosing at all.

Since we originate loans secured by real estate, we may have to foreclose on the collateral property to protect our investment and may thereafter own and operate such property for some period, in which case we would be exposed to the risks inherent in the ownership of real estate. As of September 30, 2018, we held approximately $41,000 in OREO that is currently marketed for sale. The amount that we, as a mortgagee, may realize after a default depends on factors outside of our control, including, but not limited to, general or local economic conditions, environmental cleanup liabilities, assessments, interest rates, real estate tax rates, operating expenses of the mortgaged properties, our ability to obtain and maintain adequate occupancy of the properties, zoning laws, governmental and regulatory rules, and natural disasters. Our inability to manage the amount of costs or size of the risks associated with the ownership of real estate, or write-downs in the value of other real estate owned, could have a material adverse effect on our business, financial condition and results of operations.

Additionally, consumer protection initiatives or changes in state or federal law may substantially increase the time and expense associated with the foreclosure process or prevent us from foreclosing at all. Some states in recent years have either considered or adopted foreclosure reform laws that make it substantially more difficult and expensive for lenders to foreclose on properties in default. If new state or federal laws or regulations are ultimately enacted that significantly raise the cost of foreclosure or raise outright barriers, such laws could have a material adverse effect on our business, financial condition and results of operation.

We are subject to claims and litigation pertaining to intellectual property.

Banking and other financial services companies, such as our Company, rely on technology companies to provide information technology products and services necessary to support their day-to-day operations. Technology companies frequently pursue litigation based on allegations of patent infringement or other violations of intellectual property rights. In addition, patent holding companies seek to monetize patents they have purchased or otherwise obtained. Competitors of our vendors, or other individuals or companies, may from time to time claim to hold intellectual property sold to us by our vendors. Such claims may increase in the future as the financial services sector becomes more reliant on information technology vendors. The plaintiffs in these actions frequently seek injunctions and substantial damages.

Regardless of the scope or validity of such patents or other intellectual property rights, or the merits of any claims by potential or actual litigants, we may have to engage in protracted litigation. Such litigation is often expensive, time-consuming, disruptive to our operations and distracting to management. If we are found to infringe one or more patents or other intellectual property rights, we may be required to pay substantial damages or royalties to a third party. In certain cases, we may consider entering into licensing agreements for disputed intellectual property, although no assurance can be given that such licenses can be obtained on acceptable terms or that litigation will not occur. These licenses may also significantly increase our operating expenses. If legal matters related to intellectual property claims were resolved against us or settled, we could be required to make payments in amounts that could have a material adverse effect on our business, financial condition and results of operations.

Third parties may assert intellectual property claims relating to the holding and transfer of digital assets and their source code. Regardless of the merit of any intellectual property or other legal action, any threatened action

that reduces confidence in long-term viability or the ability of end-users to hold and transfer the currency may adversely affect an investment in digital currencies. Additionally, a meritorious intellectual property claim could prevent investors and other end-users from accessing, holding or transferring their digital currency, which could force the liquidation of holdings of such digital currency (if liquidation is possible). As a result, intellectual property claims against large digital currency participants could adversely affect the business and operations of digital currency exchanges as well as our own.

We may not be able to protect our intellectual property rights, and may become involved in lawsuits to protect or enforce our intellectual property, which could be expensive, time consuming and unsuccessful.

Competitors may violate our intellectual property rights. To counter infringement or unauthorized use, litigation may be necessary to enforce or defend our intellectual property rights, to protect our trade secrets and/or to determine the validity and scope of our own intellectual property rights or the proprietary rights of others. Such litigation can be expensive and time consuming, which could divert management resources and harm our business and financial results. Potential competitors may have the ability to dedicate greater resources to litigate intellectual property rights than we can. Accordingly, despite our efforts, we may not be able to prevent third parties from infringing upon or misappropriating our intellectual property.

We may be subject to environmental liabilities relating to the real properties we own and the foreclosure on real estate assets securing loans in our loan portfolio.

In conducting our business, we may foreclose on and take title to real estate or otherwise be deemed to be in control of property that serves as collateral on loans we make. As a result, we could be subject to environmental liabilities with respect to those properties. We may be held liable to a governmental entity or to third parties for property damage, personal injury, investigation and clean-up costs incurred by these parties relating to environmental contamination, or we may be required to investigate or clean up hazardous or toxic substances or chemical releases at a property. The costs associated with investigation or remediation activities could be substantial. In addition, if we are the owner or former owner of a contaminated site, we may be subject to common law claims by third parties based on damages and costs resulting from environmental contamination emanating from the property.

The cost of removal or abatement may substantially exceed the value of the affected properties or the loans secured by those properties, we may not have adequate remedies against the prior owners or other responsible parties and we may not be able to resell the affected properties either before or after completion of any such removal or abatement procedures. If material environmental problems are discovered before foreclosure, we generally will not foreclose on the related collateral or will transfer ownership of the loan to a subsidiary. It should be noted, however, that the transfer of the property or loans to a subsidiary may not protect us from environmental liability. Furthermore, despite these actions on our part, the value of the property as collateral will generally be substantially reduced or we may elect not to foreclose on the property and, as a result, we may suffer a loss upon collection of the loan. Any significant environmental liabilities could have a material adverse effect on our business, financial condition and results of operations.

Our mortgage warehouse division may not continue to provide us with significant noninterest income and interest income.

A portion of our lending involves the funding of single family residential mortgage loans originated by third party mortgage bankers. Mortgage warehouse fee income has fluctuated with mortgage warehouse activity and such income amounted to $1.2 million, $1.7 million and $2.1 million for the nine months ended September 30, 2018 and the years ended December 31, 2017 and 2016, respectively. The residential mortgage business is highly competitive and highly susceptible to changes in market interest rates, consumer confidence levels, employment statistics, the capacity and willingness of secondary market purchasers to acquire and hold or securitize loans, and other factors beyond our control. Additionally, in many respects, the traditional mortgage origination

business is relationship-based, and dependent on mortgage banker relationships. The loss one or more mortgage banker relationships could have the effect of reducing the level or rate of growth of our mortgage warehouse activity. Because of these factors, we cannot be certain that we will be able to maintain or increase the volume or percentage of revenue or net income produced by the mortgage warehouse business.

Our mortgage warehouse lending business may expose us to increased lending and other risks.

Risks associated with our mortgage warehouse loans include risks relating to the mortgage bankers to which we provide funding, including the risk of intentional misrepresentation or fraud; changes in the market value of mortgage loans originated by the mortgage banker, the sale of which is the expected source of repayment of the warehouse funding we provide, due to changes in interest rates during the time in warehouse; and originations of mortgage loans that are unsalable or impaired, which could lead to decreased collateral value and the failure of a prospective purchaser of the mortgage loan to ultimately purchase the loan from the mortgage banker. Any one or a combination of these events may adversely affect our loan portfolio and may result in increased delinquencies, loan losses and increased future provision levels, which, in turn, could adversely affect our business, financial condition and results of operations.

The small- to medium-sized businesses that we lend to may have fewer resources to weather adverse business developments, which may impair our borrowers' ability to repay loans.

As of September 30, 2018, we had approximately $88.2 million of commercial and industrial loans to businesses, which represents approximately 12.7% of our total gross loan portfolio held-for-investment. Small- to medium-sized businesses frequently have smaller market shares than their competition, may be more vulnerable to economic downturns, often need substantial additional capital to expand or compete and may experience substantial volatility in operating results, any of which may impair a borrower's ability to repay a loan. In addition, the success of a small- and medium-sized business often depends on the management skills, talents and efforts of a small group of people, and the death, disability or resignation of one or more of these people could have a material adverse effect on the business and its ability to repay its loan. If our borrowers are unable to repay their loans, our business, financial condition and results of operations could be adversely affected.

A portion of our loan portfolio is comprised of commercial and industrial loans secured by receivables, inventory, equipment or other commercial collateral, the deterioration in value of which could expose us to credit losses.

As of September 30, 2018, approximately $88.2 million, or 12.7%, of our total gross loans held-for-investment were commercial and industrial loans to businesses. In general, these loans are collateralized by general business assets, including, among other things, accounts receivable, inventory and equipment, and most are backed by a personal guaranty of the borrower or principal. These commercial loans are typically larger in amount than loans to individuals and, therefore, have the potential for larger losses on a single loan basis. Additionally, the repayment of commercial loans is subject to the ongoing business operations of the borrower. The collateral securing such loans generally includes movable property such as equipment and inventory, which may decline in value more rapidly than we anticipate exposing us to increased credit risk. Significant adverse changes in the economy or local market conditions in which our commercial lending customers operate could cause rapid declines in loan collectability and the values associated with general business assets resulting in inadequate collateral coverage that may expose us to credit losses and could adversely affect our business, financial condition and results of operations.

Our concentration of large loans to a limited number of borrowers may increase our credit risk.

As of September 30, 2018, our 10 largest borrowing relationships accounted for approximately 23.3% of our total gross loans held-for-investment. Along with other risks inherent in these loans, such as the deterioration of the underlying businesses or property securing these loans, this high concentration of borrowers presents a risk to

our lending operations. If any one of these borrowers becomes unable to repay its loan obligations because of economic or market conditions, or personal circumstances, such as divorce or death, our nonaccrual loans and our allowance for loan and lease losses could increase significantly, which could have a material adverse effect on our assets, business, financial condition and results of operations.

A lack of liquidity could impair our ability to fund operations and adversely impact our business, financial condition and results of operations.

Liquidity is essential to our business. We rely on our ability to generate deposits and effectively manage the repayment and maturity schedules of our loans and investment securities, respectively, to ensure that we have adequate liquidity to fund our operations. An inability to raise funds through deposits, borrowings, sales of our investment securities, sales of loans or other sources could have a substantial negative effect on our liquidity and our ability to continue our growth strategy.

Our most important source of funds is deposits. As of September 30, 2018, approximately $1.7 billion, or 88.2%, of our total deposits were noninterest bearing demand accounts. These deposits are subject to potentially dramatic fluctuations due to certain factors that may be outside of our control, such as a loss of confidence by customers in us or the banking sector generally, customer perceptions of our financial health and general reputation, any of which could result in significant outflows of deposits within short periods of time increasing our funding costs and reducing our net interest income and net income. Substantially all of these noninterest bearing demand accounts are deposits from our customers in the digital currency industry.

Additional liquidity is provided by our ability to borrow from the Federal Home Loan Bank of San Francisco, or the FHLB, and the Federal Reserve Bank of San Francisco, or the FRB. We also may borrow funds from third-party lenders, such as other financial institutions. Our access to funding sources in amounts adequate to finance or capitalize our activities, or on terms that are acceptable to us, could be impaired by factors that affect us directly or the financial services industry or economy in general, such as disruptions in the financial markets or negative views and expectations about the prospects for the financial services industry. Our access to funding sources could also be affected by one or more adverse regulatory actions against us.

Any decline in available funding could adversely impact our ability to originate loans, invest in securities, meet our expenses or fulfill obligations such as repaying our borrowings or meeting deposit withdrawal demands, any of which could, in turn, have a material adverse effect on our business, financial condition and results of operations.

By engaging in derivative transactions, we are exposed to additional credit and market risk.

By engaging in derivative transactions, we are exposed to counterparty credit and market risk. If the counterparty fails to perform, credit risk exists to the extent of the fair value gain in the derivative. Market risk exists to the extent that interest rates change in ways that are significantly different from what was modeled when we entered into the derivative transaction. The existence of credit and market risk associated with our derivative instruments could adversely affect our mortgage banking revenue and, therefore, could have a material adverse effect on our business, financial condition and results of operations.

We are dependent on the use of data and modeling in our management's decision-making, and faulty data or modeling approaches could negatively impact our decision-making ability or possibly subject us to regulatory scrutiny in the future.

The use of statistical and quantitative models and other quantitative analyses is necessary for bank decision-making, and the employment of such analyses is becoming increasingly widespread in our operations.

Liquidity stress testing, interest rate sensitivity analysis and the identification of possible violations of anti-money laundering regulations are all examples of areas in which we are dependent on models and the data that

underlies them. The use of statistical and quantitative models is also becoming more prevalent in regulatory compliance. While we are not currently subject to annual Dodd-Frank Wall Street Reform and Consumer Protection Act, or the Dodd-Frank Act, stress testing and the Comprehensive Capital Analysis and Review submissions, we believe that model-derived testing may become more extensively implemented by regulators in the future.

We anticipate data-based modeling will penetrate further into bank decision-making, particularly risk management efforts, as the capacities developed to meet rigorous stress testing requirements are able to be employed more widely and in differing applications. While we believe these quantitative techniques and approaches improve our decision-making, they also create the possibility that faulty data or flawed quantitative approaches could negatively impact our decision-making ability or, if we become subject to regulatory stress-testing in the future, adverse regulatory scrutiny. Secondarily, because of the complexity inherent in these approaches, misunderstanding or misuse of their outputs could similarly result in suboptimal decision-making.

We are subject to interest rate risk as fluctuations in interest rates may adversely affect our earnings.

Most of our banking assets and liabilities are monetary in nature and subject to risk from changes in interest rates. Like most financial institutions, our earnings are significantly dependent on our net interest income, the principal component of our earnings, which is the difference between interest earned by us from our interest earning assets, such as loans and investment securities, and interest paid by us on our interest bearing liabilities, such as deposits and borrowings. We expect that we will periodically experience “gaps” in the interest rate sensitivities of our assets and liabilities, meaning that either our interest bearing liabilities will be more sensitive to changes in market interest rates than our interest earning assets, or vice versa. In either case, if market interest rates should move contrary to our position, this gap will negatively impact our earnings. The impact on earnings is more adverse when the slope of the yield curve flattens; that is, when short-term interest rates increase more than long-term interest rates or when long-term interest rates decrease more than short-term interest rates. Many factors impact interest rates, including governmental monetary policies, inflation, recession, changes in unemployment, the money supply, international economic weakness and disorder and instability in domestic and foreign financial markets. In addition, the Federal Reserve has stated its intention to end its quantitative easing program and has begun to reduce the size of its balance sheet by selling securities, which might also affect interest rates. As of September 30, 2018, approximately 87.9% of our interest earning assets and approximately 83.6% of our interest bearing liabilities had a variable interest rate.

Interest rate increases often result in larger payment requirements for our borrowers, which increases the potential for default and could result in a decrease in the demand for loans. At the same time, the marketability of the property securing a loan may be adversely affected by any reduced demand resulting from higher interest rates. In a declining interest rate environment, there may be an increase in prepayments on loans as borrowers refinance their loans at lower rates. In addition, in a low interest rate environment, loan customers often pursue long-term fixed rate borrowings, which could adversely affect our earnings and net interest margin if rates later increase. Changes in interest rates also can affect the value of loans, securities and other assets. An increase in interest rates that adversely affects the ability of borrowers to pay the principal or interest on loans may lead to an increase in nonperforming assets and a reduction of income recognized, which could have a material adverse effect on our results of operations and cash flows. Further, when we place a loan on nonaccrual status, we reverse any accrued but unpaid interest receivable, which decreases interest income. At the same time, we continue to incur costs to fund the loan, which is reflected as interest expense, without any interest income to offset the associated funding expense. Thus, an increase in the amount of nonperforming assets could have a material adverse impact on net interest income. If short-term interest rates remain at their historically low levels for a prolonged period and assuming longer-term interest rates fall further, we could experience net interest margin compression as our interest earning assets would continue to reprice downward while our interest bearing liability rates could fail to decline in tandem. Such an occurrence would reduce our net interest income and could have a material adverse effect on our business, financial condition and results of operations.

The potential cessation of LIBOR and the uncertainty over possible replacements for LIBOR may adversely affect our business.

On July 27, 2017, the Chief Executive of the United Kingdom Financial Conduct Authority, which regulates LIBOR, announced that it intends to stop persuading or compelling banks to submit rates for the calculation of LIBOR to the administrator of LIBOR after 2021. The announcement indicates that the continuation of LIBOR on the current basis cannot and will not be guaranteed after 2021. It is impossible to predict whether and to what extent banks will continue to provide LIBOR submissions to the administrator of LIBOR or whether any additional reforms to LIBOR may be enacted in the United Kingdom or elsewhere. The potential cessation of LIBOR quotes in 2021 and the uncertainty over possible replacement rates for LIBOR creates substantial risks to the banking industry, including us.

At this time, no consensus exists as to what rate or rates may become accepted alternatives to LIBOR and it is impossible to predict the cost of transitioning to or the effect of any such alternatives on the value of LIBOR-based securities or the outstanding loans with interest rates based on LIBOR that we have made to borrowers, including certain of the Company's floating rate subordinated debentures, or other securities or financial arrangements given LIBOR's role in determining market interest rates globally. If a published LIBOR rate is unavailable after 2021, the interest rates on our subordinated debentures, which are currently based on the LIBOR rate, will be determined as set forth in the accompanying offering documents, and the value of such securities may be adversely affected. Uncertainty as to the nature of alternative reference rates and as to potential changes or other reforms to LIBOR could also cause confusion that could disrupt the capital and credit markets more broadly. Currently, the manner and impact of this transition and related developments, as well as the effect of an alternative reference rate on our future and legacy funding costs, loan and investment securities portfolios, asset-liability management and business, is uncertain.

Any future failure to maintain effective internal control over financial reporting could impair the reliability of our financial statements, which in turn could harm our business, impair investor confidence in the accuracy and completeness of our financial reports and our access to the capital markets and cause the price of our common stock to decline and subject us to regulatory penalties.

If we fail to maintain effective internal control over financial reporting, we may not be able to report our financial results accurately and in a timely manner, in which case our business may be harmed, investors may lose confidence in the accuracy and completeness of our financial reports, we could be subject to regulatory penalties and the price of our common stock may decline.

Our management is responsible for establishing and maintaining adequate internal control over financial reporting and for evaluating and reporting on that system of internal control. Our internal control over financial reporting consists of a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles, or GAAP. As a public company, we will be required to comply with the Sarbanes-Oxley Act and other rules that govern public companies. We will be required to certify our compliance with Section 404 of the Sarbanes-Oxley Act beginning with our second annual report on Form 10-K, which will require us to furnish annually a report by management on the effectiveness of our internal control over financial reporting. In addition, our independent registered public accounting firm may be required to report on the effectiveness of our internal control over financial reporting beginning as of that second annual report on Form 10-K.

The accuracy of our financial statements and related disclosures could be affected if the judgments, assumptions or estimates used in our critical accounting policies are inaccurate.

The preparation of financial statements and related disclosures in conformity with GAAP requires us to make judgments, assumptions and estimates that affect the amounts reported in our consolidated financial statements and accompanying notes. Our critical accounting policies, which are included in the section captioned

"Management's Discussion and Analysis of Financial Condition and Results of Operations" in this prospectus, describe those significant accounting policies and methods used in the preparation of our consolidated financial statements that we consider critical because they require judgments, assumptions and estimates that materially affect our consolidated financial statements and related disclosures. As a result, if future events or regulatory views concerning such analysis differ significantly from the judgments, assumptions and estimates in our critical accounting policies, those events or assumptions could have a material impact on our consolidated financial statements and related disclosures, in each case resulting in our need to revise or restate prior period financial statements, cause damage to our reputation and the price of our common stock and adversely affect our business, financial condition and results of operations.

There could be material changes to our financial statements and disclosures if there are changes in accounting standards or regulatory interpretations of existing standards

From time to time the FASB or the SEC may change the financial accounting and reporting standards that govern the preparation of our financial statements. Such changes may result in us being subject to new or changing accounting and reporting standards. In addition, the bodies that interpret the accounting standards (such as banking regulators or outside auditors) may change their interpretations or positions on how new or existing standards should be applied. These changes may be beyond our control, can be hard to predict and can materially impact how we record and report our financial condition and results of operations. In some cases, we could be required to apply a new or revised standard retrospectively, or apply an existing standard differently and retrospectively, in each case resulting in our needing to revise or restate prior period financial statements, which could materially change our financial statements and related disclosures, cause damage to our reputation and the price of our common stock, and adversely affect our business, financial condition and results of operations.

We could recognize losses on investment securities held in our securities portfolio, particularly if interest rates increase or economic and market conditions deteriorate.

We invest a percentage of our total assets (14.1% as of September 30, 2018) in investment securities with the primary objectives of providing a source of liquidity, providing an appropriate return on funds invested, managing interest rate risk and meeting pledging requirements. As of September 30, 2018, the fair value of our available-for-sale investment securities portfolio was $302.3 million, which included gross unrealized losses of $2.8 million and gross unrealized gains of $0.4 million. Factors beyond our control can significantly and adversely influence the fair value of securities in our portfolio. For example, fixed-rate securities are generally subject to decreases in market value when interest rates rise. Additional factors include, but are not limited to, rating agency downgrades of the securities, defaults by the issuer or individual borrowers with respect to the underlying securities and instability in the credit markets. Any of the foregoing factors could cause other-than-temporary impairment in future periods and result in realized losses. The process for determining whether impairment is other-than-temporary usually requires difficult, subjective judgments about the future financial performance of the issuer and any collateral underlying the security to assess the probability of receiving all contractual principal and interest payments on the security. Because of changing economic and market conditions affecting interest rates, the financial condition of issuers of the securities and the performance of the underlying collateral, we may recognize realized and/or unrealized losses in future periods, which could have a material adverse effect on our business, financial condition and results of operations.

We are subject to certain operational risks, including, but not limited to, customer, employee or third-party fraud and data processing system failures and errors.

Employee errors and employee or customer misconduct could subject us to financial losses or regulatory sanctions and seriously harm our reputation. Misconduct by our employees could include hiding unauthorized activities from us, improper or unauthorized activities on behalf of our customers or improper use of confidential information. It is not always possible to prevent employee errors and misconduct, and the precautions we take to prevent and detect this activity may not be effective in all cases. Employee errors could also subject us to financial claims for negligence.

We maintain a system of internal controls to mitigate operational risks, including data processing system failures and errors and customer or employee fraud, as well as insurance coverage designed to protect us from material losses associated with these risks, including losses resulting from any associated business interruption. If our internal controls fail to prevent or detect an occurrence, or if any resulting loss is not insured or exceeds applicable insurance limits, it could adversely affect our business, financial condition and results of operations.

In addition, we rely heavily upon information supplied by third parties, including the information contained in credit applications, property appraisals, title information and employment and income documentation, in deciding which loans we will originate, as well as the terms of those loans. If any of the information upon which we rely is misrepresented, either fraudulently or inadvertently, and the misrepresentation is not detected prior to loan funding, the value of the loan may be significantly lower than expected, or we may fund a loan that we would not have funded or on terms that do not comply with our general underwriting standards. Whether a misrepresentation is made by the applicant or another third party, we generally bear the risk of loss associated with the misrepresentation. A loan subject to a material misrepresentation is typically unsellable or subject to repurchase if it is sold prior to detection of the misrepresentation. The sources of the misrepresentations are often difficult to locate, and it is often difficult to recover any of the resulting monetary losses we may suffer, which could adversely affect our business, financial condition and results of operations.

We rely heavily on our executive management team and other key employees, and we could be adversely affected by the unexpected loss of their services.

We are led by an experienced core management team with substantial experience in the markets that we serve, and our operating strategy focuses on providing products and services through long-term relationship managers and ensuring that our largest clients have relationships with our senior management team. Accordingly, our success depends in large part on the performance of these key personnel, as well as on our ability to attract, motivate and retain highly qualified senior and middle management. Competition for employees is intense and the process of locating key personnel with the combination of skills and attributes required to execute our business plan may be lengthy. If any of our executive officers, other key personnel or directors leaves us or our Bank, our financial condition and results of operations may suffer because of his or her skills, knowledge of our market, years of industry experience and the difficulty of promptly finding qualified personnel to replace him or her.

Negative public opinion regarding the Company or failure to maintain our reputation in the communities we serve could adversely affect our business and prevent us from growing our business.

As a community bank and service provider to the digital currency industry, our Bank's reputation within the communities we serve is critical to our success. We believe we have built strong personal and professional relationships with our customers and are active members of the communities we serve. As such, we strive to enhance our reputation by recruiting, hiring and retaining employees who share our core values of being an integral part of the communities we serve and delivering superior service to our customers. If our reputation is negatively affected by the actions of our employees or otherwise, including because of a successful cyberattack against us or other unauthorized release or loss of customer information, we may be less successful in attracting new talent and customers or may lose existing customers, and our business, financial condition and results of operations could be adversely affected. In addition, if the reputation of the digital currency industry as a whole is harmed, including due to events such as cybersecurity breaches, scams perpetrated by bad actors or other unforeseen developments as a result of the evolving regulatory landscape of the digital currency industry, our reputation may be negatively affected due to our connection with the digital currency industry, which could adversely affect our business, financial condition and results of operations. Our exposure to and interactions with the digital currency industry put us at a higher risk of media attention and scrutiny. Further, negative public opinion can expose us to litigation and regulatory action and delay and impede our efforts to implement our expansion strategy, which could further adversely affect our business, financial condition and results of operations.

We may not be able to raise the additional capital needed, in absolute terms or on terms acceptable to us, to fund our growth in the future if we continue to grow at our current pace.

After giving effect to this offering, we believe that we will have sufficient capital to meet our capital needs for our immediate growth plans. However, we will continue to need capital to support our longer-term growth plans. If capital is not available on favorable terms when we need it, we will have to either issue common stock or other securities on less than desirable terms or reduce our rate of growth until market conditions become more favorable. Either of such events could have a material adverse effect on our business, financial condition and results of operations.

Risks Related to Regulation

There is substantial legal and regulatory uncertainty regarding the regulation of digital currencies and digital currency activities. This uncertainty or adverse regulatory changes may inhibit the growth of the digital currency industry, including our customers, and therefore have a material adverse effect on the digital currency initiative.

The U.S. Congress, U.S. state legislatures, and a number of U.S. federal and state regulators and law enforcement agencies, including FinCEN, U.S. federal banking regulators, SEC, CFTC, the Financial Industry Regulatory Authority, or FINRA, the Bureau of Consumer Financial Protection, or BCFP, the Department of Justice, the Department of Homeland Security, the Federal Trade Commission, the Federal Bureau of Investigation, the Internal Revenue Service, or the IRS, and state banking regulators, state financial services regulators, and states attorney generals, have been examining the operations of digital currency networks, exchanges, and digital currency businesses, with particular focus on the extent to which digital currencies can be used for illegal activities, including but not limited to laundering the proceeds of illegal activities, funding criminal or terrorist enterprises, engaging in fraudulent activities (see "—Risks Related to the Digital Currency Industry"), as well as whether and the extent to which digital currency businesses should be subject to existing or new regulation, including those applicable to banks, securities intermediaries, derivatives intermediaries, or money transmitters.

For example, FinCEN requires firms engaged in the business of administration, exchange, or transmission of a virtual currency to register with FinCEN under its money services business licensing regime. The New York DFS has established a licensing regime for businesses involved in virtual currency business activity in or involving New York, commonly known as BitLicense regime. The SEC and CFTC have each issued formal and informal guidance on the applicability of securities and derivatives regulations to digital currencies and digital currency activities. The SEC has suggested that, depending on the circumstances, an initial coin offering, or ICO, may constitute securities offerings subject to the provisions of the Securities Act and the Exchange Act, and that some ICOs in the past have been illegal, which could, in turn, result in regulatory actions or other scrutiny against our customers or us. The SEC has also stated that venues that permit trading of tokens that are deemed securities are required to either register as national securities exchanges under Section 6 of the Exchange Act or obtain an exemption. If any of our digital currency customers are subject to regulatory actions relating to illegal securities offerings or are required to register as a national securities exchange under the Exchange Act, we may experience a substantial loss of deposits and our business may be materially adversely affected.

Many state and federal agencies have also issued consumer advisories regarding the risks posed to users and investors in digital currencies. U.S. federal and state legislatures, regulators and law enforcement agencies continue to develop views and approaches to a wide variety of digital currencies and activities involved in digital currencies and it is likely that, as the legal and regulatory landscape develops, additional regulatory requirements could apply to digital currency businesses, including our digital currency customers and us. U.S. state and federal, and foreign regulators and legislatures have taken legal actions against digital currency businesses or adopted restrictions in response to adverse publicity arising from hacks, consumer harm, criminal activity, or other activities related to digital currencies. Ongoing and future regulatory actions may alter, perhaps to a materially adverse extent, the nature of the digital currency industry or the ability of our customers to continue to

operate. This may significantly impede the viability or growth of our existing funding sources based on deposits from digital currency business as well as our digital currency initiative. In addition, we may become subject to additional regulatory scrutiny as a result of certain aspects of our growth strategy, including our plans to develop custodian services and to expand our international customer base.

Digital currencies and digital currency related activities also currently face an uncertain regulatory landscape in many foreign jurisdictions such as the European Union, China, the United Kingdom, Australia, Japan, Russia, Israel, Poland, India, Hong Kong, Canada and Singapore. Various foreign jurisdictions may adopt laws regulations or directives that affect digital currencies. Such laws, regulations or directives may conflict with those of the United States and may negatively impact the acceptance of digital currencies by users, merchants and service providers outside the United States and may therefore impede the growth or sustainability of the digital currency industry in these jurisdictions as well as in the United States and elsewhere, or otherwise negatively affect the digital currency industry or our customers, which may adversely affect our digital currency initiative and could therefore result in a material adverse effect on our business, financial condition, results of operations and growth prospects.

Legislative and regulatory actions taken now or in the future may increase our costs and impact our business, governance structure, financial condition or results of operations.

Economic conditions that contributed to the financial crisis in 2008, particularly in the financial markets, resulted in government regulatory agencies and political bodies placing increased focus and scrutiny on the financial services industry. The Dodd-Frank Act, which was enacted in 2010 as a response to the financial crisis, significantly changed the regulation of financial institutions and the financial services industry. The Dodd-Frank Act and the regulations thereunder have affected both large and small financial institutions. The Dodd-Frank Act, among other things, imposed new capital requirements on bank holding companies; changed the base for FDIC insurance assessments to a bank's average consolidated total assets minus average tangible equity, rather than upon its deposit base; raised the standard deposit insurance limit to $250,000; and expanded the FDIC's authority to raise insurance premiums. The Dodd-Frank Act established the BCFP as an independent entity within the Federal Reserve, which has broad rulemaking authority over consumer financial products and services, including deposit products, residential mortgages, home-equity loans and credit cards, and contains provisions on mortgage-related matters, such as steering incentives, determinations as to a borrower's ability to repay and prepayment penalties. Compliance with the Dodd-Frank Act and its implementing regulations has and may continue to result in additional operating and compliance costs that could have a material adverse effect on our business, financial condition, results of operations and growth prospects.

On May 24, 2018, President Trump signed into law the "Economic Growth, Regulatory Relief and Consumer Protection Act," or the Regulatory Relief Act, which amends parts of the Dodd-Frank Act, as well as other laws that involve regulation of the financial industry. While the Regulatory Relief Act keeps in place fundamental aspects of the Dodd-Frank Act's regulatory framework, it does make regulatory changes that are favorable to depository institutions with assets under $10 billion, such as the Bank, and to bank holding companies, or BHCs, with total consolidated assets of less than $10 billion, such as the Company, and also makes changes to consumer mortgage and credit reporting regulations and to the authorities of the agencies that regulate the financial industry. These and other changes are more fully discussed under "Supervision and Regulation—The Regulatory Relief Act." Certain provisions of the Regulatory Relief Act favorable to the Company and the Bank require the federal banking agencies to either promulgate regulations or amend existing regulations, and it may take some time for these agencies to implement the necessary regulations or amendments.

Federal and state regulatory agencies frequently adopt changes to their regulations or change the way existing regulations are applied. Regulatory or legislative changes to laws applicable to the financial industry, if enacted or adopted, may impact the profitability of our business activities, require more oversight or change certain of our business practices, including the ability to offer new products, obtain financing, attract deposits, make loans and achieve satisfactory interest spreads and could expose us to additional costs, including increased

compliance costs. These changes also may require us to invest significant management attention and resources to make any necessary changes to operations to comply and could have a material adverse effect on our business, financial condition and results of operations.

Changes in tax laws and regulations, or changes in the interpretation of existing tax laws and regulations, may have a material adverse effect on our business, financial condition, results of operations and growth prospects.

We operate in an environment that imposes income taxes on our operations at both the federal and state levels to varying degrees. We engage in certain strategies to minimize the impact of these taxes. Consequently, any change in tax laws or regulations, or new interpretation of existing laws or regulations, could significantly alter the effectiveness of these strategies.

The net deferred tax asset reported on our statement of financial condition generally represents the tax benefit of future deductions from taxable income for items that have already been recognized for financial reporting purposes. The bulk of these deferred tax assets consists of deferred loan loss deductions. The net deferred tax asset is measured by applying currently-enacted income tax rates to the accounting period during which the tax benefit is expected to be realized. As of September 30, 2018, our net deferred tax asset was $3.1 million.

In December 2017, the Tax Act was signed into law. The act includes numerous changes to existing U.S. federal income tax law, including a reduction in the federal corporate income tax rate from 35% to 21%, which took effect January 1, 2018. The reduction in the federal corporate income tax rate resulted in an impairment of our net deferred tax asset based on our reevaluation of the future tax benefit of these deferrals using the lower tax rate. We recorded this impairment as an additional tax provision of $1.2 million in the fourth quarter of 2017.

Because of the Dodd-Frank Act and related rulemaking, the Bank and the Company are subject to more stringent capital requirements.

In July 2013, the U.S. federal banking authorities approved the implementation of regulatory capital reforms of the Basel Committee on Banking Supervision, which is referred to as Basel III, and issued rules effecting certain changes required by the Dodd-Frank Act. Basel III is applicable to all U.S. banks that are subject to minimum capital requirements as well as to bank and saving and loan holding companies other than those subject to the Federal Reserve's Small Bank Holding Company Policy Statement. The Small Bank Holding Company Policy Statement currently applies to certain holding companies with consolidated assets of less than $1.0 billion that do not have a material amount of SEC-registered debt or equity securities outstanding. Although the Regulatory Relief Act directs the Federal Reserve to increase the asset threshold for the Small Bank Holding Company Policy Statement from $1.0 billion to $3.0 billion, this change would not affect the Company, since it would not be eligible for the Small Bank Holding Company Policy Statement upon the issuance of the equity securities that are the subject of this registration statement.

Relative to the capital requirements that predated it, Basel III increased most of the required minimum regulatory capital ratios and introduced a new common equity Tier 1 capital ratio and the concept of a capital conservation buffer. Basel III also narrowed the definition of capital by establishing additional criteria that capital instruments must meet to be considered additional Tier 1 and Tier 2 capital. The Basel III capital rules became effective as applied to the Bank on January 1, 2015 and to the Company on January 1, 2018 with a phase-in period that generally extends through January 1, 2019 for many of the changes. See "Supervision and Regulation—Capital Adequacy Guidelines."

Certain ratios calculated under the Basel III rules are sensitive to changes in total deposits, including the minimum leverage ratio that is discussed further under "Supervision and Regulation—Capital Adequacy Guidelines." Due to the potential volatility of deposits related to our Digital Currency Initiative, we may be at increased risk of a sudden adverse change in these ratios.

The failure to meet applicable regulatory capital requirements could result in one or more of our regulators placing limitations or conditions on our activities, including our growth initiatives, or restricting the commencement of new activities, and could affect customer and investor confidence, our costs of funds and FDIC insurance costs, our ability to pay dividends on our common stock, our ability to make acquisitions, and our business, results of operations and financial condition.

Federal banking agencies periodically conduct examinations of our business, including our compliance with laws and regulations, and our failure to comply with any supervisory actions to which we are or become subject based on such examinations could adversely affect us.

As part of the bank regulatory process, the Federal Reserve and the California Department of Business Oversight, Division of Financial Institutions, or the DBO, periodically conduct examinations of our business, including compliance with laws and regulations. If, based on an examination, one of these federal banking agencies were to determine that the financial condition, capital resources, asset quality, earnings prospects, management, liquidity, asset sensitivity, risk management or other aspects of any of our operations have become unsatisfactory, or that the Company, the Bank or their respective management were in violation of any law or regulation, it may take such remedial actions as it deems appropriate. These actions include the power to enjoin unsafe or unsound practices, to require affirmative actions to correct any conditions resulting from any violation or practice, to issue an administrative order that can be judicially enforced, to direct an increase in our capital levels, to restrict our growth, to assess civil monetary penalties against us, the Bank or their respective officers or directors, to remove officers and directors and, if it is concluded that such conditions cannot be corrected or there is an imminent risk of loss to depositors, to terminate the Bank's deposit insurance. If we become subject to such regulatory actions, our business, financial condition, results of operations and reputation could be adversely affected.

Our regulators may limit current or planned activities related to the digital currency industry.

The digital currency industry is relatively new and is subject to significant risks. The digital currency initiative involves customers and activities with which regulators, including our primary banking regulators the Federal Reserve and DBO, may be less familiar and which they may consider higher risk than those involving more established industries. While we have consulted, and will continue to consult with, our regulators regarding our activities involving digital currency industry customers and the digital currency initiative, in the future a regulator may determine to limit or restrict one or more of these activities. Such actions could have a material adverse effect on our business, financial condition, or results of operations.

Financial institutions, such as the Bank, face risks of noncompliance and enforcement actions related to the Bank Secrecy Act and other anti-money laundering statutes and regulations (in particular, as such statutes and regulations relate to the digital currency industry).

The Bank Secrecy Act, the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001, or the USA PATRIOT Act, FinCEN and other laws and regulations require financial institutions, among other duties, to institute and maintain an effective anti-money laundering program and file suspicious activity and currency transaction reports as appropriate. To administer the Bank Secrecy Act, FinCEN is authorized to impose significant civil money penalties for violations of those requirements and has recently engaged in coordinated enforcement efforts with the individual federal banking regulators, as well as the U.S. Department of Justice, Drug Enforcement Administration and the IRS. There is also increased scrutiny of compliance with the sanctions programs and rules administered and enforced by the Treasury Department's Office of Foreign Assets Control.

Our compliance with the anti-money laundering laws is in part dependent on our ability to adequately screen and monitor our customers for their compliance with these laws. Customers associated with our digital currency initiative may represent an increased compliance risk given the prevalence of money laundering activities using

digital currencies. We have developed enhanced procedures to screen and monitor these customers; however, given the rapid developments in digital currency markets and technologies, there can be no assurance that these enhanced procedures will be adequate to detect or prevent money laundering activity. If regulators determine that our enhanced procedures are insufficient to address the financial crimes risks posed by digital currencies, the digital currency initiative may be adversely affected, which could have a material adverse effect on our business, financial condition and results of operations.

To comply with regulations, guidelines and examination procedures in this area, we have dedicated significant resources to our anti-money laundering program. If our policies, procedures and systems are deemed deficient, we could be subject to liability, including fines and regulatory actions such as restrictions on our ability to pay dividends and the inability to obtain regulatory approvals to proceed with certain aspects of our business plans, including acquisitions and de novo branching.

We are subject to anticorruption laws, including the U.S. Foreign Corrupt Practices Act, or FCPA, and we may be subject to other anti-corruption laws, as well as anti-money laundering and sanctions laws and other laws governing our operations, to the extent our business expands to non-U.S. jurisdictions. If we fail to comply with these laws, we could be subject to civil or criminal penalties, other remedial measures, and legal expenses, which could adversely affect our business, financial condition and results of operations.

We continue to pursue deposit sourcing opportunities outside of the United States. We are currently subject to anti-corruption laws, including the FCPA. The FCPA and other applicable anti-corruption laws generally prohibit us, our employees and intermediaries from bribing, being bribed or making other prohibited payments to government officials or other persons to obtain or retain business or gain other business advantages. We may also participate in collaborations and relationships with third parties whose actions could potentially subject us to liability under the FCPA or other jurisdictions' anti-corruption laws. There is no assurance that we will be completely effective in ensuring our compliance with all applicable anti-corruption laws, including the FCPA. If we are not in compliance with the FCPA or other anti-corruption laws, we may be subject to criminal and civil penalties, disgorgement and other sanctions and remedial measures, and legal expenses, which could have an adverse impact on our business, financial condition and results of operations. Similarly, any investigation of any potential violations of the FCPA or other anti-corruption laws by authorities in the United States or other jurisdictions where we conduct business could also have an adverse impact on our reputation, business, financial condition and results of operations.

We are subject to numerous laws and regulations, designed to protect consumers, including the Community Reinvestment Act and fair lending laws, and failure to comply with these laws or regulations could lead to a wide variety of sanctions.

The Community Reinvestment Act, or CRA, directs all insured depository institutions to help meet the credit needs of the local communities in which they are located, including low- and moderate-income neighborhoods. Each institution is examined periodically by its primary federal regulator, which assesses the institution's performance. The Equal Credit Opportunity Act, the Fair Housing Act and other fair lending laws and regulations impose nondiscriminatory lending requirements on financial institutions. The BCFP, the U.S. Department of Justice and other federal agencies are responsible for enforcing these laws and regulations. The BCFP was created under the Dodd-Frank Act to centralize responsibility for consumer financial protection with broad rulemaking authority to administer and carry out the purposes and objectives of federal consumer financial laws with respect to all financial institutions that offer financial products and services to consumers. The BCFP is also authorized to prescribe rules applicable to any covered person or service provider, identifying and prohibiting acts or practices that are "unfair, deceptive, or abusive" in any transaction with a consumer for a consumer financial product or service, or the offering of a consumer financial product, or service. The ongoing broad rulemaking powers of the BCFP have potential to have a significant impact on the operations of financial institutions offering consumer financial products or services. The BCFP has indicated that it may propose new rules on overdrafts and other consumer financial products or services, which could have a material adverse effect

on our business, financial condition and results of operations if any such rules limit our ability to provide such financial products or services.

A successful regulatory challenge to an institution's performance under the CRA, fair lending or consumer lending laws and regulations could result in a wide variety of sanctions, including damages and civil money penalties, injunctive relief, restrictions on mergers and acquisitions activity, restrictions on expansion, and restrictions on entering new business lines. Private parties may also challenge an institution's performance under fair lending laws in private class action litigation. Such actions could have a material adverse effect on our business, financial condition and results of operations.

Increases in FDIC insurance premiums could adversely affect our earnings and results of operations.

The deposits of our Bank are insured by the FDIC up to legal limits and, accordingly, subject it to the payment of FDIC deposit insurance assessments as determined according to the calculation described in "Supervision and Regulation—Deposit Insurance." To maintain a strong funding position and restore the reserve ratios of the DIF following the financial crisis, the FDIC increased deposit insurance assessment rates and charged special assessments to all FDIC-insured financial institutions. Further increases in assessment rates or special assessments may occur in the future, especially if there are significant additional financial institution failures. Any future special assessments, increases in assessment rates or required prepayments in FDIC insurance premiums could reduce our profitability or limit our ability to pursue certain business opportunities, which could have a material adverse effect on our business, financial condition and results of operations.

The Federal Reserve may require us to commit capital resources to support the Bank at a time when our resources are limited, which may require us to borrow funds or raise capital on unfavorable terms.

The Federal Reserve requires a BHC to act as a source of financial and managerial strength to its subsidiary banks and to commit resources to support its subsidiary banks. Under the "source of strength" doctrine that was codified by the Dodd-Frank Act, the Federal Reserve may require a BHC to make capital injections into a troubled subsidiary bank at times when the BHC may not be inclined to do so and may charge the BHC with engaging in unsafe and unsound practices for failure to commit resources to such a subsidiary bank. Accordingly, we could be required to provide financial assistance to the Bank if it experiences financial distress.

A capital injection may be required at a time when our resources are limited, and we may be required to borrow the funds or raise capital to make the required capital injection. Any loan by a BHC to its subsidiary bank is subordinate in right of repayment to payments to depositors and certain other creditors of such subsidiary bank. In the event of a BHC's bankruptcy, the bankruptcy trustee will assume any commitment by the holding company to a federal bank regulatory agency to maintain the capital of a subsidiary bank. Moreover, bankruptcy law provides that claims based on any such commitment will be entitled to a priority of payment over the claims of the holding company's general unsecured creditors, including the holders of any note obligations. Thus, any borrowing by a BHC for making a capital injection to a subsidiary bank often becomes more difficult and expensive relative to other corporate borrowings. Borrowing funds or raising capital on unfavorable terms for such a capital injection may have a material adverse effect on our business, financial condition and results of operations.

We are exposed to a various types of credit risk due to interconnectivity in the financial services industry and could be adversely affected by the insolvency of other financial institutions.

Financial services institutions are interrelated based on trading, clearing, counterparty or other relationships. We have exposure to many different industries and counterparties, and routinely execute transactions with counterparties in the financial services industry, including commercial banks, brokers and dealers, investment banks and other institutional clients. Many of these transactions expose us to credit risk in the event of a default by a counterparty or client. In addition, our credit risk may be exacerbated when our collateral cannot be

foreclosed upon or is liquidated at prices not sufficient to recover the full amount of the credit or derivative exposure due. Any such losses could adversely affect our business, financial condition and results of operations.

Monetary policies and regulations of the Federal Reserve could adversely affect our business, financial condition and results of operations.

In addition to being affected by general economic conditions, our earnings and growth are affected by the policies of the Federal Reserve. An important function of the Federal Reserve is to influence the U.S. money supply and credit conditions. Among the traditional methods that have been used to achieve this objective are open market operations in U.S. government securities, changes in the discount rate for bank borrowings, expanded access to funds for non-banks and changes in reserve requirements against bank deposits. More recently, the Federal Reserve has, as a response to the financial crisis, significantly increased the size of its balance sheet by buying securities and has paid interest on excess reserves held by banks at the Federal Reserve. Both the traditional and more recent methods are used in varying combinations to influence overall growth and distribution of bank loans, investments and deposits, interest rates on loans and securities, and rates paid for deposits.

The monetary policies and regulations of the Federal Reserve have had a significant effect on the operating results of commercial banks in the past and are expected to continue to do so in the future. The monetary policies of the Federal Reserve are influenced by various factors, including inflation, unemployment, and short-term and long-term changes in the international trade balance and in the fiscal policies of the U.S. government. Following a prolonged period in which the federal funds rate was stable or decreasing, the Federal Reserve has begun to increase this benchmark rate. In addition, the Federal Reserve Board has stated its intention to end its quantitative easing program and has begun to reduce the size of its balance sheet by selling securities. Future monetary policies, including whether the Federal Reserve will continue to increase the federal funds rate and whether or at what pace it will continue to reduce the size of its balance sheet, cannot be predicted, and although we cannot determine the effects of such policies on us now, such policies could adversely affect our business, financial condition and results of operations.

Risks Related to an Investment in Our Common Stock

There is currently no established public market for our common stock. An active, liquid market for our common stock may not develop or be sustained upon completion of this offering, which may impair your ability to sell your shares.

Our common stock is not currently traded on an established public trading market. We have applied to list our common stock on the New York Stock Exchange, but an active, liquid trading market for our common stock may not develop or be sustained following this offering. A public trading market having the desired characteristics of depth, liquidity and orderliness depends upon the presence in the marketplace and independent decisions of willing buyers and sellers of our common stock, over which we have no control. Without an active, liquid trading market for our common stock, shareholders may not be able to sell their shares at the volume, prices and times desired. Moreover, the lack of an established market could materially and adversely affect the value of our common stock. The market price of our common stock could decline significantly due to actual or anticipated issuances or sales of our common stock in the future.

The market price of our common stock may be subject to substantial fluctuations, which may make it difficult for you to sell your shares at the volume, prices and times desired.

The market price of our common stock may be highly volatile, which may make it difficult for you to resell your shares at the volume, prices and times desired. There are many factors that may affect the market price and trading volume of our common stock, including, without limitation, the risks discussed elsewhere in this “Risk Factors” section and:

- actual or anticipated fluctuations in our operating results, financial condition or asset quality;

- changes in general economic or business conditions;
- changes in digital currency industry conditions;
- the effects of, and changes in, trade, monetary and fiscal policies, including the interest rate policies of the Federal Reserve;
- publication of research reports about us, our competitors or the financial services industry generally, or changes in, or failure to meet, securities analysts' estimates of our financial and operating performance, or lack of research reports by industry analysts or ceasing of coverage;
- operating and stock price performance of companies that investors deem comparable to us;
- additional or anticipated sales of our common stock or other securities by us or our existing shareholders;
- additions or departures of key personnel;
- perceptions in the marketplace regarding our competitors or us;
- significant acquisitions or business combinations, strategic partnerships, joint ventures or capital commitments by or involving our competitors or us;
- other economic, competitive, governmental, regulatory or technological factors affecting our operations, pricing, products and services; and
- other news, announcements or disclosures (whether by us or others) related to us, our competitors, our core markets or the financial services industry.

The stock market and the market for financial institution stocks has experienced substantial fluctuations in recent years, which in many cases have been unrelated to the operating performance and prospects of particular companies. In addition, significant fluctuations in the trading volume in our common stock may cause significant price variations to occur. Increased market volatility may materially and adversely affect the market price of our common stock, which could make it difficult to sell your shares at the volume, prices and times desired.

The market price of our common stock could decline significantly due to actual or anticipated issuances or sales of our common stock in the future.

Actual or anticipated issuances or sales of substantial amounts of our common stock following this offering could cause the market price of our common stock to decline significantly and make it more difficult for us to sell equity or equity-related securities in the future at a time and on terms that we deem appropriate. The issuance of any shares of our common stock in the future also would, and equity-related securities could, dilute the percentage ownership interest held by shareholders prior to such issuance. Our Articles of Incorporation, as amended, or Articles, authorize us to issue up to 125,000,000 shares of our Class A Common Stock, of which will be outstanding following the completion of this offering (or shares if the underwriters exercise in full their option to purchase additional shares) and 25,000,000 shares of Class B Common Stock, of which will be outstanding following the completion of this offering. All of the shares of common stock sold in this offering (or shares if the underwriters exercise in full their option to purchase additional shares) will be freely tradable, except that any shares purchased by our "affiliates" (as that term is defined in Rule 144 under the Securities Act of 1933, as amended, or the Securities Act) may be resold only in compliance with the limitations described under "Shares Eligible for Future Sale." The remaining outstanding shares of our common stock will be deemed to be "restricted securities" as that term is defined in Rule 144, and may be resold in the United States only if they are registered for resale under the Securities Act or an exemption, such as Rule 144, is available. We also intend to file a registration statement on Form S-8 under the Securities Act to register an aggregate of shares of common stock issued or reserved for issuance under our equity incentive plans.

We may issue these shares without any action or approval by our shareholders and issued shares (including upon exercise of outstanding options) will be available for sale into the public market, subject to the restrictions described above, if applicable, for affiliate holders.

Further, in connection with this offering, we, our executive officers and directors, the selling shareholders and each of our other equity and option holders who beneficially own at least % of our outstanding common stock on a fully diluted basis have generally agreed not to sell or otherwise transfer our or their shares of common stock for a period of 180 days after the completion of this offering. These lock-up agreements are subject to certain limited exceptions. For additional information, see "Underwriting—Lock-Up Agreements." The underwriters do not have any present intention or arrangement to release any shares of our common stock subject to lock-up agreements prior to the expiration of the 180-day lock-up period. In addition, after this offering, approximately shares of our common stock will not be subject to lock-up agreements. The resale of such shares could cause the market price of our stock to drop significantly, and concerns that those sales may occur could cause the trading price of our common stock to decrease or to be lower than it should be.

In addition, we may issue shares of our Class A and/or Class B Common Stock or other securities from time to time as consideration for future acquisitions and investments and pursuant to compensation and incentive plans. If any such acquisition or investment is significant, the number of shares of our Class A and Class B Common Stock, or the number or aggregate principal amount, of other securities that we may issue may be substantial. After expiration of the lock-up period described above, we may also grant registration rights covering those shares of our Class A and Class B Common Stock or other securities in connection with any such acquisitions and investments.

We cannot predict the size of future issuances of our common stock or the effect, if any, that future issuances and sales of our common stock will have on the market price of our common stock. Sales of substantial amounts of our common stock (including shares of our common stock issued in connection with an acquisition or under a compensation or incentive plan), or the perception that such sales could occur, may adversely affect prevailing market prices for our common stock and could impair our ability to raise capital through future sales of our securities.

While our growth strategy is focused on the digital currency industry, investors should not expect that the value of our common stock to be correlated with the value of digital currencies. Investing in our common stock is not a proxy for gaining exposure to digital currencies.

While our growth strategy is focused on the digital currency industry and the majority of the Bank's deposits are from digital currency-related activities, investors should not expect that investing in our common stock is a proxy for gaining exposure to digital currencies. The impact of fluctuations in prices and/or trading volume of digital currencies on our deposit balance from customers in the digital currency industry and, by extension, our profitability, is unpredictable, and the price of our common stock may not be correlated to the prices of digital currencies.

Though not a proxy for gaining exposure to digital currencies, market participants may view our common stock as such, which could in turn attract investors seeking to buy or sell short our common stock in order to gain such exposure, therefore increasing the price volatility of our common stock. There may also be a heightened level of speculation in our common stock as a result of our exposure to the digital currency industry. For more information regarding the volatility of digital currencies, see "—Risks Related to Our Digital Currency Initiative—The prices of digital currencies are extremely volatile. Fluctuations in the price of various digital currencies may cause uncertainty in the market and could negatively impact trading volumes of digital currencies and therefore the extent to which participants in the digital currency industry demand our services and solutions, which would adversely affect our business, financial condition and results of operations."

The obligations associated with being a public company will require significant resources and management attention, which will increase our costs of operations and may divert focus from our business operations.

As a public company, we will face increased legal, accounting, administrative and other costs and expenses that we have not incurred as a private company, particularly after we no longer qualify as an emerging growth company. After the completion of this offering, we will be subject to the reporting requirements of the Securities Exchange Act of 1934, as amended, or the Exchange Act, which requires that we file annual, quarterly and current reports with respect to our business and financial condition and proxy and other information statements, and the rules and regulations implemented by the SEC, the Sarbanes-Oxley Act, the Dodd-Frank Act, the Public Company Accounting Oversight Board, or the PCAOB, and the New York Stock Exchange, each of which imposes additional reporting and other obligations on public companies. As a public company, compliance with these reporting requirements and other SEC and the New York Stock Exchange rules will make certain operating activities more time-consuming, and we will also incur significant new legal, accounting, insurance and other expenses. Furthermore, the need to establish the corporate infrastructure demanded of a public company may divert management's attention from implementing our operating strategy, which could prevent us from successfully implementing our strategic initiatives and improving our results of operations. We have made, and will continue to make, changes to our internal control over, and procedures relating to, financial reporting and accounting systems to meet our reporting obligations as a public company. However, we cannot predict or estimate the amount of additional costs we may incur in order to comply with these requirements. We anticipate that these costs will materially increase our general and administrative expenses and such increases will reduce our profitability.

Investors in this offering will experience immediate dilution.

The initial public offering price is expected to be higher than the tangible book value per share of our common stock immediately following this offering. Therefore, if you purchase shares in this offering, you will experience immediate dilution in tangible book value per share in relation to the price that you paid for your shares. We expect the dilution because of this offering to be $ per share, based on an assumed initial public offering price of $ per share (the midpoint of the price range set forth on the cover page of this prospectus) and our as adjusted tangible book value of $ per share as of September 30, 2018. Accordingly, if we were liquidated at our as adjusted tangible book value, you would not receive the full amount of your investment. See "Dilution."

Securities analysts may not initiate or continue coverage on us.

The trading market for our common stock will depend, in part, on the research and reports that securities analysts publish about us, our business and our industry. We do not have any control over these securities analysts, and they may choose not to cover us. If one or more of these securities analysts cease to cover us or fail to publish regular reports on us, we could lose visibility in the financial markets, which could cause the price or trading volume of our common stock to decline. If we are covered by securities analysts and are the subject of an unfavorable report, the price of our common stock may decline.

Our management and board of directors have significant control over our business.

As of September 30, 2018, our directors, our named executive officers and their respective family members and affiliated entities beneficially owned an aggregate of shares, or approximately % of our issued and outstanding Class A Common Stock. Following the completion of this offering, our directors, our named executive officers and their respective family members and affiliated entities will beneficially own approximately % of our outstanding Class A Common Stock (or % if the underwriters exercise in full their option to purchase additional shares), excluding any shares that any such persons may purchase through the directed share program described in "Underwriting—Directed Share Program." Consequently, our management and board of directors may be able to significantly affect the outcome of the election of directors and the potential outcome of

other matters submitted to a vote of our shareholders, such as mergers, the sale of substantially all our assets and other extraordinary corporate matters. The interests of these insiders could conflict with the interests of our other shareholders, including you.

We have broad discretion in the use of the net proceeds to us from this offering, and our use of these proceeds may not yield a favorable return on your investment.

We intend to use the net proceeds to us from this offering to fund organic growth and for general corporate purposes, which could include repayment of our long-term debt, future acquisitions and other growth initiatives. We have not specifically allocated the amount of net proceeds to us that will be used for these purposes and our management will have broad discretion over how these proceeds are used and could spend these proceeds in ways with which you may not agree. In addition, we may not use the net proceeds to us from this offering effectively or in a manner that increases our market value or enhances our profitability. We have not established a timetable for the effective deployment of the net proceeds to us, and we cannot predict how long it will take to deploy these proceeds. Investing the net proceeds to us in securities until we can deploy these proceeds will provide lower yields than we generally earn on loans, which may have a material adverse effect on our profitability. Although we may, from time to time in the ordinary course of business, evaluate potential acquisition opportunities that we believe provide attractive risk-adjusted returns, we do not have any immediate plans, arrangements or understandings relating to any acquisitions, nor are we engaged in negotiations with any potential acquisition targets.

The holders of our existing debt obligations, as well as debt obligations that may be outstanding in the future, will have priority over our common stock with respect to payment in the event of liquidation, dissolution or winding up and with respect to the payment of interest.

In the event of any liquidation, dissolution or winding up of the Company, our common stock would rank below all claims of debt holders against us. As of September 30, 2018, we had outstanding $15.8 million in aggregate principal amount of subordinated debentures issued to statutory trusts that, in turn, issued $15.5 million of trust preferred securities. Payments of the principal and interest on the trust preferred securities are conditionally guaranteed by us. In addition, at September 30, 2018, the Company had a term loan from a commercial bank with an outstanding principal balance of $5.1 million. Our debt obligations are senior to our shares of common stock. As a result, we must make payments on our debt obligations before any dividends can be paid on our common stock. In the event of our bankruptcy, dissolution or liquidation, the holders of our debt obligations must be satisfied before any distributions can be made to the holders of our common stock. To the extent that we issue additional debt obligations, the additional debt obligations will be of equal rank with, or senior to, our existing debt obligations and senior to our shares of common stock.

We may issue shares of preferred stock in the future, which could make it difficult for another company to acquire us or could otherwise adversely affect holders of our common stock, which could depress the price of our common stock.

Our Articles authorize us to issue up to 10,000,000 shares of one or more series of preferred stock. Our board of directors will have the authority to determine the preferences, limitations and relative rights of shares of preferred stock and to fix the number of shares constituting any series and the designation of such series, without any further vote or action by our shareholders. Our preferred stock could be issued with voting, liquidation, dividend and other rights superior to the rights of our common stock. The potential issuance of preferred stock may delay or prevent a change in control of us, discouraging bids for our common stock at a premium over the market price, and materially adversely affect the market price and the voting and other rights of the holders of our common stock.

We are an emerging growth company, and the reduced regulatory and reporting requirements applicable to emerging growth companies may make our common stock less attractive to investors.

We are an emerging growth company, as defined in the JOBS Act. For as long as we continue to be an emerging growth company we may take advantage of reduced regulatory and reporting requirements that are otherwise generally applicable to public companies. These include, without limitation, not being required to comply with the auditor attestation requirements of Section 404(b) of the Sarbanes-Oxley Act, reduced financial reporting requirements, reduced disclosure obligations regarding executive compensation and exemptions from the requirements of holding non-binding shareholder advisory votes on executive compensation or golden parachute payments. The JOBS Act also permits an emerging growth company such as us to take advantage of an extended transition period to comply with new or revised accounting standards applicable to public companies. However, we have irrevocably opted out of this provision, and we will comply with new or revised accounting standards to the same extent that compliance is required for non-emerging growth companies.

We may take advantage of some or all of these provisions for up to five years or such earlier time as we cease to qualify as an emerging growth company, which will occur if we have more than $1.07 billion in total annual gross revenue, if we issue more than $1.0 billion of non-convertible debt in a three-year period, or if the market value of our common stock held by non-affiliates exceeds $700.0 million as of any June 30 before that time, in which case we would no longer be an emerging growth company as of the following December 31. Investors may find our common stock less attractive because we intend to rely on certain of these exemptions, which may result in a less active trading market and increased volatility in our stock price.

We are dependent upon the Bank for cash flow, and the Bank's ability to make cash distributions is restricted.

Our primary asset is Silvergate Bank. We depend upon the Bank for cash distributions (through dividends on the Bank's common stock) that we use to pay our operating expenses and satisfy our obligations (including our junior subordinated debentures). Federal and state statutes, regulations and policies restrict the Bank's ability to make cash distributions to us. Further, the Federal Reserve and the DBO can restrict the Bank's payment of dividends by supervisory action. If the Bank is unable to pay dividends to us, we may not be able to satisfy our obligations or, if applicable, pay dividends on our common stock. See "Supervision and Regulation—Dividends."

Our future ability to pay dividends is subject to restrictions.

Holders of our common stock are only entitled to receive dividends when, as and if declared by our board of directors out of funds legally available for dividends. We have not paid any cash dividends on our Class A and Class B Common Stock since inception and we currently have no plans to pay cash dividends in the foreseeable future. Any declaration and payment of dividends on our Class A and Class B Common Stock in the future will depend on regulatory restrictions, our earnings and financial condition, our liquidity and capital requirements, the general economic climate, contractual restrictions, our ability to service any equity or debt obligations senior to our Class A and Class B Common Stock and other factors deemed relevant by our board of directors. Furthermore, consistent with our strategic plans, growth initiatives, capital availability, projected liquidity needs and other factors, we have made, and will continue to make, capital management decisions and policies that could adversely affect the amount of dividends, if any, paid to our common shareholders. See "Dividend Policy."

The Federal Reserve has indicated that bank holding companies should carefully review their dividend policy in relation to the organization's overall asset quality, current and prospective earnings and level, composition and quality of capital. The guidance provides that we inform and consult with the Federal Reserve prior to declaring and paying a dividend that exceeds earnings for the period for which the dividend is being paid or that could result in an adverse change to our capital structure, including interest on the senior promissory note, the subordinated debt obligations, the subordinated debentures underlying our trust preferred securities and our other debt obligations. If regularly scheduled payments on our outstanding junior subordinated debentures, held by our unconsolidated subsidiary trusts, are not made or are deferred, or dividends on any preferred stock we may issue are not paid, we will be prohibited from paying dividends on our Class A and Class B Common Stock.

Provisions in our governing documents and Maryland law may have an anti-takeover effect, and there are substitutional regulatory limitations on changes of control of bank holding companies.

Our corporate organizational documents and provisions of federal and state law to which we are subject contain certain provisions that could have an anti-takeover effect and may delay, make more difficult or prevent an attempted acquisition that you may favor or an attempted replacement of our board of directors or management.

Our Articles and our Bylaws may have an anti-takeover effect and may delay, discourage or prevent an attempted acquisition or change of control or a replacement of our board of directors or management. Our governing documents and Maryland law include provisions that:

- empower our board of directors, without shareholder approval, to issue our preferred stock, the terms of which, including voting power, are to be set by our board of directors;
- divide our board of directors into three classes serving staggered three-year terms;
- provide that directors may be removed from office (i) without cause but only upon an 80% vote of shareholders and (ii) for cause but only upon a majority shareholder vote;
- eliminate cumulative voting in elections of directors;
- permit our board of directors to alter, amend or repeal our Bylaws or to adopt new bylaws;
- permit our board of directors to increase or decrease the number of authorized shares of our Class A and Class B Common Stock and preferred stock;
- require the request of holders of at least 20% of the outstanding shares of our capital stock entitled to vote at a meeting to call a special shareholders' meeting;
- require shareholders that wish to bring business before annual or special meetings of shareholders, or to nominate candidates for election as directors at our annual meeting of shareholders, to provide timely notice of their intent in writing; and
- enable our board of directors to increase, between annual meetings, the number of persons serving as directors and to fill the vacancies created by such increase by a majority vote of the directors present at a meeting of directors.

In addition, certain provisions of Maryland law may delay, discourage or prevent an attempted acquisition or change in control. Furthermore, banking laws impose notice, approval, and ongoing regulatory requirements on any shareholder or other party that seeks to acquire direct or indirect "control" of an FDIC-insured depository institution or its holding company. These laws include the Bank Holding Company Act of 1956, as amended, or the BHC Act, and the Change in Bank Control Act, or the CBCA. These laws could delay or prevent an acquisition.

An investment in our common stock is not an insured deposit and is subject to risk of loss.

Any shares of our common stock you purchase in this offering will not be savings accounts, deposits or other obligations of any of the Bank or any of our other subsidiaries and will not be insured or guaranteed by the FDIC or any other government agency. Your investment will be subject to investment risk, and you must be able to afford the loss of your entire investment.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements, including in the sections entitled "Prospectus Summary," "Risk Factors," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Business." These forward-looking statements reflect our current views with respect to, among other things, future events and our financial performance. These statements are often, but not always, made through the use of words or phrases such as "may," "should," "could," "predict," "potential," "believe," "will likely result," "expect," "continue," "will," "anticipate," "seek," "estimate," "intend," "plan," "project," "projection," "forecast," "goal," "target," "would," "aim" and "outlook," or the negative version of those words or other comparable words or phrases of a future or forward-looking nature. These forward-looking statements are not historical facts, and are based on current expectations, estimates and projections about our industry and management's beliefs and certain assumptions made by management, many of which, by their nature, are inherently uncertain and beyond our control. The inclusion of these forward-looking statements should not be regarded as a representation by us, the selling shareholders, the underwriters or any other person that such expectations, estimates and projections will be achieved. Accordingly, we caution you that any such forward-looking statements are not guarantees of future performance and are subject to risks, assumptions and uncertainties that are difficult to predict. Although we believe that the expectations reflected in these forward-looking statements are reasonable as of the date made, actual results may prove to be materially different from the results expressed or implied by the forward-looking statements.

There are or will be important factors that could cause our actual results to differ materially from those indicated in these forward-looking statements, including, but not limited to, the following:

- the success of the digital currency industry, the development and acceptance of which is subject to a high degree of uncertainty, as well as the continued evolution of the regulation of this industry and uncertainty of adoption of digital currencies;
- the success of the digital currency initiative and our ability to implement aspects of our growth strategy;
- the concentration of our depositor relationships in the digital currency industry generally and among digital currency exchanges in particular;
- our ability to grow or sustain our low-cost funding strategy related to the digital currency initiative;
- system failure or cybersecurity breaches of our network security;
- our ability to keep pace with rapid technological changes in the industry or implement new technology effectively;
- our reliance on third-party service providers for core systems support, informational website hosting, internet services, online account opening and other processing services;
- economic conditions (including interest rate environment, government economic and monetary policies, the strength of global financial markets and inflation and deflation) that impact the financial services industry and/or our business;
- increased competition in the financial services industry, particularly from regional and national institutions;
- credit risks, including risks related to the significance of commercial real estate loans in our portfolio, our ability to manage our credit risk effectively and the potential deterioration of the business and economic conditions in our primary market areas;
- risks associated with our residential mortgage warehouse business;
- results of examinations of us by our regulators, including the possibility that our regulators may, among other things, require us to increase our allowance for loan losses or to write-down assets;
- changes in the value of collateral securing our loans;

- our ability to protect our intellectual property and the risks we face with respect to claims and litigation initiated against us;
- interest rate risk associated with our business, including sensitivity of our interest earning assets and interest bearing liabilities to interest rates, and the impact to our earnings from changes in interest rates;
- our dependence on our management team and changes in management composition;
- the effectiveness of our internal control over financial reporting and our ability to remediate any future material weakness in our internal control over financial reporting.
- the sufficiency of our capital, including sources of capital and the extent to which we may be required to raise additional capital to meet our goals;
- potential exposure to fraud, negligence, computer theft and cyber-crime and other disruptions in our computer systems relating to our development and use of new technology platforms;
- the adequacy of our risk management framework;
- our involvement from time to time in legal proceedings, examinations and remedial actions by regulators;
- changes in the laws, rules, regulations, interpretations or policies relating to financial institution, accounting, tax, trade, monetary and fiscal matters;
- the financial soundness of other financial institutions;
- further government intervention in the U.S. financial system;
- natural disasters and adverse weather, acts of terrorism, an outbreak of hostilities or other international or domestic calamities, and other matters beyond our control; and
- other factors that are discussed in the section entitled “Risk Factors.”

The foregoing factors should not be construed as exhaustive and should be read together with the other cautionary statements included in this prospectus, including those discussed in the section entitled “Risk Factors.” If one or more events related to these or other risks or uncertainties materialize, or if our underlying assumptions prove to be incorrect, actual results may differ materially from our forward looking statements. Accordingly, you should not place undue reliance on any such forward-looking statements. Any forward-looking statement speaks only as of the date of this prospectus, and we do not undertake any obligation to publicly update or review any forward-looking statement, whether because of new information, future developments or otherwise, except as required by law. New risks and uncertainties may emerge from time to time, and it is not possible for us to predict their occurrence. In addition, we cannot assess the impact of each risk and uncertainty on our business or the extent to which any risk or uncertainty, or combination of risks and uncertainties, may cause actual results to differ materially from those contained in any forward-looking statements

USE OF PROCEEDS

Assuming an initial public offering price of $ per share, which is the midpoint of the price range set forth on the cover page of this prospectus, we estimate that the net proceeds to us from the sale of our common stock in this offering will be $ million (or $ million if the underwriters exercise in full their option to purchase additional shares), after deducting the underwriting discount and estimated offering expenses payable by us. Each $1.00 increase or decrease in the assumed initial public offering price would increase or decrease (as applicable) the net proceeds to us from this offering by approximately $ million (or approximately $ million if the underwriters elect to exercise in full their option to purchase additional shares), in each case, assuming the number of shares we sell, as set forth on the cover page of this prospectus, remains the same, after deducting the underwriting discount and estimated offering expenses payable by us.

We intend to use the net proceeds to us from this offering to fund organic growth and for general corporate purposes, which could include repayment of long-term debt, future acquisitions and other growth initiatives. We do not have any current plans, arrangements or understandings to make any material acquisitions. Our management will retain broad discretion to allocate the net proceeds of this offering. The precise amounts and timing of our use of the proceeds will depend upon market conditions, among other factors. Proceeds held by us will be invested in short-term investments until needed for the uses described above.

We will not receive any proceeds from the sale of shares of our common stock by the selling shareholders.

DIVIDEND POLICY

Holders of our Class A and Class B Common Stock are only entitled to receive dividends when, as and if declared by our board of directors out of funds legally available for dividends. We have not paid any cash dividends on our Class A and Class B Common Stock since inception, and we currently have no plans to pay dividends for the foreseeable future. As a Maryland corporation, we are only permitted to pay dividends out of net earnings.

Because we are a bank holding company and do not engage directly in business activities of a material nature, our ability to pay dividends to our shareholders depends, in large part, upon our receipt of dividends from the Bank, which is also subject to numerous limitations on the payment of dividends under California banking laws, regulations and policies. See "Supervision and Regulation—Dividends."

Our ability to pay dividends to our shareholders in the future will depend on regulatory restrictions, our liquidity and capital requirements, our earnings and financial condition, the general economic climate, contractual restrictions, our ability to service any equity or debt obligations senior to our Class A and Class B Common Stock and other factors deemed relevant by our board of directors.

CAPITALIZATION

The following table shows our capitalization, including regulatory capital ratios for the Company on a consolidated basis and for the Bank, as of September 30, 2018:

- on an actual basis; and
- on an as adjusted basis to give effect to the issuance and sale by us of shares of common stock in this offering and our receipt of the net proceeds therefrom (assuming the underwriters do not exercise their option to purchase additional shares) at an assumed initial public offering price of $ per share, which is the midpoint of the price range set forth on the cover page of this prospectus, after deducting the underwriting discount and estimated offering expenses payable by us.

The following table excludes the impact of the proposed sale of the Bank's small business lending division and the retail branch pursuant to a purchase and assumption agreement entered into on November 15, 2018 described under "Prospectus Summary—Recent Developments." You should read the following table in conjunction with the sections titled "Selected Historical Consolidated Financial and Other Data" and "Management's Discussion and Analysis of Financial Condition and Results of Operations," and our consolidated financial statements and related notes included elsewhere in this prospectus.

	As of September 30, 2018	
	Actual	As adjusted (1)
	(In thousands, except per share data)	
Cash and cash equivalents	$ 950,326	$
Long-term debt:		
Notes payable	$ 5,143	$
Subordinated debentures, net	15,799	
Total long-term debt	20,942	
Shareholders' equity:		
Preferred stock, $0.01 par value per share, 10,000 shares authorized, no shares issued or outstanding at September 30, 2018 and as adjusted	—	
Class A common stock, $0.01 par value per share, 125,000 shares authorized, 16,619 shares outstanding at September 30, 2018 and shares outstanding as adjusted	166	
Class B common stock, $0.01 par value per share, 25,000 shares authorized, 1,190 shares outstanding at September 30, 2018 and shares outstanding as adjusted	12	
Additional paid-in capital	125,610	
Retained earnings	59,444	
Accumulated other comprehensive loss	(1,848)	
Total shareholders' equity	183,384	
Total capitalization	$ 204,326	$
Company capital ratios:		
Tier 1 leverage to average assets	10.25%	
Common equity tier 1 capital to risk-weighted assets	23.50%	
Tier 1 capital to risk-weighted assets	25.47%	
Total capital to risk-weighted assets	26.56%	
Total shareholders' equity to total assets	8.53%	
Per Share:		
Book value per share	$ 10.30	$

(1) A $1.00 increase (decrease) in the assumed initial public offering price of $ per share would increase (decrease) our as adjusted total shareholders' equity and total capitalization by approximately $ million, assuming no change to the number of shares of common stock being offered hereby as set forth on the cover page of this prospectus, and after deducting the underwriting discount and estimated offering expenses payable by us.

DILUTION

If you invest in our common stock in this offering, your ownership interest will be diluted to the extent the initial public offering price per share of our common stock exceeds the as adjusted tangible book value per share of our common stock immediately following this offering. As of September 30, 2018, the tangible book value of our common stock was approximately $ million, or $ per share of common stock based on shares of our common stock issued and outstanding. Tangible book value per share represents total shareholders' equity, less intangible assets, divided by total shares of common stock outstanding. At September 30, 2018, we did not have any intangible assets and, as a result, there was no difference between our book value per share and tangible book value per share at such date.

After giving effect to the sale of shares of our common stock in this offering (assuming the underwriters do not exercise their option to purchase additional shares) at an assumed initial public offering price of $ per share, which is the midpoint of the price range set forth on the cover page of this prospectus, and deducting the underwriting discount and estimated offering expenses payable by us, the as adjusted tangible book value of our common stock at September 30, 2018 would have been approximately $ million, or $ per share. Therefore, under those assumptions, this offering will result in an immediate increase of $ in the tangible book value per share of our common stock of existing shareholders and an immediate dilution of $ in the tangible book value per share of our common stock to investors purchasing shares of common stock in this offering, or approximately % of the assumed initial public offering price of $ per share.

The following table illustrates the calculation of the amount of dilution per share that a new investor in our common stock in this offering will incur given the assumptions above:

Assumed initial public offering price	$
Tangible book value per share of common stock at September 30, 2018	
Increase in tangible book value per share of common stock attributable to new investors	
As adjusted tangible book value per share of common stock after this offering	
Dilution per share of common stock to new investors in this offering	$

If the underwriters exercise in full their option to purchase additional shares, our as adjusted tangible book value per share of common stock after giving effect to this offering would be approximately $, and the dilution in as adjusted tangible book value per share of common stock to new investors in this offering would be approximately $.

A $1.00 increase (decrease) in the assumed initial public offering price of $ per share, which is the midpoint of the price range set forth on the cover page of this prospectus, would increase (decrease) our tangible book value by $ million, or $ per share, and the dilution to new investors would increase (decrease) by $ per share, assuming no change to the number of shares of common stock being offered hereby as set forth on the cover page of this prospectus, and after deducting the underwriting discount and estimated offering expenses payable by us.

The following table illustrates the differences between the number of shares of common stock purchased from us, the total consideration paid and the average price per share paid by existing shareholders and new investors purchasing shares of our common stock in this offering based on an assumed initial public offering price of $ per share, which is the midpoint of the price range set forth on the cover page of this prospectus, and before deducting the underwriting discount and estimated offering expenses payable by us as of September 30, 2018 on an as adjusted basis.

	Shares Purchased		Total Consideration (Dollars in thousands)		Average Price
	Number	Percent	Amount	Percent	Per Share
Shareholders as of September 30, 2018		%	$	%	$
New investors in this offering					
Total		%	$	%	$

Assuming no shares of common stock are sold to existing shareholders in this offering, sales of shares of our common stock by the selling shareholders in this offering will reduce the number of shares of common stock held by existing shareholders to , or approximately % of the total shares of our Class A and Class B Common Stock outstanding after this offering, and will increase the number of shares held by new investors to , or approximately % of the total shares of our Class A and Class B Common Stock outstanding after this offering.

If the underwriters exercise in full their option to purchase additional shares, the percentage of shares of our common stock held by existing shareholders will decrease to approximately % of the total number of shares of our Class A and Class B Common Stock outstanding after this offering, and the number of shares held by new investors will increase to , or approximately % of the total shares of our Class A and Class B Common Stock outstanding after this offering.

The table and the two immediately preceding paragraphs above exclude 829,616 shares of our common stock issuable upon the exercise of stock options outstanding at September 30, 2018 at a weighted average exercise price of $5.55 per share.

To the extent that any of the foregoing are exercised, investors participating in the offering will experience further dilution.

SELECTED HISTORICAL CONSOLIDATED FINANCIAL AND OTHER DATA

You should read the following selected historical consolidated financial and other data in conjunction with our consolidated financial statements and related notes and the sections entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Capitalization" included elsewhere in this prospectus. The following tables set forth selected historical consolidated financial and other data (i) as of and for the nine months ended September 30, 2018 and 2017 and (ii) as of and for the years ended December 31, 2017, 2016, 2015, 2014 and 2013. Selected financial data as of and for the years ended December 31, 2017 and 2016 have been derived from our audited financial statements included elsewhere in this prospectus. We have derived the selected financial data as of and for the years ended December 31, 2015, 2014 and 2013 from our audited financial statements not included in this prospectus. Selected financial data as of and for the nine months ended September 30, 2018 and September 30, 2017 have been derived from our unaudited financial statements included elsewhere in this prospectus and have not been audited but, in the opinion of our management, contain all adjustments (consisting of only normal or recurring adjustments) necessary to present fairly in all material respects our financial position and results of operations for such periods in accordance with GAAP. Our historical results are not necessarily indicative of any future period. The performance ratios and asset quality and capital ratios are unaudited and derived from our audited financial statements and other financial information as of and for the periods presented. Average balances have been calculated using daily averages.

The following selected historical consolidated financial and other data excludes the impact of the proposed sale of the Bank's small business lending division and retail branch pursuant to a purchase and assumption agreement entered into on November 15, 2018 described under "Prospectus Summary—Recent Developments."

	Nine Months Ended September 30,		Year Ended December 31,				
	2018	2017	2017	2016	2015	2014	2013
	(Dollars in thousands)						
Statement of Operations Data:							
Total interest income	$51,151	$34,411	$48,306	$41,541	$36,728	$28,538	$27,588
Total interest expense	2,391	5,281	6,355	7,729	5,947	5,522	5,701
Net interest income before provision for loan losses	48,760	29,130	41,951	33,812	30,781	23,016	21,887
Provision for loan losses	148	232	262	1,136	1,906	1,067	8
Net interest income after provision for loan losses	48,612	28,898	41,689	32,676	28,875	21,949	21,879
Total noninterest income	5,572	1,951	3,448	3,308	4,797	5,629	5,627
Total noninterest expense	34,346	21,717	30,706	24,214	21,525	20,124	19,816
Income before income taxes	19,838	9,132	14,431	11,770	12,147	7,454	7,690
Income tax expense (1)	5,525	3,428	6,788	4,735	4,737	2,909	2,837
Net income	14,313	5,704	7,643	7,035	7,410	4,545	4,853
Dividends on preferred stock	—	—	—	13	159	159	419
Net income available to common shareholders	$14,313	$ 5,704	$ 7,643	$ 7,022	$ 7,251	$ 4,386	$ 4,434

	September 30,		December 31,				
	2018	2017	2017	2016	2015	2014	2013
	(Dollars in thousands)						
Statement of Financial Condition Data (At Period End):							
Interest earning deposits in other banks	$ 943,838	$ 240,198	$ 793,717	$ 31,055	$ 45,182	$ 37,188	$ 18,408
Securities	302,398	95,628	191,921	89,455	47,226	44,839	62,946
Loans held-for-investment, net	687,818	688,219	689,303	669,136	637,510	623,435	362,609
Loans held-for-sale	184,105	171,012	190,392	166,986	169,190	107,068	150,739
Total assets	2,150,553	1,219,358	1,891,948	981,068	951,854	868,952	647,253
Total deposits	1,937,326	983,836	1,775,146	767,862	633,533	544,244	453,050
FHLB advances	—	136,000	15,000	115,000	199,000	210,000	85,000
Total liabilities	1,967,169	1,147,305	1,818,148	915,261	881,461	805,469	588,586
Total shareholders' equity	183,384	72,053	73,800	65,807	70,393	63,483	58,667

	Nine months Ended September 30,		Year Ended December 31,				
	2018	2017	2017	2016	2015	2014	2013
	(Shares in thousands)						
Selected Performance Ratios [2] :							
Return on average assets (ROAA)	1.00%	0.73%	0.66%	0.76%	0.82%	0.61%	0.70%
Return on average equity (ROAE)	12.09%	10.96%	10.80%	10.45%	10.54%	7.18%	7.35%
Return on average common equity (ROACE)	12.09%	10.96%	10.80%	10.55%	11.83%	8.18%	9.02%
Net interest margin [3]	3.45%	3.77%	3.68%	3.68%	3.52%	3.25%	3.50%
Noninterest income / average assets	0.39%	0.25%	0.30%	0.36%	0.54%	0.78%	0.88%
Noninterest expense / average assets	2.41%	2.79%	2.67%	2.60%	2.44%	2.80%	3.04%
Efficiency ratio [4]	63.22%	69.87%	67.64%	65.23%	60.50%	70.25%	72.02%
Loan yield [5]	5.47%	5.19%	5.20%	4.92%	4.44%	4.31%	4.84%
Per Share Data:							
Common stock shares issued and outstanding at end of period	17,808	9,224	9,224	9,224	9,728	9,712	9,543
Basic weighted average shares outstanding	16,113	9,224	9,224	9,705	9,762	9,544	9,542
Diluted weighted average shares outstanding	16,607	9,610	9,618	10,039	10,067	9,775	9,663
Basic earnings per share	$ 0.89	$ 0.62	$ 0.83	$ 0.72	$ 0.74	$ 0.46	$ 0.46
Diluted earnings per share	$ 0.86	$ 0.59	$ 0.79	$ 0.70	$ 0.72	$ 0.45	$ 0.46
Book value per share	$ 10.30	$ 7.81	$ 8.00	$ 7.13	$ 7.24	$ 5.76	$ 5.35

	September 30,		December 31,				
	2018	2017	2017	2016	2015	2014	2013
	(Dollars in thousands)						
Nonperforming Assets:							
Nonperforming loans	$9,835	$ 4,555	$ 4,510	$ 5,126	$ 4,020	$ 4,800	$ 3,736
Troubled debt restructurings	$ 555	$ 616	$ 592	$ 944	$ 2,356	$ 2,105	$ 1,712
Other real estate owned, net	$ 41	$ 683	$ 2,308	$ 562	$ 1,292	$ —	$ 3,559
Nonperforming assets	$9,876	$ 5,238	$ 6,818	$ 5,688	$ 5,312	$ 4,800	$ 7,295
Asset Quality Ratios:							
Nonperforming assets / assets	0.46%	0.43%	0.36%	0.58%	0.56%	0.55%	1.13%
Nonperforming loans / loans (6)	1.42%	0.66%	0.65%	0.76%	0.63%	0.77%	1.02%
Nonperforming assets / loans (6) + other real estate owned	1.42%	0.75%	0.98%	0.84%	0.82%	0.77%	1.98%
Net charge-offs (recoveries) to average loans (6)	(0.01)%	0.03%	0.02%	0.00%	(0.01)%	0.01%	0.03%
Allowance for loan losses to total loans (6)	1.21%	1.16%	1.17%	1.19%	1.07%	0.80%	1.08%
Allowance for loan losses to nonperforming loans	85.29%	177.37%	181.04%	156.91%	171.64%	103.25%	105.11%
Bank Capital Ratios (At Period End):							
Tier 1 leverage ratio	9.12%	7.44%	6.33%	9.03%	9.40%	9.45%	11.42%
Common equity tier 1 capital	22.72%	13.73%	13.11%	13.06%	12.96%	N/A	N/A
Tier 1 risk-based capital	22.72%	13.73%	13.11%	13.06%	12.96%	13.83%	17.41%
Total risk-based capital ratio	23.81%	14.98%	14.29%	14.31%	14.04%	14.75%	18.40%
Common equity to total assets	8.23%	7.45%	4.89%	8.71%	8.80%	8.74%	10.96%

(1) The year ended December 31, 2017 included a $1.2 million increase in income tax expense related to the revaluation of our deferred tax assets resulting from the reduction in the corporate income tax rate as a result of the Tax Act.

(2) September 30, 2018 and 2017 data has been annualized except for efficiency ratio.

(3) Net interest margin is a ratio calculated as net interest income divided by average interest earning assets for the same period.

(4) Efficiency ratio is calculated by dividing noninterest expenses by net interest income plus noninterest income.

(5) Includes nonaccrual loans and loans 90 days and more past due.

(6) Loans exclude loans held-for-sale at each of the dates presented.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of our financial condition and results of operations should be read together with our consolidated financial statements and related notes thereto and other financial information included elsewhere in this prospectus. In addition to historical information, this discussion and analysis contains forward-looking statements that involve risks, uncertainties and assumptions that could cause actual results to differ materially from our expectations. Factors that could cause such differences are discussed in the sections entitled "Risk Factors" and "Cautionary Note Regarding Forward-Looking Statements." We assume no obligation to update any of these forward-looking statements except to the extent required by law.

The following discussion pertains to our historical results, on a consolidated basis. However, because we conduct all our material business operations through our wholly owned subsidiary, Silvergate Bank, the discussion and analysis relates to activities primarily conducted at the subsidiary level.

All dollar amounts in the tables in this section are in thousands of dollars, except per share data or where otherwise specifically noted.

Overview

The Company is a Maryland corporation that is the parent company of Silvergate Bank. The Company's assets consist primarily of its investment in the Bank and its primary activities are conducted through the Bank. The Company became a registered bank holding company that is subject to supervision by the Federal Reserve. The Bank is subject to supervision by the DBO and, as a Federal Reserve member bank since 2012, the Federal Reserve. The Bank's deposits are insured up to legal limits by the FDIC.

The Bank provides financial services that include commercial banking, business lending, commercial and residential real estate lending, and mortgage warehouse lending. Our client base is diverse and consists of business and individual clients in California and other states and includes digital currency-related customers in the United States and internationally. Following the Bank's conversion to a commercial bank we began introducing an expanded array of relationship-oriented business products and services, which in the past four years has been augmented by our digital currency initiative. While our commercial real estate lending activities are concentrated in California, we have a broader, nationwide focus on deposit and cash management services for digital currency-related businesses, as well as mortgage warehouse and correspondent residential lending. Our goal is to establish profitable long-term banking relationships.

Two major developments affecting our financial condition and results of operations since December 31, 2016 have been the substantial growth in our deposits and the change in their mix and the recent significant increase in our capital position, as described below.

From December 31, 2016 to September 30, 2018, our total deposits grew from $767.9 million to $1.9 billion, a 152.3% increase. More importantly, over the same period our noninterest bearing deposits grew from $166.5 million to $1.7 billion, representing more than a nine-fold increase. At September 30, 2018, noninterest bearing deposits represented 88.2% of our total deposits, compared to 21.7% of total deposits at December 31, 2016. These changes in total deposits and noninterest bearing deposits are predominantly a result of our digital currency initiative that originated in 2013, with deposits related to this initiative growing from $45.8 million (90.4% noninterest bearing) at December 31, 2016, to $1.6 billion (97.3% noninterest bearing) at September 30, 2018. This growth in primarily noninterest bearing deposits enabled us to meaningfully increase our interest earning assets and decrease our borrowings and higher cost time deposits, all of which contributed to a significant increase in net interest income and net income.

On February 23, 2018, we completed the largest capital raise in our history, a private placement which raised $107.9 million of common equity, net of transaction expenses, $60.0 million of which was contributed as

equity capital to our Bank subsidiary during the first quarter of 2018. Immediately after the sale of common stock, the Company purchased $11.4 million of common stock from an existing shareholder, resulting in a net increase in shareholders' equity of $96.5 million. Our equity capital growth during the first quarter of 2018 supported increases in all Company and Bank capital ratios at September 30, 2018, as compared to December 31, 2017, most notably Tier I leverage ratio increased from 6.15% to 10.25% for the Company and from 6.33% to 9.12% for the Bank, and total risk-based capital ratio increased from 13.88% to 26.56% for the Company and from 14.29% to 23.81% for the Bank.

Principal Factors Affecting Our Results of Operations

Net Income. Net income is calculated by taking interest and noninterest income and subtracting our costs to do business, such as interest, salaries, taxes and other operational expenses. We evaluate our net income based on measures that include net interest margin, return on average assets and return on average equity.

Net Interest Income. Net interest income represents interest income, less interest expense. We generate interest income from interest, dividends and fees received on interest earning assets, including loans, interest earning deposits in other banks and investment securities we own. We incur interest expense from interest paid on interest bearing liabilities, including interest bearing deposits, borrowings and other forms of indebtedness. Net interest income typically is the most significant contributor to our net income. To evaluate net interest income, we measure and monitor: (i) yields on our loans, interest earning deposits in other banks and other interest earning assets; (ii) the costs of our deposits and other funding sources; (iii) our net interest spread; and (iv) our net interest margin. Net interest spread is the difference between rates earned on interest earning assets and rates paid on interest bearing liabilities. Net interest margin is a ratio calculated as net interest income divided by average interest earning assets for the same period. Because noninterest bearing sources of funds, such as noninterest bearing deposits and shareholders' equity, also fund interest earning assets, net interest margin includes the benefit of these noninterest bearing sources.

Since we maintain high levels of liquidity for our customers who operate in the digital currency industry, the extent to which we can generate net interest income on our deposits is limited by the fact that a significant proportion of our deposits are related to our digital currency initiative. See "Prospectus Summary—Overview." Our diminished ability to generate interest income on our deposits in turn impacts our net interest margin. This impact is largely mitigated because currently deposits related to our digital currency initiative are generally noninterest bearing.

The success of our digital currency initiative has enabled the Bank to rapidly grow deposits from digital currency customers. The Bank deploys its customer deposits into interest earning deposits in other banks and securities, as well as into specialized lending opportunities that provide attractive risk-adjusted returns.

Changes in market interest rates and interest we earn on interest earning assets or pay on interest bearing liabilities, as well as the volume and types of our interest earning assets, interest bearing and noninterest bearing liabilities and shareholders' equity, usually have the largest impact on periodic changes in our net interest spread, net interest margin and net interest income. We measure net interest income before and after our provision for loan losses.

Provision for Loan Losses. Provision for loan losses is the amount of expense that, based on our management's judgment, is required to maintain our allowance for loan losses at an adequate level to absorb probable losses inherent in our loan portfolio at the applicable balance sheet date and that, in our management's judgment, is appropriate under relevant accounting guidance. Determination of the allowance for loan losses is complex and involves a high degree of judgment and subjectivity. For a description of the factors considered by our management in determining the allowance for loan losses see "—Financial Condition—Allowance for Loan Losses."

Noninterest Income. Noninterest income consists of, among other things: (i) mortgage warehouse fee income; (ii) service fees related to off-balance sheet deposits; (iii) deposit related fees; (iv) gain on sale of loans;

and (v) other noninterest income. Service fees related to off-balance sheet deposits are fees earned for off-balance sheet deposit placements, primarily for our digital currency customers. The placements are facilitated under agreements we have entered into with customers and nationally recognized third party service providers that, in accordance with customer instructions, allow us to sweep customer funds into deposit accounts at other insured depository institutions. In connection with such sweeps and placements, the Bank earns noninterest income based on the difference between the gross interest earned on such deposit placements and the net interest the Bank agreed to pay on such swept funds (if any). Deposit related fees include analyzed checking fees, account maintenance fees, insufficient funds fees, overdraft fees, stop payment fees, domestic and foreign wire interchange and card processing fee income.

Noninterest income has increased as the Bank has expanded deposit services to include cash sweep and analysis services to support customer demand. The Bank has also increased noninterest income related to foreign and domestic wire transactions which is a result of our digital currency initiative.

Noninterest Expense. Noninterest expense includes, among other things: (i) salaries and employee benefits; (ii) occupancy and equipment expense; (iii) communications and data processing fees (iv) professional services fees; (v) federal deposit insurance; (vi) correspondent bank charges; and (vii) other general and administrative expenses.

Salaries and employee benefits include compensation, employee benefits and tax expenses for our personnel. Occupancy and equipment expense includes depreciation expense, lease expense on our leased properties and other occupancy-related expenses. Equipment expense includes expenses related to our furniture, fixtures, equipment and software. Data processing fees include expenses paid to our third-party data processing system provider and other data service providers. Communications expense includes costs for telephone and internet. Professional fees include legal, accounting, consulting and other outsourcing arrangements. Federal deposit insurance expense relates to FDIC assessments based on the level of our deposits. Correspondent bank charges include wire transfer fees, transaction fees and service charges related to transactions settled with correspondent relationships. Other general and administrative expenses include expenses associated with travel, meals, advertising, promotions, sponsorships, training, supplies and postage. Noninterest expenses generally increase as we grow our business.

Noninterest expenses have increased as we have grown organically and as we have expanded and modernized our operational infrastructure and implemented our plan to build an efficient, technology-driven banking operation with significant capacity for growth. Significant increases in full-time equivalent employees have occurred in our operational and compliance division to support the continued deposit growth due to our digital currency initiative. In addition, we have expanded our information technology and security division to support enhancements in our technology infrastructure. Our professional services fees have increased as a result of our initiative to ensure we are operating efficiently and effectively while leveraging new and existing technology.

Factors Affecting Comparability of Financial Results

Following the completion of this offering, we expect to incur additional costs associated with operating as a public company. We expect that these costs will include additional personnel, legal, consulting, regulatory, insurance, accounting, investor relations and other expenses that we did not incur as a private company. The Sarbanes-Oxley Act, as well as rules adopted by the SEC, the Federal Reserve and national securities exchanges, requires public companies to implement specified corporate governance practices that are currently inapplicable to us as a private company. These additional rules and regulations will increase our legal, regulatory and financial compliance costs and will make some activities more time-consuming and costly.

Financial Condition

The primary factors we use to evaluate and manage our financial condition include asset quality, capital and liquidity.

Asset Quality. We manage the diversification and quality of our assets based on factors that include the level, distribution, severity and trend of problem, classified, delinquent, nonaccrual, nonperforming and restructured assets, the adequacy of our allowance for loan losses, the diversification and quality of our loan and investment portfolios, the extent of counterparty risks, credit risk concentrations and other factors.

Capital. Financial institution regulators have established guidelines for minimum capital ratios for banks and bank holding companies. During the first quarter of 2015, the Bank adopted the new Basel III regulatory capital framework as approved by federal banking agencies. The adoption of this new framework modified the calculation of the various capital ratios of the Bank, added a new ratio, common equity Tier 1, and revised the adequately and well capitalized thresholds of the Bank. In addition, Basel III established a new capital conservation buffer of 2.5% of risk-weighted assets, which is phased-in over a four-year period beginning January 1, 2016. The Bank's capital ratios at September 30, 2018 exceeded all current well capitalized regulatory requirements.

We manage capital based upon factors that include: (i) the level and quality of capital and our overall financial condition; (ii) the trend and volume of problem assets; (iii) the adequacy of reserves; (iv) the level and quality of earnings; (v) the risk exposures in our balance sheet; (vi) the levels of Tier 1 and total capital; (vii) the Tier 1 risk-based capital ratio, the total risk-based capital ratio, the Tier 1 leverage ratio, and the common equity Tier 1 capital ratio; (viii) the state of local and national economic conditions; and (ix) other factors including our asset growth rate, as well as certain liquidity ratios.

Liquidity. We manage liquidity based on factors that include the amount of core deposits as a percentage of total deposits, the level of diversification of our funding sources, the allocation and amount of our deposits among deposit types, the short-term funding sources used to fund assets, the amount of non-deposit funding used to fund assets, the availability of unused funding sources, off-balance sheet obligations, the availability of assets to be readily converted into cash without undue loss, the amount of cash, interest earning deposits in other banks and liquid securities we hold, the re-pricing characteristics and maturities of our assets when compared to the re-pricing characteristics of our liabilities and other factors.

We maintain high levels of liquidity for our customers who operate in the digital currency industry, as these deposits are subject to potentially dramatic fluctuations due to certain factors that may be outside of our control. See "Risk Factors—Risks Related to Our Traditional Banking Business—A lack of liquidity could impair our ability to fund operations and adversely impact our business, financial condition and results of operations." As a result, the Bank deploys its customer deposits into interest earning deposits in other banks and securities, as well as into specialized lending opportunities.

Results of Operations

Nine Months Ended September 30, 2018 compared to Nine Months Ended September 30, 2017

Net Income

The following table sets forth the principal components of net income for the periods indicated.

	Nine Months Ended September 30,			
	2018	2017	$ Increase/ (Decrease)	% Increase/ (Decrease)
	(Dollars in thousands)			
Interest income	$51,151	$34,411	$ 16,740	48.6%
Interest expense	2,391	5,281	(2,890)	(54.7)%
Net interest income	48,760	29,130	19,630	67.4%
Provision for loan losses	148	232	(84)	(36.2)%
Net interest income after provision	48,612	28,898	19,714	68.2%
Noninterest income	5,572	1,951	3,621	185.6%
Noninterest expense	34,346	21,717	12,629	58.2%
Net income before income taxes	19,838	9,132	10,706	117.2%
Income tax expense	5,525	3,428	2,097	61.2%
Net income	$14,313	$ 5,704	$ 8,609	150.9%

Net income for the nine months ended September 30, 2018 was $14.3 million, an increase of $8.6 million or 150.9% from net income of $5.7 million for the nine months ended September 30, 2017. The increase was primarily due to an increase of $19.6 million or 67.4% in net interest income, partially offset by a $12.6 million or 58.2% increase in noninterest expense, all as described below.

Net Interest Income and Net Interest Margin Analysis

We analyze our ability to maximize income generated from interest earning assets and control the interest expenses of our liabilities, measured as net interest income, through our net interest margin and net interest spread. Net interest income is the difference between the interest and fees earned on interest earning assets, such as loans, interest earning deposits in other banks and securities, and the interest expense incurred on interest bearing liabilities, such as deposits and borrowings, which are used to fund those assets. Net interest margin is a ratio calculated as net interest income divided by average interest earning assets for the same period. Net interest spread is the difference between average interest rates earned on interest earning assets and average interest rates paid on interest bearing liabilities.

Changes in market interest rates and the interest rates we earn on interest earning assets or pay on interest bearing liabilities, as well as in the volume and types of interest earning assets, interest bearing and noninterest bearing liabilities and shareholders' equity, are usually the largest drivers of periodic changes in net interest income, net interest margin and net interest spread. Fluctuations in market interest rates are driven by many factors, including governmental monetary policies, inflation, deflation, macroeconomic developments, changes in unemployment, the money supply, political and international conditions and conditions in domestic and foreign financial markets. Periodic changes in the volume and types of loans in our loan portfolio are affected by, among other factors, economic and competitive conditions in the Southern California region, developments affecting the real estate, technology, hospitality, tourism and financial services sectors within our target markets and throughout the Southern California region, the volume and availability of residential loan pools and non-qualified residential loans and mortgage banker relationships. Our ability to respond to changes in these factors by using effective asset-liability management techniques is critical to maintaining the stability of our net interest income and net interest margin as our primary sources of earnings.

The following tables show the average outstanding balance of each principal category of our assets, liabilities and shareholders' equity, together with the average yields on our assets and the average costs of our liabilities for the periods indicated. Such yields and cost are calculated by dividing income or expense by the average daily balances of the associated assets or liabilities for the same period.

AVERAGE BALANCE SHEET AND NET INTEREST ANALYSIS

	For the Nine Months Ended September 30,					
	2018			2017		
	Average Outstanding Balance	Interest Income/ Expense	Average Yield/ Rate	Average Outstanding Balance	Interest Income/ Expense	Average Yield/ Rate
	(Dollars in thousands)					
Assets						
Interest earning assets:						
Interest earning deposits in other banks	$ 770,368	$10,386	1.80%	$ 116,079	$ 1,048	1.21%
Securities	248,584	5,016	2.70%	95,497	1,430	2.00%
Loans (1)(2)	863,967	35,357	5.47%	812,782	31,537	5.19%
Other	8,994	392	5.83%	7,763	396	6.80%
Total interest earning assets	1,891,913	51,151	3.61%	1,032,121	34,411	4.46%
Noninterest earning assets	12,771			8,964		
Total assets	$1,904,684			$1,041,085		
Liabilities and Shareholders' Equity						
Interest bearing liabilities:						
Interest bearing deposits	$ 269,331	1,386	0.69%	$ 526,199	3,678	0.93%
FHLB advances and other	8,315	334	5.37%	88,864	1,023	1.54%
Subordinated debentures	15,793	671	5.68%	15,779	580	4.91%
Total interest bearing liabilities	293,439	2,391	1.09%	630,842	5,281	1.12%
Noninterest bearing liabilities:						
Noninterest bearing deposits	1,447,404			336,392		
Other liabilities	5,593			4,264		
Shareholders' equity	158,248			69,587		
Total liabilities and shareholders' equity	$1,904,684			$1,041,085		
Net interest spread (3)			2.53%			3.34%
Net interest income		$48,760			$29,130	
Net interest margin (4)			3.45%			3.77%

(1) Loans include nonaccrual loans and loans held-for-sale, net of deferred fees and before allowance for loan losses.
(2) Interest income includes amortization of deferred loan fees, net of deferred loan costs.
(3) Net interest spread is the difference between interest rates earned on interest earning assets and interest rates paid on interest bearing liabilities.
(4) Net interest margin is a ratio calculated as annualized net interest income divided by average interest earning assets for the same period.

Information regarding the dollar amount of changes in interest income and interest expense for the periods indicated for each major component of interest earning assets and interest bearing liabilities and distinguishes between the changes attributable to changes in volume and changes attributable to changes in interest rates. For

purposes of this table, changes attributable to both rate and volume that cannot be segregated have been proportionately allocated to both volume and rate.

ANALYSIS OF CHANGES IN NET INTEREST INCOME

	For the Nine Months Ended September 30, 2018 Compared to 2017		
	Change Due To		Interest Variance
	Volume	Rate	
	(Dollars in thousands)		
Interest Income:			
Interest earning deposits in other banks	$ 8,587	$ 751	$ 9,338
Securities	2,944	642	3,586
Loans	2,049	1,771	3,820
Other	60	(64)	(4)
Total interest income	$ 13,640	$ 3,100	$ 16,740
Interest Expense:			
Interest bearing deposits	$ (1,488)	$ (804)	$ (2,292)
FHLB advances and other	(1,543)	854	(689)
Subordinated debentures	—	91	91
Total interest expense	(3,031)	141	(2,890)
Net interest income	$ 16,671	$ 2,959	$ 19,630

Net interest income increased $19.6 million to $48.8 million for the nine months ended September 30, 2018 compared to $29.1 million for the nine months ended September 30, 2017, due to an increase of $16.7 million in interest income and a decrease of $2.9 million in interest expense. Interest earning assets and interest bearing liabilities, as well as the average rate paid on deposits were significantly impacted by the Company's digital currency initiative and the corresponding change in the Company's interest earning assets and interest bearing liabilities. Average total interest earning assets increased $859.8 million from $1.0 billion for the nine months ended September 30, 2017 to $1.9 billion for the nine months ended September 30, 2018. This increase was due to the inflow of noninterest bearing deposits related to our digital currency initiative which were invested primarily in interest bearing deposits and securities. The average balance of interest bearing deposits and securities increased from $116.1 million and $95.5 million, respectively, for the nine months ended September 30, 2017 to $770.4 million and $248.6 million, respectively, for the nine months ended September 30, 2018. The average annualized yield on total interest earning assets decreased from 4.46% for the nine months ended September 30, 2017 to 3.61% for the nine months ended September 30, 2018 as the funds from the inflow of noninterest bearing deposits were invested primarily in lower yielding and more liquid assets.

Average interest bearing liabilities decreased $337.4 million or 53.5% for the nine months ended September 30, 2018 as compared to September 30, 2017 primarily due to a decrease in interest bearing deposits between periods. The Company was able to replace these interest bearing deposits as a funding source due to the significant inflow of noninterest bearing deposits. The average balance of noninterest bearing deposits increased from $336.4 million for the nine months ended September 30, 2017 to $1.4 billion for the nine months ended September 30, 2018. As of September 30, 2018, noninterest bearing deposits amounted to $1.7 billion or 88.2% of total deposits.

For the nine months ended September 30, 2018, the net interest spread was 2.53% and the net interest margin was 3.45% compared to 3.34% and 3.77%, respectively, for the comparable period in 2017. The decreases in the nine months ended September 30, 2018 were due primarily to the investment of funds from noninterest bearing deposits in lower yielding assets, as described above.

Provision for Loan Losses

The provision for loan losses is a charge to income to bring our allowance for loan losses to a level deemed appropriate by management. For a description of the factors considered by our management in determining the allowance for loan losses see "—Financial Condition—Allowance for Loan Losses" and "—Critical Accounting Policies—Allowance for Loan Losses."

Our provision for loan losses amounted to $0.1 million and $0.2 million for the nine months ended September 30, 2018 and 2017, respectively. The decrease of $0.1 million was primarily due to changes in loan portfolio mix and the reduction of substandard loans from prior year. The allowance for loan losses to total gross loans held-for-investment was 1.21% at September 30, 2018 compared to 1.16% at September 30, 2017.

Noninterest Income

The following table presents, for the periods indicated, the major categories of noninterest income:

NONINTEREST INCOME

	Nine Months Ended September 30,			
	2018	2017	$ Increase/ (Decrease)	% Increase/ (Decrease)
	(Dollars in thousands)			
Noninterest income:				
Mortgage warehouse fee income	$1,152	$1,259	$ (107)	(8.5)%
Service fees related to off-balance sheet deposits	1,683	5	1,678	N/M
Deposit related fees	1,655	460	1,195	259.8%
Gain (loss) on sale of loans	699	(1)	700	N/M
Other income	383	228	155	68.0%
Total noninterest income	$5,572	$1,951	$ 3,621	185.6%

N/M—Not meaningful.

Noninterest income for the nine months ended September 30, 2018 was $5.6 million, an increase of $3.6 million or 185.6% compared to noninterest income of $2.0 million for the nine months ended September 30, 2017. This increase was primarily due to a $1.7 million increase in service fees related to off-balance sheet deposits due to increased off-balance sheet deposit placements primarily for our digital currency customers. Our off-balance sheet deposit placements are facilitated under agreements we have entered into with customers and nationally recognized third party service providers that, in accordance with customer instructions, allow us to sweep customer funds into deposit accounts at other insured depository institutions. In connection with such sweeps and placements, the Bank earns noninterest income based on the difference between the gross interest earned on such deposit placements and the net interest the Bank agreed to pay on such swept funds (if any). The increase was also due to a $1.2 million increase in deposit related fees such as analyzed checking fees and wire interchange fees associated with our digital currency initiative. During the nine months ended September 30, 2018, the Bank sold $49.2 million of non-qualified single family residential loans for a gain of $0.6 million. An additional $0.1 million gain was recognized as a result of a $1.1 million commercial real estate loan sale.

Noninterest Expense

The following table presents, for the periods indicated, the major categories of noninterest expense:

NONINTEREST EXPENSE

	Nine Months Ended September 30,			
	2018	2017	$ Increase/ (Decrease)	% Increase/ (Decrease)
	(Dollars in thousands)			
Noninterest expense:				
Salaries and employee benefits	$21,335	$14,384	$ 6,951	48.3%
Occupancy and equipment	2,251	1,747	504	28.8%
Communications and data processing	2,149	1,345	804	59.8%
Professional services	3,918	1,092	2,826	258.8%
Federal deposit insurance	1,078	414	664	160.4%
Correspondent bank charges	914	673	241	35.8%
Other loan expense	198	217	(19)	(8.8)%
Other real estate owned expense	42	4	38	N/M
Other general and administrative	2,461	1,841	620	33.7%
Total noninterest expense	$34,346	$21,717	$ 12,629	58.2%

N/M—Not meaningful.

Noninterest expense increased $12.6 million or 58.2% for the nine months ended September 30, 2018 compared to the nine months ended September 30, 2017 primarily due to increases in salaries and employee benefits and professional services. To a lesser extent, the increase in noninterest expense for the 2018 period was due to increases in occupancy and equipment, communications and data processing, federal deposit insurance fees, correspondent bank charges and other general and administrative expenses. The increase of $7.0 million in salaries and employee benefits was due to increased staffing related to the growth of the Bank. The Bank's full-time equivalent employees grew from 141 for the nine months ended September 30, 2017 to 190 for the nine months ended September 30, 2018 with significant increases in the Bank's Fintech, compliance and administration divisions to support the growth of the organization. The increase of $2.8 million in professional services fees was primarily related to consulting, recruiting, and audit services . Recruiting expenses increased as a direct result of the Bank's growth in staff. Professional services and consulting fees increased during the period as a result of numerous Bank initiatives designed to support infrastructure growth including technology improvements and enhanced internal control processes. As the Company continues to expand its technology solutions to compete in the digital currency market, these costs are expected to increase. Audit services increased as the Company prepared for complying with enhanced audit standards. Occupancy and equipment increased $0.5 million primarily due to expansion of the corporate headquarters to support our growth in headcount. Communications and data processing increased $0.8 million primarily due to updating our IT infrastructure and expansion projects to support our digital currency initiative. The increase of $0.7 million in federal deposit insurance payments was due to the significant increase in deposits compared to the prior period. We expect these payments to continue to increase if we continue to expand our deposit base. Correspondent bank charges increased $0.2 million primarily due to wire transfers and bank charges. Correspondent bank charges grew as a result of increased wire expenses and other bank charges paid to our third-party processors as a direct result of the increased activity related to our digital currency customers. While the volume of transactions supporting these charges is expected to grow in conjunction with the growth of our digital currency customers, the Bank is exploring technology solutions that will ideally mitigate some of these costs. Other general and administrative expense increased $0.6 million, or 33.7%, primarily due to marketing, travel and other expenses as we increased staff and expanded the operations of the Bank.

Income Tax Expense

The amount of income tax expense we incur is influenced by the amounts of our pre-tax income, and other nondeductible expenses. Deferred tax assets and liabilities are reflected at current income tax rates in effect for the period in which the deferred tax assets and liabilities are expected to be realized or settled. As changes in tax laws or rates are enacted, such as the Tax Act, deferred tax assets and liabilities are adjusted through the provision for income taxes. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized.

Income tax expense was $5.5 million for the nine months ended September 30, 2018 compared to $3.4 million for the nine months ended September 30, 2017. The increase was primarily related to increased pre-tax income and was partially offset by the decrease in our effective tax rate. Our effective tax rates for the nine months ended September 30, 2018 and 2017 were 27.9% and 37.5%, respectively. The decrease in the effective rate was primarily related to the change in the statutory federal rate as a result of the Tax Act.

Year Ended December 31, 2017 compared to Year Ended December 31, 2016

Net Income

The following table sets forth the principal components of net income for the periods indicated.

	Year Ended December 31,			
	2017	2016	$ Increase/ (Decrease)	% Increase/ (Decrease)
	(Dollars in thousands)			
Interest income	$48,306	$41,541	$ 6,765	16.3%
Interest expense	6,355	7,729	(1,374)	(17.8)%
Net interest income	41,951	33,812	8,139	24.1%
Provision for loan losses	262	1,136	(874)	(76.9)%
Net interest income after provision	41,689	32,676	9,013	27.6%
Noninterest income	3,448	3,308	140	4.2%
Noninterest expense	30,706	24,214	6,492	26.8%
Net income before income taxes	14,431	11,770	2,661	22.6%
Income tax expense	6,788	4,735	2,053	43.4%
Net income	$ 7,643	$ 7,035	$ 608	8.6%

Net income for the year ended December 31, 2017 was $7.6 million, an increase of $0.6 million, or 8.6%, from net income of $7.0 million for the year ended December 31, 2016. The increase was primarily due to an increase in net interest income, and to a lesser extent an increase in noninterest income and a decrease in the provision for loan losses, partially offset by increases in noninterest expense and income tax. Net interest income increased $8.1 million or 24.1% to $42.0 million for 2017 primarily due to of the significant inflow of noninterest bearing deposits related to the Company's digital currency initiative and the investment of such funds in interest earning deposits in other banks. This increase was partially offset by a $6.5 million increase in noninterest expense between 2016 and 2017, largely due to an increase in salaries and employee benefits, and a $2.1 million increase in income tax expense between 2016 and 2017 due to increased pre-tax income and the impact of the Tax Act.

Net Interest Income and Net Interest Margin Analysis

The following tables show the average outstanding balance of each principal category of our assets, liabilities and shareholders' equity, together with the average yields on our assets and the average costs of our liabilities for the periods indicated. Such yields and cost are calculated by dividing income or expense by the average daily balances of the associated assets or liabilities for the same period.

AVERAGE BALANCE SHEET AND NET INTEREST ANALYSIS

	For the Years Ended December 31,								
	2017			2016			2015		
	Average Outstanding Balance	Interest Income/ Expense	Average Yield/ Rate	Average Outstanding Balance	Interest Income/ Expense	Average Yield/ Rate	Average Outstanding Balance	Interest Income/ Expense	Average Yield/ Rate
	(Dollars in thousands)								
Assets									
Interest earning assets:									
Interest earning deposits in other banks	$ 203,029	$ 2,678	1.32%	$ 40,703	$ 209	0.51%	$ 37,820	$ 94	0.25%
Securities	106,730	2,274	2.13%	71,534	1,145	1.60%	47,293	829	1.75%
Loans (1)(2)	822,748	42,806	5.20%	799,843	39,369	4.92%	778,653	34,562	4.44%
Other	7,781	548	7.04%	7,668	818	10.67%	10,654	1,243	11.67%
Total interest earning assets	1,140,288	48,306	4.24%	919,748	41,541	4.52%	874,420	36,728	4.20%
Noninterest earning assets	9,473			10,022			9,260		
Total assets	$ 1,149,761			$ 929,770			$ 883,680		
Liabilities and Shareholders' Equity									
Interest bearing liabilities:									
Interest bearing deposits	$ 482,091	4,361	0.90%	$ 583,544	5,494	0.94%	$ 471,848	3,886	0.82%
FHLB advances and other	73,013	1,215	1.66%	132,146	1,527	1.16%	203,243	1,436	0.71%
Subordinated debentures	15,780	779	4.94%	15,974	708	4.43%	15,980	625	3.91%
Total interest bearing liabilities	570,884	6,355	1.11%	731,664	7,729	1.06%	691,071	5,947	0.86%
Noninterest bearing liabilities:									
Noninterest bearing deposits	503,480			126,002			120,064		
Other liabilities	4,596			4,903			4,347		
Shareholders' equity	70,801			67,201			68,198		
Total liabilities and shareholders' equity	$ 1,149,761			$ 929,770			$ 883,680		
Net interest spread (3)			3.13%			3.46%			3.34%
Net interest income		$ 41,951			$ 33,812			$ 30,781	
Net interest margin (4)			3.68%			3.68%			3.52%

(1) Loans include nonaccrual loans and loans held-for-sale, net of deferred fees and before allowance for loan losses.
(2) Interest income includes amortization of deferred loan fees, net of deferred loan costs.
(3) Net interest spread is the difference between interest rates earned on interest earning assets and interest rates paid on interest bearing liabilities.
(4) Net interest margin is a ratio calculated as net interest income divided by average interest earning assets for the same period.

The following table presents information regarding the dollar amount of changes in interest income and interest expense for the periods indicated for each major component of interest earning assets and interest bearing liabilities and distinguishes between the changes attributable to changes in volume and changes attributable to changes in interest rates. For purposes of this table, changes attributable to both rate and volume that cannot be segregated have been proportionately allocated to both volume and rate.

ANALYSIS OF CHANGES IN NET INTEREST INCOME

	For the Year Ended December 31, 2017 Compared to 2016			For the Year Ended December 31, 2016 Compared to 2015		
	Change Due To		Interest Variance	Change Due To		Interest Variance
	Volume	Rate		Volume	Rate	
	(Dollars in thousands)					
Interest Income:						
Interest earning deposits in other banks	$ 1,773	$ 696	$ 2,469	$ 8	$ 107	$ 115
Securities	681	448	1,129	391	(75)	316
Loans	1,132	2,305	3,437	885	3,922	4,807
Other	12	(282)	(270)	(337)	(88)	(425)
Total interest income	3,598	3,167	6,765	947	3,866	4,813
Interest Expense:						
Interest bearing deposits	(924)	(209)	(1,133)	1,003	605	1,608
FHLB advances and other	(835)	523	(312)	(616)	707	91
Subordinated debentures	(9)	80	71	—	83	83
Total interest expense	(1,768)	394	(1,374)	387	1,395	1,782
Net interest income	$ 5,366	$ 2,773	$ 8,139	$ 560	$ 2,471	$ 3,031

Net interest income increased $8.1 million to $42.0 million for 2017 compared to $33.8 million for 2016, due to an increase of $6.8 million in interest income and a decrease of $1.4 million in interest expense. Interest earning assets and interest bearing liabilities, as well as the average rate paid on deposits, were significantly impacted by the Company's digital currency initiative and the corresponding change in the Company's interest earning assets and interest bearing liabilities. Average total interest earning assets increased from $919.7 million for 2016 to $1.1 billion for 2017. This $220.5 million, or 24.0%, increase was primarily due to the inflow of noninterest bearing deposits, mostly in the fourth quarter of 2017, related to our digital currency initiative, which were invested primarily in interest earning deposits in other banks. The average balance of interest earning deposits increased from $40.7 million for 2016 to $203.0 million for 2017. To a lesser extent, the increased funds from the inflow of noninterest bearing deposits were used to fund investment securities resulting in an increase in the average balance of investment securities from $71.5 million in 2016 to $106.7 million in 2017. While the average yield on interest earning deposits, securities and loans increased in 2017 compared to 2016, primarily due to increases in market interest rates, the average yield on total interest earning assets decreased from 4.52% in 2016 to 4.24% in 2017. This net decrease was due to the substantial increase in the average volume of lower yielding interest earning deposits and investments which had average yields of 1.32% and 2.13%, respectively, in 2017.

Average interest bearing liabilities decreased $160.8 million, or 22.0%, to $570.9 million for 2017 compared to $731.7 million for 2016. The decrease was primarily due to decreases in the average balance of interest bearing deposits and borrowed funds. The Company more than offset the decrease in these funding sources with noninterest bearing deposits. The average balance of interest bearing deposits decreased to $482.1 million in 2017 compared to $583.5 million in 2016 and the average balance of borrowed funds decreased from $132.1 million in 2016 to $73.0 million in 2017. Conversely, the average balance of noninterest bearing

deposits increased substantially from $126.0 million in 2016 to $503.5 million in 2017. At December 31, 2017, noninterest bearing demand accounts amounted to $1.5 billion, or 82.5% of total deposits.

The net interest spread for 2017 was 3.13% while the net interest margin was 3.68%. This compares to a net interest spread of 3.46% and a net interest margin of 3.68% for 2016. The decrease in the net interest spread in 2017 was due to the investment of funds from noninterest bearing deposits in lower yielding assets, as described above.

Provision for Loan Losses

Our provision for loan losses amounted to $0.3 million for 2017 and $1.1 million for 2016. The decrease of $0.9 million or 76.9% was due to changes made to economic factors used in the allowance calculation which was elevated in 2016 and remained stable in 2017. The allowance for loan losses to total gross loans held-for-investment was 1.17% at December 31, 2017 compared to 1.19% at December 31, 2016.

Noninterest Income

The following table presents, for the periods indicated, the major categories of noninterest income:

NONINTEREST INCOME

	Year Ended December 31,			
	2017	2016	$ Increase/ (Decrease)	% Increase/ (Decrease)
	(Dollars in thousands)			
Noninterest income:				
Mortgage warehouse fee income	$1,732	$2,112	$ (380)	(18.0)%
Service fees related to off-balance sheet deposits	223	—	223	100.0%
Deposit related fees	702	160	542	338.8%
Gain on sale of loans	459	658	(199)	(30.2)%
Other income	332	378	(46)	(12.2)%
Total noninterest income	$3,448	$3,308	$ 140	4.2%

Noninterest income for 2017 was $3.4 million, a $0.1 million, or 4.2%, increase compared to noninterest income of $3.3 million for 2016. This increase in 2017 was primarily due to an increase in service fees related to off-balance sheet deposits of $0.2 million and deposit related fees of $0.5 million, largely resulting from increased off-balance sheet deposit placements and wire transfers related to our digital currency initiative. Our off-balance sheet deposit placements are facilitated under agreements we have entered into with customers and nationally recognized third party service providers that, in accordance with customer instructions, allow us to sweep customer funds into deposit accounts at other insured depository institutions. In connection with such sweeps and placements, the Bank earns noninterest income based on the difference between the gross interest earned on such deposit placements and the net interest the Bank agreed to pay on such swept funds (if any). This increase was partially offset by decreases in gain on sale of loans of $0.2 million, mortgage warehouse fee income of $0.4 million and other income. The decrease in gain on sale of loans was primarily due to decreased sales activity between 2016 and 2017, primarily with respect to sales of reverse mortgages. Mortgage warehouse fee income decreased in 2017 due to decreased financing activity. The decrease in other income in 2017 was primarily due to the absence of income related to our securitized reverse mortgage loans.

Noninterest Expense

The following table presents, for the periods indicated, the major categories of noninterest expense:

NONINTEREST EXPENSE

	Year Ended December 31,			
	2017	2016	$ Increase/ (Decrease)	% Increase/ (Decrease)
	(Dollars in thousands)			
Noninterest expense:				
Salaries and employee benefits	$20,168	$15,886	$ 4,282	27.0%
Occupancy and equipment	2,397	1,887	510	27.0%
Communications and data processing	1,920	1,964	(44)	(2.2)%
Professional services	1,556	856	700	81.8%
Federal deposit insurance	683	579	104	18.0%
Correspondent bank charges	1,100	433	667	154.0%
Other loan expense	270	310	(40)	(12.9)%
Other real estate owned expense	22	32	(10)	(31.3)%
Other general and administrative	2,590	2,267	323	14.2%
Total noninterest expense	$30,706	$24,214	$ 6,492	26.8%

Noninterest expense increased $6.5 million or 26.8% in 2017 compared to 2016 primarily due to an increase in salaries and employee benefits and, to a lesser extent, increases in occupancy and equipment expenses, professional services, correspondent bank charges, and other expenses. The increase of $4.3 million or 27.0% in salaries and employee benefits was due to increased staffing and production incentives related to the growth of the Bank. Our full-time equivalent employees grew from 130 at December 31, 2016 to 161 at December 31, 2017 with significant increases in our business lending and correspondent lending divisions. The business lending division offers loans to small to medium size businesses where the correspondent lending division specializes in production of non-qualified single-family residential, or Non-QM SFR loans. The bank has also increased staff in our operational and administration divisions to support the growth of the company. Occupancy and equipment expense increased $0.5 million, or 27.0%, due to expansion of our corporate headquarters and investments to the Bank's technology. Professional services increased $0.7 million, or 81.8%, due primarily to an increase in consulting and internal audit services. Correspondent bank charges increased $0.7 million, or 154.0%, due to an increase in wire transfers and bank charges. Other general and administrative expense increased $0.3 million, or 14.2%, due to travel and employee related expenses as we increase staff and grow the Bank.

Income Tax Expense

Income tax expense was $6.8 million for 2017 and $4.7 million for 2016. Total income tax expense increased $2.1 million in 2017 primarily due to an increase in pre-tax income and the Tax Act, which includes a number of changes to existing U.S. tax laws that impact the Company, most notably a reduction of the U.S. corporate income tax rate to 21% for tax years beginning after December 31, 2017. Because of the reduction in the corporate income tax rate, a revaluation of our deferred tax assets resulted in a $1.2 million increase in tax expense for 2017. Our effective tax rates for 2017 and 2016 were 47.0% and 40.2%, respectively.

Financial Condition

As of September 30, 2018, our total assets increased to $2.2 billion compared to $1.9 billion as of December 31, 2017. Shareholders' equity increased $109.6 million, or 148.5%, to $183.4 million at September 30, 2018. The increase in shareholders' equity was due to net proceeds of $107.9 million from the sale of common stock in the first quarter of 2018. Immediately after the sale of common stock, the Company purchased $11.4 million of common stock from an existing shareholder, resulting in a net increase in shareholders' equity of $96.5 million. In addition, net income for the nine months ended September 30, 2018 amounted to $14.3 million, increasing retained earnings.

For the year ended December 31, 2017, our total assets increased $910.9 million from $981.1 million at December 31, 2016 to $1.9 billion at December 31, 2017. This 92.8% increase was due almost entirely to our digital currency initiative as our noninterest bearing deposits from such initiative were primarily invested in interest earning deposits in other banks. Shareholders' equity increased $8.0 million, or 12.1%, to $73.8 million at December 31, 2017.

Deposits

Deposits are the major source of funding for the Company. We offer a variety of deposit products including interest and noninterest bearing demand accounts, money market and savings accounts and certificates of deposit, all of which we market at competitive pricing. We generate deposits from our customers on a relationship basis and through the efforts of our commercial lending officers and our business banking officers. Deposits increased to $1.9 billion at September 30, 2018 from $1.8 billion at December 31, 2017. Deposits increased to $1.8 billion at December 31, 2017 from $767.9 million at December 31, 2016. The $1.0 billion or 131.2% increase was due almost entirely to an increase of $1.3 billion in noninterest bearing demand accounts partially offset by decreases in money market and savings accounts and certificates of deposit of $192.1 million and $138.2 million, respectively.

Our digital currency initiative has contributed significantly to an increase in our noninterest bearing deposits, which has driven the Bank's funding costs to among the lowest in the U.S. banking industry. This has allowed us to generate attractive returns on lower risk assets through increased investments in interest earning deposits in other banks and securities, as well as funding limited loan growth.

We segment our deposits based on their potential volatility, which drives our choices regarding the assets we fund with such deposits. Deposits attributable to digital currency exchange and investor funds have the highest potential volatility. See "Risk Factors—Risks Related to Our Digital Currency Initiative Our digital currency initiative has contributed significantly to an increase in our noninterest bearing deposits, which has driven the Bank's funding costs to levels that may not be sustainable." We invest these funds primarily in interest earning deposits in other banks and adjustable rate securities available-for-sale.

The Company has increased noninterest bearing deposits as a percentage of total deposits from 12.4% as of December 31, 2013 to 88.2% as of September 30, 2018, an increase that is largely attributable to the success of the digital currency initiative. This funding base has substantially reduced the Company's cost of funds and allowed the Company to focus on retaining lower cost deposits. Our cost of total deposits and our cost of funds was 0.11% and 0.18%, respectively, for the nine months ended September 30, 2018 as compared to 0.78% and 1.00%, respectively, for the year ended December 31, 2013.

The following table presents the average balances and average rates paid on deposits for the periods indicated:

COMPOSITION OF DEPOSITS

	For the Nine Months Ended September 30,		For the Year Ended December 31,					
	2018		2017		2016		2015	
	Average Balance	Average Rate	Average Balance	Average Rate	Average Balance	Average Rate	Average Balance	Average Rate
	(Dollars in thousands)							
Noninterest bearing demand accounts	$1,447,404	—	$503,480	—	$126,002	—	$120,064	—
Interest bearing accounts:								
Interest bearing demand accounts	54,118	0.14%	27,117	0.16%	16,683	0.35%	15,133	0.30%
Money market and savings accounts	148,641	0.55%	277,615	0.67%	295,349	0.75%	199,971	0.66%
Certificates of deposit	66,572	1.44%	177,359	1.37%	271,512	1.19%	256,745	0.98%
Total interest bearing deposits	269,331	0.69%	482,091	0.90%	583,544	0.94%	471,849	0.82%
Total deposits	$1,716,735	0.11%	$985,571	0.44%	$709,546	0.77%	$591,913	0.66%

The following table presents the maturities of our certificates of deposit as of September 30, 2018:

MATURITIES OF CERTIFICATES OF DEPOSIT

	Three Months or Less	Over Three Through Six Months	Over Six Through Twelve Months	Over Twelve Months	Total
	(Dollars in thousands)				
$100,000 or more	$3,523	$ 6,235	$17,433	$2,759	$29,950
Less than $100,000	1,601	1,682	4,437	928	8,648
Total	$5,124	$ 7,917	$21,870	$3,687	$38,598

Interest Earning Deposits in Other Banks

Interest earning deposits in other banks increased from $793.7 million at December 31, 2017 to $943.8 million at September 30, 2018 due to higher balance with the FRB resulting from our digital currency initiative. Interest earning deposits in other banks increased from $31.1 million at December 31, 2016 to $793.7 million at December 31, 2017 due to the impact of our digital currency initiative.

Securities

We use our securities portfolio to provide a source of liquidity, provide an appropriate return on funds invested, manage interest rate risk, meet collateral requirements and meet regulatory capital requirements.

Management classifies investment securities as either held-to-maturity or available-for-sale based on our intentions and the Company's ability to hold such securities until maturity. In determining such classifications, securities that management has the positive intent and the Company has the ability to hold until maturity are

classified as held to maturity and carried at amortized cost. All other securities are designated as available-for-sale and carried at estimated fair value with unrealized gains and losses included in shareholders' equity on an after-tax basis. For the years presented, substantially all securities were classified as available-for-sale.

Our securities portfolio has grown substantially as our noninterest bearing deposits attributable to our digital currency initiative have expanded. Our securities available-for-sale increased $110.5 million, or 57.6%, from $191.8 million at December 31, 2017 to $302.3 million at September 30, 2018. Our securities available-for-sale increased $102.7 million, or 115.4%, from $89.1 million at December 31, 2016 to $191.8 million at December 31, 2017. To supplement interest income earned on our loan portfolio, we invest in high quality mortgage-backed securities, collateralized mortgage obligations and asset backed securities.

The following tables summarize the contractual maturities and weighted-average yields of investment securities at September 30, 2018 and the amortized cost and carrying value of those securities as of the indicated dates.

SECURITIES

	One Year or Less		More Than One Year Through Five Years		More Than Five Years Through 10 Years		More Than 10 Years		Total		
	Amortized Cost	Weighted Average Yield	Amortized Cost	Weighted Average Yield	Amortized Cost	Weighted Average Yield	Amortized Cost	Weighted Average Yield	Amortized Cost	Fair Value	Weighted Average Yield
At September 30, 2018	(Dollars in thousands)										
Securities Available-for-Sale:											
Mortgage-backed securities:											
Residential	$ —	—	$ 71	4.31%	$ —	—	$ 890	3.75%	$ 961	$ 989	3.79%
Commercial real estate	—	—	—	—	—	—	21,263	3.46%	21,263	21,028	3.46%
Collateralized mortgage obligations	—	—	15,818	1.84%	8,076	1.77%	50,778	2.77%	74,672	72,569	2.47%
Asset backed securities	—	—	—	—	—	—	207,811	2.92%	207,811	207,731	2.92%
Securities Held-to-Maturity:											
Collateralized mortgage obligations	—	—	—	—	—	—	81	2.33%	81	81	2.33%
Total Securities	$ —	—	$ 15,889	1.85%	$ 8,076	1.77%	$280,823	2.94%	$304,788	$302,398	2.85%

	September 30, 2018 Total		December 31, 2017 Total		December 31, 2016 Total		December 31, 2015 Total	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value
	(Dollars in thousands)							
Securities Available-for-Sale:								
Mortgage-backed securities:								
Residential	$ 961	$ 989	$ 1,075	$ 1,114	$ 1,269	$ 1,319	$ 1,918	$ 2,010
Commercial real estate	21,263	21,028	24,549	24,550	—	—	—	—
Collateralized mortgage obligations	74,672	72,569	85,043	84,038	89,008	87,731	44,629	44,644
Asset backed securities	207,811	207,731	82,191	82,100	—	—	—	—
Securities Held-to-Maturity:								
Collateralized mortgage obligations	81	81	119	119	405	410	572	584
Total Securities	$ 304,788	$302,398	$ 192,977	$191,921	$ 90,682	$89,460	$ 47,119	$47,238

Loan Portfolio

Our primary source of income is derived from interest earned on loans. Our loan portfolio consists of loans secured by real estate and mortgage warehouse loans, as well as commercial and industrial loans. Our loan customers primarily consist of small- to medium-sized businesses, professionals, real estate investors, small residential builders and individuals. Our owner-occupied and investment commercial real estate loans, multi-family loans and commercial and industrial loans provide us with higher risk-adjusted returns, relatively shorter maturities and more sensitivity to interest rate fluctuations, and are complemented by our relatively lower risk residential real estate loans to individuals. Our commercial real estate, multi-family real estate, construction and commercial and industrial lending activities are principally directed to our market area of Southern California. Our one-to-four family residential loans and warehouse loans are sourced throughout the United States.

The following table summarizes our loan portfolio by loan segment as of the dates indicated:

COMPOSITION OF LOAN PORTFOLIO

	As of September 30,		As of December 31,									
	2018		2017		2016		2015		2014		2013	
	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent
	(Dollars in thousands)											
Real estate:												
One-to-four family	$ 184,847	26.6%	$219,855	31.6%	$220,784	32.7%	$231,107	35.9%	$193,561	31.1%	$ 74,708	20.4%
Multi-family	23,270	3.4%	23,958	3.4%	26,344	3.9%	30,421	4.7%	33,287	5.3%	39,324	10.8%
Commercial	344,773	49.6%	346,227	49.8%	284,547	42.1%	211,303	32.9%	175,932	28.3%	132,031	36.2%
Construction	3,087	0.4%	5,171	0.7%	39,529	5.9%	43,761	6.8%	18,514	3.0%	14,520	4.0%
Commercial and industrial	88,173	12.7%	50,852	7.3%	40,816	6.0%	25,768	4.0%	5,609	0.9%	3,219	0.9%
Consumer and other	125	0.0%	1,262	0.2%	1,321	0.2%	2,355	0.4%	2,534	0.4%	2,694	0.7%
Reverse mortgage	1,901	0.3%	2,524	0.4%	4,534	0.7%	157	0.1%	109,713	17.6%	41,550	11.4%
Mortgage warehouse	48,409	7.0%	45,718	6.6%	57,525	8.5%	98,035	15.2%	83,703	13.4%	57,117	15.6%
Total gross loans held-for-investment	694,585	100.0%	695,567	100.0%	675,400	100.0%	642,907	100.0%	622,853	100.0%	365,163	100.0%
Deferred fees, net	1,621		1,901		1,780		1,503		5,538		1,373	
Total loans held-for-investment	696,206		697,468		677,180		644,410		628,391		366,536	
Allowance for loan losses	(8,388)		(8,165)		(8,044)		(6,900)		(4,956)		(3,927)	
Total net loans	$ 687,818		$689,303		$669,136		$637,510		$623,435		$362,609	
Loans held-for-sale	$ 184,105		$190,392		$166,986		$169,190		$107,068		$150,739	

The repayment of loans is a source of additional liquidity for us. The following table details maturities and sensitivity to interest rate changes for our loan portfolio at September 30, 2018:

LOAN MATURITY AND SENSITIVITY TO CHANGES IN INTEREST RATES

	As of September 30, 2018			
	Due in One Year or Less	Due in One to Five Years	Due After Five Years	Total
	(Dollars in thousands)			
Real estate:				
One-to-four family	$ 85	$ 414	$184,348	$184,847
Multi-family	4,350	9,427	9,493	23,270
Commercial	17,785	157,928	169,060	344,773
Construction	1,085	588	1,414	3,087
Commercial and industrial	18,443	16,714	53,016	88,173
Consumer and other	125	—	—	125
Reverse mortgage	—	—	1,901	1,901
Mortgage warehouse	—	—	48,409	48,409
Total gross loans held-for-investment	$ 41,873	$ 185,071	$467,641	$694,585
Amounts with fixed rates	$ 11,621	$ 118,243	$ 95,103	$224,967
Amounts with floating rates	$ 30,252	$ 66,828	$372,538	$469,618

Nonperforming Assets

Loans are considered past due if the required principal and interest payments have not been received as of the date such payments were due. Loans are placed on nonaccrual status when, in management's opinion, the borrower may be unable to meet payment obligations as they become due, as well as when required by regulatory provisions. Loans may be placed on nonaccrual status regardless of whether such loans are actually past due. In general, we place loans on nonaccrual status when they become 90 days past due. We also place loans on nonaccrual status if they are less than 90 days past due if the collection of principal or interest is in doubt. When interest accrual is discontinued, all unpaid accrued interest is reversed from income. Interest income is subsequently recognized only to the extent cash payments received exceed principal due. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are, in management's opinion, reasonably assured. Any loan which the Bank deems to be uncollectible, in whole or in part, is charged off to the extent of the anticipated loss. Loans that are past due for 180 days or more are charged off unless the loan is well secured and in the process of collection.

We believe our disciplined lending approach and focused management of nonperforming assets has resulted in sound asset quality and timely resolution of problem assets. We have several procedures in place to assist us in maintaining the overall quality of our loan portfolio. We have established underwriting guidelines to be followed by our bankers, and we also monitor our delinquency levels for any negative or adverse trends. There can be no assurance, however, that our loan portfolio will not become subject to increasing pressures from deteriorating borrower credit due to general economic conditions.

Nonperforming loans increased to $9.8 million, or 1.42% of total loans, at September 30, 2018 compared to $4.5 million, or 0.65% of total loans, at December 31, 2017. The increase in nonperforming loans during the nine months ended September 30, 2018 was primarily due to a loan relationship consisting of three commercial and industrial loans in an aggregate amount of $4.5 million. All loans are cross defaulted and are collateralized by either, or a combination of, real estate, accounts receivable, the assignment of rent and personal guarantees. The Bank and the borrowers and guarantors entered into a repayment agreement effective October 2, 2018. The Company has performed an impairment and collateral analysis on the loans associated with this relationship and does not expect to incur any losses at this time. Nonperforming loans decreased to $4.5 million, or 0.65% of total loans, at December 31, 2017 compared to $5.1 million, or 0.76% of total loans, at December 31, 2016.

Other real estate owned decreased to $41,000 as of September 30, 2018 compared to $2.3 million as of December 31, 2017, due to sales during the period. Other real estate owned increased to $2.3 million as of December 31, 2017 compared to $0.6 million as of December 31, 2016 primarily due to the foreclosure on one single-family residence.

Total nonperforming assets were $9.9 million and $6.8 million at September 30, 2018 and December 31, 2017, respectively, or 0.46% and 0.36%, respectively, of total assets. Total nonperforming assets were $5.7 million at December 31, 2016 or 0.58% of total assets.

The following table presents information regarding nonperforming assets at the dates indicated:

NONPERFORMING ASSETS

	As of September 30, 2018	As of December 31,				
		2017	2016	2015	2014	2013
	(Dollars in thousands)					
Nonaccrual loans						
Real Estate:						
One-to-four family	$ 3,520	$2,652	$2,500	$1,911	$2,049	$1,634
Commercial	440	—	—	1,776	1,968	1,608
Commercial and industrial	4,482	—	177	176	377	346
Reverse mortgage	1,393	1,858	2,250	157	406	148
Accruing loans 90 or more days past due	—	—	199	—	—	—
Total gross nonperforming loans	9,835	4,510	5,126	4,020	4,800	3,736
Other real estate owned, net	41	2,308	562	1,292	—	3,559
Total nonperforming assets	$ 9,876	$6,818	$5,688	$5,312	$4,800	$7,295
Restructured loans-nonaccrual	$ 394	$ 424	$ 903	$1,993	$1,212	$1,287
Restructured loans-accruing	$ 161	$ 168	$ 41	$ 363	$ 893	$ 425
Ratio of nonperforming loans to total loans (1)	1.42%	0.65%	0.76%	0.63%	0.77%	1.02%
Ratio of nonperforming assets to total assets	0.46%	0.36%	0.58%	0.56%	0.55%	1.13%

(1) Total loans exclude loans held-for-sale at each of the dates presented.

Loans Grading

From a credit risk standpoint, we grade watchlist and problem loans into one of five categories: pass, special mention, substandard, doubtful or loss. The classifications of loans reflect a judgment about the risks of default and loss associated with the loan. We review the ratings on credits regularly. Ratings are adjusted regularly to reflect the degree of risk and loss that our management believes to be appropriate for each credit. Our methodology is structured so that specific reserve allocations are increased in accordance with deterioration in credit quality (and a corresponding increase in risk and loss) or decreased in accordance with improvement in credit quality (and a corresponding decrease in risk and loss). The Bank uses the following definitions for watch list risk ratings:

- *Pass.* Loans in all classes that are not adversely rated, are contractually current as to principal and interest, and are otherwise in compliance with the contractual terms of the loan agreement. Management believes that there is a low likelihood of loss related to those loans that are considered pass.
- *Special Mention.* A special mention loan has potential weaknesses deserving of management's close attention. If uncorrected, such weaknesses may result in deterioration of the repayment prospects for the asset or in our credit position at some future date.

- *Substandard.* A substandard loan is inadequately protected by the current financial condition and paying capacity of the obligor or of the collateral pledged, if any. Loans so classified have a well-defined weakness or weaknesses that jeopardize the liquidation of the debt. They are characterized by the distinct possibility that we will sustain some loss if deficiencies are not corrected.
- *Doubtful* . A doubtful loan has all weaknesses inherent in one classified as substandard, with the added characteristic that weaknesses make collection or liquidation in full, on the basis of existing facts, conditions, and values, highly questionable and improbable.
- *Loss.* Credits rated as loss are charged-off. We have no expectation of the recovery of any payments in respect of credits rated as loss.

The following table presents the loan balances by segment as well as risk rating. No assets were classified as loss during the periods presented.

LOAN CLASSIFICATION

	Pass	Special Mention	Substandard	Doubtful	Total
			(Dollars in thousands)		
September 30, 2018					
Real estate:					
One-to-four family	$181,505	$ —	$ 3,342	$ —	$184,847
Multi-family	23,270	—	—	—	23,270
Commercial	344,067	—	706	—	344,773
Construction	3,087	—	—	—	3,087
Commercial and industrial	81,600	2,091	4,482	—	88,173
Consumer and other	125	—	—	—	125
Reverse mortgage	208	300	1,393	—	1,901
Mortgage warehouse	48,409	—	—	—	48,409
Total	$682,271	$ 2,391	$ 9,923	$ —	$694,585
December 31, 2017					
Real estate:					
One-to-four family	$217,203	$ —	$ 2,652	$ —	$219,855
Multi-family	23,958	—	—	—	23,958
Commercial	342,391	1,889	1,947	—	346,227
Construction	5,171	—	—	—	5,171
Commercial and industrial	50,136	716	—	—	50,852
Consumer and other	1,262	—	—	—	1,262
Reverse mortgage	156	510	1,858	—	2,524
Mortgage warehouse	45,718	—	—	—	45,718
Total	$685,995	$ 3,115	$ 6,457	$ —	$695,567
December 31, 2016					
Real estate:					
One-to-four family	$218,284	$ —	$ 2,500	$ —	$220,784
Multi-family	26,344	—	—	—	26,344
Commercial	281,223	1,176	2,148	—	284,547
Construction	39,320	—	209	—	39,529
Commercial and industrial	40,639	—	177	—	40,816
Consumer and other	1,321	—	—	—	1,321
Reverse mortgage	668	1,615	2,251	—	4,534
Mortgage warehouse	57,525	—	—	—	57,525
Total	$665,324	$ 2,791	$ 7,285	$ —	$675,400

Loan Reviews and Problem Loan Management.

Our credit administration staff conducts meetings at least eight times a year to review asset quality and loan delinquencies. The Bank's Lending and Collection Policy requires that we perform annual reviews of every loan of $250,000 or more not rated special mention or adversely classified. Individual loan reviews encompass a loan's payment status and history, current and projected paying capacity of the borrower and/or guarantor(s), current condition and estimated value of any collateral, sufficiency of credit and collateral documentation, and compliance with Bank and regulatory lending standards. Loan reviewers assign an overall loan risk rating from one of the Bank's loan rating categories and prepare a written report summarizing the review, with any work papers related to the review retained.

Once a loan is identified as a problem loan or a loan requiring a workout, the Bank makes an evaluation and develops a plan for handling the loan. In developing such a plan, management reviews all relevant information from the loan file and any loan review reports. We have a conversation with the borrower and update current and projected financial information (including borrower global cash flows when possible) and collateral valuation estimates. Following analysis of all available relevant information, management adopts an action plan from the following alternatives: (a) continuation of loan collection efforts on their existing terms, (b) a restructure of the loan's terms, (c) a sale of the loan, (d) a charge off or partial charge off, (e) foreclosure on pledged collateral, or (f) acceptance of a deed in lieu of foreclosure.

Impaired Loans and TDRs. Impaired loans also include certain loans that have been modified as troubled debt restructurings, or TDRs. As of September 30, 2018 the Company held eight loans amounting to $0.6 million, which were TDRs, compared to nine loans amounting to $0.6 million at December 31, 2017 and nine loans totaling $0.9 million at December 31, 2016.

A loan is identified as a TDR when a borrower is experiencing financial difficulties and, for economic or legal reasons related to these difficulties, the Company grants a concession to the borrower in the restructuring that it would not otherwise consider. The Company has granted a concession when, as a result of the restructuring, it does not expect to collect all amounts due or within the time periods originally due under the original contract, including one or a combination of the following: a reduction of the stated interest rate of the loan; an extension of the maturity date at a stated rate of interest lower than the current market rate for new debt with similar risk; or a temporary forbearance with regard to the payment of principal or interest. All troubled debt restructurings are reviewed for potential impairment. Generally, a nonaccrual loan that is restructured remains on nonaccrual status for a minimum period of six months to demonstrate that the borrower can perform under the restructured terms. If the borrower's performance under the new terms is not reasonably assured, the loan remains classified as a nonaccrual loan. Loans classified as TDRs are reported as impaired loans.

Allowance for Loan Losses

We maintain an allowance for loan losses that represents management's best estimate of the loan losses and risks inherent in our loan portfolio. The amount of the allowance for loan losses should not be interpreted as an indication that charge-offs in future periods will necessarily occur in those amounts, or at all. In determining the allowance for loan losses, we estimate losses on specific loans, or groups of loans, where the probable loss can be identified and reasonably determined. The balance of the allowance for loan losses is based on internally assigned risk classifications of loans, historical loan loss rates, changes in the nature of our loan portfolio, overall portfolio quality, industry concentrations, delinquency trends, current economic factors and the estimated impact of current economic conditions on certain historical loan loss rates. See "Critical Accounting Policies—Allowance for Loan Losses."

In reviewing our loan portfolio, we consider risk elements attributable to particular loan types or categories in assessing the quality of individual loans. Some of the risk elements we consider include:

- for residential mortgage loans, the borrower's ability to repay the loan, including a consideration of the debt-to-income ratio and employment and income stability, the loan-to-value ratio, and the age, condition and marketability of the collateral;

- for commercial and multi-family mortgage loans, the debt service coverage ratio, operating results of the owner in the case of owner-occupied properties, the loan-to-value ratio, the age and condition of the collateral and the volatility of income, property value and future operating results typical of properties of that type;
- for construction loans, the perceived feasibility of the project including the ability to sell improvements constructed for resale, the quality and nature of contracts for presale, if any, experience and ability of the builder, loan-to-cost ratio and loan-to-value ratio;
- for commercial and industrial loans, the debt service coverage ratio (income from the business exceeding operating expenses compared to loan repayment requirements), the operating results of the commercial or professional enterprise, the borrower's business, professional and financial ability and expertise, the specific risks and volatility of income and operating results typical for businesses in that category and the value, nature and marketability of collateral; and
- for mortgage warehouse loans held-for-investment, despite our negligible loss history, we provide a loss allowance factor subject to quarterly adjustment. Mortgage warehouse loans held-for-sale are not subject to any loan loss allowance.

The following table presents a summary of changes in the allowance for loan losses for the periods and dates indicated:

ANALYSIS OF THE ALLOWANCE FOR LOAN LOSSES

	For the Nine Months Ended September 30,		For the Years Ended December 31,				
	2018	2017	2017	2016	2015	2014	2013
	(Dollars in thousands)						
Total gross loans outstanding (end of period)	$694,585	$694,245	$695,567	$675,400	$642,907	$622,853	$365,163
Average gross loans outstanding	$694,272	$665,490	$673,922	$649,234	$617,603	$491,294	$316,983
Allowance for loan losses at beginning of period	$ 8,165	$ 8,044	$ 8,044	$ 6,900	$ 4,956	$ 3,927	$ 4,018
Charge-offs:							
Real estate:							
One-to-four family	6	53	53	—	38	44	120
Commercial and industrial	—	83	83	6	18	12	—
Reverse mortgage	—	—	—	5	—	—	—
Mortgage warehouse	—	76	76	—	—	—	—
Total charge-offs	6	212	212	11	56	56	120
Recoveries:							
Real estate:							
One-to-four family	—	—	(49)	—	(18)	(3)	(18)
Multi-family	—	—	—	—	(76)	(15)	(6)
Commercial and industrial	(80)	—	(6)	—	—	—	—
Reverse mortgage	(1)	—	(1)	(19)	—	—	—
Mortgage warehouse	—	(15)	(15)	—	—	—	—
Total recoveries	(81)	(15)	(71)	(19)	(94)	(18)	(24)
Net charge-offs (recoveries)	(75)	197	141	(8)	(38)	38	96
Provision for loan losses	148	232	262	1,136	1,906	1,067	5
Allowance for loan losses at period end	$ 8,388	$ 8,079	$ 8,165	$ 8,044	$ 6,900	$ 4,956	$ 3,927
Allowance for loan losses to period end loans	1.21%	1.16%	1.17%	1.19%	1.07%	0.80%	1.08%
Net charge-offs (recoveries) to average loans	(0.01)%	0.03%	0.02%	(0.00)%	(0.01)%	0.01%	0.03%

Our allowance for loan losses at September 30, 2018 and 2017 was $8.4 million and $8.1 million, respectively, or 1.21% and 1.16% of loans for each respective period-end. We had $6,000 in charge-offs for the nine months ended September 30, 2018 and recoveries of $0.1 million compared to charge-offs of $0.2 million and $15,000 recoveries for the nine months ended September 30, 2017.

Our allowance for loan losses at December 31, 2017 and 2016 was $8.2 million and $8.0 million, respectively, or 1.17% and 1.19% of loans for each respective year-end. Our charge-offs for the year ended December 31, 2017 were $0.2 million and were partially offset by recoveries of $71,000 compared to charge-offs of $11,000 for the year ended December 31, 2016, which were more than offset by recoveries of $19,000.

Although we believe that we have established our allowance for loan losses in accordance with GAAP and that the allowance for loan losses was adequate to provide for known and inherent losses in the portfolio at all times shown above, future provisions for loan losses will be subject to ongoing evaluations of the risks in our loan portfolio.

The following table shows the allocation of the allowance for loan losses among loan categories and certain other information as of the dates indicated. The total allowance is available to absorb losses from any loan category.

ALLOCATION OF THE ALLOWANCE FOR LOAN LOSSES

	As of September 30, 2018		As of December 31,									
			2017		2016		2015		2014		2013	
	Amount	Percent (1)	Amount	Percent (1)	Amount	Percent (1)	Amount	Percent (1)	Amount	Percent (1)	Amount	Percent (1)
	(Dollars in thousands)											
Real estate:												
One-to-four family	$ 1,776	0.26%	$ 1,991	0.29%	$ 2,046	0.30%	$ 1,994	0.31%	1,451	0.23%	$ 651	0.18%
Multi-family	200	0.03%	226	0.03%	271	0.04%	351	0.05%	433	0.07%	614	0.17%
Commercial	4,455	0.64%	4,711	0.68%	3,624	0.54%	2,486	0.39%	1,675	0.27%	1,307	0.36%
Construction	130	0.02%	140	0.02%	1,082	0.16%	1,193	0.19%	511	0.08%	440	0.12%
Commercial and industrial	1,492	0.21%	677	0.10%	612	0.09%	499	0.08%	144	0.03%	304	0.08%
Consumer and other	1	0.00%	18	0.00%	18	0.00%	18	0.00%	16	0.00%	23	0.01%
Reverse mortgage	46	0.01%	41	0.00%	75	0.01%	16	0.00%	429	0.07%	356	0.10%
Mortgage warehouse	288	0.04%	361	0.05%	316	0.05%	343	0.05%	297	0.05%	232	0.06%
Total allowance for loan losses	$ 8,388	1.21%	$ 8,165	1.17%	$ 8,044	1.19%	$ 6,900	1.07%	4,956	0.80%	$ 3,927	1.08%

(1) Loan category as a percentage of total gross loans.

Borrowings

We primarily utilize short-term and long-term borrowings to supplement deposits to fund our lending and investment activities, each of which is discussed below.

FHLB Advances . The FHLB allows us to borrow up to 35% of the Bank's assets on a blanket floating lien status collateralized by certain securities and loans. As of September 30, 2018, approximately $541.6 million in real estate loans were pledged as collateral for our FHLB borrowings. We utilize these borrowings to meet liquidity needs and to fund certain fixed rate loans in our portfolio. As of September 30, 2018, we had

$454.8 million in available borrowing capacity from the FHLB. Our use of FHLB advances has been significantly reduced due to the inflow of noninterest bearing deposits. At September 30, 2018, we did not have any FHLB advances. The following table sets forth certain information on our FHLB borrowings during the periods presented:

FHLB ADVANCES

	Nine Months Ended September 30, 2018	Year Ended December 31,		
		2017	2016	2015
		(Dollars in thousands)		
Amount outstanding at period-end	$ —	$ 15,000	$115,000	$199,000
Weighted average interest rate at period-end	—	1.37%	0.54%	0.27%
Maximum month-end balance during the period	$ 15,000	$165,000	$192,000	$287,000
Average balance outstanding during the period	$ 1,638	$ 65,452	$111,216	$173,167
Weighted average interest rate during the period	1.49%	1.17%	0.60%	0.21%

Other borrowed funds . The Company has also issued subordinated debentures and obtained a term loan. At September 30, 2018, these other borrowings amounted to $20.9 million.

A trust formed by the Company issued $12.5 million of floating rate trust preferred securities in July 2001 as part of a pooled offering of such securities. The Company issued subordinated debentures to the trust in exchange for its proceeds from the offering. The debentures and related accrued interest represent substantially all the assets of the trust. The subordinated debentures bear interest at six-month LIBOR plus 375 basis points, which adjusts every six months in January and July of each year. Interest is payable semiannually. At September 30, 2018, the interest rate for the Company's next scheduled payment was 6.28%, based on six-month LIBOR of 2.53%. On any January 25 or July 25 the Company may redeem the 2001 subordinated debentures at 100% of principal amount plus accrued interest. The 2001 subordinated debentures mature on July 25, 2031.

A second trust formed by the Company issued $3.0 million of trust preferred securities in January 2005 as part of a pooled offering of such securities. The Company issued subordinated debentures to the trust in exchange for its proceeds from the offering. The debentures and related accrued interest represent substantially all the assets of the trust. The subordinated debentures bear interest at three-month LIBOR plus 185 basis points, which adjusts every three months. Interest is payable quarterly. At September 30, 2018, the interest rate for the Company's next scheduled payment was 4.18%, based on three-month LIBOR of 2.33%. On the 15th day of any March, June, September, or December, the Company may redeem the 2005 subordinated debentures at 100% of principal amount plus accrued interest. The 2005 subordinated debentures mature on March 15, 2035.

The Company also retained a 3% minority interest in each of these trusts which is included in subordinated debentures. The balance of the equity in the trusts is comprised of mandatorily redeemable preferred securities. The subordinated debentures may be included in Tier I capital (with certain limitations applicable) under current regulatory guidelines and interpretations. The Company has the right to defer interest payments on the subordinated debentures from time to time for a period not to exceed five years.

On January 29, 2016, the Company obtained a term loan from a commercial bank with a single principal advance of $8.0 million due to mature on January 29, 2021. Loan interest and principal is payable quarterly commencing April 2016 and accrues interest at an annual rate equal to 2.60% plus the greater of zero percent and the one-month LIBOR rate. As of September 30, 2018, the one-month LIBOR rate was 2.13% The proceeds were used to redeem preferred stock and can be prepaid at any time. The outstanding principal at September 30, 2018 was $5.1 million. Annual principal payments on outstanding borrowings are $1.1 million for years 2018 to 2020 and $2.6 million in 2021.

Federal Reserve Bank of San Francisco . The FRB has an available borrower in custody arrangement that allows us to borrow on a collateralized basis. The Company's borrowing capacity under the Federal Reserve's discount

window program was $10.8 million as of September 30, 2018. Certain commercial loans are pledged under this arrangement. We maintain this borrowing arrangement to meet liquidity needs pursuant to our contingency funding plan. No advances were outstanding under this facility as of September 30, 2018.

The Company also has available lines of credit of $32.0 million with other correspondent banks at September 30, 2018.

Liquidity and Capital Resources

Liquidity

Liquidity is defined as the Bank's capacity to meet its cash and collateral obligations at a reasonable cost. Maintaining an adequate level of liquidity depends on the Bank's ability to meet both expected and unexpected cash flows and collateral needs efficiently without adversely affecting either daily operations or the financial condition of the Bank. Liquidity risk is the risk that we will be unable to meet our obligations as they become due because of an inability to liquidate assets or obtain adequate funding. The Bank's obligations, and the funding sources used to meet them, depend significantly on our business mix, balance sheet structure and the cash flow profiles of our on- and off-balance sheet obligations. In managing our cash flows, management regularly confronts situations that can give rise to increased liquidity risk. These include funding mismatches, market constraints on the ability to convert assets into cash or in accessing sources of funds (i.e., market liquidity) and contingent liquidity events. Changes in economic conditions or exposure to credit, market, operation, legal and reputational risks also could affect the Bank's liquidity risk profile and are considered in the assessment of liquidity and asset/liability management.

We maintain high levels of liquidity for our customers who operate in the digital currency industry, as these deposits are subject to potentially dramatic fluctuations due to certain factors that may be outside of our control. See "Risk Factors—Risks Related to Our Traditional Banking Business—A lack of liquidity could impair our ability to fund operations and adversely impact our business, financial condition and results of operations." As a result, our investment portfolio is comprised primarily of mortgage-backed securities backed by government-sponsored entities, collateralized mortgage obligations and asset-backed securities.

Management has established a comprehensive management process for identifying, measuring, monitoring and controlling liquidity risk. Because of its critical importance to the viability of the Bank, liquidity risk management is fully integrated into our risk management processes. Critical elements of our liquidity risk management include: effective corporate governance consisting of oversight by the board of directors and active involvement by management; appropriate strategies, policies, procedures, and limits used to manage and mitigate liquidity risk; comprehensive liquidity risk measurement and monitoring systems (including assessments of the current and prospective cash flows or sources and uses of funds) that are commensurate with the complexity and business activities of the Bank; active management of intraday liquidity and collateral; an appropriately diverse mix of existing and potential future funding sources; adequate levels of highly liquid marketable securities free of legal, regulatory or operational impediments, that can be used to meet liquidity needs in stressful situations; comprehensive contingency funding plans that sufficiently address potential adverse liquidity events and emergency cash flow requirements; and internal controls and internal audit processes sufficient to determine the adequacy of the institution's liquidity risk management process.

The movement of funds on our balance sheet among different SEN deposit customers does not reduce the Bank's deposits and thus does not present liquidity issues or require any borrowing by the Company or the Bank. In addition, to the extent that SEN participants fully withdraw funds from the Bank, no material liquidity issues or borrowing needs would be presented since the majority of SEN deposit funds are held in cash or other short duration liquid assets.

We expect funds to be available from basic banking activity sources, including the core deposit base, the repayment and maturity of loans and investment security cash flows. Other potential funding sources include

borrowings from the FHLB, other lines of credit and, if necessary, brokered certificates of deposit. We did not have any borrowings outstanding with the FRB at September 30, 2018 or December 31, 2017 and our borrowing capacity is limited only by eligible collateral. As of September 30, 2018, we had $339.6 million of available borrowing capacity from the FHLB, $10.8 million of available borrowing capacity from the FRB and available lines of credit of $32.0 million with other correspondent banks. Cash and cash equivalents at September 30, 2018 were $950.3 million. Accordingly, our liquidity resources were at sufficient levels to fund loans and meet other cash needs as necessary.

Capital Resources

Shareholders' equity increased $109.6 million for the nine months ended September 30, 2018 compared to the year ended December 31, 2017. The increase in shareholders' equity was due to net proceeds of $107.9 million from the sale of common stock in the first quarter of 2018. Immediately after the sale of common stock, the Company purchased $11.4 million of common stock from an existing shareholder, resulting in a net increase in shareholders' equity of $96.5 million. In addition, net income resulted in an increase to retained earnings of $14.3 million.

Shareholders' equity increased $8.0 million for the year ended December 31, 2017 compared to the year ended December 31, 2016. Net income resulted in an increase to retained earnings of $7.6 million.

The Company and the Bank are subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a material effect on the Company's financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Company and the Bank must meet specific capital guidelines that involve quantitative measures of their assets, liabilities, and certain off-balance sheet items as calculated under regulatory accounting practices. The capital amounts and classifications are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors.

Quantitative measures established by regulation to ensure capital adequacy require the Company and the Bank to maintain minimum ratios of common equity Tier 1, Tier 1, and total capital as a percentage of assets and off-balance sheet exposures, adjusted for risk weights ranging from 0% to 1,250%. The Company and the Bank are also required to maintain capital at a minimum level based on quarterly average assets, which is known as the leverage ratio.

In July 2013, federal bank regulatory agencies issued a final rule that revised their risk-based capital requirements and the method for calculating risk-weighted assets to make them consistent with certain standards that were developed by Basel III and certain provisions of the Dodd-Frank Act. The final rule applies to all depository institutions and bank holding companies and savings and loan holding companies with total consolidated assets of more than $1 billion, which we refer to below as "covered" banking organizations. The Company and the Bank were required to implement the new Basel III capital standards (subject to the phase-in for certain parts of the new rules) as of January 1, 2015 and January 1, 2018, respectively. The Company and the Bank made a one-time, permanent election to opt out of the inclusion of Accumulated Other Comprehensive Income, or AOCI, requirements on March 31, 2015 and with this election actual regulatory capital ratios reflect all applicable fully phased in Basel III requirements.

As of September 30, 2018, the Company and the Bank were in compliance with all applicable regulatory capital requirements to which they were subject, and the Bank was classified as "well capitalized" for purposes of the prompt corrective action regulations. As we deploy our capital and continue to grow our operations, our regulatory capital levels may decrease depending on our level of earnings. However, we intend to monitor and control our growth to remain in compliance with all regulatory capital standards applicable to us. See "Supervision and Regulation—Capital Adequacy Guidelines" for additional discussion regarding the regulatory capital requirements applicable to the Company and the Bank.

The following table presents the regulatory capital ratios for the Company and the Bank as of the dates indicated:

	Actual		Minimum capital adequacy		To be well capitalized	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
September 30, 2018	(Dollars in thousands)					
The Company						
Tier 1 leverage ratio (to average assets)	$200,731	10.25%	$ 78,334	4.00%	$97,918	5.00%
Common equity tier 1 capital ratio (to risk- weighted assets)	185,231	23.50%	35,470	4.50%	51,234	6.50%
Tier 1 capital (to risk-weighted assets)	200,731	25.47%	47,286	6.00%	63,049	8.00%
Total capital ratio (to risk-weighted assets)	209,324	26.56%	63,049	8.00%	78,812	10.00%
The Bank						
Tier 1 leverage ratio (to average assets)	$178,298	9.12%	$ 78,201	4.00%	$97,751	5.00%
Common equity tier 1 capital ratio (to risk- weighted assets)	178,298	22.72%	35,314	4.50%	51,010	6.50%
Tier 1 capital (to risk-weighted assets)	178,298	22.72%	47,086	6.00%	62,781	8.00%
Total capital ratio (to risk-weighted assets)	186,892	23.81%	62,794	8.00%	78,493	10.00%
December 31, 2017						
The Company						
Tier 1 leverage ratio (to average assets)	$ 90,507	6.15%	$ 58,866	4.00%	$73,583	5.00%
Common equity tier 1 capital ratio (to risk- weighted assets)	75,007	10.54%	32,024	4.50%	46,257	6.50%
Tier 1 capital (to risk-weighted assets)	90,507	12.72%	42,692	6.00%	56,923	8.00%
Total capital ratio (to risk-weighted assets)	98,817	13.88%	56,955	8.00%	71,194	10.00%
The Bank						
Tier 1 leverage ratio (to average assets)	$ 93,030	6.33%	$ 58,787	4.00%	$73,483	5.00%
Common equity tier 1 capital ratio (to risk- weighted assets)	93,030	13.11%	31,932	4.50%	46,125	6.50%
Tier 1 capital (to risk-weighted assets)	93,030	13.11%	42,577	6.00%	56,769	8.00%
Total capital ratio (to risk-weighted assets)	101,340	14.29%	56,733	8.00%	70,917	10.00%

Contractual Obligations

We have contractual obligations to make future payments on debt and lease agreements. While our liquidity monitoring and management consider both present and future demands for and sources of liquidity, the following table of contractual commitments focuses only on future obligations and summarizes our contractual obligations as of September 30, 2018.

CONTRACTUAL OBLIGATIONS

As of September 30, 2018	Due in 1 Year or Less	Due After 1 Through 3 Years	Due After 3 Through 5 Years	Due After 5 Years	Total
	(Dollars in thousands)				
Certificates of Deposit $100,000 or more	$ 27,191	$ 2,288	$ 471	$ —	$29,950
Certificates of Deposit less than $100,000	7,720	828	100	—	8,648
Operating leases	1,547	3,277	2,218	56	7,098
Subordinated debt	—	—	—	15,799	15,799
Notes payable	1,143	4,000	—	—	5,143
Total	$ 37,601	$ 10,393	$ 2,789	$ 15,855	$66,638

Off-Balance Sheet Items

In the normal course of business, we enter into various transactions, which, in accordance with GAAP, are not included in our consolidated statements of financial condition. We enter into these transactions to meet the

financing needs of our customers. These transactions include commitments to extend credit and issue letters of credit, which involve, to varying degrees, elements of credit risk and interest rate risk exceeding the amounts recognized in our consolidated statements of financial condition. Our exposure to credit loss is represented by the contractual amounts of these commitments. The same credit policies and procedures are used in making these commitments as for on-balance sheet instruments. We are not aware of any accounting loss to be incurred by funding these commitments; however, we maintain an allowance for off-balance sheet credit risk which is recorded in other liabilities on the consolidated statements of financial condition.

Our commitments associated with outstanding letters of credit and commitments to extend credit expiring by period as of the date indicated are summarized below. Since commitments associated with letters of credit and commitments to extend credit may expire unused, the amounts shown do not necessarily reflect the actual future cash funding requirements.

CREDIT EXTENSION COMMITMENTS

	As of September 30, 2018	As of December 31, 2017	2016	2015
		(Dollars in thousands)		
Unfunded lines of credit	$ 60,068	$58,180	$72,171	$108,646
Letters of credit	165	278	100	335
Total credit extension commitments	$ 60,233	$58,458	$72,271	$108,981

Unfunded lines of credit represent unused credit facilities to our current borrowers that represent no change in credit risk that exist in our portfolio. Lines of credit generally have variable interest rates. Letters of credit are conditional commitments issued by us to guarantee the performance of a customer to a third party. In the event of nonperformance by the customer in accordance with the terms of the agreement with the third party, we would be required to fund the commitment. The maximum potential amount of future payments we could be required to make is represented by the contractual amount of the commitment. If the commitment is funded, we would be entitled to seek recovery from the client from the underlying collateral, which can include commercial real estate, physical plant and property, inventory, receivables, cash and/or marketable securities. Our policies generally require that letter of credit arrangements contain security and debt covenants like those contained in loan agreements and our credit risk associated with issuing letters of credit is essentially the same as the risk involved in extending loan facilities to our customers.

We minimize our exposure to loss under letters of credit and credit commitments by subjecting them to the same credit approval and monitoring procedures as we do for on-balance sheet instruments. The effect on our revenue, expenses, cash flows and liquidity of the unused portions of these letters of credit commitments cannot be precisely predicted because there is no guarantee that the lines of credit will be used.

Commitments to extend credit are agreements to lend funds to a customer, if there is no violation of any condition established in the contract, for a specific purpose. Commitments generally have variable interest rates, fixed expiration dates or other termination clauses and may require payment of a fee. Since many of the commitments are expected to expire without being fully drawn, the total commitment amounts disclosed above do not necessarily represent future cash requirements. We evaluate each customer's creditworthiness on a case-by-case basis. The amount of collateral obtained, if considered necessary by us, upon extension of credit is based on management's credit evaluation of the customer.

Interest Rate Sensitivity and Market Risk

As a financial institution, our primary component of market risk is interest rate volatility. Our asset liability and funds management policy provides management with the guidelines for effective funds management, and we

have established a measurement system for monitoring our net interest rate sensitivity position **.** We manage our sensitivity position within our established guidelines.

Fluctuations in interest rates will ultimately impact both the level of income and expense recorded on most of our assets and liabilities, and the market value of all interest earning assets and interest bearing liabilities, other than those that have a short term to maturity. Interest rate risk is the potential of economic losses due to future interest rate changes. These economic losses can be reflected as a loss of future net interest income and/or a loss of current fair market values. The objective is to measure the effect on net interest income and to adjust the balance sheet to minimize the inherent risk while at the same time maximizing income.

We manage our exposure to interest rates by structuring our balance sheet in the ordinary course of business. We do not enter into instruments such as leveraged derivatives, financial options or financial future contracts for the purpose of reducing interest rate risk. We hedge the interest rate risks of our subordinated debentures by utilizing interest rate caps. Based on the nature of our operations, we are not subject to foreign exchange or commodity price risk. We do not own any trading assets.

Our exposure to interest rate risk is managed by the Bank's Asset/Liability Management Committee, or ALCO, in accordance with policies approved by our board of directors. The committee formulates strategies based on appropriate levels of interest rate risk. In determining the appropriate level of interest rate risk, the committee considers the impact on earnings and capital on the current outlook on interest rates, potential changes in interest rates, regional economies, liquidity, business strategies and other factors. The committee meets regularly to review, among other things, the sensitivity of assets and liabilities to interest rate changes, the book and market values of assets and liabilities, unrealized gains and losses, purchase and sale activities, commitments to originate loans and the maturities of investments and borrowings. Additionally, the committee reviews liquidity, cash flow flexibility, maturities of deposits and consumer and commercial deposit activity. Management employs methodologies to manage interest rate risk, which include an analysis of relationships between interest earning assets and interest bearing liabilities and an interest rate shock simulation model.

The following table indicates that, for periods less than one year, rate-sensitive assets exceeded rate-sensitive liabilities, resulting in an asset-sensitive position. For a bank with an asset-sensitive position, or positive gap, rising interest rates would generally be expected to have a positive effect on net interest income, and falling interest rates would generally be expected to have the opposite effect.

INTEREST SENSITIVITY GAP

As of September 30, 2018	Within One Month	After One Month Through Three Months	After Three Through Twelve Months	Within One Year	Greater Than One Year or Non -Sensitive	Total
			(Dollars in thousands)			
Assets						
Interest earning assets						
Loans (1)	$ 318,672	$ 23,544	$ 53,464	$ 395,680	$ 484,631	$ 880,311
Securities (2)	261,362	3,037	7,459	271,858	40,200	312,058
Interest earning deposits in other banks	937,660	—	—	937,660	6,178	943,838
Total earning assets	$1,517,694	$ 26,581	$ 60,923	$1,605,198	$ 531,009	$2,136,207
Liabilities						
Interest bearing liabilities						
Interest bearing deposits	$ 135,490	$ —	$ —	$ 135,490	$ 54,648	$ 190,138
Time deposits	1,376	3,749	29,786	34,911	3,687	38,598
Total interest bearing deposits	136,866	3,749	29,786	170,401	58,335	228,736
Other borrowed funds	5,143	—	—	5,143	15,799	20,942
Total interest bearing liabilities	$ 142,009	$ 3,749	$ 29,786	$ 175,544	$ 74,134	$ 249,678
Period gap	$1,375,685	$ 22,832	$ 31,137	$1,429,654	$ 456,875	$1,886,529
Cumulative gap	$1,375,685	$1,398,517	$1,429,654	$1,429,654	$1,886,529	
Ratio of cumulative gap to total earning assets	0.91%	0.91%	0.89%	0.89%	0.88%	

(1) Includes loans held-for-sale.
(2) Includes FHLB and FRB stock.

We use quarterly Interest Rate Risk, or IRR, simulations to assess the impact of changing interest rates on our net interest income and net income under a variety of scenarios and time horizons. These simulations utilize both instantaneous and parallel changes in the level of interest rates, as well as non-parallel changes such as changing slopes and twists of the yield curve. Static simulation models are based on current exposures and assume a constant balance sheet with no new growth. Dynamic simulation models are also utilized that rely on detailed assumptions regarding changes in existing lines of business, new business, and changes in management and client behavior.

We also use economic value-based methodologies to measure the degree to which the economic values of the Bank's positions change under different interest rate scenarios. The economic-value approach focuses on a longer-term time horizon and captures all future cash flows expected from existing assets and liabilities. The economic value model utilizes a static approach in that the analysis does not incorporate new business; rather, the analysis shows a snapshot in time of the risk inherent in the balance sheet.

Quantitative and Qualitative Disclosures about Market Risk

Many assumptions are used to calculate the impact of interest rate fluctuations on our net interest income, such as asset prepayments, non-maturity deposit price sensitivity and decay rates, and key rate drivers. Because of the inherent use of these estimates and assumptions in the model, our actual results may, and most likely will, differ from our static IRR results. In addition, static IRR results do not include actions that our management may undertake to manage the risks in response to anticipated changes in interest rates or client behavior. For example, as part of our asset/liability management strategy, management can increase asset duration and decrease liability duration to reduce asset sensitivity, or to decrease asset duration and increase liability duration in order to increase asset sensitivity.

The following table summarizes the results of our IRR analysis in simulating the change in net interest income and fair value of equity over a 12-month horizon as of September 30, 2018 and December 31, 2017:

IMPACT ON NET INTEREST INCOME UNDER A STATIC BALANCE SHEET, PARALLEL INTEREST RATE SHOCK

Earnings at Risk as of:	-100 bps	Flat	+100 bps	+200 bps	+300 bps
September 30, 2018	(17.94)%	0.00%	21.45%	42.77%	64.13%
December 31, 2017	(19.51)%	0.00%	19.92%	38.58%	59.30%

Utilizing an economic value of equity, or EVE, approach, we analyze the risk to capital from the effects of various interest rate scenarios through a long-term discounted cash flow model. This measures the difference between the economic value of our assets and the economic value of our liabilities, which is a proxy for our liquidation value. While this provides some value as a risk measurement tool, management believes IRR is more appropriate in accordance with the going concern principle.

The following table illustrates the results of our EVE analysis as of September 30, 2018 and December 31, 2017.

ECONOMIC VALUE OF EQUITY ANALYSIS UNDER A STATIC BALANCE SHEET, PARALLEL INTEREST RATE SHOCK

As of:	-100 bps	Flat	+100 bps	+200 bps	+300 bps
September 30, 2018	(18.01)%	0.00%	17.44%	33.19%	47.78%
December 31, 2017	(37.33)%	0.00%	32.35%	61.44%	87.81%

Critical Accounting Policies

The preparation of our consolidated financial statements in accordance with GAAP requires us to make estimates and judgments that affect our reported amounts of assets, liabilities, revenues and expenses and related disclosures of contingent assets and liabilities. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable under current circumstances, results of which form the basis for making judgments about the carrying value of certain assets and liabilities that are not readily available from other sources. We evaluate our estimates on an ongoing basis. Actual results may differ from these estimates under different assumptions or conditions.

Accounting policies, as described in detail in the notes to our consolidated financial statements, included elsewhere in this prospectus, are an integral part of our financial statements. A thorough understanding of these accounting policies is essential when reviewing our reported results of operations and our financial position. We

believe that the critical accounting policies and estimates discussed below require us to make difficult, subjective or complex judgments about matters that are inherently uncertain. Changes in these estimates, which are likely to occur from period to period, or use of different estimates that we could have reasonably used in the current period, would have a material impact on our financial position, results of operations or liquidity.

Allowance for Loan Losses. The allowance for loan losses is a valuation allowance for probable incurred credit losses. Loans that are deemed to be uncollectible are charged off and deducted from the allowance for loan losses. The provision for loan losses and recoveries on loans previously charged off are credited to the allowance for loan losses. The allowance consists of specific and general components. The specific component relates to loans that are individually classified as impaired when, based on current information and events, it is probable that the Company will be unable to collect all amounts due according to the contractual terms of the loan agreement. Loans for which the terms have been modified resulting in a concession, and for which the borrower is experiencing financial difficulties, are considered TDRs and classified as impaired.

The general component covers loans that are collectively evaluated for impairment and loans that are not individually identified for impairment evaluation. The general component is based on historical loss experience adjusted for current factors and includes actual loss history experienced since the beginning of 2007. This actual loss experience is supplemented with other economic factors based on the risks present for each portfolio segment. These economic factors include consideration of the following: levels and trends in delinquencies and impaired loans (including TDRs); levels and trends in charge-offs and recoveries, trends in volumes and terms of loans; migration of loans to the classification of special mention, substandard, or doubtful; effects of any change in risk selection and underwriting standards; other changes in lending policies and procedures; national and local economic trends and conditions; and effects of changes in credit concentrations.

Management estimates the allowance balance required using past loan loss experience, current economic conditions, the nature and volume of the portfolio, information about specific borrower situations, estimated collateral values and other factors. Allocations of the allowance may be made for specific loans, but the entire allowance is available for any loan that, in management's judgment, should be charged off. Amounts are charged off when available information confirms that specific loans, or portions thereof, are uncollectible. This methodology for determining charge-offs is consistently applied to each group of loans. Management groups loans into different categories based on loan type to determine the appropriate allowance for each loan group.

A loan is considered impaired when full payment under the loan terms is not expected. Impairment is evaluated in total for smaller-balance loans of similar nature, such as residential mortgage loans, and on an individual loan basis for multifamily and commercial loans. If a loan is impaired, a portion of the allowance is allocated so that the loan is reported, net of the present value of estimated future cash flows using the loan's original effective rate or at the fair value of collateral less estimated costs to sell if repayment is expected solely from the collateral. Factors considered in determining impairment include payment status, collateral value and the probability of collecting all amounts when due. Large groups of smaller-balance homogeneous loans such as residential real estate loans are collectively evaluated for impairment and, accordingly, they are not separately identified for impairment disclosures. Loans that experience insignificant payment delays and payment shortfalls are generally not classified as impaired. Management considered the significance of payment delays on a case by case basis, taking into consideration all the circumstances of the loan and borrower, including the length of delay, the reasons for the delay, the borrower's prior payment record, the amount of the shortfall in relation to principal and interest owed.

Loans are reported as TDRs when the Company grants concessions to a borrower experiencing financial difficulties that it would not otherwise consider. Examples of such concessions include forgiveness of principal or accrued interest, extending the maturity date, or providing a lower interest rate than would be normally available for a transaction of similar risk. Because of these concessions, restructured loans are impaired as the Company will not collect all amounts due, both principal and interest, in accordance with the terms of the original loan agreement. TDRs are individually evaluated for impairment and included in separately identified

impairment disclosures. TDRs are measured at the present value of estimated cash flows using the loan's effective rate at inception. If a TDR is determined to be a collateral dependent loan, the loan is reported, net, at the fair value of the collateral. For TDRs that subsequently default, the Company determined the amount of the allowance on the loan in accordance with the accounting policy for the allowance for loan losses on loans individually identified as impaired. The Company incorporates recent historical experience related to TDRs, including the performance of TDRs that subsequently defaulted, into the allowance calculation by loan portfolio segment.

See our consolidated financial statements included elsewhere in this prospectus and "—Financial Condition—Allowance for Loan Losses" for more information.

Fair Value Measurement. The Company measures and presents fair values in accordance with FASB ASC Topic 820, *Fair Value Measurement,* that defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. This standard establishes a fair value hierarchy about the assumptions used to measure fair value and clarifies assumptions about risk and the effect of a restriction on the sale or use of an asset.

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. This standard's fair value hierarchy requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1— Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2— Significant observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3— Significant unobservable inputs that reflect a Company's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

See our consolidated financial statements included elsewhere in this prospectus for more information on our fair value measurements.

Income Taxes. Income tax expense is the total of the current year income tax due or refundable and the change in deferred tax assets and liabilities. Deferred tax assets and liabilities are recognized for the future tax amounts attributable to differences between the financial statement carrying amounts of assets and liabilities and their respective tax bases, computed using enacted tax rates. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. A valuation allowance, if needed, reduces deferred tax assets to the amount expected to be realized.

See our annual consolidated financial statements included elsewhere in this prospectus for more information on our income taxes.

Impact of Inflation

Our consolidated financial statements and related notes included elsewhere in this prospectus have been prepared in accordance with GAAP. GAAP requires the measurement of financial position and operating results in terms of historical dollars, without considering changes in the relative value of money over time due to inflation or recession.

Unlike many industrial companies, substantially all our assets and liabilities are monetary in nature. As a result, interest rates have a more significant impact on our performance than the effects of general levels of inflation. Interest rates may not necessarily move in the same direction or in the same magnitude as the prices of goods and services. However, other operating expenses do reflect general levels of inflation.

Recently Issued Accounting Pronouncements

See our consolidated financial statements included elsewhere in this prospectus for a full description of recent accounting pronouncements, including the respective expected dates of adoption and anticipated effects on our results of operations and financial condition.

BUSINESS

Overview

Silvergate Capital Corporation is the holding company for our wholly-owned subsidiary, Silvergate Bank, which we believe is the leading provider of innovative financial infrastructure solutions and services to participants in the nascent and expanding digital currency industry. As a result of this leadership position, the majority of our funding comes from noninterest bearing deposits associated with clients in the digital currency industry. This unique source of funding is a distinctive advantage over most traditional financial institutions and allows us to generate revenue from a conservative portfolio of investments in cash, short term securities and certain types of loans that we believe generate attractive risk-adjusted returns. In addition, we believe that fee income may represent a valuable source of additional future revenue as we develop and deploy fee-based solutions in connection with our digital currency initiative.

Our History

Our leadership position in the digital currency industry has enabled us to establish a significant balance of noninterest bearing deposits from our digital currency customers. While the financial services provided by the Bank have historically included commercial banking, business lending, commercial and residential real estate lending and mortgage warehouse lending, all funded primarily by interest bearing deposits and borrowings, we began pursuing digital currency customers in 2013 and since that time, we believe we have effectively leveraged our traditional commercial bank platform to become the leader in the industry. We intend to continue focusing on our digital currency initiative as the core of our future strategy and direction. We believe we will further transition from a traditional asset based bank model focused on loan generation to a deposit based model focused on increasing noninterest bearing deposits. This emphasis on noninterest bearing deposits, primarily associated with our digital currency initiative, will likely result in a continued shift in our asset composition with a greater percentage consisting of liquid assets such as interest earning deposits in other banks and investment securities, and a corresponding decrease in the percentage of loans.

Digital Currency Initiative

We leverage our technology platform and our management team's expertise in the digital currency industry to develop, implement and maintain critical financial infrastructure solutions and services for many of the largest U.S. digital currency exchanges and global investors. Our proprietary technology platform is a central element of the operations of our digital currency related customers, which enables us to grow with our existing customers and to attract new customers who can benefit from our innovative solutions and services. We believe that our management team's vision and our advanced approach to compliance complement this technology platform and empower us to extend our leadership position in the industry by developing additional infrastructure solutions and services that will facilitate growth in our business.

We began exploring the digital currency industry in 2013 based on market dynamics which we believed were highly attractive:

- **Significant and Growing Industry:** Digital currency presented a revolutionary model for executing financial transactions with substantial potential for growth.
- **Infrastructure Needs:** In order to become widely adopted, digital currency would need to rely on many traditional elements of financial services, including those services that support funds transfers, customer account controls and other security measures.
- **Regulatory Complexity as a Barrier to Entry:** Providing infrastructure solutions and services to the digital currency industry would require specialized compliance capabilities and a management team with a deep understanding of both the digital currency and the financial services industries.

These insights have been proven correct and we believe they remain true today. In fact, we believe that the market opportunity for digital currencies, the need for infrastructure solutions and services and the regulatory complexity have all expanded significantly since 2013. Our ability to address these market dynamics over the past five years has provided us with a first-mover advantage within the digital currency industry that is the cornerstone of our leadership position today.

The digital currency market has grown dramatically since 2013, with the aggregate value of the five largest digital currencies increasing from approximately $10 billion at December 31, 2013 to approximately $175.1 billion as of September 30, 2018. We believe that the total addressable market for digital currency-related financial services infrastructure solutions and services is significant and that this market will grow as the market for digital currencies grows. We also believe that existing solutions do not adequately address the infrastructure needs of industry participants, and that services enabling industry participants to efficiently and reliably transfer and hold fiat U.S. dollar deposits are critical to the industry's growth. We estimate that the addressable market for fiat currency deposits related to digital currencies alone is approximately $30 to $40 billion based on various industry sources as described under "Market and Industry Data."

We develop scalable infrastructure technology solutions to address this broader industry opportunity. We designed our proprietary Silvergate Exchange Network, or SEN, as a network of digital currency exchanges and digital currency investors that enables the efficient movement of U.S. dollars between participating digital currency exchanges and investors 24 hours a day, 7 days a week, 365 days a year. In this respect, the SEN is a first-of-its-kind digital currency infrastructure solution. The SEN was developed and tested in 2017 with a limited number of Bank customers. The SEN was made available to all of the Bank's digital currency related customers in early 2018. The core function of the SEN, enabled through the Bank's business online banking data processing system, is to allow SEN participants to make transfers of U.S. dollars from their SEN account at the Bank to any other account they have at the Bank or to the Bank account of another SEN participant with which a counterparty relationship has been established, and to view funds transfers received from their SEN counterparties. Counterparty relationships between parties effecting digital currency transaction are established on the SEN to facilitate U.S. dollar transfers associated with those transactions. The Bank provides investors with the identity of select participating exchanges and mutually agreed counterparties are reflected as such during the Bank's SEN enrollment process. SEN transfers occur on a virtually instant basis as compared to electronic funds transfers being sent outside of the Bank, such as wire transfers and ACH transactions, which can take from several hours to several days to complete. Our proprietary, cloud-based application programming interface, or API, combined with our online banking tools, allows customers to efficiently control their fiat currency, transact through the SEN and automate their interactions with our technology platform. Customers value this around-the-clock access to U.S. dollar transactions and further benefit from the SEN's powerful network effects—as more users join the SEN, its importance to digital currency exchanges and investors increases dramatically. These compelling technology tools have enabled us to attract many of the digital currency industry's largest market participants as customers.

Our solutions and services are built on our deep-rooted commitment and proprietary approach to regulatory compliance. When we began pursuing digital currency customers in 2013, many digital currency industry participants found it difficult to identify a reliable financial services partner due to the significant financial and human resources required to navigate the complex and underdeveloped regulatory regimes applicable to these digital currency customers. To address market demand, we took a deliberate approach to developing compliance policies, procedures and controls designed to specifically address the digital currency industry and to hiring capable personnel required to implement those controls, policies and procedures. Over the past five years we have further developed our proprietary compliance capabilities—which include ongoing monitoring of customer activities and evaluating a market participant's ability to actively monitor the flow of funds of their own customers. We believe these capabilities are a distinct competitive advantage for us, and provide a meaningful barrier to entry against our potential competitors, as there is not currently a well-established and easily navigable regulatory roadmap for competitors to serve digital currency industry customers. For this reason, our long-term

investment in developing and enhancing our highly specialized compliance capabilities will remain a strategic priority for us.

Our digital currency industry solutions and services are currently offered through our subsidiary, Silvergate Bank, a California-chartered commercial bank that is a member of the Federal Reserve System. The success of our digital currency initiative has enabled Silvergate Bank to rapidly grow noninterest bearing deposits from digital currency customers. Silvergate Bank deploys deposits from its digital currency customers, as well as deposits from its three branches in San Diego County, California, into interest earning deposits in other banks and investment securities, as well as into certain lending opportunities that provide attractive risk-adjusted returns. We deploy our deposits into lending opportunities across four categories: commercial real estate lending, mortgage warehouse lending, correspondent lending and commercial business lending. Silvergate Bank also generates fee revenue from transaction volume across its platform primarily from mortgage warehouse fee income, service fees related to off-balance sheet deposits and other deposit related fees. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Results of Operations—Nine Months Ended September 30, 2018 compared to Nine Months Ended September 30, 2017—Noninterest Income" and "—Year Ended December 31, 2017 compared to Year Ended December 31, 2016—Noninterest Income."

Because of our focus on the digital currency industry in recent years and the unique value-add solutions and services we provide, we have achieved substantial improvements in our deposit base and significant growth in key operating metrics:

	At September 30,		% Increase /(Decrease)
	2018	2017	
	(Dollars in thousands)		
Digital Currency Customers (#)	483	114	323.7%
Noninterest Bearing Deposits	$ 1,708,590	$ 608,698	180.7%

	Nine Months Ended September 30,		% Increase /(Decrease)
	2018	2017	
	(Dollars in thousands)		
Cost of Deposits	0.11%	0.57%	(80.7)%
Cost of Funds	0.18%	0.73%	(75.3)%
Net Interest Income	$ 48,760	$ 29,130	67.4%
Noninterest Income	$ 5,572	$ 1,951	185.6%
Net Income	$ 14,313	$ 5,704	150.9%

Industry Background

Adoption and commercialization of digital currencies have significantly expanded since the creation of bitcoin in 2009. Digital currencies are recognized as a new asset class with the prospect to act as a store of value, a currency with the ability to facilitate financial transactions, and a worldwide medium of exchange, all in ways that differ meaningfully from traditional fiat currencies.

Investor interest has grown substantially as the potential uses and advantages of digital currencies have become better understood. Although the digital currency market consists of many individual digital currencies, it is currently concentrated among the five largest digital currencies by market capitalization. As of September 30, 2018, the market value of the five largest digital currencies was $175.1 billion, equal to approximately 0.51% of the global money supply.

We believe that institutional acceptance of the digital currency asset class will continue to grow as capital flows into institutional investment vehicles and other digital currency-based business ventures. Currently, there are over 300 institutional investment funds with aggregate estimated assets under management of between approximately $7.5 billion to $10 billion. Over $8.3 billion has been invested in digital currency-related projects,

excluding initial coin offering funding, since December 31, 2013. Approximately $1.3 billion in venture funding was raised in the digital currency and blockchain market in the 12 months ended June 30, 2018.

In response to the rapid growth in the industry and challenges faced by investors, we began developing technology solutions, including the SEN. While innovations such as the SEN have enabled increasing numbers of institutional investors to begin investing in digital currencies, many of the world's largest investors remain unable to invest in the asset class due to the continuing limitations of existing infrastructure. We believe that additional industry innovation will address these infrastructure challenges, enabling increased and accelerated growth in the industry. Services such as a federally regulated digital currency custodian and digital currency borrowing facilities do not currently exist in a meaningful way, creating significant opportunities for us to facilitate growth in the industry and to extend our leadership position into other elements of digital currency infrastructure.

Digital Currency Customers

We have developed a diverse set of 483 established and emerging digital currency industry customers as of September 30, 2018. Our customer base has grown rapidly, as many customers proactively approach us due to our reputation as the leading provider of innovative financial infrastructure solutions and services to participants in the digital currency industry, which includes our unique technology solutions. As of September 30, 2018, we had 145 prospective digital currency customers in various stages of our customer onboarding process, which includes extensive regulatory compliance diligence and integrating of the customer's technology stack for those digital currency customers interested in using our API.

Our customers include some of the largest U.S. exchanges and global investors in the digital currency industry. These market participants generally hold either or both of two distinct types of funds: (i) those funds that market participants use for digital currency investment activities, which we refer to as investor funds, and (ii) those funds that market participants use for business operations, which we refer to as operating funds.

Our customer ecosystem also includes software developers, digital currency miners, custodians and general industry participants that need our solutions and services. These customers comprised 22.6% of our digital currency customers as of September 30, 2018 and we believe this group presents future growth opportunities as the digital currency industry landscape continues to develop.

We constantly strive to grow our customer ecosystem. By expanding and deepening our customer relationships, we intend to reinforce and enhance our leadership position in the industry and to increase the value of the SEN to all participants. Our relationships with the leaders of the digital currency industry are particularly important because these participants continue to inform us of the industry's needs and enable us to continue advancing our product development to provide relevant solutions and services for the industry's most pressing challenges and greatest opportunities.

Deepening our customer relationships through integration of our solutions with our customers' processes and operating systems creates enhanced value and stronger, long-term relationships with them. For example, digital currency exchanges that integrate our API into their technology infrastructure can attribute incoming client funds, at scale, without human involvement and in virtually real-time, typically within a matter of seconds. This solution enhances our value proposition, creating even closer relationships with our customers.

To maintain our position in the industry, we must remain highly selective in our customer onboarding process to ensure the integrity of the platform. Many customers choose us as their solution provider at least in part because of our long-term commitment to the industry and their belief in our platform's longevity. Customers respect our need for onboarding and our ongoing compliance processes, as they understand that all our digital currency customers must submit to initial and continued due diligence by us.

The following chart sets forth summary information regarding the types of market participants who are our primary customers (data as of September 30, 2018):

	Digital Currency Exchanges	Institutional Investors	Other Customers
Overview	Exchanges through which digital currencies are bought and sold; includes OTC trading desks	Hedge funds, venture capital funds, private equity funds, family offices and traditional asset managers, which are investing in digital currencies as an asset class	Companies developing new protocols, platforms and applications; mining operations; and providers of other services
Typical Uses	• SEN to facilitate fiat transfers [1] • API to attribute fiat transfers [2] • Cash management • Deposit accounts to hold investor funds and operating funds	• SEN to transfer fiat to digital currency exchanges and traditional bank accounts [1] • Cash management • Deposit accounts to hold investor funds	• SEN to facilitate fiat transfers [1] • Cash management • Deposit accounts to hold operating funds
Noteworthy metrics	Silvergate's customers include the 5 largest U.S. domiciled digital currency exchanges [3]	Silvergate's customers have transferred approximately $9 billion in fiat quarterly since January 1, 2018 [4]	Silvergate's customers have raised over $1 billion through private placements
Number of Customers	35	339	109
Total Deposits	$792.9 million	$572.7 million	$227.5 million
Select Customers			

(1) SEN transfers are funds transfers within the Bank's deposit system from one SEN participant to another SEN participant.
(2) This refers to the attribution of funds received by a SEN API user within its own platform on a programmatic basis without manual human interaction, based on the user's integration of the Bank's API into the user's own systems.
(3) Based on data reflecting U.S. dollar 30 day trading volume as of October 1, 2018 from coinmarketcap.com.
(4) Consists of $4.4 billion of U.S. dollar transfers on the SEN for the nine months ended September 30, 2018 and $21.5 billion of non-SEN transfers of U.S. dollars, primarily consisting of wire transfers, during the nine months ended September 30, 2018.

Technology-Driven Solutions for Our Digital Currency Customers

We launched our digital currency initiative in response to unmet demand for U.S. dollar deposit accounts for many market participants. Our digital currency initiative solutions and services also address various infrastructure shortfalls for market participants, including liquidity and counterparty risk management as explained in more detail below. Currently, our digital currency initiative solutions and services are focused on the SEN, cash management solutions and other deposit account services:

Silvergate Exchange Network (SEN) —We believe that the SEN is an innovative, market leading solution and a key point of differentiation that increases in capability and value by generating a network effect as additional users join the platform. Since launching the SEN in early 2018, as of September 30, 2018, we already had approximately 60.7% of our eligible digital currency related customers as SEN participants. The SEN only transfers fiat U.S. dollars, is only available to commercial customers and is not enabled for customers who are individual investors. The SEN reduces industry friction and creates a compelling value proposition for market participants, whether they participate as a digital currency exchange, an investor or otherwise. SEN participants can efficiently move U.S. dollars 24 hours a day, 7 days a week, 365 days a year between their Bank accounts and other SEN participants' Bank accounts, via our API or online banking system. Multiple steps are required to create, authorize and approve a SEN transfer, depending on the channel in which the SEN transfer is created (online banking system vs. API). Both channels follow a three step process by which the sender is authorized as a SEN participant, the receiver is validated as a SEN participant, and the transfer amount is confirmed to be available in the originating account. SEN transfers are push only and settle virtually instantly if all three conditions are met. No other transfer-of-value type transactions may be made on the SEN.

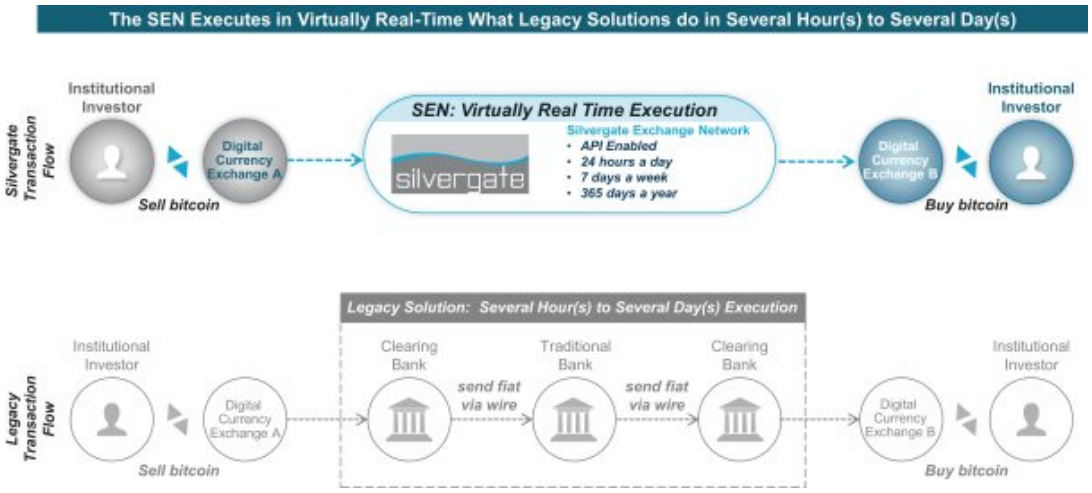
The ability to execute these types of transactions in virtually real-time is particularly valuable for digital currency investors and exchanges because digital currency trading occurs constantly on a global scale, with no regulated market hours. Consequently, the SEN enhances transaction execution speed, which meaningfully mitigates exposure to digital currency pricing fluctuations. In addition, SEN participants may spend a significant amount of time and resources developing customized applications that interface directly with our API in a manner that most effectively facilitates SEN participants' business models. We believe that these dynamics not only strengthen our customer relationships, but also serve as an organic marketing tool. Additional market participants are driven to the SEN as our customers urge their counterparties in digital currency transactions to join the SEN to facilitate efficient, predictable and timely transaction execution.

The following example highlights the benefits that the SEN provides to its participants with respect to liquidity and counterparty risk. A digital currency institutional investor maintains a deposit account with Silvergate Bank. The institutional investor wishes to move U.S. dollars from participating Exchange A to participating Exchange B. The institutional investor can execute the transaction in virtually real-time, outside of traditional banking hours via the SEN, if the institutional investor, Exchange A and Exchange B each maintain a deposit account at Silvergate Bank.

In contrast, if the institutional investor seeks to move funds from Exchange A to Exchange B without the SEN, the transaction would likely need to occur during traditional banking hours and could take several days to clear. This delay in transaction execution could limit the institutional investor's ability to take advantage of digital currency market movements or require the institutional investor to keep additional funds at each exchange to take advantage of other transaction opportunities, resulting in reduced capital efficiency, reduced liquidity and/or increased counterparty risk.

The graphic below illustrates the various components of a transaction effected through the SEN as compared to a similar transaction effected through a traditional execution pathway. We expect customer adoption of the SEN to increase as network effects drive expanded utility. As reflected, transactions on the SEN process in virtually real time as opposed to legacy transactions that may take from several hours to several days. Legacy transactions are subject to a number of variables that impact timing such as the daily cut-off time for the Federal

Reserve wire system as well as incomplete or inaccurate information or wire destinations (country or recipient) that may require further action to confirm or clear.



Cash Management Solutions— Our cash management solutions enable our customers to send, receive and manage payments in a timely, efficient and scalable manner using the SEN, wire transfers and ACH transactions. To receive the full benefits of our cash management solutions, customers invest significant time and resources using their own development resources to build customized gateways that integrate our API and other solutions into their technology infrastructure. The Bank offers a full suite of corporate cash management solutions from deposit, reporting and reconciliation (remote deposit capture, online banking, mobile banking, file / reporting automation, API, check reconciliation), liquidity management (positive pay, ACH positive pay, off balance sheet deposit sweeps), and payment solutions (domestic and foreign wire transfers and ACH origination and receipt transactions). The Bank periodically expands its offerings in these areas to meet the needs of its customers.

Deposit Account Services— We are one of only a small group of institutions that currently open deposit accounts and provide ongoing services in a manner that is designed to be regulatory compliant for digital currency market participants. Our proprietary compliance procedures, developed over five years of serving the digital currency industry, are designed to enable us to prudently and efficiently establish deposit accounts for market participants. These deposit accounts do not consist of any digital currencies but may consist of investor funds or operating funds. Our deposit accounts offer a wide variety of features and security to market participants, including access to our cash management solutions, and other relevant business banking services.

The Company comprehensively investigates the customers it proposes to onboard according to the level it deems necessary and appropriate, based on whether the customer is an “administrator,” an “exchanger” or a “user” of virtual currencies, which terms are defined in March 2013 guidance by the Treasury Department. Under applicable regulations, administrators and exchangers are required to register with FinCEN as a money service business and may also be subject to licensing as money transmitters under applicable state laws. The Company’s due diligence and onboarding processes include, at a minimum, detailed reviews of each customer’s ownership, management team, business activities and the geographies in which they operate. For customers such as exchanges which pose a higher degree of risk or have a higher degree of regulatory obligations, the Company’s processes are more extensive and incorporate reputational reviews, reviews of applicable licensing requirements, plans, and status, and reviews of customer policies and procedures regarding the BSA, consumer compliance, information security, Dodd-Frank Act prohibitions against unfair, deceptive or abusive acts or practices, as well as reviews of transaction monitoring systems and audit results. The differences in these processes results in a

variation in the time necessary to complete the onboarding process, which can range from a matter of days to six to eight weeks.

All regulatory compliance-related responsibilities involving onboarded customers are addressed in the Company's core banking system or through various additional manual diligence and compliance review processes. No funds transfer transactions occur on the SEN, which is simply the means by which internal account transfer transaction instructions are passed to the Bank's core banking system through which they are executed. Since all SEN participants are required to be deposit customers of the Bank, the Bank satisfies its KYC obligations at the time of the customer's account opening. Transaction instructions are passed to the core banking system via the SEN, are executed on the core banking system, and are subsequently monitored through the Bank's automated BSA systems.

Our Competitive Advantages in the Digital Currency Industry

We believe our first-mover advantage serving the digital currency industry has led to numerous strategic advantages, many of which are significant barriers to entry for potential competitors. We expect that these advantages will enable us to maintain our leadership position in the industry:

Digital Currency-Focused Strategy —We believe we are the leading provider of innovative financial infrastructure solutions and services for the digital currency industry. We are one of the only financial services providers in the United States catering to our target customer base. These market participants have been underserved by the legacy financial services community due to a lack of vision and regulatory complexity associated with the digital currency industry, which we have been able to overcome because of the in-depth industry knowledge and strategic foresight of our management team and our robust risk management and regulatory compliance framework. Our commitment to, and relationship with, participants in the digital currency industry is highlighted by the fact that digital currency related investors own approximately 13.1% of the issued and outstanding common stock of the Company, as of September 30, 2018, before giving effect to this offering. The focus and mission of our talented team is to address this unique market opportunity.

Customer Base —Our first-mover advantage and expertise in the industry has allowed us to attract 483 digital currency customers, many of whom are the digital currency industry's most notable participants. These respected and recognizable customers bolster our reputation and enhance our ability to attract new customers. Our customer network also enables us to receive feedback on challenges that the industry currently faces and anticipates facing in the future. Through active dialogue with our customers, we stay at the forefront of industry trends, identify opportunities early and create solutions to address challenges. As an example, the SEN was developed as a result of conversations with our early customers about pain points in the industry. We currently penetrate a small percentage of the market opportunity, and we foresee significant growth if we can execute on our relationship-building strategy with market participants.

SEN Network Effects —We believe the SEN is unique in the industry and its power grows with each new SEN participant, thereby attracting more customers and creating higher levels of customer retention and transaction activity. The Bank provides investors with the identities of participating exchanges that have authorized the Bank to identify them to new or prospective SEN participants. Customer attraction to the SEN can come from our explaining its advantages to a prospective participant or from encouragement from a customer's digital currency exchange counterparty for the customer to enroll in the SEN to expedite funds transfers. Customer demand for the SEN is driven by its availability, ease of use, and instant settlement functionality. SEN benefits are quickly understood from the customer's perspective and provide value to both sides of a SEN transfer. The SEN's functionality saves time and reduces costs and risks to its users, as we described above.

API Integration —Our proprietary, internally-developed, cloud-based API enables our customers to build direct access to the SEN and their deposit accounts into their technology infrastructure. Customers who use our API commit significant time and resources to integrate our API into their systems because of the increased

functionality provided by our API connection. Once fully integrated, our API provides significant value for our customers via its direct interface to our core system. For example, our exchange customers using the API attribute client and counterparty funds programmatically and in virtually real time—a distinct advantage over traditional cash management systems which require human intervention to attribute such funds. Even if competitors were to develop competing solutions to our API and SEN, our customers would need to commit significant time, money and other resources to replace our solutions or adopt additional solutions.

While the Bank does not integrate into customer systems, the Bank provides tools for sophisticated customers to securely access and interact with their accounts' functions over the Bank's API. The movement toward application programming interfaces, or open banking, is an initiative that many U.S. banks have embraced. An application programming interface allows customers to automate manual processes, scale operations, or innovate on new product offerings by giving programmatic access to their account history, the ability to send payments, or the automated reconciliation of their accounts. It is the customer's efforts to leverage these tools that may require significant time and resources on the customer's part, depending on what the customer is trying to do. For instance, some of the Bank's customers integrate the API with their systems within a day while other customers have created complex programs built on the API that were built over a period of months. Each customer's use case and implementation is slightly different, but all are facilitated by the same basic APIs, documentation, developer portal, and Silvergate integration team. The SEN's ability to permit a customer to make an internal transfer from their own account to another Silvergate customer's account is one of the functionalities available through and supported by the Bank's API. For the nine months ended September 30, 2018, 21% of SEN transfers were conducted through the API.

Robust Risk Management and Compliance Framework— We have invested heavily in our risk management and compliance infrastructure. We have attracted a talented, dedicated compliance team with substantial experience in regulated financial institutions, including developing, implementing and monitoring systems to detect and prevent financial crimes. Our risk management and compliance team has developed a strong risk management and compliance framework that leverages technology for onboarding and monitoring market participants. See "Supervision and Regulation."

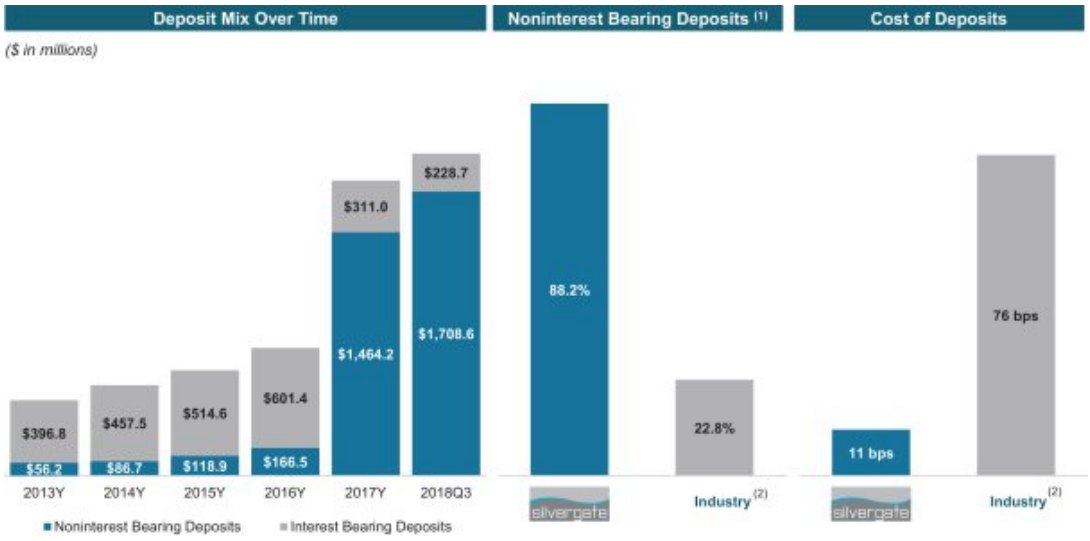
Culture of Innovation— We have a culture of innovation that is driven by our CEO, Alan Lane, whose career in the financial services and technology industries spans over 37 years. In 2013, Mr. Lane began focusing our management team's attention on the potential long-term impact of digital currencies. Under Mr. Lane's leadership, we have developed a broad team of digital currency, technology and financial services professionals. This team helps leverage our experience and significant customer base to enable us to identify and respond to opportunities to innovate and add value to our current and future customers. Our team collaborated in the design and implementation of the SEN and coordinated and oversaw the development and deployment of our API to enable us to seamlessly address the needs of our digital currency customers. We expect our culture of product innovation will enable us to continue identifying, building and deploying new customer solutions, both within our digital currency initiative and other potential future initiatives that may be related to new innovations in the financial services industry.

Digital Currency Solutions and Services Drive Our Business Model

Our digital currency initiative has contributed significantly to an increase in our noninterest bearing deposits, which has driven the Bank's funding costs to among the lowest in the U.S. banking industry. This has allowed us to generate attractive returns on lower risk assets through increased investments in interest earning deposits in other banks and securities, as well as funding limited loan growth. Our business model is described more fully below:

Prudently Leveraging Lower-Cost Core Deposit Base —Our lower-cost core deposit base is a key element of our financial success. We have increased our noninterest bearing deposits as a percentage of total deposits from 12.4% as of December 31, 2013 to 88.2% as of September 30, 2018, an increase that is largely attributable to our digital currency initiative. Our cost of total deposits was 0.11% and our cost of funds was 0.18% for the nine months ended September 30, 2018 as compared to 0.78% and 1.00%, respectively, for the year ended December 31,

2013. This funding base allows us to manage our interest earning assets conservatively and we have transitioned from primarily deploying our funding into loans to deploying funds into assets such as interest earning deposits in other banks and securities that generate attractive risk-adjusted returns. For example, loans held-for-investment, net have decreased as a percentage of our total assets from 56.0% at December 31, 2013 to 32.0% at September 30, 2018 while the aggregate amount of interest earning deposits in other banks and available-for-sale securities have increased from 9.9% of total assets to 57.9% over the same time period.



(1) Represents noninterest bearing deposits as a percentage of total deposits as of September 30, 2018.
(2) Data represents median noninterest bearing deposits and average year to date cost of deposits for banks in the United States with total assets between $1.0 billion and $10.0 billion as of the most recent quarter reported.

We deploy our deposits into assets that generate attractive risk-adjusted returns. Our interest earning deposits in other banks and our securities portfolio have grown substantially as our noninterest bearing deposits attributable to our digital currency initiative have expanded.

We segment our deposits based on their potential volatility, which drives our choices regarding the assets we fund with such deposits. Deposits attributable to digital currency exchange customer funds and investor funds are assigned the highest potential volatility. These deposits amounted to $1.2 billion as of September 30, 2018, and we invest these funds primarily in interest earning deposits in other banks and adjustable rate securities available-for-sale.

This strategy also provides significant asset sensitivity, as we expect yields on interest earning deposits in other banks as well as yields on our securities portfolio will rise with potential increases in short term interest rates, while our deposit funding costs will not rise to the same extent.

As of September 30, 2018, our interest earning deposits in other banks totaled $943.8 million. Our average yield on these deposits was 1.80% for the nine months ended September 30, 2018.

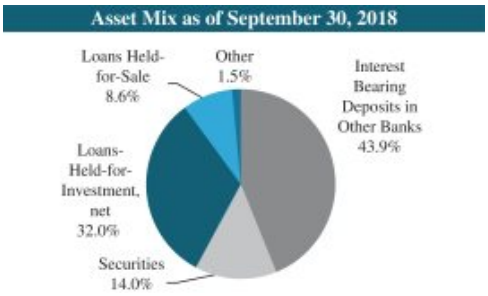
As of September 30, 2018, our portfolio of securities available-for-sale totaled $302.3 million, an increase of 217.1% from September 30, 2017. This portfolio is primarily composed of adjustable rate mortgage-backed securities, collateralized mortgage obligations and pools of government sponsored student loans. We view our available-for-sale securities as a conservatively managed portfolio which offers a source of additional interest income and provides liquidity management flexibility.

We have more flexibility in deciding how to deploy our deposits attributable to digital currency customer operating funds, which totaled $370.6 million as of September 30, 2018.

Conservative Lending and Niche Asset Growth— We also selectively deploy our funding into specialty lending businesses, including mortgage warehouse lending, commercial real estate lending, correspondent lending, and commercial business lending. We have developed underwriting expertise across these asset classes and believe that these loans offer attractive risk-adjusted returns.

We use a portion of our deposits attributable to digital currency exchange and investor funds as the funding source for our mortgage warehouse lending activities. We are comfortable with this strategy because of the short-term nature of our mortgage warehouse assets and because we can access funding at the Federal Home Loan Bank should we experience heightened volatility in the deposit balances related to these digital currency exchange and investor funds.

We use a portion of our deposits attributable to operating funds to make loans across our other lending businesses. A significant portion of our portfolio consists of loans on both owner-occupied and non-owner-occupied commercial real estate. The properties securing these loans are located primarily throughout our markets and are generally diverse in terms of type. Our commercial business lending provides loans to small- and medium-sized businesses in a wide variety of industries and segments, including wholesalers, manufacturers, municipalities, construction and business services companies. These loans are collateralized by inventory, equipment, real estate and other commercial assets, and may be supported by other credit enhancements such as personal guarantees.



As of September 30, 2018, we had net loans (including loans held-for-sale) of $871.9 million compared to $513.3 million as of December 31, 2013. Our yield on loans was 5.47% for the nine months ended September 30, 2018 as compared to 4.84% for the year ended December 31, 2013.

Noninterest Income— For the nine months ended September 30, 2018, we had noninterest income of $5.6 million (11.4% of net interest income and a 185.6% increase from the same period in the prior year), and our ratio of noninterest income to average assets was 0.39%. Our noninterest income is primarily driven by service fees related to our digital currency customers, mortgage warehouse fee income and other fees. We anticipate an increase in our noninterest income as our customers grow and their needs develop further, and as we continue to develop and deploy fee-based solutions in connection with our digital currency initiative.

Our Growth Strategy

We intend to extend our leadership position in the digital currency industry by combining our management team's industry vision with our strategic focus, market position, and technology platform to grow our existing business lines and develop additional market-leading product offerings. Our strategies to achieve these goals include:

Focus on High-Growth Customers— Our customers have experienced significant growth as the digital currency industry has rapidly expanded. We expect these customers to continue growing, generating additional deposit potential for us and new opportunities for innovation to address customer needs.

Broaden Our Digital Currency-Related Customer Base— Our customer growth has primarily been driven by market participants proactively approaching us and by high-quality referrals from existing customers who value our sophisticated and flexible approach to addressing their industry-specific challenges. As of September 30, 2018, we had 483 digital currency customers and 145 prospective customers in various stages of our onboarding process. As we further build out our technology and brand awareness, we expect to more deeply penetrate the universe of existing digital currency-related businesses in need of banking services. By further extending the breadth of our services, we believe we will generate an increasing number of high-quality referrals.

Monetization of the SEN as Platform Matures— The competitive advantage of operating on the SEN is crucial for exchanges and investors participating in the digital currency industry. We believe the SEN can grow to a critical mass of adoption and utilization across the digital currency industry. As we continue to enhance SEN functionality and the customer ecosystem related to the SEN, we believe the capabilities and value of the network will continue to increase, providing us with the opportunity to earn fees commensurate with the significant value we are providing to our customers.

Develop New Solutions and Services for Our Customers— We are developing additional products and services to address the digital currency industry's largest opportunities. We believe we are well positioned to capitalize on these opportunities because of our technology platform and competitive advantages. Our product roadmap includes:

- *Stablecoin Transaction Flows and Collateral* . We believe that the continuing adoption of stablecoins, as well as our deep relationships with many of the leading developers of stablecoins, presents a large opportunity for our business in several ways. Stablecoins that are backed by U.S. dollars in a one-to-one ratio to their digital representations and are offered by regulated institutions who agree to third-party audits present what we currently believe to be the largest growth opportunity for deposits for us. At scale, many believe fiat-backed stablecoins will be the catalyst for widespread adoption of digital currencies as a medium of exchange, allowing consumers to purchase goods and services using digital currency without the friction that exists today within the global banking environment and the volatility that exists in the digital currency markets. Additionally, institutional investors are looking for more efficient ways to move capital between global exchanges that are not currently part of the SEN. The Company does not have any direct involvement with stablecoin pricing, transactions or exchanges.

  We are already benefiting from our clients' interest in stablecoins by holding fiat currency for our customers that may ultimately be exchanged for stablecoins. Fiat currency held for customers that may be used for exchanging into stablecoins is not treated any differently than other fiat currency held by the Bank's depositors. We hold these funds on deposit similar to other investor funds held on an exchange. Secondly, in many cases, investors are moving fiat currency onto exchanges in order to buy stablecoins using the SEN, increasing the utility of the network and ultimately expanding the opportunity to earn fees commensurate with the value of our service. Finally, we believe the largest opportunity is to hold fiat currency in a deposit account as collateral for stablecoins and we are working closely with several leading stablecoin developers to hold their deposit collateral. In the aggregate, we believe these three opportunities represent substantial growth opportunities that could dramatically enhance our deposits and profitability.

- *Custodian Services*— We have identified significant demand among institutional investors for regulated custodians to securely store digital currency on their behalf. Many institutional investors require qualified custodians to hold assets on their behalf, and we believe we are well-positioned to capture market share in this emerging space given our existing investor relationships, our leading brand and reputation, and our ownership of a federally regulated bank. We estimate that there are custodial services currently being sought with respect to several billions of dollars worth of digital currency-related assets, and that there are limited potential providers of these custodial services because traditional qualified custodians (e.g., banks, trust companies and broker-dealers) lack the infrastructure and expertise to custody digital currency. Our growth strategy contemplates the establishment of a qualified custodian entity as a Company subsidiary to

address this market opportunity. This entity would seek to become a New York state licensed limited liability trust company through which digital currency custodial activities would be conducted. The State of New York was strategically chosen due to its established track record of granting trust charters for digital currency related companies. A full application for this new entity is expected to be submitted in the fourth quarter of 2018. The Bank does not currently have custody of any digital currency assets, and is not currently planning on transferring digital currency assets across the SEN.

- *Expand Our International Customer Base*— Due to the global nature of the digital currency industry and rapid adoption of digital currencies as an asset class, we believe we will have the opportunity to extend the reach of our franchise into international markets. As part of this opportunity, we expect to offer products and services to those markets, as well as to our U.S. customers wishing to access those markets, that will drive additional growth and strategic value in our business. For example, we work with correspondent banking partners, including a leading global investment bank (transactions expected to commence in the fourth quarter of 2018), to provide competitive foreign exchange alternatives to our clients.
- *Other Potential Fintech Opportunities*— We carefully monitor events and emerging trends in the markets in which we operate to identify opportunities to further leverage our management team's experience and technology-driven approach to developing additional fintech-related business opportunities to grow our deposits, earn additional fee income and generate attractive risk adjusted returns. These potential initiatives may include developing additional applications of our API architecture. We believe the API is an attractive platform to support business activities that involve frequent transfer transactions between parties, including, among others, escrow, property/cash exchanges, non-profit non-governmental organizations, marketplace firms such as marketplace lenders and other participants in the sharing economy, and dollar aggregators that facilitate micro investing and crowdfunding activities.

Capitalize on our Unique Market Insights —Because of our management team's vision and our status as a sought-after partner within the digital currency industry, we see potential opportunities that many legacy financial services providers as well as digital currency market participants may not be able to see in the near-term. We believe that this unique position within the market will enable us to continue developing next generation financial infrastructure solutions and services and extend our first-mover advantage. Capitalizing on these opportunities has the potential to significantly accelerate our growth beyond the drivers visible to most market participants today and help us grow our position as a leading provider of innovative financial services infrastructure solutions and services to the digital currency industry.

Recent Developments

On November 15, 2018, the Company and the Bank entered into a purchase and assumption agreement to sell the Bank's small business lending division and retail branch located in San Marcos, California to HomeStreet Bank. Under the purchase and assumption agreement, HomeStreet Bank has agreed to acquire approximately $123 million of business loans and assume approximately $124 million of deposits (both as of October 31, 2018). HomeStreet Bank has agreed to acquire the loans at par value, plus accrued interest, as of the closing date and will pay deposit premiums based on the deposit type and average deposit balances for the 30 day period up to and including the closing date. Changes in the amount of total deposits and the amount of deposits within each deposit classification may change the financial impact at closing. Furthermore, the amount of loans sold may increase or decrease before closing.

This transaction enables the Company to increase its focus on its digital currency initiative and its specialty lending competencies. Subject to customary closing conditions, including all necessary regulatory approvals, the transaction is expected to be completed in the second quarter of 2019.

Lending Activities

Overview . We maintain a diversified loan portfolio in terms of the types of loan products it contains and customer characteristics, with a focus on variable rate, shorter term and higher yielding products. Our lending services cover commercial real estate loans, both on an owner and non-owner-occupied basis, multi-family real estate loans, construction loans, commercial and industrial loans, consumer loans and mortgage warehouse loans. Lending activities originate from the efforts of our bankers, with an emphasis on lending to individuals, professionals, small- to medium-sized businesses and commercial companies primarily located in our market areas. Although all lending involves a degree of risk, we believe that commercial and industrial loans, commercial real estate loans and multi-family loans present greater risks than other types of loans in our portfolio. We work to mitigate these risks through conservative underwriting policies and consistent monitoring of credit quality indicators.

The following table presents the composition of our total loan portfolio, by segment, as of September 30, 2018:

LOAN PORTFOLIO COMPOSITION

	Amount	Percentage of Total Gross Loans
	(Dollars in thousands)	
Real estate:		
One-to-four family	$184,847	26.6%
Multi-family	23,270	3.4
Commercial	344,773	49.6
Construction	3,087	0.4
Subtotal real estate	555,977	80.0
Commercial and industrial	88,173	12.7
Consumer and other	125	0.0
Reverse mortgage	1,901	0.3
Mortgage warehouse	48,409	7.0
Total gross loans held-for-investment	$694,585	100.0%
Loans held-for-sale	$184,105	

One-to-Four Family Real Estate Loans . Our one-to-four family real estate loans primarily consist of non-qualified, or QM, single-family residential, or SFR, mortgage loans and purchases of loan pools.

Prior to the January 2014 effective date for the Dodd-Frank Act mandated SFR Ability to Repay, or ATR, and QM Rule, the Bank devoted considerable time to determining how to best satisfy the ATR components of this rule. The Bank believed that following the rule's effective date most banks would likely avoid Non-QM loans, which do not enjoy the presumptive compliance with ATR requirements that QM loans do. Given the rigorous ATR compliance processes the Bank built, we identified this loan category as a significant market opportunity and were among the first to offer an adjustable rate Non-QM SFR loan product to be purchased from originating mortgage lenders. The limited competition in this space resulted in the Bank being able to acquire Non-QM SFR Loans with yields above QM loans and with generally lower loan-to-value ratios. Our Non-QM SFR loans may either be held-for-investment or held-for-sale. At September 30, 2018, gross Non-QM SFR loans were approximately $143.2 million.

Loan pool purchase activity was launched by the Bank in 1999 and has focused on acquiring high quality SFR mortgage loans through secondary market purchases. The Bank has identified and negotiated the purchase

of SFR loans originated by other financial institutions throughout the United States. This activity has been an element of the Bank's risk-mitigation strategy, allowing the Bank to emphasize credit quality in portfolio loans, prioritizing geographic diversity, low loan-to-value ratios, and significant loan seasoning and payment histories. The Bank's SFR lending activities are conducted pursuant to its Lending and Collection Policy and under the oversight of the Directors' Loan Committee of the Bank's board of directors, or DLC. At September 30, 2018, gross pool purchased SFR loans were approximately $40.7 million.

Multi-Family Real Estate Loans . We offer multi-family real estate loans for the purchase or refinancing of apartment properties located primarily in our Southern California market area. These loans are primarily made based on the identified cash flows of the borrower and secondarily, on the underlying real property collateral. Loan are generally extended for 10 years or less and amortize generally over 30 years or less, with interest rates being initially fixed for 5–7 years and adjusting annually thereafter, and we routinely charge an origination fee for our services.

Commercial Real Estate Loans . We originate, and periodically purchase, both owner-occupied and non-owner-occupied commercial real estate loans. These loans may be adversely affected by conditions in the real estate markets or in the general economy. Commercial loans that are secured by owner-occupied commercial real estate and primarily collateralized by operating cash flows are also included in this category of loans. As of September 30, 2018, we had approximately $32.3 million of owner-occupied commercial real estate loans, representing approximately 9.0% of our commercial real estate portfolio. Commercial real estate loans are generally extended for 10 years or less and amortize generally over 30 years or less. The interest rates on our commercial real estate loans generally have initial fixed rate terms for 5—7 years and adjust annually thereafter, and we routinely charge an origination fee for our services. We require a review of the principal owners' personal financial statements and global debt service obligations and generally require personal guarantees from borrowers. The properties securing the portfolio are located primarily throughout our markets and are generally diverse in terms of type. This diversity helps reduce the exposure to adverse economic events that affect any single industry.

Construction Loans . Our construction loans are offered primarily within our Southern California operating area to builders for the construction of commercial or multi-family residential properties and single-family homes (generally in subdivisions). Our construction loans typically have terms of 12 to 18 months. According to our underwriting standards, the ratio of loan principal to collateral value, as established by an independent appraisal, cannot exceed 75% for investor-owned and 80% for owner-occupied properties. We closely monitor our borrowers' progress in construction buildout and strictly enforce our original underwriting guidelines for construction milestones and completion timelines.

Commercial and Industrial Loans . In addition to our other loan products, we provide general commercial and industrial loans. Commercial loans consist of loans to small and medium-sized businesses in a wide variety of industries. The Company's area of emphasis in commercial lending include, but are not limited to, loans to wholesalers, distributors, manufacturers, specialty businesses and business services companies. These loans are primarily made based on the identified cash flows of the borrower and secondarily, on the underlying collateral provided by the borrower. Commercial loans are generally collateralized by accounts receivable, inventory, equipment, real estate and other commercial assets, and may be supported by other credit enhancements such as personal guarantees. We have also originated commercial loans qualifying for partial guarantees provided by the U.S. Small Business Administration, or eligible for other credit support programs of the State of California.

Mortgage Warehouse Loans . Our mortgage warehouse lending division provides short-term interim funding for single-family residential mortgage loans originated by mortgage bankers or other lenders pending the sale of such loans in the secondary market. Our risk is mitigated by comprehensive policies, procedures, and controls governing this activity, partial loan funding by the originating lender, guarantees or additional monies pledged to the Company as security, and the short holding period of funded loans on the Company's balance sheet. In addition, loss rates of this portfolio have historically been minimal, and these loans are all subject to written

purchase commitments from takeout investors or are hedged. Our mortgage warehouse loans may either be held-for-investment or held-for-sale. From the opening of the mortgage warehouse division in April 2009 through September 30, 2018 we purchased 97,898 individual loans in the total amount of $25.7 billion and have incurred no losses in 2018, $61,000 of net losses in 2017 and no losses in 2016. We sold approximately $130.0 million and $229.9 million of loans to participants during the nine months ended September 30, 2018 and during the year ended December 31, 2017, respectively. At September 30, 2018, gross warehouse loans were approximately $229.8 million.

Credit Policies and Procedures

General . We adhere to what we believe are disciplined underwriting standards, but also remain cognizant of the need to serve the credit needs of customers in our primary market areas by offering flexible loan solutions in a responsive and timely manner. We maintain asset quality through an emphasis on market knowledge, long-term customer relationships, consistent and thorough underwriting for all loans and a conservative credit culture. We also seek to maintain a diversified loan portfolio. These components, together with active credit management, are the foundation of our credit culture, which we believe is critical to enhancing the long-term value of our organization to our customers, employees, shareholders and communities.

Credit Concentrations . We actively manage the composition of our loan portfolio, including credit concentrations. Our loan approval policies establish concentrations limits by loan product types and geographic locations to enhance portfolio diversification. The Bank's concentration management program couples quantitative data with a thorough qualitative approach to provide an in-depth understanding of its loan portfolio concentrations. The Bank's routine commercial real estate portfolio analysis includes concentration trends by portfolio product type, overall commercial real estate growth trends, pool correlations, risk rating trends, policy and/or underwriting exceptions, nonperforming asset trends, stress testing, market and submarket analysis and changing economic conditions. The portfolio concentration limits set forth in Bank's Lending and Collection Policy are reviewed and approved by the Bank's board of directors at least annually. Concentration levels are monitored by management and reported to the Bank's board of directors at each of its meetings, generally quarterly or more frequently.

Loan Approval Process . As of September 30, 2018, the Bank had a legal lending limit of approximately $46.7 million for loans secured by cash, readily marketable collateral, or real estate collateral qualifying under the California Financial Code, or the Financial Code, and $28.0 million for loans without such collateral or any collateral. The Bank's lending activities are governed by written underwriting policies and procedures that have been approved by the DLC. The policies provide several levels of delegated lending authority to subcommittees of the DLC and senior management of the Bank. The lending authority hierarchy varies depending on loan amount, collateral type and total borrower exposure. A multi-tiered group level approach based on experience, capability and management position dictates lending authorities for senior management. We believe that our credit approval process provides for thorough underwriting and efficient decision making.

Loan Reviews and Problem Loan Management . Our credit administration staff conducts meetings at least eight times a year to review asset quality and loan delinquencies. The Bank's Lending and Collection Policy requires that we perform annual reviews of every loan of $250,000 or more not rated special mention or adversely classified. Individual loan reviews encompass a loan's payment status and history, current and projected paying capacity of the borrower and/or guarantor(s), current condition and estimated value of any collateral, sufficiency of credit and collateral documentation, and compliance with Bank and regulatory lending standards. Loan reviewers assign an overall loan risk rating from one of the Bank's loan rating categories and prepare a written report summarizing the review, with any work papers related to the review retained.

Once a loan is identified as a problem loan or a loan requiring a workout, the Bank makes an evaluation and develops a plan for handling the loan. In developing such a plan, management reviews all relevant information from the loan file and any loan review reports. We have a conversation with the borrower and update current and

projected financial information (including borrower global cash flows when possible) and collateral valuation estimates. Following analysis of all available relevant information, management adopts an action plan from the following alternatives: (a) continuation of loan collection efforts on their existing terms, (b) a restructure of the loan's terms, (c) a sale of the loan, (d) a charge off or partial charge off, (e) foreclosure on pledged collateral, or (f) acceptance of a deed in lieu of foreclosure.

Deposits

Our deposits serve as the primary funding source for lending, investing and other general banking purposes. We provide a full range of deposit products and services, including a variety of checking and savings accounts, certificates of deposit, money market accounts, remote deposit capture, online banking, mobile banking, e-Statements, bank-by-mail and direct deposit services.

Our digital currency initiative has enabled the Bank to rapidly grow deposits from digital currency customers. Because of our focus on the digital currency industry in recent years and the unique value-add solutions and services we provide, we have achieved substantial improvements in our deposit base, specifically an increase in our noninterest bearing deposits, which has driven the Bank's funding costs to among the lowest in the U.S. banking industry.

Additionally, for businesses in Southern California, we also offer business accounts and cash management services, including business checking and savings accounts and treasury management services. We solicit deposits through our relationship-driven team of dedicated and accessible bankers and through community-focused marketing. We also selectively seek to cross-sell deposit products at loan origination.

Investments

We manage our securities portfolio and cash to maintain adequate liquidity and to ensure the safety and preservation of invested principal, with a secondary focus on yield and returns. Specific objectives of our investment policy and portfolio are as follows:

- Ensure the Safety of Principal—Bank investments are generally limited to investment-grade instruments that fully comply with all applicable regulatory guidelines and limitations. Allowable non-investment-grade instruments must be approved by the board of directors.
- Income Generation—The Bank's investment portfolio is managed to maximize income on invested funds in a manner that is consistent with the Bank's overall financial goals and risk considerations.
- Provide Liquidity—The Bank's investment portfolio is managed to remain sufficiently liquid to meet anticipated funding demands either through declines in deposits and/or increases in loan demand.
- Mitigate Interest Rate Risk—Portfolio strategies are used to assist the Bank in managing its overall interest rate sensitivity position in accordance with goals and objectives approved by the ALCO.

Since we are required to maintain high levels of liquidity for our customers who operate in the digital currency industry, our investment portfolio is comprised primarily of mortgage-backed securities backed by government-sponsored entities, collateralized mortgage obligations and asset backed securities.

Our investment policy is reviewed and approved annually by our board of directors. Overall investment objectives are established by our board through our investment policy and monitored through our ALCO. Day-to-day activities pertaining to the securities portfolio are conducted under the supervision of the ALCO's Securities Investment Subcommittee consisting of our Chairman, CEO, President, CFO, and Finance Manager. We actively monitor our investments on an ongoing basis to identify any material changes in our mix of securities. We also review our securities for potential impairment (other than temporary impairments) at least quarterly.

Competition

The banking and financial services industry is highly competitive, and we compete with a wide range of financial institutions within our markets, including local, regional and national commercial banks and credit unions. We also compete with brokerage firms, consumer finance companies, mutual funds, securities firms, insurance companies, fintech companies and other financial intermediaries for certain of our products and services. Some of our competitors are not currently subject to the regulatory restrictions and the level of regulatory supervision applicable to us.

We face direct competition from a handful of banks that are actively seeking relationships with our current and prospective digital currency customers. In addition, we compete with other infrastructure service providers primarily related to the digital currency industry. As adoption of digital currency grows, we expect additional banks, other financial institutions and other infrastructure service providers to enter into the digital currency industry and compete with us for our current and prospective digital currency customers. Additionally, some of our current digital currency customers are also licensed financial institutions that may attempt to compete with us in the future. The pace of innovation within the digital currency industry is rapid and may result in competitors or new competing business models that we are not aware of today.

Interest rates on loans and deposits, as well as prices on fee-based services, are typically significant competitive factors within the banking and financial services industry. Many of our competitors are much larger financial institutions that have greater financial resources than we do and compete aggressively for market share. These competitors attempt to gain market share through their financial product mix, pricing strategies and banking center locations.

Other important standard competitive factors in our industry and markets include office locations and hours, quality of customer service, community reputation, continuity of personnel and services, capacity and willingness to extend credit, and ability to offer sophisticated banking products and services. While we seek to remain competitive with respect to fees charged, interest rates and pricing, we believe that our broad and sophisticated commercial banking product suite, our high quality customer service culture, our positive reputation and long-standing community relationships will enable us to compete successfully within our markets and enhance our ability to attract and retain customers.

Our Employees

As of September 30, 2018, we employed 208 persons. None of our employees are represented by any collective bargaining unit or are parties to a collective bargaining agreement. We consider our relations with our employees to be good.

Our Properties

Our headquarters office is currently located at 4250 Executive Square, La Jolla, California 92037. The following table summarizes pertinent details of our leased office properties.

Location	Owned/ Leased	Lease Expiration	Type of Office
4250 Executive Square, Suite 300 La Jolla, CA 92037	Leased	10/31/2022	Headquarters
4250 Executive Square, Suite 100 La Jolla, CA 92037	Leased	10/31/2022	Branch
4225 Executive Square, Suite 1050 La Jolla, CA 92037	Leased	8/31/2019	Headquarters Support Facility
8530 La Mesa Boulevard, Suites 300/304 La Mesa, CA 91942	Leased	1/31/2024	Branch
277 Rancheros Drive, Suite 300 San Marcos, CA 92069	Leased	9/30/2023	Branch

We believe that the leases to which we are subject have terms that are generally consistent with prevailing market terms. None of the leases involve any of our directors, officers or beneficial owners of more than 5% of our voting securities or any affiliates of the foregoing. We believe that our facilities are in good condition and are adequate to meet our operating needs for the foreseeable future.

Legal Proceedings

We are not currently subject to any material legal proceedings. We are from time to time subject to claims and litigation arising in the ordinary course of business. These claims and litigation may include, among other things, allegations of violation of banking and other applicable regulations, competition law, labor laws and consumer protection laws, as well as claims or litigation relating to intellectual property, securities, breach of contract and tort. We intend to defend ourselves vigorously against any pending or future claims and litigation.
In the current opinion of management, the likelihood is remote that the impact of such proceedings, either individually or in the aggregate, would have a material adverse effect on our results of operations, financial condition or cash flows. However, one or more unfavorable outcomes in any claim or litigation against us could have a material adverse effect for the period in which they are resolved. In addition, regardless of their merits or their ultimate outcomes, such matters are costly, divert management’s attention and may materially adversely affect our reputation, even if resolved in our favor.

MANAGEMENT

General

We have a seasoned executive management team and board of directors. Our executive management team has over 200 combined years of financial services experience, including extensive experience in the commercial banking industry.

Our board of directors is currently composed of eight members and is divided into three classes of directors serving staggered three-year terms. Elected directors hold office until their successors are elected and qualified or until such director's earlier death, resignation or removal. Our executive officers are appointed by our board of directors and hold office until their successors are duly appointed and qualified or until their earlier death, resignation or removal.

Board of Directors

The following table sets forth certain information regarding our board directors, and positions they hold at the Bank, if any, as of September 30, 2018.

Name	Age	Position with the Company	Position with the Bank	Director Since	Director Class (1)
Dennis S. Frank	62	Chairman of the Board	Chairman of the Board	1996	I
Derek J. Eisele	53	Vice Chairman	Vice Chairman and President	1996	II
Alan J. Lane	56	President, Chief Executive Officer and Director	Chief Executive Officer and Director	2008	I
Karen F. Brassfield	70	Director	Director	2013	II
Robert C. Campbell	69	Lead Director	Lead Director	1996	I
Thomas C. Dircks	61	Director	Director	2013	III
Paul D. Colucci	45	Director	Director	2013	III
Scott A. Reed	48	Director	Director	2015	II

(1) Our board of directors is divided into three classes, the terms for which expire at our annual shareholder meetings in 2019 (Class I), 2020 (Class II) and 2021 (Class III).

A brief description of the background of each of our directors together with the experience, qualifications, attributes or skills that caused our board of directors to determine that the individual should serve as a director is set forth below. As discussed in greater detail below, our board of directors has affirmatively determined that five of our eight current directors qualify as independent directors based upon the rules of the New York Stock Exchange and the SEC. There are no current arrangements or understandings between any of the directors and any other person pursuant to which he or she was selected as a director.

Dennis S. Frank . Mr. Frank has been Chairman of the Board of both the Bank and the Company since November 1996 and served as Chief Executive Officer of the Company from November 1996 until December 2017. He also served as Chief Executive Officer of the Bank from November 1996 until July 2007. Mr. Frank is also President of DSF Management Corporation, Houston, Texas, a private investment company. From 1988 to 1993, Mr. Frank was a Managing Director and major shareholder of Coastal Banc SSB, Houston, Texas, and he served as director of Coastal Banc from 1988 until its sale to Hibernia Bancorp in May of 2004. From 1980 through 1987, Mr. Frank was a Vice President of Goldman, Sachs & Co. in New York. He has a Master of Business Administration and a Bachelor of Science degree in Business from New York University.

Derek J. Eisele . Since the recapitalization of the Bank in 1996, Mr. Eisele has served as an executive officer and director of the Bank and the Company. He holds the position of Vice Chairman of both organizations and is President and Chief Credit Officer of the Bank. Mr. Eisele was also an active partner in DSF Management

Corporation, a real estate investment and management company, from 1994-2000. From November 1989 to April 1994, Mr. Eisele was a Vice President of Coastal Realty Partners, Houston, Texas, where he was responsible for managing and disposing of real estate and real estate related assets on behalf of governmental agencies and private investors, and he oversaw asset resolutions from over 100 failed financial institutions through contract work for the Federal Deposit Insurance Corporation, Resolution Trust Corporation, and Federal and Savings Loan Insurance Corporation. Mr. Eisele has a Master of Business Administration from the University of Houston and a Bachelor of Science in Business Administration from the University of Delaware. Mr. Eisele is also a graduate of the American Bankers Association Stonier Graduate School of Banking at the University of Pennsylvania.

Alan J. Lane . Mr. Lane has been with the Company since December 2008. He is Director and Chief Executive Officer of the Bank and is Director, Chief Executive Officer and President of the Company. Mr. Lane has over 35 years of corporate and financial institution leadership experience. He 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 Director and Chief Executive Officer of Business Bancorp. In addition to his financial institution experience, Mr. Lane has served as President/CEO or Chief Financial Officer of both manufacturing and retail companies. Mr. Lane serves on the Board of Directors of Natural Alternatives International, Inc. He earned his Bachelor of Arts in Economics from San Diego State University.

Karen F. Brassfield . Ms. Brassfield joined the Bank in March 2009 as Senior Vice President and Chief Financial Officer and served as Executive Vice President and Chief Banking Officer from September 2011 to December 2013. She previously was Chief Administrative Officer for San Diego National Bank. Prior to San Diego National Bank, Ms. Brassfield was Chief Financial Officer for Community National Bank, Escondido, California, and Chief Administrative Officer for First National Bank, San Diego. Ms. Brassfield received a Bachelor of Arts in Economics from Lawrence University, Appleton, Wisconsin. She is a graduate of LEAD San Diego.

Robert C. Campbell . Mr. Campbell is the owner of Hendron Holding Corporation, a merchant bank/investment holding company which utilizes its own funds to invest in and finance a wide range of businesses and real estate holdings. The firm has been in operation in Canada for over 40 years as a merchant bank/venture capital firm primarily involved in acquiring equity positions in private companies. Mr. Campbell holds a Bachelor of Arts degree from York University as well as a law degree from Osgood Hall Law School and practiced corporate commercial law in Toronto for 10 years until 1986.

Thomas C. Dircks . Mr. Dircks is a Managing Director of Charterhouse Strategic Partners, a provider of strategically focused investments in growth companies in the United States. Mr. Dircks was previously Managing Partner of Charterhouse Equity Partners and was responsible for managing and overseeing the investment of Charterhouse's multi billion dollars of North America focused institutional private equity funds. Prior to joining Charterhouse, he was employed by PricewaterhouseCoopers as a certified public accountant. He holds a Bachelor of Science in Accounting and a Masters of Business Administration from Fordham University.

Paul D. Colucci . Mr. Colucci owns and operates a private real estate company focused on the investment, management, and development of real estate opportunities in Southern California. Portfolio asset types include multi-family, office, industrial and single-family housing. He previously worked for Goldman Sachs, Inc. in the real estate investment-banking group in New York City. He also worked for Batchelder and Partners, a boutique investment bank focusing on mergers and acquisitions and corporate finance advisory services. Mr. Colucci earned a Bachelor of Arts degree in Business Administration from the University of San Diego.

Scott A. Reed . Mr. Reed is partner, director and co-founder of BankCap Partners. Mr. Reed is also President of LF Capital Acquisition Corp., a publicly-traded special purpose acquisition corporation. Mr. Reed's previous positions include derivatives trader with Swiss Bank Corporation, a consultant with Bain & Company, an

investment banker in the Bear Stearns Financial Institutions Group, and Senior Vice President, Director of Corporate Strategy and Planning for Carreker Corporation. In addition to serving on the board of the Company, he also serves as a director of Vista Bankshares, Inc., a Lubbock, Texas, based commercial bank and InBankshares Corp., a Raton, New Mexico, based commercial bank. Mr. Reed is a graduate of the University of Virginia with a Bachelor of Science in Commerce and a Bachelor of Arts in History. He received his Masters of Business Administration from the Amos Tuck School of Business at Dartmouth College, where he was an Edward Tuck Scholar.

Executive Officers

The following table sets forth certain information regarding the Company's and the Bank's executive officers, including their names, ages as of September 30, 2018, and positions:

Name	Age	Position with the Company	Position with the Bank
Alan J. Lane	56	President and Chief Executive Officer	Chief Executive Officer
Dennis S. Frank	62	Chairman of the Board	Chairman of the Board
Derek J. Eisele	53	Vice Chairman, Executive Vice President	Vice Chairman of the Board, President
Regan Lauer	49	Executive Vice President and Chief Financial Officer	Executive Vice President and Chief Financial Officer
Kathleen Fraher	40	Executive Vice President and Chief Operating Officer	Executive Vice President and Chief Operating Officer
John M. Bonino	69	Executive Vice President and Chief Legal Officer	Executive Vice President and Chief Legal Officer
W. Paul Simmons	56	Executive Vice President	Executive Vice President and Chief Credit Officer
Ben Reynolds	42	Senior Vice President	Senior Vice President, Fintech Business Development

A brief description of the background of each of our executive officers, other than Messrs. Frank, Lane and Eisele who are discussed above, together with the experience, qualifications, attributes or skills that caused our board of directors to determine that the individual should serve as an executive officer is set forth below. Other than Messrs. Frank and Eisele who are siblings, no executive officer has any family relationship with any other executive officer or any of our current directors.

Regan Lauer. Ms. Lauer joined the Bank in 2013 as its Corporate Controller and Senior Vice President and was named Chief Financial Officer of the Company and the Bank in July 2016 and Executive Vice President of the Company and the Bank in 2017. Prior to joining Silvergate, Ms. Lauer served as the Senior Vice President, Controller, and Principal Accounting Officer at First Pac Trust Bancorp, Inc. (now Banc of CA, Inc.) from 2000-2013, managing the company through years of growth, including an initial public offering, several bank acquisitions, system implementations and multiple capital raises. She began her professional career with Deloitte, where she managed audit engagements with a variety of clients including financial services, manufacturing, biotechnology, healthcare and publishing. She holds a Bachelor of Science in Business Administration with an emphasis in Accounting from Saint Louis University.

Kathleen Fraher . Ms. Fraher joined the Bank in 2006 as Vice President, Compliance and BSA Officer; she was named Senior Vice President / Enterprise Risk Manager in 2013, Executive Vice President in 2015, Chief Administrative Officer in 2016, and Executive Vice President and Chief Administrative Officer of the Company in 2018. In connection with a management realignment in 2018, Ms. Fraher was promoted to Chief Operating Officer of the Company and the Bank. Ms. Fraher's broad-based banking background includes emphasis on managing regulatory relationships, examinations, and compliance with banking laws and regulations.

Ms. Fraher's previous positions include Operations Administrative Officer for Community National Bank, and Senior Compliance Risk Specialist for Imperial Capital Bank. Ms. Fraher holds a Bachelor of Science degree in Business Administration from Mount St. Mary's College in Los Angeles, California and completed the ABA Graduate School of Compliance Management.

John M. Bonino . Mr. Bonino has been associated with the Bank and the Company as a consultant or employee since 1996. He was in a consultant capacity from 1996 to 2003, at which point he joined the Bank as President and Chief Operating Officer. In 2006 he went back to a consultant role, and then returned in 2009 as Senior Vice President of Corporate Development. He was then promoted to Executive Vice President in 2015, and Chief Operating Officer in 2016. In connection with a management realignment in 2018, Mr. Bonino became the Chief Legal Officer for both the Company and the Bank. Mr. Bonino's prior positions include Executive Vice President, Chief Administrative and Financial Officer of Imperial Thrift and Loan, Senior Vice President of Wedbush, Noble, Cooke, Inc., Executive Vice President and Director of securities firm Bateman Eichler, Hill Richards, Inc., and Corporate Counsel of TransTechnology Corporation. Mr. Bonino is a graduate of the University of Southern California School of Business and Stanford Law School, and a member of the California State Bar.

W. Paul Simmons. Mr. Simmons joined the Bank in 2018 as Executive Vice President and Chief Credit Officer and as Executive Vice President of the Company. Mr. Simmons has 30 years of banking and financial services industry experience with firms including Citibank, GE Capital, Apollo Real Estate Advisors, Zions Bancorporation (2011-2014), and the Hankey Group (2014-2015), and was most recently Executive Vice President and Chief Credit Officer Banc of California from 2016-2018. He has also previously served as Chief Operating Officer, Chief Credit Administrator, Partner, Managing Director, and Risk Manager, with responsibilities in such positions for real estate loan portfolios ranging in size from $500 million to $18 billion. Mr. Simmons holds a Bachelor of Science degree from Brigham Young University, and a Masters of Business Administration in Corporate Finance & Accounting from the University of Rochester, Simon School of Business.

Ben Reynolds. Mr. Reynolds joined the Bank in January 2016 and became a Senior Vice President of the Company in 2018. Mr. Reynolds is responsible for the Bank's Fintech deposit business and his team is responsible for helping entrepreneurs within the digital currency, blockchain and Fintech ecosystem to realize their goals by providing banking, technology and consulting services that are on the cutting edge of the financial services industry. His clients include some of the most recognized and well-funded digital currency exchanges, institutional investors and software developers in Fintech. Over the past 15 years, Mr. Reynolds has developed expertise within product development, marketing, strategy, risk and accounting functions for both Fortune 100 firms and companies that he has founded. Prior to joining Silvergate, Mr. Reynolds served as the Chief Marketing Officer for Carsinia Software from 2014-2016, as Chief Financial Officer of Henry Clay Motors from 2009-2014, as Vice President of Marketing and Product Management at HSBC Auto Finance from 2006-2008, and as Senior Associate at KPMG from 1999 to 2002. Mr. Reynolds earned a Bachelor of Science in Accounting from San Diego State University, a Masters of Business Administration from Pepperdine University, and is a certified public accountant in California.

Corporate Governance Principles and Board Matters

Corporate Governance Guidelines . We are committed to sound corporate governance principles, which are essential to running our business efficiently and maintaining our integrity in the marketplace. Our board of directors has adopted Corporate Governance Guidelines, which will become effective upon completion of this offering and set forth the framework within which our board of directors, assisted by the committees of our board of directors, directs the affairs of our organization. The Corporate Governance Guidelines address, among other things, the composition and functions of our board of directors, director independence, compensation of directors, management succession and review, committees of our board of directors and selection of new directors. Upon completion of this offering, our Corporate Governance Guidelines will be available on our website at www.silvergatebank.com under the "Investor Relations" tab.

Director Qualifications . We believe that our directors should have the highest professional and personal ethics and values. They should have broad experience at the policy-making level in business, government or banking. They should be committed to enhancing shareholder value and should have sufficient time to carry out their duties and to provide insight and practical wisdom based on experience. Their service on boards of other companies should be limited to a number that permits them, given their individual circumstances, to perform responsibly all director duties. Each director must represent the interests of all shareholders. When considering potential director candidates, our board of directors also considers the candidate's character, judgment, diversity, skill set, specific business background and global or international experience in the context of our needs and those of the board of directors.

Director Independence . Under the rules of the New York Stock Exchange, independent directors must comprise a majority of our board of directors within a specified period of time of this offering. The rules of the New York Stock Exchange, as well as those of the SEC, impose several other requirements with respect to the independence of our directors.

Our board of directors has evaluated the independence of its members based upon the rules of the New York Stock Exchange and the SEC. Applying these standards, our board of directors has affirmatively determined that Messrs. Campbell, Dircks, Colucci and Reed and Ms. Brassfield are "independent directors" under the applicable rules of the New York Stock Exchange and the SEC. We have determined that Messrs. Frank, Lane and Eisele do not qualify as independent directors because each is an executive officer of both the Company and the Bank.

Election and Classification of Directors. In accordance with the terms of our Articles, our board of directors is divided into three classes of directors serving staggered three-year terms. One of the three classes of our board of directors is elected by our shareholders at each annual shareholders' meeting for a term of three years, and the elected directors hold office until their successors are elected and qualified or until such director's earlier death, resignation or removal. Our board of directors is divided as follows:

- The Class I directors are Dennis S. Frank, Alan J. Lane and Robert C. Campbell.
- The Class II directors are Derek J. Eisele, Karen F. Brassfield and Scott A. Reed.
- The Class III directors are Thomas C. Dircks and Paul D. Colucci.

Leadership Structure. The boards of directors of the Company and the Bank have ten regularly scheduled meetings per year. Our board does not have a policy regarding the separation of the roles of Chief Executive Officer and Chairman of the board of directors, as the board believes that it is in the best interests of our organization to make that determination from time to time based on the position and direction of our organization and the membership of our board.

Currently, Mr. Frank serves as Chairman of the board of directors of the Company and the Bank, while Mr. Lane is the Chief Executive Officer of both the Company and the Bank. We believe this structure (as opposed to combining the positions of chairman and chief executive officer) is appropriate for us for two primary reasons. First, having a separate board chairman allows Mr. Lane to completely focus on his primary responsibilities which are implementing our strategic plans and managing the day-to-day operations of the Company and the Bank. Second, we believe that having the board chairman position separate from the Chief Executive Officer position allows the boards of directors to more effectively fulfill their obligation to oversee the management of the Company and the Bank. In addition, due to our Chairman of the board of directors not being an independent director, we have a separate independent Lead Director, Robert C. Campbell. The Lead Director serves as a liaison between the Chairman and the independent directors and has the authority to call and chair meetings or executive sessions of the independent directors. The Lead Director also chairs full board of directors' meetings in the absence of the Chairman.

Code of Business Conduct and Ethics . Our board of directors has adopted a Code of Business Conduct and Ethics, to become effective upon the closing of this offering, that will apply to all our directors and employees. This code provides fundamental ethical principles to which these individuals are expected to adhere and will

operate as a tool to help our directors, officers and employees understand the high ethical standards required for employment by, or association with, our Company. Our Code of Business Conduct and Ethics, upon the completion of this offering, will be available on our website at www.silvergatebank.com under the "Investor Relations" tab. We expect that any amendments to our Code of Business Conduct and Ethics, or any waivers of its requirements, will be disclosed on our website, as well as by any other means required by New York Stock Exchange rules, including by filing a Current Report on Form 8-K.

Compensation Committee Interlocks and Insider Participation . Upon completion of this offering, none of the members of our Compensation Committee will be or will have been one of our officers or employees. In addition, none of our executive officers serves or has served as a member of the compensation committee or other board committee performing equivalent functions of any entity that has one or more executive officers serving as one of our directors or on our Compensation Committee.

Risk Management and Oversight . Our board of directors oversees our risk management process, which is a company-wide approach to risk management that is carried out by our management. Our full board of directors determines the appropriate risk for us generally, assesses the specific risks faced by us, and reviews the steps taken by management to manage those risks. While our full board of directors maintains the ultimate oversight responsibility for the risk management process, its committees oversee risk within their specific area of concern. Our board of directors monitors capital adequacy in relation to risk. Pursuant to our board of directors' instruction, management regularly reports on applicable risks to the relevant committee or the full board, as appropriate, with additional review or reporting on risks conducted as needed or as requested by our board of directors and its committees.

Board Committees

Our board of directors has established standing committees to assist the discharge of its responsibilities. These committees include the Audit Committee, the Compensation Committee and the Nominating and Corporate Governance Committee. Our board of directors also may establish such other committees as it deems appropriate, in accordance with applicable law and regulations and our corporate governance documents.

Audit Committee . The members of our Audit Committee are Messrs. Campbell (Chairman), Dircks and Colucci. Our board of directors has evaluated the independence of each of the members of our Audit Committee and has affirmatively determined that (1) each of the members of our Audit Committee is an "independent director" under the New York Stock Exchange rules, (2) each of the members satisfies the additional independence standards under applicable SEC rules for audit committee service, and (3) each of the members can read and understand fundamental financial statements. In addition, our board of directors has determined that Mr. Campbell is a financial expert and has the financial sophistication required by the rules of the New York Stock Exchange due to his experience and background. Our board of directors has also determined that Mr. Campbell qualifies as an "audit committee financial expert" under the rules and regulations of the SEC.

The Audit Committee assists the board of directors in its oversight of the integrity of our financial statements, the selection, engagement, management and performance of our independent auditor that audits and reports on our consolidated financial statements, the performance of our internal audit function, the review of reports of bank regulatory agencies, monitoring management's compliance with the recommendations contained in those reports and our compliance with legal and regulatory requirements related to our financial statements and reporting. Among other things, our Audit Committee has responsibility for:

- selecting and reviewing the performance of our independent auditor and approving, in advance, all engagements and fee arrangements;
- reviewing reports from the independent auditor regarding its internal quality control procedures and any material issues raised by the most recent internal quality-control or peer review or by governmental or professional authorities, and any steps taken to deal with such issues;

- reviewing the independence of our independent auditor and setting policies for hiring employees or former employees of our independent auditor and for audit partner rotation and independent auditor rotation in accordance with applicable laws, rules and regulations;
- resolving any disagreements regarding financial reporting between management and the independent auditor;
- overseeing our internal audit function;
- reviewing operating and control issues identified in internal audit reports, management letters, examination reports of regulatory agencies and monitoring management's compliance with recommendations contained in those reports;
- meeting with management and the independent auditor to review the effectiveness of our system of internal controls and internal audit procedures, and to address any deficiencies in such procedures;
- monitoring management's compliance with all applicable laws, rules and regulations;
- reviewing our earnings releases and reports filed with the SEC;
- preparing the Audit Committee report required to be included in our annual report by SEC rules;
- reviewing the adequacy and effectiveness of our accounting and financial controls, including guidelines and policies for assessing and managing our risk exposure;
- establishing and overseeing procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters, and for the confidential anonymous submission by Company employees of concerns regarding questionable accounting or auditing matters;
- reviewing actions by management on recommendations of the independent auditors and internal auditors;
- reviewing and approving or ratifying related party transactions; and
- handling such other matters as are specifically delegated to the Audit Committee by our board of directors from time to time.

Our Audit Committee has adopted a written charter, which sets forth the committee's duties and responsibilities. The charter of the Audit Committee will be available on our website at www.silvergatebank.com under the "Investor Relations" tab upon completion of this offering.

Compensation Committee . The members of our Compensation Committee are Messrs. Campbell (Chairman), Colucci, Dircks and Reed. Our board of directors has evaluated the independence of each of the members of our Compensation Committee and has affirmatively determined that each of the members of our Compensation Committee meets the definition of an "independent director" under the New York Stock Exchange rules.

Our board has also determined that each of the members of the Compensation Committee qualifies as a "nonemployee director" within the meaning of Rule 16b-3 under the Exchange Act.

The Compensation Committee assists the board of directors in its oversight of our overall compensation structure, policies and programs and assessing whether such structure meets our corporate objectives, the compensation of our named executive officers and the administration of our compensation and benefit plans.

Among other things, our Compensation Committee has responsibility for:

- reviewing and determining, and recommending to the board of directors for its confirmation, the annual compensation, annual incentive compensation and any other matter relating to the compensation of our named executive officers; all employment agreements, severance or termination agreements, change in

control agreements to be entered into between any executive officer and us; and modifications to our philosophy and compensation practices relating to compensation of our directors and management;

- reviewing and determining, and recommending to the board of directors for its confirmation, the establishment of performance measures and the applicable performance targets for each performance-based cash and equity incentive award to be made under any benefit plan;
- taking all actions required or permitted under the terms of our benefit plans, with separate but concurrent authority;
- reviewing, approving and administering each of our benefit plans, and performing such other duties and responsibilities as may be assigned to the Compensation Committee under the terms of such plans;
- reviewing with our Chief Executive Officer the compensation payable to employees other than the named executive officers, including equity and non-equity incentive compensation and other benefits and our total incentive compensation program envisioned for each fiscal year;
- consulting with our Chief Executive Officer regarding a succession plan for our executive officers, including our Chief Executive Officer, and the review of our leadership development process for senior management positions;
- reviewing the performance of our named executive officers;
- reviewing and discussing with management any compensation discussion and analysis included in our annual meeting proxy statements and any other reports filed with the SEC and determining whether or not to recommend to our board of directors that such compensation discussion and analysis be so included;
- preparing the Compensation Committee report required by SEC rules to be included in our annual report;
- overseeing the administration of our equity plans and other incentive compensation plans and programs and preparing recommendations and periodic reports to our board of directors relating to these matters;
- overseeing and making recommendations to the board of directors regarding the Company's compliance with SEC rules and regulations regarding shareholder approval of certain executive compensation matters, including advisory votes on executive compensation and golden parachute compensation and approval of equity compensation plans;
- conducting an annual evaluation of the performance of the Compensation Committee and the adequacy of its charter and recommending to the board of directors any changes that it deems necessary; and
- handling such other matters as are specifically delegated to the Compensation Committee by our board of directors from time to time.

Our Compensation Committee has adopted a written charter, which sets forth the committee's duties and responsibilities. The charter of the Compensation Committee will be available on our website at www.silvergatebank.com upon completion of this offering.

Nominating and Corporate Governance Committee . The members of our Nominating and Corporate Governance Committee will be Messrs. Campbell (Chairman), Colucci and Dircks. Our board of directors has evaluated the independence of each of the members of our Nominating and Corporate Governance Committee and has affirmatively determined that each of the members of our Nominating and Corporate Governance Committee meets the definition of an "independent director" under the New York Stock Exchange rules.

The Nominating and Corporate Governance Committee will assist the board of directors in its oversight of identifying and recommending persons to be nominated for election as directors and to fill any vacancies on the board of directors of the Company and each of our subsidiaries, monitoring the composition and functioning of the standing committees of the board of directors of the Company and each of our subsidiaries, developing,

reviewing and monitoring the corporate governance policies and practices of the Company and each of our subsidiaries.

Among other things, our Nominating and Corporate Governance Committee will have responsibility for:

- reviewing the performance of our boards of directors of the Company and each of our subsidiaries;
- identifying, assessing and determining the qualification, attributes and skills of, and recommending, persons to be nominated by our board of directors for election as directors and to fill any vacancies on the boards of directors of the Company and each of our subsidiaries;
- reviewing the background, qualifications and independence of individuals being considered as director candidates, including persons proposed by our shareholders;
- reviewing and recommending to our board of directors each director's suitability for continued service as a director upon the expiration of his or her term and upon any material change in his or her status;
- reviewing the size and composition of the board of directors of the Company and each of our subsidiaries and recommending any appropriate changes to reflect the appropriate balance of required independence, knowledge, experience, skills, expertise and diversity;
- monitoring the function of our standing committees and recommending any changes, including the director assignments, creation or elimination of any committee;
- developing, reviewing and monitoring compliance with our corporate governance guidelines and the corporate governance provisions of the federal securities laws and the listing rules applicable to us;
- investigating any alleged violations of such guidelines and the applicable corporate governance provisions of federal securities laws and listing rules, and reporting such violations to our board of directors with recommended corrective actions;
- reviewing our corporate governance practices in light of best corporate governance practices among our peers and determining whether any changes in our corporate governance practices are necessary;
- considering any resignation tendered to our board of directors by a director and recommend the acceptance of such resignation if appropriate;
- considering questions of possible conflicts of interest involving directors, including operations that could be considered competitive with our operations or otherwise present a conflict of interest;
- overseeing our director orientation and continuing education programs for the board of directors;
- reviewing its charter and recommending to our board of directors any modifications or changes; and
- handling such other matters as are specifically delegated to the Nominating and Corporate Governance Committee by our board of directors from time to time.

Our Nominating and Corporate Governance Committee will adopt a written charter, which will set forth the committee's duties and responsibilities. The charter of the Nominating and Corporate Governance Committee will be available on our website at www.silvergatebank.com under the "Investor Relations" tab upon completion of this offering.

In carrying out its functions, the Nominating and Corporate Governance Committee will develop qualification criteria for all potential nominees for election, including incumbent directors, board nominees and shareholder nominees to be included in the Company's future proxy statements. These criteria may include the following attributes:

- adherence to high ethical standards and high standards of integrity;
- sufficient educational background, professional experience, business experience, service on other boards of directors and other experience, qualifications, diversity of viewpoints, attributes and skills that will

allow the candidate to serve effectively on the board of directors and the specific committee for which he or she is being considered;

- evidence of leadership, sound professional judgment and professional acumen;
- evidence the nominee is well recognized in the community and has a demonstrated record of service to the community;
- a willingness to abide by any published code of conduct or ethics for the Company and to objectively appraise management performance;
- the ability and willingness to devote sufficient time to carrying out the duties and responsibilities required of a director;
- any related party transaction in which the candidate has or may have a material direct or indirect interest and in which we participate; and
- the fit of the individual's skills and personality with those of other directors and potential directors in building a board of directors that is effective, collegial and responsive to the needs of the Company and the interests of our shareholders.

The Nominating and Corporate Governance Committee will also evaluate potential nominees for the Company's board of directors to determine if they have any conflicts of interest that may interfere with their ability to serve as effective board members and to determine whether they are "independent" in accordance with applicable SEC and New York Stock Exchange rules (to ensure that, at all times, at least a majority of our directors are independent). Although we do not have a separate diversity policy, the Nominating and Corporate Governance Committee will consider the diversity of the Company's directors and nominees in terms of knowledge, experience, skills, expertise and other factors that may contribute to the effectiveness of the Company's board of directors.

Prior to nominating or, if applicable, recommending an existing director for re-election to the Company's board of directors, the Nominating and Corporate Governance Committee will consider and review the following attributes with respect to each sitting director:

- attendance and performance at meetings of the Company's board of directors and the committees on which such director serves;
- length of service on the Company's board of directors;
- experience, skills and contributions that the sitting director brings to the Company's board of directors;
- independence and any conflicts of interest; and
- any significant change in the director's status, including with respect to the attributes considered for initial membership on the Company's board of directors.

EXECUTIVE COMPENSATION

As an emerging growth company under the JOBS Act, we have opted to comply with the executive compensation disclosure rules applicable to "smaller reporting companies" as such term is defined in the rules promulgated under the Securities Act, which permit us to limit reporting of executive compensation to our principal executive officer and our two other most highly compensated executive officers.

Our executive compensation program is designed to attract, motivate and retain high quality leadership and incentivize our executive officers to achieve performance goals over the short- and long-term, which also aligns the interests of our executive officers with our shareholders.

Our named executive officers, which consist of our principal executive officer and our two other most highly compensated executive officers, are:

- Alan J. Lane, President and Chief Executive Officer;
- Dennis S. Frank, Chairman of the Board; and
- Derek J. Eisele, Vice Chairman.

Summary Compensation Table

The following table presents summary information regarding the total compensation awarded to, earned by and paid to our named executive officers for the years ended December 31, 2017 and 2016. The compensation reported in the table below is not necessarily indicative of how we will compensate our named executive officers in the future. We will continue to review, evaluate and modify our compensation framework to maintain a competitive total compensation package. As such, and upon our becoming a publicly traded company, our compensation program following this offering could vary from our historical practices.

SUMMARY COMPENSATION

Name and Principal Position	Year	Salary	Bonus	All Other Compensation (1)	Total
Alan J. Lane	2017	$387,027	$163,487	$ 41,351	$591,865
President and Chief Executive Officer	2016	336,974	165,000	36,368	538,342
Dennis S. Frank	2017	225,000	187,500	21,636	434,136
Chairman of the Board	2016	201,370	175,000	17,845	394,215
Derek J. Eisele	2017	325,000	150,341	31,245	506,586
Vice Chairman, Executive Vice President	2016	310,681	145,000	30,134	485,815

(1) "All Other Compensation" for the named executive officers is further described below.

ALL OTHER COMPENSATION

Name	Year	401(k) Match	Health & Welfare	Other	Total
Alan J. Lane	2017	$4,050	$25,471	$11,830	$41,351
President and Chief Executive Officer	2016	3,975	23,413	8,980	36,368
Dennis S. Frank	2017	3,249	18,387	—	21,636
Chairman of the Board	2016	2,012	15,833	—	17,845
Derek J. Eisele	2017	4,050	22,570	4,625	31,245
Vice Chairman, Executive Vice President	2016	3,975	20,034	6,125	30,134

Narrative Discussion of Summary Compensation Table

General . We have compensated our named executive officers through a combination of base salary, cash bonuses, equity awards and other benefits, including certain perquisites. Each of our named executive officers has substantial responsibilities relating to our day-to-day operations.

Base Salary . The Compensation Committee reviews and approves base salaries of our named executive officers. In setting the base salary of each named executive officer for the periods presented above, the Compensation Committee relied on market data provided by our human resources department and survey data from industry resources. The Compensation Committee also retains independent consultants as it deems appropriate. Salary levels are typically considered annually as part of our regularly scheduled performance review process and otherwise upon a promotion or other change in job responsibility.

Cash Bonuses . Our named executive officers are also eligible to receive an annual cash bonus as a percentage of base salary based on our achievement of various metrics. Annual incentive awards are intended to recognize and reward those named executive officers who contribute meaningfully to our performance for the corresponding year. Our board of directors has discretion to determine whether and in what amounts any such bonuses will be paid in a given year.

Equity Awards . The equity awards reflected in the table above relate to stock option awards issued pursuant to our 2010 Equity Compensation Plan, or the 2010 Plan, which, as described more fully below, allows the Compensation Committee to establish the terms and conditions of the awards, subject to the plan terms. In June 2018, our board of directors and shareholders adopted the 2018 Plan, which permits the Compensation Committee, in its sole discretion, to grant various forms of incentive awards. Under the 2018 Plan, the Compensation Committee has the power to grant stock options, stock appreciation rights, or SARs, restricted stock and restricted stock units. We believe these awards to our executive officers help align the interests of management and our shareholders and reward our executive officers for improved Company performance.

Silvergate Capital Corporation 401(k) Plan . Our 401(k) Plan is designed to provide retirement benefits to all eligible full-time and part-time employees. The 401(k) Plan provides employees the opportunity to save for retirement on a tax-favored basis. Our named executive officers may elect to participate in the 401(k) Plan on the same basis as all other employees. We have elected a safe harbor 401(k) Plan and, as such, make an elective matching contribution quarterly up to 25% of deferrals to a maximum of the first 6% of the employee's compensation contributed to the plan. An employee does not have to contribute to receive the employer contribution.

Health and Welfare Benefits . Our named executive officers are eligible to participate in the same benefit plans designed for all our full-time employees, including health, dental, vision, disability and basic group life insurance coverage. The purpose of our employee benefit plans is to help us attract and retain quality employees, including executives, by offering benefit plans like those typically offered by our competitors.

Perquisites . We provide our named executive officers with a limited number of perquisites that we believe are reasonable and consistent with our overall compensation program to enable us to attract and retain superior employees for key positions. Our Compensation Committee periodically reviews the levels of perquisites and other personal benefits provided to named executive officers. Based on these periodic reviews, perquisites are awarded or adjusted on an individual basis. The perquisites received by our named executive officers in 2017 and 2016 included use of a company-owned automobile and membership dues.

Agreements with Named Executive Officers

We have entered into an employment agreement with our President and Chief Executive Officer, Alan J. Lane. We have also entered into change in control severance agreements with our Chairman of the Board, Dennis S. Frank, and our Vice Chairman and Executive Vice President, Derek J. Eisele.

Employment Agreement with Alan J. Lane

Effective January 1, 2018, the Company and the Bank entered into an employment agreement with Mr. Lane pursuant to which he serves as President and Chief Executive Officer of the Company and as Chief Executive Officer of the Bank. The employment agreement provides for a term of three years. Under the employment agreement, Mr. Lane is entitled to an annual base salary of $400,000, which amount was increased to $450,000 in September 2018 and is subject to annual review by our board for increase, but not decrease. Mr. Lane is also eligible to receive an annual incentive bonus. The amount of the incentive bonus is based on the attainment of performance criteria established and evaluated by our board, provided that the target annual bonus is equal to 50% of his base salary, which incentive bonus shall be paid in cash. This target annual bonus was increased to 75% of his base salary for 2019. In addition, Mr. Lane is eligible for stock option awards, in such amounts as may be approved by our board of directors. Mr. Lane is eligible to receive benefits under any employee benefit plans made available by us to senior executives including, but not limited to, retirement plans, supplemental retirement plans, medical, dental, disability, life insurance plans, and any other employee benefit plan or arrangement made available by the Company or the Bank to its senior executives. Mr. Lane also receives use of a full-sized luxury automobile from the Company.

Mr. Lane's employment agreement provides for certain severance benefits upon the involuntarily termination by the Company without "cause" during the term of the executive's employment agreement or if Mr. Lane resigns for "good reason", in each case as defined in his employment agreement. Following such event of termination or such resignation, in consideration for executing a mutual release, Mr. Lane would be entitled to his "accrued obligations" as defined in his employment agreement and a severance payment equal to twice his base salary as in effect on the date of termination, which severance is payable in 12 monthly payments in accordance with the Company's normal payroll schedule. Additionally, the Company will continue to cover Mr. Lane and his legal dependents under its group healthcare coverage, which shall cease upon the earlier of 12 months or the date on which he becomes eligible to receive medical benefits under another group health plan.

The payment of all such severance amounts and benefits is contingent upon Mr. Lane's timely execution, and non-revocation of, a release of all claims in a form provided by the Company, and the continued observance of all post-termination obligations contained in the employment agreement.

Change in Control Severance Agreement and Long Term Bonus Agreement with Dennis S. Frank

On October 4, 2017, the Company and the Bank entered into a change in control severance agreement with Dennis S. Frank. Pursuant to the agreement, in the event the executive is terminated subsequent to a "change in control" of the Company, as defined in the agreement, by the Company without "cause" or by the executive for "good reason", in each case as defined in his agreement, Mr. Frank will be entitled to receive a lump sum amount equal to twelve months of his then current monthly base salary. The term of his agreement runs from October 4, 2017 until one year after a change in control of the Company, or upon the termination of Mr. Frank's employment with the Bank. As part of the change in control severance payment, the Company will continue to cover Mr. Frank under all group health insurance plans in which Mr. Frank was entitled to participate immediately prior to the date of termination for a period of twelve (12) months following the date of termination. In the event that the Bank is unable to provide such benefits due to Mr. Frank's change in employment status, the Bank shall pay to Mr. Frank in a lump sum payment the value of such benefits.

On May 2, 2014, the Bank entered into a long term bonus agreement with Mr. Frank. Pursuant to the agreement, Mr. Frank is entitled to receive a cash bonus of seventy-five thousand dollars ($75,000) each year for a period of ten (10) years commencing in 2014 and ending in 2023, resulting in an aggregate potential payment of seven hundred and fifty thousand dollars ($750,000). In order for such bonus to be payable, Mr. Frank must continue to hold the position of Chairman of the Board or be a duly appointed member of our board of directors as of the first day of January of each year. The aggregate amount of unpaid bonus will be accelerated in the event that fifty percent (50%) or more of the issued voting shares of the Bank or the Company are transferred to any person or entity other than the shareholders of the Bank or the Company as of May 2, 2014, or our board otherwise authorizes the acceleration of the unpaid bonus.

Change in Control Severance Agreement with Derek J. Eisele

On September 29, 2005, the Company and the Bank entered into a change in control severance agreement with Derek J. Eisele. Pursuant to the agreement, in the event the executive is terminated subsequent to a "change in control" of the Company, as defined in the agreement, by the Company without "cause" or by the executive for "good reason", in each case as defined in his agreement, Mr. Eisele will be entitled to receive a lump sum amount equal to his monthly salary rate times the number of months remaining in the term of his agreement. Mr. Eisele's monthly salary rate is to be determined based on his then current annual base salary divided by twelve (12). The term of his agreement runs from September 29, 2005 until two years after a change in control of the Company. As part of the change in control severance payment, Mr. Eisele is entitled to retain, at no cost to him, the Company vehicle provided to him as of the date of termination. In addition, the Company will continue to cover Mr. Eisele under its group healthcare coverage, life insurance, disability insurance and other similar types of employee benefit plans in which Mr. Eisele was entitled to participate immediately prior to the date of termination until the earlier of the expiration of the term of his agreement or the date of his full-time employment by another company. In the event that the Company is unable to provide such benefits due to Mr. Eisele's change in employment status, the Company shall pay to Mr. Eisele in a lump sum payment the value of such benefits.

Silvergate Capital Corporation 2018 Equity Compensation Plan

General . The 2018 Plan was adopted by our board of directors on June 4, 2018 and approved by our shareholders on June 22, 2018. The 2018 Plan will terminate on June 21, 2028. The 2018 Plan was designed to ensure continued availability of equity awards that will assist the Company in attracting, retaining and rewarding key employees and directors. The purpose of the 2018 Plan is to promote the growth and profitability of the Company by providing key employees and directors with incentive compensation opportunities in the form of stock options, SARs, restricted stock and/or restricted stock units, thereby aligning their interests with those of the Company's shareholders.

Shares Available for Awards . Up to 1,596,753 shares of common stock, which includes any shares of common stock underlying awards that expire or are otherwise terminated or forfeited at any time after the effective date of the 2018 Plan will be available for issuance to participants (including individuals who may become participants due to acquisitions) under the 2018 Plan. Shares of common stock issued pursuant to the exercise of an award or applied to the satisfaction of any tax withholding obligation shall not become available for re-grant under the 2018 Plan.

Administration . The Compensation Committee administers the 2018 Plan. Among other powers, the Compensation Committee has full and exclusive power to interpret the 2018 Plan, grant awards, and to determine the number of shares of common stock that will be subject to the awards. The Compensation Committee may delegate to one or more of the directors or officers of the Company certain administrative duties or powers, including execution of award agreements described below.

Eligibility for Participation . The 2018 Plan is available to all directors of the Company and its subsidiaries and all officers and employees of the Company and its subsidiaries. Subject to the provisions of the 2018 Plan, the Compensation Committee has the authority to select from all eligible individuals those to whom awards are granted and to determine the nature and amount of each award.

Types of Awards . The Compensation Committee, in its sole discretion, may grant various forms of incentive awards, including stock options, SARs, restricted stock and restricted stock units. Each award will be reflected in an agreement between the Company and the relevant recipient and will be subject to the terms of the 2018 Plan, together with any other terms or conditions contained therein that are consistent with the 2018 Plan and that the Compensation Committee deems appropriate.

Stock Options . The Compensation Committee may grant stock options intended to qualify as incentive stock options, or ISOs, within the meaning of Section 422 of the Internal Revenue Code of 1986, as amended, or the

Internal Revenue Code, or so-called "nonqualified stock options" that are not intended to so qualify as incentive stock options, or NQSOs, or any combination of ISOs and NQSOs.

The Compensation Committee will determine the term of each option and the exercise price per share for options on the date of grant, provided that the exercise price of any option granted under the 2018 Plan can never be less than the fair market value of the underlying shares of common stock on the date of grant. The Compensation Committee may impose in an award agreement such restrictions on the shares deliverable upon exercise of a stock option as it deems appropriate, including that such shares will constitute "restricted shares" subject to restrictions on transfer.

Stock Appreciation Rights . The Compensation Committee will determine the period when SARs vest and become exercisable, as well as the fair market value of the shares of common stock underlying the SARs on the date of grant and the date of exercise. The exercise price of any SAR that is intended to be an exempt stock right under Section 409A of the Internal Revenue Code can never be less than the fair market value of the underlying share of common stock on the date of grant. A SAR may only be exercised when the fair market value of the underlying share of common stock exceeds the fair market value of the share on the grant date. Upon exercise of a SAR, the participant will receive an amount equal to the excess of the fair market value of the underlying share on the date of exercise over the fair market value on the date of grant.

Restricted Stock . An award of restricted stock involves the immediate transfer by the Company to the participant of a specific number of shares of common stock which are subject to a risk of forfeiture and a restriction on transferability. This restriction will lapse following a stated period of time. The participant does not pay for the restricted stock and has all the rights of a holder of a share of common stock of the Company (except for the restriction on transferability), including the right to vote and receive dividends unless otherwise determined by the Compensation Committee and set forth in the award agreement. Except as provided otherwise in an award agreement, if a participant's employment with the Company or its subsidiaries is terminated for any reason at any time during which any portion of an award of restricted stock remains subject to restrictions, that portion will automatically be forfeited and returned to the Company.

Restricted Stock Units . An award of a restricted stock unit is like a restricted stock award, except that no shares are issued at the time of the grant. In addition, holders of restricted stock units will have no voting rights, but they may be entitled, if so determined by the Compensation Committee, to receive dividend equivalents. Upon the lapse of the restrictions related to a restricted stock unit, the participant is entitled to receive, without any payment to the Company, an amount equal to the fair market value of the shares of common stock represented by the restricted stock unit on the date of exercise. Except as otherwise provided in an award agreement, if a participant's employment with the Company or its subsidiaries terminates for any reason at any time during which any portion of an award of a restricted stock unit remains subject to restrictions, that portion will automatically be forfeited and returned to the Company.

Repricings and Substitutions of Awards . Without the prior consent of our shareholders, outstanding stock options and SARs cannot be repriced, directly or indirectly. Subject to applicable law and the terms of the 2018 Plan, the Compensation Committee may: (i) modify, extend and renew awards to modify the terms of an award agreement, provided that no modification, extension or renewal may have the effect of lowering the exercise price of any award except for adjustments related to capitalization and other corporate changes as described above; and/or (ii) accept the surrender of awards granted under the 2018 Plan or under any other equity compensation plan of the Company and replace them with new awards pursuant to the 2018 Plan, so long as the substituted awards do not specify a lower exercise price than the surrendered awards. However, substituted awards may be of a different type than the surrendered awards, may specify a longer term than the surrendered awards and may contain other terms authorized by the 2018 Plan.

Amendment and Termination . Our board of directors may, at any time and from time to time and in any respect, terminate, amend or modify the 2018 Plan, including to ensure that the 2018 Plan and each award

granted under the 2018 Plan comply with applicable law, regulations and stock exchange rules provided that no amendment (other than a capital adjustment) may adversely affect any outstanding award, without the written consent of the participant holding such outstanding award. Such termination, amendment or modification may be without shareholder approval except to the extent that such approval is required by the Internal Revenue Code, pursuant to the rules under Section 16 of the Exchange Act or under any other applicable laws, rules or regulations.

Change in Control . Unless the Compensation Committee determines otherwise, if a change in control (as defined in the 2018 Plan) occurs in which the Company is not the surviving corporation (or the Company survives only as a subsidiary of another corporation), all outstanding awards that are not exercised or paid at the time of the change in control will be assumed by, or replaced with awards that have comparable terms by, the surviving corporation (or a parent or subsidiary of the surviving corporation). The Compensation Committee will have the discretion to provide for full or partial vesting of awards upon a participant's involuntary termination of employment or service that occurs due to a change in control, subject to the terms and conditions of a participant's employment agreement, or if none, the award agreement. If the vesting of any such awards is based, in whole or in part, on the attainment of certain performance goals, the vesting of such awards may accelerate pro rata based on the portion of performance period completed as of the date of the termination or based on our actual performance based on a shortened performance period which extends through the end of the fiscal quarter immediately preceding the termination of employment or service.

In the event of a change in control, if all outstanding awards are not assumed by, or replaced with awards with comparable terms by, the surviving corporation (or a parent or subsidiary of the surviving corporation), the Compensation Committee may take any of the following actions with respect to any or all outstanding awards, without the consent of any participant: (i) the Compensation Committee may determine that outstanding stock options and SARs will automatically accelerate and become fully exercisable, and the restrictions and conditions on outstanding stock awards, stock units, cash awards and dividend equivalents will immediately lapse; (ii) the Compensation Committee may determine that all or a portion of certain outstanding awards will terminate, upon notice to participants, and participants will receive a payment in settlement of awards in such amount and form as may be determined by the Compensation Committee; (iii) the Compensation Committee may require that participants surrender their outstanding stock options and SARs in exchange for a payment, in cash or stock as determined by the Compensation Committee, equal to the amount (if any) by which the fair market value of the shares of common stock subject to the unexercised stock option and SAR exceed the stock option exercise price or base price; and (iv) the Compensation Committee may terminate outstanding stock options and SARs after giving participants an opportunity to exercise the outstanding stock options and SARs. Such surrender, termination or payment will take place as of the date of the change in control or such other date as the Compensation Committee may specify. If the per share fair market value of our stock does not exceed the per share exercise price or base price, as applicable, we will not be required to make any payment to the participant upon surrender of the stock option or SAR.

Section 162(m) of the Internal Revenue Code . Under Section 162(m) of the Internal Revenue Code, the deduction for a publicly held corporation for otherwise deductible compensation to a "covered employee" is limited to $1 million per year. Previously, a covered employee included an employee who is either the chief executive officer or among the other three most highly compensated officers (other than the chief financial officer). However, because of a change to Section 162(m) of the Internal Revenue Code in the Tax Act, beginning in 2018 a covered employee includes any employee who was the chief executive officer or chief financial officer at any point during the applicable year, who was among the other three most highly compensated officers for the applicable year, or who was a covered employee in 2017 or any later year. In the case of a corporation that becomes a publicly held corporation through an initial public offering, the $1 million per year deduction limit does not apply during a limited "transition period" to any remuneration paid pursuant to a compensation plan that existed during the period in which the corporation was not publicly held, if the prospectus accompanying the initial public offering disclosed information concerning those plans that satisfied all applicable securities laws then in effect.

The Company intends to rely on the transition relief described in the immediately preceding paragraph for awards under the 2010 Plan and the 2018 Plan until the earliest of the four following events: (i) the expiration of the 2018 Plan; (ii) the material modification of the 2018 Plan; (iii) the issuance of all stock and other compensation that has been allocated under the 2018 Plan; or (iv) the first meeting of the Company's shareholders at which directors are to be elected that occurs after the close of the third calendar year following the calendar year in which the initial public offering of the Company's common stock occurs.

Silvergate Capital Corporation 2010 Equity Compensation Plan

Under the 2010 Plan, the Company is permitted to grant awards to eligible persons in the form of non-qualified stock options. The 2010 Plan reserved 730,784 shares of common stock for issuance and as of September 30, 2018, 715,616 shares were subject to outstanding options issued pursuant to the 2010 Plan.

Awards granted under the 2010 Plan will remain exercisable pursuant to the terms and conditions set forth in individual award agreements and the 2010 Plan. The full purchase price of each share of stock purchased upon the exercise of any option plus any additional federal and state income taxes must be paid at the time of exercise of an option. In addition, the Committee in its discretion may make arrangements for the purchase price of an option by means of a cashless exercise procedure, including by means of a net exercise whereby the Company issues net shares and the remaining balance of the shares to satisfy the participant's tax withholding obligations, or in the form of unrestricted shares of Company common stock already owned by the participant. The 2010 Plan provides for acceleration of exercise privileges of grants upon occurrence of a change in control of the Company. If a participant's job is terminated for any reason, then all unvested awards expire at the date of termination. The 2010 Plan will remain in effect if any awards under it are outstanding; provided, however, that no awards may be granted after the 10-year anniversary of the effective date of the 2010 Plan. The Company generally reserves the right to amend or terminate the 2010 Plan at any time provided that such amendment does not materially impair the rights of a participant with respect to outstanding awards without such participant's consent.

Outstanding Equity Awards at 2017 Fiscal Year-End

The following table sets forth information relating to the unexercised options held by our named executive officers as of December 31, 2017. All the stock options shown in the table below were granted with a per share exercise price equal to the fair market value of our common stock on the grant date. Except as noted below, each of the stock options set forth below vested over a period of three years from the grant date. No stock options were exercised by the named executive officers during fiscal year 2017.

	Options Awards			
Name	Number of Securities Underlying Unexercised Options Exercisable	Number of Securities Underlying Unexercised Options Unexercisable	Option Exercise Price ($)	Option Expiration Date
Alan J. Lane	186,530(1)	—	$ 3.50	1/23/2019
	119,964	—	4.02	1/28/2021
	172,363	—	4.20	1/27/2022
Dennis S. Frank	—	—	—	
Derek J. Eisele	60,000	—	4.09	3/25/2021
	40,000	—	4.42	8/28/2022
	30,000	—	5.64	10/24/2024

(1) Pursuant to a non-plan compensatory stock option agreement, these options vested immediately upon the date of grant. These options were exercised on June 22, 2018.

Compensation of Directors

The following table sets forth compensation paid or awarded to, or earned by, each of our directors (except for Messrs. Frank, Lane and Eisele, whose compensation is disclosed under "Summary Compensation Table" above) during 2017.

Name	Fees Earned or Paid in Cash
Karen Brassfield	$ 31,500
Robert Campbell	200,000
Paul D. Colucci	58,000
Thomas Dircks	31,000
Scott A. Reed	27,000

For the year ended December 31, 2017, our directors who are not also our employees or employees of our subsidiaries, referred to as "outside directors," received an annual retainer fee of $24,000 per director for their service on the board the directors. The annual retainer is paid monthly in cash. No fees were paid for attending board meetings.

Mr. Campbell, as the Lead Director, receives a monthly retainer of $16,667 in lieu of the outside director's annual retainer and all fees for his services on the committees of the board of directors. In 2018, the monthly retainer for the Lead Director was increased to $20,834.

The directors on the Company's Audit Committee, other than the Lead Director, receive $500 in cash for each committee meeting attended. The directors on the Company's Compensation Committee, other than the Lead Director, receive a quarterly retainer of $375 in cash.

The directors on the Bank's Loan Committee, other than the Chairman of the Board, Lead Director, Chief Executive Officer and Vice Chairman, receive a monthly retainer of $2,500 in cash. The directors on the Bank's ALCO Committee, other than the Chairman of the Board, Lead Director, Chief Executive Officer and Vice Chairman, receive a monthly retainer of $375 in cash. The directors on the Bank's CRA/Compliance Committee, other than the Lead Director, Chief Executive Officer and Vice Chairman, receive a quarterly retainer of $375 in cash.

In connection with this offering, we expect to adopt a directors' compensation program at the Company level that will include a balance of annual retainers and fees for attending meetings of the Board and its committees. Pursuant to this program, at least 30% of the compensation payable to a non-employee director will be paid in the form of shares of our common stock.

PRINCIPAL AND SELLING SHAREHOLDERS

The following table provides information regarding the beneficial ownership of our common stock as of September 30, 2018, and as adjusted to reflect the completion of the offering, for:

- each shareholder known by us to beneficially own more than 5% of our outstanding common stock;
- each of our directors;
- each of our named executive officers;
- all our directors and executive officers as a group; and
- each selling shareholder.

We have determined beneficial ownership in accordance with the rules of the SEC. These rules generally provide that a person is the beneficial owner of securities if such person has or shares the power to vote or direct the voting of securities, or to dispose or direct the disposition of securities, or has the right to acquire such powers within 60 days through (i) the exercise of any option or warrant, (ii) the conversion of a security, (iii) the power to revoke a trust, discretionary account or similar arrangement or (iv) the automatic termination of a trust, discretionary account or similar arrangement. For purposes of calculating each person's percentage ownership, common stock issuable pursuant to options that are currently exercisable or will become exercisable within 60 days are included as outstanding and beneficially owned for that person or group, but are not deemed outstanding for the purposes of computing the percentage ownership of any other person. Except as disclosed in the footnotes to this table and subject to applicable community property laws, we believe that each person identified in the table has sole voting and investment power over all the shares shown opposite such person's name.

The percentage of beneficial ownership is based on 16,618,941 shares of our Class A Common Stock outstanding as of September 30, 2018, 1,189,548 shares of our Class B Common Stock outstanding as of September 30, 2018, and shares of Class A Common Stock and shares of Class B Common Stock to be outstanding after the completion of this offering (or shares of Class A Common Stock and shares of Class B Common Stock if the underwriters exercise in full their option to purchase additional shares), in each case including stock options vested under our 2018 Plan and 2010 Plan. The table does not reflect any shares of common stock that may be purchased in this offering.

Except as otherwise indicated, the address for each shareholder listed in the table below is: Silvergate Capital Corporation, 4250 Executive Square, Suite 300, La Jolla, California 92037.

BENEFICIAL OWNERSHIP

Name of Beneficial Owner	Beneficial Ownership Prior to the Offering				Shares Offered	Beneficial Ownership After the Offering							
						If Option is Not Exercised				If Option is Exercised in Full			
	Shares of Class A Common Stock		Shares of Class B Common Stock			Shares of Class A Common Stock		Shares of Class B Common Stock		Shares of Class A Common Stock		Shares of Class B Common Stock	
	Number	Percent	Number	Percent	Number	Number	Percent	Number	Percent	Number	Percent	Number	Percent
5% shareholders and selling shareholders:													
BankCap Partners Opportunity Fund, L.P. (1)	1,530,401	9.21%	147,820	12.43%									
Partner Reinsurance Company Ltd. (2)	303,180	1.82%	828,639	69.66%									
FJ Capital Management LLC (3)	1,400,000	8.42%	—	—									
Park West Asset Management LLC (4)	1,170,000	7.04%	—	—									
Senvest Master Fund, LP (5)	1,170,000	7.04%	—	—									
Fintech Investment, LLC (6)	1,000,000	6.02%	—	—									
EJF Sidecar Fund, Series LLC— Small Financial Equities Series (7)	833,350	5.01%	—	—									
Company directors and named executive officers:													
Dennis Frank (8)	922,586	5.55%	—	—									
Derek J. Eisele (9)	254,969	1.52%	—	—									
Alan J. Lane (10)	438,974	2.60%	—	—									
Karen Brassfield (11)	60,000	*	—	—									
Robert Campbell (12)	102,852	*	—	—									
Paul D. Colucci (13)	157,142	*	—	—									
Thomas Dircks (14)	215,117	1.29%	—	—									
Scott A. Reed (15)	1,530,401	9.21%	147,820	12.43%									
All directors and named executive officers, as a group (8) persons)	3,682,041	21.53%	147,820	12.43%									
Other selling shareholders:													
Total other selling shareholders													

* Denotes less than 1%

(1) The business address for BankCap Partners Opportunity Fund, L.P., a Delaware limited partnership managed by BankCap Equity Fund, LLC, is 5910 N Central Expressway #1580, Dallas TX 75206.

(2) The business address for Partners Reinsurance Company Ltd. is 200 First Stamford Place #400, Stamford CT 06902.

(3) Includes 224,667 shares held by Financial Opportunity Fund LLC, 25,333 shares held by Wilson Fund SPC Ltd—FJ Fund SP; and 1,150,000 shares held by Bridge Equities V, LLC. The business address for FJ Capital Management LLC is 1313 Dolly Madison Blvd., Suite 306, Mclean VA 22101.

(4) Includes 1,043,808 shares held by Park West Investors Master Fund, Ltd. and 126,192 shares held by Park West Partners International, Ltd. The business address for Park West Asset Management LLC is 900 Larkspur Landing Circle #165, Larkspur CA 94939.

(5) The business address for Senvest Master Fund, LP is 540 Madison Ave 32 nd Floor, New York NY 10022.

(6) The business address for Fintech Investment, LLC is 1450 Brickell Ave #1490, Miami FL 33131.

(7) The business address for EJF Sidecar Fund, Series LLC—Small Financial Equities Series is 2107 Wilson Blvd #410, Arlington VA 22201.

(8) Includes 203,296 shares held by Dennis Frank IRA.

(9) Includes 124,969 shares held in the name of the Eisele Family Trust and 130,000 shares of our common stock underlying options that are currently exercisable or are exercisable within 60 days of September 30, 2018.

(10) Includes 146,647 shares held by the Lane Family Trust and Alan Lane IRA and 292,327 shares of our common stock underlying options that are currently exercisable or are exercisable within 60 days of September 30, 2018.

(11) Includes 60,000 shares of our common stock underlying options that are currently exercisable or are exercisable within 60 days of September 30, 2018.

(12) All shares held in the name of RCAMCORP.

(13) Includes 127,764 shares held in benefit plan accounts for Paul and Maureen Colucci, and by Paul and Maureen Colucci as joint tenants, and 29,428 shares held by Paul Colucci as trustee for Tiber Partners Inc. Retirement Plan Trust.

(14) Includes 69,217 shares held by Thomas and Annette Dircks as joint tenants and 145,900 shares held by Charter Digital LLC.

(15) Represents shares held by BankCap Partners Opportunity Fund, L.P. Director Scott Reed is a principal of the general partner of BankCap Partners Opportunity Fund, L.P. Mr. Reed disclaims beneficial ownership of such shares.

CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

In addition to the compensation arrangements with directors and executive officers described in "Executive Compensation" above, the following is a description of transactions since January 1, 2015 to which we have been a party in which the amount involved exceeded or will exceed $120,000, and in which any of our directors (including nominees for election as directors), executive officers or beneficial holders of 5% or more of our capital stock, or their respective immediate family members or entities affiliated with them, had or will have a direct or indirect material interest.

Policies and Procedures Regarding Related Party Transactions

We have adopted written policies to comply with regulatory requirements and restrictions applicable to us, including Sections 23A and 23B of the Federal Reserve Act (which govern certain transactions by the Bank with its affiliates) and the Federal Reserve's Regulation O (which governs certain loans by the Bank to its executive officers, directors and principal shareholders).

In addition, our board of directors will adopt a written policy governing the approval of related party transactions that will comply with all applicable requirements of the SEC and the New York Stock Exchange concerning related party transactions. A related party transaction is a transaction, arrangement or relationship or a series of similar transactions, arrangements or relationships in which the amount involved exceeds $120,000, in which we or the Bank participate (whether or not we or the Bank are a direct party to the transaction), and in which a related party had, has or will have a direct or indirect material interest. Our related parties include our or any of the Bank's directors (including nominees for election as directors), executive officers, beneficial owners of 5% or more of our voting securities and immediate family members of any of the foregoing or any entity that any of them controls or in which any of them has a substantial beneficial ownership interest.

Our related party transaction policy will be administered by our Audit Committee. This policy will require the Audit Committee to ensure that we maintain an ongoing review process for all related party transactions for potential conflicts of interest and requires that our Audit Committee pre-approve any such transactions or, if for any reason pre-approval is not obtained, to review, ratify and approve or cause the termination of such transactions. Our Audit Committee will evaluate each related party transaction to determine whether the transaction is fair, reasonable and permitted to occur under our policy, and should be pre-approved or ratified. Relevant factors considered relating to any approval or ratification will include the benefits of the transaction to us, the terms of the transaction and whether the transaction will be or was on an arm's-length basis and in the ordinary course of our business, the direct or indirect nature of the related party's interest in the transaction, the size and expected term of the transaction and other facts and circumstances that bear on the materiality of the related party transaction under applicable law and listing standards. At least quarterly, management will provide our Audit Committee with information pertaining to related party transactions. Related party transactions entered into, but not approved or ratified as required by our policy concerning related party transactions, will be subject to termination by us or the Bank, if so directed by our Audit Committee or our board of directors, considering factors deemed appropriate and relevant.

Ordinary Banking Relationships

Certain of our officers, directors and principal shareholders, as well as their immediate family members and affiliates, are customers of, or have or have entered into transactions with us in the ordinary course of business. These transactions include deposits, loans and other financial services-related transactions. Related party transactions are entered into in the ordinary course of business, on substantially the same terms, including interest rates and collateral (where applicable), as those prevailing at the time for comparable transactions with persons not related to us, and do not involve more than normal risk of collectability or present other features unfavorable to us. Any loans we originate with officers, directors or principal shareholders, as well as their immediate family members and affiliates, are approved by our board of directors in accordance with the Bank's regulatory requirements.

As of December 31, 2017, our officers and directors as well as their immediate families and affiliated companies, as a group, were indebted directly and indirectly to us in the amount of $0.3 million, while deposits from this group totaled $2.5 million as of such date. As of December 31, 2017, no related party loans were categorized as nonaccrual, past due, restructured or potential problem loans. We expect to continue to enter into transactions in the ordinary course of business on similar terms with our officers, directors and principal shareholders, as well as their immediate family members and affiliates.

Loan Agreement (Revolving Line of Credit) with Colco Enterprises LLC . On September 9, 2013 the Company entered into a loan agreement with Colco Enterprises LLC, which is in part owned by Paul Colucci, a director of the Company and the Bank, for a revolving line of credit in the maximum principal sum of $1,500,000. The maturity date of the loan is September 5, 2020 at which time the entire principal balance of the loan plus accrued interest is due and payable. The fixed interest rate on the loan is 6.25%. As of December 31, 2017 and the nine months ended September 30, 2018, the largest aggregate amount outstanding on the line of credit was $300,000. There was no principal paid in 2017 and the amount of principal paid in the nine months ended September 30, 2018 was $50,052. The amount of interest paid in 2017 was $4,156 and the amount of interest paid in the nine months ended September 30, 2018 was $11,585.94. As of September 30, 2018 the gross loan receivable balance is $249,948.

The Company believes that the terms of the line of credit with Colco Enterprises LLC are comparable to the terms of lines of credit which the Company would offer to non-affiliated third-party borrowers.

Directed Share Program

At our request, the underwriters have reserved for sale, at the initial public offering price, up to 5% of the shares of our common stock offered in this offering for sale to certain of our directors, executive officers, employees and other related persons. We will offer these reserved shares to the extent permitted under applicable laws and regulations in the United States through a directed share program. See “Underwriting—Directed Share Program.”

Board Representation and Observer Rights

In February 2018, we completed a private placement of our common stock, or the 2018 private placement, in which we raised gross proceeds of $114.0 million. In our 2018 private placement, we entered into Stock Purchase Agreements, dated as of February 22, 2018, with each investor, including certain parties affiliated with FJ Capital Management LLC, or the FJ Capital parties. We also entered into a side letter agreement with the FJ Capital parties, dated as of February 22, 2018, pursuant to which we agreed, within one year of the closing of the 2018 private placement, to nominate one person designated by the FJ Capital parties to our board of directors and the Bank’s board of directors, subject to the satisfaction of the legal, regulatory and governance requirements regarding service as a member of our board of directors and the Bank’s board of directors and subject to the reasonable approval of our board of directors and the Bank’s board of directors. We have also agreed that we will use our reasonable best efforts to have the board representatives elected to our board of directors and will solicit proxies for the board representatives to the same extent as we do for any of our other board nominees. Until the FJ Capital parties’ board representative is elected or appointed to our board of directors, we have agreed, subject to limited exceptions, to invite one person designated by the FJ Capital parties to attend all meetings of our board of directors and all meetings of the board of directors of the Bank, including certain committee meetings. The above-described board representation and board observation rights will continue for so long as the FJ Capital parties continues to hold 5.0% or more of our issued and outstanding common stock on a fully converted basis. If the FJ Capital parties cease to hold the required ownership percentage, the FJ Capital parties will no longer have any further board representation or board observer rights.

In the 2018 private placement, we also entered into a Stock Purchase Agreement, dated as of February 22, 2018, with EJF Sidecar Fund, Series LLC —Small Financial Equities Series, or EJF. We also entered into a side

letter agreement with EJF, dated as of February 22, 2018, pursuant to which we agreed, subject to limited exceptions, to invite one person designated by EJF to attend all meetings of our board of directors and all meetings of the board of directors of the Bank, including certain committee meetings. EJF's board observation rights will continue for so long as EJF, together with its affiliates, continues to hold 5.0% or more of our issued and outstanding Class A Common Stock.

Pursuant to the terms of a Stock Purchase and Sale Agreement, dated as of August 20, 2014, among the Company, the Bank and BankCap Partners Opportunity Fund, L.P., or BankCap, we provided board representation rights to BankCap, which nominated Scott A. Reed as its board representative. Mr. Reed was elected to the boards of directors of the Company and the Bank on January 30, 2015. Pursuant to the Stock Purchase and Sale Agreement, BankCap's board representation rights terminated when its common stock holdings fell below 10% of our issued and outstanding Class A Common Stock following of the 2018 private placement in February. Notwithstanding the termination of BankCap's rights under the Stock Purchase and Sale Agreement, Mr. Reed remains a member of the board of directors of the Company, to which he was re-elected in 2016 to a term expiring in 2021, and the Bank, to which he was re-elected in 2018 to a term expiring in 2019.

Private Sales of Capital Stock

The following table summarizes the purchases of our common stock in private transactions conducted pursuant to applicable exemptions from the registration requirements of the Securities Act since January 1, 2016 by certain of our directors, executive officers, and beneficial holders of 5% or more of our common stock and their respective affiliates. All the transactions described below were made in connection with our 2018 private placement and were for the same purchase price per share paid by all other investors that participated in the offering.

Shareholder	Issue Date	Shares	Total Sales Price
FJ Capital Management LLC (5% holder)	February 2018	1,400,000	$ 16,800,000
Park West Asset Management LLC (5% holder)	February 2018	1,170,000	$ 14,040,000
Senvest Master Fund, LP (5% holder)	February 2018	1,170,000	$ 14,040,000
Fintech Investment, LLC (5% holder)	February 2018	1,000,000	$ 12,000,000
Thomas C. Dircks (director)	February 2018	145,900	$ 1,750,800

Repurchases of Common Stock

From January 1, 2016 through September 30, 2018, we repurchased 1,502,522 shares of our Class A and Class B Common Stock and paid approximately $14.9 million for such shares. As a private company, we have from time to time made stock repurchase offers in which we repurchased shares of our Class A and Class B Common Stock from our shareholders at a price per share determined by our board of directors based on the Company's tangible book value per share as of a recent date, or the price per share of the stock we sold in the 2018 private placement. The following table summarizes the repurchases of our shares of Class A and Class B Common Stock from certain of our directors, executive officers and beneficial holders of 5% or more of our capital stock and their respective affiliates since January 1, 2016.

Shareholder	Repurchase Date	Class A Shares Sold	Class B Shares Sold	Funds Received
Dennis S. Frank (Chairman of the Board)	December 15, 2016	93,797	—	$ 650,013
Partner Reinsurance Company Ltd. (5% holder)	December 15, 2016	6,870	71,058	$ 540,041
Robert C. Campbell (director)	December 15, 2016	53,564	—	$ 371,199
Commerce Street Financial Partners, L.P. (5% holder)	February 23, 2018	317,050	680,456	$ 11,371,568

Registration Rights

In connection with the 2018 private placement and private placements completed in 2015, 2014 and 2011, we entered into Investor Rights Agreements with each of the investors, including our President and Chief Executive Officer, Alan J. Lane, Director Thomas C. Dircks, and our 5% shareholders. The Investor Rights Agreement provides that after six months from the completion of our initial public offering, holders of at least 50.0% of the then outstanding shares of Registrable Securities (as defined in the Investor Rights Agreement) may require, subject to certain limitations, that we register their shares under and in accordance with the Securities Act, subject to such registration registering a number of shares reasonably expected to result in aggregate gross cash proceeds in excess of $10.0 million ($5.0 million with respect to the Investor Rights Agreements entered into in connection with the private placements in 2015, 2014 and 2011). We will be required to pay all registration expenses relating to such registrations.

The Investor Rights Agreement also provides certain "piggyback" registration rights. Subject to certain limitations, in the event that we register any of our equity securities under the Securities Act (other than through registration statements on Form S-4 or Form S-8, or a transaction to which Rule 145 or any other similar SEC regulation is applicable), we must give notice to the investors of our intention to effect such a registration and must include in the registration statement all registrable securities for which we have received a written request for inclusion. We will be required to pay for all piggyback registration expenses, even if the registration is not completed.

The demand and piggyback registration rights with respect to the shares of our common that are held by investors will terminate after those shares have been sold or transferred under an effective registration statement or in accordance with Rule 144 under the Securities Act, or if those shares cease to be outstanding.

DESCRIPTION OF CAPITAL STOCK

The following descriptions include summaries of the material terms of our Articles and our Bylaws. Reference is made to the more detailed provisions of, and the descriptions are qualified in their entirety by reference to, our Articles and our Bylaws, copies of which will be filed as exhibits to the registration statement of which this prospectus is a part, and applicable law.

General

We are incorporated in the state of Maryland. The rights of our shareholders are generally covered by Maryland law and our Articles and Bylaws (each as amended and restated and in effect as of the completion of this offering). The terms of our capital stock are therefore subject to Maryland law, including the Maryland General Corporation Law, or the MGCL, and the common and constitutional law of Maryland.

Our Articles authorize us to issue up to (i) 125,000,000 shares of Class A Common Stock, par value $0.01 per share, (ii) 25,000,000 shares of Class B Common Stock, par value $0.01 per share, and (iii) 10,000,000 shares of Preferred Stock, par value $0.01 per share. The authorized but unissued shares of our capital stock are available for future issuance without shareholder approval, unless otherwise required by applicable law or the rules of any applicable securities exchange.

Common Stock

Shares Outstanding . As of September 30, 2018, 16,618,941 shares of our Class A Common Stock and 1,189,548 shares of our Class B Common Stock were issued and outstanding and held by approximately 308 shareholders of record. As of the date hereof, no shares of our preferred stock are issued and outstanding. As of September 30, 2018, we had 114,000 shares available for issuance as share-based payment awards that may be granted under our 2018 Plan and 715,616 shares subject to outstanding options previously granted under the 2010 Plan.

Voting . Each holder of our Class A Common Stock is entitled to one vote for each share on all matters submitted to a vote of shareholders, except as otherwise required by law and subject to the rights and preferences of the holders of any outstanding shares of our preferred stock. The members of our board of directors are elected by a plurality of the votes cast. Our Articles expressly prohibit cumulative voting.

Class B Common Stock. Our Class B Common Stock is non-voting while held by the initial holder with certain limited exceptions. Each share of Class B Common Stock will automatically convert into a share of Class A Common Stock upon certain sales or transfers by the initial holder of such shares including to an unaffiliated third-party and in a widely dispersed public offering. If Class B Common Stock is sold or transferred to an affiliate of the initial holder, the Class B Common Stock would not convert into Class A Common Stock.

Dividends and Other Distributions . Subject to certain regulatory restrictions discussed in this prospectus and to the rights of holders of any preferred stock that we may issue, all shares of our Class A and Class B Common Stock are entitled to share equally in dividends from legally available funds, when, as, and if declared by our board of directors. Upon any voluntary or involuntary liquidation, dissolution or winding up of our affairs, all shares of our Class A and Class B Common Stock would be entitled to share equally in all our remaining assets available for distribution to our shareholders after payment of creditors and subject to any prior distribution rights related to our preferred stock.

The Federal Reserve Board has established guidelines with respect to the maintenance of appropriate levels of capital by registered bank holding companies such as the Company. Compliance with such standards, as presently in effect, or as they may be amended from time to time, could possibly limit the amount of dividends that we may pay in the future. In 1985, the Federal Reserve Board issued a policy statement on the payment of cash dividends by bank holding companies. In the statement, the Federal Reserve Board expressed its view that a

holding company experiencing earnings weaknesses should not pay cash dividends exceeding its net income, or which could only be funded in ways that weaken the holding company's financial health, such as by borrowing. Our ability to pay dividends and make other distributions to our shareholders depends in part upon the receipt of dividends from the Bank and is limited by federal law. The Bank is a legal entity separate and distinct from the Company. As a depository institution, the deposits of the Bank are insured by the FDIC, which is the Bank's primary federal regulator. Under certain circumstances the FDIC may determine that the payment of dividends or other distributions by a bank would be an unsafe or unsound practice and to prohibit that payment. The Federal Deposit Insurance Act, or the FDIA, and the FDIC regulations generally allow a bank to pay dividends on common stock only out of net income for the calendar year to date and retained earnings from the prior two calendar years. Additionally, the FDIA generally prohibits an insured depository institution from making any capital distribution (including payment of a dividend) or paying any management fee to its parent holding company if the depository institution would thereafter be undercapitalized. See "Supervision and Regulation—Dividends."

Preemptive Rights . Holders of our Class A and Class B Common Stock do not have preemptive or subscription rights to acquire any authorized but unissued shares of our capital stock upon any future issuance of shares.

Restrictions on Ownership. The BHC Act generally permits a company to acquire control of the Company with the prior approval of the Federal Reserve Board. However, any such company is restricted to banking activities, other activities closely related to the banking business as determined by the Federal Reserve Board and, for some companies, certain other financial activities. The BHC Act defines control in general as ownership of 25% or more of any class of voting securities, the authority to appoint a majority of the board of directors or other exercise of a controlling influence. Federal Reserve Board regulations provide that ownership of 5% or less of a class of voting securities is not control. As a policy matter, if a company owns more than 7.5% of a class of voting securities, the Federal Reserve Board expects the company to consult with the agency and in some cases will require the company to enter into passivity or anti-association commitments. Under a rebuttable presumption established by the Federal Reserve Board, the acquisition of 10% or more of a class of voting stock of a bank holding company with a class of securities registered under Section 12 of the Securities Exchange Act of 1934, such as the Company following the offering, would, under the circumstances set forth in the presumption, constitute acquisition of control of the bank holding company.

Preferred Stock

Under our Articles, upon authorization of our board of directors, we may issue shares of one or more series of our preferred stock from time to time. Our board of directors may, without any action by holders of Class A and Class B Common Stock or, except as may be otherwise provided in the terms of any series of preferred stock of which there are shares outstanding, holders of preferred stock adopt resolutions to designate and establish a new series of preferred stock. Upon establishing such a series of preferred stock, the board will determine the number of shares of preferred stock of that series that may be issued and the rights and preferences of that series of preferred stock. Our board of directors has not designated or established any series of preferred stock. The rights of any series of preferred stock may include, among others:

- general or special voting rights;
- preferential liquidation or preemptive rights;
- preferential cumulative or noncumulative dividend rights;
- redemption or put rights; and
- conversion or exchange rights.

We may issue shares of, or rights to purchase shares of, one or more series of our preferred stock that have been designated from time to time, the terms of which might:

- adversely affect voting or other rights evidenced by, or amounts otherwise payable with respect to, the Class A and Class B Common Stock or other series of preferred stock;
- discourage an unsolicited proposal to acquire us; or
- facilitate a business combination involving us.

The existence of shares of authorized undesignated preferred stock enables us to meet possible contingencies or opportunities in which the issuance of shares of preferred stock may be advisable, such as in the case of acquisition or financing transactions. Having shares of preferred stock available for issuance gives us flexibility in that it would allow us to avoid the expense and delay of calling a meeting of shareholders at the time the contingency or opportunity arises. Any issuance of preferred stock with voting rights or which is convertible into voting shares could adversely affect the voting power of the holders of common stock.

Any of these actions could have an anti-takeover effect and discourage a transaction that some or a majority of our shareholders might believe to be in their best interests or in which our shareholders might receive a premium for their stock over our then market price.

Business Combinations under Silvergate's Articles and Maryland Law

Amendment of the Articles. In general and except for increases or decreases to our authorized shares of Class A and Class B Common Stock and any class of capital stock, which may be approved by our board of directors without shareholder approval, our Articles may be amended upon the vote of holders of two-thirds of the shares of the Company entitled to vote generally in an election of directors, voting together as a single class, which is the minimum vote required under Maryland law.

Restrictions on Business Combinations with Interested Shareholders. Section 3-602 of the MGCL, as in effect on the date hereof, imposes conditions and restrictions on certain "business combinations" (including, among other transactions, a merger, consolidation, share exchange, or, in certain circumstances, an asset transfer or issuance of equity securities) between a Maryland corporation and any person who beneficially owns at least 10% of the corporation's stock, or an interested shareholder. Unless approved in advance by the board of directors, or otherwise exempted by the statute, such a business combination is prohibited for a period of five years after the most recent date on which the interested shareholder became an interested shareholder. After such five-year period, a business combination with an interested shareholder must be: (a) recommended by the corporation's board of directors, and (b) approved by the affirmative vote of at least (i) 80% of the corporation's outstanding shares entitled to vote and (ii) two-thirds of the outstanding shares entitled to vote which are not held by the interested shareholder with whom the business combination is to be effected, unless, among other things, the corporation's common shareholders receive a "fair price" (as defined by the statute) for their shares and the consideration is received in cash or in the same form as previously paid by the interested shareholder for his or her shares.

Control Share Acquisition Statute. Under the MGCL's control share acquisition law, as in effect on the date hereof, voting rights of shares of stock of a Maryland corporation acquired by an acquiring person at ownership levels of 10%, 33 1/3% and 50% of the outstanding shares are denied unless conferred by a special shareholder vote of two-thirds of the outstanding shares held by persons other than the acquiring person and officers and directors of the corporation or, among other exceptions, such acquisition of shares is made pursuant to a merger agreement with the corporation or the corporation's charter or bylaws permit the acquisition of such shares prior to the acquiring person's acquisition thereof. Unless a corporation's charter or bylaws provide otherwise, the statute permits such corporation to redeem the acquired shares at "fair value" if the voting rights are not approved or if the acquiring person does not deliver a "control share acquisition statement" to the corporation on or before

the tenth day after the control share acquisition. The acquiring person may call a shareholder's meeting to consider authorizing voting rights for control shares subject to meeting disclosure obligations and payment of costs set out in the statute. If voting rights are approved for more than 50% of the outstanding stock, objecting shareholders may have their shares appraised and repurchased by the corporation for cash. Pursuant to the terms of our Bylaws, we have opted out from the operation of the control share acquisition law. As such, the above described control share acquisition statute will not be applicable to us and will not apply to shares of stock acquired by a shareholder subsequent to the adoption of the bylaw provision that opts-out of control share acquisition law.

Certain Provisions Potentially Having an Anti-Takeover Effect

Our Articles and Bylaws contain certain provisions that may have the effect of deterring or discouraging, among other things, a non-negotiated tender or exchange offer for our Class A and Class B Common Stock, a proxy contest for control of the Company, the assumption of control of the Company by a holder of a large block of our Class A and Class B Common Stock and the removal of our directors or management. These provisions:

- empower our board of directors, without shareholder approval, to issue our preferred stock, the terms of which, including voting power, are set by our board of directors;
- empower our board of directors, without shareholder approval, to amend our Articles to increase or decrease our authorized shares of Class A and Class B Common Stock and any class of capital stock that we have the authority to issue;
- divide our board of directors into five classes serving staggered five-year terms;
- provide that directors may be removed from office for cause upon a majority shareholder vote and may be removed from office without cause only upon a 80% shareholder vote;
- eliminate cumulative voting in elections of directors;
- permit our board of directors to alter, amend or repeal our Bylaws or to adopt new bylaws;
- require the request of holders of at least one-fifth of the outstanding shares of our capital stock entitled to vote at a meeting to call a special shareholders' meeting;
- prohibit shareholder action by less than unanimous written consent, thereby requiring virtually all actions to be taken at a meeting of the shareholders;
- require shareholders that wish to bring business before our annual meeting of shareholders or nominate candidates for election as directors at our annual meeting of shareholders to provide timely notice of their intent in writing; and
- enable our board of directors to increase, between annual meetings, the number of persons serving as directors and to fill vacancies created by such increase by a majority vote of the directors present at a meeting of directors.

Our Bylaws may have the effect of precluding a contest for the election of directors or the consideration of shareholder proposals if the established procedures for advance notice are not followed, or of discouraging or deterring a third party from conducting a solicitation of proxies to elect its own slate of directors or to approve its proposal without regard to whether consideration of the nominees or proposals might be harmful or beneficial to us and our shareholders.

Limitation of Liability and Indemnification of Officers and Directors

Our Articles provide that our directors are not liable to the Company or our shareholders for monetary damages for an act or omission in their capacity as a director to the fullest extent provided by applicable Maryland law. A director may, however, be found liable for:

- acts or omissions not in good faith;

- acts or omissions that are the result of active and deliberate dishonesty;
- any transaction from which the director receives an improper benefit; and
- acts or omissions that the director has reasonable cause to believe are unlawful.

Our Articles also provide that we will indemnify our directors and officers, and may indemnify our employees and agents, to the fullest extent permitted by applicable Maryland law from any expenses, liabilities or other matters. To the extent that indemnification for liabilities arising under the Securities Act may be permitted to our directors, officers and controlling persons, we have been advised that, in the opinion of the SEC, this indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. Finally, our ability to provide indemnification to our directors and officers is limited by federal banking laws and regulations.

Transfer Agent and Registrar

American Stock Transfer & Trust Company, LLC serves as our transfer agent and registrar.

Listing and Trading

We have applied to list our common stock on the New York Stock Exchange under the symbol “SI.”

SHARES ELIGIBLE FOR FUTURE SALE

Prior to this offering, there has been no established public market for our common stock. Although we intend to apply to list our common stock on the New York Stock Exchange, we cannot assure you that a significant public market for our common stock will develop or be sustained. Actual or anticipated issuances or sales of substantial amounts of our common stock following this offering could cause the market price of our common stock to decline significantly and make it more difficult for us to sell equity or equity-related securities in the future at a time and on terms that we deem appropriate. The issuance of any shares of our Class A and Class B Common Stock in the future also would, and equity-related securities could, dilute the percentage ownership interest held by shareholders prior to such issuance.

Upon completion of this offering, we will have shares of Class A Common Stock issued and outstanding (shares if the underwriters exercise in full their option to purchase additional shares). Of these shares, the shares sold in this offering (or shares, if the underwriters exercise in full their option to purchase additional shares) will be freely tradable without further restriction or registration under the Securities Act, except that any shares purchased by our "affiliates" may generally only be resold in compliance with Rule 144 under the Securities Act, which is described below. The remaining outstanding shares (or outstanding shares, if the underwriters exercise in full their option to purchase additional shares) will be deemed to be "restricted securities" as that term is defined in Rule 144. Restricted securities may be resold in the U.S. only if they are registered for resale under the Securities Act or an exemption from registration is available.

Lock-Up Agreements

We, our executive officers and directors, the selling shareholders and each of our other equity and option holders who beneficially own at least % of our outstanding common stock on a fully diluted basis have generally agreed not to sell or otherwise transfer our or their shares for a period of 180 days after the completion of this offering. These lock-up agreements are subject to certain limited exceptions. For additional information, see "Underwriting—Lock-Up Agreements." Based on these contractual restrictions, shares of our common stock subject to lock-up agreements will not be eligible for sale until these agreements expire or the restrictions are waived by the representatives. The underwriters do not have any present intention or arrangement to release any shares of our common stock subject to lock-up agreements prior to the expiration of the 180-day lock-up period.

Rule 144

All shares of our common stock held by our "affiliates," as that term is defined in Rule 144 under the Securities Act, generally may be sold in the public market only in compliance with Rule 144. Rule 144 defines an affiliate as any person who directly or indirectly controls, or is controlled by, or is under common control with, the issuer, which generally includes our directors, executive officers, 10% shareholders and certain other related persons. Upon the completion of this offering, we expect that approximately % of our outstanding common stock (% of our outstanding common stock if the underwriters exercise in full their option to purchase additional shares) will be held by "affiliates" (assuming such affiliates do not purchase any shares in this offering and taking into account shares to be sold by the selling shareholders).

Under Rule 144, a person (or persons whose shares are aggregated) who is deemed to be, or to have been during the three months preceding the sale, an "affiliate" of ours would be entitled to sell within any three-month period a number of shares that does not exceed the greater of 1% of the then outstanding shares of our common stock, which would be approximately shares of our common stock immediately after this offering, assuming the underwriters do not elect to exercise their option to purchase additional shares from us, or the average weekly trading volume of our common stock on the New York Stock Exchange during the four calendar weeks preceding such sale. Sales under Rule 144 are also subject to a six-month holding period and requirements relating to manner of sale, the availability of current public information about us and the filing of a form in certain circumstances.

Rule 144 also provides that a person who is not deemed to be or to have been an affiliate of ours at any time during the three months preceding a sale, and who has for at least six months beneficially owned shares of our common stock that are restricted securities, will be entitled to freely sell such shares of our common stock subject only to the availability of current public information regarding us. A person who is not deemed to be or to have been an affiliate of ours at any time during the three months preceding a sale, and who has beneficially owned for at least one year shares of our common stock that are restricted securities, will be entitled to freely sell such shares of our common stock under Rule 144 without regard to the current public information requirements of Rule 144.

Rule 701

Rule 701 under the Securities Act generally applies to stock options and restricted common stock granted by an issuer to its employees, directors, officers, consultants or advisors under a compensatory stock or option plan or other written agreement before the issuer becomes subject to the reporting requirements of the Exchange Act, along with the shares acquired upon exercise of such options. Securities issued in reliance on Rule 701 are restricted securities and, subject to the contractual restrictions described above, beginning 90 days after the date of this prospectus, may be sold by persons other than our "affiliates," as defined in Rule 144, without compliance with its current public information and minimum holding period requirement of Rule 144 and by "affiliates" under Rule 144 without compliance with its minimum holding period requirement.

Stock Options and Shares Available for Issuance

As of September 30, 2018, 715,616 shares of common stock were subject to issuance upon exercise of issued and outstanding stock options under the 2010 Plan and 114,000 shares of common stock were subject to issuance upon exercise of issued and outstanding stock options under the 2018 Plan.

Registration Statement on Form S-8

Upon completion of this offering, we intend to file a registration statement on Form S-8 under the Securities Act registering all of the shares of our common stock subject to outstanding options and all the shares of our common stock available for issuance pursuant to awards under the 2018 Plan and the 2010 Plan. Subject to Rule 144 volume limitations applicable to affiliates, shares registered under any registration statements will be available for sale in the open market, beginning 90 days after the date of this prospectus, except to the extent that the shares are subject to vesting restrictions or the contractual restrictions described above.

Registration Rights

In connection with our private placements in 2018, 2015, 2014 and 2011, an aggregate of 12,534,062 shares of our common stock have certain registration rights. See "Certain Relationships and Related Party Transactions." Registration of these shares under the Securities Act would result in these shares becoming freely tradable without restriction under the Securities Act immediately upon the effectiveness of the registration.

SUPERVISION AND REGULATION

General

We are extensively regulated under both federal and state law. These laws restrict permissible activities and investments and require compliance with various consumer protection provisions applicable to lending, deposit, brokerage, and fiduciary activities. They also impose capital adequacy requirements and conditions on a BHC's ability to pay dividends to its shareholders, to repurchase stock or to receive dividends from its subsidiary banks. As a BHC, the Company is subject to regulation and supervision by the Federal Reserve. We are required to file with the Federal Reserve quarterly and annual reports and such additional information as the Federal Reserve may require pursuant to the BHC Act. The Federal Reserve conducts examinations of the Company and its subsidiaries. The Company is also a BHC within the meaning of the California Financial Code. As such, the Company and its subsidiaries are subject to examination by, and may be required to file reports with, the DBO. As a California state-chartered commercial bank that is a member of the Federal Reserve, the Bank is subject to supervision, periodic examination and regulation by the DBO and the Federal Reserve. The Bank's deposits are insured by the FDIC through the Deposit Insurance Fund, or the DIF. Based on of this deposit insurance function, the FDIC also has certain supervisory authority and powers over the Bank as well as all other FDIC insured institutions. As a California-chartered commercial bank, the Bank is also subject to certain provisions of California law. The Company's and the Bank's regulators generally have broad discretion to impose restrictions and limitations on our operations. Bank regulation is intended to protect depositors and consumers and not shareholders. This supervisory framework could materially impact the conduct and profitability of our activities.

To the extent that the following information describes statutory and regulatory provisions, it is qualified in its entirety by reference to the text of applicable statutory and regulatory provisions. Proposals to change the laws and regulations governing the banking industry are frequently raised at both the state and federal levels. The likelihood and timing of any changes in these laws and regulations, and the impact such changes may have on us, are difficult to ascertain. In addition to laws and regulations, bank regulatory agencies may issue policy statements, interpretive letters and similar written guidance applicable to the Company or the Bank. A change in applicable laws, regulations or regulatory guidance, or in the manner such laws, regulations or regulatory guidance are interpreted by regulatory agencies or courts, may have a material effect on our business, operations, and earnings.

Regulation of Silvergate Capital Corporation

We are registered as a BHC under the BHC Act and are subject to regulation and supervision by the Federal Reserve. The BHC Act and Home Owners' Loan Act require us to secure the prior approval of the Federal Reserve before we own or control, directly or indirectly, more than 5% of the voting shares or substantially all the assets of any bank, thrift, bank holding company or thrift holding company, or merge or consolidate with another bank or thrift holding company. Further, under the BHC Act, our activities and those of any nonbank subsidiary are limited to: (i) those activities that the Federal Reserve determines to be so closely related to banking as to be a proper incident thereto, and (ii) investments in companies not engaged in activities closely related to banking, subject to quantitative limitations on the value of such investments. Prior approval of the Federal Reserve may be required before engaging in certain activities. In making such determinations, the Federal Reserve is required to weigh the expected benefits to the public, such as greater convenience, increased competition, and gains in efficiency, against the possible adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interest, and unsound banking practices.

Subject to various exceptions, the BHC Act and the Change in Bank Control Act, together with related regulations, require Federal Reserve approval prior to any person or company acquiring "control" of a BHC, such as the Company. Control is conclusively presumed to exist if an individual or company acquires 25% or more of any class of voting securities of the BHC. With respect to the Change in Bank Control Act, a rebuttable presumption of control arises if a person or company acquires 10% or more, but less than 25%, of any class of

voting securities and either: (i) the BHC has registered securities under Section 12 of the Securities Act; or (ii) no other person owns a greater percentage of that class of voting securities immediately after the transaction. The Federal Reserve Board may require an investor to enter into passivity and, if other companies are making similar investments, anti-association commitments.

The BHC Act was substantially amended by the Gramm-Leach-Bliley Act, or the GLBA, which, among other things, permits a "financial holding company" to engage in a broader range of nonbanking activities, and to engage on less restrictive terms in certain activities than were previously permitted. These expanded activities include securities underwriting and dealing, insurance underwriting and sales, and merchant banking activities. To become a financial holding company, a BHC must certify that it and all depository institutions that it controls are both "well capitalized" and "well managed" (as defined by federal law), and that all subsidiary depository institutions have at least a "satisfactory" CRA rating. To date we have not elected to become a financial holding company, nor do we expect to make such an election in the foreseeable future.

There are several restrictions imposed on us by law and regulatory policy that are designed to minimize potential loss to depositors and to the DIF in the event that a subsidiary depository institution should become insolvent. For example, federal law requires a BHC to serve as a source of financial strength to its subsidiary depository institutions and to commit resources to support such institutions in circumstances where it might not do so in the absence of the rule. The Federal Reserve also has the authority under the BHC Act to require a BHC to terminate any activity or to relinquish control of a nonbank subsidiary upon the Federal Reserve's determination that such activity or control constitutes a serious risk to the financial soundness and stability of any bank subsidiary of the BHC.

Any capital loan by a BHC to a subsidiary depository institution is subordinate in right of payment to deposits and certain other indebtedness of the institution. In addition, in the event of the BHC's bankruptcy, any commitment made by the BHC to a federal banking regulatory agency to maintain the capital of its subsidiary depository institution(s) will be assumed by the bankruptcy trustee and entitled to a priority of payment.

The FDIA provides that, in the event of the "liquidation or other resolution" of an insured depository institution, the claims of depositors of the institution (including the claims of the FDIC as a subrogee of insured depositors) and certain claims for administrative expenses of the FDIC as a receiver will have priority over other general unsecured claims against the institution. If an insured depository institution, such as the Bank, fails, insured and uninsured depositors, along with the FDIC, will have priority in payment ahead of unsecured, non-deposit creditors, including the institution's holding company, with respect to any extensions of credit they have made to such insured depository institution.

Regulation of Silvergate Bank

The operations and investments of our Bank are subject to the supervision, examination, and reporting requirements of the DBO and the Federal Reserve and to federal banking statutes and regulations related to, among other things, the level of reserves that our Bank must maintain against deposits, restrictions on the types, amount, and terms and conditions of loans it may originate, and limits on the types of other activities in which our Bank may engage and the investments that it may make. Because our Bank's deposits are insured by the FDIC to the maximum extent provided by law, it is also subject to certain FDIC regulations, and the FDIC has backup examination authority and some enforcement powers over our Bank. If, based on an examination of our Bank, the regulators should determine that the financial condition, capital resources, asset quality, earnings prospects, management, liquidity or other aspects of the Bank's operations are unsatisfactory or that the Bank or our management is violating or has violated any law or regulation, various remedies are available to the regulators. Such remedies include the power to enjoin unsafe or unsound practices, to require affirmative action to correct any conditions resulting from any violation or practice, to issue an administrative order that can be judicially enforced, to direct an increase in capital, to restrict growth, to assess civil monetary penalties, to remove officers and directors and ultimately to request the FDIC to terminate the Bank's deposit insurance. As a California-chartered commercial bank, the Bank is also subject to certain provisions of California law.

Regulatory Relief Act

On May 24, 2018, President Trump signed into law the Regulatory Relief Act, which amends parts of the Dodd-Frank Act and other laws that involve regulation of the financial industry. While the Regulatory Relief Act keeps in place fundamental aspects of the Dodd-Frank Act's regulatory framework, it does make regulatory changes that are favorable to depository institutions with assets under $10 billion, such as the Bank and to BHCs with total consolidated assets of less than $10 billion, such as the Company. The Regulatory Relief Act also makes changes to consumer mortgage and credit reporting regulations and to the authorities of the agencies that regulate the financial industry. Certain provisions of the Regulatory Relief Act favorable to the Company and the Bank require the federal banking agencies to either promulgate regulations or amend existing regulations, and it will likely take some time for these agencies to implement the necessary regulations.

Provisions That Are Favorable to Community Banks . There are several provisions in the Regulatory Relief Act that will have a favorable impact on community banks such as the Bank. These are briefly referenced below.

Increase in Small Bank Holding Company Policy Threshold . The Regulatory Relief Act directs the Federal Reserve to increase the asset threshold for qualifying for the Federal Reserve's "Small Bank Holding Company Policy Statement", or the Policy, from $1 billion to $3 billion. Small BHCs or SLHCs are excluded from the Policy if they are engaged in significant nonbanking activities, engaged in significant off-balance sheet activities, or have a material amount of debt or equity registered with the Securities and Exchange Commission. The Federal Reserve also retains the authority to exclude any BHC or SLHC from the Policy if such action is warranted for supervisory purposes. The Policy allows covered holding companies to operate with higher levels of debt than would normally be permitted, subject to certain restrictions on dividends and the expectation that the holding company will reduce its reliance on debt over time. Also, holding companies that are subject to the Policy are exempt from the Federal Reserve's consolidated risk-based and leverage capital rules implementing Basel III and are instead subject to the capital requirements that had been in place before the U.S. implementation of the Basel III standards, which are generally less onerous. Holding companies subject to the Policy also have less extensive regulatory reporting requirements than larger organizations filing reports on a semi-annual rather than quarterly basis. Despite the increase in the Policy asset threshold, the Policy will not apply to the Company as it will not be eligible for the Policy upon the issuance of the equity securities that are the subject of this registration statement.

Increase in Asset Threshold for Qualifying for an 18-Month Examination Cycle . The Regulatory Relief Act increases the asset threshold for institutions qualifying for an 18-month on-site examination cycle from $1 billion to $3 billion in total consolidated assets.

Short Form Call Reports . The Regulatory Relief Act requires the federal banking agencies to promulgate regulations allowing an insured depository institution with less than $5 billion in total consolidated assets (and that satisfies such other criteria as determined to be appropriate by the agencies) to submit a short-form call report for its first and third quarters.

Transactions with Affiliates and Insiders

We are subject to federal laws, such as Sections 23A and 23B of the Federal Reserve Act, or the FRA, that limit the size, number and terms of the transactions that depository institutions may engage in with their affiliates. Under these provisions, covered transactions by a bank with nonbank affiliates (such as loans to or investments in an affiliate by the bank) must be on arms-length terms and generally be limited to 10% of the bank's capital and surplus for all covered transactions with any one affiliate, and 20% of capital and surplus for all covered transactions with all affiliates. Any extensions of credit to affiliates, with limited exceptions, must be secured by eligible collateral in specified amounts. Banks are also prohibited from purchasing any "low quality" assets from an affiliate. The Dodd-Frank Act generally enhanced the restrictions on transactions with affiliates under Section 23A and 23B of the FRA, including an expansion of the definition of "covered transactions" to

include derivatives transactions, repurchase agreements, reverse repurchase agreements and securities lending or borrowing transactions and an increase in the period of time during which collateral requirements regarding covered credit transactions must be satisfied. The Federal Reserve has promulgated Regulation W, which codifies prior interpretations under Sections 23A and 23B of the FRA and provides interpretive guidance with respect to affiliate transactions. Affiliates of a bank include, among other entities, a bank's BHC parent and companies that are under common control with the bank. We are considered to be an affiliate of the Bank.

We are also subject to restrictions on extensions of credit to our executive officers, directors, shareholders who own more than 10% of our Class A and Class B Common Stock, and their related interests. These extensions of credit must be made on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with third parties, and must not involve more than the normal risk of repayment or present other unfavorable features. Loans to such persons and certain affiliated entities of any of the foregoing, may not exceed, together with all other outstanding loans to such person and affiliated entities, may not exceed, together with all other outstanding loans to such person and affiliated entities, the institution's loans-to-one-borrower limit as discussed under "Loans to One Borrower." Federal regulations also prohibit loans above amounts prescribed by the appropriate federal banking agency to directors, executive officers, and shareholders who own more than 10% of an institution, and their respective affiliates, unless such loans are approved in advance by a majority of the board of directors of the institution. Any "interested" director may not participate in the voting. The proscribed loan amount, which includes all other outstanding loans to such person, as to which such prior board of director approval is required, is the greater of $25,000 or 5% of capital and surplus up to $500,000. Furthermore, we are prohibited from engaging in asset purchases or sales transactions with our officers, directors, or principal shareowners unless the transaction is on market terms and, if the transaction represents greater than 10% of the capital and surplus of the bank, a majority of the bank's disinterested directors has approved the transaction.

Indemnification payments to any director, officer or employee of either a bank or a BHC are subject to certain constraints imposed by the FDIC.

Incentive Compensation

Federal banking agencies have issued guidance on incentive compensation policies intended to ensure that the incentive compensation policies of banking organizations do not undermine the safety and soundness of such organizations by encouraging excessive risk-taking. The guidance, which covers all employees that have the ability to materially affect the risk profile of an organization, is based upon the key principles that a banking organization's incentive compensation arrangements should (i) provide incentives that appropriately balance risk and rewards in a manner that does not encourage imprudent risk taking, (ii) be compatible with effective internal controls and risk management, and (iii) be supported by strong corporate governance, including active and effective oversight by the organization's board of directors. In accordance with the Dodd-Frank Act, the federal banking agencies prohibit incentive-based compensation arrangements that encourage inappropriate risk taking by covered financial institutions (generally institutions that have over $1 billion in assets) and are deemed to be excessive, or that may lead to material losses.

The Federal Reserve will review, as part of the regular, risk-focused examination process, the incentive compensation arrangements of banking organizations, such as the Company, that are not "large, complex banking organizations." These reviews will be tailored to each organization based on the scope and complexity of the organization's activities and the prevalence of incentive compensation arrangements. The findings of the supervisory initiatives will be included in reports of examination. Deficiencies will be incorporated into the organization's supervisory ratings, which can affect the organization's ability to make acquisitions and take other actions. Enforcement actions may be taken against a banking organization if its incentive compensation arrangements, or related risk-management control or governance processes, pose a risk to the organization's safety and soundness and the organization is not taking prompt and effective measures to correct the deficiencies.

The scope and content of the U.S. banking regulators' policies on executive compensation may continue to evolve in the future. It presently cannot be determined whether compliance with such policies will adversely affect the Company's ability to hire, retain and motivate its key employees.

Loans to One Borrower

Under California law, our ability to make aggregate secured and unsecured loans-to-one-borrower is limited to 25% and 15%, respectively, of unimpaired capital and surplus. At September 30, 2018, the Bank's limit on aggregate secured loans-to-one-borrower was approximately $46.7 million for loans secured by cash, readily marketable collateral, or real estate collateral qualifying under the California Financial Code, and $28.0 million for loans without such collateral or any collateral.

Deposit Insurance

Our deposits are insured up to applicable limits by the DIF of the FDIC. The DIF is the successor to the Bank Insurance Fund and the Savings Association Insurance Fund, which were merged in 2006. Deposit insurance is mandatory. We are required to pay assessments to the FDIC on a quarterly basis. The assessment amount is the product of multiplying the assessment base by the assessment amount.

The assessment base against which the assessment rate is applied to determine the total assessment due for a given period is the depository institution's average total consolidated assets during the assessment period less average tangible equity during that assessment period. Tangible equity is defined in the assessment rule as Tier 1 Capital and is calculated monthly, unless the insured depository institution has less than $1 billion in assets, in which case the insured depository institution calculates Tier 1 Capital on an end-of-quarter basis. Parents or holding companies of other insured depository institutions are required to report separately from their subsidiary depository institutions.

The FDIC's methodology for setting assessments for individual banks has changed over time, although the broad policy is that lower-risk institutions should pay lower assessments than higher-risk institutions. The FDIC now uses a methodology, known as the "financial ratios method," that began to apply on July 1, 2016, in order to meet requirements of the Dodd-Frank Act. The statute established a minimum designated reserve ratio, or the DRR, for the DIF of 1.35% of the estimated insured deposits and required the FDIC to adopt a restoration plan should the reserve ratio fall below 1.35%. The financial ratios took effect when the DRR exceeded 1.15%. The FDIC declared that the DIF reserve ratio exceeded 1.15% by the end of the second quarter of 2016. Accordingly, beginning July 1, 2016, the FDIC began to use the financial ratios method. This methodology assigns a specific assessment rate to each institution based on the institution's leverage capital, supervisory ratings, and information from the institution's call report. Under this methodology, the assessment rate schedules used to determine assessments due from insured depository institutions become progressively lower when the reserve ratio in the DIF exceeds 2% and 2.5%.

In addition to the assessment for deposit insurance, insured depository institutions are required to make payments on bonds issued in the late 1980s by the Financing Corporation to recapitalize a predecessor deposit insurance fund. This payment is established quarterly and, for the third quarter in calendar year 2018, equaled 32 basis points on assessable deposits.

The Dodd-Frank Act also raised the limit for federal deposit insurance to $250,000 for most deposit accounts and increased the cash limit of Securities Investor Protection Corporation protection from $100,000 to $250,000.

The FDIC has authority to increase insurance assessments. A significant increase in insurance assessments would likely have an adverse effect on our operating expenses and results of operations. We cannot predict what insurance assessment rates will be in the future. Furthermore, deposit insurance may be terminated by the FDIC

upon a finding that an insured depository institution has engaged in unsafe or unsound practices, is in an unsafe or unsound condition to continue operations, or has violated any applicable law, regulation, rule, order, or condition imposed by the FDIC.

Dividends

It is the Federal Reserve's policy that BHCs, such as the Company, should generally pay dividends on common stock only out of income available over the past year, and only if prospective earnings retention is consistent with the organization's expected future needs and financial condition. It is also the Federal Reserve's policy that BHCs should not maintain dividend levels that undermine their ability to be a source of strength to its banking subsidiaries. Additionally, in consideration of the current financial and economic environment, the Federal Reserve has indicated that BHCs should carefully review their dividend policy and has discouraged payment ratios that are at maximum allowable levels unless both asset quality and capital are very strong **.** It is our policy to retain earnings, if any, to provide funds for use in our business. We have never declared or paid dividends on our Class A and Class B Common Stock.

The Bank's ability to pay dividends to the Company is subject to restrictions set forth in the Financial Code. The Financial Code provides that a bank may not make a cash distribution to its shareholders exceeding the lesser of a bank's (1) retained earnings; or (2) net income for its last three fiscal years, less the amount of any distributions made by the bank or by any majority-owned subsidiary of the bank to the shareholders of the bank during such period. However, a bank may, with the approval of the DBO, make a distribution to its shareholders in an amount not exceeding the greatest of (a) its retained earnings; (b) its net income for its last fiscal year; or (c) its net income for its current fiscal year. If bank regulators determine that the shareholders' equity of a bank is inadequate or that the making of a distribution by the bank would be unsafe or unsound, the regulators may order the bank to refrain from making a proposed distribution. The payment of dividends could, depending on the financial condition of a bank, be deemed to constitute an unsafe or unsound practice. Under the foregoing provision of the Financial Code, the amount available for distribution from the Bank to the Company was approximately $24.5 million at September 30, 2018.

Approval of the Federal Reserve is required for payment of any dividend by a state chartered bank that is a member of the Federal Reserve, such as the Bank, if the total of all dividends declared by the bank in any calendar year would exceed the total of its retained net income for that year combined with its retained net income for the preceding two years. In addition, a state member bank may not pay a dividend in an amount greater than its undivided profits without regulatory and shareholder approval. The Bank is also prohibited under federal law from paying any dividend that would cause it to become undercapitalized.

Capital Adequacy Guidelines

In December 2010, the Basel Committee on Banking Supervision released its final framework for strengthening international capital and liquidity regulation, or Basel III. Basel III requires banks to maintain a higher level of capital than previously required, with a greater emphasis on common equity. The Dodd-Frank Act imposed generally applicable capital requirements with respect to BHCs and their bank subsidiaries and mandated that the federal banking regulatory agencies adopt rules and regulations to implement the Basel III requirements.

In July 2013, the federal banking agencies adopted a final rule, or the Basel III Final Rule, implementing these standards. Under the Basel III Final Rule, trust preferred securities are excluded from Tier 1 capital unless such securities were issued prior to May 19, 2010 by a BHC with less than $15 billion in assets, subject to certain limits. The trust preferred securities issued by our unconsolidated subsidiary capital trusts qualify as Tier 1 capital. The Dodd-Frank Act additionally provides for countercyclical capital requirements so that the required amount of capital increases in times of economic expansion and decreases in times of economic contraction, consistent with safety and soundness. Under the Basel III Final Rule, which implements this concept, banks must

maintain a capital conservation buffer consisting of additional common equity Tier 1 capital equal to 2.5% of risk-weighted assets above each of the required minimum capital levels in order to avoid limitations on paying dividends, engaging in share repurchases, and paying certain discretionary bonuses. This new capital conservation buffer requirement began to be phased in beginning in January 2016 at 0.625% of risk-weighted assets and will increase by this amount each year until fully implemented at 2.5% in January 2019. As of January 1, 2018, the capital conservation buffer had phased in to 1.875%.

For purposes of calculating risk-weighted assets, the Basel III Final Rule is designed to make regulatory capital requirements more sensitive to differences in risk profiles among banks, to account for off-balance sheet exposures, and to minimize disincentives for holding liquid assets. Under this rule, assets and off-balance sheet items are assigned to broad risk categories, each with appropriate weights. The resulting capital ratios represent capital as a percentage of total risk-weighted assets, which reflect on- and off-balance sheet items.

For this purpose, certain off-balance sheet items are assigned certain credit conversion factors to convert them to asset-equivalent amounts to which an appropriate risk-weighting will apply. Those computations result in the total risk-weighted assets. Most loans are assigned to the 100% risk category, except for performing first mortgage loans fully secured by residential property, which carry a 50% risk weighting. Most investment securities (including, primarily, general obligation claims of states or other political subdivisions of the United States) are assigned to the 20% category. Exceptions include municipal or state revenue bonds, which have a 50% risk weighting, and direct obligations of the United States Treasury or obligations backed by the full faith and credit of the United States government, which have a 0% risk weighting. In converting off-balance sheet items, direct credit substitutes, including general guarantees and standby letters of credit backing financial obligations, are assigned a 100% credit conversion factor. Transaction-related contingencies such as bid bonds, standby letters of credit backing non-financial obligations, and undrawn commitments (including commercial credit lines with an initial maturity of more than one year) are assigned a 50% credit conversion factor. Short-term commercial letters of credit are assigned a 20% credit conversion factor, and certain short-term unconditionally cancelable commitments are assigned a 0% credit conversion factor.

Minimum capital standards under the Basel III Final Rule for banks of our size took effect on January 1, 2015 with a phase-in period that generally extends through January 1, 2019 for certain of the changes. As discussed under "—Prompt Corrective Action," depository institutions and depository holding companies with less than $10 billion in total consolidated assets, such as the Company and the Bank, will be deemed to satisfy both the leverage and risk-based capital requirements, provided they satisfy a new "Community Bank Leverage Ratio" required to be promulgated by the Federal Banking agencies.

Under the Basel III Final Rule, the minimum ratio of total capital to risk-weighted assets (including certain off-balance sheet activities, such as standby letters of credit) is 8%. While there was previously no required ratio of "Common Equity Tier 1 Capital," or CET1 (which generally consists of common stock, retained earnings, certain qualifying capital instruments issued by consolidated subsidiaries, and Accumulated Other Comprehensive Income, subject to certain adjustments and deductions for items such as goodwill, other intangible assets, reciprocal holdings of other banking organizations' capital instruments, investments in unconsolidated subsidiaries and any other deductions as determined by the appropriate regulator) to risk-weighted assets, a required minimum ratio of 4.5% became effective on January 1, 2015 as well. The required ratio of "Tier 1 Capital" (consisting generally of CET1 and qualifying preferred stock) to risk-weighted assets is 6%. The remainder of total capital, or Tier 2 Capital, may consist of (a) the allowance for loan losses of up to 1.25% of risk-weighted assets, (b) preferred stock not qualifying as Tier 1 Capital, (c) hybrid capital instruments, (d) perpetual debt, (e) mandatory convertible securities, and (f) certain subordinated debt and intermediate-term preferred stock up to 50% of Tier 1 Capital. Total Capital is the sum of Tier 1 Capital and Tier 2 Capital.

During 2018, banking organizations, including the Company and the Bank, are required to maintain a CET1 capital ratio of at least 6.375%, a Tier 1 capital ratio of at least 7.875%, and a total capital ratio of at least 9.875% to avoid limitations on capital distributions and certain discretionary incentive compensation payments. When the

requirements are fully phased-in on January 1, 2019, including the 2.5% capital conservation buffer, the Company and the Bank will be required to meet a minimum Tier 1 leverage ratio of 4.0%, a minimum CET1 to risk-weighted assets ratio of 7%, a Tier 1 capital to risk-weighted assets ratio of 8.5% and a minimum total capital to risk-weighted assets ratio of 10.5%.

The Basel III Final Rule also includes minimum leverage ratio requirements for banking organizations, calculated as the ratio of Tier 1 Capital to adjusted average consolidated assets. Prior to the effective date of the Basel III Final Rule, banks and BHCs meeting certain specified criteria, including having the highest regulatory rating and not experiencing significant growth or expansion, were permitted to maintain a minimum leverage ratio of Tier 1 Capital to adjusted average quarterly assets equal to 3%. Other banks and BHCs generally were required to maintain a minimum leverage ratio between 4% and 5%. Under the Basel III Final Rule, as of January 1, 2015, the required minimum leverage ratio for all banks is 4%.

As an additional means of identifying problems in the financial management of depository institutions, the federal banking regulatory agencies have established certain non-capital safety and soundness standards for institutions for which they are the primary federal regulator. The standards relate generally to operations and management, asset quality, interest rate exposure, and executive compensation. The agencies are authorized to take action against institutions that fail to meet such standards.

The requirements of the Dodd-Frank Act are still in the process of being implemented over time and most will be subject to regulations implemented over the course of several years. In addition, the Regulatory Relief Act modifies several provisions in the Dodd-Frank Act, but are subject to implementing regulations. Given the uncertainty associated with the how the provisions of the Dodd-Frank Act and the Regulatory Relief Act will be implemented by the various regulatory agencies and through regulations, the full extent of the impact such requirements will have on our operations is unclear. On September 27, 2017, the federal banking agencies proposed a rule intended to reduce the regulatory compliance burden, particularly on community banking organizations, by simplifying several requirements in the Basel III-based capital rules. Specifically, the proposed rule simplifies the capital treatment for certain acquisition, development, and construction loans, mortgage servicing assets, certain deferred tax assets, investments in the capital instruments of unconsolidated financial institutions, and minority interest. In 2017, the federal banking agencies adopted an extension of the transition period for application of the Basel III-based capital rules to certain investments, effectively freezing the capital treatment of affected investments until the changes proposed in the September 2017 proposal are finalized and effective. In addition, the Regulatory Relief Bill addressed the capital treatment of certain acquisition, development and construction loans. See “—Commercial Real Estate Construction Guidelines.”

In December 2017, the Basel Committee published standards that it described as the finalization of the Basel III post-crisis regulatory reforms, which standards are commonly referred to as Basel IV. Among other things, these standards revise the Basel Committee’s standardized approach for credit risk (including the recalibration of the risk weights and the introduction of new capital requirements for certain “unconditionally cancellable commitments,” such as unused credit card lines of credit) and provides a new standardized approach for operational risk capital. Under the Basel framework, these standards will generally be effective on January 1, 2022, with an aggregate output floor phasing in through January 1, 2027. Under the current U.S. capital rules, operational risk capital requirements and a capital floor apply only to advanced approaches institutions, and not to the Bank. The impact of Basel IV on us will depend on how it is implemented by the federal bank regulators.

Commercial Real Estate Concentration Guidelines

In December 2006, the federal banking regulators issued guidance entitled “Concentrations in Commercial Real Estate Lending, Sound Risk Management Practices” to address increased concentrations in commercial real estate loans. In addition, in December 2015, the federal bank agencies issued additional guidance entitled “Statement on Prudent Risk Management for Commercial Real Estate Lending.” Together, these guidelines describe the criteria the agencies will use as indicators to identify institutions potentially exposed to CRE

concentration risk. An institution that has (i) experienced rapid growth in CRE lending, (ii) notable exposure to a specific type of CRE, (iii) total reported loans for construction, land development, and other land representing 100% or more of the institution's capital, or (iv) total non-owner-occupied CRE (including construction) loans representing 300% or more of the institution's capital, and the outstanding balance of the institutions CRE portfolio has increased by 50% or more in the prior 36 months, may be identified for further supervisory analysis of the level and nature of its CRE concentration risk.

At September 30, 2018, the Bank's ratio of construction loans to total capital was 1.7%, its ratio of total non-owner occupied commercial real estate loans to total capital ratio was 167.3% and, therefore, was under the 100% and 300% regulatory guideline thresholds set forth in clauses (iii) and (iv) above. As a result, we are not deemed to have a concentration in commercial real estate lending under applicable regulatory guidelines.

Currently, loans categorized as "high-volatility commercial real estate" loans, or HVCRE loans, are required to be assigned a 150% risk weighting, and require additional capital support. HVCRE loans are defined to include any credit facility that finances or has financed the acquisition, development or construction of real property, unless it finances: 1-4 family residential properties; certain community development investments; agricultural land used or usable for, and whose value is based on, agricultural use; or commercial real estate projects in which: (i) the loan to value is less than the applicable maximum supervisory loan to value ratio established by the bank regulatory agencies; (ii) the borrower has contributed cash or unencumbered readily marketable assets, or has paid development expenses out of pocket, equal to at least 15% of the appraised "as completed" value; (iii) the borrower contributes its 15% before the bank advances any funds; and (iv) the capital contributed by the borrower, and any funds internally generated by the project, is contractually required to remain in the project until the facility is converted to permanent financing, sold or paid in full.

The Regulatory Relief Act prohibits federal banking agencies from assigning heightened risk weights to HVCRE exposures, unless the exposures are classified as HVCRE acquisition, development, and construction loans. The Federal banking agencies issued a proposal in September 2017 to simplify the treatment of HVCRE and to create a new category of commercial real estate loans—"high-volatility acquisition, development or construction," or HVADC exposures—with a lower risk weight of 130%. A significant difference between the Regulatory Relief Act and the agencies' HVADC proposal arises from the Regulatory Relief Act's preservation of the exemption for projects where the borrower has contributed at least 15% of the real property's appraised "as completed" value.

Prompt Corrective Action

In addition to the required minimum capital levels described above, federal law establishes a system of "prompt corrective actions" that federal banking agencies are required to take, and certain actions that they have discretion to take, based upon the capital category into which a federally regulated depository institution falls. Regulations set forth detailed procedures and criteria for implementing prompt corrective action in the case of any institution which is not adequately capitalized. Under the prompt corrective action rules, an institution is deemed "well capitalized" if its leverage ratio, Common Equity Tier 1 ratio, Tier 1 Capital ratio, and Total Capital ratio meet or exceed 5%, 6.5%, 8%, and 10%, respectively. An institution is deemed to be "adequately capitalized" or better if its leverage, Common Equity Tier 1, Tier 1, and Total Capital ratios meet or exceed the minimum federal regulatory capital requirements set forth in the Basel III Final Rule. An institution is "undercapitalized" if it fails to meet the minimum capital requirements. An institution is "significantly undercapitalized" if any one of its leverage, Common Equity Tier 1, Tier 1, and Total Capital ratios falls below 3%, 3%, 4%, and 6%, respectively, and "critically undercapitalized" if the institution has a ratio of tangible equity to total assets that is equal to or less than 2%.

The Regulatory Relief Act requires the federal banking agencies to promulgate a rule establishing a new "Community Bank Leverage Ratio" of 8% to 10% for depository institutions and depository institution holding companies, including banks and BHCs, with less than $10 billion in total consolidated assets, such as the

Company and the Bank. If such a depository institution or holding company maintains tangible equity in excess of this leverage ratio, it would be deemed in compliance with all other capital and leverage requirements: (1) the leverage and risk-based capital requirements promulgated by the federal banking agencies; (2) in the case of a depository institution, the capital ratio requirements to be considered "well capitalized" under the federal banking agencies' "prompt corrective action" regime; and (3) any other capital or leverage requirements to which the depository institution or holding company is subject, in each case, unless the appropriate federal banking agency determines otherwise based on the particular institution's risk profile.

The prompt corrective action rules require an undercapitalized institution to file a written capital restoration plan, along with a performance guaranty by its holding company or a third party. In addition, an undercapitalized institution becomes subject to certain automatic restrictions, including a prohibition on payment of dividends and a limitation on asset growth and expansion in certain cases, a limitation on the payment of bonuses or raises to senior executive officers, and a prohibition on the payment of certain "management fees" to any "controlling person." Institutions that are classified as undercapitalized are also subject to certain additional supervisory actions, including increased reporting burdens and regulatory monitoring; limitations on the institution's ability to make acquisitions, open new branch offices, or engage in new lines of business; obligations to raise additional capital; restrictions on transactions with affiliates; and restrictions on interest rates paid by the institution on deposits. In certain cases, banking regulatory agencies may require replacement of senior executive officers or directors, or sale of the institution to a willing purchaser. If an institution is deemed to be "critically undercapitalized" and continues in that category for 90 days, the statute requires, with certain narrowly limited exceptions, that the institution be placed in receivership.

An insured depository institution's capital level may have consequences outside the prompt corrective action regime. For example, only well-capitalized institutions may accept brokered deposits without restrictions on rates, while adequately capitalized institutions must seek a waiver from the FDIC to accept such deposits and are subject to rate restrictions. Well-capitalized institutions may be eligible for expedited treatment of certain applications, an advantage not available to other institutions.

As noted above, Basel III integrates the new capital requirements into the prompt corrective action category definitions. The following capital requirements have applied to the Company since January 1, 2018.

Capital Category	Total Risk-Based Capital Ratio	Tier 1 Risk-Based Capital Ratio	Common Equity Tier 1 (CET1) Capital Ratio	Leverage Ratio	Tangible Equity to Assets	Supplemental Leverage Ratio
Well Capitalized	10% or greater	8% or greater	6.5% or greater	5% or greater	n/a	n/a
Adequately Capitalized	8% or greater	6% or greater	4.5% or greater	4% or greater	n/a	3% or greater
Undercapitalized	Less than 8%	Less than 6%	Less than 4.5%	Less than 4%	n/a	Less than 3%
Significantly Undercapitalized	Less than 6%	Less than 4%	Less than 3%	Less than 3%	n/a	n/a
Critically Undercapitalized	n/a	n/a	n/a	n/a	Less than 2%	n/a

As of September 30, 2018, the Bank was "well capitalized" according to the guidelines as generally discussed above. As of September 30, 2018, the Company had a consolidated ratio of 26.56% of total capital to risk-weighted assets, a consolidated ratio of 25.47% of Tier 1 capital to risk-weighted assets, and a consolidated ratio of 23.50% of common equity Tier 1 capital, and the Bank had a ratio of 23.81% of total capital to risk-weighted assets, a ratio of 22.72% of Tier 1 capital to risk-weighted assets, and a ratio of 22.72% of common equity Tier 1 capital.

Safety and Soundness Standards

The federal banking agencies have adopted guidelines designed to assist the federal banking agencies in identifying and addressing potential safety and soundness concerns before capital becomes impaired. The guidelines set forth operational and managerial standards relating to: (i) internal controls, information systems and internal audit systems; (ii) loan documentation; (iii) credit underwriting; (iv) asset growth; (v) earnings; and (vi) compensation, fees and benefits.

In addition, the federal banking agencies have also adopted safety and soundness guidelines with respect to asset quality and for evaluating and monitoring earnings to ensure that earnings are sufficient for the maintenance of adequate capital and reserves. These guidelines provide six standards for establishing and maintaining a system to identify problem assets and prevent those assets from deteriorating. Under these standards, an insured depository institution should: (i) conduct periodic asset quality reviews to identify problem assets; (ii) estimate the inherent losses in problem assets and establish reserves that are sufficient to absorb estimated losses; (iii) compare problem asset totals to capital; (iv) take appropriate corrective action to resolve problem assets; (v) consider the size and potential risks of material asset concentrations; and (vi) provide periodic asset quality reports with adequate information for management and the board of directors to assess the level of asset risk.

Community Reinvestment Act

The CRA requires the federal banking regulatory agencies to assess all financial institutions that they regulate to determine whether these institutions are meeting the credit needs of the communities they serve, including their assessment area(s) (as established for these purposes in accordance with applicable regulations based principally on the location of branch offices). In addition to substantial penalties and corrective measures that may be required for a violation of certain fair lending laws, the federal banking agencies may take compliance with such laws and CRA into account when regulating and supervising other activities. Under the CRA, institutions are assigned a rating of "outstanding," "satisfactory," "needs to improve," or "unsatisfactory." An institution's record in meeting the requirements of the CRA is based on a performance-based evaluation system, and is made publicly available and is taken into consideration in evaluating any applications it files with federal regulators to engage in certain activities, including approval of a branch or other deposit facility, mergers and acquisitions, office relocations, or expansions into nonbanking activities. Our Bank received a "satisfactory" rating in its most recent CRA evaluation.

Anti-Terrorism, Money Laundering Legislation and OFAC

The Bank is subject to the Bank Secrecy Act and USA Patriot Act. These statutes and related rules and regulations impose requirements and limitations on specified financial transactions and accounts and other relationships intended to guard against money laundering and terrorism financing. The principal requirements for an insured depository institution include (i) establishment of an anti-money laundering program that includes training and audit components, (ii) establishment of a "know your customer" program involving due diligence to confirm the identities of persons seeking to open accounts and to deny accounts to those persons unable to demonstrate their identities, (iii) the filing of currency transaction reports for deposits and withdrawals of large amounts of cash and suspicious activities reports for activity that might signify money laundering, tax evasion, or other criminal activities, (iv) additional precautions for accounts sought and managed for non-U.S. persons and (v) verification and certification of money laundering risk with respect to private banking and foreign correspondent banking relationships. For many of these tasks a bank must keep records to be made available to its primary federal regulator. Anti-money laundering rules and policies are developed by a bureau within FinCEN, but compliance by individual institutions is overseen by its primary federal regulator.

The Bank has established appropriate anti-money laundering and customer identification programs. The Bank also maintains records of cash purchases of negotiable instruments, files reports of certain cash transactions exceeding $10,000 (daily aggregate amount), and reports suspicious activity that might signify money laundering, tax evasion, or other criminal activities pursuant to the Bank Secrecy Act. The Bank otherwise has implemented policies and procedures to comply with the foregoing requirements.

The Treasury Department's Office of Foreign Assets Control, or OFAC, administers and enforces economic and trade sanctions against targeted foreign countries and persons, as defined by various Executive Orders and Acts of Congress. OFAC publishes lists of persons that are the target of sanctions, including the List of Specially Designated Nationals and Blocked Persons. Financial institutions are responsible for, among other things, blocking accounts of and transactions with sanctioned persons and countries, prohibiting unlicensed trade and

financial transactions with them and reporting blocked and rejected transactions after their occurrence. If the Company or the Bank finds a name or other information on any transaction, account or wire transfer that is on an OFAC list or that otherwise indicates that the transaction involves a target of sanctions, the Company or the Bank generally must freeze or block such account or transaction, file a suspicious activity report, and notify the appropriate authorities. Banking regulators examine banks for compliance with the economic sanctions regulations administered by OFAC.

The Bank has implemented policies and procedures to comply with the foregoing requirements.

Data Privacy and Cybersecurity

The GLBA and the implementing regulations issued by federal regulatory agencies require financial institutions (including banks, insurance agencies, and broker/dealers) to adopt policies and procedures regarding the disclosure of nonpublic personal information about their customers to non-affiliated third parties. In general, financial institutions are required to explain to customers their policies and procedures regarding the disclosure of such nonpublic personal information and, unless otherwise required or permitted by law, financial institutions are prohibited from disclosing such information except as provided in their policies and procedures. Specifically, the GLBA established certain information security guidelines that require each financial institution, under the supervision and ongoing oversight of its board of directors or an appropriate committee thereof, to develop, implement, and maintain a comprehensive written information security program designed to ensure the security and confidentiality of customer information, to protect against anticipated threats or hazards to the security or integrity of such information, and to protect against unauthorized access to or use of such information that could result in substantial harm or inconvenience to any customer.

Recent cyber-attacks against banks and other financial institutions that resulted in unauthorized access to confidential customer information have prompted the federal banking regulators to issue extensive guidance on cybersecurity. Among other things, financial institutions are expected to design multiple layers of security controls to establish lines of defense and ensure that their risk management processes address the risks posed by compromised customer credentials, including security measures to authenticate customers accessing internet-based services. A financial institution also should have a robust business continuity program to recover from a cyberattack and procedures for monitoring the security of third-party service providers that may have access to nonpublic data at the institution.

The Bureau of Consumer Financial Protection

The Dodd-Frank Act created the BCFP, which is an independent bureau with broad authority to regulate the consumer finance industry, including regulated financial institutions, nonbanks and others involved in extending credit to consumers. The BCFP has authority through rulemaking, orders, policy statements, guidance, and enforcement actions to administer and enforce federal consumer financial laws, to oversee several entities and market segments not previously under the supervision of a federal regulator, and to impose its own regulations and pursue enforcement actions when it determines that a practice is unfair, deceptive, or abusive. The federal consumer financial laws and all the functions and responsibilities associated with them, many of which were previously enforced by other federal regulatory agencies, were transferred to the BCFP on July 21, 2011. While the BCFP has the power to interpret, administer, and enforce federal consumer financial laws, the Dodd-Frank Act provides that the federal banking regulatory agencies continue to have examination and enforcement powers over the financial institutions that they supervise relating to the matters within the jurisdiction of the BCFP if such institutions have less than $10 billion in assets. The Dodd-Frank Act also gives state attorneys general the ability to enforce federal consumer protection laws.

Mortgage Loan Origination

The Dodd-Frank Act authorizes the BCFP to establish certain minimum standards for the origination of residential mortgages, including a determination of the borrower’s ability to repay. Under the Dodd-Frank Act

and the implementing final rule adopted by the BCFP, or the ATR/QM Rule, a financial institution may not make a residential mortgage loan to a consumer unless it first makes a "reasonable and good faith determination" that the consumer has a "reasonable ability" to repay the loan. In addition, the ATR/QM Rule limits prepayment penalties and permits borrowers to raise certain defenses to foreclosure if they receive any loan other than a "qualified mortgage," as defined by the BCFP. For this purpose, the ATR/QM Rule defines a "qualified mortgage" to include a loan with a borrower debt-to-income ratio of less than or equal to 43% or, alternatively, a loan eligible for purchase by Fannie Mae or Freddie Mac while they operate under federal conservatorship or receivership, and loans eligible for insurance or guarantee by the Federal Housing Administration, Veterans Administration, or United States Department of Agriculture. Additionally, a qualified mortgage may not: (i) contain excess upfront points and fees; (ii) have a term greater than 30 years; or (iii) include interest only or negative amortization payments. The ATR/QM Rule specifies the types of income and assets that may be considered in the ability-to-repay determination, the permissible sources for verification, and the required methods of calculating the loan's monthly payments. The ATR/QM Rule became effective in January 2014.

The Regulatory Relief Act provides that for certain insured depository institutions and insured credit unions with less than $10 billion in total consolidated assets, mortgage loans that are originated and retained in portfolio will automatically be deemed to satisfy the "ability to repay" requirement. To qualify for this, the insured depository institutions and credit unions must meet conditions relating to prepayment penalties, points and fees, negative amortization, interest-only features and documentation.

The Regulatory Relief Act directs Federal banking agencies to issue regulations exempting certain insured depository institutions and insured credit unions with assets of $10 billion or less from the requirement to establish escrow accounts for certain residential mortgage loans.

Insured depository institutions and insured credit unions that originated fewer than 500 closed-end mortgage loans or 500 open-end lines of credit in each of the two preceding years are exempt from a subset of disclosure requirements (recently imposed by the BCFP) under the Home Mortgage Disclosure Act, or HMDA, provided they have received certain minimum CRA ratings in their most recent examinations.

The Regulatory Relief Act also directs the Comptroller of the Currency to conduct a study assessing the effect of the exemption described above on the amount of HMDA data available at the national and local level.

In addition, Section 941 of the Dodd-Frank Act amended the Exchange Act to require sponsors of asset-backed securities ("ABS") to retain at least 5% of the credit risk of the assets underlying the securities and generally prohibits sponsors from transferring or hedging that credit risk. In October 2014, the federal banking regulatory agencies adopted a final rule to implement this requirement (the "Risk Retention Rule"). Among other things, the Risk Retention Rule requires a securitizer to retain not less than 5% of the credit risk of any asset that the securitizer, through the issuance of an ABS, transfers, sells, or conveys to a third party; and prohibits a securitizer from directly or indirectly hedging or otherwise transferring the credit risk that the securitizer is required to retain. In certain situations, the final rule allows securitizers to allocate a portion of the risk retention requirement to the originator(s) of the securitized assets, if an originator contributes at least 20% of the assets in the securitization. The Risk Retention Rule also provides an exemption to the risk retention requirements for an ABS collateralized exclusively by Qualified Residential Mortgages, or QRMs, and ties the definition of a QRM to the definition of a "qualified mortgage" established by the BCFP for purposes of evaluating a consumer's ability to repay a mortgage loan. The federal banking agencies have agreed to review the definition of QRMs in 2019, following the BCFP's own review of its "qualified mortgage" regulation. For purposes of residential mortgage securitizations, the Risk Retention Rule took effect on December 24, 2015. For all other securitizations, the rule took effect on December 24, 2016.

The Volcker Rule

In December, 2013, five federal financial regulatory agencies, including the Federal Reserve, adopted final rules implementing the so-called "Volcker Rule" embodied in Section 13 of the BHC Act, which was added by

the Dodd-Frank Act. In general, the Volcker Rule prohibits banking entities from (1) engaging in short-term proprietary trading for their own accounts, and (2) having certain ownership interests in, and relationships with, hedge funds or private equity funds, or covered funds. The Volcker Rule is intended to provide greater clarity with respect to both the extent of those primary prohibitions and the related exemptions and exclusions.

The Regulatory Relief Act creates an exemption from prohibitions on propriety trading, and relationships with certain investment funds for banking entities with (i) less than $10 billion in total consolidated assets, and (ii) trading assets and trading liabilities less than 5% of its total consolidated assets. Currently, all banks are subject to these prohibitions pursuant to the Dodd-Frank Act. Any insured depository institution that is controlled by a company that itself exceeds these $10 billion and 5% thresholds would not qualify the exemption. In addition, the Regulatory Relief Act eases certain Volcker Rule restrictions on all bank entities, regardless of size, for simply sharing a name with hedge funds and private equity funds they organize. While the Company would be exempt from the prohibition on proprietary trading pursuant to the Regulatory Relief Act, currently, the Company does not have any ownership interest in, or relationships with, hedge funds or private equity funds, or covered funds, or engage in any activities that would have previously subjected it to the Volcker Rule.

Other Provisions of the Dodd-Frank Act

The Dodd-Frank Act implements far-reaching changes across the financial regulatory landscape. In addition to the reforms previously mentioned, the Dodd-Frank Act also:

- requires BHCs and banks to be both well capitalized and well managed in order to acquire banks located outside their home state and requires any BHC electing to be treated as a financial holding company to be both well managed and well capitalized;
- eliminates all remaining restrictions on interstate banking by authorizing national and state banks to establish *de novo* branches in any state that would permit a bank chartered in that state to open a branch at that location; and
- repeals Regulation Q, the federal prohibition on the payment of interest on demand deposits, thereby permitting depository institutions to pay interest on business transaction and other accounts.

Although a significant number of the rules and regulations mandated by the Dodd-Frank Act have been finalized, many of the requirements called for have yet to be implemented and will likely be subject to implementing regulations over the course of several years. Given the uncertainty associated with the manner in which the provisions of the Dodd-Frank Act will be implemented by the various agencies, the full extent of the impact such requirements will have on financial institutions' operations is unclear.

Federal Home Loan Bank Membership

The Bank is a member of the FHLB. Each member of the FHLB is required to maintain a minimum investment in the Class B stock of the FHLB. The Board of Directors of the FHLB can increase the minimum investment requirements in the event it has concluded that additional capital is required to allow it to meet its own regulatory capital requirements. Any increase in the minimum investment requirements outside of specified ranges requires the approval of the Federal Housing Finance Agency. Because the extent of any obligation to increase the level of investment in the FHLB depends entirely upon the occurrence of a future event, we presently are unable to determine the extent of future required potential payments to the FHLB. Additionally, if a member financial institution fails, the right of the FHLB to seek repayment of funds loaned to that institution will take priority (a super lien) over the rights of all other creditors.

The Tax Act

In December 2017, the Tax Act was signed into law. The Tax Act includes a number of provisions that impact us, including the following:

- Tax Rate . The Tax Act replaces the graduated corporate tax rates applicable under prior law, which imposed a maximum tax rate of 35%, with a reduced 21% flat tax rate. Although the reduced tax rate generally should be favorable to us by resulting in increased earnings and capital, it will decrease the value of our existing deferred tax assets. GAAP requires that the impact of the provisions of the Tax Act be accounted for in the period of enactment. As a result, we recorded net income tax expense of $1.2 million related to this revaluation.
- Employee Compensation . A "publicly held corporation" is not permitted to deduct compensation in excess of $1 million per year paid to certain employees. The Tax Act eliminates certain exceptions to the $1 million limit applicable under prior to law related to performance-based compensation, such as equity grants and cash bonuses that are paid only on the attainment of performance goals.
- Business Asset Expensing . The Tax Act allows taxpayers immediately to expense the entire cost (instead of only 50%, as under prior law) of certain depreciable tangible property and real property improvements acquired and placed in service after September 27, 2017 and before January 1, 2023 (with an additional year for certain property). This 100% "bonus" depreciation is phased out proportionately for property placed in service on or after January 1, 2023 and before January 1, 2027 (with an additional year for certain property).
- Interest Expense . The Tax Act limits a taxpayer's annual deduction of business interest expense to the sum of (i) business interest income and (ii) 30% of "adjusted taxable income," defined as a business's taxable income without considering business interest income or expense, net operating losses, and, for 2018 through 2021, depreciation, amortization and depletion.

Other Laws and Regulations

Our operations are subject to several additional laws, some of which are specific to banking and others of which are applicable to commercial operations generally. For example, with respect to our lending practices, we are subject to the following laws and regulations, among several others:

- Truth-In-Lending Act, governing disclosures of credit terms to consumer borrowers;
- HMDA, requiring financial institutions to provide information to enable the public and public officials to determine whether a financial institution is fulfilling its obligation to help meet the housing needs of the community it serves;
- Equal Credit Opportunity Act, prohibiting discrimination on the basis of race, creed, or other prohibited factors in extending credit;
- Fair Credit Reporting Act of 1978, as amended by the Fair and Accurate Credit Transactions Act, governing the use and provision of information to credit reporting agencies, certain identity theft protections, and certain credit and other disclosures;
- Fair Debt Collection Practices Act, governing how consumer debts may be collected by collection agencies;
- Real Estate Settlement Procedures Act, requiring certain disclosures concerning loan closing costs and escrows, and governing transfers of loan servicing and the amounts of escrows for loans secured by one-to-four family residential properties;
- Rules and regulations established by the National Flood Insurance Program;
- Rules and regulations of the various federal agencies charged with the responsibility of implementing these federal laws.

Our deposit operations are subject to federal laws applicable to depository accounts, including:

- Right to Financial Privacy Act, which imposes a duty to maintain confidentiality of consumer financial records and prescribes procedures for complying with administrative subpoenas of financial records;
- Truth-In-Savings Act, requiring certain disclosures for consumer deposit accounts;
- Electronic Funds Transfer Act and Regulation E of the Federal Reserve, which govern automatic deposits to and withdrawals from deposit accounts and customers' rights and liabilities arising from the use of automated teller machines and other electronic banking services; and
- Rules and regulations of the various federal agencies charged with the responsibility of implementing these federal laws.

We are also subject to a variety of laws and regulations that are not limited to banking organizations. For example, in lending to commercial and consumer borrowers, and in owning and operating our own property, we are subject to regulations and potential liabilities under state and federal environmental laws. In addition, we must comply with privacy and data security laws and regulations at both the federal and state level.

We are heavily regulated by regulatory agencies at the federal and state levels. Like most of our competitors, we have faced and expect to continue to face increased regulation and regulatory and political scrutiny, which creates significant uncertainty for us, as well as for the financial services industry in general.

Enforcement Powers

The federal regulatory agencies have substantial penalties available to use against depository institutions and certain "institution-affiliated parties." Institution-affiliated parties primarily include management, employees, and agents of a financial institution, as well as independent contractors and consultants, such as attorneys, accountants, and others who participate in the conduct of the financial institution's affairs. An institution can be subject to an enforcement action due to the failure to timely file required reports, the filing of false or misleading information, or the submission of inaccurate reports, or engaging in other unsafe or unsound banking practices. Civil penalties may be as high as $1,924,589 per day for violations.

The Financial Institution Reform Recovery and Enforcement Act provided regulators with greater flexibility to commence enforcement actions against institutions and institution-affiliated parties and to terminate an institution's deposit insurance. It also expanded the power of banking regulatory agencies to issue regulatory orders. Such orders may, among other things, require affirmative action to correct any harm resulting from a violation or practice, including restitution, reimbursement, indemnification, or guarantees against loss. A financial institution may also be ordered to restrict its growth, dispose of certain assets, rescind agreements or contracts, or take other actions as determined by the ordering agency to be appropriate. The Dodd-Frank Act increases regulatory oversight, supervision and examination of banks, BHCs, and their respective subsidiaries by the appropriate regulatory agency.

Future Legislation and Regulation

Regulators have increased their focus on the regulation of the financial services industry in recent years, leading in many cases to greater uncertainty and compliance costs for regulated entities. Proposals that could substantially intensify the regulation of the financial services industry have been and may be expected to continue to be introduced in the United States Congress, in state legislatures, and by applicable regulatory authorities. These proposals may change banking statutes and regulations and our operating environment in substantial and unpredictable ways. If enacted, these proposals could increase or decrease the cost of doing business, limit or expand permissible activities or affect the competitive balance among banks, savings associations, credit unions, and other financial institutions. We cannot predict whether any of these proposals will be enacted and, if enacted, the effect that these proposals, or any implementing regulations, would have on our business, results of operations, or financial condition.

CERTAIN MATERIAL U.S. FEDERAL TAX CONSEQUENCES TO NON-U.S. HOLDERS OF COMMON STOCK

The following is a summary of the material U.S. federal income and estate tax consequences of the purchase, ownership and disposition of our common stock relevant to "Non-U.S. Holders," as defined below, who acquire our common stock in this offering and hold it as a capital asset. This summary is based on the provisions of the Internal Revenue Code and applicable Treasury Regulations thereunder, judicial rulings, administrative pronouncements and decisions as of the date of this prospectus, all of which are subject to change or may be subject to differing interpretations at any time with possible retroactive effect. We have not sought and do not plan to seek any ruling from the IRS with respect to the statements made and the conclusions reached in the following discussion, and we cannot assure you that the IRS or a court will agree with our statements and conclusions.

This summary is for general information purposes and does not address all U.S. federal income and estate tax consequences relevant to a Non-U.S. Holder's particular circumstances, including the impact of the Medicare contribution tax on net investment income. In addition, it does not address consequences relevant to Non-U.S. Holders subject to special rules, including, without limitation:

- U.S. expatriates and former citizens or long-term residents of the United States;
- persons subject to special tax accounting rules as a result of any item of gross income with respect to our common stock being taken into account in an "applicable financial statement" (as defined in the Internal Revenue Code);
- persons in special situations, such as those that have elected to mark securities to market or that hold our common stock as part of a hedge, straddle or other risk reduction strategy or as part of a conversion transaction or other integrated investment;
- banks, insurance companies, and other financial institutions;
- investment funds, brokers, dealers or traders in securities;
- corporations that accumulate earnings to avoid U.S. federal income tax;
- partnerships or other entities or arrangements treated as partnerships for U.S. federal income tax purposes (and investors therein);
- tax-exempt organizations or governmental organizations;
- persons deemed to sell our common stock under the constructive sale provisions of the Internal Revenue Code; and
- tax-qualified retirement plans, "qualified foreign pension funds" as defined in Section 897(l)(2) of the Internal Revenue Code and entities all of the interests of which are held by qualified foreign pension funds.

If an entity treated as a partnership for U.S. federal income tax purposes holds our common stock, the tax treatment of a partner in the partnership will depend on the status of the partner, the activities of the partnership and certain determinations made at the partner level. Accordingly, partnerships holding our common stock and the partners in such partnerships should consult their tax advisors regarding the U.S. federal income tax consequences to them.

This summary is limited to Non-U.S. Holders who will hold our common stock as capital assets within the meaning of Section 1221 of the Internal Revenue Code and does not discuss any tax considerations other than U.S. federal income tax and certain U.S. federal estate tax considerations. Each potential Non-U.S. Holder should consult its own tax advisor regarding the application of U.S. federal income and estate tax laws and the consequences of state, local, foreign and any other tax consequences of the purchase, ownership and disposition of our common stock.

Non-U.S. Holder Defined

For purposes of this summary, a "Non-U.S. Holder" is any beneficial owner of our common stock that is:

- a non-resident alien individual;
- a foreign corporation (or other entity taxable as a foreign corporation);
- a foreign estate, the income of which is not subject to U.S. federal income taxation regardless of its source; or
- a trust that does not have in effect a valid election under applicable U.S. Treasury Regulations to be treated as a U.S. person and either (i) no court within the United States is able to exercise primary supervision over the trust's administration or (ii) no U.S. persons have the authority to control all substantial decisions of that trust.

Distributions

As discussed above, we do not currently expect to pay dividends. If we do make a distribution of cash or property (other than certain stock distributions) with respect to our common stock, any such distribution generally will be treated as a dividend to the extent of our current and accumulated earnings and profits as determined under United States federal income tax principles. To the extent any such distributions exceed both our current and accumulated earnings and profits, they will first constitute a tax-free return of the Non-U.S. Holder's investment, on a share-by-share basis that is applied against and reduces, but not below zero, such Non-U.S. Holder's adjusted tax basis in the common stock of such person. Any remaining excess will be treated as capital gain realized from the sale or exchange of our common stock as described below under "—Gain on Disposition of Common Stock."

Subject to the discussions below under "—Information Reporting and Backup Withholding" and "—Foreign Accounts" and the discussion below on effectively connected income, dividends paid to a Non-U.S. Holder will generally be subject to U.S. federal withholding tax at a rate of 30% of the gross amount of the dividends or such lower rate specified by an applicable income tax treaty. In order to receive a reduced treaty withholding tax rate and to avoid backup withholding, as described below, a Non-U.S. Holder must furnish a valid IRS Form W-8BEN or W-8BEN-E (or other applicable documentation) prior to the payment of the dividend certifying under penalties of perjury that the Non-U.S. Holder is entitled to a reduction in withholding under an applicable income tax treaty. A Non-U.S. Holder that holds our common stock through a financial institution or other agent will be required to provide appropriate documentation to the financial institution or other agent, which then will be required to provide certification to us or our paying agent either directly or through other intermediaries. A Non-U.S. Holder that does not timely furnish the required documentation, but that qualifies for a reduced income tax treaty rate, may obtain a refund of any excess amounts withheld by timely filing an appropriate claim for refund with the IRS. Non-U.S. Holders should consult their tax advisors regarding their entitlement to benefits under any applicable tax treaties.

If dividends paid to a Non-U.S. Holder are effectively connected with the Non-U.S. Holder's conduct of a trade or business within the United States (and, if required by an applicable income tax treaty, the Non-U.S. Holder maintains a permanent establishment or fixed base in the United States to which such dividends are attributable), the Non-U.S. Holder will be exempt from the U.S. federal withholding tax described above. To claim the exemption, the Non-U.S. Holder must furnish to the applicable withholding agent a valid IRS Form W-8ECI (or applicable successor form), certifying under penalties of perjury that the dividend is effectively connected with the Non-U.S. Holder's conduct of a trade or business in the United States (and, if an applicable income tax treaty so provides, attributable to a permanent establishment or fixed base maintained in the United States).

Any such effectively connected dividends will be subject to U.S. federal income tax on a net income basis at the regular graduated rates that also apply to U.S. persons. A Non-U.S. Holder that is a corporation also may be

subject to a branch profits tax at a rate of 30% (or such lower rate specified by an applicable income tax treaty) on such effectively connected dividends, as adjusted for certain items. Non-U.S. Holders should consult their tax advisors regarding any applicable tax treaties that may provide for different rules.

Gain on Disposition of Common Stock

Subject to the discussions below under "—Information Reporting and Backup Withholding" and "—Foreign Accounts," a Non-U.S. Holder generally will not be subject to U.S. federal income or withholding tax on any gain realized upon the sale, exchange or other taxable disposition of our common stock (including a redemption treated as a sale or exchange rather than a distribution for United States federal income tax purposes) unless:

- the gain is effectively connected with the Non-U.S. Holder's conduct of a trade or business within the United States (and, if required by an applicable income tax treaty, the Non-U.S. Holder maintains a permanent establishment or fixed base in the United States to which such gain is attributable);
- the Non-U.S. Holder is a non-resident alien individual present in the United States for 183 days or more during the taxable year of the disposition and certain other requirements are met; or
- we are or have been a U.S. real property holding corporation, or USRPHC, for U.S. federal income tax purposes at any time within the shorter of the five-year period preceding the disposition and the Non-U.S. Holder's holding period for our common stock, or the relevant period, and the Non-U.S. Holder (i) disposes of our common stock during a calendar year when our common stock is not regularly traded on an established securities market or (ii) owned (directly, indirectly, and constructively) more than 5% of our common stock at any time during the relevant period.

Gain described in the first bullet point above generally will be subject to U.S. federal income tax on a net income basis at the regular graduated rates that also apply to U.S. persons. A Non-U.S. Holder that is a corporation also may be subject to a branch profits tax at a rate of 30% (or such lower rate specified by an applicable income tax treaty) on such effectively connected gain, as adjusted for certain items.

Gain described in the second bullet point above will be subject to U.S. federal income tax at a rate of 30% (or such lower rate specified by an applicable income tax treaty), which may be offset by certain U.S. source capital losses of the Non-U.S. Holder, provided the Non-U.S. Holder timely files a U.S. federal income tax returns with respect to such losses.

Gain from a disposition of our common stock described in the third bullet point above will be subject to tax generally as if the gain were effectively connected with the conduct of a trade or business in the United States, except that the "branch profits tax" will not apply. We believe we currently are not, and we do not anticipate becoming, a USRPHC; however, there can be no assurance that we currently are not a USRPHC or will not become one in the future. Generally, a corporation is a USRPHC only if the fair market value of its United States real property interests (as defined in the Internal Revenue Code) equals or exceeds 50% of the sum of the fair market value of its worldwide real property interests and its other assets used or held for use in a trade or business.

Non-U.S. Holders should consult their tax advisors regarding any applicable tax treaties that may provide for different rules.

Information Reporting and Backup Withholding

Payments of dividends and the payment of the proceeds from the sale of shares or our common stock effected at a U.S. office of a broker on our common stock generally will not be subject to backup withholding, provided the applicable withholding agent does not have actual knowledge or reason to know the Non-U.S. Holder is a United States person and the Non-U.S. Holder either certifies its non-U.S. status, such as by

furnishing a valid IRS Form W-8BEN, W-8BEN-E or W-8ECI, other documentation upon which it may rely to treat the payments as made to a non-U.S. person in accordance with Treasury regulations, or otherwise establishes an exemption.

However, we are required to file information returns with the IRS in connection with any dividends on our common stock paid to the Non-U.S. Holder, regardless of whether any tax was actually withheld. Copies of information returns that are filed with the IRS may also be made available under the provisions of an applicable treaty or agreement to the tax authorities of the country in which the Non-U.S. Holder resides or is established.

Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules may be allowed as a refund or a credit against a Non-U.S. Holder's U.S. federal income tax liability, provided the required information is timely furnished to the IRS.

Foreign Accounts

Withholding taxes may be imposed under Sections 1471 to 1474 of the Internal Revenue Code (commonly referred to as FATCA) on certain types of payments made to non-U.S. financial institutions and certain other non-U.S. entities. Specifically, a 30% withholding tax may be imposed on payments of dividends on our common stock, or gross proceeds from the sale or other disposition of our common stock on or after January 1, 2019 to a "foreign financial institution" or a "non-financial foreign entity" (each as defined in the Internal Revenue Code), unless (1) the foreign financial institution undertakes certain diligence and reporting obligations, (2) the non-financial foreign entity either certifies it does not have any "substantial United States owners" (as defined in the Internal Revenue Code) or furnishes identifying information regarding each substantial United States owner, or (3) the foreign financial institution or non-financial foreign entity otherwise qualifies for an exemption from these rules. If the payee is a foreign financial institution and is subject to the diligence and reporting requirements in (1) above, it must enter into an agreement with the U.S. Department of the Treasury requiring, among other things, that it undertake to identify accounts held by certain "specified United States persons" or "United States owned foreign entities" (each as defined in the Internal Revenue Code), annually report certain information about such accounts, and withhold 30% on certain payments to non-compliant foreign financial institutions and certain other account holders. Foreign financial institutions located in jurisdictions that have an intergovernmental agreement with the United States governing FATCA may be subject to different rules.

U.S. Federal Estate Tax

The estate of a nonresident alien individual decedent is generally subject to U.S. federal estate tax on property having a U.S. situs. Because we are a U.S. corporation, our common stock will be U.S. situs property and therefore will be included in the taxable estate of a nonresident alien decedent at the time of the decedent's death, unless an applicable estate tax treaty between the United States and the decedent's country of residence provides otherwise. An estate tax credit is available to reduce the net tax liability of a nonresident alien's estate, but the estate tax credit for a nonresident alien is generally much smaller than the applicable credit for computing the estate tax of a U.S. resident. Nonresident aliens should consult their personal tax advisors regarding the U.S. federal estate tax consequences of owning our common stock.

THIS DISCUSSION IS NOT INTENDED TO BE, AND DOES NOT CONSTITUTE, TAX ADVICE. NON-U.S. HOLDER'S SHOULD CONSULT THEIR TAX ADVISORS WITH RESPECT TO THE APPLICATION OF THE U.S. FEDERAL INCOME TAX LAWS TO THEIR PARTICULAR SITUATIONS AS WELL AS ANY TAX CONSEQUENCES OF THE PURCHASE, OWNERSHIP AND DISPOSITION OF OUR COMMON STOCK ARISING UNDER THE U.S. FEDERAL ESTATE OR GIFT TAX LAWS OR UNDER THE LAWS OF ANY STATE, LOCAL OR NON-U.S. TAXING JURISDICTION OR UNDER ANY APPLICABLE INCOME TAX TREATY.

UNDERWRITING

Barclays Capital Inc. and Keefe, Bruyette & Woods, Inc. are acting as representatives of the underwriters and joint book-running managers of this offering. Under the terms of an underwriting agreement, which will be filed as an exhibit to the registration statement, each of the underwriters named below has severally agreed to purchase from us and the selling shareholders the respective number of shares of common stock shown opposite its name below:

Underwriters	Number of Shares
Barclays Capital Inc.	
Keefe, Bruyette & Woods, Inc.	
Total	

The underwriting agreement provides that the underwriters' obligation to purchase shares of common stock depends on the satisfaction of the conditions contained in the underwriting agreement including:

- the obligation to purchase all the shares of common stock offered hereby (other than those shares of common stock covered by their option to purchase additional shares as described below), if any of the shares are purchased;
- the representations and warranties made by us and the selling shareholders to the underwriters are true;
- there is no material change in our business or the financial markets; shareholders
- we and the selling shareholders deliver customary closing documents to the underwriters.

Commissions and Expenses

The following table summarizes the underwriting discounts and commissions we and the selling shareholders will pay to the underwriters. These amounts are shown assuming both no exercise and full exercise of the underwriters' option to purchase additional shares. The underwriting fee is the difference between the initial price to the public and the amount the underwriters pay to us and the selling shareholders for the shares.

	Us		Selling Shareholders	
	No Exercise	Full Exercise	No Exercise	Full Exercise
Per Share	$	$	$	$
Total	$	$	$	$

The representatives have advised us that the underwriters propose to offer the shares of common stock directly to the public at the public offering price on the cover of this prospectus and to selected dealers, which may include the underwriters, at such offering price less a selling concession not in excess of $ per share. If all the shares are not sold at the initial public offering price following the initial offering, the representatives may change the offering price and other selling terms.

The expenses of the offering that are payable by us and the selling shareholders are estimated to be approximately $ (excluding the underwriting discount). We have agreed to reimburse the underwriters for expenses relating to the clearance of this offering with the Financial Industry Regulatory Authority up to $.

Option to Purchase Additional Shares

We and the selling shareholders have granted the underwriters an option exercisable for 30 days after the date of this prospectus to purchase, from time to time, in whole or in part, up to an additional shares from us and shares from the selling shareholders at the public offering price less underwriting discounts and commissions. This option may be exercised to the extent the underwriters sell more than shares in

connection with this offering. To the extent that this option is exercised, each underwriter will be obligated, subject to certain conditions, to purchase its pro rata portion of these additional shares based on the underwriter's percentage underwriting commitment in the offering as indicated in the table at the beginning of this Underwriting Section.

Lock-Up Agreements

We, our executive officers and directors, the selling shareholders and each of our other equity and option holders who beneficially own at least % of our outstanding common stock on a fully diluted basis have agreed that, for a period of 180 days after the date of this prospectus, subject to certain limited exceptions as described below, we and they will not directly or indirectly, (1) offer for sale, sell, pledge, or otherwise dispose of (or enter into any transaction or device that is designed to, or could be expected to, result in the disposition by any person at any time in the future of) any shares of common stock (including, without limitation, shares of common stock that may be deemed to be beneficially owned by us or them in accordance with the rules and regulations of the SEC and shares of common stock that may be issued upon exercise of any options or warrants) or securities convertible into or exercisable or exchangeable for common stock (other than the common stock being sold in the offering or stock and shares issued pursuant to employee benefit plans, qualified stock option plans, or other employee compensation plans existing on the date of this prospectus), or sell or grant options, rights or warrants with respect to any shares of common stock or securities convertible into or exchangeable for common stock, (2) enter into any swap or other derivatives transaction that transfers to another, in whole or in part, any of the economic benefits or risks of ownership of shares of common stock, whether any such transaction described in clause (1) or (2) above is to be settled by delivery of common stock or other securities, in cash or otherwise, (3) make any demand for or exercise any right or file or cause to be confidentially submitted or filed a registration statement, including any amendments thereto, with respect to the registration of any shares of common stock or securities convertible into or exercisable or exchangeable into common stock or any of our other securities (other than any registration statement on Form S-8), or (4) publicly disclose the intention to do any of the foregoing for a period commencing on the date of the prospectus related to the offering and ending on the 180th day after such date (such period, the lock-up period).

The restrictions above do not apply to: (a) transactions relating to shares of common stock or other securities acquired in the open market after the completion of the offering, (b) bona fide gifts, sales or other dispositions of shares of any class of the Company's capital stock, in each case that are made exclusively between and among the holder or members of the holder's family, or affiliates of the holder, including its partners (if a partnership) or members (if a limited liability company); *provided* that it shall be a condition to any transfer pursuant to this clause (b) that (i) the transferee/donee agrees to be bound by the terms set forth above (including, without limitation, the restrictions set forth in the preceding sentence) to the same extent as if the transferee/donee were a party hereto, (ii) each party (donor, donee, transferor or transferee) shall not be required by law (including without limitation the disclosure requirements of the Securities Act, as amended), and the Exchange Act, as amended to make, and shall agree to not voluntarily make, any filing or public announcement of the transfer or disposition prior to the expiration of the lock-up period, and (iii) the holder notifies Barclays Capital Inc. and Keefe, Bruyette & Woods, Inc. at least two business days prior to the proposed transfer or disposition, (c) the exercise of warrants or the exercise of stock options granted pursuant to the Company's stock option/incentive plans or otherwise outstanding on the date hereof; *provided* , that the restrictions shall apply to shares of Common Stock issued upon such exercise or conversion, (d) the establishment of any contract, instruction or plan that satisfies all of the requirements of Rule 10b5-1, or a Rule 10b5-1 Plan, under the Exchange Act; *provided, however* , that no sales of common stock or securities convertible into, or exchangeable or exercisable for, common stock, shall be made pursuant to a Rule 10b5-1 Plan prior to the expiration of the lock-up period (as the same may be extended); *provided further* , that the Company is not required to report the establishment of such Rule 10b5-1 Plan in any public report or filing with the Commission under the Exchange Act during the lock-up period and does not otherwise voluntarily effect any such public filing or report regarding such Rule 10b5-1 Plan, and (e) any demands or requests for, exercise any right with respect to, or take any action in preparation of, the registration by the Company under the Securities Act of the holder's shares of common

stock, provided that no transfer of the holder's shares of common stock registered pursuant to the exercise of any such right and no registration statement shall be filed under the Securities Act with respect to any of the holder's shares of common stock during the lock-up period.

If the holder is an officer or director of the Company, the holder agrees that the foregoing provisions shall be equally applicable to any issuer-directed stock, as referred to in FINRA Rule 5131(d)(2)(A) that the holder may purchase in the offering pursuant to an allocation of common stock that is directed in writing by the Company.

Barclays Capital Inc. and Keefe, Bruyette & Woods, Inc., in their sole discretion, may release the common stock and other securities subject to the lock-up agreements described above in whole or in part at any time. When determining whether to release common stock and other securities from lock-up agreements, Barclays Capital Inc. and Keefe, Bruyette & Woods, Inc. will consider, among other factors, the holder's reasons for requesting the release, the number of shares of common stock and other securities for which the release is being requested and market conditions at the time. At least three business days before the effectiveness of any release or waiver of any of the restrictions described above with respect to an officer or director of the Company, will notify us of the impending release or waiver and we have agreed to announce the impending release or waiver by press release through a major news service at least two business days before the effective date of the release or waiver, except where the release or waiver is effected solely to permit a transfer of common stock that is not for consideration and where the transferee has agreed in writing to be bound by the same terms as the lock-up agreements described above to the extent and for the duration that such terms remain in effect at the time of transfer.

Offering Price Determination

Prior to this offering, there has been no public market for our common stock. The initial public offering price was negotiated between the representatives and us. In determining the initial public offering price of our common stock, the representatives considered:

- the history and prospects for the industry in which we compete;
- our financial information;
- the ability of our management and our business potential and earning prospects;
- the prevailing securities markets at the time of this offering; and
- the recent market prices of, and the demand for, publicly traded shares of generally comparable companies

Indemnification

We and the selling shareholders have agreed to indemnify the underwriters against certain liabilities, including liabilities under the Securities Act, and to contribute to payments that the underwriters may be required to make for these liabilities.

Directed Share Program

At our request, the underwriters have reserved for sale, at the initial public offering price, up to 5% of the shares of our common stock offered in this offering for sale to certain of our officers, directors, employees and certain other persons associated with us. The number of shares available for sale to the public will be reduced to the extent such persons purchase such reserved shares. Any reserved shares not so purchased will be offered by the underwriters to the public on the same basis as the other shares offered hereby. Any participants in this program shall be prohibited from selling, pledging or assigning any shares sold to them pursuant to this program for a period of 180 days after the date of this prospectus. This 180-day lock up period shall be extended with respect to our issuance of an earnings release or if a material news or a material event relating to us occurs, in the same manner as described above under "Lock-Up Agreements."

Stabilization, Short Positions and Penalty Bids

The representatives may engage in stabilizing transactions, short sales and purchases to cover positions created by short sales, and penalty bids or purchases for pegging, fixing or maintaining the price of the common stock, in accordance with Regulation M under the Exchange Act:

- Stabilizing transactions permit bids to purchase the underlying security so long as the stabilizing bids do not exceed a specified maximum.
- A short position involves a sale by the underwriters of shares exceeding the number of shares the underwriters are obligated to purchase in the offering, which creates the syndicate short position. This short position may be either a covered short position or a naked short position. In a covered short position, the number of shares involved in the sales made by the underwriters exceeding the number of shares they are obligated to purchase is not greater than the number of shares that they may purchase by exercising their option to purchase additional shares. In a naked short position, the number of shares involved is greater than the number of shares in their option to purchase additional shares. The underwriters may close out any short position by either exercising their option to purchase additional shares and/or purchasing shares in the open market. In determining the source of shares to close out the short position, the underwriters will consider, among other things, the price of shares available for purchase in the open market as compared to the price at which they may purchase shares through their option to purchase additional shares. A naked short position is more likely to be created if the underwriters are concerned that there could be downward pressure on the price of the shares in the open market after pricing that could adversely affect investors who purchase in the offering.
- Syndicate covering transactions involve purchases of the common stock in the open market after the distribution has been completed to cover syndicate short positions.
- Penalty bids permit the representatives to reclaim a selling concession from a syndicate member when the common stock originally sold by the syndicate member is purchased in a stabilizing or syndicate covering transaction to cover syndicate short positions.

These stabilizing transactions, syndicate covering transactions and penalty bids may have the effect of raising or maintaining the market price of our common stock or preventing or retarding a decline in the market price of the common stock. As a result, the price of the common stock may be higher than the price that might otherwise exist in the open market. These transactions may be effected on the New York Stock Exchange or otherwise and, if commenced, may be discontinued at any time.

Neither we nor any of the underwriters make any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of the common stock. In addition, neither we nor any of the underwriters make any representation that the representatives will engage in these stabilizing transactions or that any transaction, once commenced, will not be discontinued without notice.

Electronic Distribution

A prospectus in electronic format may be made available on the Internet sites or through other online services maintained by one or more of the underwriters and/or selling group members participating in this offering, or by their affiliates. In those cases, prospective investors may view offering terms online and, depending upon the particular underwriter or selling group member, prospective investors may be allowed to place orders online. The underwriters may agree with us to allocate a specific number of shares for sale to online brokerage account holders. Any such allocation for online distributions will be made by the representatives on the same basis as other allocations.

Other than the prospectus in electronic format, the information on any underwriter’s or selling group member’s web site and any information contained in any other web site maintained by an underwriter or selling

group member is not part of the prospectus or the registration statement of which this prospectus forms a part, has not been approved and/or endorsed by us or any underwriter or selling group member in its capacity as underwriter or selling group member and should not be relied upon by investors.

Listing on the New York Stock Exchange

We have applied to have our common stock approved for listing on the New York Stock Exchange under the symbol "SI ".

Other Relationships

The underwriters and certain of their affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, investment research, principal investment, hedging, financing and brokerage activities. The underwriters and certain of their affiliates have, from time to time, performed, and may in the future perform, various commercial and investment banking and financial advisory services for the issuer and its affiliates, for which they received or may in the future receive customary fees and expenses. In addition, Barclays Capital Inc. is acting as our financial advisor in connection with the sale of our small business lending division and retail branch, for which they will receive customary fees and expenses. See "Prospectus Summary—Recent Developments."

In the ordinary course of their various business activities, the underwriters and certain of their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers, and such investment and securities activities may involve securities and/or instruments of the issuer or its affiliates. If the underwriters or their affiliates have a lending relationship with us, certain of those underwriters or their affiliates routinely hedge, and the underwriters or their affiliates may hedge, their credit exposure to us consistent with their customary risk management policies. Typically, the underwriters and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in our securities or the securities of our affiliates, including potentially the shares of common stock offered hereby. Any such credit default swaps or short positions could adversely affect future trading prices of the shares of common stock offered hereby. The underwriters and certain of their affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such securities or instruments and may at any time hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

Selling Restrictions

This prospectus does not constitute an offer to sell to, or a solicitation of an offer to buy from, anyone in any country or jurisdiction (i) in which such an offer or solicitation is not authorized, (ii) in which any person making such offer or solicitation is not qualified to do so or (iii) in which any such offer or solicitation would otherwise be unlawful. No action has been taken that would, or is intended to, permit a public offer of the shares of common stock or possession or distribution of this prospectus or any other offering or publicity material relating to the shares of common stock in any country or jurisdiction (other than the United States) where any such action for that purpose is required. Accordingly, each underwriter has undertaken that it will not, directly or indirectly, offer or sell any shares of common stock or have in its possession, distribute or publish any prospectus, form of application, advertisement or other document or information in any country or jurisdiction except under circumstances that will, to the best of its knowledge and belief, result in compliance with any applicable laws and regulations and all offers and sales of shares of common stock by it will be made on the same terms.

Notice to Prospective Investors in Canada

The shares may be sold only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 Prospectus Exemptions or subsection 73.3(1) of

the Securities Act (Ontario), and are permitted clients, as defined in National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations. Any resale of the shares must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this prospectus (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for details of these rights or consult with a legal advisor.

Pursuant to section 3A.3 of National Instrument 33-105 Underwriting Conflicts (NI 33-105), the underwriters are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with this offering.

Notice to Prospective Investors in the European Economic Area

In relation to each member state of the European Economic Area, no offer of shares which are the subject of the offering has been, or will be made to the public in that Member State, other than under the following exemptions under the Prospectus Directive:

- (a) to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- (b) to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive), subject to obtaining the prior consent of the representatives for any such offer; or
- (c) in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of shares referred to in (a) to (c) above shall result in a requirement for Focus or any representative to publish a prospectus pursuant to Article 3 of the Prospectus Directive, or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

Each person located in a Member State to whom any offer of shares is made or who receives any communication in respect of an offer of shares, or who initially acquires any shares will be deemed to have represented, warranted, acknowledged and agreed to and with each representative and the Company that (1) it is a "qualified investor" within the meaning of the law in that Member State implementing Article 2(1)(e) of the Prospectus Directive; and (2) in the case of any shares acquired by it as a financial intermediary as that term is used in Article 3(2) of the Prospectus Directive, the shares acquired by it in the offer have not been acquired on behalf of, nor have they been acquired with a view to their offer or resale to, persons in any Member State other than qualified investors, as that term is defined in the Prospectus Directive, or in circumstances in which the prior consent of the representatives has been given to the offer or resale; or where shares have been acquired by it on behalf of persons in any Member State other than qualified investors, the offer of those shares to it is not treated under the Prospectus Directive as having been made to such persons.

The Company, the representatives and their respective affiliates will rely upon the truth and accuracy of the foregoing representations, acknowledgments and agreements.

This prospectus has been prepared on the basis that any offer of shares in any Member State will be made pursuant to an exemption under the Prospectus Directive from the requirement to publish a prospectus for offers of shares. Accordingly, any person making or intending to make an offer in that Member State of shares which are the subject of the offering contemplated in this prospectus may only do so in circumstances in which no obligation arises for the Company or any of the representatives to publish a prospectus pursuant to Article 3 of

the Prospectus Directive in relation to such offer. Neither the Company nor the representatives have authorized, nor do they authorize, the making of any offer of shares in circumstances in which an obligation arises for the Company or the representatives to publish a prospectus for such offer.

For the purposes of this provision, the expression an "offer of shares to the public" in relation to any shares in any Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the shares to be offered so as to enable an investor to decide to purchase or subscribe the shares, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, the expression "Prospectus Directive" means Directive 2003/71/EC (as amended) and includes any relevant implementing measure in each Member State.

The above selling restriction is in addition to any other selling restrictions set out below.

Notice to Prospective Investors in the United Kingdom

In addition, in the United Kingdom, this document is being distributed only to, and is directed only at, and any offer subsequently made may only be directed at persons who are "qualified investors" (as defined in the Prospectus Directive) (i) who have professional experience in matters relating to investments falling within Article 19 (5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended, or the Order, and/or (ii) who are high net worth companies (or persons to whom it may otherwise be lawfully communicated) falling within Article 49(2)(a) to (d) of the Order (all such persons together being referred to as "relevant persons"). This document must not be acted on or relied on in the United Kingdom by persons who are not relevant persons. In the United Kingdom, any investment or investment activity to which this document relates is only available to, and will be engaged in with, relevant persons.

Notice to Prospective Investors in Switzerland

The shares may not be publicly offered in Switzerland and will not be listed on the SIX Swiss Exchange, or SIX, or on any other stock exchange or regulated trading facility in Switzerland. This document has been prepared without regard to the disclosure standards for issuance prospectuses under art. 652a or art. 1156 of the Swiss Code of Obligations or the disclosure standards for listing prospectuses under art. 27 ff. of the SIX Listing Rules or the listing rules of any other stock exchange or regulated trading facility in Switzerland. Neither this document nor any other offering or marketing material relating to the shares or the offering may be publicly distributed or otherwise made publicly available in Switzerland.

Neither this document nor any other offering or marketing material relating to the offering, the Company or the shares have been or will be filed with or approved by any Swiss regulatory authority. This document will not be filed with, and the offer of shares will not be supervised by, the Swiss Financial Market Supervisory Authority FINMA, and the offer of shares has not been and will not be authorized under the Swiss Federal Act on Collective Investment Schemes, or CISA. The investor protection afforded to acquirers of interests in collective investment schemes under the CISA does not extend to acquirers of shares.

Notice to Prospective Investors in the Dubai International Financial Centre

This prospectus relates to an Exempt Offer in accordance with the Offered Securities Rules of the Dubai Financial Services Authority, or DFSA. This prospectus is intended for distribution only to persons of a type specified in the Offered Securities Rules of the DFSA. It must not be delivered to, or relied on by, any other person. The DFSA has no responsibility for reviewing or verifying any documents relating to Exempt Offers. The DFSA has not approved this prospectus nor taken steps to verify the information set forth herein and has no responsibility for the prospectus. The shares to which this prospectus relates may be illiquid and/or subject to restrictions on their resale. Prospective purchasers of the shares offered should conduct their own due diligence on the shares. If you do not understand the contents of this prospectus, you should consult an authorized financial advisor.

Notice to Prospective Investors in Australia

No placement document, prospectus, product disclosure statement or other disclosure document has been lodged with the Australian Securities and Investments Commission in relation to the offering. This prospectus does not constitute a prospectus, product disclosure statement or other disclosure document under the Corporations Act 2001, or the Corporations Act, and does not purport to include the information required for a prospectus, product disclosure statement or other disclosure document under the Corporations Act.

Any offer in Australia of the shares may only be made to persons, or the Exempt Investors, who are "sophisticated investors" (within the meaning of section 708(8) of the Corporations Act), "professional investors" (within the meaning of section 708(11) of the Corporations Act) or otherwise pursuant to one or more exemptions contained in section 708 of the Corporations Act so that it is lawful to offer the shares without disclosure to investors under Chapter 6D of the Corporations Act.

The shares applied for by Exempt Investors in Australia must not be offered for sale in Australia in the period of 12 months after the date of allotment under the offering, except in circumstances where disclosure to investors under Chapter 6D of the Corporations Act would not be required pursuant to an exemption under section 708 of the Corporations Act or otherwise or where the offer is pursuant to a disclosure document which complies with Chapter 6D of the Corporations Act. Any person acquiring shares must observe such Australian on-sale restrictions.

This prospectus contains general information only and does not take account of the investment objectives, financial situation or needs of any particular person. It does not contain any securities recommendations or financial product advice. Before making an investment decision, investors need to consider whether the information in this prospectus is appropriate to their needs, objectives and circumstances and, if necessary, seek expert advice on those matters.

Notice to Prospective Investors in Hong Kong

The shares have not been offered or sold and will not be offered or sold in Hong Kong, by means of any document, other than (a) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance or (b) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance. No advertisement, invitation or document relating to the shares has been or may be issued or has been or may be in the possession of any person for the purposes of issue, whether in Hong Kong or elsewhere, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to shares which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the Securities and Futures Ordinance and any rules made under that Ordinance.

Notice to Prospective Investors in Japan

The shares have not been and will not be registered under the Financial Instruments and Exchange Law of Japan (Law No. 25 of 1948, as amended) and, accordingly, will not be offered or sold, directly or indirectly, in Japan, or for the benefit of any Japanese Person or to others for re-offering or resale, directly or indirectly, in Japan or to any Japanese Person, except in compliance with all applicable laws, regulations and ministerial guidelines promulgated by relevant Japanese governmental or regulatory authorities in effect at the relevant time. For the purposes of this paragraph, "Japanese Person" shall mean any person resident in Japan, including any corporation or other entity organized under the laws of Japan.

LEGAL MATTERS

The validity of the shares of our common stock offered by this prospectus will be passed upon for us by Holland & Knight LLP, Washington, D.C. Davis Polk & Wardwell LLP, New York, New York, is acting as counsel for the underwriters in this offering.

As of September 30, 2018, attorneys employed by Holland & Knight owned approximately 38,902 shares of our common stock.

EXPERTS

The consolidated financial statements of Silvergate Capital Corporation and its subsidiaries as of and for the years ended December 31, 2017 and 2016 have been included herein in reliance upon the report of Crowe LLP, an independent registered public accounting firm, appearing elsewhere herein, and upon the authority of said firm as an expert in accounting and auditing.

WHERE YOU CAN FIND MORE INFORMATION

This prospectus, which constitutes a part of a registration statement on Form S-1 filed with the SEC, does not contain all the information set forth in the registration statement and the related exhibits and schedules. Some items are omitted in accordance with the rules and regulations of the SEC. Accordingly, we refer you to the complete registration statement, including its exhibits and schedules, for further information about us and the shares of our common stock to be sold in this offering. Statements or summaries in this prospectus as to the contents of any contract or other document referred to in this prospectus are not necessarily complete and, where that contract or document is filed as an exhibit to the registration statement, each statement or summary is qualified in all respects by reference to the exhibit to which the reference relates. You may read and copy the registration statement, including the exhibits and schedules to the registration statement, at the SEC's Public Reference Room at 100 F Street, NE, Washington, D.C. 20549. Information about the operation of the Public Reference Room may be obtained by calling the SEC at 1-800-SEC-0330. Our filings with the SEC, including the registration statement, are also available to you for free on the SEC's website at www.sec.gov.

Upon completion of this offering, we will become subject to the informational and reporting requirements of the Exchange Act and, in accordance with those requirements, will file reports and proxy and information statements with the SEC. You will be able to inspect and obtain copies of these reports and proxy and information statements and other information at the physical and Internet addresses set forth above. We intend to furnish to our shareholders our annual reports containing our audited consolidated financial statements certified by an independent registered public accounting firm.

We also maintain a website at www.silvergatebank.com. On our website we will make available our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and any amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act as soon as reasonably practicable after we electronically file such materials with, or furnish them to, the SEC. The information on, or accessible through, our website or any other website cited in this prospectus is not part of, or incorporated by reference into, this prospectus.

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SILVERGATE CAPITAL CORPORATION
CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION
(In Thousands, Except Par Value Amounts)
(Unaudited)

	September 30, 2018	December 31, 2017
ASSETS		
Cash and due from banks	$ 6,488	$ 3,951
Interest earning deposits in other banks	943,838	793,717
Cash and cash equivalents	950,326	797,668
Securities available-for-sale, at fair value	302,317	191,802
Securities held-to-maturity, at amortized cost (fair value of $81 and $119 as of September 30, 2018 and December 31, 2017, respectively)	81	119
Loans held-for-investment, net of allowance for loan losses of $8,388 and $8,165 at September 30, 2018 and December 31, 2017, respectively	687,818	689,303
Loans held-for-sale, at lower of cost or fair value	184,105	190,392
Federal home loan and federal reserve bank stock, at cost	9,660	7,352
Accrued interest receivable	4,391	3,910
Other real estate owned, net	41	2,308
Premises and equipment, net	2,679	1,753
Derivative assets	1,305	1,091
Low income housing tax credit investment	1,074	1,137
Deferred tax assets	3,135	2,840
Other assets	3,621	2,273
Total assets	$ 2,150,553	$ 1,891,948
LIABILITIES AND SHAREHOLDERS' EQUITY		
Deposits:		
Noninterest bearing demand accounts	$ 1,708,590	$ 1,464,154
Interest bearing accounts	228,736	310,992
Total deposits	1,937,326	1,775,146
Federal home loan bank advances	—	15,000
Notes payable	5,143	6,000
Subordinated debentures, net	15,799	15,788
Accrued expenses and other liabilities	8,901	6,214
Total liabilities	1,967,169	1,818,148
Commitments and contingencies		
Preferred stock, $0.01 par value—authorized 10,000 shares; $1,000 per share liquidation preference, 0 shares issued and outstanding at September 30, 2018 and December 31, 2017	—	—
Class A common stock, $0.01 par value—authorized 125,000 shares; 16,619 and 6,189 shares issued and outstanding at September 30, 2018 and December 31, 2017, respectively	166	62
Class B non-voting common stock, $0.01 par value—authorized 25,000 shares; 1,190 and 3,035 shares issued and outstanding at September 30, 2018 and December 31, 2017, respectively	12	30
Additional paid-in capital	125,610	29,794
Retained earnings	59,444	45,131
Accumulated other comprehensive loss	(1,848)	(1,217)
Total shareholders' equity	183,384	73,800
Total liabilities and shareholders' equity	$ 2,150,553	$ 1,891,948

See accompanying notes to unaudited consolidated financial statements

SILVERGATE CAPITAL CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS
(In Thousands, Except Per Share Data)
(Unaudited)

	Nine Months Ended September 30,	
	2018	2017
Interest income		
Loans, including fees	$ 35,357	$ 31,537
Securities	5,016	1,430
Other interest earning assets	10,386	1,048
Dividends and other	392	396
Total interest income	51,151	34,411
Interest expense		
Deposits	1,386	3,678
Federal home loan bank advances	19	619
Notes payable and other	315	404
Subordinated debentures	671	580
Total interest expense	2,391	5,281
Net interest income before provision for loan losses	48,760	29,130
Provision for loan losses	148	232
Net interest income after provision for loan losses	48,612	28,898
Noninterest income		
Mortgage warehouse fee income	1,152	1,259
Service fees related to off-balance sheet deposits	1,683	5
Deposit related fees	1,655	460
Gain (loss) on sale of loans	699	(1)
Other income	383	228
Total noninterest income	5,572	1,951
Noninterest expense		
Salaries and employee benefits	21,335	14,384
Occupancy and equipment	2,251	1,747
Communications and data processing	2,149	1,345
Professional services	3,918	1,092
Federal deposit insurance	1,078	414
Correspondent bank charges	914	673
Other loan expense	198	217
Other real estate owned expense	42	4
Other general and administrative	2,461	1,841
Total noninterest expense	34,346	21,717
Income before income taxes	19,838	9,132
Income tax expense	5,525	3,428
Net income	$ 14,313	$ 5,704
Basic earnings per share	$ 0.89	$ 0.62
Diluted earnings per share	$ 0.86	$ 0.59
Weighted average shares outstanding:		
Basic	16,113	9,224
Diluted	16,607	9,610

See accompanying notes to unaudited consolidated financial statements

SILVERGATE CAPITAL CORPORATION
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In Thousands)
(Unaudited)

	Nine Months Ended September 30,	
	2018	**2017**
Net income	$ 14,313	5,704
Other comprehensive (loss) income:		
Change in unrealized gains/losses on available-for-sale securities:		
Unrealized (loss) gain on available-for-sale securities	(1,333)	732
Income tax effect	367	(300)
Unrealized (loss) gain on available-for-sale securities, net of tax	(966)	432
Change in unrealized gains/losses on derivative instruments:		
Unrealized gain on derivative instruments	482	94
Income tax effect	(147)	2
Unrealized gain on derivative instruments, net of tax	335	96
Other comprehensive (loss) income, net of tax	(631)	528
Total comprehensive income	$ 13,682	6,232

See accompanying notes to unaudited consolidated financial statements

SILVERGATE CAPITAL CORPORATION
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(In Thousands, Except Share Data)
(Unaudited)

	Class A Common Stock		Class B Common Stock		Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Shareholders' Equity
	Shares	Amount	Shares	Amount				
Balance at January 1, 2017	6,338,706	$ 63	2,885,504	$ 29	$ 29,781	$37,285	$ (1,351)	$ 65,807
Total comprehensive income, net of tax	—	—	—	—	—	5,704	528	6,232
Shareholder exchanges of Class A common stock for Class B common stock	(149,500)	(1)	149,500	1	—	—	—	—
Stock-based compensation	—	—	—	—	21	—	—	21
Exercise of stock options, net of shares withheld for employee taxes	—	—	—	—	(7)	—	—	(7)
Balance at September 30, 2017	6,189,206	$ 62	3,035,004	$ 30	$ 29,795	$42,989	$ (823)	$ 72,053
Balance at January 1, 2018	6,189,206	$ 62	3,035,004	$ 30	$ 29,794	$45,131	$ (1,217)	$ 73,800
Total comprehensive income, net of tax	—	—	—	—	—	14,313	(631)	13,682
Proceeds from stock issuance, net	9,500,000	95	—	—	107,789	—	—	107,884
Repurchase of common stock	(317,050)	(3)	(680,456)	(7)	(11,361)	—	—	(11,371)
Shareholder sale of Class B common stock and reissuance as Class A common stock	1,165,000	11	(1,165,000)	(11)	—	—	—	—
Stock-based compensation	—	—	—	—	97	—	—	97
Exercise of stock options, net of shares withheld for employee taxes	81,785	1	—	—	(709)	—	—	(708)
Balance at September 30, 2018	16,618,941	$ 166	1,189,548	$ 12	$ 125,610	$59,444	$ (1,848)	$ 183,384

See accompanying notes to unaudited consolidated financial statements

SILVERGATE CAPITAL CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Thousands)
(Unaudited)

	Nine Months Ended September 30,	
	2018	2017
Cash flows from operating activities		
Net income	$ 14,313	$ 5,704
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	848	825
Amortization of securities premiums and discounts, net	308	425
Amortization of loan premiums and discounts and deferred loan origination fees and costs, net	280	(273)
Stock-based compensation	97	21
Deferred income tax (benefit) expense	(451)	449
Provision for loan losses	148	232
(Gain) loss on sale of loans	(699)	1
Originations/purchases of loans held-for-sale	(2,102,054)	(2,259,090)
Proceeds from sales of loans held-for-sale	2,112,629	2,255,063
Gain on sale of other real estate owned, net	(82)	(12)
Loss on sale of premises and equipment	15	10
Changes in operating assets and liabilities:		
Accrued interest receivable	(481)	(154)
Other assets	(827)	(424)
Accrued expenses and other liabilities	3,051	(3,797)
Net cash provided by (used in) operating activities	27,095	(1,020)
Cash flows from investing activities		
Proceeds from paydowns and maturities of securities available-for-sale	13,412	13,994
Purchases of securities available-for-sale	(125,569)	(20,188)
Proceeds from paydowns and maturities of securities held-to-maturity	38	116
Loan originations and payments, net	(23,126)	(19,511)
Proceeds from sale of loans held-for-sale previously classified as held-for-investment	20,532	—
Purchase of federal home loan and federal reserve bank stock	(2,308)	(166)
Proceeds from sale of other real estate owned	2,370	244
Purchase of premises and equipment, net	(1,484)	(665)
Net cash used in investing activities	(116,135)	(26,176)
Cash flows from financing activities		
Net change in noninterest bearing deposits	244,436	442,211
Net change in interest bearing deposits	(82,256)	(226,237)
Net change in federal home loan bank advances	(15,000)	21,000
Payments made on notes payable	(857)	(1,143)
Proceeds from common stock issuance, net	107,884	—
Payment of deferred offering costs	(429)	—
Repurchase of common stock	(11,371)	—
Proceeds from stock option exercise	87	—
Taxes paid related to net share settlement of equity awards	(796)	(7)
Net cash provided by financing activities	241,698	235,824
Net increase in cash and cash equivalents	152,658	208,628
Cash and cash equivalents, beginning of period	797,668	34,649
Cash and cash equivalents, end of period	$ 950,326	$ 243,277

See accompanying notes to unaudited consolidated financial statements

SILVERGATE CAPITAL CORPORATION
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

Note 1—Nature of Business and Summary of Significant Accounting Policies

Nature of Business

The accompanying consolidated financial statements include the accounts of Silvergate Capital Corporation, a Maryland corporation and its wholly-owned subsidiary, Silvergate Bank (the "Bank"), collectively referred to as (the "Company").

The Bank was incorporated in 1987 and commenced business in 1988 under the California Financial Code as an industrial bank. In February 2009 the Bank converted its charter to a California commercial bank, which gave it the added authority to accept demand deposits. At the same time, the Company also became a registered bank holding company under the federal Bank Holding Company Act. The Bank became a member of the Federal Reserve System in December 2012. The Bank is subject to regulation by the California Department of Business Oversight ("DBO"), and the Federal Reserve Bank of San Francisco ("FRB"), and its deposits are insured by the Federal Deposit Insurance Corporation ("FDIC") up to applicable legal limits.

Basis of Presentation

The consolidated financial statements include the accounts of the Company and all other entities in which it has a controlling financial interest. All significant intercompany accounts and transactions have been eliminated in consolidation. Unless the context requires otherwise, all references to the Company include its wholly owned subsidiaries. The accounting and reporting polices of the Company are based upon accounting principles generally accepted in the United States ("GAAP") and conform to predominant practices within the financial services industry.

The unaudited consolidated financial statements included within this report have been prepared in accordance with GAAP to present interim financial statement information. Accordingly, they do not include all the information and footnotes required by GAAP for complete, consolidated financial statements. The unaudited consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto in the Company's consolidated financial statements for the year ended December 31, 2017. However, in the opinion of management, all adjustments, consisting only of normal recurring adjustments that are necessary for a fair presentation of the results of operations in these financial statements, have been made. Certain reclassifications have been made in the prior period financial statements to conform to the current period presentation. The results of operations for interim periods are not necessarily indicative of the results that may be expected for an entire fiscal year.

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions based on available information that affect the reported amounts of assets and liabilities as of the date of the balance sheet and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Deferred Offering Costs

The Company capitalizes certain legal, accounting, and other third-party fees that are directly associated with in-process equity financings until such financings are consummated. After consummation of the equity financing, these costs are recorded in equity as a reduction from the proceeds of the offering. Should the equity financing for which those costs relate no longer be considered probable of being consummated, all deferred offering costs will be charged to operating expenses in the statement of operations. As of September 30, 2018, the Company has recorded $0.7 million of deferred offering costs within other assets in the accompanying consolidated statement of financial condition.

Adopted Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (the "FASB") issued Accounting Standards Update ("ASU") 2014-09, Revenue from Contracts with Customers (Topic 606) ("ASC 606" or "ASU 2014-09"). The objective of ASU 2014-09 is to establish a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. ASU 2014-09 supersedes most of the existing revenue recognition guidance, including industry-specific guidance. The core principle is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. ASU 2014-09 applies to all contracts with customers except those that are within the scope of other topics in the FASB's Accounting Standards Codification ("ASC").

Revenue streams within the scope of and accounted under ASC 606 include: service charges and fees on deposit accounts, fees from other services the Bank provide its customers, and gains and losses from the sale of other real estate owned (OREO) and property, premises and equipment. ASC 606 requires revenue to be recognized when the Company has satisfied the related performance obligations by the transferring of good or service to the customer. The recognition of revenue under ASC 606 requires the Company to apply the five-step process to first identify the contract with the customer, identify the performance obligations of the contract, determine the transaction price, allocate the transaction price to the performance obligations identified, and finally recognize revenue when performance obligations have been satisfied by the transfer of good or service to the customer. The majority of the Company's revenue streams that are within the scope of ASC 606 are considered short-term in nature and can be cancelled at any time by the customer or the Company, such as a deposit account agreement. Other more significant revenue streams for the Company such as interest income on loans and investment securities are specifically excluded from the scope of ASC 606 and are accounted for under other applicable GAAP.

Service charges on deposit accounts and other service fee income consist of periodic service charges on deposit accounts and transaction based fees such as those related to overdrafts, ATM charges, wire transfer fees and warehouse fees. Performance obligations for periodic service charges are typically short-term in nature and are generally satisfied over a monthly period, while performance obligations for other transaction-based fees are typically satisfied at a point in time (which may consist of only a few moments to perform the service or transaction) with no further obligation beyond the completion of the service or transaction. Periodic service charges are generally collected directly from a customer's deposit account on a monthly basis, at the end of a statement cycle, while transaction-based service charges are typically collected and earned at the time of or soon after the service is performed.

Other revenue streams that may be applicable to the Company include gains and losses from the sale of non-financial assets such as other real estate owned and property premises and equipment. The Company accounts for these revenue streams in accordance with ASC 610-20, which requires the Company to refer to guidance in ASC 606 in the application of certain measurement and recognition concepts. The Company records gains and losses on the sale of non-financial assets when control of the asset has been surrendered to the buyer, which generally occurs at a specific point in time.

The Company adopted the requirements of ASC 606 as of January 1, 2018, utilizing the modified retrospective method of transition. Prior periods were not restated. The cumulative effect of adopting this new standard had no impact to retained earnings. The impact of adopting ASC 606 on the Company's revenue is not material to any of the periods presented.

In January 2016, the FASB issued ASU 2016-01, an amendment to Recognition and Measurement of Financial Assets and Financial Liabilities (Subtopic 825-10). The objectives of the ASU are to: (1) require equity investments to be measured at fair value, with changes in fair value recognized in net income, (2) simplify the impairment assessment of equity investments without readily determinable fair values, (3) eliminate the requirement to disclose methods and significant assumptions used to estimate fair value for financial instruments

measured at amortized cost on the balance sheet, (4) require the use of the exit price notion when measuring the fair value of financial instruments, and (5) clarify the need for a valuation allowance on a deferred tax asset related to available-for-sale securities in combination with the entity's other deferred tax assets. In February 2018, the FASB issued ASU 2018-03, Technical Corrections and Improvements to Financial Instruments - Overall - Recognition and Measurement of Financial Assets and Liabilities, an amendment to ASU 2016-01. The amendments clarify certain aspects of the guidance issued in ASU 2016-01. The amendments in these ASUs are effective for public business entities for annual periods, and interim periods within those annual periods, beginning after December 15, 2017. ASU 2016-01 was effective for the Company on January 1, 2018 and did not have an impact on the Company's consolidated financial statements. The Company measured the fair value of its loan portfolio using an exit price notion and amended applicable disclosures beginning in the first quarter of 2018.

Recently issued accounting pronouncements not yet effective

In February 2016, the Financial Accounting Standards Board (the "FASB") issued Accounting Standards Update ("ASU") 2016-02, Leases (Topic 842). This guidance amended existing guidance that requires lessees recognize the following for all leases at the commencement date (1) A lease liability, which is a lessee's obligation to make lease payments arising from a lease equal to the present value of lease payments; and (2) A right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term, based upon the amount of the lease liability. Under the new guidance, lessor accounting is largely unchanged. Certain targeted improvements were made to align, where necessary, lessor accounting with the lessee accounting model and Topic 606, Revenue from Contracts with Customers. In July 2018 the FASB issued ASU 2018-10, Codification Improvements to Topic 842, Leases and ASU 2018-11, Leases (Topics 842) Targeted Improvements, that updated narrow aspects of ASU 2016-02, include an additional transition method for adoption that results in initial recognition of a cumulative effect adjustment to retained earnings in the year of adoption and a practical expedient for lessors. These amendments are effective for fiscal years beginning after December 15, 2018. The Company currently has operating leases for its headquarters and bank branches that are expected to fall under Topic 842 and is in the process of reviewing and implementing changes to processes and controls. The Company is planning to elect certain practical expedients upon transition, including retaining the lease classification for any leases that exist prior to adoption of the standard, the transition method with the application date at the beginning of the adoption period, which is January 1, 2019, and elect not to recognize short term leases. The Company expects that adoption will result in an increase in assets and liabilities on its consolidated statement of financial condition, although the calculation of the adjustment is not final and will depend on circumstances that occur during the remainder of the year.

In June 2016, the FASB issued ASU 2016-13, Financial Instruments—Credit Losses (Topic 326) to replace the incurred loss model with an expected loss model, which is referred to as the current expected credit loss (CECL) model. The CECL model is applicable to the measurement of credit losses on financial assets measured at amortized cost, including loan receivables, held to maturity debt securities, and reinsurance receivables. It also applies to off-balance sheet credit exposures not accounted for as insurance (loan commitments, standby letters of credit, financial guarantees, and other similar instruments) and net investments in leases recognized by a lessor. These amendments are effective for fiscal years beginning after December 15, 2020. For debt securities with other than temporary impairment (OTTI), the guidance will be applied prospectively and for existing purchased credit impaired (PCI) assets will be grandfathered and classified as purchased credit deteriorated (PCD) assets at the date of adoption. The asset will be grossed up for the allowance for expected credit losses for all PCD assets at the date of adoption and will continue to recognize the noncredit discount in interest income based on the yield such assets as of the adoption date. Subsequent changes in expected credit losses will be recorded through the allowance. For all other assets with the scope of CECL, the cumulative effect adjustment will be recognized in retained earnings as of the beginning of the first reporting period in which the guidance is effective. The Company has formed a CECL implementation committee which has prepared a project plan to migrate towards the adoption date of January 1, 2020. The Company is currently evaluating the effects of ASU 2016-13 on its financial statements and disclosures.

In August 2017, the FASB issued ASU 2017-12, Derivatives and Hedging (Topic 815) to improve the financial reporting of hedging relationships to better portray the economic results of an entity's risk management activities in its financial statements. The amendments also simplify the application of the hedge accounting guidance. The amendments in this Update better align an entity's risk management activities and financial reporting for hedging relationships through changes to both the designation and measurement guidance for qualifying hedging relationships and the presentation of hedge results. The amendments expand and refine hedge accounting for both nonfinancial and financial risk components and align the recognition and presentation of the effects of the hedging instrument and the hedged item in the financial statements. The amendments in this Update are effective for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years. Early adoption is permitted in any interim period after issuance of this update. All transition requirements and elections should be applied to hedging relationships existing on the date of adoption. The effect of adoption should be reflected as of the beginning of the fiscal year of adoption. The adoption of this standard is not expected to have a material effect on the Company's operating results or financial condition.

In August 2018, the FASB issued ASU 2018-13, Fair Value Measurement (Topic 820): Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement. The updated guidance improves the disclosure requirements on fair value measurements. The updated guidance if effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. Early adoption is permitted for any removed or modified disclosures. The Company is currently assessing the timing and impact of adopting the updated provisions.

With the exception of the updated standards discussed above, there have been no new accounting pronouncements not yet effective that have significance, or potential significance, to the Company's consolidated financial statements.

Note 2—Securities

The fair value of available - for - sale securities and their related gross unrealized gains and losses at the dates indicated are as follows:

	Available-for-sale securities			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(Dollars in thousands)			
September 30, 2018				
Mortgage-backed securities:				
Residential	$ 960	$ 29	$ —	$ 989
Commercial real-estate	21,263	—	(235)	21,028
Collateralized mortgage obligations	74,672	121	(2,224)	72,569
Asset backed securities	207,811	240	(320)	207,731
	$ 304,706	$ 390	$ (2,779)	$ 302,317
December 31, 2017				
Mortgage-backed securities:				
Residential	$ 1,075	$ 39	$ —	$ 1,114
Commercial real-estate	24,549	1	—	24,550
Collateralized mortgage obligations	85,043	215	(1,220)	84,038
Asset backed securities	82,191	36	(127)	82,100
	$ 192,858	$ 291	$ (1,347)	$ 191,802

At September 30, 2018 and December 31, 2017, $67.9 million and $77.2 million, respectively, of the fair value of the Company's available-for-sale collateralized mortgage obligations ("CMOs") and mortgage-backed

securities consisted of government agency and government sponsored enterprise pass through securities and $26.7 million and $32.5 million, respectively, consisted of private-label residential securities.

At September 30, 2018 and December 31, 2017, $207.7 million and $82.1 million, respectively, of the fair value of the Company's available-for-sale asset backed securities consisted of government sponsored student loan pools.

The amortized cost, unrealized gains and losses, and fair value of securities held-to-maturity at the dates indicated are as follows:

	Held-to-maturity securities			
	Amortized Cost	Gross Unrecognized Gains	Gross Unrecognized Losses	Fair Value
	(Dollars in thousands)			
September 30, 2018				
Collateralized mortgage obligations	$ 81	$ —	$ —	$ 81
December 31, 2017				
Collateralized mortgage obligations	$ 119	$ —	$ —	$ 119

At September 30, 2018 and December 31, 2017, the Company had no private-label held-to-maturity CMOs.

There were no investment securities pledged for borrowings or for other purposes as required or permitted by law as of September 30, 2018 and December 31, 2017.

Securities with unrealized losses as of the dates indicated, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position, are as follows:

	Available-for-sale securities					
	Less than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
	(Dollars in thousands)					
September 30, 2018						
Mortgage-backed securities:						
Commercial real-estate	$ 21,028	$ (235)	$ —	$ —	$ 21,028	$ (235)
Collateralized mortgage obligations	13,029	(276)	44,945	(1,948)	57,974	(2,224)
Asset backed securities	128,869	(320)	—	—	128,869	(320)
	$162,926	$ (831)	$44,945	$ (1,948)	$207,871	$ (2,779)
December 31, 2017						
Collateralized mortgage obligations	$ 15,943	$ (220)	$46,949	$ (1,000)	$ 62,892	$ (1,220)
Asset backed securities	52,701	(127)	—	—	52,701	(127)
	$ 68,644	$ (347)	$46,949	$ (1,000)	$115,593	$ (1,347)

As indicated in the tables above, as of September 30, 2018, the Company's investment securities had gross unrealized losses totaling approximately $2.8 million, compared to approximately $1.3 million at December 31, 2017. The Company analyzed all of its securities with an unrealized loss position. For each security, the Company analyzed the issuer's financial condition and performed a projected cash flow analysis. In analyzing the issuer's financial condition, management may consider whether the securities are issued by the federal government, its agencies or its sponsored entities, or non-governmental entities, whether downgrades by bond rating agencies have occurred, and the results of review of the issuer's financial condition. When performing a cash flow analysis the Company uses models that project prepayments, default rates, and loss severities on the

collateral supporting the security, based on underlying loan level borrower and loan characteristics and interest rate assumptions. In addition, the Company has contracted with third party companies to perform independent cash flow analyses of its securities portfolio as needed. Based on these analyses and reviews conducted by the Company, and assisted by independent third parties, the Company determined that none of its securities required an other-than-temporary impairment charge at September 30, 2018 or December 31, 2017. Management continues to expect to recover the adjusted amortized cost basis of these bonds.

As of September 30, 2018, the Company had 27 securities whose estimated fair value declined 1.32% from the Company's amortized cost; at December 31, 2017, the Company had 23 securities whose estimated fair value declined 0.81% from the Company's amortized cost. The unrealized losses relate principally to the general change in market interest rates since the purchase dates and such unrecognized losses will continue to vary with general market interest rate fluctuations in the future. Fair values are expected to recover as the securities approach their respective maturity dates and management believes it is not more likely than not it will be required to sell before recovery of the amortized cost basis.

There were no sales and calls of securities and no credit losses recognized in earnings for the nine months ended September 30, 2018 and 2017.

Note 3—Loans Held-For-Investment, Net

The following disclosure reports the Company's loan portfolio segments and classes. Segments are groupings of similar loans at a level in which the Company has adopted systematic methods of documentation for determining its allowance for loan and credit losses. Classes are a disaggregation of the portfolio segments. The Company's loan portfolio segments are:

Real estate loans. Real estate includes loans for which the Company holds one-to-four family, multi-family, commercial and construction real property as collateral. Commercial real estate lending activity is typically restricted to owner-occupied properties or to investor properties that are owned by customers with a current banking relationship. The primary risks of real estate mortgage loans include the borrower's inability to pay, material decreases in the value of the real estate that is being held as collateral and significant increases in interest rates, which may make the real estate mortgage loan unprofitable. Real estate loans also may be adversely affected by conditions in the real estate markets or in the general economy.

Commercial and industrial . Commercial loans consist of loans to small and medium-sized businesses in a wide variety of industries. The Company's area of emphasis in commercial lending include, but are not limited to, loans to wholesalers, distributors, manufacturers, specialty businesses and business services companies. Commercial loans are generally collateralized by accounts receivable, inventory, equipment, real estate and other commercial assets, and may be supported by other credit enhancements such as personal guarantees. Risk arises primarily due to a difference between expected and actual cash flows of the borrowers. However, the recovery of the Company's investment in these loans is also dependent on other factors primarily dictated by the type of collateral securing these loans. The fair value of the collateral securing these loans may fluctuate as market conditions change.

Consumer and other. Consumer loans consist of consumer loans and other loans secured by personal property.

Reverse mortgage. From 2012 to 2014, the Company purchased home equity conversion mortgage ("HECM") loans (also known as reverse loans mortgage loans) which are a special type of home loan, for homeowners aged 62 years or older, that requires no monthly mortgage payments. Reverse mortgage loan insurance is provided by the U. S. Federal Housing Administration through the HECM program which protects lenders from losses due to non-repayment of the loans. In mid-2014, the Bank ceased purchases of reverse mortgage loans and, began selling its remaining loans in the secondary market. At September 30, 2018, the Bank owned $1.9 million of reverse mortgage loans.

Mortgage warehouse. The Company's warehouse lending division provides short-term interim funding for single-family residential mortgage loans originated by mortgage bankers or other lenders pending the sale of such loans in the secondary market. The Company's risk is mitigated by comprehensive policies, procedures, and controls governing this activity, partial loan funding by the originating lender, guaranties or additional monies pledged to the Company as security, the short holding period of funded loans on the Company's balance sheet. In addition, the loss rates of this portfolio have historically been minimal, and these loans are all subject to written purchase commitments from takeout investors or are hedged. The Company's mortgage warehouse loans may either be held-for-investment or held-for-sale. From the opening of the warehouse division in April 2009 through September 30, 2018, the Company purchased 97,898 individual loans in the total amount of $25.7 billion and incurred no losses in 2018 and approximately $61,000 of net losses for the year ended December 31, 2017. The company sold approximately $130.0 million and $229.9 million loans to participants during the nine months ended September 30, 2018 and during the year ended December 31, 2017, respectively. Additionally, these loans are all subject to written purchase commitments from takeout investors or are hedged.

A summary of loans held-for-investment as of the periods presented are as follows:

	September 30, 2018	December 31, 2017
	(Dollars in thousands)	
Real estate loans:		
One-to-four family	$ 184,847	$ 219,855
Multi-family	23,270	23,958
Commercial	344,773	346,227
Construction	3,087	5,171
Commercial and industrial	88,173	50,852
Consumer and other	125	1,262
Reverse mortgage	1,901	2,524
Mortgage warehouse	48,409	45,718
Total gross loans held-for-investment	694,585	695,567
Deferred fees, net	1,621	1,901
Total loans held-for-investment	696,206	697,468
Allowance for loan losses	(8,388)	(8,165)
Total loans held-for-investment, net	$ 687,818	$ 689,303

Loans participated by the Company were approximately $2.6 million and $8.9 million at September 30, 2018 and December 31, 2017, respectively.

At September 30, 2018 and December 31, 2017, approximately $557.9 million and $597.7 million, respectively, of the Company's loan portfolio were collateralized by various forms of real estate. A significant percentage of such loans are collateralized by properties located in California (71.8% and 69.6% as of September 30, 2018 and December 31, 2017, respectively), Florida (7.4% and 6.6% as of September 30, 2018 and December 31, 2017, respectively) and Arizona (7.4% and 4.8% as of September 30, 2018 and December 31, 2017, respectively) with no other state greater than 5%. The Company attempts to address and mitigate concentrations of credit risk by making loans that are diversified by collateral type, placing limits on the amounts of various categories of loans relative to total Company capital, and conducting quarterly reviews of its portfolio by collateral type, geography, and other characteristics. While management believes that the collateral presently securing its portfolio and the recorded allowance for loan losses are adequate to absorb potential losses, there can be no assurances that significant deterioration in the California and Florida real estate markets would not expose the Company to significantly greater credit risk.

Recorded investment in loans excludes accrued interest receivable, loan origination fees, net and unamortized premium or discount, net due to immateriality. Accrued interest totaled approximately $2.9 million

and $2.6 million and deferred fees totaled approximately **$** 1.6 million and $1.9 million at September 30, 2018 and December 31, 2017, respectively.

Allowance for Loan Losses

The following tables present the allocation of the allowance for loan losses, as well as the activity in the allowance by loan class, and recorded investment in loans held-for-investment as of and for the nine months ended September 30, 2018 and 2017:

	Nine Months Ended September 30, 2018								
	One-to-Four Family	Multi-Family	Commercial Real Estate	Construction	Commercial and Industrial	Consumer and Other	Reverse Mortgage	Mortgage Warehouse	Total
	(Dollars in thousands)								
Balance, December 31, 2017	$ 1,991	$ 226	$ 4,711	$ 140	$ 677	$ 18	$ 41	$ 361	$8,165
Charge-offs	(6)	—	—	—	—	—	—	—	(6)
Recoveries	—	—	—	—	80	—	1	—	81
Provision for loan losses	(209)	(26)	(256)	(10)	735	(17)	4	(73)	148
Balance, September 30, 2018	$ 1,776	$ 200	$ 4,455	$ 130	$ 1,492	$ 1	$ 46	$ 288	$8,388

	September 30, 2018								
	One-to-Four Family	Multi-Family	Commercial Real Estate	Construction	Commercial and Industrial	Consumer and Other	Reverse Mortgage	Mortgage Warehouse	Total
	(Dollars in thousands)								
Amount of allowance attributed to:									
Specifically evaluated impaired loans	$ 1	$ —	$ —	$ —	$ —	$ —	$ 35	$ —	$ 36
General portfolio allocation	1,775	200	4,455	130	1,492	1	11	288	8,352
Total allowance for loan losses	$ 1,776	$ 200	$ 4,455	$ 130	$ 1,492	$ 1	$ 46	$ 288	$ 8,388
Loans evaluated for impairment:									
Specifically evaluated	$ 3,760	$ —	$ 8,700	$ —	$ 4,482	$ —	$ 1,393	$ —	$ 18,335
Collectively evaluated	181,087	23,270	336,073	3,087	83,691	125	508	48,409	676,250
Total gross loans held-for-investment	$184,847	$23,270	$ 344,773	$ 3,087	$ 88,173	$ 125	$ 1,901	$ 48,409	$694,585

	Nine Months Ended September 30, 2017								
	One-to-Four Family	Multi-Family	Commercial Real Estate	Construction	Commercial and Industrial	Consumer and Other	Reverse Mortgage	Mortgage Warehouse	Total
	(Dollars in thousands)								
Balance, December 31, 2016	$ 2,046	$ 271	$ 3,624	$ 1,082	$ 612	$ 18	$ 75	$ 316	$8,044
Charge-offs	(53)	—	—	—	(83)	—	—	(76)	(212)
Recoveries	—	—	—	—	—	—	—	15	15
Provision for loan losses	197	(34)	1,012	(913)	66	—	(28)	(68)	232
Balance, September 30, 2017	$ 2,190	$ 237	$ 4,636	$ 169	$ 595	$ 18	$ 47	$ 187	$8,079

	September 30, 2017								
	One-to-Four Family	Multi-Family	Commercial Real Estate	Construction	Commercial and Industrial	Consumer and Other	Reverse Mortgage	Mortgage Warehouse	Total
	(Dollars in thousands)								
Amount of allowance attributed to:									
Specifically evaluated impaired loans	$ —	$ —	$ 441	$ —	$ —	$ —	$ 29	$ —	$ 470
General portfolio allocation	2,190	237	4,195	169	595	18	18	187	7,609
Total allowance for loan losses	$ 2,190	$ 237	$ 4,636	$ 169	$ 595	$ 18	$ 47	$ 187	$ 8,079
Loans evaluated for impairment:									
Specifically evaluated	$ 2,960	$ —	$ 10,814	$ 4	$ 744	$ —	$ 2,023	$ —	$ 16,545
Collectively evaluated	237,525	24,830	327,821	6,263	46,662	1,273	991	32,335	677,700
Total gross loans held-for- investment	$240,485	$24,830	$ 338,635	$ 6,267	$ 47,406	$ 1,273	$ 3,014	$ 32,335	$694,245

Impaired Loans

The following tables provide a summary of the Company's investment in impaired loans as of and for the periods presented:

	September 30, 2018		
	Unpaid Principal Balance	Recorded Investment	Related Allowance
	(Dollars in thousands)		
With no related allowance recorded:			
Real estate loans:			
One-to-four family	$ 4,208	$ 3,733	$ —
Commercial	9,042	8,700	—
Commercial and industrial	4,509	4,482	—
Reverse mortgage	1,091	1,042	—
	18,850	17,957	—
With an allowance recorded:			
Real estate loans:			
One-to-four family	27	27	1
Reverse mortgage	374	351	35
	401	378	36
Total impaired loans	$ 19,251	$ 18,335	$ 36

	December 31, 2017		
	Unpaid Principal Balance	Recorded Investment	Related Allowance
	(Dollars in thousands)		
With no related allowance recorded:			
Real estate loans:			
One-to-four family	$ 3,604	$ 3,171	$ —
Commercial	9,876	9,597	—
Commercial and industrial	951	716	—
Reverse mortgage	1,555	1,528	—
	15,986	15,012	—
With an allowance recorded:			
Real estate loans:			
One-to-four family	33	33	—
Commercial	1,947	1,947	441
Reverse mortgage	344	330	29
	2,324	2,310	470
Total impaired loans	$ 18,310	$ 17,322	$ 470

	Nine Months Ended September 30, 2018	
	Average Recorded Investment	Interest Income Recognized
	(Dollars in thousands)	
With no related allowance recorded:		
Real estate loans:		
One-to-four family	$ 3,519	$ 87
Commercial	9,593	369
Commercial and industrial	2,579	144
Reverse mortgage	1,215	—
	16,906	600
With an allowance recorded:		
Real estate loans:		
One-to-four family	29	1
Commercial	1,513	—
Reverse mortgage	342	—
	1,884	1
Total impaired loans	$ 18,790	$ 601

	Nine Months Ended September 30, 2017	
	Average Recorded Investment	Interest Income Recognized
	(Dollars in thousands)	
With no related allowance recorded:		
Real estate loans:		
One-to-four family	$ 3,085	$ 287
Commercial	8,908	339
Commercial and industrial	365	72
Reverse mortgage	1,710	—
	14,068	698
With an allowance recorded:		
Real estate loans:		
One-to-four family	13	—
Commercial	1,981	102
Reverse mortgage	362	—
	2,356	102
Total impaired loans	$ 16,424	$ 800

For purposes of this disclosure, the unpaid principal balance is not reduced for partial charge-offs. Cash basis interest income is not materially different than interest income recognized.

Nonaccrual and Past Due Loans

Nonperforming loans include both smaller balance homogeneous loans that are collectively evaluated for impairment and individually evaluated impaired loans. Nonperforming loans consist of loans on nonaccrual status for which the accrual of interest has been discontinued and loans 90 days or more past due and still accruing interest.

There were no loans past due 90 days or more and still on accrual as of September 30, 2018 and December 31, 2017, respectively.

The following tables present by loan class the aging analysis based on contractual terms, nonaccrual loans, and the Company's recorded investment in loans held-for-investment as of the periods presented:

	September 30, 2018							
	30-59 Days Past Due	60-89 Days Past Due	Greater than 90 Days Past Due	Total Past Due	Current	Total	Nonaccruing	Loans Receivable > 90 Days and Accruing
	(Dollars in thousands)							
Real estate loans:								
One-to-four family	$ —	109	2,754	2,863	181,984	184,847	3,520	$ —
Multi-family	—	—	—	—	23,270	23,270	—	—
Commercial	562	637	—	1,199	343,574	344,773	440	—
Construction	—	—	—	—	3,087	3,087	—	—
Commercial and industrial	424	—	2,649	3,073	85,100	88,173	4,482	—
Consumer and other	—	—	—	—	125	125	—	—
Reverse mortgage	—	—	—	—	1,901	1,901	1,393	—
Mortgage warehouse	—	—	—	—	48,409	48,409	—	—
Total gross loans held-for- investment	$ 986	$ 746	$ 5,403	$7,135	$687,450	$694,585	$ 9,835	$ —

	December 31, 2017							
	30-59 Days Past Due	60-89 Days Past Due	Greater than 90 Days Past Due	Total Past Due	Current	Total	Nonaccruing	Loans Receivable > 90 Days and Accruing
	(Dollars in thousands)							
Real estate loans:								
One-to-four family	$ 8,427	$ 900	$ 1,773	$11,100	$208,755	$219,855	$ 2,652	$ —
Multi-family	—	—	—	—	23,958	23,958	—	—
Commercial	470	1,992	—	2,462	343,765	346,227	—	—
Construction	—	—	—	—	5,171	5,171	—	—
Commercial and industrial	462	—	—	462	50,390	50,852	—	—
Consumer and other	—	—	—	—	1,262	1,262	—	—
Reverse mortgage	—	—	—	—	2,524	2,524	1,858	—
Mortgage warehouse	—	—	—	—	45,718	45,718	—	—
Total gross loans held-for- investment	$ 9,359	$ 2,892	$ 1,773	$14,024	$681,543	$695,567	$ 4,510	$ —

Troubled Debt Restructurings

A loan is identified as a troubled debt restructuring ("TDR") when a borrower is experiencing financial difficulties and, for economic or legal reasons related to these difficulties, the Company grants a concession to the borrower in the restructuring that it would not otherwise consider. The Company has granted a concession when, as a result of the restructuring, it does not expect to collect all amounts due or within the time periods originally due under the original contract, including one or a combination of the following: a reduction of the stated interest rate of the loan; an extension of the maturity date at a stated rate of interest lower than the current market rate for new debt with similar risk; or a temporary forbearance with regard to the payment of principal or interest. All troubled debt restructurings are reviewed for potential impairment. Generally, a nonaccrual loan that is restructured remains on nonaccrual status for a minimum period of six months to demonstrate that the borrower can perform under the restructured terms. If the borrower's performance under the new terms is not reasonably assured, the loan remains classified as a nonaccrual loan. Loans classified as TDRs are reported as impaired loans.

As of September 30, 2018 and December 31, 2017, the Company has a recorded investment in TDR's of $0.6 million for each of the periods, respectively. The Company has allocated a negligible amount of specific allowance for those loans at September 30, 2018 and December 31, 2017, respectively and has not committed to lend additional amounts to these TDRs. No loans were modified as TDRs during the nine months ended September 30, 2018.

During the nine months ended September 30, 2017, the terms of certain loans were modified as TDRs. The modification of the terms of such loans included one or a combination of the following: a reduction of the stated interest rate of the loan; an extension of the maturity date at a stated rate of interest lower than the current market rate for new debt with similar risk; or a temporary forbearance with regard to the payment of principal or interest. Modifications involving temporary forbearance of principal or interest were for a period of three months.

The following table presents a summary of the Company's loans by class modified as TDR's during the nine months ended September 30, 2017:

	Nine Months Ended September 30, 2017		
	Number of Loans	Pre-Modifications Outstanding Recorded Investment	Post-Modifications Outstanding Recorded Investment
		(Dollars in thousands)	
Troubled debt restructurings:			
Real estate loans:			
One-to-four family	1	$ 98	$ 149

The TDR's described above had a no impact to the allowance for loan losses and charge-offs during the nine months ended September 30, 2017.

There were no loans modified as TDRs for which there was a payment default within twelve months during the nine months ended September 30, 2018 and 2017. There were no provision for loan loss or charge offs for TDR's that subsequently defaulted during the nine months ended September 30, 2018 and 2017.

A loan is considered to be in payment default once it is 30 days contractually past due under the modified terms.

Other Modifications

The terms of certain other loans were modified during the nine months ended September 30, 2018 and 2017 that did not meet the definition of a troubled debt restructuring. These loans have a total recorded investment as of September 30, 2018 and 2017, of $29.0 million and $86.6 million, respectively. The modification of these loans involved either a modification of the terms of a loan to borrowers who were not experiencing financial difficulties a delay in a payment that was considered to be insignificant, which included delays in payment ranging from zero to 3 months.

In order to determine whether a borrower is experiencing financial difficulty, an evaluation is performed of the probability that the borrower will be in payment default on any of its debt in the foreseeable future without the modification. This evaluation is performed under the company's internal policy.

Credit Quality Indicators

The Company categorizes loans into risk categories based on relevant information about the ability of borrowers to service their debt such as: current financial information, historical payment experience, collateral adequacy, credit documentation, and current economic trends, among other factors. This analysis typically

includes larger, nonhomogeneous loans such as commercial real estate and commercial and industrial loans. This analysis is performed on an ongoing basis as new information is obtained. The Company uses the following definitions for risk ratings:

Pass : Loans in all classes that are not adversely rated, are contractually current as to principal and interest, and are otherwise in compliance with the contractual terms of the loan agreement. Management believes that there is a low likelihood of loss related to those loans that are considered pass.

Special mention : Loans classified as special mention have a potential weakness that deserves management's close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the loan or of the institution's credit position at some future date.

Substandard : Loans classified as substandard are inadequately protected by the current net worth and paying capacity of the obligor or of the collateral pledged, if any. Loans so classified have a well-defined weakness or weaknesses that jeopardize the liquidation of the debt. They are characterized by the distinct possibility that the Company will sustain some loss if the deficiencies are not corrected.

Doubtful : Loans classified as doubtful have all the weaknesses inherent in those classified as substandard, with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of currently existing facts, conditions, and values, highly questionable and improbable.

The following tables present by portfolio class the Company's internal risk grading system as well as certain other information concerning the credit quality of the Company's recorded investment in loans held-for-investment as of September 30, 2018 and December 31, 2017.

	Credit Risk Grades				
	Pass	Special Mention	Substandard	Doubtful	Total
	(Dollars in thousands)				
September 30, 2018					
Real estate loans:					
One-to-four family	$181,505	$ —	$ 3,342	$ —	$184,847
Multi-family	23,270	—	—	—	23,270
Commercial	344,067	—	706	—	344,773
Construction	3,087	—	—	—	3,087
Commercial and industrial	81,600	2,091	4,482	—	88,173
Consumer and other	125	—	—	—	125
Reverse mortgage	208	300	1,393	—	1,901
Mortgage warehouse	48,409	—	—	—	48,409
Total gross loans held-for-investment	$682,271	$ 2,391	$ 9,923	$ —	$694,585

	Credit Risk Grades				
	Pass	Special Mention	Substandard	Doubtful	Total
	(Dollars in thousands)				
December 31, 2017					
Real estate loans:					
One-to-four family	$217,203	$ —	$ 2,652	$ —	$219,855
Multi-family	23,958	—	—	—	23,958
Commercial	342,391	1,889	1,947	—	346,227
Construction	5,171	—	—	—	5,171
Commercial and industrial	50,136	716	—	—	50,852
Consumer and other	1,262	—	—	—	1,262
Reverse mortgage	156	510	1,858	—	2,524
Mortgage warehouse	45,718	—	—	—	45,718
Total gross loans held-for-investment	$685,995	$ 3,115	$ 6,457	$ —	$695,567

The following table presents loans purchased and/or sold during the year by portfolio segment:

	Nine Months Ended September 30, 2018		Nine Months Ended September 30, 2017
	Purchases	Sales	Purchases
	(Dollars in thousands)		
Real estate loans:			
One-to-four family	$ 66,557	$41,672	$ 67,524
Commercial	12,500	—	10,612
Commercial and industrial	—	—	11,129
	79,057	41,672	89,265

The Company had a related-party loan with an outstanding balance of $0.5 million and $0.3 million as of September 30, 2018 and December 31, 2017, respectively.

Note 4—FHLB and Other Advances

The following table sets forth certain information on our FHLB advances during the periods presented:

	Nine Months Ended September 30, 2018	Year Ended December 31, 2017
	(Dollars in thousands)	
Amount outstanding at period-end	$ —	$ 15,000
Weighted average interest rate at period-end	—	1.37%
Maximum month-end balance during the period	$ 15,000	$ 165,000
Average balance outstanding during the period	$ 1,638	$ 65,452
Weighted average interest rate during the period	1.49%	1.17%

FHLB advances are secured with eligible collateral consisting of certain real estate loans. Advances from the FHLB are subject to the FHLB's collateral and underwriting requirements, and as of September 30, 2018 and December 31, 2017, were limited in the aggregate to 35% of the Company's total assets. Loans with carrying values of approximately $541.6 million and $552.4 million were pledged to the FHLB as of September 30, 2018 and December 31, 2017, respectively. Unused borrowing capacity based on the lesser of the percentage of total

assets and pledged collateral was approximately $399.6 million and $438.8 million as of September 30, 2018 and December 31, 2017, respectively. The Company's FHLB advances as of December 31, 2017 totaling $15.0 million matured in 2018.

The Company is also approved to borrow through the Discount Window of the Federal Reserve Bank of San Francisco on a collateralized basis without any fixed dollar limit. Loans with a carrying value of approximately $19.1 million and $25.6 million were pledged to the FRB at September 30, 2018 and December 31, 2017, respectively. The Company's borrowing capacity under the Federal Reserve's discount window program was $10.8 million as of September 30, 2018. At September 30, 2018 and December 31, 2017, there were no borrowings outstanding under any of these lines.

As of September 30, 2018, the Company may borrow up to an aggregate $32.0 million, overnight on an unsecured basis from three of its correspondent banks. Access to these funds is subject to collateral and liquidity availability, market conditions and any negative material change in the Company's credit profile.

Note 5—Notes Payable

On January 29, 2016, the Company entered into a term loan with a commercial bank for a single principal advance of $8.0 million due to mature on January 29, 2021. Loan interest and principal is payable quarterly commencing April 2016 and accrues interest at an annual rate equal to 2.60% plus the greater of zero percent and the one-month Libor rate. The proceeds were used to redeem preferred stock and can be prepaid at any time. The outstanding principal balance at September 30, 2018 and December 31, 2017 was $5.1 million and $6.0 million, respectively. Annual principal payments on outstanding borrowings are $1.1 million for years 2018 to 2020 and $2.6 million in 2021.

Note 6—Subordinated Debentures, Net

A trust formed by the Company issued $12.5 million of floating rate trust preferred securities in July 2001 as part of a pooled offering of such securities. The Company issued subordinated debentures to the trust in exchange for its proceeds from the offering. The debentures and related accrued interest represent substantially all of the assets of the trust. The subordinated debentures bear interest at six-month LIBOR plus 375 basis points, which adjusts every six months in January and July of each year. Interest is payable semiannually. At September 30, 2018, the interest rate for the Company's next scheduled payment was 6.28%, based on six-month LIBOR of 2.53%. On any January 25 or July 25 the Company may redeem the 2001 subordinated debentures at 100% of principal amount plus accrued interest. The 2001 subordinated debentures mature on July 25, 2031.

A second trust formed by the Company issued $3.0 million of trust preferred securities in January 2005 as part of a pooled offering of such securities. The Company issued subordinated debentures to the trust in exchange for its proceeds from the offering. The debentures and related accrued interest represent substantially all of the assets of the trust. The subordinated debentures bear interest at three-month LIBOR plus 185 basis points, which adjusts every three months. Interest is payable quarterly. At September 30, 2018, the interest rate for the Company's next scheduled payment was 4.18%, based on three-month LIBOR of 2.33%. On the 15th day of any March, June, September, or December, the Company may redeem the 2005 subordinated debentures at 100% of principal amount plus accrued interest. The 2005 subordinated debentures mature on March 15, 2035.

The Company also retained a 3% minority interest in each of these trusts which is included in subordinated debentures. The balance of the equity in the trusts is comprised of mandatorily redeemable preferred securities. The subordinated debentures may be included in Tier I capital (with certain limitations applicable) under current regulatory guidelines and interpretations. The Company has the right to defer interest payments on the subordinated debentures from time to time for a period not to exceed five years.

Note 7—Derivatives and Hedging Activities

The Company utilizes interest rate swap agreements as part of its asset liability management strategy to help manage its interest rate risk position. The notional amount of the interest rate swaps does not represent amounts exchanged by the parties. The amount exchanged is determined by reference to the notional amount and the other terms of the individual interest rate swap agreements.

Interest rate cap . In 2012 the Company entered into a $12.5 million and a $3.0 million notional forward interest rate cap agreement (the "Cap Agreements") to hedge its variable rate subordinated debentures. The Cap Agreements expire July 25, 2022 and March 15, 2022, respectively. The Company utilizes interest rate caps as hedges against adverse changes in cash flows on the designated preferred trusts attributable to fluctuations in three-month LIBOR beyond 0.50% for the $3.0 million subordinated debenture and six-month LIBOR beyond 0.75% for the $12.5 million subordinated debenture. The cap was determined to be fully effective during all periods presented and, as such, no amount of ineffectiveness has been included in net income. The upfront fee paid to the counterparty in entering into these Cap Agreements was approximately $2.5 million. Amounts charged to interest expense amounted to approximately $0.3 million and $0.2 million for the nine months ended September 30, 2018 and 2017, respectively. The Company held approximately $1.5 million and $0.9 million of restricted cash at September 30, 2018 and December 31, 2017, respectively, which served as collateral for the expected payments under these Cap Agreements; such cash fluctuates based on the expected present value of the future payments and will be refunded to the counterparty upon termination or maturity of the Cap Agreements.

Interest rate swap. In 2014 the Company entered into a $15.0 million notional interest rate swap. The Company designated the interest rate swap (the hedging instrument) as a cash flow hedge of the risk of changes attributable to changes in the benchmark one-month LIBOR interest rate for the forecasted issuances of FHLB advances arising from a rollover strategy. The Company issued $15.0 million of fixed rate debt on April 1, 2014, which settled the same day and matured on May 1, 2014, using an FHLB advance as the debt instrument. The Company pays a fixed 1.66% and receives a floating rate based on one-month LIBOR. The Company is forecasting that it will roll over this debt every 1 month through at least April 1, 2019. This swap transaction hedges the forecasted rollover of $15.0 million of this debt for the periods from April 2014 through April 2019. The swap was determined to be fully effective during all periods presented and, as such, no amount of ineffectiveness has been included in net income. Interest expense recorded on this swap transaction totaled less than $0.1 million for the nine months ended September 30, 2017 and is reported as a component of interest expense on FHLB Advances. On February 1, 2018, the Company did not renew the $15.0 million FHLB advance and simultaneously de-designated the existing hedge relationship and terminated the interest rate swap on January 30, 2018.

The table below presents the fair value of the Company's derivative financial instruments as well as the classification within the consolidated statements of financial condition.

	Asset Derivatives			Liability Derivatives		
		Fair Value at			Fair Value at	
	Balance Sheet Classification	September 30, 2018	December 31, 2017	Balance Sheet Classification	September 30, 2018	December 31, 2017
		(Dollars in thousands)				
Derivatives designated as hedging instruments under ASC 815:						
Cash flow hedge interest rate cap	Derivative assets	$ 1,305	$ 1,061	Derivative liabilities	$ —	$ —
Cash flow hedge interest rate swap	Derivative assets	$ —	$ 30	Derivative liabilities	$ —	$ —

There were no gains (losses) recorded in the consolidated statements of operations, as a component of noninterest income, net, for the aforementioned derivative instruments, for the periods indicated.

Note 8—Income Taxes

Comparison of the federal statutory income tax rates to the Company's effective income tax rates for the periods presented, are as follows:

	Nine Months Ended September 30,			
	2018		2017	
	Amount	Rate	Amount	Rate
	(Dollars in thousands)			
Statutory federal tax	$ 4,166	21.0%	$ 3,105	34.0%
State franchise tax, net of federal benefit	1,479	7.5%	569	6.2%
Tax credits	(128)	(0.6)%	(128)	(1.4)%
Other items, net	8	0.0%	(118)	(1.3)%
Actual tax expense	$ 5,525	27.9%	$ 3,428	37.5%

Income tax expense was $5.5 million for the nine months ended September 30, 2018 compared to $3.4 million for the nine months ended September 30, 2017. The increase was primarily related to increased pre-tax income. The effective tax rates for the nine months ended September 30, 2018 and 2017 were 27.9% and 37.5%, respectively. The decrease in the effective rate was primarily related to the change in the statutory federal rate as a result of the Tax Act.

The Company has no unrecognized tax benefits recorded as of September 30, 2018 and does not expect the total amount of unrecognized tax benefits to significantly change in the next twelve months.

Note 9—Commitments and Contingencies

Off-Balance Sheet Items

In the normal course of business, the Company enters into various transactions, which, in accordance with GAAP, are not included in our consolidated statements of financial condition. The Company enters into these transactions to meet the financing needs of its customers. These transactions include commitments to extend credit and issue letters of credit, which involve, to varying degrees, elements of credit risk and interest rate risk exceeding the amounts recognized on the consolidated statements of financial condition. The Company's exposure to credit loss is represented by the contractual amounts of these commitments. The same credit policies and procedures are used in making these commitments as for on-balance sheet instruments. The company is not aware of any accounting loss to be incurred by funding these commitments, however, an allowance for off-balance sheet credit risk is recorded in other liabilities on the statements of financial condition. The allowance for these commitments amounted to approximately $0.2 million as of September 30, 2018, and $0.1 million as of December 31, 2017.

The Company's commitments associated with outstanding letters of credit and commitments to extend credit expiring by period as of the date indicated are summarized below. Since commitments associated with letters of credit and commitments to extend credit may expire unused, the amounts shown do not necessarily reflect the actual future cash funding requirements.

	September 30, 2018	December 31, 2017
	(Dollars in thousands)	
Unfunded lines of credit	$ 60,068	$ 58,180
Letters of credit	165	278
	$ 60,233	$ 58,458

Unfunded lines of credit represent unused credit facilities to the Company's current borrowers that represent no change in credit risk that exist in the Company's portfolio. Lines of credit generally have variable interest rates. Letters of credit are conditional commitments issued by the Company to guarantee the performance of a customer to a third party. In the event of nonperformance by the customer in accordance with the terms of the agreement with the third party, the Company would be required to fund the commitment. The maximum potential amount of future payments the Company could be required to make is represented by the contractual amount of the commitment. If the commitment is funded, the Company would be entitled to seek recovery from the client from the underlying collateral, which can include commercial real estate, physical plant and property, inventory, receivables, cash and/or marketable securities. The Company's policies generally require that letter of credit arrangements contain security and debt covenants like those contained in loan agreements and our credit risk associated with issuing letters of credit is essentially the same as the risk involved in extending loan facilities to our customers.

The Company minimizes its exposure to loss under letters of credit and credit commitments by subjecting them to the same credit approval and monitoring procedures used for on-balance sheet instruments. The effect on the Company's revenue, expenses, cash flows and liquidity of the unused portions of these letters of credit commitments cannot be precisely predicted because there is no guarantee that the lines of credit will be used.

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract, for a specific purpose. Commitments generally have variable interest rates, fixed expiration dates or other termination clauses and may require payment of a fee. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts disclosed above do not necessarily represent future cash requirements. The Company evaluates each customer's credit worthiness on a case-by-case basis. The amount of collateral obtained if deemed necessary by the Company is based on management's credit evaluation of the customer.

Litigation

The Company is involved in various matters of litigation which have arisen in the ordinary course of its business. In the opinion of management, the disposition of such pending litigation will not have a material effect on the Company's financial statements.

Note 10—Stock-based Compensation

Total compensation cost charged against income was $97,000 and $21,000 for the nine months ended September 30, 2018 and 2017, respectively.

In 2010, the Company adopted a new equity compensation plan (the "2010 Plan") that provides for the grant of stock options to employees, directors, and other persons referred to in Rule 701 under the U.S. Securities Act of 1933. The number of shares that may be issued pursuant to awards under the 2010 Plan is 730,784. The

Compensation Committee of the Company's Board of Directors is responsible for administrating the 2010 Plan and determining the terms of all awards under it, including their vesting, except that in the case of a change in control of the Company all options granted under the 2010 Plan shall become 100% vested. Stock options generally have ten year terms and vest over a three year period from the date of grant.

In 2009, the Company issued 186,530 non-qualified stock options to the Company's chief executive officer pursuant to a Non-Plan Compensatory Stock Option Agreement in connection with the execution of his employment agreement. The stock options were not issued pursuant to any equity compensation plan, but the Non-Plan Compensatory Stock Option Agreement adopted the applicable provisions of the Company's 1997 Stock Incentive Plan, which expired in October 2007. The options were granted with an exercise price equal to the estimated fair market value of the Company's common stock on the date of the grant. The stock options vested immediately upon the date of grant and have a ten year term. As of September 30, 2018 these options were fully exercised and there were no options outstanding that were not issued pursuant to an equity compensation plan.

In June 2018, the Company adopted the 2018 Equity Compensation Plan, or 2018 Plan, which permits the Compensation Committee, in its sole discretion, to grant various forms of incentive awards. Under the 2018 Plan, the Compensation Committee has the power to grant stock options, stock appreciation rights, or SARs, restricted stock and restricted stock units. The number of shares that may be issued pursuant to awards under the 2018 Plan is 1,596,753.

A summary of stock option activity for the period indicated is as follows:

	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life	Aggregate Intrinsic Value
		(Dollars in thousands, except per share data)		
Outstanding at December 31, 2017	917,314	$ 4.32		
Granted	114,000	12.00		
Exercised	(201,698)	3.62		
Outstanding at September 30, 2018	829,616	5.55	4.5 Years	$ 5,353
Vested or Expected to Vest at September 30, 2018	822,915	5.50	4.4 Years	$ 5,348
Exercisable at September 30, 2018	728,251	4.76	3.8 Years	$ 5,274

As of September 30, 2018, total unrecognized compensation cost related to unvested time-based stock options was approximately $0.2 million. This cost is expected to be recognized in the next 2.7 years.

Note 11 — Regulatory Capital

Banks and bank holding companies are subject to regulatory capital requirements administered by federal banking agencies. Capital adequacy guidelines and, additionally for banks, prompt corrective action regulations, involve quantitative measures of assets, liabilities, and certain off-balance-sheet items calculated under regulatory accounting practices. Capital amounts and classifications are also subject to qualitative judgments by regulators. Failure to meet capital requirements can initiate regulatory action. The final rules implementing Basel Committee on Banking Supervision's capital guidelines for U.S. banks (Basel III rules) became effective for the Company on January 1, 2015 with full compliance with all of the requirements being phased in over a multi- year schedule, and fully phased in by January 1, 2019. Under the Basel III rules, the Company must hold a capital conservation buffer above the adequately capitalized risk-based capital ratios. The capital conservation buffer is being phased in from 0.0% for 2015 to 2.50% by 2019. As of January 1, 2018, the capital conservation buffer had phased in to 1.875%. Management believes as of September 30, 2018, the Company and Bank meet all capital adequacy requirements to which they are subject.

Prompt corrective action regulations provide five classifications: well capitalized, adequately capitalized, undercapitalized, significantly undercapitalized, and critically undercapitalized, although these terms are not used to represent overall financial condition. If adequately capitalized, regulatory approval is required to accept brokered deposits. If undercapitalized, capital distributions are limited, as is asset growth and expansion, and capital restoration plans are required. For the periods presented, the most recent regulatory notifications categorized the Bank as well capitalized under the regulatory framework for prompt corrective action. There are no conditions or events since that notification that management believes have changed the institution's category.

Actual capital amounts and ratios for the Company and the Bank as of September 30, 2018 and December 31, 2017, are presented in the following table:

	Actual		Minimum capital adequacy		To be well capitalized	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
As of September 30, 2018	(Dollars in thousands)					
The Company						
Tier 1 leverage ratio (to average assets)	$200,731	10.25%	$78,334	4.00%	$97,918	5.00%
Common equity tier 1 capital ratio (to risk-weighted assets)	185,231	23.50%	35,470	4.50%	51,234	6.50%
Tier 1 capital (to risk-weighted assets)	200,731	25.47%	47,286	6.00%	63,049	8.00%
Total capital ratio (to risk-weighted assets)	209,324	26.56%	63,049	8.00%	78,812	10.00%
The Bank						
Tier 1 leverage ratio (to average assets)	$178,298	9.12%	$78,201	4.00%	$97,751	5.00%
Common equity tier 1 capital ratio (to risk-weighted assets)	178,298	22.72%	35,314	4.50%	51,010	6.50%
Tier 1 capital (to risk-weighted assets)	178,298	22.72%	47,086	6.00%	62,781	8.00%
Total capital ratio (to risk-weighted assets)	186,892	23.81%	62,794	8.00%	78,493	10.00%
As of December 31, 2017						
The Company						
Tier 1 leverage ratio (to average assets)	$ 90,507	6.15%	$58,866	4.00%	$73,583	5.00%
Common equity tier 1 capital ratio (to risk-weighted assets)	75,007	10.54%	32,024	4.50%	46,257	6.50%
Tier 1 capital (to risk-weighted assets)	90,507	12.72%	42,692	6.00%	56,923	8.00%
Total capital ratio (to risk-weighted assets)	98,817	13.88%	56,955	8.00%	71,194	10.00%
The Bank						
Tier 1 leverage ratio (to average assets)	$ 93,030	6.33%	$58,787	4.00%	$73,483	5.00%
Common equity tier 1 capital ratio (to risk-weighted assets)	93,030	13.11%	31,932	4.50%	46,125	6.50%
Tier 1 capital (to risk-weighted assets)	93,030	13.11%	42,577	6.00%	56,769	8.00%
Total capital ratio (to risk-weighted assets)	101,340	14.29%	56,733	8.00%	70,917	10.00%

The Bank is restricted as to the amount of dividends that it can pay to the Company. Dividends declared in excess of the lesser of the Bank's undivided profits or the Bank's net income for its last three fiscal years less the amount of any distribution made to the Bank's shareholders during the same period must be approved by the California DBO. Also, the Bank may not pay dividends that would result in capital levels being reduced below the minimum requirements shown above. In addition, under the Basel Committee on Banking Supervision's capital guidelines for U.S. banks (BASEL III rules), a new "capital conservation buffer" is being phased in through 2019 with different and generally higher limits than the well capitalized limits noted above. This may further restrict dividend and executive bonus distributions, should the Company's capital ratios fall below the minimums required.

Note 12—Fair Value

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. This standard's fair value hierarchy requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1 —Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2 —Significant observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3 —Significant unobservable inputs that reflect a Company's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

Financial Instruments Required To Be Carried At Fair Value

The following is a description of valuation methodologies used for assets and liabilities recorded at fair value:

Investments . The fair values of securities available-for-sale are determined by obtaining quoted prices on nationally recognized securities exchanges (Level 1) or matrix pricing, which is a mathematical technique used widely in the industry to value debt securities without relying exclusively on quoted prices for specific securities but rather by relying on the securities' relationship to other benchmark quoted securities (Level 2).

Derivatives . The Company's derivative assets and liabilities are carried at fair value as required by GAAP. The estimated fair values of the derivative assets and liabilities are based on current market prices for similar instruments. The Company has entered into pay-fixed, receive-variable interest rate swap contracts with institutional counterparties to hedge against variability in cash flow attributable to interest rate risk caused by changes in the LIBOR benchmark interest rate on the Company's fixed rate FHLB advances. The Company is also utilizing interest rate caps as hedges against adverse changes in cash flows on the designated preferred trusts attributable to fluctuations in three-month and six-month LIBOR. It is accounting for the swaps and caps as hedges under ASC 815. Given the meaningful level of secondary market activity for derivative contracts, active pricing is available for similar assets and accordingly, the Company classifies its derivative assets and liabilities as Level 2.

Impaired loans (collateral-dependent) . The Company does not record impaired loans at fair value on a recurring basis. However, from time to time, fair value adjustments are recorded on these loans to reflect (1) partial write-downs, through charge-offs or specific allowances, that are based on the current appraised or market-quoted value of the underlying collateral or (2) the full charge-off of the loan carrying value. In some cases, the properties for which market quotes or appraised values have been obtained are located in areas where comparable sales data is limited, outdated, or unavailable. Fair value estimates for collateral-dependent impaired loans are obtained from real estate brokers or other third-party consultants. Adjustments are routinely made in the appraisal process by the appraisers to adjust for differences between the comparable sales and income data available and such adjustments are typically significant (Level 3). Impaired loans presented in the table below as of September 30, 2018 and December 31, 2017, include impaired loans with specific allowances as well as impaired loans that have been partially charged-off.

Other real estate owned . Fair value estimates for foreclosed real estate are obtained from real estate brokers or other third-party consultants (Level 3). When a current appraised value is not available or management determines the fair value of the collateral is further impaired below the appraised value as a result of known changes in the market or the collateral and there is no observable market price, such valuation inputs result in a fair value measurement that is categorized as a (Level 3) measurement. To the extent a negotiated sales price or reduced listing price represents a significant discount to an observable market price, such valuation input would result in a fair value measurement that is also considered a (Level 3) measurement.

The following tables provide the hierarchy and fair value for each class of assets and liabilities measured at fair value at September 30, 2018 and December 31, 2017. There were no transfers of assets between Level 1 and Level 2 of the fair value hierarchy for the periods presented.

As of September 30, 2018 and December 31, 2017, assets and liabilities measured at fair value on a recurring basis are as follows:

	Fair Value Measurements Using			
	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3	Total
	(Dollars in thousands)			
As of September 30, 2018				
Assets				
Securities available-for-sale	$ —	$ 302,317	$ —	$302,317
Derivative assets	—	1,305	—	1,305
	$ —	$ 303,622	$ —	$303,622
As of December 31, 2017				
Assets				
Securities available-for-sale	$ —	$ 191,802	$ —	$191,802
Derivative assets	—	1,091	—	1,091
	$ —	$ 192,893	$ —	$192,893

As of September 30, 2018 and December 31, 2017, assets measured at fair value on a non-recurring basis are summarized as follows:

	Fair Value Measurements Using			
	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3	Total
	(Dollars in thousands)			
September 30, 2018				
Assets				
Impaired loans:				
Real estate:				
One-to-four family	$ —	$ —	$ 26	$ 26
Reverse mortgage	—	—	316	316
Other real estate owned, net	—	—	41	41
	$ —	$ —	$ 383	$383

	Fair Value Measurements Using			
	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3	Total
	(Dollars in thousands)			
As of December 31, 2017				
Assets				
Impaired loans:				
Real estate:				
One-to-four family	$ —	$ —	$ 33	$ 33
Commercial	—	—	1,506	1,506
Reverse mortgage	—	—	301	301
Other real estate owned, net	—	—	2,308	2,308
	$ —	$ —	$ 4,148	$4,148

Financial Instruments Not Required To Be Carried At Fair Value

FASB ASC Topic 825, *Financial Instruments* , requires the disclosure of the estimated fair value of financial instruments. The Company's estimated fair value amounts have been determined by the Company using available market information and appropriate valuation methodologies. However, considerable judgment is required to develop the estimates of fair value. Accordingly, the estimates are not necessarily indicative of the amounts the Company could have realized in a current market exchange. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair value amounts.

Fair value estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates. The following methods and assumptions were used by the Company in estimating fair values of financial instruments:

Cash and cash equivalents and interest earning deposits in other banks . The carrying values reported in the balance sheets approximate fair values due to the short-term nature of the assets.

Loans held - for - investment . The fair value loans held-for-investment is estimated based on a discounted cash flow approach under an exit price notion. The fair value reflects the estimated yield that would be negotiated with a willing market participant. Because sale transactions of such loans are not readily observable, as many of the loans have unique risk characteristics, the valuation is based on significant unobservable inputs (Level 3).

Loans held-for-sale . Loans held-for-sale, held at lower of cost or fair value, is derived from committed prices to sell such loans to investors, current pricing from the Company's available pool of investors, or market pricing derived from available comparable sales data (Level 2).

FHLB and FRB bank stock, at cost . It is not practical to determine the fair value of FHLB and FRB stock due to restrictions placed on its transferability.

Accrued interest receivable and payable . The carrying amounts of accrued interest approximate fair value and are classified within the same fair value hierarchy level as the related asset or liability.

Deposits . The fair values of certificates of deposit are estimated by discounting the expected cash flows at current rates for instruments with similar maturities (Level 2). The carrying values of transaction accounts are deemed to be fair value since they are payable on demand.

FHLB advances and notes payable . The fair values of FHLB advances and notes payable are estimated by discounting the expected cash flows at current borrowing rates for instruments with similar maturities (Level 2).

Subordinated debentures . The fair values of subordinated debentures are estimated by discounting expected future cash flows at a market rate of interest for instruments with similar maturities (Level 2).

The following tables present information about the Company's assets and liabilities that are not measured at fair value in the consolidated statements of financial condition as of September 30, 2018 and December 31, 2017:

	Carrying Amount	Fair Value Measurements Using			
		Level 1	Level 2	Level 3	Total
		(Dollars in thousands)			
As of September 30, 2018					
Financial assets:					
Cash and due from banks	$ 6,488	$ 6,488	$ —	$ —	$ 6,488
Interest bearing deposits	943,838	943,838	—	—	943,838
Securities held-to-maturity	81	—	81	—	81
Loans held-for-investment, net	687,818	—	—	685,819	685,819
Loans held-for-sale	184,105	—	184,105	—	184,105
FHLB and FRB stock	9,660	N/A	N/A	N/A	N/A
Accrued interest receivable	4,391	209	525	3,657	4,391
Financial liabilities:					
Deposits	$1,937,326	$ —	$1,881,408	$ —	$1,881,408
Notes payable	5,143	—	5,143	—	5,143
Subordinated debentures	15,799	—	15,622	—	15,622
Accrued interest payable	247	—	247	—	247

	Carrying Amount	Fair Value Measurements Using			
		Level 1	Level 2	Level 3	Total
		(Dollars in thousands)			
As of December 31, 2017					
Financial assets:					
Cash and due from banks	$ 3,951	$ 3,951	$ —	$ —	$ 3,951
Interest bearing deposits	793,717	793,717	—	—	793,717
Securities held-to-maturity	119	—	119	—	119
Loans held-for-investment, net	689,303	—	—	692,025	692,025
Loans held-for-sale	190,392	—	190,392	—	190,392
FHLB and FRB stock	7,352	N/A	N/A	N/A	N/A
Accrued interest receivable	3,910	400	391	3,119	3,910
Financial liabilities:					
Deposits	$1,775,146	$ —	$1,732,108	$ —	$1,732,108
FHLB advances and notes payable	21,000	—	21,000	—	21,000
Subordinated debentures	15,788	—	15,097	—	15,097
Accrued interest payable	447	—	447	—	447

Note 13—Earnings Per Share

The computation of basic and diluted earnings per share is shown below (in thousands, except per share data).

	Nine Months Ended September 30,	
	2018	2017
Basic		
Net income	$ 14,313	$ 5,704
Weighted average common shares outstanding	16,113	9,224
Basic earnings per common share	$ 0.89	$ 0.62
Diluted		
Net income	$ 14,313	$ 5,704
Weighted average common shares outstanding for basic earnings per common share	16,113	9,224
Add: Dilutive effects of assumed exercise of stock options	494	386
Average shares and dilutive potential common shares	16,607	9,610
Dilutive earnings per commons share	$ 0.86	$ 0.59

Stock options for 76,000 and 13,000 shares of common stock were not considered in computing diluted earnings per share for the nine months ended September 30, 2018 and 2017, respectively, because they were anti-dilutive.

Note 14—Common Stock

In January 2017, 149,500 shares of Class A common stock were exchanged by the Company's shareholders for Class B common stock.

On February 23, 2018, the Company completed a private placement of 9.5 million shares of the Company's Class A common stock, generating gross proceeds of $114.0 million. Costs incurred with the private placement were $6.1 million. Proceeds from this placement funded a stock repurchase of 997,506 shares of Class A and Class B common stock for $11.4 million.

In March 2018, 1,165,000 shares of Class B common stock were sold by the Company's shareholders and reissued as Class A common stock.

Note 15—Subsequent Event

On November 15, 2018, the Company and the Bank entered into a purchase and assumption agreement to sell the Bank's small business lending division and retail branch located in San Marcos, California to HomeStreet Bank. Under the purchase and assumption agreement, HomeStreet Bank has agreed to acquire approximately $123 million of business loans and assume approximately $124 million of deposits (both as of October 31, 2018). HomeStreet Bank has agreed to acquire the loans at par value, plus accrued interest, as of the closing date and will pay deposit premiums based on the deposit type and average deposit balances for the 30 day period up to and including the closing date. Changes in the amount of total deposits and the amount of deposits within each deposit classification may change the financial impact at closing. Furthermore, the amount of loans sold may increase or decrease before closing.

This transaction enables the Company to increase its focus on its digital currency initiative and its specialty lending competencies. Subject to customary closing conditions, including all necessary regulatory approvals, the transaction is expected to be completed in the second quarter of 2019.

Report of Independent Registered Public Accounting Firm

Shareholders and the Board of Directors of Silvergate Capital Corporation
La Jolla, California

Opinion on the Financial Statements

We have audited the accompanying consolidated statements of financial condition of Silvergate Capital Corporation (the "Company") as of December 31, 2017 and 2016, the related consolidated statements of operations, comprehensive income, shareholders' equity, and cash flows for the years then ended, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2017 and 2016, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting in accordance with the standards of the PCAOB. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion in accordance with the standards of the PCAOB.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Crowe LLP

We have served as the Company's auditor since 2015.

Costa Mesa, California
August 1, 2018

SILVERGATE CAPITAL CORPORATION
CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION
(In Thousands, Except Par Value Amounts)

	December 31, 2017	December 31, 2016
ASSETS		
Cash and due from banks	$ 3,951	$ 3,594
Interest earning deposits in other banks	793,717	31,055
Cash and cash equivalents	797,668	34,649
Securities available-for-sale, at fair value	191,802	89,050
Securities held-to-maturity, at amortized cost	119	405
Loans held-for-investment, net of allowance for loan losses of $8,165 and $8,044 at December 31, 2017 and 2016, respectively	689,303	669,136
Loans held-for-sale, at lower of cost or fair value	190,392	166,986
Federal home loan and federal reserve bank stock, at cost	7,352	7,187
Accrued interest receivable	3,910	2,924
Other real estate owned, net	2,308	562
Premises and equipment, net	1,753	1,362
Derivative assets	1,091	1,186
Low income housing tax credit investment	1,137	1,339
Deferred tax assets	2,840	4,564
Other assets	2,273	1,718
Total assets	$1,891,948	$981,068
LIABILITIES AND SHAREHOLDERS' EQUITY		
Deposits:		
Noninterest bearing demand accounts	$1,464,154	$166,487
Interest bearing accounts	310,992	601,375
Total deposits	1,775,146	767,862
Federal home loan bank advances	15,000	115,000
Notes payable	6,000	7,143
Subordinated debentures, net	15,788	15,774
Accrued expenses and other liabilities	6,214	9,482
Total liabilities	1,818,148	915,261
Commitments and contingencies		
Preferred stock, $0.01 par value—authorized 10,000 shares; $1,000 per share liquidation preference, 0 shares issued and outstanding at December 31, 2017 and 2016	—	—
Class A common stock, $0.01 par value—authorized 125,000 shares; 6,189 and 6,339 shares issued and outstanding at December 31, 2017 and 2016, respectively	62	63
Class B non-voting common stock, $0.01 par value—authorized 25,000 shares; 3,035 and 2,886 shares issued and outstanding at December 31, 2017 and 2016, respectively	30	29
Additional paid-in capital	29,794	29,781
Retained earnings	45,131	37,285
Accumulated other comprehensive loss	(1,217)	(1,351)
Total shareholders' equity	73,800	65,807
Total liabilities and shareholders' equity	$1,891,948	$981,068

See accompanying notes to unaudited consolidated financial statements

SILVERGATE CAPITAL CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS
(In Thousands, Except Per Share Data)

	Year Ended December 31,	
	2017	2016
Interest income		
Loans, including fees	$42,806	$39,369
Securities	2,274	1,145
Other interest earning assets	2,678	209
Dividends and other	548	818
Total interest income	48,306	41,541
Interest expense		
Deposits	4,361	5,494
Federal home loan bank advances	678	491
Notes payable and other	537	1,036
Subordinated debentures	779	708
Total interest expense	6,355	7,729
Net interest income before provision for loan losses	41,951	33,812
Provision for loan losses	262	1,136
Net interest income after provision for loan losses	41,689	32,676
Noninterest income		
Mortgage warehouse fee income	1,732	2,112
Service fees related to off-balance sheet deposits	223	—
Deposit related fees	702	160
Gain on sale of loans	459	658
Other income	332	378
Total noninterest income	3,448	3,308
Noninterest expense		
Salaries and employee benefits	20,168	15,886
Occupancy and equipment	2,397	1,887
Communications and data processing	1,920	1,964
Professional services	1,556	856
Federal deposit insurance	683	579
Correspondent bank charges	1,100	433
Other loan expense	270	310
Other real estate owned expense	22	32
Other general and administrative	2,590	2,267
Total noninterest expense	30,706	24,214
Income before income taxes	14,431	11,770
Income tax expense	6,788	4,735
Net income	7,643	7,035
Dividends on preferred stock	—	13
Net income available to common shareholders	$ 7,643	$ 7,022
Basic earnings per share	$ 0.83	$ 0.72
Diluted earnings per share	$ 0.79	$ 0.70

See accompanying notes to unaudited consolidated financial statements

SILVERGATE CAPITAL CORPORATION
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In Thousands)

	Year Ended December 31,	
	2017	2016
Net income	$7,643	$ 7,035
Other comprehensive income (loss):		
Change in net unrealized gain/(loss) on available-for-sale securities	171	(1,334)
Income tax effect	(75)	537
Unrealized gain (loss) on available-for-sale securities, net of tax	96	(797)
Change in net unrealized gain/(loss) on derivative assets	339	208
Income tax effect	(98)	(116)
Unrealized gain on derivative instruments, net of tax	241	92
Other comprehensive income (loss)	337	(705)
Total comprehensive income	$7,980	$ 6,330

See accompanying notes to unaudited consolidated financial statements

SILVERGATE CAPITAL CORPORATION
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(In Thousands, Except share data)

	Preferred Stock		Class A Common Stock		Class B Common Stock					
	Shares	Amount	Shares	Amount	Shares	Amount	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Shareholders' Equity
Balance at January 1, 2016	7,427	$ —	6,763,075	$ 67	2,964,945	$ 30	$ 40,679	$ 30,263	$ (646)	$ 70,393
Total comprehensive Income	—	—	—	—	—	—	—	7,035	(705)	6,330
Repurchase of preferred Stock	(7,427)	—	—	—	—	—	(7,427)	—	—	(7,427)
Preferred stock issuance cost amortization	—	—	—	—	—	—	2	—	—	2
Dividends on preferred stock	—	—	—	—	—	—	—	(13)	—	(13)
Repurchase of common stock	—	—	(425,575)	(4)	(79,441)	(1)	(3,495)	—	—	(3,500)
Stock-based compensation	—	—	—	—	—	—	22	—	—	22
Exercise of stock options	—	—	1,206	—	—	—	—	—	—	—
Balance at December 31, 2016	—	—	6,338,706	63	2,885,504	29	29,781	37,285	(1,351)	65,807
Total comprehensive income	—	—	—	—	—	—	—	7,643	337	7,980
Reclassification of certain income tax effects	—	—	—	—	—	—	—	203	(203)	—
Shareholder exchanges of Class A common stock for Class B common stock	—	—	(149,500)	(1)	149,500	1	—	—	—	—
Stock-based compensation	—	—	—	—	—	—	21	—	—	21
Exercise of stock options, net of shares withheld for employee taxes	—	—	—	—	—	—	(8)	—	—	(8)
Balance at December 31, 2017	—	$ —	6,189,206	$ 62	3,035,004	$ 30	$ 29,794	$ 45,131	$ (1,217)	$ 73,800

See accompanying notes to consolidated financial statements

SILVERGATE CAPITAL CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Thousands)

	Year Ended December 31,	
	2017	2016
Cash flows from operating activities		
Net income	$ 7,643	$ 7,035
Adjustments to reconcile net income to net cash (used in) provided by operating activities:		
Depreciation and amortization	1,103	975
Accretion of securities premiums and discounts, net	(542)	(571)
Amortization of loan premiums and discounts and deferred loan origination fees and costs, net	—	58
Stock-based compensation	21	22
Deferred income tax expense (benefit)	1,559	(544)
Provision for loan losses	262	1,136
Originations/purchases of loans held-for-sale	(2,990,907)	(2,518,468)
Proceeds from sales of loans held-for-sale	2,967,921	2,516,378
Gain on sale of loans	(459)	(658)
Gain on liability for trusts, at fair value	—	(1,451)
Net decrease in securitized loans inventory	—	28,945
Unrealized gain on securitized loan inventory	—	(160)
Change in fair value of available-for-sale securities	—	(452)
Gain on sale of other real estate owned, net	(12)	(9)
Loss (gain) on sale of premises and equipment	78	(6)
Changes in operating assets and liabilities:		
Other assets	(1,529)	418
Accrued expenses and other liabilities	(3,263)	4,108
Net cash (used in) provided by operating activities	(18,125)	36,756
Cash flows from investing activities		
Proceeds from paydowns and maturities of securities available-for-sale	19,431	24,783
Purchases of securities available-for-sale	(121,293)	(67,449)
Proceeds from paydowns and maturities of securities held-to-maturity	286	168
Loan originations and payments, net	(22,749)	(28,442)
Purchase of federal home loan bank stock	(165)	—
Redemption of federal reserve bank stock	—	4
Funding of low income tax credit investment	(5)	(42)
Proceeds from sale of other real estate owned	625	1,313
Purchase of premises and equipment, net	(1,119)	(594)
Net cash used in investing activities	(124,989)	(70,259)
Cash flows from financing activities		
Net change in noninterest bearing deposits	1,297,667	47,580
Net change in interest bearing deposits	(290,383)	86,749
Net change in federal home loan bank advances	(100,000)	(84,000)
Proceeds from notes payable	—	8,000
Payments made on notes payable	(1,143)	(857)
Payments made on liability for trusts	—	(26,764)
Proceeds from liability for trusts	—	679
Repurchase of common stock	—	(3,500)
Repurchase of preferred stock	—	(7,427)
Other	(8)	(13)
Net cash provided by financing activities	906,133	20,447
Net increase (decrease) in cash and cash equivalents	763,019	(13,056)
Cash and cash equivalents, beginning of year	34,649	47,705
Cash and cash equivalents, end of year	$ 797,668	$ 34,649

See accompanying notes to consolidated financial statements

SILVERGATE CAPITAL CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)
(In Thousands)

	Year Ended December 31,	
	2017	2016
Supplemental disclosures of cash flow information		
Cash paid for interest	$6,379	$7,616
Income taxes paid	$5,445	$4,488
Supplemental disclosures of noncash investing activities		
Loans held-for-sale transferred to loans held-for-investment	$ 39	$4,378
Loans transferred to other real estate owned	$2,359	$ 597

See accompanying notes to consolidated financial statements

SILVERGATE CAPITAL CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1—Nature of Business and Summary of Significant Accounting Policies

Nature of Business

The accompanying consolidated financial statements include the accounts of Silvergate Capital Corporation, a Maryland corporation and its wholly-owned subsidiary, Silvergate Bank (the "Bank"), collectively referred to as (the "Company").

The Bank was incorporated in 1987, and commenced business in 1988 under the California Financial Code as an industrial bank. In February 2009 the Bank converted its charter to a California commercial bank, which gave it the added authority to accept demand deposits. At the same time, the Company also became a registered bank holding company under the federal Bank Holding Company Act. The Bank became a member of the Federal Reserve System in December 2012. The Bank is subject to regulation by the California Department of Business Oversight ("DBO"), and the Federal Reserve Bank of San Francisco ("FRB"), and its deposits are insured by the Federal Deposit Insurance Corporation ("FDIC") up to applicable legal limits.

The Bank provides financial services that include commercial banking, business lending, commercial and residential real estate lending, and mortgage warehouse lending. The Bank's primary market is California, but it purchases and originates loans and solicits deposits throughout the Unites States. The lending of the Bank is concentrated in two primary niches: single-family residential real estate and commercial real estate (including multi-family residential properties). In the past, the Bank has also purchased reverse mortgage loans to individuals and has been approved by the Federal Housing Administration ("FHA") to participate in its administered programs. In mid-2014, the Bank ceased purchases of reverse mortgage loans and, began selling its remaining loans in the secondary market. Prior to 2017, the Bank securitized loans which were sold as Government National Mortgage Association ("GNMA") Home Equity Conversion Mortgage ("HECM") backed securities. The Bank recognized a corresponding liability to GNMA trusts for the securitized portfolio on the consolidated balance sheets. During the year ended December 31, 2016 the Company sold its GNMA securitized loan portfolio, eliminating the asset and liability from the balance sheet.

The Bank currently has four locations in the San Diego area, with its headquarters and a branch office located in La Jolla and additional branch offices located in La Mesa and San Marcos, California.

Basis of Presentation

The consolidated financial statements include the accounts of the Company and all other entities in which it has a controlling financial interest. All significant intercompany accounts and transactions have been eliminated in consolidation. Unless the context requires otherwise, all references to the Company include its wholly owned subsidiaries. The accounting and reporting polices of the Company are based upon Generally Accepted Accounting Principles GAAP and conform to predominant practices within the financial services industry. Significant accounting policies followed by the Company are presented below.

Reclassifications

Certain immaterial reclassifications have been made to the consolidated financial statements to conform to the current year's presentation.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions based on available

information that affect the reported amounts of assets and liabilities as of the date of the balance sheet and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and cash equivalents

Cash equivalents consist of federal funds sold and other short-term investments with original maturities of three months or less. The Company maintains amounts due from Banks which exceed federally insured limits. The Company has not experienced any losses in such accounts. Net cash flows are reported for customer loan and deposit transactions, interest bearing deposits in other financial institutions and fed funds sold.

Securities

Management determines the appropriate classification of securities at the time of purchase. Securities to be held for indefinite periods of time, but not necessarily to be held-to-maturity or on a long-term basis, are classified as available-for-sale and carried at fair value, with unrealized gains or losses, net of applicable deferred income taxes, reported as a separate component of shareholders' equity in accumulated other comprehensive income. Interest income is recognized under the interest method and includes amortization of purchase premiums and accretion of purchase discounts. Premiums and discounts are on securities are amortized on the level-yield method, without anticipating prepayments, except for mortgage-backed securities where prepayments are anticipated. Realized gains or losses on the sale of securities are determined using the specific identification method and are recorded on trade date. Securities classified as available-for-sale include securities that management intends to use as part of its asset / liability management strategy and may be sold to provide liquidity in response to changes in interest rates, prepayment risk, or other related factors. Securities classified as held-to-maturity are carried at amortized cost when management has the positive intent to hold the securities to maturity.

Management evaluates securities for other than temporary impairment (OTTI) on a quarterly basis, or more frequently when economic or market conditions warrant such an evaluation. Management considers, among other things, (i) the length of time and the extent to which the fair value has been less than cost, (ii) the financial condition and near-term prospects of the issuer, and (iii) the Company's intent and ability to retain the investment for a period of time sufficient to allow for any anticipated recovery in fair value. Evidence evaluated includes, but is not limited to, the remaining payment terms of the instrument and economic factors that are relevant to the collectability of the instrument, such as: current prepayment speeds, the current financial condition of the issuer(s), industry analyst reports, credit ratings, credit default rates, interest rate trends, the quality of any credit enhancement and the value of any underlying collateral.

For each security in an unrealized loss position, the Company assesses whether it intends to sell the security or if it is more likely than not that the Company will be required to sell the security before recovery of its amortized cost basis less any current-period credit losses. If the Company intends to sell the security or it is more likely than not the Company will be required to sell the security before recovery of its amortized cost basis less any current-period credit loss, the entire difference between the investment's amortized cost basis and its fair value at the balance sheet date is recognized in earnings.

For impaired securities that are not intended for sale and will not be required to be sold prior to recovery of the Company's amortized cost basis, the Company determines if the impairment has a credit loss component. For both held-to-maturity and available-for-sale securities, if there is no credit loss, no further action is required. For both held-to-maturity and available-for-sale securities, if the amount or timing of cash flows expected to be collected are less than those at the last reporting date, an other-than-temporary impairment shall be considered to have occurred and the credit loss component is recognized in earnings as the present value of the change in expected future cash flows. In determining the present value of the expected cash flows the Company discounts the expected cash flows at the effective interest rate implicit in the security at the date of purchase. The

remaining difference between the security's fair value and the amortized basis is deemed to be due to factors that are not credit related and is recognized in other comprehensive income, net of applicable taxes.

The other-than-temporary impairment recognized in other comprehensive income for debt securities classified as held-to-maturity is accreted from other comprehensive income to the amortized cost of the debt security over the remaining life of the debt security in a prospective manner on the basis of the amount and timing of future estimated cash flows.

Loans held-for-investment

Loans that management has the intent and ability to hold for the foreseeable future or until maturity or payoff are reported at the principal balance outstanding, net of deferred loan fees, unamortized premiums and discounts and an allowance for loan loss. Interest on loans is accrued using the effective interest method based on principal amounts outstanding.

Nonrefundable loan fees and certain direct costs associated with the origination of loans are deferred and recognized as an adjustment to interest income over the contractual life of the loans using the level yield method, without anticipating prepayments, or straight lined for loans with revolving features such as construction loans or lines of credit. The accretion of loan fees and costs is discontinued on nonaccrual loans.

In addition to originating loans, the Company purchases individual loans and groups of loans. For those purchased loans that management intends to hold for the foreseeable future or until maturity, the purchase premiums and discounts are amortized or accreted using the effective interest method over the remaining contractual life of the loan or straight-lined to their estimated termination for loans with revolving features such as reverse mortgages.

Nonaccrual loans

Loans are placed on nonaccrual status when, in the opinion of management, the full and timely collection of principal or interest is in doubt. Generally, the accrual of interest is discontinued when principal or interest payments become more than 90 days past due. In all cases, loans are placed on nonaccrual or charged-off at an earlier date if collection of the principal or interest is considered doubtful. When a loan is placed on nonaccrual status, previously accrued but unpaid interest is reversed against current income. Subsequent collections of unpaid amounts on such a loan are applied to reduce principal when received, except when the ultimate collectability of principal is probable, in which case interest payments are credited to income. Nonaccrual loans may be restored to accrual status if and when principal and interest become current and full repayment is expected.

Allowance for loan losses

The allowance for loan losses is a valuation allowance for probable incurred credit losses. Loans that are deemed to be uncollectible are charged off and deducted from the allowance for loan losses. The provision for loan losses and recoveries on loans previously charged off are credited to the allowance for loan losses. The allowance consists of specific and general components. The specific component relates to loans that are individually classified as impaired when, based on current information and events, it is probable that the Company will be unable to collect all amounts due according to the contractual terms of the loan agreement. Loans for which the terms have been modified resulting in a concession, and for which the borrower is experiencing financial difficulties, are considered troubled debt restructurings (TDRs) and classified as impaired.

The general component covers loans that are collectively evaluated for impairment and loans that are not individually identified for impairment evaluation. The general component is based on historical loss experience adjusted for current factors and includes actual loss history experienced since the beginning of 2007. This actual

loss experience is supplemented with other economic factors based on the risks present for each portfolio segment. These economic factors include consideration of the following: levels and trends in delinquencies and impaired loans (including TDRs); levels and trends in charge-offs and recoveries, trends in volumes and terms of loans; migration of loans to the classification of special mention, substandard, or doubtful; effects of any change in risk selection and underwriting standards; other changes in lending policies and procedures; national and local economic trends and conditions; and effects of changes in credit concentrations.

Management estimates the allowance balance required using past loan loss experience, current economic conditions, the nature and volume of the portfolio, information about specific borrower situations, estimated collateral values and other factors. Allocations of the allowance may be made for specific loans, but the entire allowance is available for any loan that, in management's judgment, should be charged off. Amounts are charged off when available information confirms that specific loans, or portions thereof, are uncollectible. This methodology for determining charge-offs is consistently applied to each group of loans. Management groups loans into different categories based on loan type to determine the appropriate allowance for each loan group.

A loan is considered impaired when full payment under the loan terms is not expected. Impairment is evaluated in total for smaller- balance loans of similar nature, such as residential mortgage loans, and on an individual loan basis for multifamily and commercial loans. If a loan is impaired, a portion of the allowance is allocated so that the loan is reported, net of the present value of estimated future cash flows using the loan's original effective rate or at the fair value of collateral less estimated costs to sell if repayment is expected solely from the collateral. Factors considered in determining impairment include payment status, collateral value and the probability of collecting all amounts when due. Large groups of smaller-balance homogeneous loans such as residential real estate loans are collectively evaluated for impairment and, accordingly, they are not separately identified for impairment disclosures. Loans that experience insignificant payment delays and payment shortfalls are generally not classified as impaired. Management considered the significance of payment delays on a case by case basis, taking into consideration all the circumstances of the loan and borrower, including the length of delay, the reasons for the delay, the borrower's prior payment record, the amount of the shortfall in relation to principal and interest owed.

Loans are reported as TDRs when the Company grants concession(s) to a borrower experiencing financial difficulties that it would not otherwise consider. Examples of such concessions include forgiveness of principal or accrued interest, extending the maturity date, or providing a lower interest rate than would be normally available for a transaction of similar risk. As a result of these concessions, restructured loans are impaired as the Company will not collect all amounts due, both principal and interest, in accordance with the terms of the original loan agreement. TDRs are individually evaluated for impairment and included in separately identified impairment disclosures. TDRs are measured at the present value of estimated cash flows using the loan's effective rate at inception. If a TDR is considered to be a collateral dependent loan, the loan is reported, net, at the fair value of the collateral. For TDRs that subsequently default, the Company determined the amount of the allowance on the loan in accordance with the accounting policy for the allowance for loan losses on loans individually identified as impaired. The Company incorporates recent historical experience related to TDRs, including the performance of TDRs that subsequently defaulted, into the allowance calculation by loan portfolio segment.

Loans held-for-sale

Certain loans originated or acquired and intended for sale in the secondary market are carried at the lower of cost or estimated fair value in the aggregate, as determined by outstanding commitments from investors. Net unrealized losses are recognized through a valuation allowance by charges to income. Gains or losses realized on the sales of loans are recognized at the time of sale and are determined by the difference between the net sales proceeds and the carrying value of the loans sold, adjusted for any servicing asset or liability. Gains and losses on sales of loans are included in noninterest income.

Transfers of loans are accounted for as sales when control over the assets has been surrendered. Control over transferred assets is deemed to be surrendered when (1) the assets have been isolated from the Company, (2) the transferee obtains the right (free of conditions that constrain it from taking advantage of that right) to pledge or exchange the transferred assets, and (3) the Company does not maintain effective control through an agreement to purchase them before their maturity.

In the event of a breach of representations and warranties, the Company may be required to repurchase a mortgage loan or indemnify the purchaser, and any subsequent loss on the mortgage loan may be borne by the Company. If there is no breach of a representation and warranty provision, the Company has no obligation to repurchase the loan or indemnify the investor against loss. In cases where the Company repurchases loans, it bears the subsequent credit loss on the loans. Repurchased loans are classified as held-for-sale and are initially recorded at fair value until disposition. The Company seeks to manage the risk of repurchase and associated credit exposure through our underwriting and quality assurance practices and by servicing mortgage loans to meet investor standards.

Federal Home Loan Bank "FHLB" and Federal Reserve Bank "FRB" stock

The Bank is a member of the FHLB of San Francisco and the FRB system. Members are required to own a certain amount of stock based on the level of borrowings and other factors, and may invest in additional amounts. Investments in nonmarketable equity securities, such as FHLB stock and FRB stock, are recorded at cost, classified as a restricted security and periodically evaluated for impairment based on ultimate recovery of par value. Both cash and stock dividends are reported as income.

Other real estate owned

Real estate acquired through or in lieu of loan foreclosure is initially recorded at fair value less estimated costs to sell when acquired, establishing a new cost basis. Physical possession of residential real estate property collateralizing a consumer mortgage loan occurs when legal title is obtained upon completion of foreclosure or when the borrower conveys all interest in the property to satisfy the loan through completion of a deed in lieu of foreclosure or through similar legal agreement. If fair value declines subsequent to acquisition, a valuation allowance is recorded through expense. Operating costs after acquisition are expensed.

Premises and equipment

Premises and equipment are stated at cost less accumulated depreciation and amortization. Amortization of leasehold improvements is computed on a straight-line basis over the terms of the leases or the estimated useful lives of the improvements, whichever is shorter. Depreciation of equipment, furniture, and automobiles is charged to operating expense over the estimated useful lives of the assets on a straight-line basis. The estimated useful lives of equipment, furniture, and automobiles range from three to ten years. Software is stated at cost less accumulated amortization. Amortization of software is computed on a straight-line basis over the estimated useful life of the software, and this period is typically three to five years.

Loan commitments

Financial instruments include off-balance sheet credit instruments, such as commitments to make loans and commercial letters of credit, issued to meet customer financing needs. The face amount for these items represents the exposure to loss, before considering customer collateral or ability to repay. Such financial instruments are recorded when they are funded.

Derivative financial instruments

At inception of a derivative contract, the Company designates the derivative as one of three types based on the Company's intention and belief as the likely effectiveness as a hedge. These three types are (1) a hedge of

fair value of a recognized asset or liability or of an unrecognized firm commitment ("fair value hedge"), (2) a hedge of a forecasted transaction or the variability of cash flows to be received or paid related to a recognized asset or liability ("cash flow hedge"), or (3) an instrument with no hedging designation ("stand alone derivative"). For a fair value hedge, the gain or loss on the derivative as well as the offsetting loss or gain on the hedged item, are recognized in current earnings as fair values change. For a cash flow hedge, the gain or loss on the derivative is reported in other comprehensive income and is reclassified into earnings in the same period during which the hedged transaction affects the earnings. For both types of hedges, changes in fair value of derivatives that are not highly effective in hedging the changes in fair value or expected cash flows of the hedged item are recognized immediately in current earnings. The changes in fair value of derivatives that do not qualify for hedge accounting are reported in current earnings, as noninterest income.

Net cash settlements on derivatives that qualify for hedge accounting are recorded in interest income or interest expense, based on the item being hedged. Cash flows on hedges are classified in the cash flow statement the same as the cash flows of the item being hedged.

The Company formally documents the relationship between the derivative and hedged items, as well as the risk-management objective and the strategy for undertaking hedge transactions at the inception of the hedging relationship. This documentation includes linking fair value of cash flow hedges to specific assets and liabilities on the balance sheet or to specific firm commitments or forecasted transactions. The Company also formally assesses, both at the hedge's inception and on an ongoing basis, whether the derivative instruments that are used are highly effective in offsetting the changes in fair values or cash flows of the hedged items. The Company discounts hedge accounting when it determines that the derivative is no longer effective in offsetting changes in fair values or cash flows of the hedged item, the derivative is settled or terminates, a hedged forecasted transaction is no longer probable, a hedged firm commitment is no longer firm, or treatment of the derivative as a hedge is no longer appropriate or intended.

Low income housing tax credit investment

The Company has invested in a limited partnership that was formed to develop and operate several apartment complexes designed as high-quality affordable housing for lower income tenants throughout California. The investment is accounted for using the equity method of accounting. The partnership must meet the regulatory minimum requirements for affordable housing for a minimum 15-year compliance period to fully utilize the tax credits. If the partnership ceases to qualify during the compliance period, the credit may be denied for any period in which the project is not in compliance and a portion of the credit previously taken is subject to recapture with interest. At December 31, 2017 and 2016, the balance of the investment for qualified housing projects was $1.1 million and $1.3 million.

Income taxes

Income tax expense is the total of the current year income tax due or refundable and the change in deferred tax assets and liabilities. Deferred tax assets and liabilities are recognized for the future tax amounts attributable to differences between the financial statement carrying amounts of assets and liabilities and their respective tax bases, computed using enacted tax rates. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. A valuation allowance, if needed, reduces deferred tax assets to the amount expected to be realized.

The Company accounts for uncertainty in tax positions taken or expected to be taken on a tax return in accordance with FASB ASC Topic 740, Accounting for Income Taxes, and provides that the tax effects from an uncertain tax position can be recognized in the financial statements only if, based on its merits, the position is more likely than not to be sustained on audit by the taxing authorities. Management believes that all tax positions taken to date are highly certain and, accordingly, no accounting adjustment has been made to the financial statements. Interest and penalties, if any, related to uncertain tax positions are recorded as part of income tax expense.

Stock - based compensation

The Company accounts for stock-based compensation in accordance with FASB ASC Topic 718, *Compensation—Stock Options* , that generally requires entities to recognize the cost of employee services received in exchange for awards of stock options, or other equity instruments, based on the grant date fair value of those awards. Compensation cost is recognized for stock options issued to employees based on the fair value of these awards at the date of grant. A Black Scholes model is utilized to estimate the fair value of stock options. This cost is recognized over the period which an employee is required to provide services in exchange for the award, generally the vesting period.

Fair value measurement

The Company measures and presents fair values in accordance with FASB ASC Topic 820, *Fair Value Measurement* , that defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. This standard establishes a fair value hierarchy about the assumptions used to measure fair value and clarifies assumptions about risk and the effect of a restriction on the sale or use of an asset.

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. This standard's fair value hierarchy requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1 —Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2 — Significant observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3 —Significant unobservable inputs that reflect a Company's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

See Note 16 for more information and disclosures relating to the Company's fair value measurements.

Operating Segments

While the chief decision-makers monitor the revenue streams of the various products and services, operations are managed and financial performance is evaluated on a Company-wide basis. Operating results are not reviewed by senior management to make resource allocation or performance decisions. Accordingly, all of the financial service operations are considered by management to be aggregated in one reportable operating segment.

Earnings per share

Basic earnings per share is computed on the basis of the weighted-average number of common shares outstanding during the year. Diluted earnings per share is computed on the basis of the weighted-average number of common shares outstanding and any dilutive common equivalent shares resulting from stock options.

Comprehensive income

The Company presents comprehensive income in accordance with FASB ASC Topic 220, *Comprehensive Income* , that requires the disclosure of comprehensive income (loss) and its components. Other comprehensive income (loss) includes unrealized gains and losses on securities available-for-sale and the change in the fair value of cash flow hedges, net of deferred tax effects, which are also recognized as a separate component of equity.

Adopted Accounting Pronouncements

Accounting Standards Update ("ASU") No. 2018-02, Income Statement-Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income, provides financial statement preparers with an option to reclassify stranded tax effects within AOCI to retained earnings in each period in which the effect of the change in the U.S. federal corporate income tax rate in the Tax Act is recorded. At December 31, 2017, the Company early adopted ASU 2018-02 and reclassified out of accumulated other comprehensive income and into retained earnings $0.2 million of tax expense that was recorded to income tax expense at December 22, 2017 due to re-measuring to 21% deferred taxes on available-for-sale securities and derivative assets.

In March 2016, the Financial Accounting Standards Board (the "FASB") issued ASU 2016-09, Compensation—Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting to amend existing guidance to simplify the accounting for share-based payment award transactions, including: (a) income tax consequences; (b) classification of awards as either equity or liabilities; (c) classification on the statement of cash flows; and (d) policy election to estimate the number of awards that are expected to vest (current GAAP) or account for forfeitures when they occur. The amendments are effective for annual periods beginning after December 15, 2016. Early adoption is permitted and may elect to adopt all amendments in the same period. Amendments related to the timing of when excess tax benefits are recognized, minimum statutory withholding requirements, forfeitures, and intrinsic value should be applied using a modified retrospective transition method by means of a cumulative-effect adjustment to equity as of the beginning of the period in which the guidance is adopted. Amendments related to the presentation of employee taxes paid on the statement of cash flows when an employer withholds shares to meet the minimum statutory withholding requirement should be applied retrospectively. Amendments requiring recognition of excess tax benefits and tax deficiencies in the income statement and the practical expedient for estimating expected term should be applied prospectively. An entity may elect to apply the amendments related to the presentation of excess tax benefits on the statement of cash flows using either a prospective transition method or retrospective transition method. The adoption of this standard did not have a material effect on the Company's operating results or financial condition.

Recently issued accounting pronouncements not yet effective

In May 2014, the FASB amended existing guidance related to revenue from contracts with customers. This amendment supersedes and replaces nearly all existing revenue recognition guidance, including industry-specific guidance, establishes a new control-based revenue recognition model, changes the basis for deciding when revenue is recognized over time or at a point in time, provides new and more detailed guidance on specific topics and expands and improves disclosures about revenue. In addition, this amendment specifies the accounting for some costs to obtain or fulfill a contract with a customer. These amendments are effective for public business entities for annual reporting periods beginning after December 15, 2017, including interim periods within that reporting period. The amendments allow for one of two transition methods: full retrospective or modified retrospective. The full retrospective approach requires application to all periods presented. The modified retrospective transition requires application to uncompleted contracts at the date of adoption. Periods prior to the date of adoption are not retrospectively revised, but a cumulative effect is recognized at the date of initial application on uncompleted contracts. The Company adopted the new standard effective January 1, 2018, using the modified retrospective approach. As the majority of the Company's revenues are not subject to the new guidance, the adoption of ASU 2014-09 did not have a material impact on the Company's consolidated financial statements.

In January 2016, the FASB issued ASU 2016-01, an amendment to Recognition and Measurement of Financial Assets and Financial Liabilities (Subtopic 825-10). The objectives of the ASU are to: (1) require equity investments to be measured at fair value, with changes in fair value recognized in net income, (2) simplify the impairment assessment of equity investments without readily determinable fair values, (3) eliminate the requirement to disclose methods and significant assumptions used to estimate fair value for financial instruments

measured at amortized cost on the balance sheet, (4) require the use of the exit price notion when measuring the fair value of financial instruments, and (5) clarify the need for a valuation allowance on a deferred tax asset related to available-for-sale securities in combination with the entity's other deferred tax assets. In February 2018, the FASB issued ASU 2018-03, Technical Corrections and Improvements to Financial Instruments—Overall—Recognition and Measurement of Financial Assets and Liabilities, an amendment to ASU 2016-01. The amendments clarify certain aspects of the guidance issued in ASU 2016-01. The amendments in these ASUs are effective for public business entities for annual periods, and interim periods within those annual periods, beginning after December 15, 2017. ASU 2016-01 was effective for the Company on January 1, 2018 and is not expected to have an impact on the Company's consolidated financial statements. The Company will measure the fair value of its loan portfolio using an exit price notion and amend applicable disclosures in the first quarter of 2018.

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842). This guidance amended existing guidance that requires lessees recognize the following for all leases (with the exception of short-term leases) at the commencement date (1) A lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis; and (2) A right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term. Under the new guidance, lessor accounting is largely unchanged. Certain targeted improvements were made to align, where necessary, lessor accounting with the lessee accounting model and Topic 606, Revenue from Contracts with Customers. These amendments are effective for fiscal years beginning after December 15, 2018. The Company is currently reviewing its existing leases within the scope of ASU 2016-02 and is evaluating the effects of ASU 2016-02 on its financial statements and disclosures, if any.

In June 2016, the FASB issued ASU 2016-13, Financial Instruments—Credit Losses (Topic 326) to replace the incurred loss model with an expected loss model, which is referred to as the current expected credit loss (CECL) model. The CECL model is applicable to the measurement of credit losses on financial assets measured at amortized cost, including loan receivables, held to maturity debt securities, and reinsurance receivables. It also applies to off-balance sheet credit exposures not accounted for as insurance (loan commitments, standby letters of credit, financial guarantees, and other similar instruments) and net investments in leases recognized by a lessor. These amendments are effective for fiscal years beginning after December 15, 2020. For debt securities with other than temporary impairment (OTTI), the guidance will be applied prospectively and for existing purchased credit impaired (PCI) assets will be grandfathered and classified as purchased credit deteriorated (PCD) assets at the date of adoption. The asset will be grossed up for the allowance for expected credit losses for all PCD assets at the date of adoption and will continue to recognize the noncredit discount in interest income based on the yield such assets as of the adoption date. Subsequent changes in expected credit losses will be recorded through the allowance. For all other assets with the scope of CECL, the cumulative effect adjustment will be recognized in retained earnings as of the beginning of the first reporting period in which the guidance is effective. The Company has formed a CECL implementation committee which has prepared a project plan to migrate towards the adoption date of January 1, 2020. The Company is currently evaluating the effects of ASU 2016-13 on its financial statements and disclosures, if any.

In August 2016, the FASB issued ASU 2016-15, Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments ("ASU 2016-15"). The FASB issued ASU 2016-15 to decrease the diversity in practice in how certain cash receipts and cash payments are presented and classified in the statement of cash flows. The amendments in this update provide guidance on eight specific cash flow issues. ASU 2016-15 is effective for reporting periods beginning after December 15, 2017, with early adoption permitted, provided that all of the amendments are adopted in the same period. The guidance requires application using a retrospective transition method. The Company will adopt the guidance of ASU 2016-15 in the first quarter of 2018.

In May 2017, the FASB issued ASU No. 2017-09, Compensation—Stock Compensation (Topic 718) ("ASU 2017-09"). ASU 2017-09 provides clarity in order to reduce both (1) diversity in practice and (2) cost and

complexity when applying the guidance in Topic 718, Compensation—Stock Compensation, to a change to the terms or conditions of a share-based payment award. Under the new guidance, modification accounting is required only if the fair value, the vesting conditions, or the classification of the award (as equity or liability) changes as a result of the change in terms or conditions. The guidance is effective for annual periods, and interim periods within those annual periods, beginning after December 15, 2017. The Company will adopt the guidance of ASU 2017-09 in the first quarter of 2018. It is not anticipated that the adoption of ASU 2017-09 will have a material impact on its consolidated financial statements and related disclosures.

In August 2017, the FASB issued ASU 2017-12, Derivatives and Hedging (Topic 815) to improve the financial reporting of hedging relationships to better portray the economic results of an entity's risk management activities in its financial statements. The amendments also simplify the application of the hedge accounting guidance. The amendments in this Update better align an entity's risk management activities and financial reporting for hedging relationships through changes to both the designation and measurement guidance for qualifying hedging relationships and the presentation of hedge results. The amendments expand and refine hedge accounting for both nonfinancial and financial risk components and align the recognition and presentation of the effects of the hedging instrument and the hedged item in the financial statements. The amendments in this Update are effective for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years. Early adoption is permitted in any interim period after issuance of this Update. All transition requirements and elections should be applied to hedging relationships existing on the date of adoption. The effect of adoption should be reflected as of the beginning of the fiscal year of adoption. The adoption of this standard is not expected to have a material effect on the Company's operating results or financial condition.

With the exception of the updated standards discussed above, there have been no new accounting pronouncements not yet effective that have significance, or potential significance, to the Company's consolidated financial statements.

Note 2—Securities

The fair value of available-for-sale securities and their related gross unrealized gains and losses at the dates indicated are as follows:

	Available-for-sale securities			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(Dollars in thousands)			
December 31, 2017				
Mortgage-backed securities:				
Residential	$ 1,075	$ 39	$ —	$ 1,114
Commercial real-estate	24,549	1	—	24,550
Collateralized mortgage obligations	85,043	215	(1,220)	84,038
Asset backed securities	82,191	36	(127)	82,100
	$ 192,858	$ 291	$ (1,347)	$ 191,802
December 31, 2016				
Mortgage-backed securities				
Residential	$ 1,269	$ 50	$ —	$ 1,319
Collateralized mortgage obligations	89,008	133	(1,410)	87,731
	$ 90,277	$ 183	$ (1,410)	$ 89,050

At December 31, 2017 and 2016, $77.2 million and $77.1 million, respectively, of the fair value of the Company's available-for-sale collateralized mortgage obligations ("CMOs") and mortgage-backed securities consisted of government agency and government sponsored enterprise pass through securities and $32.5 million and $11.9 million, respectively, consisted of private-label residential securities.

At December 31, 2017, $82.1 million of the fair value of the Company's available-for-sale asset backed securities consisted of government sponsored student loan pools. The Company had no asset backed securities at December 31, 2016.

The amortized cost, unrealized gains and losses, and fair value of securities held-to-maturity at the dates indicated are as follows:

	Held-to-maturity securities			
	Amortized Cost	Gross Unrecognized Gains	Gross Unrecognized Losses	Fair Value
	(Dollars in thousands)			
December 31, 2017				
Collateralized mortgage obligations	$ 119	$ —	$ —	$ 119
December 31, 2016				
Collateralized mortgage obligations	$ 405	$ 6	$ (1)	$ 410

At December 31, 2017 the Company had no private-label held-to-maturity CMOs. There were approximately $0.3 million of amortized cost of the Company's held-to-maturity CMOs consisted of private-label residential securities at December 31, 2016.

There were no investment securities pledged for borrowings or for other purposes as required or permitted by law as of December 31, 2017 and 2016.

Securities with unrealized losses as of the dates indicated, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position, are as follows:

	Available-for-sale securities					
	Less than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
	(Dollars in thousands)					
December 31, 2017						
Collateralized mortgage obligations	$ 15,943	$ (220)	$ 46,949	$ (1,000)	$ 62,892	$ (1,220)
Asset backed securities	52,701	(127)	—	—	52,701	(127)
	$ 68,644	$ (347)	$ 46,949	$ (1,000)	$ 115,593	$ (1,347)
December 31, 2016						
Collateralized mortgage obligations	$ 53,190	$ (1,137)	$ 16,983	$ (273)	$ 70,173	$ (1,410)

As indicated in the tables above, as of December 31, 2017, the Company's investment securities had gross unrealized losses totaling approximately $1.3 million, compared to approximately $1.4 million at December 31, 2016. The Company analyzed all of its securities with an unrealized loss position. For each security, the Company analyzed the issuer's financial condition and performed a projected cash flow analysis. In analyzing the issuer's financial condition, management may consider whether the securities are issued by the federal government, its agencies or its sponsored entities, or non-governmental entities, whether downgrades by bond rating agencies have occurred, and the results of review of the issuer's financial condition. When performing a cash flow analysis the Company uses models that project prepayments, default rates, and loss severities on the collateral supporting the security, based on underlying loan level borrower and loan characteristics and interest rate assumptions. In addition, the Company has contracted with third party companies to perform independent cash flow analyses of its securities portfolio as needed. Based on these analyses and reviews conducted by the Company, and assisted by independent third parties, the Company determined that none of its securities required

an other-than-temporary impairment charge at December 31, 2017 or December 31, 2016. Management continues to expect to recover the adjusted amortized cost basis of these bonds and has both intent and ability to hold them to maturity.

As of December 31, 2017, the Company had twenty three securities whose estimated fair value declined 0.81% from the Company's amortized cost; at December 31, 2016, the Company had twenty one securities whose estimated fair value declined 1.97% from the Company's amortized cost. The unrealized losses relate principally to the general change in market interest rates since the purchase dates and such unrecognized losses will continue to vary with general market interest rate fluctuations in the future. Fair values are expected to recover as the securities approach their respective maturity dates and management believes it is not more likely than not it will be required to sell before recovery of the amortized cost basis.

There were no proceeds from the sales and calls of securities and no credit losses recognized in earnings for the years ended December 31, 2017 and 2016.

Note 3—Loans Held-For-Investment, Net

The following disclosure reports the Company's loan portfolio segments and classes. Segments are groupings of similar loans at a level in which the Company has adopted systematic methods of documentation for determining its allowance for loan and credit losses. Classes are a disaggregation of the portfolio segments. The Company's loan portfolio segments are:

Real estate loans. Real estate includes loans for which the Company holds one-to-four family, multi-family, commercial and construction real property as collateral. Commercial real estate lending activity is typically restricted to owner-occupied properties or to investor properties that are owned by customers with a current banking relationship. The primary risks of real estate mortgage loans include the borrower's inability to pay, material decreases in the value of the real estate that is being held as collateral and significant increases in interest rates, which may make the real estate mortgage loan unprofitable. Real estate loans also may be adversely affected by conditions in the real estate markets or in the general economy.

Commercial and industrial . Commercial loans consist of loans to small and medium-sized businesses in a wide variety of industries. The Company's area of emphasis in commercial lending include, but are not limited to, loans to wholesalers, distributors, manufacturers, specialty businesses and business services companies. Commercial loans are generally collateralized by accounts receivable, inventory, equipment, real estate and other commercial assets, and may be supported by other credit enhancements such as personal guarantees. Risk arises primarily due to a difference between expected and actual cash flows of the borrowers. However, the recovery of the Company's investment in these loans is also dependent on other factors primarily dictated by the type of collateral securing these loans. The fair value of the collateral securing these loans may fluctuate as market conditions change.

Consumer and other . Consumer loans consist of consumer loans and other loans secured by personal property.

Reverse mortgage . The Company purchases home equity conversion mortgage (HECM) loans (also known as reverse loans mortgage loans) which are a special type of home loan for older homeowners (62 years or older) that requires no monthly mortgage payments. Borrowers are still responsible for property taxes and homeowner's insurance. Reverse mortgage loans allow elders to access the home equity they have built up in their homes now, and defer payment of the loan until they die, sell, or move out of the home. Because there are no required mortgage payments on a reverse mortgage, the interest is added to the loan balance each month. The rising loan balance can eventually grow to exceed the value of the home securing the loan, particularly in times of declining home values or if the borrower continues to live in the home for many years. Reverse mortgage loan insurance is provided by the FHA through the HECM program which protects lenders from losses due to non-repayment of the loans. When a loan terminates and the loan balance is greater than the value of the home, the lender can file a claim for the amount of loss up to the maximum claim amount (MCA).

Mortgage warehouse. The Company's warehouse lending division provides short-term interim funding for single-family residential mortgage loans originated by mortgage bankers or other lenders pending the sale of such loans in the secondary market. The Company's risk is mitigated by comprehensive policies, procedures, and controls governing this activity, partial loan funding by the originating lender, guaranties or additional monies pledged to the Company as security, the short holding period of funded loans on the Company's balance sheet. In addition, the loss rates of this portfolio have historically been minimal, and these loans are all subject to written purchase commitments from takeout investors or are hedged. The Company's mortgage warehouse loans may either be held-for-investment or held-for-sale. From the opening of the warehouse division in April 2009 through December 31, 2017 and December 31, 2016, respectively, the Company purchased 87,495 and 72,757 individual loans in the total amount of $22.8 billion and $18.9 billion and has incurred approximately $61,000 of net losses in 2017 and no losses in 2016. During 2016, the Company developed six participant relationships to maintain a certain asset size portfolio and sold approximately $229.9 million and $710.3 million loans to participants in 2017 and 2016, respectively during the year. There were no new participant relationships developed in 2017.

A summary of loans held-for-investment as of December 31, is as follows:

	2017	2016
	(Dollars in thousands)	
Real estate loans:		
One-to-four family	$219,855	$220,784
Multi-family	23,958	26,344
Commercial	346,227	284,547
Construction	5,171	39,529
Commercial and industrial	50,852	40,816
Consumer and other	1,262	1,321
Reverse mortgage	2,524	4,534
Mortgage warehouse	45,718	57,525
Total gross loans held-for-investment	695,567	675,400
Deferred fees, net	1,901	1,780
Allowance for loan losses	(8,165)	(8,044)
Total loans held-for-investment, net	$689,303	$669,136

Loans participated by the Company were approximately $8.9 million and $18.2 million at December 31, 2017 and 2016, respectively.

At December 31, 2017 and 2016, approximately $597.7 million and $575.7 million, respectively, of the Company's loan portfolio were collateralized by various forms of real estate. A significant percentage of such loans are collateralized by properties located in California (69.6% and 75.6% in 2017 and 2016), Florida (6.6% and 5.3% in 2017 and 2016) and Arizona (4.8% and 4.4% in 2017 and 2016) with no other state greater than 5%. The Company attempts to address and mitigate concentrations of credit risk by making loans that are diversified by collateral type, placing limits on the amounts of various categories of loans relative to total Company capital, and conducting quarterly reviews of its portfolio by collateral type, geography, and other characteristics. While management believes that the collateral presently securing its portfolio and the recorded allowance for loan losses are adequate to absorb potential losses, there can be no assurances that significant deterioration in the California and Florida real estate markets would not expose the Company to significantly greater credit risk.

Recorded investment in loans excludes accrued interest receivable, loan origination fees, net and unamortized premium or discount, net due to immateriality. Accrued interest totaled approximately $2.6 million and $2.4 million and deferred fees totaled approximately $1.9 million and $1.8 million at December 31, 2017 and December 31, 2016, respectively.

Allowance for Loan Losses

The following tables present the allocation of the allowance for loan losses, as well as the activity in the allowance by loan class, and recorded investment in loans held-for-investment as of and for the years ended December 31, 2017 and 2016:

	Year Ended December 31, 2017								
	One-to-Four Family	Multi-Family	Commercial Real Estate	Construction	Commercial and Industrial	Consumer and Other	Reverse Mortgage	Mortgage Warehouse	Total
	(Dollars in thousands)								
Balance, December 31, 2016	$2,046	$ 271	$ 3,624	$ 1,082	$ 612	$ 18	$ 75	$ 316	$8,044
Charge-offs	(53)	—	—	—	(83)	—	—	(76)	(212)
Recoveries	49	—	—	—	6	—	1	15	71
Provision for loan losses	(51)	(45)	1,087	(942)	142	—	(35)	106	262
Balance, December 31, 2017	$1,991	$ 226	$ 4,711	$ 140	$ 677	$ 18	$ 41	$ 361	$8,165

	December 31, 2017								
	One-to-Four Family	Multi-Family	Commercial Real Estate	Construction	Commercial and Industrial	Consumer and Other	Reverse Mortgage	Mortgage Warehouse	Total
	(Dollars in thousands)								
Amount of allowance attributed to:									
Specifically evaluated impaired loans	$ —	$ —	$ 441	$ —	$ —	$ —	$ 29	$ —	$ 470
General portfolio allocation	1,991	226	4,270	140	677	18	12	361	7,695
Total allowance for loan losses	$ 1,991	$ 226	$ 4,711	$ 140	$ 677	$ 18	$ 41	$ 361	$ 8,165
Loans evaluated for impairment:									
Specifically evaluated	$ 3,204	$ —	$ 11,544	$ —	$ 716	$ —	$ 1,858	$ —	$ 17,322
Collectively evaluated	216,651	23,958	334,683	5,171	50,136	1,262	666	45,718	678,245
Total gross loans held-for-investment	$219,855	$23,958	$ 346,227	$ 5,171	$ 50,852	$ 1,262	$ 2,524	$ 45,718	$695,567

	Year Ended December 31, 2016								
	One-to-Four Family	Multi-Family	Commercial Real Estate	Construction	Commercial and Industrial	Consumer and Other	Reverse Mortgage	Mortgage Warehouse	Total
	(Dollars in thousands)								
Balance, December 31, 2015	$1,994	$ 351	$ 2,486	$ 1,193	$ 499	$ 18	$ 16	$ 343	$6,900
Charge-offs	—	—	—	—	(6)	—	(5)	—	(11)
Recoveries	—	—	—	—	—	—	19	—	19
Provision for loan losses	52	(80)	1,138	(111)	119	—	45	(27)	1,136
Balance, December 31, 2016	$2,046	$ 271	$ 3,624	$ 1,082	$ 612	$ 18	$ 75	$ 316	$8,044

	December 31, 2016								
	One-to-Four Family	Multi-Family	Commercial Real Estate	Construction	Commercial and Industrial	Consumer and Other	Reverse Mortgage	Mortgage Warehouse	Total
	(Dollars in thousands)								
Amount of allowance attributed to:									
Specifically evaluated impaired loans	$ 51	$ —	$ 199	$ —	$ 83	$ —	$ 37	$ —	$ 370
General portfolio allocation	1,995	271	3,425	1,082	529	18	38	316	7,674
Total allowance for loan losses	$ 2,046	$ 271	$ 3,624	$ 1,082	$ 612	$ 18	$ 75	$ 316	$ 8,044
Loans evaluated for impairment:									
Specifically evaluated	$ 2,644	$ —	$ 11,180	$ 209	$ 177	$ —	$ 2,251	$ —	$ 16,461
Collectively evaluated	218,140	26,344	273,367	39,320	40,639	1,321	2,283	57,525	658,939
Total gross loans held-for-investment	$220,784	$26,344	$ 284,547	$ 39,529	$ 40,816	$ 1,321	$ 4,534	$ 57,525	$675,400

Impaired Loans

The following tables provide a summary of the Company's investment in impaired loans as of and for the years ended December 31, 2017 and 2016:

	2017				
	Unpaid Principal Balance	Recorded Investment	Related Allowance	Average Recorded Investment	Interest Income Recognized
	(Dollars in thousands)				
With no related allowance recorded:					
Real estate loans:					
One-to-four family	$ 3,604	$ 3,171	$ —	$ 3,066	$ 324
Commercial	9,876	9,597	—	9,081	460
Reverse mortgage	1,555	1,528	—	1,694	—
Commercial and industrial	951	716	—	460	24
	15,986	15,012	—	14,301	808
With an allowance recorded:					
Real estate loans:					
One-to-four family	33	33	—	18	2
Commercial	1,947	1,947	441	1,972	135
Reverse mortgage	344	330	29	353	—
	2,324	2,310	470	2,343	137
Total impaired loans	$ 18,310	$ 17,322	$ 470	$ 16,644	$ 945

	2016				
	Unpaid Principal Balance	Recorded Investment	Related Allowance	Average Recorded Investment	Interest Income Recognized
	(Dollars in thousands)				
With no related allowance recorded:					
Real estate loans:					
One-to-four family	$ 2,715	$ 2,395	$ —	$ 2,354	$ 79
Commercial	9,311	9,032	—	9,096	471
Construction	209	209	—	1,419	118
Reverse mortgage	1,899	1,895	—	575	—
Commercial and industrial	70	70	—	66	—
	14,204	13,601	—	13,510	668
With an allowance recorded:					
Real estate loans:					
One-to-four family	271	249	51	433	21
Commercial	2,148	2,148	199	1,790	147
Reverse mortgage	360	356	37	96	—
Commercial and industrial	249	107	83	127	57
	3,028	2,860	370	2,446	225
Total impaired loans	$ 17,232	$ 16,461	$ 370	$ 15,956	$ 893

For purposes of this disclosure, the unpaid principal balance is not reduced for partial charge-offs. Cash basis interest income is not materially different than interest income recognized.

Nonaccrual and Past Due Loans

Nonperforming loans include both smaller balance homogeneous loans that are collectively evaluated for impairment and individually evaluated impaired loans. Nonperforming loans consist of loans on nonaccrual status for which the accrual of interest has been discontinued and loans 90 days or more past due and still accruing interest.

There were no loans past due 90 days or more and still on accrual as of December 31, 2017. There were approximately $0.4 million of loans past due 90 days or more and still on accrual as of December 31, 2016.

The following tables present by loan class the aging analysis based on contractual terms, nonaccrual loans, and the Company's recorded investment in loans held-for-investment as of December 31, 2017 and 2016:

	2017							
	30-59 Days Past Due	60-89 Days Past Due	Greater than 90 Days Past Due	Total Past Due	Current	Total	Nonaccruing	Loans Receivable > 90 Days and Accruing
	(Dollars in thousands)							
Real estate loans:								
One-to-four family	$ 8,427	$ 900	$ 1,773	$11,100	$208,755	$219,855	$ 2,652	$ —
Multi-family	—	—	—	—	23,958	23,958	—	—
Commercial	470	1,992	—	2,462	343,765	346,227	—	—
Construction	—	—	—	—	5,171	5,171	—	—
Commercial and industrial	462	—	—	462	50,390	50,852	—	—
Consumer and other	—	—	—	—	1,262	1,262	—	—
Reverse mortgage	—	—	—	—	2,524	2,524	1,858	—
Mortgage warehouse	—	—	—	—	45,718	45,718	—	—
Total gross loans held-for-investment	$ 9,359	$ 2,892	$ 1,773	$14,024	$681,543	$695,567	$ 4,510	$ —

	2016							
	30-59 Days Past Due	60-89 Days Past Due	Greater than 90 Days Past Due	Total Past Due	Current	Total	Nonaccruing	Loans Receivable > 90 Days and Accruing
	(Dollars in thousands)							
Real estate loans:								
One-to-four family	$12,107	$ 1,708	$ 2,248	$16,063	$204,721	$220,784	$ 2,500	$ 199
Multi-family	—	—	—	—	26,344	26,344	—	—
Commercial	1,138	—	—	1,138	283,409	284,547	—	—
Construction	—	—	209	209	39,320	39,529	—	—
Commercial and industrial	237	—	70	307	40,509	40,816	177	—
Consumer and other	—	—	—	—	1,321	1,321	—	—
Reverse mortgage	—	—	—	—	4,534	4,534	2,250	—
Mortgage warehouse	—	—	—	—	57,525	57,525	—	—
Total gross loans held-for-investment	$13,482	$ 1,708	$ 2,527	$17,717	$657,683	$675,400	$ 4,927	$ 199

Troubled Debt Restructurings

A loan is identified as a troubled debt restructuring ("TDR") when a borrower is experiencing financial difficulties and, for economic or legal reasons related to these difficulties, the Company grants a concession to the borrower in the restructuring that it would not otherwise consider. The Company has granted a concession when, as a result of the restructuring, it does not expect to collect all amounts due or within the time periods originally due

under the original contract, including one or a combination of the following: a reduction of the stated interest rate of the loan; an extension of the maturity date at a stated rate of interest lower than the current market rate for new debt with similar risk; or a temporary forbearance with regard to the payment of principal or interest. All troubled debt restructurings are reviewed for potential impairment. Generally, a nonaccrual loan that is restructured remains on nonaccrual status for a minimum period of six months to demonstrate that the borrower can perform under the restructured terms. If the borrower's performance under the new terms is not reasonably assured, the loan remains classified as a nonaccrual loan. Loans classified as TDRs are reported as impaired loans.

As of December 31, 2017 and 2016, the Company has a recorded investment in TDR's of $0.6 million and $0.9 million, respectively. The Company has allocated zero and $0.1 million of specific allowance for those loans at December 31, 2017 and 2016, respectively and has not committed to lend additional amounts to these TDRs.

During the year ended December 31, 2017, the terms of certain loans were modified as TDRs. The modification of the terms of such loans included one or a combination of the following: a reduction of the stated interest rate of the loan; an extension of the maturity date at a stated rate of interest lower than the current market rate for new debt with similar risk; or a temporary forbearance with regard to the payment of principal or interest. Modifications involving temporary forbearance of principal or interest were for a period of three months.

The following table presents a summary of the Company's loans by class modified as TDR's for the years ended December 31, 2017 and 2016:

	Number of Loans	Pre-Modifications Outstanding Recorded Investment	Post-Modifications Outstanding Recorded Investment
		(Dollars in thousands)	
Troubled debt restructurings:			
December 31, 2017:			
Real estate loans:			
One-to-four family	1	$ 98	$ 149

The TDR's described above had a negligible impact the allowance for loan losses and charge-offs during the year ending December 31, 2017.

	Number of Loans	Pre-Modifications Outstanding Recorded Investment	Post-Modifications Outstanding Recorded Investment
		(Dollars in thousands)	
Troubled debt restructurings:			
December 31, 2016:			
Real estate loans:			
One-to-four family	1	$ 251	$ 271

The TDR's described above increased the allowance for loan losses by $0.1 million and resulted in charge-offs of zero during the year ending December 31, 2016.

There were no loans modified as TDRs for which there was a payment default within twelve months during the year ended December 31, 2017. For the year ended December 31, 2016, there were four one-to-four family real estate loans of which approximately $0.4 million was modified as a TDR for which there was a payment default within twelve months. There were no provision for loan loss or charge offs for TDR's that subsequently defaulted during the year ending December 31, 2017 or 2016.

A loan is considered to be in payment default once it is 30 days contractually past due under the modified terms.

Other Modifications

The terms of certain other loans were modified during the years ending December 31, 2017 and 2016 that did not meet the definition of a troubled debt restructuring. These loans have a total recorded investment as of December 31, 2017 and 2016, of $5.7 million and $91.9 million, respectively. The modification of these loans involved either a modification of the terms of a loan to borrowers who were not experiencing financial difficulties or a delay in a payment that was considered to be insignificant, which included delays in payment ranging from 1 months to 3 months.

In order to determine whether a borrower is experiencing financial difficulty, an evaluation is performed of the probability that the borrower will be in payment default on any of its debt in the foreseeable future without the modification. This evaluation is performed under the company's internal policy.

Credit Quality Indicators

The Company categorizes loans into risk categories based on relevant information about the ability of borrowers to service their debt such as: current financial information, historical payment experience, collateral adequacy, credit documentation, and current economic trends, among other factors. This analysis typically includes larger, nonhomogeneous loans such as commercial real estate and commercial and industrial loans. This analysis is performed on an ongoing basis as new information is obtained. The Company uses the following definitions for risk ratings:

Pass :	Loans in all classes that are not adversely rated, are contractually current as to principal and interest, and are otherwise in compliance with the contractual terms of the loan agreement. Management believes that there is a low likelihood of loss related to those loans that are considered pass.
Special mention :	Loans classified as special mention have a potential weakness that deserves management's close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the loan or of the institution's credit position at some future date.
Substandard :	Loans classified as substandard are inadequately protected by the current net worth and paying capacity of the obligor or of the collateral pledged, if any. Loans so classified have a well-defined weakness or weaknesses that jeopardize the liquidation of the debt. They are characterized by the distinct possibility that the Company will sustain some loss if the deficiencies are not corrected.
Doubtful :	Loans classified as doubtful have all the weaknesses inherent in those classified as substandard, with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of currently existing facts, conditions, and values, highly questionable and improbable.

The following tables present by portfolio class the Company's internal risk grading system as well as certain other information concerning the credit quality of the Company's recorded investment in loans held-for-investment as of December 31, 2017 and 2016.

	2017 Credit Risk Grades				
	Pass	Special Mention	Substandard	Doubtful	Total
	(Dollars in thousands)				
Real estate loans:					
One-to-four family	$217,203	$ —	$ 2,652	$ —	$219,855
Multi-family	23,958	—	—	—	23,958
Commercial	342,391	1,889	1,947	—	346,227
Construction	5,171	—	—	—	5,171
Commercial and industrial	50,136	716	—	—	50,852
Consumer and other	1,262	—	—	—	1,262
Reverse mortgage	156	510	1,858	—	2,524
Mortgage warehouse	45,718	—	—	—	45,718
Total gross loans held-for-investment	$685,995	$ 3,115	$ 6,457	$ —	$695,567

	2016 Credit Risk Grades				
	Pass	Special Mention	Substandard	Doubtful	Total
	(Dollars in thousands)				
Real estate loans:					
One-to-four family	$218,284	$ —	$ 2,500	$ —	$220,784
Multi-family	26,344	—	—	—	26,344
Commercial	281,223	1,176	2,148	—	284,547
Construction	39,320	—	209	—	39,529
Commercial and industrial	40,639	—	177	—	40,816
Consumer and other	1,321	—	—	—	1,321
Reverse mortgage	668	1,615	2,251	—	4,534
Mortgage warehouse	57,525	—	—	—	57,525
Total gross loans held-for-investment	$665,324	$ 2,791	$ 7,285	$ —	$675,400

The following table presents loans purchased and/or sold during the year by portfolio segment:

	One-to-Four Family	Reverse Mortgage	Commercial & Industrial	Commercial	Multifamily
	(Dollars in thousands)				
December 31, 2017					
Purchases	$ 100,541	$ —	$ 11,129	$ 10,612	$ —
Sales	32,842	865	—	—	—
December 31, 2016					
Purchases	$ 64,028	$ —	$ —	$ —	$ 338
Sales	4,696	—	17	—	—

The Company had a related-party loan with an outstanding balance of $0.3 million as of December 31, 2017 and no outstanding balance as of December 31, 2016.

Note 4—Other Real Estate Owned, Net

The following table provides a summary of the Company's other real estate owned activity and balances for the periods ended December 31, 2017 and December 31, 2016, respectively.

	2017	2016
	(Dollars in thousands)	
Beginning Balance	$ 562	$ 1,292
Loans transferred to real estate owned	2,359	597
Direct write downs	—	(23)
Sales of real estate owned	(613)	(1,304)
End of year	$ 2,308	$ 562

The Company's remaining other real estate owned property consists of 7 single-family residential properties.

For the years ended December 31, 2017 and 2016, real estate owned gain on sale were approximately $12,000 and $9,000 and other expenses related to foreclosed assets were $22,000 and $32,000, respectively. There was no recorded provision for unrealized losses at December 31, 2017 and 2016.

Note 5—Premises and Equipment, Net

Year-end premises and equipment were as follows:

	2017	2016
	(Dollars in thousands)	
Equipment, furniture, and software	$ 3,346	$ 3,468
Leasehold improvements	1,232	1,535
Automobiles	203	207
	4,781	5,210
Accumulated depreciation and amortization	(3,028)	(3,848)
Total premises and equipment, net	$ 1,753	$ 1,362

Depreciation expense was $0.6 million and $0.6 million for years ended December 31, 2017 and 2016, respectively.

The Company leases all of its office facilities under operating lease arrangements. Rent expense totaled $1.1 million and $0.9 million in 2017 and 2016, respectively. The leases provide that the Company pays real estate taxes, insurance, and certain other operating expenses applicable to the leased premises in addition to the monthly minimum payments.

At December 31, 2017, aggregate minimum lease commitments under non-cancelable operating leases have the following obligations based on different ending terms of the leases.

Year Ending	Amount
	(Dollars in thousands)
2018	$ 920
2019	866
2020	881
2021	919
2022	809
Total	$ 4,395

Note 6—Deposits

Time deposits at December 31, 2017, are scheduled to mature as follows:

Year Ending	Amount (Dollars in thousands)
2018	$ 68,500
2019	32,211
2020	1,380
2021	420
2022	405
Total	$ 102,916

Time deposits that meet or exceed the FDIC insurance limit of $250,000 and over totaled approximately $4.9 million and $7.4 million at December 31, 2017 and 2016, respectively.

Deposits from officers, directors, and affiliates at December 31, 2017 and 2016, were approximately $2.5 million and $6.8 million, respectively.

The Company had approximately zero and $86.3 million in brokered certificates of deposit at December 31, 2017 and 2016, respectively, with maturities ranging from one month to five years. Commissions paid to brokers to acquire certificates of deposits are amortized in interest expense over the contractual life of the deposit.

Note 7—FHLB and Other Advances

At year-end, advances from the FHLB were as follows:

	2017	2016
	(Dollars in thousands)	
Amount outstanding at period-end	$ 15,000	$115,000
Weighted average interest rate at period-end	1.37%	0.54%
Maximum month-end balance during the period	$165,000	$192,000
Average balance outstanding during the period	$ 65,452	$111,216
Weighted average interest rate during the period	1.17%	0.60%

FHLB advances are secured with eligible collateral consisting of certain real estate loans. Advances from the FHLB are subject to the FHLB's collateral and underwriting requirements, and as of December 31, 2017 and 2016, were limited in the aggregate to 35% of the Company's total assets. Loans with carrying values of approximately $552.4 million and $623.5 million were pledged to the FHLB as of December 31, 2017 and 2016, respectively. Unused borrowing capacity based on the lesser of the percentage of total assets and pledged collateral was approximately $438.8 million and $230.2 million as of December 31, 2017 and 2016, respectively. All of the Company's FHLB advances totaling $15.0 million mature in 2018.

The Company is also approved to borrow through the Discount Window of the Federal Reserve Bank of San Francisco on a collateralized basis without any fixed dollar limit. Loans with a carrying value of approximately $25.6 million and $45.2 million were pledged to the FRB at December 31, 2017 and 2016, respectively. At December 31, 2017 and 2016, there were no borrowings outstanding under any of these lines.

As of December 31, 2017, the Company may borrow up to an aggregate of $32.0 million, overnight on an unsecured basis from three of its correspondent banks compared to an aggregate up to of $25.0 million, overnight on an unsecured basis from four of its correspondent banks as of December 31, 2016. Access to these funds is subject to collateral and liquidity availability, market conditions and any negative material change in the Company's credit profile.

Note 8—Notes Payable

On January 29, 2016, the Company entered into a term loan with a commercial bank for a single principal advance of $8.0 million due to mature on January 29, 2021. Loan interest and principal is payable quarterly commencing April 2016 and accrues interest at an annual rate equal to 2.60% plus the greater of zero percent and the one-month Libor rate. The proceeds were used to redeem preferred stock and can be prepaid at any time. The outstanding principal balance at December 31, 2017 and 2016 was $6.0 million and $7.1 million respectively. Annual principal payments on outstanding borrowings are $1.1 million for years 2018 to 2020 and $2.6 million in 2021.

Note 9—Subordinated Debentures, Net

A trust formed by the Company issued $12.5 million of floating rate trust preferred securities in July 2001 as part of a pooled offering of such securities. The Company issued subordinated debentures to the trust in exchange for its proceeds from the offering. The debentures and related accrued interest represent substantially all of the assets of the trust. The subordinated debentures bear interest at six-month LIBOR plus 375 basis points, which adjusts every six months in January and July of each year. Interest is payable semiannually. At December 31, 2017, the interest rate for the Company's next scheduled payment was 5.21%, based on six-month LIBOR of 1.46%. On any January 25 or July 25 the Company may redeem the 2001 subordinated debentures at 100% of principal amount plus accrued interest. The 2001 subordinated debentures mature on July 25, 2031.

A second trust formed by the Company issued $3.0 million of trust preferred securities in January 2005 as part of a pooled offering of such securities. The Company issued subordinated debentures to the trust in exchange for its proceeds from the offering. The debentures and related accrued interest represent substantially all of the assets of the trust. The subordinated debentures bear interest at three-month LIBOR plus 185 basis points, which adjusts every three months. Interest is payable quarterly. At December 31, 2017, the interest rate for the Company's next scheduled payment was 3.44%, based on three-month LIBOR of 1.59%. On the 15th day of any March, June, September, or December, the Company may redeem the 2005 subordinated debentures at 100% of principal amount plus accrued interest. The 2005 subordinated debentures mature on March 15, 2035.

The Company also retained a 3% minority interest in each of these trusts which is included in subordinated debentures. The balance of the equity in the trusts is comprised of mandatorily redeemable preferred securities. The subordinated debentures may be included in Tier I capital (with certain limitations applicable) under current regulatory guidelines and interpretations. The Company has the right to defer interest payments on the subordinated debentures from time to time for a period not to exceed five years.

Note 10—Derivative and Hedging Activities

The Company utilizes interest rate swap agreements as part of its asset liability management strategy to help manage its interest rate risk position. The notional amount of the interest rate swaps does not represent amounts exchanged by the parties. The amount exchanged is determined by reference to the notional amount and the other terms of the individual interest rate swap agreements.

Interest rate cap. In 2012 the Company entered into a $12.5 million and a $3.0 million notional forward interest rate cap agreement (the "Cap Agreements") to hedge its variable rate subordinated debentures. The Cap Agreements expire July 25, 2022 and March 15, 2022, respectively. The Company utilizes interest rate caps as hedges against adverse changes in cash flows on the designated preferred trusts attributable to fluctuations in three-month LIBOR beyond 0.50% for the $3.0 million subordinated debenture and six-month LIBOR beyond 0.75% for the $12.5 million subordinated debenture. The cap was determined to be fully effective during all periods presented and, as such, no amount of ineffectiveness has been included in net income. The upfront fee paid to the counterparty in entering into these Cap Agreements was approximately $2.5 million. Amounts charged to interest expense amounted to approximately $0.3 million and $0.2 million in 2017 and 2016,

respectively. The Company held approximately $0.9 million and $1.1 million of restricted cash at December 31, 2017 and 2016, respectively, which served as collateral for the expected payments under these Cap Agreements; such cash fluctuates based on the expected present value of the future payments and will be refunded to the counterparty upon termination or maturity of the Cap Agreements.

Interest rate swap. In 2014 the Company entered into a $15.0 million notional interest rate swap. The Company designated the interest rate swap (the hedging instrument) as a cash flow hedge of the risk of changes attributable to changes in the benchmark one-month LIBOR interest rate for the forecasted issuances of FHLB advances arising from a rollover strategy. The Company issued $15.0 million of fixed rate debt on April 1, 2014, which settled the same day and matured on May 1, 2014, using an FHLB advance as the debt instrument. The Company pays a fixed 1.66% and receives a floating rate based on one-month LIBOR. The Company is forecasting that it will roll over this debt every 1 month through at least April 1, 2019. This swap transaction hedges the forecasted rollover of $15.0 million of this debt for the periods from April 2014 through April 2019. The swap was determined to be fully effective during all periods presented and, as such, no amount of ineffectiveness has been included in net income. Interest expense recorded on this swap transaction totaled approximately $0.1 million and $0.2 million during 2017 and 2016, respectively and is reported as a component of interest expense on FHLB Advances. On February 1, 2018, the Company did not renew the $15.0 million FHLB advance and simultaneously de-designated the existing hedge relationship and terminated the interest rate swap on January 30, 2018.

The table below presents the fair value of the Company's derivative financial instruments as well as the classification within the consolidated balance sheets.

	Asset Derivatives			Liability Derivatives		
		Fair Value at December 31,			Fair Value at December 31,	
	Balance Sheet Classification	2017	2016	Balance Sheet Classification	2017	2016
Derivatives designated as hedging instruments under ASC 815:		(Dollars in thousands)				
Cash flow hedge interest rate swap	Derivative assets	$ 30	$ —	Derivative liabilities	$ —	$ 115
Cash flow hedge interest rate cap	Derivative assets	$ 1,061	$ 1,186	Derivative liabilities	$ —	$ —

The following table summarizes the fair value amounts of these derivative instruments reported on the Company's consolidated balance sheets as of December 31, 2017 and 2016. All of the Company's derivatives were designated as hedging instruments.

	December 31, 2017		December 31, 2016	
	Notional Amount	Fair Value	Notional Amount	Fair Value
Derivatives designated as hedging instruments under ASC 815:	(Dollars in thousands)			
Interest rate cap	$15,500	$1,061	$15,500	$1,186
Interest rate swap	15,000	30	15,000	(115)
	$30,500	$1,091	$30,500	$1,071

There were no gains (losses) recorded in the consolidated statements of operations, as a component of noninterest income, net, for the aforementioned derivative instruments, for the periods indicated.

Note 11—Income Taxes

Income tax expense consists of the following for the years ended December 31, 2017 and 2016:

	2017	2016
	(Dollars in thousands)	
Current provision		
Federal	$ 4,136	$ 3,931
State	1,093	1,348
Tax impact of tax reform	37	—
	5,266	5,279
Federal deferred tax (benefit) expense	314	(412)
State deferred tax (benefit) expense	47	(132)
Tax impact of tax reform	1,161	—
	1,522	(544)
Income tax expenses	$ 6,788	$ 4,735

Comparison of the federal statutory income tax rates to the Company's effective income tax rates for the years ended December 31, 2017 and 2016 are as follows:

	2017		2016	
	Amount	Rate	Amount	Rate
	(Dollars in thousands)			
Statutory federal tax	$ 4,907	34.0%	$ 4,002	34.0%
State franchise tax, net of federal benefit	899	6.2%	736	6.3%
Tax impact of tax reform	1,198	8.3%	—	—
Tax credits	(170)	(1.2)%	(170)	(1.4)%
Other items, net	(46)	(0.3)%	167	1.3%
Actual tax expense	$ 6,788	47.0%	$ 4,735	40.2%

On December 22, 2017, H.R.1, commonly known as the Tax Act was signed into law. Among other things, the Tax Act reduces our corporate federal tax rate from 34% to 21% effective January 1, 2018. As a result, we are required to re-measure through income tax expense, our deferred tax assets and liabilities using the enacted rate at which we expect them to be recovered or settled. The re-measurement of our net deferred tax asset, inclusive of other comprehensive income, and low income housing investment impairment, resulted in additional tax expense of $1.2 million.

At December 31, 2017, the Company early adopted ASU 2018-02 and reclassified out of retained earnings and into accumulated other comprehensive income $0.2 million of tax expense that was recorded to income tax expense at December 22, 2017 due to re-measuring to 21% deferred taxes on available-for-sale securities and derivative assets.

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and liabilities included in other assets are as follows at December 31:

	2017	2016
	(Dollars in thousands)	
Deferred tax assets		
Allowance for loan losses	$ 2,327	$ 3,239
Investment write-down	13	18
Interest rate cap and available-for-sale securities	489	894
Accrued vacation pay	224	238
Accrued bonus	26	364
Nonaccrual loan interest	62	142
State taxes	255	387
Other	234	214
Deferred tax assets	3,630	5,496
Deferred tax liabilities		
Basis difference in fixed assets	(72)	(77)
FHLB stock dividends	(100)	(141)
Deferred loan fees	(503)	(669)
Other	(115)	(45)
Deferred tax liabilities	(790)	(932)
Deferred tax asset, net	$ 2,840	$ 4,564

At each reporting date, the Company evaluates the positive and negative evidence used to determine the likelihood of realization of all its deferred tax assets. Based on this evaluation, management has concluded that deferred tax assets are more-likely-than-not to be realized and therefore no valuation allowance is required at December 31, 2017 and 2016.

The Company has no unrecognizable tax benefits recorded at December 31, 2017 and 2016 and does not expect the total amount of unrecognized tax benefits to significantly increase or decrease in the next twelve months. Additionally, the Company had no material interest or penalties paid or accrued related to income taxes reported in the income statement for the years ended December 31, 2017 and 2016.

The Company files United States federal and state income tax returns in jurisdictions with varying statues of limitations. The 2014 through 2017 tax years remain subject to examination by federal tax authorities, and 2013 through 2017 tax years remain subject to examination by various state tax authorities.

Note 12—Commitments and Contingencies

Off-Balance Sheet Items

In the normal course of business, the Company enters into various transactions, which, in accordance with GAAP, are not included in our consolidated statements of financial condition. The Company enters into these transactions to meet the financing needs of its customers. These transactions include commitments to extend credit and issue letters of credit, which involve, to varying degrees, elements of credit risk and interest rate risk exceeding the amounts recognized on the consolidated statements of financial condition. The Company's exposure to credit loss is represented by the contractual amounts of these commitments. The same credit policies and procedures are used in making these commitments as for on-balance sheet instruments. The company is not aware of any accounting loss to be incurred by funding these commitments, however, an allowance for off-balance sheet credit risk is recorded in other liabilities on the statements of financial condition. The allowance for these commitments amounted to approximately $0.1 million as of December 31, 2017, and $0.2 million as of December 31, 2016.

The Company's commitments associated with outstanding letters of credit and commitments to extend credit expiring by period as of the date indicated are summarized below. Since commitments associated with letters of credit and commitments to extend credit may expire unused, the amounts shown do not necessarily reflect the actual future cash funding requirements.

	2017	2016
	(Dollars in thousands)	
Unfunded lines of credit	$58,180	$72,171
Letters of credit	278	100
	$58,458	$72,271

Unfunded lines of credit represent unused credit facilities to the Company's current borrowers that represent no change in credit risk that exist in the Company's portfolio. Lines of credit generally have variable interest rates. Letters of credit are conditional commitments issued by the Company to guarantee the performance of a customer to a third party. In the event of nonperformance by the customer in accordance with the terms of the agreement with the third party, the Company would be required to fund the commitment. The maximum potential amount of future payments the Company could be required to make is represented by the contractual amount of the commitment. If the commitment is funded, the Company would be entitled to seek recovery from the client from the underlying collateral, which can include commercial real estate, physical plant and property, inventory, receivables, cash and/or marketable securities. The Company's policies generally require that letter of credit arrangements contain security and debt covenants like those contained in loan agreements and our credit risk associated with issuing letters of credit is essentially the same as the risk involved in extending loan facilities to our customers.

The Company minimizes its exposure to loss under letters of credit and credit commitments by subjecting them to the same credit approval and monitoring procedures used for on-balance sheet instruments. The effect on the Company's revenue, expenses, cash flows and liquidity of the unused portions of these letters of credit commitments cannot be precisely predicted because there is no guarantee that the lines of credit will be used.

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract, for a specific purpose. Commitments generally have variable interest rates, fixed expiration dates or other termination clauses and may require payment of a fee. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts disclosed above do not necessarily represent future cash requirements. The Company evaluates each customer's credit worthiness on a case-by-case basis. The amount of collateral obtained if deemed necessary by the Company is based on management's credit evaluation of the customer.

Litigation

The Company is involved in various matters of litigation which have arisen in the ordinary course of its business. In the opinion of management, the disposition of such pending litigation will not have a material effect on the Company's financial statements.

Note 13—Stock-based Compensation

Total compensation cost charged against income was $21,000 and $22,000 for the years ended December 31, 2017 and 2016, respectively. The total income tax benefit was $8,333 and $13,000, respectively.

In 2010, the Company adopted a new equity compensation plan (the "2010 Plan") that provides for the grant of stock options to employees, directors, and other persons referred to in Rule 701 under the U.S. Securities Act of 1933. The number of shares that may be issued pursuant to awards under the 2010 Plan is 730,784. The Compensation Committee of the Company's Board of Directors is responsible for administrating the 2010 Plan

and determining the terms of all awards under it, including their vesting, except that in the case of a change in control of the Company all options granted under the 2010 Plan shall become 100% vested.

In 2009, the Company issued 186,530 non-qualified stock options to the Company's chief executive officer pursuant to a Non-Plan Compensatory Stock Option Agreement in connection with the execution of his employment agreement. The stock options were not issued pursuant to any equity compensation plan, but the Non-Plan Compensatory Stock Option Agreement adopted the applicable provisions of the Company's 1997 Stock Incentive Plan, which expired in October 2007. The options were granted with an exercise price equal to the estimated fair market value of the Company's common stock on the date of the grant. The stock options vested immediately upon the date of grant and have a ten year term. As of December 31, 2017 there were 186,530 options outstanding and exercisable that were not issued pursuant to an equity compensation plan.

The fair value of each option award is estimated on the date of grant using a closed form option valuation (Black-Scholes) model that uses the assumptions noted in the table below. Expected volatilities are based on historical volatilities of the Company's common stock. The Company uses historical data to estimate option exercise and post-vesting termination behavior. The expected term of options represents the period of time that options are expected to be outstanding, which takes into account that the options are not transferable. The risk-free interest rate for the expected term of the option is based on the U.S. Treasury yield curve in effect at the time of the grant.

The fair value of the option grants in 2017 and 2016 and were estimated on the date of the grant using the Black-Scholes option pricing model with the assumptions presented below:

	2017	2016
Risk-free interest rate	1.915%	1.180%
Expected term	6.50 years	6.50 years
Expected stock price volatility	3.14%	3.65%
Dividend yield	0.0%	0.0%

A summary of stock option activity for the years indicated are as follows:

	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life	Aggregate Intrinsic Value
		(Dollars in thousands, except share data)		
Outstanding at January 1, 2017	897,314	$ 4.26	4.6 Years	$ 2,578
Granted	20,000	7.22	9.2 Years	—
Outstanding at December 31, 2017	917,314	$ 4.32	3.7 Years	$ 3,374
Exercisable at December 31, 2017	888,085	$ 4.24	3.5 Years	$ 3,342

The intrinsic value for stock options is calculated based on the exercise price of the underlying awards and the book value of the Company's common stock as of the reporting date.

	2017	2016
Intrinsic value of options exercised	$ —	$14,650
Tax benefit realized from option exercises	—	4,160
Weighted average fair value of options granted	17,000	13,136

As of December 31, 2017 and December 31, 2016, respectively, total unrecognized compensation cost related to unvested time-based stock options was approximately $13,000 and $18,000. This cost is expected to be recognized in the next 1.8 years.

Note 14—Employee Benefit Plan

The Company has a 401(k) plan in which approximately 87% of all employees participate. Employees may contribute a percentage of their compensation subject to certain limits based on Federal tax laws. During 2016 and 2017, the Company made an elective matching contribution quarterly up to 25% of deferrals to a maximum of the first 6% of the employee's compensation contributed to the plan. Additionally, the Company had the option to make an elective annual discretionary contribution as determined annually by management. For the years ended December 31, 2017 and 2016, contribution expense attributed to the plan amounted to approximately $0.2 million and $0.1 million, respectively.

Note 15—Regulatory Capital

Banks and bank holding companies are subject to regulatory capital requirements administered by federal banking agencies. Capital adequacy guidelines and, additionally for banks, prompt corrective action regulations, involve quantitative measures of assets, liabilities, and certain off-balance-sheet items calculated under regulatory accounting practices. Capital amounts and classifications are also subject to qualitative judgments by regulators. Failure to meet capital requirements can initiate regulatory action. The final rules implementing Basel Committee on Banking Supervision's capital guidelines for U.S. banks (Basel III rules) became effective for the Company on January 1, 2015 with full compliance with all of the requirements being phased in over a multi- year schedule, and fully phased in by January 1, 2019. Under the Basel III rules, the Company must hold a capital conservation buffer above the adequately capitalized risk-based capital ratios. The capital conservation buffer is being phased in from 0.0% for 2015 to 2.50% by 2019. The capital conservation buffer is 1.25% and 0.625% for the years ended December 31, 2017 and 2016, respectively. The net unrealized gain or loss on available-for-sale securities is included in computing regulatory capital. Management believes as of December 31, 2017, the Company and Bank meet all capital adequacy requirements to which they are subject.

Prompt corrective action regulations provide five classifications: well capitalized, adequately capitalized, undercapitalized, significantly undercapitalized, and critically undercapitalized, although these terms are not used to represent overall financial condition. If adequately capitalized, regulatory approval is required to accept brokered deposits. If undercapitalized, capital distributions are limited, as is asset growth and expansion, and capital restoration plans are required. At year-end 2017 and 2016, the most recent regulatory notifications categorized the Bank as well capitalized under the regulatory framework for prompt corrective action. There are no conditions or events since that notification that management believes have changed the institution's category.

Actual capital amounts and ratios for the Company and the Bank as of December 31, 2017 and 2016, are presented in the following table:

	Actual		Required for Capital Adequacy		To Be Well Capitalized Under Prompt Corrective Action Regulations	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
	(Dollars in thousands)					
As of December 31, 2017						
Silvergate Capital Corp.						
Total risk-based capital ratio	$ 98,817	13.88%	56,955	8.00%	71,194	10.00%
Tier 1 risk-based capital ratio	90,507	12.72%	42,692	6.00%	56,923	8.00%
Common equity tier 1 capital ratio	75,007	10.54%	32,024	4.50%	46,257	6.50%
Tier 1 leverage ratio	90,507	6.15%	58,866	4.00%	73,583	5.00%
Silvergate Bank						
Total risk-based capital ratio	101,340	14.29%	56,733	8.00%	70,917	10.00%
Tier 1 risk-based capital ratio	93,030	13.11%	42,577	6.00%	56,769	8.00%
Common equity tier 1 capital ratio	93,030	13.11%	31,932	4.50%	46,125	6.50%
Tier 1 leverage ratio	93,030	6.33%	58,787	4.00%	73,483	5.00%
As of December 31, 2016						
Silvergate Capital Corp.						
Total risk-based capital ratio	$ 90,871	13.75%	$ 52,870	8.00%	66,088	10.00%
Tier 1 risk-based capital ratio	82,647	12.51%	39,639	6.00%	52,852	8.00%
Common equity tier 1 capital ratio	67,147	10.16%	29,740	4.50%	42,958	6.50%
Tier 1 leverage ratio	82,647	8.65%	38,218	4.00%	47,773	5.00%
Silvergate Bank						
Total risk-based capital ratio	94,220	14.31%	52,662	8.00%	65,828	10.00%
Tier 1 risk-based capital ratio	85,996	13.06%	39,496	6.00%	52,662	8.00%
Common equity tier 1 capital ratio	85,996	13.06%	29,622	4.50%	42,788	6.50%
Tier 1 leverage ratio	85,996	9.03%	38,107	4.00%	47,634	5.00%

The Bank is restricted as to the amount of dividends that it can pay to the Company. Dividends declared in excess of the lesser of the Bank's undivided profits or the Bank's net income for its last three fiscal years less the amount of any distribution made to the Bank's shareholders during the same period must be approved by the California DBO. Also, the Bank may not pay dividends that would result in capital levels being reduced below the minimum requirements shown above. In addition, under the Basel Committee on Banking Supervision's capital guidelines for U.S. banks (BASEL III rules), a new "capital conservation buffer" is being phased in through 2019 with different and generally higher limits than the well capitalized limits noted above. This may further restrict dividend and executive bonus distributions, should the Company's capital ratios fall below the minimums required. At December 31, 2017 and 2016, the Company's capital conservation buffer is 5.88% and 5.67%, respectively, and the Bank's capital conservation buffer for the same periods is 6.29% and 6.31%, respectively.

Note 16—Fair Value

Financial Instruments Required To Be Carried At Fair Value

The following is a description of valuation methodologies used for assets and liabilities recorded at fair value:

Investments . The fair values of securities available-for-sale are determined by obtaining quoted prices on nationally recognized securities exchanges (Level 1) or matrix pricing, which is a mathematical technique used widely in the industry to value debt securities without relying exclusively on quoted prices for specific securities but rather by relying on the securities' relationship to other benchmark quoted securities (Level 2).

Derivatives. The Company's derivative assets and liabilities are carried at fair value as required by GAAP. The estimated fair values of the derivative assets and liabilities are based on current market prices for similar instruments. The Company has entered into pay-fixed, receive-variable interest rate swap contracts with institutional counterparties to hedge against variability in cash flow attributable to interest rate risk caused by changes in the LIBOR benchmark interest rate on the Company's fixed rate FHLB advances. The Company is also utilizing interest rate caps as hedges against adverse changes in cash flows on the designated preferred trusts attributable to fluctuations in three-month and six-month LIBOR. It is accounting for the swaps and caps as hedges under ASC 815. Given the meaningful level of secondary market activity for derivative contracts, active pricing is available for similar assets and accordingly, the Company classifies its derivative assets and liabilities as Level 2.

Impaired loans (collateral-dependent). The Company does not record impaired loans at fair value on a recurring basis. However, from time to time, fair value adjustments are recorded on these loans to reflect (1) partial write-downs, through charge-offs or specific allowances, that are based on the current appraised or market-quoted value of the underlying collateral or (2) the full charge-off of the loan carrying value. In some cases, the properties for which market quotes or appraised values have been obtained are located in areas where comparable sales data is limited, outdated, or unavailable. Fair value estimates for collateral-dependent impaired loans are obtained from real estate brokers or other third-party consultants. Adjustments are routinely made in the appraisal process by the appraisers to adjust for differences between the comparable sales and income data available and such adjustments are typically significant (Level 3). Impaired loans presented in the table below as of December 31, 2017 and 2016, include impaired loans with specific allowances as well as impaired loans that have been partially charged-off.

Other real estate owned. Fair value estimates for foreclosed real estate are obtained from real estate brokers or other third-party consultants (Level 3). When a current appraised value is not available or management determines the fair value of the collateral is further impaired below the appraised value as a result of known changes in the market or the collateral and there is no observable market price, such valuation inputs result in a fair value measurement that is categorized as a (Level 3) measurement. To the extent a negotiated sales price or reduced listing price represents a significant discount to an observable market price, such valuation input would result in a fair value measurement that is also considered a (Level 3) measurement.

The following tables provide the hierarchy and fair value for each class of assets and liabilities measured at fair value at December 31, 2017 and 2016. There were no transfers of assets between Level 1 and Level 2 of the fair value hierarchy for the years ended December 31, 2017 and 2016.

As of December 31, 2017 and 2016, assets and liabilities measured at fair value on a recurring basis are as follows:

	Fair Value Measurements Using			
	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3	Total
	(Dollars in thousands)			
As of December 31, 2017				
Assets				
Securities available-for-sale	$ —	$ 191,802	$ —	$ 191,802
Derivative assets	—	1,091	—	1,091
	$ —	$ 192,893	$ —	$ 192,893
As of December 31, 2016				
Assets				
Securities available-for-sale	$ —	$ 89,050	$ —	$ 89,050
Derivative assets	—	1,186	—	1,186
	$ —	$ 90,236	$ —	$ 90,236
Liabilities				
Derivative liabilities	$ —	$ (115)	$ —	$ (115)

As of December 31, 2017 and 2016, assets measured at fair value on a non-recurring basis are summarized as follows:

	Fair Value Measurements Using			
	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3	Total
	(Dollars in thousands)			
As of December 31, 2017				
Assets				
Impaired loans:				
Real estate:				
One-to-four family	$ —	$ —	$ 33	$ 33
Commercial	—	—	1,506	1,506
Reverse mortgage	—	—	301	301
Other real estate owned	—	—	2,308	2,308
	$ —	$ —	$ 4,148	$ 4,148

	Fair Value Measurements Using			
	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3	Total
	(Dollars in thousands)			
As of December 31, 2016				
Assets				
Impaired loans:				
Real estate:				
One-to-four family	$ —	$ —	$ 198	$ 198
Commercial	—	—	1,949	1,949
Reverse mortgage	—	—	319	319
Commercial and industrial	—	—	24	24
Other real estate owned	—	—	562	562
	$ —	$ —	$ 3,052	$3,052

Financial Instruments Not Required To Be Carried At Fair Value

FASB ASC Topic 825, *Financial Instruments* , requires the disclosure of the estimated fair value of financial instruments. The Company's estimated fair value amounts have been determined by the Company using available market information and appropriate valuation methodologies. However, considerable judgment is required to develop the estimates of fair value. Accordingly, the estimates are not necessarily indicative of the amounts the Company could have realized in a current market exchange. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair value amounts.

Fair value estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates. The following methods and assumptions were used by the Company in estimating fair values of financial instruments:

Cash and cash equivalents and interest earning deposits in other banks. The carrying values reported in the balance sheets approximate fair values due to the short-term nature of the assets.

Loans held-for-investment. Fair value is estimated by discounting expected future cash flows at a market rate of interest for loans of similar credit risk and maturity.

Loans held-for-sale . Loans held-for-sale, held at lower of cost or fair value, is derived from committed prices to sell such loans to investors, current pricing from the Company's available pool of investors, or market pricing derived from available comparable sales data (Level 2).

FHLB and FRB bank stock, at cost. It is not practical to determine the fair value of FHLB and FRB stock due to restrictions placed on its transferability.

Accrued interest receivable and payable. The carrying amounts of accrued interest approximate fair value and are classified within the same fair value hierarchy level as the related asset or liability.

Deposits. The fair values of certificates of deposit are estimated by discounting the expected cash flows at current rates for instruments with similar maturities (Level 2). The carrying values of transaction accounts are deemed to be fair value since they are payable on demand.

FHLB advances and notes payable. The fair values of FHLB advances and notes payable are estimated by discounting the expected cash flows at current borrowing rates for instruments with similar maturities (Level 2).

Subordinated debentures. The fair values of subordinated debentures are estimated by discounting expected future cash flows at a market rate of interest for instruments with similar maturities (Level 2).

The following tables present information about the Company's assets and liabilities that are not measured at fair value in the consolidated statements of financial condition as of December 31, 2017 and 2016:

	Carrying Amount	Fair Value Measurements Using			
		Level 1	Level 2	Level 3	Total
		(Dollars in thousands)			
As of December 31, 2017					
Financial assets:					
Cash and due from banks	$ 3,951	$ 3,951	$ —	$ —	$ 3,951
Interest bearing deposits	793,717	793,717	—	—	793,717
Securities held-to-maturity	119	—	119	—	119
Loans held-for-investment, net	689,303	—	—	692,025	692,025
Loans held-for-sale	190,392	—	190,392	—	190,392
FHLB and FRB stock	7,352	N/A	N/A	N/A	N/A
Accrued interest receivable	3,910	400	391	3,119	3,910
Financial liabilities:					
Deposits	$1,775,146	$ —	$1,732,108	$ —	$1,732,108
FHLB advances and notes payable	21,000	—	21,000	—	21,000
Subordinated debentures	15,788	—	15,097	—	15,097
Accrued interest payable	447	—	447	—	447

	Carrying Amount	Fair Value Measurements Using			
		Level 1	Level 2	Level 3	Total
		(Dollars in thousands)			
As of December 31, 2016					
Financial assets:					
Cash and due from banks	$ 3,594	$ 3,594	$ —	$ —	$ 3,594
Interest bearing deposits	31,055	31,055	—	—	31,055
Securities held-to-maturity	405	—	410	—	410
Loans held-for-investment, net	669,136	—	—	675,967	675,967
Loans held-for-sale	166,986	—	166,990	—	166,990
FHLB and FRB stock	7,187	N/A	N/A	N/A	N/A
Accrued interest receivable	2,924	—	316	2,608	2,924
Financial liabilities:					
Deposits	$767,862	$ —	$750,481	$ —	$750,481
FHLB advances and notes payable	122,143	—	122,143	—	122,143
Subordinated debentures	15,774	—	14,892	—	14,892
Accrued interest payable	471	—	471	—	471

Note 17—Earnings Per Share

The computation of basic and diluted earnings per share is shown below (in thousands, except per share data).

	Year ended December 31,	
	2017	2016
Basic		
Net income	$7,643	$ 7,035
Less: Dividends paid to preferred shareholders	—	(13)
Net income available to common shareholders	$7,643	$ 7,022
Weighted average common shares outstanding	9,224	9,705
Basic earnings per common share	$ 0.83	$ 0.72
Diluted		
Net income allocated to common shareholders	$7,643	$ 7,022
Weighted average common shares outstanding for basic earnings per common share	9,224	9,705
Add: Dilutive effects of assumed exercise of stock options	394	334
Average shares and dilutive potential common shares	9,618	10,039
Dilutive earnings per commons share	$ 0.79	$ 0.70

Stock options for 20,000 and 20,457 shares of common stock were not considered in computing diluted earnings per share for the years ended December 31, 2017 and 2016, respectively, because they were antidilutive.

Note 18—Shareholders' Equity

The Company's Articles of Incorporation, as amended, or Articles authorize the Company to issue up to (i) 125,000,000 shares of Class A Common Stock, par value $0.01 per share ("Class A Common Stock"), (ii) 25,000,000 shares of Class B Non-Voting Common Stock, par value $0.01 per share ("Class B Non-Voting Common Stock"), and (iii) 10,000,000 shares of Preferred Stock, par value $0.01 per share.

Preferred Stock

On August 11, 2011, the Company entered into and consummated a Securities Purchase Agreement (the "Purchase Agreement") with the Secretary of the Treasury of the United States under the Small Business Lending Fund Program. Pursuant to the Purchase Agreement, the Company issued 12,427 shares of the Company's Preferred Stock, Series A, having a liquidation amount per share equal to $1,000, for a total purchase price of $12,403,410, net of issuance costs. The Preferred Stock was entitled to receive noncumulative dividends, beginning October 1, 2011. The initial dividend rate was set at five percent (5%) as a percentage of the liquidation amount, but could fluctuate on a quarterly basis during the first 10 quarters during which the Series A Preferred Stock is outstanding, based upon changes in the level of "Qualified Small Business Lending" or "QSBL" (as defined in the Purchase Agreement) by the Company.

The Series A Preferred Stock could be redeemed at any time at the Company's option, at a redemption price of 100% of the liquidation amount plus accrued but unpaid dividends to the date of redemption for the current period, subject to the approval of its federal banking regulator. On February 1, 2016, the Company redeemed the remaining 7,427 shares of its outstanding Series A Preferred Stock for $7.4 million and had no other preferred stock outstanding as of December 31, 2017. The Company funded the redemption with the proceeds of an $8.0 million term loan executed on January 29, 2016.

Common Stock

Voting . Each holder of Class A Common Stock is entitled to one vote for each share on all matters submitted to a vote of shareholders, except as otherwise required by law and subject to the rights and preferences of the holders of any outstanding shares of our preferred stock. The members of the Company's board of directors are elected by a plurality of the votes cast. The Company's Articles expressly prohibit cumulative voting.

Class B Non-Voting Common Stock. Class B Non-Voting Common Stock is non-voting while held by the initial holder with certain limited exceptions. Each share of Class B Non-Voting Common Stock will automatically convert into a share of Class A Common Stock upon certain sales or transfers by the initial holder of such shares including to an unaffiliated third-party and in a widely dispersed public offering. If Class B Non-Voting Common Stock is sold or transferred to an affiliate of the initial holder, the Class B Non-Voting Common Stock would not convert into Class A Common Stock.

In January 2017, 149,500 shares of Class A Common Stock were exchanged by the Company's shareholders for Class B Non-Voting Common Stock.

On December 15, 2016, the Company completed a Board approved repurchase of 425,575 shares of Class A Common Stock and 79,441 shares of Class B Non-Voting Common Stock for a total purchase price of $3.5 million.

Accumulated Other Comprehensive Income

The Company presents comprehensive income in accordance with FASB ASC Topic 220, *Comprehensive Income* , that requires the disclosure of comprehensive income or loss and its components. Other comprehensive income (loss) includes unrealized gains and losses on securities available-for-sale and the change in the fair value of cash flow hedges, net of deferred tax effects, which are also recognized as a separate component of equity.

At December 31, 2017, the company early adopted ASU 2018-02 and reclassified out of accumulated other comprehensive income and into retained earnings $0.2 million of tax expense (benefit) that was recorded to income tax expense at December 22, 2017 due to re-measuring to 21% deferred taxes on available-for-sale securities and derivative assets.

The following table shows for the years ended December 31, 2017 and December 31, 2016, changes in the balances of each component of accumulated other comprehensive income/(loss):

	Unrealized Gains/ (Losses) on Available-for-Sale Securities	Derivative Asset/(Liability)	Accumulated Other Comprehensive Income/(Loss)
	(Dollars in thousands)		
Beginning balance, January 1, 2016	$ 63	$ (709)	$ (646)
Current period other comprehensive (loss) income	(797)	92	(705)
Ending balance, December 31, 2016	(734)	(617)	(1,351)
Current period other comprehensive income before reclassifications	102	235	337
Amounts reclassified to retained earnings from accumulated other comprehensive income	(124)	(79)	(203)
Ending balance, December 31, 2017	$ (756)	$ (461)	$ (1,217)

Note 19—Parent Company Financial Information

Condensed financial information for the Corporation (parent company only) is as follows (in thousands):

Statements of Financial Condition

	December 31,	
	2017	2016
ASSETS		
Cash and due from banks	$ 1,871	$ 2,033
Interest earning deposits in other banks	860	1,109
Cash and cash equivalents	2,731	3,142
Investments in subsidiaries	92,786	85,660
Other assets	1,314	1,393
Total assets	$96,831	$90,195
LIABILITIES AND SHAREHOLDERS' EQUITY		
Notes payable	$ 6,000	$ 7,143
Subordinated debentures, net	15,788	15,774
Accrued expenses and other liabilities	1,243	1,471
Total liabilities	23,031	24,388
Commitments and contingencies		
Preferred Stock	—	—
Common stock	92	92
Additional paid-in capital	29,794	29,781
Retained earnings	45,131	37,285
Accumulated other comprehensive loss	(1,217)	(1,351)
Total shareholders' equity	73,800	65,807
Total liabilities and shareholders' equity	$96,831	$90,195

Statements of Operations

	Year Ended December 31,	
	2017	2016
Total interest income	$ 23	$ 715
Interest expense		
Notes payable and other	448	442
Subordinated debentures	779	1,402
Total interest expense	1,227	1,844
Net interest income	(1,204)	(1,129)
Noninterest expense		
Salaries and employee benefits	398	390
Occupancy and equipment	40	39
Communications and data processing	47	54
Professional services	51	58
Other general and administrative	49	60
Total noninterest expense	585	601
Loss before income taxes and equity in undistributed earnings of subsidiaries	(1,789)	(1,730)
Income tax benefit	(690)	(691)
Equity in undistributed earnings of subsidiaries	8,742	8,074
Net income	7,643	7,035
Dividends on preferred stock	—	13
Net income available to common shareholders	$ 7,643	$ 7,022

Statements of Cash Flows

	Year Ended December 31,	
	2017	2016
Cash flows from operating activities		
Net income	$ 7,643	$ 7,035
Adjustments to reconcile net income to net cash provided by operating activities		
Equity in undistributed earnings of subsidiaries, net of dividends received	(6,892)	(2,474)
Other, net	339	231
Changes in operating assets and liabilities:		
Other assets	35	249
Accrued expenses and other liabilities	(234)	(261)
Net cash provided by operating activities	891	4,780
Cash flows from investing activities		
Net cash used by investing activities	—	—
Cash flows from financing activities		
Proceeds from advances from subsidiaries	11,551	9,011
Repayment of advances from subsidiaries	(11,725)	(8,832)
Proceeds from issuance of notes payable	—	8,000
Payments made on notes payable	(1,143)	(857)
Proceeds from issuance of common stock	(6)	—
Payment to repurchase common stock	—	(3,500)
Payment to repurchase preferred stock	—	(7,427)
Preferred stock dividends paid	—	(53)
Other, net	21	34
Net cash used in financing activities	(1,302)	(3,624)
Net (decrease) increase in cash and cash equivalents	(411)	1,156
Cash and cash equivalents, beginning of year	3,142	1,986
Cash and cash equivalents, end of year	$ 2,731	$ 3,142

Note 20—Subsequent Events

On February 1, 2018, the Company did not renew the $15.0 million FHLB advance and simultaneously de-designated the existing hedge relationship and terminated the interest rate swap on January 30, 2018.

On February 23, 2018, the Company completed a private placement of 9.5 million shares of the Company's common stock, generating gross proceeds of $114.0 million. Proceeds from this placement will support further growth in the Company's nationwide fintech deposit initiative and its business banking and residential lending activities, as well as funding a stock repurchase of $11.4 million.

In June 2018, the Company adopted the 2018 Equity Compensation Plan, or 2018 Plan, which permits the Compensation Committee, in its sole discretion, to grant various forms of incentive awards. Under the 2018 Plan, the Compensation Committee has the power to grant stock options, stock appreciation rights, or SARs, restricted stock and restricted stock units. The number of shares that may be issued pursuant to awards under the 2018 Plan is 1,596,753. In June 2018, the company granted 114,000 stock options under the 2018 Plan.

The Company has evaluated subsequent events for potential recognition and disclosure through March 13, 2018, which is the date the consolidated financial statements were originally available to be issued. The financial statements have been reissued on August 1, 2018, and subsequent events have been evaluated for disclosure through that date.

GLOSSARY

Application Programming Interface, or API: A packaged set of subroutine definitions, protocols and tools developed to assist our clients in building software that fluidly integrates with Silvergate.

Bitcoin (with capitalization): Bitcoin is used when describing the concept of the entire network. Bitcoin is a consensus network that enables a new payment system and a completely digital currency. It is the first decentralized peer-to-peer payment network that is powered by its users with no central authority, in which transactions are verified by nodes through cryptography and recorded in a public distributed ledger called a blockchain. The nodes are rewarded for validating transactions through the issuance of new units of the digital currency (bitcoin) and fees paid through the network.

bitcoin (without capitalization): bitcoin is used to describe bitcoin as the unit of account.

Blockchain: A digital ledger on which digital currency transactions are recorded chronologically and publicly for all included parties.

Digital currency: Payment method which exists only in electronic form and is not tangible, can only be transferred between entities or users with the help of technology like computers and the internet, and facilitates borderless transfer of ownership as well as instantaneous transactions.

Exchange: A business that allows customers to trade digital currencies or digital currencies for other assets, such as conventional fiat money, or different digital currencies.

Fiat currency: Paper money or coins made legal tender by a government.

Fintech : Refers to a variety of emerging technologies and innovative technology-based business models focused on the financial services industry.

Silvergate Exchange Network, or SEN: An innovative, market leading product that enables the movement of U.S. dollars in real-time (24 hours a day, 7 days a week, 365 days a year) between Silvergate accounts and participating exchanges via our online banking system or our API.

Stablecoin : A digital currency that has a mechanism in place to minimize its price fluctuations. The most common method of achieving price stability is to peg the price of the digital currency to a more stable asset, such as the U.S. dollar, which is usually held as collateral for the digital currency. Stablecoins are typically used as a medium of exchange and as a price-stable store of value.

Wallet: A secure software program used to store, send, and receive digital currency.

Shares

SILVERGATE CAPITAL CORPORATION

Class A Common Stock

Prospectus
, 2018

Barclays

Keefe, Bruyette & Woods
A Stifel Company

Through and including , 2019 (25 days after the date of this prospectus), all dealers that buy, sell or trade our common stock, whether or not participating in this offering, may be required to deliver a prospectus. This delivery requirement is in addition to the obligation of dealers to deliver a prospectus when acting as underwriters and with respect to their unsold allotments or subscriptions.

PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

ITEM 13. OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION.

The following table sets forth all costs and expenses, other than the underwriting discount, in connection with the sale of shares of our common stock being registered. We will pay for such costs and expenses. All amounts shown are estimates, except for the SEC registration fee, the FINRA filing fee and the New York Stock Exchange listing fee:

SEC registration fee	$6,060
FINRA filing fee	$8,000
New York Stock Exchange listing fees and expenses	$ *
Transfer agent and registrar fees and expenses	$ *
Printing fees and expenses	$ *
Legal fees and expenses	$ *
Underwriter expenses	$ *
Accounting expenses	$ *
Miscellaneous expenses	$ *
Total	$ *

* To be furnished by amendment.

ITEM 14. INDEMNIFICATION OF DIRECTORS AND OFFICERS.

Article 9 of the Articles of Incorporation, as amended, of Silvergate Capital Corporation, or the Corporation, sets forth the circumstances under which directors, officers, employees and agents of the Corporation may be insured or indemnified against liability which they incur in their capacities as such:

ARTICLE 9. ***Indemnification of Officers, Directors, Employees and Agents*** .

A. *Personal Liability of Directors* . A director of the Corporation shall not be personally liable for monetary damages for any action taken, or any failure to take any action, as a director except to the extent that by law a director's liability for monetary damages may not be limited.

B. *Indemnification* . The Corporation shall indemnify to the extent permitted under Maryland law any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, including actions by or in the right of the Corporation, whether civil, criminal, administrative or investigative, by reason of the fact that such person is or was a director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorneys' fees), judgements, fines, excise taxes and amounts paid in settlement actually and reasonably incurred by such person in connection with such action, suit or proceeding.

C. *Advancement of Expenses* . Reasonable expenses incurred by an officer, director, employee or agent of the Corporation in defending a civil or criminal action, suit or proceeding described in Section B of Article 9 may be paid by the Corporation in advance of the final disposition of such action, suit or proceeding upon receipt of an undertaking by or on behalf of such person to repay such amount if it shall ultimately be determined that the person is not entitled to be indemnified by the Corporation.

D. *Other Rights* . The indemnification and advancement of expenses provided by or pursuant to this Article 9 shall not be deemed exclusive of any other rights to which those seeking indemnification or advancement of expenses may be entitled under any insurance or other agreement, vote of shareholders or directors or otherwise,

both as to actions in their official capacity and as to actions in another capacity while holding an office, and shall continue as to a person who has ceased to be a director, officer, employee or agent and shall inure to the benefit of the heirs, executors and administrators of such person.

E. *Insurance* . The Corporation shall have the power to purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against any liability asserted against him and incurred by him in any such capacity, or arising out of his status as such, whether or not the Corporation would have power to indemnify him against such liability under the provisions of Article 9.

F. *Security Fund. Indemnity Agreements* . By action of the Board of Directors (notwithstanding their interest in the transaction), the Corporation may create and fund a trust fund or fund of any nature, and may enter into agreements with its officers, directors, employees and agents for the purpose of securing or insuring in any manner its obligation to indemnify or advance expenses provided for in Article 9.

G. *Modification.* The duties of the Corporation to indemnify and to advance expenses to any person as provided in Article 9 shall be in the nature of a contract between the Corporation and each such person, and no amendment or repeal of any provision of this Article 9, and no amendment or termination of any trust or other fund created pursuant to Section F of this Article 9, shall alter to the detriment of such person the right of such person to the advance of expenses or indemnification related to a claim based on an act or failure to act which took place prior to such amendment, repeal or termination.

H. *Proceedings Initiated by Indemnified Persons.* Notwithstanding any other provision of Article 9, the Corporation shall not indemnify a director, officer, employee or agent for any liability incurred in an action, suit or proceeding initiated (which shall not be deemed to include counter-claims or affirmative defenses) or participated in as an intervener or amicus curiae by the person seeking indemnification unless such initiation of or participation in the action, suit or proceeding is authorized, either before or after its commencement, by the affirmative vote of a majority of the directors in office.

The Maryland General Corporation Law provides, in pertinent part, as follows:

2-418 INDEMNIFICATION OF DIRECTORS, OFFICERS, EMPLOYEES AND AGENTS.—

(a) *Definitions* .

(1) In this section the following words have the meanings indicated.

(2) “Corporation” includes any domestic or foreign predecessor entity of a corporation in a merger, consolidation, or other transaction in which the predecessor’s existence ceased upon consummation of the transaction.

(3) “Director” means any person who is or was a director of a corporation and any person who, while a director of a corporation, is or was serving at the request of the corporation as a director, officer, partner, trustee, employee, or agent of another foreign or domestic corporation, partnership, joint venture, other enterprise, or employee benefit plan.

(4) “Expenses” include attorney’s fees.

(5) (i) “Official capacity” means:

1. When used with respect to a director, the office of director in the corporation; and

2. When used with respect to a person other than a director as contemplated in subsection (j), the elective or appointive office in the corporation held by the officer, or the employment or agency relationship undertaken by the employee or agent in behalf of the corporation.

(ii) "Official capacity" does not include service for any other foreign or domestic corporation or any partnership, joint venture, trust, other enterprise, or employee benefit plan.

(6) "Party" includes a person who was, is, or is threatened to be made a named defendant or respondent in a proceeding.

(7) "Proceeding" means any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative, or investigative.

(b) *Permitted indemnification of a director* .

(1) A corporation may indemnify any director made a party to any proceeding by reason of service in that capacity unless it is established that:

(i) The act or omission of the director was material to the matter giving rise to the proceeding;

1. Was committed in bad faith; or

2. Was the result of active and deliberate dishonesty; or

(ii) The director actually received an improper personal benefit in money, property, or services; or

(iii) In the case of any criminal proceeding, the director had reasonable cause to believe that the act or omission was unlawful.

(2) (i) Indemnification may be against judgments, penalties, fines, settlements, and reasonable expenses incurred by the director in connection with the proceeding.

(ii) However, if the proceeding was one by or in the right of the corporation, indemnification may not be made in respect of any proceeding in which the director shall have been adjudged to be liable to the corporation.

(3) (i) The termination of any proceeding by judgment, order, or settlement does not create a presumption that the director did not meet the requisite standard of conduct set forth in this subsection.

(ii) The termination of any proceeding by conviction, or a plea of nolo contendere or its equivalent, or an entry of an order of probation prior to judgment, creates a rebuttal presumption that the director did not meet that standard of conduct.

(4) A corporation may not indemnify a director or advance expenses under this section for a proceeding brought by that director against the corporation, except:

(i) For a proceeding brought to enforce indemnification under this section; or

(ii) If the charter or bylaws of the corporation, a resolution of the board of directors of the corporation, or an agreement approved by the board of directors of the corporation to which the corporation is a party expressly provide otherwise.

(c) *No indemnification of director liable for improper personal benefit* .—A director may not be indemnified under subsection (b) of this section in respect of any proceeding charging improper personal benefit to the director, whether or not involving action in the director's official capacity, in which the director was adjudged to be liable on the basis that personal benefit was improperly received.

(d) *Required indemnification against expenses incurred in successful defense* .—Unless limited by the charter:

(1) A director who has been successful, on the merits or otherwise, in the defense of any proceeding referred to in subsection (b) of this section shall be indemnified against reasonable expenses incurred by the director in connection with the proceeding, claim, issue, or matter in which the director has been successful.

(2) A court of appropriate jurisdiction, upon application of a director and such notice as the court shall require, may order indemnification in the following circumstances:

(i) If it determines a director is entitled to reimbursement under paragraph (1) of this subsection, the court shall order indemnification, in which case the director shall be entitled to recover the expenses of securing such reimbursement; or

(ii) If it determines that the director is fairly and reasonably entitled to indemnification in view of all the relevant circumstances, whether or not the director has met the standards of conduct set forth in subsection

(b) of this section or has been adjudged liable under the circumstances described in subsection (c) of this section, the court may order such indemnification as the court shall deem proper. However, indemnification with respect to any proceeding by or in the right of the corporation or in which liability shall have been adjudged in the circumstances described in subsection (c) shall be limited to expenses.

(3) A court of appropriate jurisdiction may be the same court in which the proceeding involving the director's liability took place.

(e) *Determination that indemnification is proper* .—

(1) Indemnification under subsection (b) of this section may not be made by the corporation unless authorized for a specific proceeding after a determination has been made that indemnification of the director is permissible in the circumstances because the director has met the standard of conduct set forth in subsection (b) of this section.

(2) Such determination shall be made:

(i) By the board of directors by a majority vote of a quorum consisting of directors not, at the time, parties to the proceeding, or, if such a quorum cannot be obtained, then by a majority vote of a committee of the board consisting solely of two or more directors not, at the time, parties to such proceeding and who were duly designated to act in the matter by a majority vote of the full board in which the designated directors who are parties may participate;

(ii) By special legal counsel selected by the board of directors or a committee of the board by vote as set forth in subparagraph (I) of this paragraph, or, if the requisite quorum of the full board cannot be obtained therefor and the committee cannot be established, by a majority vote of the full board in which directors who are parties may participate; or

(iii) By the shareholders.

(3) Authorization of indemnification and determination as to reasonableness of expenses shall be made in the same manner as the determination that indemnification is permissible. However, if the determination that indemnification is permissible is made by special legal counsel, authorization of indemnification and determination as to reasonableness of expenses shall be made in the manner specified in paragraph (2)(ii) of this subsection for selection of such counsel.

(4) Shares held by directors who are parties to the proceeding may not be voted on the subject matter under this subsection.

(f) *Payment of expenses in advance of final disposition of action* .—

(1) Reasonable expenses incurred by a director who is a party to a proceeding may be paid or reimbursed by the corporation in advance of the final disposition of the proceeding upon receipt by the corporation of:

(i) A written affirmation by the director of the director's good faith belief that the standard of conduct necessary for indemnification by the corporation as authorized in this section has been met; and

(ii) A written undertaking by or on behalf of the director to repay the amount if it shall ultimately be determined that the standard of conduct has not been met.

(2) The undertaking required by paragraph (1)(ii) of this subsection shall be an unlimited general obligation of the director but need not be secured and may be accepted without reference to financial ability to make the repayment.

(3) Payments under this subsection shall be made as provided by the charter, bylaws or contract or as specified in subsection (e)(2) of this section.

(g) *Validity of indemnification provision* .—The indemnification and advancement of expenses provided or authorized by this section may not be deemed exclusive of any other rights, by indemnification or otherwise, to which a director may be entitled under the charter, the bylaws, a resolution of shareholders of directors, an agreement or otherwise, both as to action in an official capacity and as to action in another capacity while holding such office.

(h) *Reimbursement of director's expenses incurred while appearing as witness* .—This section does not limit the corporation's power to pay or reimburse expenses incurred by a director in connection with an appearance as a witness in a proceeding at a time when the director has not been made a named defendant or respondent in the proceeding.

(i) Director's service to employee benefit plan.—For purposes of this section:

(1) The corporation shall be deemed to have requested a director to serve an employee benefit plan where the performance of the director's duties to the corporation also imposes duties on, or otherwise involves services by, the director to the plan or participants or beneficiaries of the plan:

(2) Excise taxes assessed on a director with respect to an employee benefit plan pursuant to applicable law shall be deemed fines; and

(3) Action taken or omitted by the director with respect to an employee benefit plan in the performance of the director's duties for a purpose reasonably believed by the director to be in the interest of the participants and beneficiaries of the plan shall be deemed to be for a purpose which is not opposed to the best interests of the corporation.

(j) Officer, employee or agent.—Unless limited by the charter:

(1) An officer of the corporation shall be indemnified as and to the extent provided in subsection (d) of this section for a director and shall be entitled, to the same extent as a director, to seek indemnification pursuant to the provisions of subsection (d) of this section;

(2) A corporation may indemnify and advance expenses to an officer, employee, or agent of the corporation to the same extent that it may indemnify directors under this section; and

(3) A corporation, in addition, may indemnify and advance expenses to an officer, employee, or agent who is not a director to such further extent, consistent with law, as may be provided by its charter, bylaws, general or specific action of its board of directors or contract.

(k) *Insurance or similar protection* .—

(1) A corporation may purchase and maintain insurance on behalf of any person who is or was a director, officer, employee, or agent of the corporation, or who, while a director, officer, employee, or agent of the corporation, is or was serving at the request of the corporation as a director, officer, partner, trustee, employee, or agent of another foreign or domestic corporation, partnership, joint venture, trust, other enterprise, or employee benefit plan against any liability asserted against and incurred by such person in any such capacity or arising out of such person's position, whether or not the corporation would have the power to indemnify against liability under the provisions of this section.

(2) A corporation may provide similar protection, including a trust fund, letter of credit, or surety bond, not inconsistent with this section.

(3) The insurance or similar protection may be provided by a subsidiary or an affiliate of the corporation.

(l) *Report of indemnification to shareholders* .—Any indemnification of, or advance of expenses to, a director in accordance with this section, if arising out of a proceeding by or in the right of the corporation, shall be reported in writing to the shareholders with the notice of the next shareholders' meeting or prior to the meeting.

Reference is made to the form of underwriting agreement to be filed as Exhibit 1.1 hereto for provisions providing that the underwriters are obligated under certain circumstances to indemnify our directors, officers and controlling persons against certain liabilities under the Securities Act of 1933, as amended, or the Securities Act.

ITEM 15. RECENT SALES OF UNREGISTERED SECURITIES.

Within the past three years, the Corporation has engaged in the following transactions that were not registered under the Securities Act:

(1) In the past three years, the Corporation has granted (i) 114,000 stock options pursuant to the Corporation's 2018 Equity Compensation Plan, or the 2018 Plan, as of September 30, 2018, and (ii) a net total of 8,457 stock options pursuant to the Corporation's 2010 Equity Compensation Plan (81,914 stock options granted; 73,457 options surrendered). No underwriter or placement agent was involved in the issuance or sale of any of these securities, and no underwriting discounts or commissions were paid. The issuance and sale of the securities described above were made in reliance upon exemptions from registration requirements under Section 4(a)(2) of the Securities Act and pursuant to Rule 701 promulgated under the Securities Act as a transaction by an issuer not involving any public offering and pursuant to benefit plans and contracts relating to compensation.

(2) On February 26, 2018, the Corporation issued 9,500,000 shares of the Corporation's Class A Common Stock for a purchase price of $114 million in the aggregate. Keefe, Bruyette & Woods, A Stifel Company, and Compass Point Research & Trading, LLC acted as placement agents for this transaction. The aggregate commission for the placement agents for this transaction was $5,700,000. The securities issued in this transaction were issued under an exemption from registration pursuant to Section 4(a)(2) of the Securities Act and Rule 506 of Regulation D promulgated thereunder as a transaction by an issuer not involving any public offering.

(3) On February 23, 2015, the Corporation issued 327,000 shares of the Corporation's Class A Common Stock and 148,892 shares of the Corporation's Class B Common Stock for a purchase price of $2.88 million in the aggregate. No underwriter or placement agent was involved in the issuance or sale of any of these securities, and no underwriting discounts or commissions were paid. The securities issued in this transaction were issued under an exemption from registration pursuant to Section 4(a)(2) of the Securities Act and Rule 506 of Regulation D promulgated thereunder as a transaction by an issuer not involving any public offering.

ITEM 16. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES.

(a) Exhibits: The list of exhibits set forth under "Exhibit Index" at the end of this registration statement is incorporated herein by reference.

(b) Financial Statement Schedules: None.

ITEM 17. UNDERTAKINGS.

The undersigned registrant hereby undertakes to provide to the underwriters at the closing specified in the underwriting agreement certificates in such denominations and registered in such names as required by the underwriters to permit prompt delivery to each purchaser.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that, in the opinion of the Securities and Exchange Commission, such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

The registrant hereby further undertakes that:

(1) For purposes of determining any liability under the Securities Act, the information omitted from the form of prospectus filed as part of this Registration Statement in reliance upon Rule 430A and contained in a form of prospectus filed by the Registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this Registration Statement as of the time it was declared effective; and

(2) For purposes of determining any liability under the Securities Act, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

EXHIBIT INDEX

NUMBER	DESCRIPTION
1.1	Form of Underwriting Agreement*
3.1	Articles of Incorporation, as amended
3.2	Bylaws
4.1	Specimen Class A Common Stock certificate
4.2	Specimen Class B Non-Voting Common Stock certificate
4.3	Form of Investor Rights Agreement, dated February 22, 2018
4.4	Form of Investor Rights Agreement, dated February 23, 2015
4.5	Form of Investor Rights Agreement, dated August 20, 2014
4.6	Form of Investor Rights Agreement, dated September 7, 2011
	The other instruments defining the rights of the long-term debt securities of the Registrant and its subsidiaries are omitted pursuant to section (b)(4)(iii)(A) of Item 601 of Regulation S-K. The Registrant hereby agrees to furnish copies of these instruments to the SEC upon request.
5.1	Opinion of Holland & Knight LLP*
10.1	Silvergate Capital Corporation 2018 Equity Compensation Plan [1]
10.2	Form of Restricted Stock Award Agreement under the Silvergate Capital Corporation 2018 Equity Compensation Plan [1] *
10.3	Form of Stock Option Award Agreement under the Silvergate Capital Corporation 2018 Equity Compensation Plan [1] *
10.4	Form of Stock Appreciation Right Award Agreement under the Silvergate Capital Corporation 2018 Equity Compensation Plan [1] *
10.5	Silvergate Capital Corporation 2010 Equity Compensation Plan [1]
10.6	Form of Stock Option Award Agreement under the Silvergate Capital Corporation 2010 Equity Compensation Plan [1]
10.7	Employment Agreement, effective January 1, 2018, by and among Silvergate Capital Corporation, Silvergate Bank and Alan J. Lane [1]
10.8	Change in Control Severance Agreement, effective October 4, 2017, by and among Silvergate Capital Corporation, Silvergate Bank and Dennis S. Frank [1]
10.9	Long Term Bonus Agreement, effective May 2, 2014, by and between Silvergate Bank and Dennis S. Frank [1]
10.10	Change in Control Severance Agreement, dated September 29, 2005, by and among Silvergate Capital Corporation, Silvergate Bank and Derek J. Eisele [1]
21.1	Subsidiaries of Silvergate Capital Corporation
23.1	Consent of Holland & Knight LLP (contained in Exhibit 5.1)*
23.2	Consent of Crowe LLP
24.1	Power of attorney (included on signature page)

* To be filed by amendment.

(1) Indicates a management contract or compensatory plan.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the registrant has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized in La Jolla, California, on the 16th day of November, 2018.

SILVERGATE CAPITAL CORPORATION

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

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that each individual whose signature appears below constitutes and appoints Alan J. Lane and John M. Bonino, and each of them individually, his true and lawful attorneys-in-fact and agents with full power of substitution and resubstitution, for him or her and in his or her name, place and stead, in any and all capacities, to sign any and all amendments (including post-effective amendments) to this registration statement and to file the same with all exhibits thereto, and all documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents or any of them, or their or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof. This power of attorney may be executed in counterparts.

Pursuant to the requirements of the Securities Act of 1933, this registration statement has been signed by the following persons in the capacities and on the dates indicated below.

	Signature	Title	Date
By:	/s/ Alan J. Lane Alan J. Lane	President, Chief Executive Officer and Director (Principal Executive Officer)	November 16, 2018
By:	/s/ Regan Lauer Regan Lauer	Executive Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)	November 16, 2018
By:	/s/ Dennis S. Frank Dennis S. Frank	Chairman of the Board of Directors	November 16, 2018
By:	/s/ Robert C. Campbell Robert C. Campbell	Director	November 16, 2018
By:	/s/ Derek J. Eisele Derek J. Eisele	Vice Chairman of the Board of Directors	November 16, 2018
By:	/s/ Paul D. Colucci Paul D. Colucci	Director	November 16, 2018
By:	/s/ Karen F. Brassfield Karen F. Brassfield	Director	November 16, 2018
By:	/s/ Scott A. Reed Scott A. Reed	Director	November 16, 2018
By:	/s/ Thomas C. Dircks Thomas C. Dircks	Director	November 16, 2018

Exhibit 3.1

ARTICLES OF INCORPORATION
OF
SILVERGATE CAPITAL CORPORATION

Article 1. Name. The name of the corporation is Silvergate Capital Corporation (hereinafter referred to as the "Corporation").

Article 2. Duration. The term of existence of the Corporation shall be perpetual.

Article 3. The Purpose; Nature of Business. The purpose of the Corporation is to engage in any lawful act or activity for which a corporation may be organized under the Maryland General Corporation Law (the "MGCL"). The Corporation shall have all of the general powers of a corporation as provided by the MGCL.

Article 4. Principal Office; Registered Agent. The address of the principal office of the Corporation in the State of Maryland is 300 East Lombard Street, Baltimore, Maryland 21202. The name of the registered agent at such address is The Corporation Trust Incorporated.

Article 5. Capital Stock.

A. Authorized Amount.

The total number of shares of capital stock which the Corporation has authority to issue is 60,000,000, of which 50,000,000 shall be common stock, $.01 par value per share (hereinafter the "Common Stock") and 10,000,000 shall be serial preferred stock, $.01 par value per share (hereinafter "Preferred Stock"). Except to the extent required by governing law, rule or regulation, the shares of capital stock may be issued from time to time by the Board of Directors without further approval of stockholders. The Corporation shall have the authority to purchase its capital stock out of funds lawfully available therefore.

B. Common Stock.

Except as provided in this Article 5 (or in any resolution or resolutions adopted by the Board of Directors pursuant hereto), the exclusive voting power shall be vested in the Common Stock, with each holder thereof being entitled to one vote for each share of such Common Stock standing in the holder's name on the books of the Corporation. Subject to any rights and preferences of any class of stock having preference over the Common Stock, holders of Common Stock shall be entitled to such dividends as may be declared by the Board of Directors out of funds lawfully available therefor. Upon any liquidation, dissolution or winding up of the affairs of the Corporation, whether voluntary or involuntary, holders of Common Stock shall be entitled to receive pro rata the remaining assets of the Corporation after the holders of any class of stock having preference over the Common Stock have been paid in full any sums to which they may be entitled.

C. Authority of Board to Fix Terms of Preferred Stock.

The Board of Directors shall have the full authority permitted by law to divide the authorized and unissued shares of Preferred Stock into series and to fix by resolution full, limited, multiple or fractional, or no voting rights, and such designations, preferences, qualifications, privileges, limitations, restrictions, options, conversion rights, and other special or relative rights of the Preferred Stock or any series thereof that may be desired.

Article 6. Incorporator. The name and address of the sole incorporator is as follows:

Name	Address
Dennis S. Frank	8100 La Mesa Boulevard La Mesa, California 91941

Article 7. Directors. The business and affairs of the Corporation shall be managed by or under the direction of a Board of Directors.

A. Number.

The current number of directors of the Corporation is seven (7). The names of the current members of the Board of Directors of the Corporation are:

Dennis S. Frank
Derek J. Eisele
Jeffrey J. Block
Robert C. Campbell
John D. Eudy
Richard C. Lehman, M.D.
Thomas W. Deutsch

The business address of each member of the Board of Directors of the Corporation is 8100 La Mesa Boulevard, La Mesa, California 91941.

Except as otherwise increased from time to time by the exercise of the rights of the holders of any class or series of stock having a preference over the Common Stock as to dividends or upon liquidation to elect additional directors, the number of directors of the Corporation shall be determined as stated in the Corporation's Bylaws, as may be amended from time to time.

B. Classification and Term.

The initial directors shall serve until the first annual meeting of stockholders after the effective date of the original Articles of Incorporation of the Corporation. At such first annual meeting, a classified Board of Directors will be elected to succeed the initial directors. The Board of Directors, other than those who may be elected by the holders of any class or series of stock having preference over the Common Stock as to dividends or upon liquidation, shall be divided into five classes as nearly equal in number as possible, with one class to be elected annually at each annual meeting subsequent to the first annual meeting of stockholders. The term of office of the directors elected at the first annual meeting of stockholders shall be as follows:

(1) the term of office of the directors of the first class shall expire at the first annual meeting of stockholders after their election as directors;

(2) the term of office of the directors of the second class shall expire at the second annual meeting of stockholders after their election as directors;

(3) the term of office of the directors of the third class shall expire at the third annual meeting of stockholders after their election as directors;

(4) the term of office of the directors of the directors of the fourth class shall expire at the fourth annual meeting of stockholders after their election as directors and, as the directors of each class, when their respective successors are elected and qualified; and

(5) the term of office of the directors of the fifth class shall expire at the fifth annual meeting of stockholders after their election as directors. At each annual meeting of stockholders subsequent to the first annual meeting of stockholders, the directors elected to succeed those in the class whose terms are expiring shall be elected for a term of office to expire at the fifth succeeding annual meeting of stockholders and when their respective successors are elected and qualified. Notwithstanding the foregoing, and except as otherwise required by law, whenever the holders of any one or more series of Preferred Stock shall have the right, voting separately as a class, to elect one or more directors of the Corporation, the terms of the director or directors elected by such holders shall expire at the next succeeding annual meeting of stockholders and vacancies created with respect to any directorship of the directors so elected may be filled in the manner specified by the terms of such Preferred Stock.

C. No Cumulative Voting.

Stockholders of the Corporation shall not be permitted to cumulate their votes for the election of directors.

D. Vacancies.

Except as otherwise fixed pursuant to the provisions of Article 5 hereof relating to the rights of the holders of any class or series of stock having preference over the Common Stock as to dividends or upon liquidation to elect directors, any vacancy in the number of directors, shall be filled by a majority vote of the directors then in office, whether or not a quorum is present, or by a sole remaining director, and any director so chosen shall serve until the term of the class to which he was appointed shall expire and until his successor is elected and qualified. When the number of directors is changed, the Board of Directors shall determine the class or classes to which the increased or decreased number of directors shall be apportioned, provided that no decrease in the number of directors shall shorten the term of any incumbent director.

E. Removal.

Subject to the rights of any class or series of stock having preference over the Common Stock as to dividends or upon liquidation to elect directors, any director (including persons elected by directors to fill vacancies in the Board of Directors) may be removed from office without cause by an affirmative vote of not less than 80% of the total votes eligible to be cast by stockholders at a duly constituted meeting of stockholders called expressly for such purpose and may be removed from office with cause by an affirmative vote of not less than a majority of the total votes eligible to be cast by stockholders. Cause for removal shall exist only if the directors whose removal is proposed has been either declared of unsound mind by an order of a court of competent jurisdiction, convicted of a felony or of an offense punishable by imprisonment for a term of more than one year by a court of competent jurisdiction, or deemed liable by a court of competent jurisdiction for gross negligence or misconduct in the performance of such director's duties to the Corporation. At least 30 days prior to such meeting of stockholders, written notice shall be sent to the director whose removal will be considered at the meeting.

F. Nominations of Directors.

Nominations of candidates for election as directors at any annual meeting of stockholders may be made (a) by, or at the direction of, a majority of the Board of Directors or (b) by any stockholder entitled to vote at such annual meeting. Only persons nominated in accordance with the procedures set forth in this Article 7.F shall be eligible for election as directors at an annual meeting. Ballots bearing the names of all the persons who have been nominated for election as directors at an annual meeting in accordance with the procedures set forth in this Article 7.F shall be provided for use at the annual meeting.

Nominations, other than those made by or at the direction of the Board of Directors, shall be made pursuant to timely notice in writing to the Secretary of the Corporations as set forth in this Article 7.F. To be timely, a stockholder's notice shall be delivered to, or mailed and received at, the principal execution offices of the Corporation not less than 60 days prior to the anniversary date of the immediately preceding annual meeting of stockholders of the Corporation. Such stockholder's notice shall set forth (a) as to each person whom the stockholder proposes to nominate for election or re-election as a

director (i) the name, age, business address and residence address of such person, (ii) the principal occupation or employment of such person, (iii) the class and number of shares of Corporation stock which are Beneficially Owned (as defined in Article 10.A(e)) by such person on the date of such stockholder notice, and (iv) any other information relating to such person that is required to be disclosed in solicitations of proxies with respect to nominees for election as directors, pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), including, but not limited to, information required to be disclosed by Items 4, 5, 6, and 7 of Schedule 14A and information which would be required to be filed on Schedule 14B with the Securities and Exchange Commission (or any successors of such items or schedules); and (b) as to the stockholder giving the notice (i) the name and address, as they appear on the Corporation's books, of such stockholder and any other stockholders known by such stockholder to be supporting such nominees and (ii) the class and number of shares of Corporation stock which are Beneficially Owned by such stockholder on the date of such stockholder notice and, to the extent known, by any other stockholders known by such stockholder to be supporting such nominees on the date of such stockholder notice. At the request of the Board of Directors, any person nominated by, or at the direction of, the Board for election as a director at an annual meeting shall furnish to the Secretary of the Corporation that information required to be set forth in a stockholder's notice of nomination which pertains to the nominee.

The Board of Directors may reject any nomination by a stockholder not timely made in accordance with the requirements of this Article 7.F. If the Board of Directors, or a designated committee thereof, determines that the information provided in a stockholder's notice does not satisfy the informational requirements of their Article 7.F in any material respect, the Secretary of the Corporation shall promptly notify such stockholder of the deficiency in the notice. The stockholder shall have an opportunity to cure the deficiency by providing additional information to the Secretary within such period of time, not to exceed five days from the date such deficiency notice is given to the stockholder, as the Board of Directors or such committee shall reasonably determine. If the deficiency is not cured within such period, or if the Board of Directors or such committee reasonably cured within such period, of if the Board of Directors or such committee reasonably determines that the additional information provided by the stockholder, together with information previously provided, does not satisfy the requirements of this Article 7.F in any material respect, then the Board of Directors may reject such stockholder's nomination. The Secretary of the Corporation shall notify a stockholder in writing whether his nomination has been made in accordance with the time and information requirements of this Article 7.F. Notwithstanding the procedures set forth in this paragraph, if neither the Board of Directors nor such committee makes a determination as to the validity of any nominations by a stockholder, the presiding officer of the annual meeting shall determine and declare at the annual meeting whether the nomination was made in accordance with the terms of this Article 7.F. If the presiding officer determines that a nomination was made in accordance with the terms of this Article 7.F, he shall so declare at the annual meeting and ballots shall be provided for use at the meeting with respect to such nominee. If the presiding officer

determines that a nomination was not made in accordance with the terms of this Article 7.F, he shall so declare at the annual meeting and the defective nomination shall be disregarded.

Notwithstanding the foregoing, and except as otherwise required by law, whenever the holders of any one or more series of Preferred Stock shall have the right, voting separately as a class, to elect one or more directors of the Corporation, the provisions of this Article 7.F shall not apply with respect to the director or directors elected by such holders of Preferred Stock.

G. Discharge of Duties.

In discharging the duties of their respective positions, the Board of Directors, committees of the Board of Directors and individual directors shall, in considering the best interest of the Corporation, consider the effects of any action upon the employees and customers or clients of the Corporation and its subsidiaries, the depositors and borrowers of any banking subsidiary, the communities in which offices or other establishments of the Corporation or any subsidiary are located and all other pertinent factors which it deems relevant.

Article 8. Preemptive Rights. No holder of the capital stock of the Corporation shall be entitled as such, as a matter of right, to subscribe for or purchase any part of any new or additional issue of stock of any class whatsoever, whether now or hereafter authorized, or whether issued for cash or other consideration or by way of a dividend.

Article 9. Indemnification, etc. of Officers, Directors, Employees and Agents.

A. Personal Liability of Directors.

A director of the Corporation shall not be personally liable for monetary damages for any action taken, or any failure to take any action, as a director except to the extent that by law a director's liability for monetary damages may not be limited.

B. Indemnification.

The Corporation shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, including actions by or in the right of the Corporation, whether civil, criminal, administrative or investigative, by reason of the fact that such person is or was a director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorneys' fees), judgements, fines, excise taxes and amounts paid in settlement actually and reasonably incurred by such person in connection with such action, suit or proceeding to the fullest extent permissible under Maryland law.

C. Advancement of Expenses.

Reasonable expenses incurred by an officer, director, employee or agent of the Corporation in defending a civil or criminal action, suit or proceeding described in Section B of this Article 9 may be paid by the Corporation in advance of the final disposition of such action, suit or proceeding upon receipt of an undertaking by or on behalf of such person to repay such amount if it shall ultimately be determined that the person is not entitled to be indemnified by the Corporation.

D. Other Rights.

The indemnification and advancement of expenses provided by or pursuant to this Article 9 shall not be deemed exclusive of any other rights to which those seeking indemnification or advancement of expenses may be entitled under any insurance or other agreement, vote of stockholders or directors or otherwise, both as to actions in their official capacity and as to actions in another capacity while holding an office, and shall continue as to a person who has ceased to be a director, officer, employee or agent and shall inure to the benefit of the heirs, executors and administrators of such person.

E. Insurance.

The Corporation shall have the power to purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against any liability asserted against him and incurred by him in any such capacity, or arising out of his status as such, whether or not the Corporation would have power to indemnify him against such liability under the provisions of this Article 9.

F. Security Fund; Indemnity Agreements.

By action of the Board of Directors (notwithstanding their interest in the transaction), the Corporation may create and fund a trust fund or fund of any nature, and may enter into agreements with its officers, directors, employees and agents for the purpose of securing or insuring in any manner its obligation to indemnify or advance expenses provided for in this
Article 9.

G. Modification.

The duties of the Corporation to indemnify and to advance expenses to any person as provided in this Article 9 shall be in the nature of a contract between the Corporation and each such person, and no amendment or repeal of any provision of this Article 9, and no amendment or termination of any trust or other fund created pursuant to Section F of this Article 9, shall alter to the detriment of such person the right of such person to the advance of expenses or indemnification related to a claim based on an act or failure to act which took place prior to such amendment, repeal or termination.

H. Proceedings Initiated by Indemnified Persons.

Notwithstanding any other provision of this Article 9, the Corporation shall not indemnify a director, officer, employee or agent for any liability incurred in an action, suit or proceeding initiated (which shall not be deemed to include counter-claims or affirmative defenses) or participated in as an intervener or amicus curiae by the person seeking indemnification unless such initiation of or participation in the action, suit or proceeding is authorized, either before or after its commencement, by the affirmative vote of a majority of the directors in office.

Article 10. Meetings of Stockholders and Stockholder Proposals.

A. Definitions.

(a) *Acquire .* The term “Acquire” includes every type of acquisition, whether effected by purchase, exchange, operation of law or otherwise.

(b) *Acting in Concert.* The term “Acting in Concert” means (a) knowing participation in a joint activity or conscious parallel action towards a common goal whether or not pursuant to an express agreement, or (b) a combination or pooling of voting or other interests in the securities of an issuer for a common purpose pursuant to any contract, understanding, relationship, agreement or other arrangement, whether written or otherwise.

(c) *Affiliate.* An “Affiliate” of, or a Person “affiliated with,” a specified Person, means a Person that directly, or indirectly through one or more intermediaries, controls, or is controlled by or is under common control with, the Person specified.

(d) *Associate.* The term “Associate” used to indicate a relationship with any Person means:

(i) Any corporation or organization (other than the Corporation or a Subsidiary of the Corporation), or any subsidiary or parent thereof, of which such Person is a director, officer or partner or is, directly or indirectly, the Beneficial Owner of 10% or more of any class of equity securities;

(ii) Any trust or other estate in which such Person has a 10% or greater beneficial interest or as to which such Person serves as trustee or in a similar fiduciary capacity, provided, however, such term shall not include any employee stock benefit plan of the Corporation or a Subsidiary of the Corporation in which such Person has a 10% or greater beneficial interest or serves as a trustee or in a similar fiduciary capacity;

(iii) Any relative or spouse of such Person (or any relative of such spouse) who has the same home as such Person or who is a director or officer of

the Corporation or a Subsidiary of the Corporation (or any subsidiary or parent thereof); or

(iv) Any investment company registered under the Investment Company Act of 1940 for which such Person or any Affiliate or Associate of such Person serves as investment advisor.

(e) *Beneficial Owner (including Beneficially Owned).* A Person shall be considered the "Beneficial Owner" of any shares of stock (whether or not owned of record):

(i) With respect to which such Person or any Affiliate or Associate of such Person directly or indirectly has or shares (A) voting power, including the power to vote or to direct the voting of such shares of stock, and/or (B) investment power, including the power to dispose of or to direct the disposition of such shares of stock;

(ii) Which such Person or any Affiliate or Associate of such Person has (A) the right to acquire (whether such right is exercisable immediately or only after the passage of time) pursuant to any agreement, arrangement or understanding or upon the exercise of conversion rights, exchange rights, warrants or options, or otherwise, and/or (B) the right to vote pursuant to any agreement, arrangement or understanding (whether such right is exercisable immediately or only after the passage of time); or

(iii) Which are Beneficially Owned within the meaning of (i) or (ii) of this Article 10.A(e) by any other Person with which such first-mentioned Person or any of its Affiliates or Associates either (A) has any agreement, arrangement or understanding, written or oral, with respect to acquiring, holding, holding, voting or disposing of any shares of stock of the Corporation or any Subsidiary of the Corporation or acquiring, holding or disposing of all or substantially all, or any Substantial Part, of the assets or business of the Corporation or a Subsidiary of the Corporation, or (B) is Acting in Concert. For the purpose only of determining whether a Person is the Beneficial Owner of a percentage specified in this Article 10 of the outstanding Voting Shares, such shares shall be deemed to include any Voting Shares which may be issuable pursuant to any agreement, arrangement or understanding or upon the exercise of conversion rights, exchange rights, warrants, options or otherwise and which are deemed to be Beneficially Owned by such Person pursuant to the foregoing provisions of this Article 10.A(e), but shall not include any other Voting Shares which may be issuable in such manner.

(f) *Offer.* The term "Offer" shall mean every offer to buy or acquire, solicitation of an offer to sell, tender offer or request or invitation for tender of, a security or interest in a security for value; provided that the term "Offer" shall not include (i) inquiries directed

solely to the management of the Corporation and not intended to be communicated to stockholders which are designed to elicit an indication of management's receptivity to the basic structure of a potential acquisition with respect to the amount of cash and/or securities, manner of acquisition and formula for determining price, or (ii) non-binding expressions of understanding or letter of intent with the management of the Corporation regarding the basic structure of a potential acquisition with respect to the amount of cash and/or securities, manner of acquisition and formula for determining price.

(g) *Person.* The term "Person" shall mean any individual, partnership, corporation, association, trust, group or other entity. When two or more Persons act as a partnership, limited partnership, syndicate, association or other group for the purpose of acquiring, holding or disposing of shares of stock, such partnership, syndicate, association or group shall be deemed a "Person."

(h) *Substantial Part.* The term "Substantial Part" as used with reference to the assets of the Corporation or any Subsidiary means assets having a value of more than 10% of the total consolidated assets of the Corporation and its Subsidiaries as of the end of the Corporation's most recent fiscal year ending prior to the time the determination is being made.

(i) *Subsidiary.* "Subsidiary" means any corporation of which a majority of any class of equity security is owned, directly, or indirectly, by the Person in question.

(j) *Voting Shares.* "Voting Shares" shall mean shares of the Corporation entitled to vote generally in an election of directors.

(k) *Certain Determinations With Respect to Article 10.* A majority of the directors shall have the power to determine for the purposes of this Article 10, on the basis of information known to them and acting in good faith: (A) the number of Voting Shares of which any Person is the Beneficial Owner, (B) whether a Person is an Affiliate or Associate of another, (C) whether a Person has an agreement, arrangement or understanding with another as to the matters referred to in the definition of "Beneficial Owner" as hereinabove defined, and (D) such other matters with respect to which a determination is required under this Article 10.

(l) *Directors, Officers, or Employees.* Directors, officers or employees of the Corporation or any Subsidiary thereof shall not be deemed to be a group with respect to their individual acquisitions of any class of equity securities of the Corporation solely as a result of their capacities as such.

B. Special Meetings of Stockholders.

Except as otherwise required by law and subject to the rights of the holders of any class or series of Preferred Stock, special meetings of the stockholders of the Corporation may be called only by (i) the Board of Directors pursuant to a resolution approved by the affirmative vote of a majority of the directors then in office, (ii) the Chairman of the

Board, (iii) the President or (iv) stockholders entitled to cast at least one-fifth of the votes which all stockholders are entitled to cast at an annual or special meeting of stockholders.

C. Action Without a Meeting.

Any action permitted to be taken by the stockholders at a meeting may be taken without a meeting if consent in writing setting forth the action so taken shall be signed by all of the stockholders who would be entitled to vote at a meeting for such purpose and filed with the Secretary of the Corporation as part of the corporate records.

D. Stockholder Proposals.

At an annual meeting of stockholders, only such new business shall be conducted, and only such proposals shall be acted upon, as shall have been brought before the annual meeting by, or at the direction of, (a) the Board of Directors or (b) any stockholder of the Corporation who complies with all the requirements set forth in this Article 10.D.

Proposals, other than those made by or at the direction of the Board of Directors, shall be made pursuant to timely notice in writing to the Secretary of the Corporation as set forth in this Article 10.D. For the stockholder proposals to be included in the Corporation's proxy materials, the stockholder must comply with all the timing and informational requirements of Rule 14a-8 of the Exchange Act (or any successor regulation). With respect to stockholder proposals to be considered at the annual meeting of stockholders but not included in the Corporation's proxy materials, the stockholder notice shall be delivered to, or mailed and received at, the principal executive offices of the Corporation not less than 60 days prior to the anniversary date of the immediately preceding annual meeting of stockholders of the Corporation. Such stockholder's notice shall set forth as to each matter the stockholder proposes to bring before the annual meeting (a) a brief description of the proposal desired to be brought before the annual meeting and the reasons for conducting such business at the annual meeting, (b) the name and address, as they appear on the Corporation's books, of the stockholder proposing such business and, to the extent known, any other stockholders known by such stockholder to be supporting such proposal, (c) the class and number of shares of the Corporation stock which are Beneficially Owned by the stockholder on the date of such stockholder notice and, to the extent known, by any other stockholders known by such stockholder to be supporting such proposal on the date of such stockholder notice, and (d) any financial interest of the stockholder in such proposal (other than interest which all stockholders would have).

The Board of Directors may reject any stockholder proposal not timely made in accordance with the terms of this Article 10.D. If the Board of Directors, or a designated committee thereof, determines that the information provided in a stockholder's notice does not satisfy the information requirements of this Article 10.D in any material respect, the Secretary of the Corporation shall promptly notify such stockholder of the deficiency in the notice. The stockholder shall have an opportunity to cure the deficiency by providing additional information to the Secretary within such period of time not to

exceed five days from the date such deficiency notice is given to the stockholder as the Board of Directors or such committee shall reasonably determine. If the deficiency is not cured within such period, or if the Board of Directors or such committee determines that the additional information provided by the stockholder, together with information previously provided, does not satisfy the requirements of this Article 10.D in any material respect, then the Board of Directors may reject such stockholder's proposal. The Secretary of the Corporation shall notify a stockholder in writing whether his proposal has been made in accordance with the time and informational requirements of this Article 10.D. Notwithstanding the procedures set forth in this paragraph, if neither the Board of Directors nor such committee makes a determination as to the validity of any stockholder proposal, the presiding officer of the annual meeting shall determine and declare at the annual meeting whether the stockholder proposal was made in accordance with the terms of this Article 10.D. If the presiding officer determines that a stockholder proposal was made in accordance with the terms of this Article 10.D, he shall so declare at the annual meeting and ballots shall be provided for use at the meeting with respect to any such proposal. If the presiding officer determines that a stockholder proposal was not made in accordance with the terms of this Article 10.D, he shall so declare at the annual meeting and any such proposal shall not be acted upon at the annual meeting.

This provision shall not prevent the consideration and approval or disapproval at the annual meeting of reports of officers, directors and committees of the Board of Directors, but in connection with such reports, no new business shall be acted upon at such annual meeting unless stated, filed and received as herein provided.

Article 11. Amendment of Articles and Bylaws.

A. Articles.

The Corporation reserves the right to amend, alter, change or repeal any provision contained in these Articles of Incorporation, in the manner now or hereafter prescribed by law, and all rights conferred upon stockholders herein are granted subject to this reservation. Except for section A of Article 5, which may be amended by the Board of Directors, no amendment, addition, alteration, change or repeal of these Articles of Incorporation shall be made unless it is first approved by the Board of Directors of the Corporation pursuant to a resolution adopted by the affirmative vote of a majority of the directors then in office, and thereafter approved by the holders of two-thirds of the shares of the Corporation entitled to vote generally in an election of directors, voting together as a single class, as well as such additional vote of the Preferred Stock as may be required by the provisions of any series thereof.

B. Bylaws.

The Board of Directors or stockholders may adopt, alter amend or repeal the Bylaws of the Corporation. Such action by the Board of Directors shall require the affirmative vote of a majority of the directors then in office at any regular or special meeting of the Board of Directors. Such action by the stockholders shall require the affirmative vote of the

holders of a majority of the shares of the Corporation entitled to vote generally in an election of directors, voting together as a single class, as well as such additional vote of the Preferred Stock as may be required by the provisions of any series thereof, provided that the affirmative vote of the holders of at least two-thirds of the shares of the Corporation entitled to vote generally in an election of directors, voting together as a single class, as well as such additional vote of the Preferred Stock as may be required by the provisions of any series thereof, shall be required to amend, adopt, alter, change or repeal any provision inconsistent with Sections 2.4, 2.13, 3.1, 3.2, 3.3, 3.4, 3.14 and Articles X and XI of the Bylaws.

THE UNDERSIGNED, Dennis S. Frank, is the sole incorporator, over the age of 18, for the purpose of forming a corporation under the Maryland General Corporation Law through these Articles of Incorporation, and has caused theses Articles of Incorporation to be signed and declares and certifies that the facts herein stated are true and has hereunto set his hand this 28th day of February, 2000.

ATTEST

/s/ Dennis S. Frank
Dennis S. Frank
Sole Incorporator

Articles of Amendment

Increasing the Authorized Shares of Capital Stock of Silvergate Capital Corporation

Silvergate Capital Corporation, a corporation organized and existing under the laws of the State of Maryland (the "Corporation"), in accordance with the provisions of Sections 2-105, 2-602, and 2-604 of the Maryland General Corporation Law ("MGCL"), does hereby certify:

FIRST: Under a power contained in Article 11.A of the Articles of Incorporation of the Corporation (the "Articles"), the Board of Directors has by the majority vote of all Directors approved the amendment of Article 5.A of the Articles, which amendment is limited to a change expressly authorized by Section 2-105(a)(12) of the MGCL to be made without action by the stockholders.

Part 1. Authorized Amount of Capital Stock . This amendment increases the number of shares of stock of all classes which the Corporation has the authority to issue from 60,000,000 immediately before the amendment to 160,000,000, of which the total number of shares of common stock immediately before the amendment was 50,000,000 and the amended total number of such shares is 150,000,000, with the total number of shares of preferred stock remaining unchanged at 10,000,000 both immediately before the amendment and thereafter.

Part 2. Par Value of Shares . The par value of all shares of capital stock of the Corporation is $0.01 per share. The aggregate par value of all shares of capital stock of the Corporation is $1,600,000.

Part 3. Classes of Shares . The information required by Section 2-607(b)(2)(i) of the MGCL was not changed by the amendment.

Part 4. Text of Article 5.A . The amended Article 5.A. of the Corporation's Articles is as follows:

A. Authorized Amount.

The total number of shares of capital stock which the Corporation has authority to issue is 160,000,000, of which 150,000,000 shall be common stock, $.01 par value per share (hereinafter the "Common Stock") and 10,000,000 shall be serial preferred stock, $.01 par value per share (hereinafter "Preferred Stock"). Except to the extent required by governing law, rule or regulation, the shares of capital stock may be issued from time to time by the Board of Directors without further approval of stockholders. The Corporation shall have the authority to purchase its capital stock out of funds lawfully available therefore.

SECOND: These Articles of Amendment have been approved by the Board of Directors in the manner and by the vote required by law.

THIRD: The undersigned officer of the Corporation acknowledges these Articles of Amendment to be the corporate act of the Corporation and, as to all matters or facts required to be verified under oath, the undersigned officer acknowledges that, to the best of his knowledge, information, and belief, these matters and facts are true in all material respects and that this statement is made under the penalties of perjury.

IN WITNESS WHEREOF, the Corporation has caused these Articles of Amendment to be signed in its name and on its behalf by its President and attested to by its Secretary on this 4 th day of August, 2009.

ATTEST:

By /s/ Judith Knowles
Judith Knowles
Secretary

SILVERGATE CAPITAL CORPORATION

By /s/ Alan J. Lane
Alan J. Lane
President

[SEAL]

ARTICLES OF AMENDMENT

OF

SILVERGATE CAPITAL CORPORATION

Silvergate Capital Corporation, a Maryland corporation (the "Corporation"), having its principal office in the State of Maryland at 300 East Lombard Street, Baltimore, Maryland 21202, hereby certifies to the State Department of Assessments and Taxation of Maryland that:

FIRST : Under a power contained in Article 11.A of the Articles of Incorporation of the Corporation (the "Articles"), the Board of Directors has by the majority vote of all directors approved the amendment of Article 5 of the Articles, which amendment was thereafter approved by the affirmative vote of the holders of at least two-thirds of the shares of the Corporation entitled to vote generally in an election of directors.

Text of Article 5 . The amended Article 5 of the Corporation's Articles is as follows:

ARTICLE 5

CAPITAL STOCK

A. *Authorized Amount.*

The Corporation shall be authorized to issue 160,000,000 shares of capital stock, of which (i) 125,000,000 shares shall be shares of Class A Common Stock, $0.01 par value (the "Class A Common Stock"), (ii) 25,000,000 shares shall be shares of Class B Non-Voting Common Stock, $0.01 par value (the "Class B Non-Voting Common Stock" and, together with the Class A Common Stock, the "Common Stock"), and (iii) 10,000,000 shares shall be shares of Preferred Stock, $0.01 par value (the "Preferred Stock").

B. *Common Stock.*

(1) Except as expressly provided herein, the rights, preferences and privileges of the Class A Common Stock and Class B Non-Voting Common Stock shall be in all respects and for all purposes and in all circumstances absolutely and completely identical.

(2) The holders of the Class A Common Stock and Class B Non-Voting Common Stock shall be entitled to receive an equal amount of dividends per share if, as and when declared from time to time by the Board of Directors. In no event shall any stock dividends or stock splits or combinations of stock be declared or made on Class A Common Stock or Class B Non-Voting Common Stock unless the shares of Class A Common Stock and Class B Non-Voting Common Stock at the time outstanding are treated equally and identically, *provided* that, in the event of a dividend of Common Stock, shares of Class B Non-Voting Common Stock shall only be entitled to receive shares of Class B Non-Voting Common Stock and shares of Class A Common Stock shall only be entitled to receive shares of Class A Common Stock.

(3) In the event of the voluntary or involuntary liquidation, dissolution, distribution of assets or winding-up of the Corporation, holders of Class A Common Stock and Class B Non-Voting Common Stock shall be entitled to receive an equal amount per share of all the assets of the Corporation of whatever kind available for distribution to holders of Common Stock, after the rights of the holders of the Preferred Stock, if any, have been satisfied.

(4) Except as otherwise required by law, herein or as otherwise provided in any certificate of designation for any series of Preferred Stock, the holders of Class A Common Stock shall exclusively possess all voting power and each share of Class A Common Stock shall be entitled to one vote, and the holders of the Class B Non-Voting Common Stock shall have no voting power, and shall not have the right to participate in any meeting of stockholders or to have notice thereof, except as required by applicable law and except that any action that would significantly and adversely affect the rights of the Class B Non-Voting Common Stock with respect to the modification of the terms of the securities or

dissolution, shall require the approval of the Class B Non-Voting Common Stock voting separately as a class.

C. *Conversion of Class B Non-Voting Common Stock Upon Transfer.*

Each share of Class B Non-Voting Common Stock will be convertible into a share of Class A Common Stock at the option of the holder, *provided* , *however* , that each share of Class B Non-Voting Common Stock will not be convertible in the hands of the initial holder and will only become convertible at the time it is transferred upon a Permitted Transfer (as defined below) to a third party unaffiliated with such initial holder, subject to the transfer restrictions described in this paragraph C.

A holder of shares of Class B Non-Voting Common Stock may sell or transfer such shares to an affiliate of such holder; however the shares of Class B Non-Voting Common Stock would remain non-voting in the hands of such affiliate.

Shares of Class B Non-Voting Common Stock would be automatically convertible into shares of Class A Common Stock upon a "Permitted Transfer." A Permitted Transfer is a sale or transfer: (i) to the Corporation; (ii) in a widely dispersed public offering; (iii) in which no transferee (or group of associated transferees) would receive 2% or more of a class of the Corporation's voting securities; or (iv) to a person that, prior to the completion of the transfer, owns, controls or holds the power to vote 50% or more of the Class A Common Stock of the Corporation.

Such conversion shall be effected in accordance with the following procedures:

(1) The conversion right provided in this paragraph C shall be exercised by the delivery of a written notice (the "Conversion Notice") of the election by the holder (the "Converting Holder") of shares of Class B Non-Voting Common Stock to be converted to the office of the Secretary of the Corporation during normal business hours and (if so required by the Corporation) an instrument of transfer, in form satisfactory to the Corporation, duly executed by such Converting Holder or his duly authorized attorney, and funds in the amount of any applicable transfer tax (unless provision satisfactory to the Corporation is otherwise made therefor), if required pursuant to subparagraph (3).

(2) As promptly as practicable after the delivery of a Conversion Notice and the payment in cash of any amount required by the provisions of subparagraphs (1) and (3), the Corporation will deliver or cause to be delivered at the office of the Secretary of the Corporation to or upon the written order of the Converting Holder, a confirmation of book-entry transfer of shares representing the number of fully paid and non-assessable shares of Class A Common Stock issuable upon such conversion, issued in such name or names as the Converting Holder may direct. Such conversion shall be deemed to have been made immediately prior to the close of business on the date of the delivery of the Conversion Notice, and all rights of the Converting Holder shall cease with respect to such shares of Class B Non-Voting Common Stock at such time and the person or persons in whose name or names the shares of Class A Common Stock issued upon conversion are to be issued shall be treated for all purposes as having become the record holder or holders of such shares of Class A Common Stock at such time; *provided, however,* that any delivery of a Conversion Notice and payment on any date when the stock transfer books of the Corporation shall be closed shall constitute the person or persons in whose name or names the shares of Class A Common Stock are to be issued as the record holder or holders thereof for all purposes immediately prior to the close of business on the next succeeding day on which such stock transfer books are open.

(3) The issuance of shares of Class A Common Stock upon conversion of shares of Class B Non-Voting Common Stock shall be made without charge for any stamp or other similar tax in respect of such issuance. However, if any such shares to be issued upon conversion are to be issued in a name other than that of the holder of the share or shares of Class B Non-Voting Common Stock converted, the person or persons requesting the issuance thereof shall pay to the Corporation the amount of any tax which may be payable in respect of any transfer involved in such issuance, or shall establish to the satisfaction of the Corporation that such tax has been paid.

(4) When shares of Class B Non-Voting Common Stock have been converted, they shall be cancelled and become authorized but unissued shares of Class B Non-Voting Common Stock.

D. *Preferred Stock*

The Board of Directors is hereby expressly authorized to provide for the issuance of all or any shares of the Preferred Stock in one or more classes or series, and to fix for each such class or series the number of shares thereof, such voting powers, full or limited, or no voting powers, and such designations, preferences and relative, participating, optional or other special rights and such qualifications, limitations or restrictions thereof, as shall be stated and expressed in the resolution or resolutions adopted by the Board of Directors providing for the issuance of such class or series, including, without limitation, the authority to provide that any such class or series may be (1) subject to redemption at such time or times and at such price or prices; (2) entitled to receive dividends (which may be cumulative or non-cumulative) at such rates, on such conditions, and at such times, and payable in preference to, or in such relation to, the dividends payable on any other class or classes or any other series; (3) entitled to such rights upon the dissolution of, or upon any distribution of the assets of, the Corporation; or (4) convertible into, or exchangeable for, shares of any other class or classes of stock, or of any other series of the same or any other class or classes of stock, of the Corporation at such price or prices or at such rates of exchange and with such adjustments; all as may be stated in such resolution or resolutions.

* * *

SECOND : The number of authorized shares of stock of the Corporation is not being changed by these Articles of Amendment.

THIRD : The amendment of Article 5 of the Corporation's Articles as hereinabove set forth has been duly advised by the Board of Directors of the Corporation and approved by the stockholders of the Corporation as required by law.

FOURTH : The foregoing amendments shall be effective upon the acceptance for record by the Maryland Department of Assessments and Taxation of these Articles of Amendment.

FIFTH : The undersigned President of the Corporation acknowledges these Articles of Amendment to be the corporate act of the Corporation and as to all matters or facts required to be verified under oath, the undersigned President acknowledges that to the best of his knowledge, information and belief, these matters and facts are true in all material respects and that this statement is made under the penalties for perjury.

* * *

IN WITNESS WHEREOF , the Corporation has caused these Articles of Amendment to be signed in its name and on its behalf by its President and attested to by its Secretary on this 24th day of June, 2011.

SILVERGATE CAPITAL CORPORATION

/s/ Alan J. Lane
Alan J. Lane, President

ATTEST :

/s/ Judith M. Knowles
Judith M. Knowles, Secretary

AMENDED BYLAWS
OF
SILVERGATE CAPITAL CORPORATION

ARTICLE I

OFFICES

The following Amended Bylaws of Silvergate Capital Corporation were duly adopted by the Board of Directors of the Corporation as of October 26, 2018:

1.1 *Principal Office and Registered Agent.* The principal office of Silvergate Capital Corporation (the "Corporation") shall be located in the State of Maryland at such place as may be fixed from time to time by the Board of Directors upon filing of such notices as may be required by law, and the registered agent may have a business office identical with such principal office.

1.2 *Other Offices.* The Corporation may have other offices within or outside the State of Maryland at such place or places as the Board of Directors may from time to time determine.

ARTICLE II

STOCKHOLDERS' MEETINGS

2.1 *Meeting Place .* All meetings of the stockholders shall be held at the principal office of the Corporation, or at such other place within or without the State of Maryland as shall be determined from time to time by the Board of Directors, and the place at which any such meeting shall be held shall be stated in the notice of the meeting.

2.2 *Annual Meeting Time.* The annual meeting of the stockholders for the election of directors and for the transaction of such other business as may properly come before the meeting shall be held each year on the last Friday of April at the hour of 10:00 a.m., if not a legal holiday, and if a legal holiday, then on the next succeeding day not a legal holiday, at the same hour, or at such other date and time as may be determined by the Board of Directors and stated in the notice of such meeting. For purposes of these Bylaws, "a legal holiday" shall be deemed to include all federal holidays, all holidays recognized by the State of Maryland, Saturdays and Sundays.

2.3 *Organization.* Each meeting of the stockholders shall be presided over by the Chairman of the Board, or by the President, or if neither the Chairman, nor the President is present, by a Vice President or such other officer as designated by the Board of Directors. The Secretary, or in his or her absence a temporary Secretary, shall act as secretary of each meeting of the stockholders. In the absence of the Secretary and any temporary Secretary, the chairman of the meeting may appoint any person present to act as secretary of the meeting. The chairman of any meeting of the stockholders, unless prescribed by law or unless the Chairman of the Board has otherwise determined, shall determine the order of the business and the procedure at the meeting, including such regulation of the manner of voting and the conduct of discussions as shall be deemed appropriate by him in his sole discretion.

2.4 *Special Meetings.* Special meetings of the stockholders for any purpose may be called at any time in accordance with the provisions of the Corporation's Articles of

Incorporation, which provisions are incorporated herein by reference and made a part hereof with the same effect as if they were expressly set forth herein.

2.5 *Notice.*

(a) Notice of the time and place of the annual meeting of stockholders shall be given by delivering personally, leaving at his or her residence or usual place of business, or by mailing to the stockholder's address as it appears on the records of the Corporation, a written or printed notice of the same stating the place, day and hour of the meeting, at least ten (10) days and not more than ninety (90) days prior to the meeting, to each stockholder of record entitled to vote at such meeting and to each other stockholder entitled to notice of said meeting.

(b) At least ten (10) days and not more than ninety (90) days prior to the meeting, a written or printed notice of each special meeting of stockholders, stating the place, day and hour of such meeting, and the purpose or purposes for which the meeting is called, shall be either delivered personally, left at his or her residence or principal place of business, or mailed to each stockholder of record entitled to vote at such meeting at such stockholder's address as it appears on the records of the Corporation and to each other stockholder entitled to notice of said meeting.

(c) A person entitled to notice of any meeting of stockholders may waive such notice if he or she: (i) before or after the meeting signs a waiver of notice which is filed with the records of the stockholders' meeting, or (ii) is present at the meeting in person or by proxy.

(d) A meeting of stockholders, either annual or special, convened on the date for which it was called may be adjourned from time to time without further notice to a date not more than one hundred and twenty (120) days after the original record date, unless a new record date is fixed and if so fixed, the meeting may be adjourned to any date as may be determined by the Board of Directors in their sole discretion. When any stockholders' meeting, either annual or special, is adjourned and if a new record date is fixed for an adjourned meeting of stockholders, notice of the adjourned meeting shall be given as in the case of an original meeting. It shall not be necessary to give any written notice of the time and place of any meeting adjourned, unless a new record date is fixed therefor, other than an announcement at the meeting at which such adjournment is taken.

2.6 *Voting List.* At least ten (10) days before each meeting of stockholders, a complete list of the stockholders entitled to vote at such meeting, or any adjournment thereof, shall be made by the Secretary, arranged in alphabetical order, with the address of and number of shares registered in the name of each, which list shall be kept on file for the examination of any stockholder, for any purpose germane to the meeting, during ordinary business hours, at the principal office of the Corporation for a period of ten (10) days prior to such meeting. The list shall be produced and kept open at the time and place of such meeting by the Secretary of the Corporation and subject to the inspection of any stockholder who may be present at the meeting. The Stock Ledger shall be the only evidence as to who are the stockholders entitled to examine the Stock Ledger, the voting list required by these Bylaws or the books of the Corporation, or to vote in person or by proxy at any meeting of the stockholders.

2.7 *Quorum; Voting.* Except as otherwise required by law:

(a) A quorum for the transaction of business at any annual or special meeting of stockholders shall consist of stockholders representing, either in person or by proxy, a majority of the outstanding capital stock of the Corporation entitled to vote on that matter at such

meeting, except as otherwise provided by statute, the Articles of Incorporation or these Bylaws; but in the absence of such a quorum, the holders of a majority of the shares represented at the meeting shall have the right successively to adjourn the meeting to a specified date (the later scheduled meeting hereafter referred to as the "adjourned meeting"). At the adjourned meeting, the Corporation may transact any business which might have been transacted at the original meeting. If a quorum shall be present at the commencement of a meeting but shall withdraw leaving less than a quorum, the meeting may continue and the Corporation may transact any business that might have been transacted had the quorum remained. The absence from any meeting of the number of shares required by law, the Articles of Incorporation or these Bylaws for action upon one matter shall not prevent action at such meeting upon any other matter or matters which may properly come before the meeting, if the number of shares required in respect to such other matters shall be present.

(b) With respect to any other matter other than the election of directors, the votes of a majority of all votes cast at any properly called meeting or adjourned meeting of stockholders at which a quorum, as defined above, is present, shall be sufficient to approve any matter which properly comes before the meeting, unless the proposition or question is one upon which by express provisions of law or of the Articles of Incorporation or these Bylaws, a different vote is required, in which case with express provision shall govern and establish the number of votes required to determine such proposition or question.

(c) Directors are to be elected by a plurality of votes cast by the shares entitled to vote in the election at a meeting at which a quorum is present. Stockholders shall not be permitted to cumulate their votes for the election of directors. If, at any meeting of the stockholders, due to a vacancy or vacancies or otherwise, directors of more than one class of the Board of Directors are to be elected, each class of directors to be elected at the meeting shall be elected in a separate election by a plurality vote.

2.8 *Voting of Shares.* Except as otherwise provided in these Bylaws or to the extent that voting rights of the shares of any class or classes are limited or denied by the Articles of Incorporation, each stockholder, on each matter submitted to a vote at a meeting of stockholders, shall have one (1) vote for each share of stock registered in his or her name on the books of the Corporation.

2.9 *Closing of Transfer Books and Fixing Record Date.* For the purpose of determining stockholders entitled to notice of, or to vote at, any meeting of stockholders, or any adjournment thereof, or entitled to receive payment of any distribution by the Corporation or a share dividend, or in order to make a determination of stockholders for any other proper purpose, the Board of Directors may provide that the stock transfer books shall be closed for a stated period not to exceed twenty (20) days preceding such meeting. If the stock transfer records shall be closed for the purpose of determining stockholders entitled to notice of, or to vote at, a meeting of stockholders, such records shall be closed for at least ten (10) days immediately preceding such meeting. In lieu of closing the stock transfer books, the Board of Directors may fix in advance a record date for any such determination of stockholders, such date to be not more than ninety (90) days and, in case of a meeting of stockholders, not less than ten (10) days prior to the date on which the particular action requiring such determination of stockholders is to be taken.

2.10 *Proxies.* A stockholder may vote either in person or by proxy executed in writing by the stockholder, or his or her duly authorized attorney-in-fact. No proxy shall be valid after eleven months from the date of its execution, unless otherwise expressly provided in the proxy.

2.11 *Voting of Shares in the Name of Two or More Persons.* When ownership stands in the name of two or more persons, in the absence of written directions to the Secretary of the Corporation to the contrary, at any meeting of the stockholders of the Corporation any one or more of such stockholders may cast, in person or by proxy, all votes to which such ownership is entitled. In the event an attempt is made to cast conflicting votes, in person or by proxy, by the several persons in whose names shares of stock stand, the vote or votes to which those persons are entitled shall be cast as directed by a majority of those holding such stock and present in person or by proxy at such meeting. In the event an attempt is made to cast conflicting votes by more than one person and the votes are evenly split on any particular matter: (i) each faction may vote the stock in question proportionally; or (ii) any person voting the stock or any beneficiary may apply to a court of competent jurisdiction to appoint an additional person to act with the persons voting the stock and the stock shall then be voted as determined by a majority of those persons and the person appointed by the court. If the written directions given to the Secretary shows that the interests are unequal, a majority or even split for the purpose of this Bylaw is a majority or even split in interest.

2.12 *Voting of Shares by Certain Holders.* Shares standing in the name of another corporation may be voted by an officer, agent or proxy as the bylaws of such corporation may prescribe, or, in the absence of such provision, as the board of directors of such corporation may determine. Shares registered in the name of another held by a fiduciary may be voted by him or her, either in person or by proxy, on proof of the fact that legal title to the stock has devolved on him or her in a fiduciary capacity and that he or she is qualified to act in that capacity. A stockholder whose shares are pledged shall be entitled to vote such shares until the shares have been legally transferred into the name of the pledgee, and thereafter the pledgee shall be entitled to vote the shares so transferred, but this Bylaw does not affect the validity of any agreement between the pledgor and pledgee as to the giving of proxies or the exercise of voting rights.

2.13 *Stockholder Proposals.* Stockholder proposals shall be made in accordance with the provisions of the Corporation's Articles of Incorporation, which provisions are incorporated herein by reference and made a part hereof with the same effect as if they were expressly set forth herein.

2.14 *Inspectors.* For each meeting of stockholders, the Board of Directors in advance of the meeting, may appoint one or more inspectors of election. If for any meeting the inspector(s) appointed by the Board of Directors shall be unable to act or the Board of Directors shall fail to appoint any inspector, one or more inspectors may be appointed at the meeting by the chairman thereof. Such inspectors shall receive and canvass the votes for the election of directors and or any proposal voted on by ballot and/or by proxy and certify the results to the Chairman. Each inspector before entering upon the duties of such office shall take an oath to execute his or her duties with strict impartiality and to the best of his or her ability.

ARTICLE III

BOARD OF DIRECTORS

3.1 *Number and Powers* . The management of all the affairs, property and interests of the Corporation shall be vested in a Board of Directors. The Board of Directors shall consist of seven (7) persons as of the effective date of these Bylaws. Directors need not be residents of the State of Maryland nor hold stock of the Corporation. The Board of Directors, other than those who may be elected by the holders of any class or series of stock having preference over the Common Stock as to dividends or upon liquidation, shall be divided into three classes as

nearly equal in number as possible, with one class to be elected annually. At each annual meeting of stockholders subsequent to the effective date of the Articles of Incorporation, directors elected to succeed those whose terms are expiring shall be elected for a term of office to expire at the third succeeding annual meeting of stockholders and when their respective successors are elected and qualified. In addition to the powers and authorities expressly conferred upon it by these Bylaws and the Articles of Incorporation, the Board of Directors may exercise all such powers of the Corporation and do all such lawful acts and things as are not by statute or by the Articles of Incorporation or by these Bylaws directed or required to be exercised or done by the stockholders.

3.2 *Change of Number.* The number of directors may at any time be increased or decreased by a vote of a majority of the Board of Directors and a majority of the Continuing Directors, as such terms are defined in the Articles of Incorporation, provided that no decrease shall have the effect of shortening the term of any incumbent director.

3.3 *Vacancies.* All vacancies in the Board of Directors shall be filled in the manner provided in the Corporation's Articles of Incorporation, which provisions are incorporated herein by reference and made a part hereof with the same effect as if they were expressly set forth herein.

3.4 *Removal of Directors.* Directors may be removed in the manner provided in the Corporation's Articles of Incorporation, which provisions are incorporated herein by reference and made a part hereof with the same effect as if they were expressly set forth herein.

3.5 *Regular Meetings.* Regular meetings of the Board of Directors shall be held at least once each month on such day as the Board of Directors by resolution shall prescribe and at such hour as may be stated in the notice of the meeting. Meetings of committees of the Board shall be held as prescribed by resolution of the Board of Directors or by resolution of such committee. At least three (3) days' notice of the time and place of each meeting shall be personally delivered, mailed, sent by facsimile with receipt confirmed by telephone at the director's residence or principal place of business or given by telephone to each member of the Board or such committee; provided, however, a schedule of regular meetings may be provided to each director in the manner specified above and no further notice of any such meeting(s) shall be required. Such notice shall be deemed to be delivered when deposited in the mail so addressed with postage prepaid. Neither the business to be transacted at, nor the purpose of, any regular meeting need be specified in the notice or any waiver of notice of such meeting. Regular meetings of the Board of Directors or any committee may be held at the principal place of business of the Corporation or at such other place or places, either within or without the State of Maryland, as the Board of Directors or such committee, as the case may be, may from time to time designate. The annual meeting of the Board of Directors shall be held without notice immediately after the adjournment of the annual meeting of stockholders, for the purpose of organizing the Board, electing officers and members of committees and transacting other business.

3.6 *Special Meetings.*

(a) Special meetings of the Board of Directors may be called at any time by the Chairman, the President or by a majority of the authorized number of directors, to be held at the principal place of business of the Corporation or at such other place or places as the Board of Directors or the person or persons calling such meeting may from time to time designate. Notice of all special meetings of the Board of Directors shall be given to each director by at least one (1) days' service of the same by facsimile with receipt confirmed by telephone, telephone or personally, and by at least three (3) days' service when delivered by mail at the address at

which the director is most likely to be reached. Such notice shall be deemed to be delivered when deposited in the mail so addressed with postage prepaid. Such notice need not specify the business to be transacted at, nor the purpose of, the meeting.

(b) Special meetings of any committee may be called at any time by such person or persons and with such notice as shall be specified for such committee by the Board of Directors, or in the absence of such specification, in the manner and with the notice required for special meetings of the Board of Directors.

3.7 *Quorum.*

(a) A majority of the Board of Directors of the Corporation, as such term is defined in the Articles of Incorporation, at the time of a meeting of the Board of Directors shall be necessary at all meetings to constitute a quorum for the transaction of business. At any meeting of the Board, no action shall be taken (except adjournment, in the manner provided below) until after a quorum has been established.

(b) The act of a majority of directors who are present at a meeting at which a quorum previously has been established (or at any adjournment of such meeting, provided that a quorum previously shall have been established at such adjourned meeting) shall be the act of the Board of Directors, regardless of whether or not a quorum is present at the time such action is taken.

(c) In the event a quorum cannot be established at the beginning of a meeting, a majority of the directors present at the meeting, or the director, if there be only one person, or the Secretary of the Corporation, if there be no director present, may adjourn the meeting from time to time until a quorum is present. Only such notice of such adjournment need be given as the Board may from time to time prescribe.

3.8 *Waiver of Notice.* Attendance of a director at a meeting of directors shall constitute a waiver of notice of such meeting, except where a director attends for the express purpose of objecting to the transaction of any business because the meeting is not lawfully called or convened. A waiver of notice signed by the director or directors, whether before or after the time stated for the meeting, shall be equivalent to the giving of notice.

3.9 *Registering Dissent.* A director who is present at a meeting of the Board of Directors at which action on a corporate matter is taken shall be presumed to have assented to such action unless he or she announces his dissent at the meeting and his dissent shall be entered in the minutes of the meeting, or unless he or she shall file his or her written dissent to such action with the person acting as the secretary of the meeting, before the adjournment thereof, or shall forward such dissent by certified mail, return receipt requested, bearing a postmark from the United State Postal Service to the Secretary of the Corporation within twenty four (24) hours after the adjournment of the meeting. Such right to dissent shall not apply to a director who voted in favor of such action or failed to make his or her dissent known at the meeting.

3.10 *Executive, Audit and Other Committees.*

(a) Standing or special committees may be appointed from its own number by the Board of Directors from time to time and the Board of Directors may from time to time vest in such committees with such powers as it may see fit, subject to such conditions as may be prescribed by the Board. An Executive Committee may be appointed by resolution passed by a majority of the Board of Directors. It shall have and exercise all of the authority of the Board of Directors, except in reference to amending the Articles of Incorporation, declaring dividends or distributions on the capital stock of the Corporation, issuing stock except as permitted by the MGCL Section 2-411(b), adopting a plan of merger, share exchange or consolidation, recommending the sale, lease or exchange or other disposition of all or substantially all the property and assets of the Corporation otherwise than in the usual and regular course of business, recommending a voluntary dissolution or a revocation thereof, or any other action requiring the approval of the stockholders, or amending these Bylaws. An Audit Committee may be appointed by a resolution approved by a majority of the Board of Directors, and at least a majority of the members of the Audit Committee shall be directors who are not also officers of the Corporation. The Audit Committee shall recommend independent auditors to the Board of Directors annually and shall review the Corporation's budget, the scope and results of the audit performed by the Corporation's independent auditors and the Corporation's system of internal control with management and such independent auditors, and such other duties as may be assigned to the Audit Committee. All committees so appointed shall keep regular minutes of the transactions of their meetings and shall cause them to be recorded in books kept for that purpose at the principal office of the Corporation. The designation of any such committee, and the delegation of authority thereto, shall not relieve the Board of Directors, or any member thereof, of any responsibility imposed by law.

(b) Unless otherwise provided by the Board of Directors, a majority of the members of any committee shall constitute a quorum for the transaction of business at any meeting of such committee and the acts of a majority of the members present at a meeting at which a quorum is present shall be the acts of the committee.

3.11 *Remuneration.* Directors, as such, may receive a stated salary for their service, and by resolution of the Board of Directors, a fixed sum and expenses of attendance, if any, may be allowed for attendance at each regular or special meeting of such Board. Members of standing or special committees may be allowed like compensation for attending committee meetings.

3.12 *Action by Directors Without a Meeting.* Any action required or which may be taken at a meeting of the directors, or of a committee thereof, may be taken without a meeting if a consent in writing, setting forth the action so taken or to be taken, shall be signed by all of the directors, or all of the members of the committee, as the case may be and filed with the minutes of the proceedings of the Board or committee. Such consent shall have the same effect as a unanimous vote.

3.13 *Action of Directors by Communications Equipment.* Any action required or which may be taken at a meeting of directors, or of a committee thereof, may be taken by means of a conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other at the same time.

3.14 *Nominations.* Nominations of candidates for election as directors at any annual meeting of stockholders shall be made in the manner set forth in the provisions of the

Corporation's Articles of Incorporation, which provisions are incorporated herein by reference and made a part hereof with the same effect as if they were expressly set forth herein.

3.15 *Presiding Officer.* The Chairman of the Board shall preside at all meetings of the Board of Directors at which the Chairman is present. In the Chairman's absence, the Vice Chairman (if any) shall preside. In the absence of the Chairman and/or Vice Chairman, the Board shall select a chairman of the meeting from among the directors present.

ARTICLE IV

CAPITAL STOCK

4.1 *Certificates.* Certificates of stock shall be issued in numerical order, and each stockholder shall be entitled to a certificate signed by the Chairman of the Board, President or a Vice President, and the Secretary or an Assistant Secretary or the Treasurer or an Assistant Treasurer, and may be sealed with the seal of the Corporation or a facsimile thereof. The signatures of such officers may be facsimiles if the certificate is manually signed on behalf of a transfer agent, or registered by a registrar, other than the Corporation itself or an employee of the Corporation. If an officer who has signed or whose facsimile signature has been placed upon such certificate ceases to be an officer before the certificate is issued, it may be issued by the Corporation with the same effect as if the person were an officer on the date of issue. Each certificate of stock shall state:

(a) that is it issued by the Corporation;

(b) the name of the person to whom issued;

(c) the number and class of shares and the designation of the series, if any, which such certificate represents;

(d) the par value of each share represented by such certificate; and

(e) the designations and preferences, conversion and other rights, voting powers, restrictions, limitations as to dividends, qualifications, and terms and conditions of redemption and the differences of the relative rights and preference between the shares of each series to the extent that they have been set and the authority of the Board of Directors to set the relative rights and preferences of subsequent series, or a statement that the Corporation shall provide such information to any stockholder upon request and without charge.

4.2 *Transfers.*

(a) Transfers of stock shall be made only upon the stock transfer books of the Corporation, kept at the principal office of the Corporation or at its principal place of business, or at the office of its transfer agent or registrar, by the person or person named in the certificate or by the attorney lawfully constituted in writing representing such person or persons and upon surrender of the certificate or certificates being transferred which certificate shall be properly endorsed for transfer or accompanied by a duly executed stock power. Whenever a certificate is endorsed by or accompanied by a stock power executed by someone other than the person or persons named in the certificate, evidence of authority to transfer shall also be submitted with the certificate. All certificates surrendered to the Corporation for transfer shall be cancelled.

(b) The Board of Directors shall have the power and authority to make all such rules and regulations as it shall deem expedient concerning the issue, transfer and registration of certificates for shares of stock of the Corporation.

(c) Transfer agents and registrars for the Corporation's stock shall be banks, trust companies or other financial institutions located within or without the State of Maryland as shall be appointed by the Board of Directors. The Board shall also define the authority of such transfer agents and registrars. The Board of Directors may, by resolution, open a share register in any state of the United States, and may employ an agent or agents to keep such register, and to record transfers of shares therein.

4.3 *Registered Owner.* Registered stockholders shall be treated by the Corporation as the holders in fact of the stock standing in their respective names and the Corporation shall not be bound to recognize any equitable or other claim to or interest in any share on the part of any other person, whether or not it shall have express or other notice thereof, except as expressly provided below or by the laws of the State of Maryland. The Board of Directors may adopt by resolution a procedure whereby a stockholder of the Corporation may certify in writing to the Corporation that all or a portion of the shares registered in the name of such stockholder are held for the account of a specified person or persons.

4.4 *Mutilated, Lost or Destroyed Certificates.* In case of any mutilation, loss or destruction of any certificate of stock, another may be issued in its place upon receipt of satisfactory proof of such mutilation, loss or destruction. The Board of Directors may impose conditions on such issuance and may require the giving of a satisfactory open penalty bond with surety or indemnity to the Corporation in such sum as they might determine and upon the payment of the Corporation's reasonable costs incident thereto, or establish such other procedures as they deem necessary.

4.5 *Fractional Shares or Scrip.* The Corporation may but is not obliged to (a) issue fractions of a share which shall entitle the holder to exercise voting rights, to receive dividends thereon, and to participate in any of the assets of the Corporation in the event of liquidation; (b) arrange for the disposition of fractional interests by those entitled thereto; (c) pay in cash the fair value of fractions of a share as of the time when those entitled to receive such shares are determined; or (d) issue scrip in registered or bearer form which shall entitle the holder to receive a certificate for a full share upon the surrender of such scrip aggregating a full share, and unless otherwise provided, does not entitle its holder to exercise voting rights, receive dividends, or participate in the assets of the Corporation in the event of liquidation.

4.6 *Shares of Another Corporation.* Shares owned by the Corporation in another corporation, domestic or foreign, may be voted by such officer, agent or proxy as the Board of Directors may determine or, in the absence of such determination, by the President or a Vice President of the Corporation.

ARTICLE V

OFFICERS

5.1 *Designations.* The officers of the Corporation shall be a Chairman of the Board, a Chief Executive Officer, a President, a Secretary and a Treasurer, such Vice Presidents, Assistant Secretaries and Assistant Treasurers as the Board may designate, each of whom shall be elected by a majority vote of the Board of Directors for one year at their first meeting after the annual meeting of stockholders, and who shall hold office until their successors are

elected and qualify. The Board of Directors also may elect or authorize the appointment of such other officers as the business of the Corporation may require. Any two or more offices may be held by the same person, but such person may not serve concurrently as the President and a Vice President of the Corporation and may not execute, acknowledge or verify an instrument required by law to be executed, acknowledge or verified by more than one officer. The Board of Directors may appoint a Vice Chairman of the Board, but the person holding that position shall not be considered an officer of the Corporation.

5.2 *Powers and Duties.* The officers of the Corporation shall have such authority and perform such duties as the Board of Directors may from time to time authorize or determine. In the absence of action of the Board of Directors, the officers shall have such powers and duties as may be provided in these Bylaws and as generally pertain to their respective offices.

5.3 *Delegation.* In the case of absence or inability to act of any officer of the Corporation and of any person herein authorized to act in his place, the Board of Directors may from time to time delegate the powers or duties of such officer to any other officer or any director or other person whom it may select.

5.4 *Vacancies.* Vacancies in any office arising from any cause may be filled by a vote of a majority of the Board of Directors, as such term is defined in the Articles of Incorporation, at any regular or special meeting of the Board.

5.5 *Other Officers.* Directors may appoint such other officers and agents as it shall deem necessary or expedient, who shall hold their offices for such terms and shall exercise such powers and perform such duties as shall be determined from time to time by the Board of Directors.

5.6 *Term; Removal.* The officers of the Corporation shall hold office until their successors are chosen and qualify. Any officer or agent elected or appointed by the Board of Directors may be removed at any time, with or without cause, by the affirmative vote of a majority of the Board of Directors, but such removal shall be without prejudice to the contract rights, if any, of the person so removed.

5.7 *Salaries.* The salaries and other compensation of all officers of the Corporation shall be fixed by the Board of Directors.

ARTICLE VI

DIVIDENDS AND FINANCE

6.1 *Dividends.* Subject to the conditions and limitations imposed by the MGCL, dividends may be declared by the Board of Directors and paid by the Corporation.

6.2 *Reserves.* There may be set aside out of the net earnings of the Corporation such sum or sums as the directors from time to time in their absolute discretion deem expedient as a reserve fund to meet contingencies or for any other proper purpose.

6.3 *Depositories.* The monies of the Corporation shall be deposited in the name of the Corporation in such financial institution or financial institutions or trust company or trust companies as the Board of Directors shall designate, and shall be drawn out only by check or other order for payment of money signed by such persons and in such manner as may be determined by resolution of the Board of Directors. All checks, drafts or other orders for the

payment of money, notes or other evidences of indebtedness issued in the name of the Corporation and in such manner as shall from time to time be determined by resolution of the Board of Directors. In the absence of such a resolution, the President and Treasurer shall be deemed authorized to sign such documents.

6.4 *Contracts.* The Board of Directors may authorize any officer or officers, agent or agents to enter into any contracts or execute and deliver any instrument in the name and on behalf of the Corporation. Such authority may be general or confined to specific instances. Unless otherwise directed by the Board of Directors, the Chairman of the Board shall have the authority to bind the Corporation to those contracts made in the ordinary and usual course of business of the Corporation.

6.5 *Loans.* No loan shall be contracted on behalf of the Corporation and no evidence of indebtedness shall be issued in its name unless authorized by the Board of Directors. Such authority may be general or confined to specific purposes.

ARTICLE VII

CORPORATE SEAL

The Board of Directors may provide a suitable seal, containing the name of the Corporation, which seal shall be in the custody of the Secretary of the Corporation, and may provide for one or more duplicates thereof to be kept in the custody of such other officer(s) of the Corporation as the Board may prescribe.

ARTICLE VIII

BOOKS AND RECORDS

The Corporation shall keep correct and complete books and records of account and shall keep minutes and proceedings of its stockholders and Board of Directors; and it shall keep at its principal office, or at the office of its transfer agent or registrar, a record of its stockholders, giving the names and addresses of all stockholders and the number and class of the shares held by each. Any books, records and minutes may be in written form or any other form capable of being converted into written form within a reasonable time.

ARTICLE IX

FISCAL YEAR; ANNUAL AUDIT

The fiscal year of the Corporation shall end on the 31 st day of December of each year. The Corporation shall be subject to an annual audit as of the end of its fiscal year by independent public accountants appointed by and responsible to the Board of Directors. The appointment of such accountants shall be subject to annual ratification by the stockholders.

ARTICLE X

PERSONAL LIABILITY OF DIRECTORS; INDEMNIFICATION

(a) A director of the Corporation shall not be personally liable for monetary damages for action taken, or any failure to take action, as a director, to the extent set forth in

the Corporation's Articles of Incorporation, which provisions are incorporated herein by reference and made a part hereof with the same affect as if they were expressly set forth herein.

(b) The Corporation shall indemnify any person who is a director, officer, employee or agent of the Corporation to the extent set forth in the Corporation's Articles of Incorporation, which provisions are incorporated herein by reference and made a part hereof with the same affect as if they were expressly set forth herein.

ARTICLE XI

AMENDMENTS

Amendments. These Bylaws may be altered, amended or repealed only in the manner set forth in the Corporation's Articles of Incorporation, which provisions are incorporated herein by reference and made in part hereof with the same effect as if they were expressly set forth herein.

ARTICLE XII

CONTROL SHARE ACQUISITIONS

None of the shares of capital stock of the Corporation acquired or owned by any of the Corporation's existing or future stockholders shall be subject to the provisions of the Maryland Control Share Acquisition Act (Sections 3-701 to 3-710 of the Maryland General Corporation Law).

NUMBER

A - 2663

silvergate

SHARES

INCORPORATED UNDER THE LAWS OF THE STATE OF MARYLAND

AUTHORIZED: 125,000,000 CLASS A COMMON SHARES,
$0.01 PAR VALUE PER SHARE

CUSIP 82837P 408

SEE REVERSE FOR
CERTAIN DEFINITIONS

This Certifies That

is the owner of

Fully Paid and Non-Assessable Class A Common Stock, $0.01 Par Value of

SILVERGATE CAPITAL CORPORATION

transferable on the books of this Corporation in person or by attorney upon surrender of this Certificate duly endorsed or assigned. This Certificate and the shares represented hereby are subject to the laws of the State of Maryland, and to the Articles of Incorporation and the Bylaws of the Corporation, as now or hereafter amended. This Certificate is not valid until countersigned by the Transfer Agent.

IN WITNESS WHEREOF, the Corporation has caused this Certificate to be signed by the facsimile signatures of its duly authorized officers and to be sealed with the facsimile seal of the Corporation.

Dated:

CHAIRMAN OF THE BOARD

SILVERGATE CAPITAL CORPORATION CORPORATE SEAL MARYLAND

CORPORATE SECRETARY

Countersigned:
AMERICAN STOCK TRANSFER & TRUST COMPANY, LLC
6201 15th Avenue
Brooklyn, NY 11219

By _____
Transfer Agent and Registrar Authorized Officer

© Mountain Financial Print & Design, LLC

SILVERGATE CAPITAL CORPORATION
AMERICAN STOCK TRANSFER & TRUST COMPANY, LLC
TRANSFER FEE: AS REQUIRED

The following abbreviations, when used in the inscription on the face of this certificate, shall be construed as though they were written out in full according to applicable laws or regulations:

TEN COM -	as tenants in common
TEN ENT -	as tenants by the entireties
JT TEN -	as joint tenants with right of survivorship and not as tenants in common

UNIF GIFT MIN ACT - _____ Custodian _____
(Cust) (Minor)
under Uniform Gifts to Minors

Act _____
(State)

Additional abbreviations may also be used though not in the above list.

PLEASE INSERT SOCIAL SECURITY OR OTHER IDENTIFYING NUMBER OF ASSIGNEE

FOR VALUE RECEIVED, _____ hereby sell, assign and transfer unto

_____
PLEASE PRINT OR TYPEWRITE NAME AND ADDRESS INCLUDING POSTAL ZIP CODE OF ASSIGNEE

_____

_____

_____

_____ Shares of the Common Stock represented by the within Certificate and do hereby irrevocably constitute and appoint

_____ Attorney to transfer the said stock on the books of the within-named Corporation, with full power of substitution in the premises.

Dated: _____ 20 _____,

Signature: X _____

Signature(s) Guaranteed:

Signature: X _____

THE SIGNATURE(S) TO THIS ASSIGNMENT MUST CORRESPOND WITH THE NAME(S) AS WRITTEN UPON THE FACE OF THE CERTIFICATE IN EVERY PARTICULAR, WITHOUT ALTERATION OR ENLARGEMENT OR ANY CHANGE WHATEVER. THE SIGNATURE(S) SHOULD BE GUARANTEED BY AN ELIGIBLE GUARANTOR INSTITUTION (Banks, Stockbrokers, Savings and Loan Associations and Credit Unions) WITH MEMBERSHIP IN AN APPROVED SIGNATURE GUARANTEE MEDALLION PROGRAM, PURSUANT TO S.E.C. RULE 17Ad-15.

Exhibit 4.2

NUMBER

B - 10016

silvergate

SHARES

INCORPORATED UNDER THE LAWS OF THE STATE OF MARYLAND

AUTHORIZED: 25,000,000 CLASS B NON-VOTING COMMON SHARES,
$0.01 PAR VALUE PER SHARE

CUSIP 82837P 20 0

SEE REVERSE FOR
CERTAIN DEFINITIONS

This Certifies That

is the owner of

Fully Paid and Non-Assessable Class B Non-Voting Common Stock, $0.01 Par Value of

SILVERGATE CAPITAL CORPORATION

transferable on the books of this Corporation in person or by attorney upon surrender of this Certificate duly endorsed or assigned. This Certificate and the shares represented hereby are subject to the laws of the State of Maryland, and to the Articles of Incorporation and the Bylaws of the Corporation, as now or hereafter amended. This Certificate is not valid until countersigned by the Transfer Agent.

IN WITNESS WHEREOF, the Corporation has caused this Certificate to be signed by the facsimile signatures of its duly authorized officers and to be sealed with the facsimile seal of the Corporation.

Dated:

CHAIRMAN OF THE BOARD

SILVERGATE CAPITAL CORPORATION CORPORATE SEAL MARYLAND

CORPORATE SECRETARY

Countersigned:
AMERICAN STOCK TRANSFER & TRUST COMPANY, LLC
6201 15th Avenue,
Brooklyn, NY 11219

By _____
Transfer Agent and Registrar Authorized Officer

Mountain Financial Print & Design, LLC

SILVERGATE CAPITAL CORPORATION

AMERICAN STOCK TRANSFER & TRUST COMPANY, LLC
TRANSFER FEE: AS REQUIRED

The following abbreviations, when used in the inscription on the face of this certificate, shall be construed as though they were written out in full according to applicable laws or regulations:

TEN COM -	as tenants in common	
TEN ENT -	as tenants by the entireties	
JT TEN -	as joint tenants with right of survivorship and not as tenants in common	

UNIF GIFT MIN ACT - _____ Custodian _____
(Cust) (Minor)
under Uniform Gifts to Minors

Act _____
(State)

Additional abbreviations may also be used though not in the above list.

PLEASE INSERT SOCIAL SECURITY OR OTHER IDENTIFYING NUMBER OF ASSIGNEE

FOR VALUE RECEIVED, _____ hereby sell, assign and transfer unto

_____
PLEASE PRINT OR TYPEWRITE NAME AND ADDRESS INCLUDING POSTAL ZIP CODE OF ASSIGNEE

_____ Shares of the Common Stock represented by the within Certificate and do hereby irrevocably constitute and appoint

_____ Attorney to transfer the said stock on the books of the within-named Corporation, with full power of substitution in the premises.

Dated: _____ 20_____.

Signature: X_____

Signature(s) Guaranteed:

Signature: X_____

THE SIGNATURE(S) TO THIS ASSIGNMENT MUST CORRESPOND WITH THE NAME(S) AS WRITTEN UPON THE FACE OF THE CERTIFICATE IN EVERY PARTICULAR, WITHOUT ALTERATION OR ENLARGEMENT OR ANY CHANGE WHATEVER. THE SIGNATURE(S) SHOULD BE GUARANTEED BY AN ELIGIBLE GUARANTOR INSTITUTION (Banks, Stockbrokers, Savings and Loan Associations and Credit Unions) WITH MEMBERSHIP IN AN APPROVED SIGNATURE GUARANTEE MEDALLION PROGRAM, PURSUANT TO S.E.C. RULE 17Ad-15.

Exhibit 4.3

SILVERGATE CAPITAL CORPORATION
INVESTOR RIGHTS AGREEMENT
FEBRUARY 22, 2018

INVESTOR RIGHTS AGREEMENT
FOR
SILVERGATE CAPITAL CORPORATION

INVESTOR RIGHTS AGREEMENT dated as of February 22, 2018 (this " Agreement ") between Silvergate Capital Corporation, a Maryland corporation (the " Company "), and _____, a _____ (the " Investor ").

WHEREAS, the Investor and the Company have entered into a Stock Purchase Agreement of even date herewith (the " Purchase Agreement ");

WHEREAS, as a result of the transactions contemplated in the Purchase Agreement, the Investor will be the record or beneficial holder of the Registrable Securities (as defined below); and

WHEREAS, in order to induce the Investor to enter into the Purchase Agreement, the Company has agreed to grant to the Investor the rights set forth below.

NOW, THEREFORE, in consideration of the premises and mutual covenants contained herein, the parties hereto agree as follows:

SECTION 1
DEFINITIONS

As used in this Agreement, the following defined terms shall have the following meanings:

" 2011 / 2014 / 2015 Investors " means the Persons that purchased Common Stock (as defined below) in 2011, 2014 or 2015.

" 2018 Investors " means the Persons party to the Purchase Agreements.

" Affiliate " has the meaning ascribed to such term in Rule 12b-2 under the Exchange Act, as in effect on the date hereof, but shall be deemed not to include the Company and its subsidiaries.

" Agreement " means this Investor Rights Agreement, as amended, supplemented or otherwise modified from time to time.

" Articles of Incorporation " has the meaning set forth in Section 8.2.

" Business Day " means a day other than a Saturday, Sunday or other day on which commercial banks are authorized or required to close under the laws of the States of New York or California or the United States of America.

" Closing Date " has the meaning set forth in the Purchase Agreement.

" Commission " means the United States Securities and Exchange Commission.

" Common Stock " means the Company's common stock, $0.01 par value per share, and includes its Class A Common Stock (" Class A Shares ") and Class B Non-Voting Common Stock (" Class B Shares ").

" Company " has the meaning set forth in the preamble hereto, and also includes (a) the Company's successors and permitted assigns, and (b) with respect to Section 4 herein, the Company's wholly-owned subsidiary, Silvergate Bank, and any subsidiaries thereof.

" Exchange Act " means the Securities Exchange Act of 1934, as amended.

" Filing Deadline " means, with respect to the Initial Public Offering required to be filed pursuant to Section 2.1(a), the date that is the third (3rd) anniversary of the Closing Date; provided that if the Filing Deadline falls on a Saturday, Sunday or other day that the Commission is closed for business, the Filing Deadline shall be extended to the next business day on which the Commission is open for business.

" GAAP " means United States generally accepted accounting principles.

" Holders " has the meaning set forth in Section 2.1(b).

" Initial Public Offering " means a firm commitment underwritten public offering pursuant to an effective registration statement under the Securities Act, covering the initial offer and sale to the public of Common Stock for the account of the Company or stockholders of the Company.

" Initiating Holders " has the meaning set forth in Section 2.1(b).

" Investor " has the meaning set forth in the preamble hereto and also includes the Investor's successors and permitted assigns.

"New Securities" has the meaning set forth in Section 7.2.

" Observer " has the meaning set forth in Section 4.6.

" Original Securities " has the meaning set forth in Section 3.4.

" Other Securities " has the meaning set forth in Section 2.2.

" Permitted Transfer " and " Permitted Transferee " have the meaning set forth in Section 5.1(b).

" Person " means any individual, firm, partnership, corporation (including, without limitation, a business trust), limited liability company, joint stock company, trust, unincorporated association, joint venture or other entity, and shall include any successor (by merger or otherwise) of any such entity.

" Preemptive Share Percentage " has the meaning set forth in Section 7.1.

" Prospectus " means the prospectus included in the Registration Statement, including, without limitation, any preliminary prospectus, and any such prospectus as supplemented by any prospectus supplement with respect to the terms of the offering of any of the Registrable Securities, and by all other amendments and supplements to such prospectus, and in each case including, without limitation, all documents incorporated by reference therein or otherwise constituting a prospectus with respect to the Registrable Securities to which the Registration Statement relates.

" Purchase Agreement " has the meaning set forth in the recitals hereto.

" register ," " registered ," and " registration " refer to a registration of Registrable Securities effected by preparing and filing a Registration Statement under the Securities Act, and the declaration or ordering of the effectiveness of such Registration Statement.

" Registrable Securities " means any and all of the shares of Common Stock issued and sold to (a) the 2018 Investors pursuant to the Purchase Agreements, and (b) the 2011 / 2014 / 2015 Investors, plus any securities issuable or issued or distributed in respect of any of such shares of Common Stock by way of stock dividend or stock split or in connection with a combination of shares, recapitalization, reorganization, merger, consolidation or otherwise; provided however , that securities cease to be Registrable Securities when they are no longer Restricted Securities.

" Registration Expenses " means any and all out-of-pocket expenses incident to performance of or compliance with this Agreement, including, without limitation, (i) all Commission, Financial Industry Regulatory Authority and securities exchange registration and filing fees, (ii) all fees and expenses of complying with state securities or "blue sky" laws (including, without limitation, fees and disbursements of counsel for any underwriters in connection with "blue sky" qualifications of the Registrable Securities), (iii) all processing, printing, copying, messenger and delivery expenses, (iv) all fees and expenses incurred in connection with the listing of the Registrable Securities on any securities exchange, (v) all fees and disbursements of counsel for the Company and of its independent public accountants, and of one law firm for all 2018 Investors, and (vi) the fees and expenses of any special experts retained by the Company in connection with a registration under this Agreement, but excluding Selling Expenses.

" Registration Statement " means a registration statement filed under the Securities Act providing for the registration of, and the sale by the holders of, any Registrable Securities, filed by the Company pursuant to the provisions of Section 2 of this Agreement, including, without limitation, any amendments and supplements to such Registration Statement, including, without limitation, post-effective amendments, and all exhibits and all material incorporated by reference in such Registration Statement.

" Restricted Securities " means any security or share of Common Stock, including, without limitation, securities or shares of Common Stock issuable upon conversion thereof, except any such security or share of Common Stock which (i) has been effectively registered under the Securities Act and sold in a manner contemplated by the applicable Registration Statement, or

(ii) has been transferred in compliance with Rule 144 under the Securities Act (or any successor provision thereto).

" Securities Act " means the Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder.

" Selling Expenses " means all underwriting discounts, selling commissions and transfer taxes, if any, applicable to the sale of Registrable Securities by any 2018 Investor, and all fees and disbursements of counsel for such Investor not included in the definition herein of Registration Expenses.

" Underwriter " means any underwriter of Registrable Securities in connection with an offering thereof under a Registration Statement.

SECTION 2
REGISTRATION RIGHTS

2.1 Requested Registration .

(a) On or prior to the Filing Deadline, the Company shall prepare and file with the Commission a registration statement for the Initial Public Offering.

(b) Subject to the conditions set forth in this Section 2.1, if the Company shall receive at any time after six (6) months after the effective date of the Initial Public Offering a written request from holders of Registrable Securities (for purposes of this Section 2.1, " Holders ") collectively holding at least fifty percent (50%) or more of the Registrable Securities then outstanding (for purposes of this Section 2.1, the " Initiating Holders ") that the Company file a registration statement under the Securities Act covering the registration of Registrable Securities with an anticipated aggregate offering price of at least $10,000,000, then the Company shall, within twenty (20) days of the receipt thereof, give written notice of such request to all Holders and, subject to the limitations of this Section 2.1, use its reasonable best efforts to effect, as soon as practicable, the registration under the Securities Act of all Registrable Securities that the Holders request to be registered in a written request received by the Company within twenty (20) days of the mailing of the Company's notice pursuant to this Section 2.1(b).

(c) If the Initiating Holders intend to distribute the Registrable Securities covered by their request by means of an underwriting, they shall so advise the Company as a part of their request made pursuant to this Section 2.1, and the Company shall include such information in the written notice referred to in Section 2.1(b). In such event, the right of any Holder to include its Registrable Securities in such registration shall be conditioned upon such Holder's participation in such underwriting and the inclusion of such Holder's Registrable Securities in the underwriting (unless otherwise mutually agreed by a majority in interest of the Initiating Holders and such Holder) to the extent provided herein. All Holders proposing to distribute their securities through such underwriting shall enter into an underwriting agreement in customary form with the Underwriter or Underwriters selected for such underwriting by those Initiating Holders holding a majority of the Registrable Securities held by all Initiating Holders; provided, that such selection shall be subject to the consent of the Company, which consent shall not be unreasonably withheld or delayed. Notwithstanding any other provision of this Section

2.1, if the Underwriter advises the Company that marketing factors require a limitation on the number of securities underwritten (including Registrable Securities), then the Company shall so advise all Holders of Registrable Securities that would otherwise be underwritten pursuant hereto, and the number of shares that may be included in the underwriting shall be allocated to the Holders of such Registrable Securities pro rata based on the number of Registrable Securities held by all such Holders (including the Initiating Holders). In no event shall any Registrable Securities be excluded from such underwriting unless all other securities are first excluded. Any Registrable Securities excluded or withdrawn from such underwriting shall be withdrawn from the registration.

(d) Notwithstanding the foregoing, the Company shall not be required to effect a registration pursuant to this Section 2.1:

(i) in any particular jurisdiction in which the Company would be required to execute a general consent to service of process in effecting such registration, unless the Company is already subject to service in such jurisdiction and except as may be required under the Securities Act; or

(ii) if the Company has previously effected registrations pursuant to this Section 2.1, and such registrations have been declared or ordered effective; or

(iii) during the period starting with the date sixty (60) days prior to the Company's good faith estimate of the date of the filing of and ending on a date one hundred eighty (180) days following the effective date of a Company-initiated registration subject to Section 2.2 below, provided that the Company is actively employing in good faith all commercially reasonable efforts to cause such registration statement to become effective; or

(iv) if the Company shall furnish to Holders requesting a registration statement pursuant to this Section 2.1 a certificate signed by the Company's Chief Executive Officer or Chairman of the Board of Directors stating that in the good faith judgment of the Board of Directors of the Company, it would be seriously detrimental to the Company and its stockholders for such registration statement to be effected at such time, in which event the Company shall have the right to defer such filing for a period of not more than ninety (90) days after receipt of the request of the Initiating Holders, provided, that such right shall be exercised by the Company not more than once in any twelve (12) month period and provided further that the Company shall not register any securities for the account of itself or any other stockholder during such ninety (90) day period (other than a registration relating solely to the sale of securities of participants in a Company stock plan, a registration relating to a corporate reorganization or transaction under Rule 145 of the Securities Act, a registration on any form that does not include substantially the same information as would be required to be included in a registration statement covering the sale of the Registrable Securities, or a registration in which the only Common Stock being registered is Common Stock issuable upon conversion of debt securities that are also being registered).

2.2 Company Registration . If, but without any obligation to do so, the Company proposes to register, including, without limitation, in connection with the Initial Public Offering, any shares of Common Stock or other securities issued by it on behalf of itself or any other stockholders of the Company (" Other Securities ") for public sale under the Securities Act (whether proposed to be offered for sale by the Company or by any other Person) on a form which would permit registration of Registrable Securities for sale to the public under the Securities Act, it will give prompt written notice to the 2018 Investors of its intention to do so, which notice the Investor shall keep confidential, and upon the written request of any 2018 Investor delivered to the Company within twenty (20) Business Days after the giving of any such notice (which request shall specify the number of Registrable Securities intended to be disposed of by such Investor) the Company will use its commercially reasonable efforts to effect the registration of all Registrable Securities which the Company has been so requested to register by any such 2018 Investor; provided, that:

(a) if, at any time after giving such written notice of its intention to register any Other Securities and prior to the effective date of the Registration Statement filed in connection with such registration, the Company shall determine for any reason not to register the Other Securities, the Company may, at its election, give written notice of such determination to the 2018 Investors who have submitted a written request pursuant to this Section 2.2 and thereupon the Company shall be relieved of its obligation to register such Registrable Securities in connection with the registration of such Other Securities (but not from its obligation to pay Registration Expenses other than Selling Expenses to the extent incurred in connection therewith as provided in Section 2.2);

(b) the Company will not be required to effect any registration of Registrable Securities requested to be registered pursuant to this Section 2.2 if the Company shall have been advised by the lead Underwriter in connection with the public offering of the Other Securities that the number of shares of Common Stock proposed to be included in such registration, including all Registrable Securities and all Other Securities proposed to be included in such underwritten offering, exceeds the number of shares of Common Stock which can be sold in such offering and/or that the number of shares of Common Stock proposed to be included in any such registration would adversely affect the price per share of the Common Stock to be sold in such offering, in which case the Company shall include in such registration (i) first, the shares of Common Stock that the Company proposes to sell; (ii) second, the shares of Common Stock requested to be included therein by Holders of Registrable Securities and any Permitted Transferee(s) (as hereinafter defined), allocated pro rata among all such Holders and Permitted Transferee(s) on the basis of the number of Registrable Securities owned by each such Holder or Permitted Transferee(s) or in such manner as they may otherwise agree; and (iii) third, the shares of Common Stock requested to be included therein by holders of Common Stock other than holders of Registrable Securities, allocated among such holders in such manner as they may agree; provided , that in any event the Holders of Registrable Securities shall be entitled to register the offer and sale or distribute at least 30% of the securities to be included in any such registration; and

(c) the Company shall not be required to effect any registration of Registrable Securities under this Section 2 incidental to the registration of any of its securities (i) on Form S-8 or any successor form to such Form or in connection with any employee or director welfare,

benefit or compensation plan, (ii) on Form S-4 or any successor form to such Form or in connection with an exchange offer, (iii) in connection with a rights offering exclusively to existing holders of Common Stock, (iv) in connection with an offering solely to employees of the Company or its subsidiaries, or (v) relating to a transaction pursuant to Rule 145 of the Securities Act.

2.3 Registration Expenses . The Company shall pay all (and will promptly reimburse to any 2018 Investor submitting a request pursuant to Section 2 to the extent it has borne any) Registration Expenses with respect to any registration of Registrable Securities pursuant to this Section 2, regardless of whether the Registration Statement filed in connection with such registration becomes effective. Investor shall be solely liable for the payment of any Selling Expenses applicable to the sale of Registrable Securities by such Investor.

SECTION 3
REGISTRATION PROCEDURES

3.1 Registration and Qualification . If and whenever the Company is required to use its commercially reasonable efforts to effect the registration of any Registrable Securities under the Securities Act as provided in Section 2, the Company will, as promptly as is practicable, as applicable:

(a) prepare, file and use its commercially reasonable efforts to cause to become effective a Registration Statement under the Securities Act regarding the Registrable Securities to be offered;

(b) prepare and file with the Commission such amendments and supplements to such Registration Statement and Prospectus used in connection therewith as may be necessary to keep such Registration Statement effective and to comply with the provisions of the Securities Act with respect to the disposition of all Registrable Securities until such time as all of such Registrable Securities have been disposed of in accordance with the intended methods of disposition by the 2018 Investors set forth in such Registration Statement;

(c) furnish to the applicable 2018 Investor and to any underwriter of such Registrable Securities such number of conformed copies of such Registration Statement and of each such amendment and supplement thereto (in each case including, without limitation, all exhibits), such number of copies of the Prospectus included in such Registration Statement (including, without limitation, each preliminary prospectus and any summary prospectus), such documents incorporated by reference in such Registration Statement or Prospectus, and such other documents as such 2018 Investor or such underwriter may reasonably request in order to facilitate its disposition of the Registrable Securities;

(d) use its commercially reasonable efforts to register or qualify all Registrable Securities covered by such Registration Statement under such other securities or “blue sky” laws of such jurisdictions as the applicable 2018 Investor or any underwriter of such Registrable Securities shall reasonably request, and do any and all other acts and things which may be reasonably requested by such 2018 Investor or any underwriter to consummate the disposition in such jurisdictions of the Registrable Securities covered by such Registration

Statement, except the Company shall not for any such purpose be required to qualify generally to do business as a foreign corporation in any jurisdiction wherein it is not so qualified, or to subject itself to taxation in any jurisdiction where it is not then subject to taxation, or to consent to general service of process in any jurisdiction where it is not then subject to service of process;

(e) use its commercially reasonable efforts to cause the Registrable Securities covered by such Registration Statement to be listed on each national securities exchange on which the Common Stock is then listed, if the listing of such securities is then permitted under the rules of such exchange, or, in the case of an Initial Public Offering, the New York Stock Exchange or the Nasdaq Stock Market, and, without limiting the generality of the foregoing, use its commercially reasonable efforts to engage necessary specialists or market makers, as applicable;

(f) in connection with any underwritten offering, use its commercially reasonable efforts to (i) cause to be furnished to the underwriters an opinion of counsel for the Company dated the date of the closing under the underwriting agreement, (ii) cause to be furnished to the underwriters a "comfort letter" signed by the independent public accountants who have certified the Company's financial statements included in such Registration Statement; and (iii) indemnify the Investor and their Affiliates in relation to substantially the same matters and on substantially the same terms and conditions as is customary for underwriters in underwritten public offerings of securities to be indemnified for and such other matters as the applicable Investor may reasonably request;

(g) promptly notify the applicable 2018 Investors, at any time when a Prospectus relating to a registration pursuant to Section 2 hereof is required to be delivered under the Securities Act, of the happening of any event as a result of which the Prospectus included in such Registration Statement, as then in effect, includes an untrue statement of a material fact or omits to state any material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, and at the request of such 2018 Investors prepare and furnish to them as many copies of a supplement to or an amendment of such Prospectus as they reasonably request so that, as thereafter delivered to the purchasers of such Registrable Securities, such Prospectus shall not include an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; and

(h) promptly notify the applicable 2018 Investors of the issuance by the Commission or any state securities authority of any stop order suspending the effectiveness of a Registration Statement filed pursuant to Section 2 hereof or the initiation of any proceedings for that purpose and take every commercially reasonable effort to obtain the withdrawal of any such stop order.

(i) It shall be a condition precedent to the obligations of the Company to take any action pursuant to Sections 2 and 3 of this Agreement that the Investor shall furnish to the Company such information regarding the Investor, the Registrable Securities and the proposed method of distribution of the Registrable Securities as the Company may from time to time reasonably request in writing or as shall be required by law or by the Commission in connection

with any registration, and the Investor shall promptly notify the Company of the distribution of such securities.

3.2 Underwriting .

(a) If requested by the Underwriters for any underwritten offering of Registrable Securities pursuant to a registration requested hereunder, the Company will enter into and perform its obligations under an underwriting agreement with such Underwriters for such offering, such agreement to contain such representations and warranties by the Company and such other terms and provisions as are customarily contained in underwriting agreements with respect to secondary distributions, including, without limitation, indemnities and contribution to the effect and to the extent provided in Section 6 hereof. The applicable 2018 Investor shall, if requested by such Underwriters, be party to any such underwriting agreement and shall make representations and warranties and covenants customary for selling stockholders therein. Notwithstanding the foregoing, an Investor may elect, in writing prior to the effective date of the Registration Statement filed in connection with such registration, not to register such Registrable Securities in connection with such registration.

(b) In the event that any registration pursuant to Section 2 hereof shall involve, in whole or in part, an underwritten offering, the Company may require Registrable Securities requested to be registered pursuant to Section 2 to be included in such underwriting on the same terms and conditions as shall be applicable to the Other Securities being sold through Underwriters under such registration. In such case, the holders of Registrable Securities on whose behalf Registrable Securities are to be distributed by such Underwriters shall be parties to any such underwriting agreement. Such agreement shall contain such representations and warranties and such other terms and provisions as are customarily contained in underwriting agreements with respect to secondary distributions, including, without limitation, indemnities and contribution to the effect and to the extent provided in Section 6.

3.3 Qualification for Rule 144 Sales . Following the Initial Public Offering, the Company shall use its commercially reasonable efforts to take such measures and file such information, documents and reports as shall be required by the Commission as a condition to the availability of Rule 144 under the Securities Act so as to enable the Investor to sell Registrable Securities without registration under the Securities Act and, upon the written request of any 2018 Investor, the Company will promptly deliver to such 2018 Investor a written statement as to whether it has complied with such filing requirements. In connection with any sale, transfer or other disposition by any 2018 Investor of any Registrable Securities pursuant to Rule 144 under the Securities Act, upon delivery to the Company of an opinion of legal counsel that (to the Company's reasonable satisfaction) is knowledgeable in securities laws matters to the effect that such disposition of Registrable Securities may be effected without registration under the Securities Act, the Company shall reasonably cooperate with such 2018 Investor to facilitate the timely preparation and delivery of certificates representing Registrable Securities to be sold and not bearing any Securities Act legend, and enable certificates for such Registrable Securities to be for such number of shares and registered in such names as such 2018 Investor may reasonably request at least five (5) Business Days prior to any sale of Registrable Securities hereunder.

3.4 " Market Stand Off" Agreement . Investor hereby agrees that it will not, without the prior written consent of the applicable managing underwriter, during the period commencing on the date of the final prospectus relating to the Initial Public Offering or other registration by the Company of shares of Common Stock or any other equity securities under the Securities Act, and ending on the date specified by the Company and the managing underwriter (such period not to exceed one hundred and eighty (180) days, provided that if during the last seventeen (17) days of such period the Company issues an earnings or other material public release or, prior to the expiration of such period, the Company announces that it will release an earnings or other material public release within fifteen (15) days of the last day of such period, then in each such case such period may be extended upon the request of the managing underwriter for an additional period of up to eighteen (18) days from the date of the issuance of such earnings or other material public release) (i) lend, offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right, or warrant to purchase, or otherwise transfer or dispose of, directly or indirectly, any shares of Common Stock originally purchased by the Investor pursuant to the Purchase Agreement (the " Original Securities ") or (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the Original Securities, whether any such transaction described in clause (i) or (ii) above is to be settled by delivery of the Original Securities or other securities, in cash, or otherwise. The foregoing provisions of this Section 3.4 shall not apply to the sale of any shares to an underwriter pursuant to an underwriting agreement, and shall be applicable to the Investor only if all executive officers and directors of the Company are subject to at least the same restrictions. The underwriters in connection with such registration are intended third-party beneficiaries of this Section 3.4 and shall have the right, power, and authority to enforce the provisions hereof as though they were a party hereto. Investor further agrees to execute such agreements as may be reasonably requested by the underwriters in connection with such registration that are consistent with this Section 3.4 or that are necessary to give further effect thereto. For the avoidance of doubt, in no event shall the Investor or any Affiliate of the Investor be restricted from selling or otherwise disposing of any securities of the Company other than the Original Securities by the terms hereof.

3.5 Preparation; Reasonable Investigation . In connection with the preparation and filing of each Registration Statement registering the Registrable Securities under the Securities Act, the Company will give 2018 Investors and the Underwriters, if any, and their respective counsel and accountants, drafts of such Registration Statement for their review and comment prior to filing and such access to its books and records and such opportunities to discuss the business of the Company with its officers and the independent public accountants who have certified its financial statements as shall be necessary, in the opinion of such 2018 Investors and Underwriters or their respective counsel, to conduct a reasonable investigation within the meaning of the Securities Act.

SECTION 4
INFORMATION RIGHTS

4.1 Delivery of Financial Statements . The Company shall deliver to the Investor:

(a) as soon as practicable, but in any event within ninety days (90) after the end of each fiscal year of the Company, a balance sheet as of the last day of such year and an

income statement and a statement of stockholders' equity and cash flows for such year, prepared in accordance with GAAP consistently applied, and audited and certified by independent public accountants selected by the Company;

(b) as soon as practicable, but in any event within forty five (45) days after the end of each of the first three (3) quarters of each fiscal year of the Company, an unaudited income statement and an unaudited balance sheet as of the end of such fiscal quarter, in such form as the Company normally produces for internal use, and prepared in accordance with GAAP consistently applied (except that such financial statements may (i) be subject to year-end audit adjustments that are not, individually or in the aggregate, material and (ii) not contain notes thereto that may be required in accordance with GAAP);

(c) with respect to the financial statements called for in subsections (a) and (b) of this Section 4.1, an instrument signed by the Company certifying that such financial statements were prepared in accordance with GAAP consistently applied with the Company's prior practice for earlier periods (in the case of Section 4.1(b), with the exception of footnotes that may be required by GAAP) and fairly present in all material respects the financial condition of the Company and its results of operation for the periods specified therein, subject to year-end audit adjustment that are not, individually or in the aggregate, material (in the case of Section 4.1(b) only); and

(d) such other information relating to the financial condition, business, prospects or corporate affairs of the Company as the Company provides to all other stockholders.

4.2 Inspection. The Company shall permit Investor to visit and inspect the Company's properties, to examine its books of account and records and to discuss the Company's affairs, finances and accounts with its officers, all at such reasonable times as may be requested by the Investor; provided, however, that the Company shall not be obligated pursuant to this Section 4.2 to provide access to any information the disclosure of which would adversely affect the attorney-client privilege between the Company and its legal counsel.

4.3 Confidentiality. Investor hereby agrees that it will keep confidential and will not disclose, divulge, or use for any purpose (other than to monitor its investment in the Company) any confidential information obtained from the Company to the extent such information specifically relates to the Company pursuant to the terms of this Agreement (including notice of the Company's intention to file a registration statement), unless (a) such information is already in its possession prior to its being furnished to the Investor by or on behalf of the Company; (b) such information has become generally available to the public other than as a result of a disclosure by the Investor or its Affiliates by any means; or (c) such information has become available to the Investor on a non-confidential basis from a source other than the Company or on behalf of the Company, but only to the extent that the Investor is not aware that such source is not bound by a confidentiality agreement with, or other contractual, legal, or fiduciary obligation of secrecy or confidentiality to, the Company. Notwithstanding the foregoing, the Investor may disclose confidential information (i) to its Affiliates and to its and its Affiliates' respective directors, officers, general partners, members, employees, contractors, agents, advisors (including financial advisors and legal counsel) that need to know such information to the extent necessary to monitor such Investor's investment in the Company provided that such persons are

subject to customary confidentiality agreements with the Investor with respect thereto; or (ii) as may otherwise be required by law or legal process; provided further that such Investor promptly notifies the Company of any such disclosure required by law or legal process and takes commercially reasonable steps to minimize the extent of any such required disclosure.

4.4 Termination of Information Covenants . The covenants set forth in Section 4.1 and Section 4.2 shall terminate and be of no further force or effect upon the consummation of the Initial Public Offering or when the Company first becomes subject to the periodic reporting requirements of Section 13(a) or 15(d) of the Exchange Act, whichever event occurs first.

4.5 Provision of Information by Investor . Investor hereby agrees to promptly provide to the Company such information and materials as the Company may reasonably request in connection with any notices or applications of the Company or any of its subsidiaries to or with applicable banking or other regulators in order to respond to any informational requests or requirements of such regulators or applicable law.

SECTION 5
TRANSFER AND OTHER RESTRICTIONS

5.1 Restrictions on Transfer .

(a) Investor agrees not to make any disposition of all or any portion of the Common Stock other than:

(i) to an Affiliate that agrees in writing to be bound by the provisions of the Purchase Agreement and this Agreement;

(ii) to a transferee that agrees in writing to be bound by the provisions of the Purchase Agreement and this Agreement;

(iii) to a transferee in the Initial Public Offering or a subsequent public offering pursuant to an effective registration statement under the Securities Act as contemplated by this Agreement or in a transaction not requiring registration under the Securities Act;

(iv) by (A) a partnership to its partners or retired partners in accordance with their partnership interest, (B) a corporation to its stockholders in accordance with their interest in the corporation, (C) a limited liability company to its members or former members in accordance with their interest in the limited liability company, (D) an investment or venture capital fund to an affiliated investment or venture capital fund or (E) to the Investor's family members or trust for the benefit of an individual Investor, provided in each case that the transfer complies with applicable securities laws and the transferee agrees in writing to be bound by the provisions of this Agreement.

(b) At any time prior to the Initial Public Offering or the Company otherwise becoming subject to the periodic reporting obligations of Section 13(a) or Section 15(d) of the Exchange Act, the Company may refuse to register any proposed transfer of shares of Common Stock if, as a result of such transfer, the Company's Common Stock would be held of record

(within the meaning of Rule 12g5-1 under the Exchange Act or any successor thereto) by more than 2,000 holders.

The Investor and any approved transferee shall execute such documents and instruments that the Company may reasonably request in connection with any approved transfer. Any approved transfer described above shall be considered a " Permitted Transfer " and the recipient of such a transfer a " Permitted Transferee ."

5.2 Legends . Each certificate representing shares of Common Stock shall (unless otherwise permitted by the provisions of this Agreement) be stamped or otherwise imprinted with a legend substantially similar to the following (in addition to any legend required under applicable state securities laws):

THE SECURITIES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 AS AMENDED, OR APPLICABLE STATE SECURITIES LAWS. THE SECURITIES HAVE BEEN ACQUIRED FOR INVESTMENT AND NOT WITH A VIEW TOWARD RESALE AND MAY NOT BE OFFERED FOR SALE, SOLD, TRANSFERRED OR ASSIGNED IN THE ABSENCE OF AN EFFECTIVE REGISTRATION STATEMENT FOR THE SECURITIES UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR APPLICABLE STATE SECURITIES LAWS, UNLESS THE COMPANY HAS RECEIVED AN OPINION OF COUNSEL WHICH IS SATISFACTORY TO THE COMPANY, TO THE EFFECT THAT SUCH REGISTRATIONS ARE NOT REQUIRED.

THE SHARES REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO RESTRICTIONS PURSUANT TO AN INVESTOR RIGHTS AGREEMENT BETWEEN THE COMPANY AND THE ORIGINAL HOLDER OF THESE SHARES, A COPY OF WHICH MAY BE OBTAINED AT THE PRINCIPAL OFFICE OF THE COMPANY. SUCH TRANSFER RESTRICTIONS ARE BINDING UPON THE TRANSFEREE OF THESE SHARES.

5.3 Unlegended Certificates . The Company shall be obligated to reissue certificates not bearing the legend set forth above at the request of any holder thereof if the shares of Common Stock represented by the certificate have been (i) registered for resale under the Securities Act, or (ii) are sold or transferred pursuant to Rule 144 and the holder shall have obtained an opinion of counsel (in form and substance and from counsel reasonably satisfactory to the Company) at Investor's expense to the effect that the securities proposed to be disposed of may lawfully be so disposed of without registration, qualification or legend, and (iii) the holder shall have delivered such securities to the Company or its transfer agent.

5.4 Prohibited Transfers . The Company may refuse to register any proposed disposition of Common Stock that is not in accordance with the foregoing transfer restrictions, and any purported transfer in violation of these restrictions shall be null and void. In determining whether to register an attempted transfer, the Company may reasonably require such supporting documents and instruments, including agreements, certificates, representations and warranties and opinions of counsel, as it may request in its absolute discretion to establish compliance with this Section 5.

SECTION 6
INDEMNIFICATION AND CONTRIBUTION

6.1 Indemnification and Contribution . Upon the registration of the Registrable Securities pursuant to Section 2 hereof:

(a) Indemnification by the Company . The Company shall indemnify and hold harmless Investor and each of its officers and directors and each Person who controls Investor within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act (each such person being sometimes referred to as an "Indemnified Person") against any losses, claims, damages or liabilities, joint or several, to which such Indemnified Person may become subject under the Securities Act or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon an untrue statement or alleged untrue statement of a material fact contained in any Registration Statement under which such Registrable Securities are to be registered under the Securities Act, or any Prospectus contained therein or furnished by the Company to any Indemnified Person, or any amendment or supplement thereto, or arise out of or are based upon the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, and the Company hereby agrees to reimburse such Indemnified Person for any legal or other expenses reasonably incurred by them in connection with investigating or defending any such action or claim as such expenses are incurred; provided however , that the Company shall not be liable to any such Indemnified Person in any such case to the extent that any such loss, claim, damage or liability arises out of or is based upon an untrue statement or alleged untrue statement or omission or alleged omission made in such Registration Statement or Prospectus, or amendment or supplement, in reliance upon and in conformity with written information furnished to the Company by such Indemnified Person expressly for use therein.

(b) Indemnification by the Investor . Investor agrees, upon exercise of its registration rights pursuant to Section 2, to indemnify and hold harmless the Company, its directors, officers who sign any Registration Statement and each Person, if any, who controls the Company within the meaning of either Section 15 of the Securities Act or Section 20 of the Exchange Act, against any losses, claims, damages or liabilities to which the Company or such other persons may become subject, under the Securities Act or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon an untrue statement or alleged untrue statement of a material fact contained in such Registration Statement or Prospectus, or any amendment or supplement, or arise out of or are based upon the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, in each case to the extent, but only to the extent that such untrue statement or alleged untrue statement or omission or alleged omission was made in reliance upon and in conformity with written information furnished to the Company by Investor expressly for use therein.

(c) Notices of Claims, Etc . Promptly after receipt by an indemnified party under subsection (a) or (b) above of notice of the commencement of any action, such indemnified party shall, if a claim in respect thereof is to be made against an indemnifying party under this Section 6, promptly notify such indemnifying party in writing of the commencement thereof; but the omission so to notify the indemnifying party shall not relieve it from any liability

which it may have to any indemnified party under this Section 6 **,** except to the extent that the indemnified party's failure to give such notice has materially and adversely prejudiced the indemnifying party in its ability to defined such action. In case any such action shall be brought against any indemnified party and it shall notify an indemnifying party of the commencement thereof, such indemnifying party shall be entitled to participate therein and, to the extent that it shall wish, jointly with any other indemnifying party similarly notified, to assume the defense thereof, with counsel reasonably satisfactory to such indemnified party (who shall not, except with the consent of the indemnified party, be counsel to the indemnifying party), and, after notice from the indemnifying party to such indemnified party of its election so to assume the defense thereof, such indemnifying party shall not be liable to such indemnified party under this Section 6 for any legal expenses of other counsel or any other expenses, in each case subsequently incurred by such indemnified party, in connection with the defense thereof other than reasonable costs of investigation; provided, however, that the indemnified party, together with all the other indemnified parties that may be represented without conflict by one legal counsel, shall have the right to retain one separate legal counsel, whose fees and expenses shall be paid by the indemnifying party, if representation of such indemnified party by the legal counsel retained by the indemnifying party would be inappropriate due to actual or potential differing interests between such indemnified party or any other party represented by such counsel in such proceeding. No indemnifying party shall, without the written consent of the indemnified party, effect the settlement or compromise of, or consent to the entry of any judgment with respect to, any pending or threatened action or claim in respect of which indemnification or contribution may be sought hereunder (whether or not the indemnified party is an actual or potential party to such action or claim) unless such settlement, compromise or judgment (i) includes an unconditional release of the indemnified party from all liability arising out of such action or claim and (ii) does not include a statement as to, or an admission of, fault, culpability or a failure to act, by or on behalf of any indemnified party. No indemnified party may effect the settlement or compromise of, or consent to the entry of any judgment with respect to, any pending or threatened action or claim in respect of which indemnification or contribution may be sought hereunder (whether or not the indemnifying party is an actual or potential party to such action or claim) without the prior written consent of the indemnifying party.

(d) Contribution . If the indemnification provided for in this Section 6 is unavailable to or insufficient to hold harmless an indemnified party under subsection (a) or (b) above in respect of any losses, claims, damages or liabilities (or actions in respect thereof) referred to therein, then each indemnifying party shall contribute to the amount paid or payable by such indemnified party as a result of such losses, claims, damages or liabilities (or actions in respect thereof) in such proportion as is appropriate to reflect the relative fault of the indemnifying party and the indemnified party in connection with the statements or omissions which resulted in such losses, claims, damages or liabilities (or actions in respect thereof), as well as any other relevant equitable considerations. The relative fault of such indemnifying party and indemnified party shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or omission or alleged omission to state a material fact relates to information supplied by such indemnifying party or by such indemnified party, and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission. The amount paid or payable by an indemnified party as a result of the losses, claims, damages or liabilities (or actions in respect thereof) referred to above shall be deemed to include any legal or other fees or expenses reasonably

incurred by such indemnified party in connection with investigating or defending any such action or claim to the extent such fees or expenses were incurred prior to an indemnifying party's election to assume the defense of such action or claim. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation.

(e) Notwithstanding any other provision of this Section 6, in no event will Investor be required to undertake liability to any Person or Persons under this Section 6 for any amounts in the aggregate in excess of the dollar amount of the proceeds to be received by Investor from the sale of Investor's Registrable Securities (after deducting any fees, discounts and commissions applicable thereto) pursuant to any Registration Statement under which such Registrable Securities are to be registered under the Securities Act.

(f) The obligations of the Company and the Investor under this Section 6 shall be in addition to any liability that the Company and the Investor may otherwise have to any Indemnified Person. The remedies provided in this Section 6 are not exclusive and shall not limit any rights or remedies that may otherwise be available to a party at law or in equity.

SECTION 7
PREEMPTIVE RIGHTS

7.1 Right to Purchase New Securities . The Company hereby grants to Investor the right to purchase any or all of Investor's Preemptive Share Percentage (as defined below) of all New Securities (as defined below) that the Company may, from time to time, propose to issue and sell at the cash price and on the terms on which the Company proposes to sell such New Securities. Investor's "Preemptive Share Percentage" shall be equal to a fraction (A) the numerator of which is the number of shares of Common Stock held by Investor on the date of the Company's written notice pursuant to Section 7.3 and (B) the denominator of which is the aggregate number of shares of Common Stock outstanding on such date.

7.2 New Securities . "New Securities" shall mean any shares of Common Stock, rights, options or warrants to purchase Common Stock and any other securities convertible into, exercisable or exchangeable for capital stock of the Company that are sold by the Company for cash; provided, however, that the term New Securities shall not include (i) securities issued as part of compensatory arrangements to employees, consultants or directors of the Company or any of its subsidiaries whether or not pursuant to any management equity plan or stock option plan or any other management or employee benefit plan or other equity compensation agreement; (ii) securities issued pro rata to existing security holders pursuant to any stock dividend, stock split, combination or other reclassification by the Company of any of its capital stock; (iii) securities issued in connection with transactions that are primarily debt financing transactions to which the Company and an unaffiliated third party may be a party and which are approved by the Board, including securities issued pursuant to the exercise of warrants, rights, options or other securities issued in connection therewith; (iv) securities issued as part of the sale of the Company, or in connection with the acquisition of another Person or any assets thereof by merger, purchase or otherwise; (v) securities issued pursuant to the fulfillment of commitments made in the Purchase Agreement; or (vi) securities issued upon the conversion, exchange or exercise of any securities that may be issued by the Company that provide for the conversion or

exchange into or exercise for any other securities, where the Investor were granted preemptive rights pursuant to this Section 7 in connection with the initial issuance of such convertible, exchangeable or exercisable security.

7.3 Required Notices . In the event the Company proposes to undertake an issuance of New Securities, it shall give Investor written notice of its intention, describing the type of New Securities, the cash price, the number and type of New Securities and the general terms upon which the Company proposes to issue the same. Investor shall have twenty (20) days from the date of receipt of any such notice to agree to purchase any or all of Investor's Preemptive Share Percentage of such New Securities, as may be applicable, at the price and upon the general terms specified in the Company's notice, by the Investor giving written notice to the Company and stating therein the quantity of New Securities to be purchased.

7.4 Company's Right to Sell . In the event any Investor fails to exercise its right within such twenty (20) day period to acquire its full Preemptive Share Percentage of the New Securities offered, the Company shall have sixty (60) days to sell or enter into an agreement to sell (pursuant to which the sale of New Securities covered thereby shall be closed, if at all, within one hundred twenty (120) days from the date of such agreement) all such New Securities for which the Investor preemptive rights were not exercised, at a price and upon terms not more favorable in any material respect to the purchasers thereof than specified in the Company's notice delivered pursuant to Section 7.3. In the event the Company has not sold within such sixty (60) day period or entered into any agreement to sell all such New Securities within such sixty (60) day period (or sold and issued all such New Securities in accordance with the foregoing within one hundred twenty (120) days from the date of such agreement), the Company shall not thereafter issue or sell any New Securities without first offering such securities to the Investor in the manner provided in this Section 7.

7.5 Certain Preemptive Rights Limitations . Except with any required regulatory approvals, no Investor shall be permitted to purchase New Securities pursuant to this Section 7 to the extent such purchase would result in Investor and any Affiliate of Investor (considered as if they were a single entity) having more than 24.9% of any class of voting securities of the Company, determined in accordance with the rules and regulations of the Board of Governors of the Federal Reserve System (including the definition of "affiliate" set forth therein); provided, however, that the Company shall be obligated to make available for purchase by Investor sufficient Class B shares as to enable Investor to exercise its preemptive rights through the purchase of Class B shares, or shall otherwise make appropriate arrangements to enable Investor to exercise its preemptive rights hereunder.

SECTION 8
VOTING AND CONVERSION RIGHTS

8.1 Voting Rights . Except as otherwise required by law, Class A Shares shall be entitled to one vote per outstanding share, and Class B Shares shall be entitled to no voting rights, either on a per share or class basis.

8.2 Conversion Rights . Class B Shares will not be convertible into Class A Shares in the hands of the Investor and will only become convertible into Class A Shares when transferred

in a permitted transfer (as defined below) to a third party unaffiliated with the Investor, subject to the transfer restrictions described herein. The Investor may sell or transfer such shares to an Affiliate; however the Class B Shares would remain non-voting in the hands of such Affiliate. Class B Shares would be automatically convertible into Class A Shares upon a Permitted Transfer, as defined in the Company's Articles of Incorporation, as amended (the " Articles of Incorporation "), such a transfer being a sale or transfer: (i) to the Company; (ii) in the Initial Public Offering or any subsequent public offering pursuant to an effective registration statement under the Securities Act; (iii) in which no transferee (or group of associated transferees) would receive 2% or more of a class of the Company's voting securities; or (iv) to a person that, prior to the completion of the transfer, owns, controls or holds the power to vote 50% or more of the Class A Shares. Any conversions of the Class B Shares shall be effected in accordance with procedures provided in the Articles of Incorporation. In the event of any conflict between the provisions of this Section 8.2 and those of the Articles of Incorporation, the provisions of the Articles of Incorporation shall be controlling.

SECTION 9
MISCELLANEOUS

9.1 Termination of the Company's Obligations . The Company shall have no obligations pursuant to Section 7 hereof after the consummation of the Company's Initial Public Offering.

9.2 Governing Law . This Agreement shall be governed by and construed in accordance with the laws of the State of California, without giving effect to the conflict of laws rules thereof.

9.3 Assignment; Successors and Assigns . No party hereto may assign this Agreement or any of its rights, interests or obligations hereunder without the prior written approval of the other; provided , however , that an Investor may assign its rights (but only together with the associated obligations) hereunder, in whole or in part, to a Permitted Transferee. Except as otherwise expressly provided herein, the provisions hereof shall inure to the benefit of, and be binding upon, the respective successors, permitted assigns, heirs, executors and administrators of the parties hereto.

9.4 Entire Agreement . This Agreement, together with any previously executed Nondisclosure Agreement between Investor and the Company and the applicable Purchase Agreement, constitutes the full and entire understanding and agreement among the parties with regard to the subjects hereof, and this Agreement shall supersede and cancel all prior agreements between the parties hereto with regard to the subject matter hereof, and in particular, but without limiting the generality of the foregoing, it shall supersede the entire registration rights, preemptive rights, rights of first refusal or any and all similar rights held by the Investor prior to the execution of this Agreement.

9.5 Notices, etc . Except as otherwise expressly provided herein, all notices and other communications required or permitted hereunder shall be in writing (including, without limitation, facsimile or e-mail communication) or confirmed in writing, and such notices and other communications shall, when mailed, communicated by facsimile transmission or e-mailed,

be effective when received at the address for notices to the party to whom such notice or communications is to be given as follows:

If to Investor, at:

Name:
Address:
_____
_____
_____

Attention: _____
Email: _____
Facsimile: _____

If to the Company, at:

Silvergate Capital Corporation
4250 Executive Square, Suite 300
La Jolla, California 92037
Attention: Alan Lane
Email: alane@silvergatebank.com
Facsimile: (858) 362-3300

or at such other address as either party shall have furnished to the other in writing.

9.6 Delays or Omissions . No delay or omission to exercise any right, power or remedy accruing to either party hereto upon any breach or default of the other party under this Agreement shall impair any such right, power or remedy of such party nor shall it be construed to be a waiver of any such breach or default, or any acquiescence therein, or of or in any similar breach or default thereafter occurring; nor shall any waiver of any single breach or default be deemed a waiver of any other breach or default theretofore or thereafter occurring. Any waiver, permit, consent or approval of any kind or character on the part of any party hereto of any breach or default under this Agreement or any waiver on the part of any party hereto of any provisions or conditions of this Agreement must be made in writing and shall be effective only to the extent specifically set forth in such writing. All remedies, either under this Agreement or by law or otherwise afforded to any party, shall be cumulative and not alternative.

9.7 Severability . In case any provision of this Agreement shall be invalid, illegal, or unenforceable, the validity, legality and enforceability of the remaining provisions of this Agreement shall not in any way be affected or impaired thereby. The parties hereto agree to replace any such provision with a valid provision that reflects as closely as possible the intent and spirit of the invalid provision.

9.8 Specific Performance . The parties hereto acknowledge that the obligations undertaken by them hereunder are unique and that there would be no adequate remedy at law if any party fails to perform any of its obligations hereunder, and accordingly agree that each party,

in addition to any other remedy to which it may be entitled at law or in equity, shall be entitled to seek specific performance of the obligations, covenants and agreements of any other party under this Agreement in accordance with the terms and conditions of this Agreement without being required to post any bond or other security.

9.9 Titles and Subtitles . The titles of the Sections, subsections and paragraphs of this Agreement are for convenience of reference only and are not to be considered in construing this Agreement.

9.10 Counterparts . This Agreement may be executed in any number of counterparts, each of which shall be an original, but all of which together shall constitute one instrument.

[Signature Page Follows]

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first set forth above.

SILVERGATE CAPITAL CORPORATION

By _____
Alan Lane
President and Chief Executive Officer

INVESTOR

By _____
NAME:
TITLE:

Exhibit 4.4

SILVERGATE CAPITAL CORPORATION
INVESTOR RIGHTS AGREEMENT
FEBRUARY 23, 2015

INVESTOR RIGHTS AGREEMENT
FOR
SILVERGATE CAPITAL CORPORATION

INVESTOR RIGHTS AGREEMENT dated as of February 23, 2015 between Silvergate Capital Corporation, a Maryland corporation (the "Company"), and _____(the "Investor").

WHEREAS, the Investor and the Company have entered into a Stock Purchase and Sale Agreement of even date herewith (the "Purchase Agreement");

WHEREAS, as a result of the transactions contemplated in the Purchase Agreement, the Investor will be the record or beneficial holders of the Registrable Securities (as defined below); and

WHEREAS, in order to induce the Investor to enter into the Purchase Agreement, the Company has agreed to grant to the Investor the rights set forth below.

NOW, THEREFORE, in consideration of the premises and mutual covenants contained herein, the parties hereto agree as follows:

SECTION 1
DEFINITIONS

As used in this Agreement, the following defined terms shall have the following meanings:

" 2011 / 2014 Investors " means the Persons that purchased Company Common Stock in 2011 or 2014 and entered into Investors' or Investor Rights Agreements with the Company in substantially the same form as this Agreement.

" Affiliate " has the meaning ascribed to such term in Rule 12b-2 under the Exchange Act, as in effect on the date hereof, but shall be deemed not to include the Company and its subsidiaries.

" Agreement " means this Investor Rights Agreement, as amended, supplemented or otherwise modified from time to time.

" Business Day " means a day other than a Saturday, Sunday or other day on which commercial banks are authorized or required to close under the laws of the States of New York or California or the United States of America.

" Commission " means the United States Securities and Exchange Commission.

" Common Stock " means the Company's common stock, $0.01 par value per share, and includes its Class A Common Stock ("Class A Shares") and Class B Non-Voting Common Stock ("Class B Shares").

" Company " has the meaning set forth in the preamble hereto, and also includes (a) the Company's successors and permitted assigns, and (b) with respect to Section 4 the Company's wholly-owned subsidiary, Silvergate Bank, and any subsidiaries thereof.

" Exchange Act " means the Securities Exchange Act of 1934, as amended.

" GAAP " means United States generally accepted accounting principles.

" Initial Public Offering " means a firm commitment underwritten public offering pursuant to an effective registration statement under the Securities Act, covering the offer and sale to the public of Common Stock for the account of the Company or shareholders of the Company after which there is an active trading market in such shares of Common Stock (it being understood that an active trading market shall be deemed to exist if the shares of Common Stock are listed on a national securities exchange).

" Investor " has the meaning set forth in the preamble hereto and also includes the Investor's successors and permitted assigns.

" New Securities " has the meaning set forth in Section 7.2.

" Person " means any individual, firm, partnership, corporation (including, without limitation, a business trust), limited liability company, joint stock company, trust, unincorporated association, joint venture or other entity, and shall include any successor (by merger or otherwise) of any such entity.

" Preemptive Share Percentage " has the meaning set forth in Section 7.1.

" Prospectus " means the prospectus included in the Registration Statement, including, without limitation, any preliminary prospectus, and any such prospectus as supplemented by any prospectus supplement with respect to the terms of the offering of any of the Registrable Securities, and by all other amendments and supplements to such prospectus, and in each case including, without limitation, all documents incorporated by reference therein or otherwise constituting a prospectus with respect to the Registrable Securities to which the Registration Statement relates.

" register ," " registered ," and " registration " refer to a registration of Registrable Securities effected by preparing and filing a Registration Statement under the Securities Act, and the declaration or ordering of the effectiveness of such Registration Statement.

" Registrable Securities " means any and all of the shares of Common Stock issued and sold to (a) the Investor pursuant to the Purchase Agreement, and (b) the 2011 / 2014 Investors, plus any securities issuable or issued or distributed in respect of any of such shares of Common Stock by way of stock dividend or stock split or in connection with a combination of shares, recapitalization, reorganization, merger, consolidation or otherwise; provided however , that securities cease to be Registrable Securities when they are no longer Restricted Securities.

" Registration Expenses " means any and all out-of-pocket expenses incident to performance of or compliance with this Agreement, including, without limitation, (i) all Commission, Financial Industry Regulatory Authority and securities exchange registration and filing fees, (ii) all fees and expenses of complying with state securities or "blue sky" laws (including, without limitation, fees and disbursements of counsel for any underwriters in connection with "blue sky" qualifications of the Registrable Securities), (iii) all processing, printing, copying, messenger and delivery expenses, (iv) all fees and expenses incurred in connection with the listing of the Registrable Securities on any securities exchange, (v) all fees and disbursements of counsel for the Company and of its independent public accountants, and of one law firm for all Investor, and (vi) the fees and expenses of any special experts retained by the Company in connection with a registration under this Agreement, but excluding Selling Expenses.

" Registration Statement " means a registration statement filed under the Securities Act providing for the registration of, and the sale by the holders of, any Registrable Securities, filed by the Company pursuant to the provisions of Section 2 of this Agreement, including, without limitation, any amendments and supplements to such Registration Statement, including, without limitation, post-effective amendments, and all exhibits and all material incorporated by reference in such Registration Statement.

" Restricted Security " means any security or share of Common Stock, including, without limitation, securities or shares of Common Stock issuable upon conversion thereof, except any such

security or share of Common Stock which (i) has been effectively registered under the Securities Act and sold in a manner contemplated by the applicable Registration Statement, (ii) has been transferred in compliance with Rule 144 under the Securities Act (or any successor provision thereto) or (iii) has had its registration rights terminated pursuant to Section 9.1.

" Securities Act " means the Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder.

" Selling Expenses " means all underwriting discounts, selling commissions and transfer taxes, if any, applicable to the sale of Registrable Securities by any Investor, and all fees and disbursements of counsel for such Investor not included in the definition herein of Registration Expenses.

" Purchase Agreement " has the meaning set forth in the recitals hereto.

" Underwriter " means any underwriter of Registrable Securities in connection with an offering thereof under a Registration Statement.

SECTION 2
REGISTRATION RIGHTS

2.1 Requested Registration .

(a) Subject to the conditions set forth in this Section 2.1, if the Company shall receive at any time after six (6) months after the effective date of the Initial Public Offering a written request from holders of Registrable Securities (for purposes of this Section 2.1, " Holders ") collectively holding at least fifty percent (50%) or more of the Registrable Securities then outstanding (for purposes of this Section 2.1, the " Initiating Holders ") that the Company file a registration statement under the Securities Act covering the registration of Registrable Securities with an anticipated aggregate offering price of at least $5,000,000, then the Company shall, within twenty (20) days of the receipt thereof, give written notice of such request to all holders and, subject to the limitations of this Section 2.1, use its reasonable best efforts to effect, as soon as practicable, the registration under the Securities Act of all Registrable Securities that the Holders request to be registered in a written request received by the Company within twenty (20) days of the mailing of the Company's notice pursuant to this Section 2.1(a).

(b) If the Initiating Holders intend to distribute the Registrable Securities covered by their request by means of an underwriting, they shall so advise the Company as a part of their request made pursuant to this Section 2.1, and the Company shall include such information in the written notice referred to in Section 2.1(a). In such event the right of any Holder to include its Registrable Securities in such registration shall be conditioned upon such Holder's participation in such underwriting and the inclusion of such Holder's Registrable Securities in the underwriting (unless otherwise mutually agreed by a majority in interest of the Initiating Holders and such Holder) to the extent provided herein. All Holders proposing to distribute their securities through such underwriting shall enter into an underwriting agreement in customary form with the underwriter or underwriters selected for such underwriting by those Initiating Holders holding a majority of the Registrable Securities held by all Initiating Holders (which underwriter or underwriters shall be reasonably acceptable to the Company). Notwithstanding any other provision of this Section 2.1, if the underwriter advises the Company that marketing factors require a limitation on the number of securities underwritten (including Registrable Securities), then the Company shall so advise all Holders of Registrable Securities that would otherwise be underwritten pursuant hereto, and the number of shares that may be included in the underwriting shall be allocated to the Holders of such Registrable Securities pro rata based on the number of Registrable Securities held by all such Holders (including the Initiating Holders). In no event shall any Registrable Securities be excluded from such underwriting unless all other securities are first excluded. Any Registrable Securities excluded or withdrawn from such underwriting shall be withdrawn from the registration.

(c) Notwithstanding the foregoing, the Company shall not be required to effect a registration pursuant to this Section 2.1:

(a) in any particular jurisdiction in which the Company would be required to execute a general consent to service of process in effecting such registration, unless the Company is already subject to service in such jurisdiction and except as may be required under the Act; or

(b) if the Company has previously effected registrations pursuant to this Section 2.1, and such registrations have been declared or ordered effective; or

(c) during the period starting with the date sixty (60) days prior to the Company's good faith estimate of the date of the filing of and ending on a date one hundred eighty (180) days following the effective date of a Company-initiated registration subject to Section 2.2 below, provided that the Company is actively employing in good faith all commercially reasonable efforts to cause such registration statement to become effective; or

(d) if the Company shall furnish to Holders requesting a registration statement pursuant to this Section 2.1 a certificate signed by the Company's Chief Executive Officer or Chairman of the Board of Directors stating that in the good faith judgment of the Board of Directors of the Company, it would be seriously detrimental to the Company and its stockholders for such registration statement to be effected at such time, in which event the Company shall have the right to defer such filing for a period of not more than ninety (90) days after receipt of the request of the Initiating Holders, provided, that such right shall be exercised by the Company not more than once in any twelve (12) month period and provided further that the Company shall not register any securities for the account of itself or any other stockholder during such ninety (90) day period (other than a registration relating solely to the sale of securities of participants in a Company stock plan, a registration relating to a corporate reorganization or transaction under Rule 145 of the Act, a registration on any form that does not include substantially the same information as would be required to be included in a registration statement covering the sale of the Registrable Securities, or a registration in which the only Common Stock being registered is Common Stock issuable upon conversion of debt securities that are also being registered).

2.2 Company Registration . If, but without any obligation to do so, the Company proposes to register, including, without limitation, in connection with the Initial Public Offering, any shares of Common Stock or other securities issued by it on behalf of itself or any other shareholders of the Company ("Other Securities") for public sale under the Securities Act (whether proposed to be offered for sale by the Company or by any other Person) on a form which would permit registration of Registrable Securities for sale to the public under the Securities Act, it will give prompt written notice to the Investor of its intention to do so, which notice the Investor shall keep confidential, and upon the written request of any Investor delivered to the Company within twenty (20) Business Days after the giving of any such notice (which request shall specify the number of Registrable Securities intended to be disposed of by such Investor) the Company will use its commercially reasonable efforts to effect the registration of all Registrable Securities which the Company has been so requested to register by any such Investor; provided , that:

(a) if, at any time after giving such written notice of its intention to register any Other Securities and prior to the effective date of the Registration Statement filed in connection with such registration, the Company shall determine for any reason not to register the Other Securities, the Company may, at its election, give written notice of such determination to the Investor who have submitted a written request pursuant to this Section 2.1 and thereupon the Company shall be relieved of its obligation to register such Registrable Securities in connection with the registration of such Other Securities (but not from its obligation to pay Registration Expenses other than Selling Expenses to the extent incurred in connection therewith as provided in Section 2.2);

(b) the Company will not be required to effect any registration of Registrable Securities requested to be registered pursuant to this Section 2.1 if the Company shall have been advised by the lead underwriter in connection with the public offering of the Other Securities that the registration of such Registrable Securities at that time would jeopardize the success of the offering of the Other Securities; provided however , that if an offering of some but not all of the shares requested to be registered pursuant to this Section 2.1 would not jeopardize the success of the offering of the Other Securities by the Company, the aggregate number of shares requested to be included in such offering by the Investor submitting a request pursuant to this Section 2.1 shall be reduced accordingly with such shares being allocated among such Investor and any Permitted Transferee(s) (as hereinafter defined) in proportion (as nearly as practicable and rounded to the nearest 100 shares) to the number of Registrable Securities owned by such Investor and Permitted Transferee(s); further provided , however , that, notwithstanding the foregoing, in no event shall the number of Registrable Securities to be included in such offering on behalf of the Investor submitting a request pursuant to this Section 2.1 be reduced to less than 30% of the shares of Common Stock requested to be registered purchased by such Investor; and

(c) the Company shall not be required to effect any registration of Registrable Securities under this Section 2 incidental to the registration of any of its securities (i) on Form S-8 or any successor form to such Form or in connection with any employee or director welfare, benefit or compensation plan, (ii) on Form S-4 or any successor form to such Form or in connection with an exchange offer, (iii) in connection with a rights offering exclusively to existing holders of Common Stock, (iv) in connection with an offering solely to employees of the Company or its subsidiaries, or (v) relating to a transaction pursuant to Rule 145 of the Securities Act.

2.3 Registration Expenses . The Company shall pay all (and will promptly reimburse to any Investor submitting a request pursuant to Section 2.1 to the extent it has borne any) Registration Expenses with respect to any registration of Registrable Securities pursuant to this Section 3, regardless of whether the Registration Statement filed in connection with such registration becomes effective. Investor shall be solely liable for the payment of any Selling Expenses applicable to the sale of Registrable Securities by such Investor.

SECTION 3
REGISTRATION PROCEDURES

3.1 Registration and Qualification . If and whenever the Company is required to use its commercially reasonable efforts to effect the registration of any Registrable Securities under the Securities Act as provided in Section 2, the Company will, as promptly as is practicable, as applicable:

(a) prepare, file and use its commercially reasonable efforts to cause to become effective a Registration Statement under the Securities Act regarding the Registrable Securities to be offered;

(b) prepare and file with the Commission such amendments and supplements to such Registration Statement and Prospectus used in connection therewith as may be necessary to keep such Registration Statement effective and to comply with the provisions of the Securities Act with respect to the disposition of all Registrable Securities until such time as all of such Registrable Securities have been disposed of in accordance with the intended methods of disposition by the Investor set forth in such Registration Statement;

(c) furnish to applicable Investor and to any underwriter of such Registrable Securities such number of conformed copies of such Registration Statement and of each such amendment and supplement thereto (in each case including, without limitation, all exhibits), such number of copies of the Prospectus included in such Registration Statement (including, without limitation, each preliminary prospectus and any summary prospectus), such documents incorporated by reference in such Registration

Statement or Prospectus, and such other documents as such Investor or such underwriter may reasonably request in order to facilitate its disposition of the Registrable Securities;

(d) use its commercially reasonable efforts to register or qualify all Registrable Securities covered by such Registration Statement under such other securities or "blue sky" laws of such jurisdictions as the applicable Investor or any underwriter of such Registrable Securities shall reasonably request, and do any and all other acts and things which may be reasonably requested by such Investor or any underwriter to consummate the disposition in such jurisdictions of the Registrable Securities covered by such Registration Statement, except the Company shall not for any such purpose be required to qualify generally to do business as a foreign corporation in any jurisdiction wherein it is not so qualified, or to subject itself to taxation in any jurisdiction where it is not then subject to taxation, or to consent to general service of process in any jurisdiction where it is not then subject to service of process;

(e) use its commercially reasonable efforts to cause the Registrable Securities covered by such Registration Statement to be listed on each national securities exchange on which the Common Stock is then listed, if the listing of such securities is then permitted under the rules of such exchange, or, in the case of an Initial Public Offering, the New York Stock Exchange, the Nasdaq Stock Market or an equivalent exchange, and, without limiting the generality of the foregoing, use its commercially reasonable efforts to engage necessary specialists or market makers, as applicable;

(f) in connection with any underwritten offering, use its commercially reasonable efforts to (i) cause to be furnished to the underwriters an opinion of counsel for the Company dated the date of the closing under the underwriting agreement, (ii) cause to be furnished to the underwriters a "comfort letter" signed by the independent public accountants who have certified the Company's financial statements included in such Registration Statement; and (iii) indemnify the Investor and their Affiliates in relation to substantially the same matters and on substantially the same terms and conditions as is customary for underwriters in underwritten public offerings of securities to be indemnified for and such other matters as the applicable Investor may reasonably request;

(g) promptly notify the applicable Investor, at any time when a Prospectus relating to a registration pursuant to Section 2 hereof is required to be delivered under the Securities Act, of the happening of any event as a result of which the Prospectus included in such Registration Statement, as then in effect, includes an untrue statement of a material fact or omits to state any material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, and at the request of such Investor prepare and furnish to the them as many copies of a supplement to or an amendment of such Prospectus as they reasonably request so that, as thereafter delivered to the purchasers of such Registrable Securities, such Prospectus shall not include an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; and

(h) promptly notify the applicable Investor of the issuance by the Commission or any state securities authority of any stop order suspending the effectiveness of a Registration Statement filed pursuant to Section 2 hereof or the initiation of any proceedings for that purpose and take every commercially reasonable effort to obtain the withdrawal of any such stop order.

(i) It shall be a condition precedent to the obligations of the Company to take any action pursuant to Sections 2 and 3 of this Agreement that the Investor shall furnish to the Company such information regarding the Investor, the Registrable Securities and the proposed method of distribution of the Registrable Securities as the Company may from time to time reasonably request in writing or as shall be required by law or by the Commission in connection with any registration, and the Investor shall promptly notify the Company of the distribution of such securities.

3.2 Underwriting .

(a) If requested by the underwriters for any underwritten offering of Registrable Securities pursuant to a registration requested hereunder, the Company will enter into and perform its obligations under an underwriting agreement with such underwriters for such offering, such agreement to contain such representations and warranties by the Company and such other terms and provisions as are customarily contained in underwriting agreements with respect to secondary distributions, including, without limitation, indemnities and contribution to the effect and to the extent provided in Section 6 hereof. The applicable Investor shall, if requested by such underwriters, be party to any such underwriting agreement and shall make representations and warranties and covenants customary for selling shareholders therein. Notwithstanding the foregoing, Investor may elect, in writing prior to the effective date of the Registration Statement filed in connection with such registration, not to register such Registrable Securities in connection with such registration.

(b) In the event that any registration pursuant to Section 2 hereof shall involve, in whole or in part, an underwritten offering, the Company may require Registrable Securities requested to be registered pursuant to Section 2 to be included in such underwriting on the same terms and conditions as shall be applicable to the Other Securities being sold through underwriters under such registration. In such case, the holders of Registrable Securities on whose behalf Registrable Securities are to be distributed by such underwriters shall be parties to any such underwriting agreement. Such agreement shall contain such representations and warranties and such other terms and provisions as are customarily contained in underwriting agreements with respect to secondary distributions, including, without limitation, indemnities and contribution to the effect and to the extent provided in Section 6.

3.3 Qualification for Rule 144 Sales . Following the Initial Public Offering, the Company shall use its commercially reasonable efforts to take such measures and file such information, documents and reports as shall be required by the Commission as a condition to the availability of Rule 144 under the Securities Act so as to enable the Investor to sell Registrable Securities without registration under the Securities Act and, upon the written request of any Investor, the Company will promptly deliver to such Investor a written statement as to whether it has complied with such filing requirements. In connection with any sale, transfer or other disposition by any Investor of any Registrable Securities pursuant to Rule 144 under the Securities Act, upon delivery to the Company of an opinion of legal counsel that (to the Company's reasonable satisfaction) is knowledgeable in securities laws matters to the effect that such disposition of Registrable Securities may be effected without registration under the Securities Act, the Company shall reasonably cooperate with such Investor to facilitate the timely preparation and delivery of certificates representing Registrable Securities to be sold and not bearing any Securities Act legend, and enable certificates for such Registrable Securities to be for such number of shares and registered in such names as such Investor may reasonably request at least five (5) Business Days prior to any sale of Registrable Securities hereunder.

3.4 "Market Stand Off" Agreement . Investor hereby agrees that it will not, without the prior written consent of the applicable managing underwriter, during the period commencing on the date of the final prospectus relating to the Initial Public Offering or other registration by the Company of shares of Common Stock or any other equity securities under the Securities Act, and ending on the date specified by the Company and the managing underwriter (such period not to exceed one hundred and eighty (180) days, provided that if during the last seventeen (17) days of such period the Company issues an earnings or other public release or, prior to the expiration of such period, the Company proposes to release an earnings or other public release of material information within fifteen (15) days of the last day of such period, then in each such case such period may be extended upon the request of the managing underwriter for an additional period of up to eighteen (18) days from the date of the issuance of such earnings or other public release) (i) lend, offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right, or warrant to purchase, or otherwise transfer or dispose of, directly or indirectly, any shares of Common Stock originally purchased by the Investor pursuant to a Subscription Agreement (the " Original Securities ") or (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of

ownership of the Original Securities, whether any such transaction described in clause (i) or (ii) above is to be settled by delivery of the Original Securities or other securities, in cash, or otherwise. The foregoing provisions of this Section 3.4 shall not apply to the sale of any shares to an underwriter pursuant to an underwriting agreement, and shall be applicable to the Investor only if all executive officers and directors of the Company are subject to at least the same restrictions. The underwriters in connection with such registration are intended third-party beneficiaries of this Section 3.4 and shall have the right, power, and authority to enforce the provisions hereof as though they were a party hereto. Investor further agrees to execute such agreements as may be reasonably requested by the underwriters in connection with such registration that are consistent with this Section 3.4 or that are necessary to give further effect thereto. For the avoidance of doubt, in no event shall the Investor or any Affiliate of the Investor be restricted from selling or otherwise disposing of any securities of the Company other than the Original Securities by the terms hereof.

3.5 Preparation; Reasonable Investigation . In connection with the preparation and filing of each Registration Statement registering the Investor Registrable Securities under the Securities Act, the Company will give such Investor and the underwriters, if any, and their respective counsel and accountants, drafts of such Registration Statement for their review and comment prior to filing and such access to its books and records and such opportunities to discuss the business of the Company with its officers and the independent public accountants who have certified its financial statements as shall be necessary, in the opinion of such Investor and underwriters or their respective counsel, to conduct a reasonable investigation within the meaning of the Securities Act.

SECTION 4
INFORMATION RIGHTS

4.1 Delivery of Financial Statements . The Company shall deliver to the Investor:

(a) as soon as practicable, but in any event within ninety days (90) after the end of each fiscal year of the Company, a balance sheet as of the last day of such year and an income statement and a statement of stockholders' equity and cash flows for such year, prepared in accordance with GAAP consistently applied, and audited and certified by independent public accountants selected by the Company;

(b) as soon as practicable, but in any event within forty five (45) days after the end of each of the first three (3) quarters of each fiscal year of the Company, an unaudited income statement and an unaudited balance sheet as of the end of such fiscal quarter, in such form as the Company normally produces for internal use, and prepared in accordance with GAAP consistently applied (except that such financial statements may (i) be subject to year-end audit adjustments that are not, individually or in the aggregate, material and (ii) not contain notes thereto that may be required in accordance with GAAP);

(c) with respect to the financial statements called for in subsections (a) and (b) of this Section 4.1, an instrument signed by the Company certifying that such financial statements were prepared in accordance with GAAP consistently applied with the Company's prior practice for earlier periods (in the case of Section 4.1(b), with the exception of footnotes that may be required by GAAP) and fairly present in all material respects the financial condition of the Company and its results of operation for the periods specified therein, subject to year-end audit adjustment that are not, individually or in the aggregate, material (in the case of Section 4.1(b) only); and

(d) such other information relating to the financial condition, business, prospects or corporate affairs of the Company as the Company provides to all other stockholders and such further information as Investor may reasonably request from time to time.

4.2 Inspection. The Company shall permit Investor to visit and inspect the Company's properties, to examine its books of account and records and to discuss the Company's affairs, finances

and accounts with its officers, all at such reasonable times as may be requested by the Investor; provided, however, that the Company shall not be obligated pursuant to this Section 4.2 to provide access to any information the disclosure of which would adversely affect the attorney-client privilege between the Company and its legal counsel.

4.3 Confidentiality . Investor hereby agrees that it will keep confidential and will not disclose, divulge, or use for any purpose (other than to monitor its investment in the Company) any confidential information obtained from the Company to the extent such information specifically relates to the Company pursuant to the terms of this Agreement (including notice of the Company's intention to file a registration statement), unless (a) such information is already in its possession prior to its being furnished to the Investor by or on behalf of the Company; (b) such information has become generally available to the public other than as a result of a disclosure by the Investor or its Affiliates by any means; or (c) such information has become available to the Investor on a non-confidential basis from a source other than the Company or on behalf of the Company, provided , however , that the Investor is not aware that such source is not bound by a confidentiality agreement with, or other contractual, legal, or fiduciary obligation of secrecy or confidentiality to, the Company; provided , however , that Investor may disclose confidential information (i) to its Affiliates and its Affiliates' respective directors, officers, general partners, members, employees, contractors, agents, advisors (including financial advisors and legal counsel) that need to know such information to the extent necessary to monitor such Investor's investment in the Company provided that such persons are subject to customary confidentiality agreements with the Investor with respect thereto; or (ii) as may otherwise be required by law or legal process; provided further that such Investor promptly notifies the Company of any such disclosure required by law or legal process and takes commercially reasonable steps to minimize the extent of any such required disclosure; and provided further that Investor may disclose to its limited partners high-level summaries of Financial Statements received pursuant to Section 4.1 hereof to the extent required by the applicable partnership agreement and provided that the limited partners are subject to customary confidentiality agreements with the Investor with respect thereto.

4.4 Termination of Information Covenants . The covenants set forth in Section 4.1 and Section 4.2 shall terminate and be of no further force or effect upon the consummation of the Initial Public Offering or when the Company first becomes subject to the periodic reporting requirements of Section 13(a) or 15(d) of the Exchange Act, whichever event occurs first.

4.5 Provision of Information by Investor . Investor hereby agrees to promptly provide to the Company such information and materials as the Company may reasonably request in connection with any notices or applications of the Company or any of its subsidiaries to or with applicable banking or other regulators in order to respond to any informational requests or requirements of such regulators or applicable law.

SECTION 5
TRANSFER AND OTHER RESTRICTIONS

5.1 Restrictions on Transfer .

(a) Investor agrees not to make any disposition of all or any portion of the Common Stock other than:

(i) to an Affiliate that agrees in writing to be bound by the provisions of the Subscription Agreement and this Agreement;

(ii) to a transferee that agrees in writing to be bound by the provisions of the Subscription Agreement and this Agreement;

(iii) to a transferee in a widely distributed public offering pursuant to an effective registration statement under the Securities Act or Offering, in a transaction not requiring registration under the Securities Act;

(iv) by (A) a partnership to its partners or retired partners in accordance with their partnership interest, (B) a corporation to its stockholders in accordance with their interest in the corporation, (C) a limited liability company to its members or former members in accordance with their interest in the limited liability company, (D) an investment or venture capital fund to an affiliated investment or venture capital fund or (E) to the Investor's family member or trust for the benefit of an individual Investor, provided in each case that the transfer complies with applicable securities laws.

(b) At any time prior to the Initial Public Offering or the Company otherwise becoming subject to the periodic reporting obligations of Section 13(a) or Section 15(d) of the Exchange Act, the Company may refuse to register any proposed transfer of shares of Common Stock if, as a result of such transfer, the Company's Common Stock would be held of record (within the meaning of Rule 12g5-1 under the Exchange Act or any successor thereto) by more than 450 holders.

5.2 Legends . Each certificate representing shares of Common Stock shall (unless otherwise permitted by the provisions of this Agreement) be stamped or otherwise imprinted with a legend substantially similar to the following (in addition to any legend required under applicable state securities laws):

THE SECURITIES REPRESENTED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 (THE "ACT") AND MAY NOT BE OFFERED, SOLD OR OTHERWISE TRANSFERRED, PLEDGED OR HYPOTHECATED UNLESS AND UNTIL REGISTERED UNDER THE ACT OR, IN THE OPINION OF COUNSEL, REASONABLY SATISFACTORY TO THE ISSUER OF THESE SECURITIES, SUCH OFFER, SALE OR TRANSFER, PLEDGE OR HYPOTHECATION OTHERWISE COMPLIES WITH THE ACT.

THE SHARES REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO RESTRICTIONS PURSUANT TO AN INVESTOR RIGHTS AGREEMENT BETWEEN THE COMPANY AND THE ORIGINAL HOLDER OF THESE SHARES, A COPY OF WHICH MAY BE OBTAINED AT THE PRINCIPAL OFFICE OF THE COMPANY. SUCH TRANSFER RESTRICTIONS ARE BINDING UPON THE TRANSFEREE OF THESE SHARES.

5.3 Unlegended Certificates . The Company shall be obligated to reissue certificates not bearing the first paragraph of the legend set forth above at the request of any holder thereof if the holder shall have obtained (i) an opinion of counsel (in form and substance and from counsel reasonably satisfactory to the Company) at Investor's expense to the effect that the securities proposed to be disposed of may lawfully be so disposed of without registration, qualification or legend, and (ii) delivered such securities to the Company or its transfer agent.

5.4 Prohibited Transfers . The Company may refuse to register any proposed disposition of Common Stock that is not in accordance with the foregoing transfer restrictions, and any purported transfer in violation of these restrictions shall be null and void. In determining whether to register an attempted transfer, the Company may reasonably require such supporting documents and instruments, including agreements, certificates, representations and warranties and opinions of counsel, as it may request in its absolute discretion to establish compliance with this Section 5.

5.5 Ownership Limitation . Investor agrees that it will not, without any required regulatory approval, acquire additional securities of the Company such that, upon consummation of such additional securities, and conversion, exercise or exchange of any securities hereafter acquired by subscriber for

voting securities of the Company, would result in the Investor and its Affiliates having beneficial ownership greater than 24.9% of any class of the Company's voting securities then outstanding.

SECTION 6
INDEMNIFICATION AND CONTRIBUTION

6.1 Indemnification and Contribution . Upon the registration of the Registrable Securities pursuant to Section 2 hereof:

(a) Indemnification by the Company . The Company shall indemnify and hold harmless Investor and each of its officers and directors and each Person who controls Investor within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act (each such person being sometimes referred to as an "Indemnified Person") against any losses, claims, damages or liabilities, joint or several, to which such Indemnified Person may become subject under the Securities Act or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon an untrue statement or alleged untrue statement of a material fact contained in any Registration Statement under which such Registrable Securities are to be registered under the Securities Act, or any Prospectus contained therein or furnished by the Company to any Indemnified Person, or any amendment or supplement thereto, or arise out of or are based upon the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, and the Company hereby agrees to reimburse such Indemnified Person for any legal or other expenses reasonably incurred by them in connection with investigating or defending any such action or claim as such expenses are incurred; provided however , that the Company shall not be liable to any such Indemnified Person in any such case to the extent that any such loss, claim, damage or liability arises out of or is based upon an untrue statement or alleged untrue statement or omission or alleged omission made in such Registration Statement or Prospectus, or amendment or supplement, in reliance upon and in conformity with written information furnished to the Company by such Indemnified Person expressly for use therein.

(b) Indemnification by the Investor . Investor agrees, upon exercise of its registration rights pursuant to Section 2, to (i) indemnify and hold harmless the Company, its directors, officers who sign any Registration Statement and each Person, if any, who controls the Company within the meaning of either Section 15 of the Securities Act or Section 20 of the Exchange Act, against any losses, claims, damages or liabilities to which the Company or such other persons may become subject, under the Securities Act or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon an untrue statement or alleged untrue statement of a material fact contained in such Registration Statement or Prospectus, or any amendment or supplement, or arise out of or are based upon the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, in each case to the extent, but only to the extent, that such untrue statement or alleged untrue statement or omission or alleged omission was made in reliance upon and in conformity with written information furnished to the Company by Investor expressly for use therein, and (ii) reimburse the Company for any legal or other expenses reasonably incurred by the Company in connection with investigating or defending any such action or claim as such expenses are incurred.

(c) Notices of Claims, Etc . Promptly after receipt by an indemnified party under subsection (a) or (b) above of notice of the commencement of any action, such indemnified party shall, if a claim in respect thereof is to be made against an indemnifying party under this Section 6, promptly notify such indemnifying party in writing of the commencement thereof; but the omission so to notify the indemnifying party shall not relieve it from any liability which it may have to any indemnified party under this Section 6, except to the extent that the indemnifying party is materially prejudiced by the indemnified party's failure to give such notice. In case any such action shall be brought against any indemnified party and it shall notify an indemnifying party of the commencement thereof, such indemnifying party shall be entitled to participate therein and, to the extent that it shall wish, jointly with

any other indemnifying party similarly notified, to assume the defense thereof, with counsel reasonably satisfactory to such indemnified party (who shall not, except with the consent of the indemnified party, be counsel to the indemnifying party), and, after notice from the indemnifying party to such indemnified party of its election so to assume the defense thereof, such indemnifying party shall not be liable to such indemnified party under this Section 6 for any legal expenses of other counsel or any other expenses, in each case subsequently incurred by such indemnified party, in connection with the defense thereof other than reasonable costs of investigation; provided, however, that the indemnified party, together with all the other indemnified parties that may be represented without conflict by one legal counsel, shall have the right to retain one separate legal counsel, whose fees and expenses shall be paid by the indemnifying party, if representation of such indemnified party by the legal counsel retained by the indemnifying party would be inappropriate due to actual or potential differing interests between such indemnified party or any other party represented by such counsel in such proceeding. No indemnifying party shall, without the written consent of the indemnified party, effect the settlement or compromise of, or consent to the entry of any judgment with respect to, any pending or threatened action or claim in respect of which indemnification or contribution may be sought hereunder (whether or not the indemnified party is an actual or potential party to such action or claim) unless such settlement, compromise or judgment (i) includes an unconditional release of the indemnified party from all liability arising out of such action or claim and (ii) does not include a statement as to, or an admission of, fault, culpability or a failure to act, by or on behalf of any indemnified party. No indemnified party may effect the settlement or compromise of, or consent to the entry of any judgment with respect to, any pending or threatened action or claim in respect of which indemnification or contribution may be sought hereunder (whether or not the indemnifying party is an actual or potential party to such action or claim) without the prior written consent of the indemnifying party.

(d) Contribution . If the indemnification provided for in this Section 6 is unavailable to or insufficient to hold harmless an indemnified party under subsection (a) or (b) above in respect of any losses, claims, damages or liabilities (or actions in respect thereof) referred to therein, then each indemnifying party shall contribute to the amount paid or payable by such indemnified party as a result of such losses, claims, damages or liabilities (or actions in respect thereof) in such proportion as is appropriate to reflect the relative fault of the indemnifying party and the indemnified party in connection with the statements or omissions which resulted in such losses, claims, damages or liabilities (or actions in respect thereof), as well as any other relevant equitable considerations. The relative fault of such indemnifying party and indemnified party shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or omission or alleged omission to state a material fact relates to information supplied by such indemnifying party or by such indemnified party, and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission. The amount paid or payable by an indemnified party as a result of the losses, claims, damages or liabilities (or actions in respect thereof) referred to above shall be deemed to include any legal or other fees or expenses reasonably incurred by such indemnified party in connection with investigating or defending any such action or claim to the extent such fees or expenses were incurred prior to an indemnifying party's election to assume the defense of such action or claim. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation.

(e) Notwithstanding any other provision of this Section 6, in no event will Investor be required to undertake liability to any Person or Persons under this Section 6 for any amounts in the aggregate in excess of the dollar amount of the proceeds to be received by Investor from the sale of Investors Registrable Securities (after deducting any fees, discounts and commissions applicable thereto) pursuant to any Registration Statement under which such Registrable Securities are to be registered under the Securities Act.

(f) The obligations of the Company under this Section 6 shall be in addition to any liability that the Company may otherwise have to any Indemnified Person and the obligations of the

Company and the Investor under this Section 6 shall be in addition to any liability that such Persons may otherwise have to the Company. The remedies provided in this Section 6 are not exclusive and shall not limit any rights or remedies that may otherwise be available to a party at law or in equity.

SECTION 7
PREEMPTIVE RIGHTS

7.1 Right to Purchase New Securities . The Company hereby grants to Investor the right to purchase any or all of Investor's Preemptive Share Percentage (as defined below) of all New Securities (as defined below) that the Company may, from time to time, propose to issue and sell at the cash price and on the terms on which the Company proposes to sell such New Securities. Investor's "Preemptive Share Percentage" shall be equal to a fraction (A) the numerator of which is the number of shares of Common Stock held by Investor on the date of the Company's written notice pursuant to Section 7.3 and (B) the denominator of which is the aggregate number of shares of Common Stock outstanding on such date.

7.2 New Securities . " New Securities " shall mean any shares of Common Stock and rights, options or warrants to purchase Common Stock that are sold by the Company for cash; provided, however, that the term New Securities shall not include (i) securities issued as part of compensatory arrangements to employees, consultants or directors of the Company or any of its subsidiaries whether or not pursuant to any management equity plan or stock option plan or any other management or employee benefit plan or other equity compensation agreement; (ii) securities issued pro rata to existing security holders pursuant to any stock dividend, stock split, combination or other reclassification by the Company of any of its capital stock; (iii) securities issued in connection with transactions that are primarily debt financing transactions to which the Company and an unaffiliated third party may be a party and which are approved by the Board, including securities issued pursuant to the exercise of warrants, rights, options or other securities issued in connection therewith; (iv) securities issued as part of the sale of the Company, or in connection with the acquisition of another Person or any assets thereof by merger, purchase or otherwise; (v) securities issued pursuant to the fulfillment of commitments made in the Purchase Agreement; or (vi) securities issued upon the conversion, exchange or exercise of any securities that may be issued by the Company that provide for the conversion or exchange into or exercise for any other securities, where the Investor were granted preemptive rights pursuant to this Section 7 in connection with the initial issuance of such convertible, exchangeable or exercisable security.

7.3 Required Notices . In the event the Company proposes to undertake an issuance of New Securities, it shall give Investor written notice of its intention, describing the type of New Securities, the cash price, the number and type of New Securities and the general terms upon which the Company proposes to issue the same. Investor shall have twenty (20) days from the date of receipt of any such notice to agree to purchase any or all of Investor's Preemptive Share Percentage of such New Securities, as may be applicable, for the Issue Price in the case of (a), and in the case of (b) at the price and upon the general terms specified in the Company's notice, by the Investor giving written notice to the Company and stating therein the quantity of New Securities to be purchased.

7.4 Company's Right to Sell . In the event any Investor fails to exercise its right within such twenty (20) day period to acquire its full Preemptive Share Percentage of the New Securities offered, the Company shall have sixty (60) days to sell or enter into an agreement to sell (pursuant to which the sale of New Securities covered thereby shall be closed, if at all, within one hundred twenty (120) days from the date of such agreement) all such New Securities for which the Investor preemptive rights were not exercised, at a price and upon terms not more favorable in any material respect to the purchasers thereof than specified in the Company's notice delivered pursuant to Section 7.3. In the event the Company has not sold within such sixty (60) day period or entered into any agreement to sell all such New Securities within such sixty (60) day period (or sold and issued all such New Securities in accordance with the foregoing within one hundred twenty (120) days from the date of such agreement), the Company shall not

thereafter issue or sell any New Securities without first offering such securities to the Investor in the manner provided in this Section 7.

7.5 Certain Preemptive Rights Limitations. Except with any required regulatory approvals, no Investor shall be permitted to purchase New Securities pursuant to this Section 7 to the extent such purchase would result in Investor and any Affiliate of Investor (considered as if they were a single entity) having more than 24.9% of any class of voting securities of the Company, determined in accordance with the rules and regulations of the Board of Governors of the Federal Reserve System (including the definition of "affiliate" set forth therein); provided, however, that the Company shall be obligated to make available for purchase by Investor sufficient Class B shares as to enable Investor to exercise its preemptive rights through the purchase of Class B shares, or shall otherwise make appropriate arrangements to enable Investor to exercise its preemptive rights hereunder.

SECTION 8
VOTING AND CONVERSION RIGHTS

8.1 Voting Rights. Except as otherwise required by law, Class A Shares shall be entitled to one vote per outstanding share, and Class B Shares shall be entitled to no voting rights, either on a per share or class basis.

8.2 Conversion Rights. Class B Shares will not be convertible into Class A Shares in the hands of the Investor and will only become convertible into Class A Shares when transferred in a permitted transfer (as defined below) to a third party unaffiliated with the Investor, subject to the transfer restrictions described herein. The Investor may sell or transfer such shares to an Affiliate; however the Class B Shares would remain non-voting in the hands of such Affiliate. Class B Shares would be automatically convertible into Class A Shares upon a permitted transfer defined in the Company's Articles of Incorporation, such a transfer being a sale or transfer: (i) to the Company; (ii) in a widely dispersed public offering; (iii) in which no transferee (or group of associated transferees) would receive 2% or more of a class of the Company's voting securities; or (iv) to a person that, prior to the completion of the transfer, owns, controls or holds the power to vote 50% or more of the Class A Shares. Any conversions of the Class B Shares shall be effected in accordance with procedures provided in the Company's Articles of Incorporation. In the event of any conflict between the provisions of this Section 8.2 and those of the Company's Articles of Incorporation, the provisions of the Company's Articles of Incorporation shall be controlling.

SECTION 9
MISCELLANEOUS

9.1 Termination of the Company's Obligations. The Company shall have no obligations pursuant to Section 7 hereof after the consummation of the Company's Initial Public Offering.

9.2 Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of California, without giving effect to the conflict of laws rules thereof.

9.3 Assignment; Successors and Assigns. No party hereto may assign this Agreement or any of its rights, interests or obligations hereunder without the prior written approval of the other; provided, however, that Investor may assign its rights (but only together with the associated obligations) hereunder, in whole or in part, to a Permitted Transferee. Except as otherwise expressly provided herein, the provisions hereof shall inure to the benefit of, and be binding upon, the respective successors, permitted assigns, heirs, executors and administrators of the parties hereto.

9.4 Entire Agreement. This Agreement, together with any previously executed Nondisclosure Agreement between Investor and the Company and the applicable Subscription Agreement between Investor and the Company, constitutes the full and entire understanding and agreement among

the parties with regard to the subjects hereof, and this Agreement shall supersede and cancel all prior agreements between the parties hereto with regard to the subject matter hereof, and in particular, but without limiting the generality of the foregoing, it shall supersede the entire registration rights, preemptive rights, rights of first refusal or any and all similar rights held by the Investor prior to the execution of this Agreement.

9.5 Notices, etc . Except as otherwise expressly provided herein, all notices and other communications required or permitted hereunder shall be in writing (including, without limitation, facsimile or e-mail communication) or confirmed in writing, and such notices and other communications shall, when mailed, communicated by facsimile transmission or e-mailed, be effective when received at the address for notices to the party to whom such notice or communications is to be given as follows:

If to Investor, at

If to the Company, at:

Silvergate Capital Corporation
4275 Executive Square, Suite 800
La Jolla, California 92037
Attention: Dennis S. Frank
Email: dsf@silvergatebank.com
Facsimile: (858) 362-3300

or at such other address as either party shall have furnished to the other in writing.

9.6 Delays or Omissions . No delay or omission to exercise any right, power or remedy accruing to either party hereto upon any breach or default of the other party under this Agreement shall impair any such right, power or remedy of such party nor shall it be construed to be a waiver of any such breach or default, or any acquiescence therein, or of or in any similar breach or default thereafter occurring; nor shall any waiver of any single breach or default be deemed a waiver of any other breach or default theretofore or thereafter occurring. Any waiver, permit, consent or approval of any kind or character on the part of any party hereto of any breach or default under this Agreement or any waiver on the part of any party hereto of any provisions or conditions of this Agreement must be made in writing and shall be effective only to the extent specifically set forth in such writing. All remedies, either under this Agreement or by law or otherwise afforded to any party, shall be cumulative and not alternative.

9.7 Severability . In case any provision of this Agreement shall be invalid, illegal, or unenforceable, the validity, legality and enforceability of the remaining provisions of this Agreement shall not in any way be affected or impaired thereby. The parties hereto agree to replace any such provision with a valid provision that reflects as closely as possible the intent and spirit of the invalid provision.

9.8 Specific Performance . The parties hereto acknowledge that the obligations undertaken by them hereunder are unique and that there would be no adequate remedy at law if any party fails to perform any of its obligations hereunder, and accordingly agree that each party, in addition to any other remedy to which it may be entitled at law or in equity, shall be entitled to seek specific performance of

the obligations, covenants and agreements of any other party under this Agreement in accordance with the terms and conditions of this Agreement without being required to post any bond or other security.

9.9 Titles and Subtitles . The titles of the Sections, subsections and paragraphs of this Agreement are for convenience of reference only and are not to be considered in construing this Agreement.

9.10 Counterparts . This Agreement may be executed in any number of counterparts, each of which shall be an original, but all of which together shall constitute one instrument.

[Signature Page Follows]

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first set forth above.

SILVERGATE CAPITAL CORPORATION

By _____
Dennis S. Frank
Chairman and Chief Executive Officer

INVESTOR

By _____

Exhibit 4.5

SILVERGATE CAPITAL CORPORATION
INVESTOR RIGHTS AGREEMENT
AUGUST 20, 2014

INVESTOR RIGHTS AGREEMENT
FOR
SILVERGATE CAPITAL CORPORATION

INVESTOR RIGHTS AGREEMENT dated as of August 20, 2014 between Silvergate Capital Corporation, a Maryland corporation (the "Company"), and _____(the "Investor").

WHEREAS, the Investor and the Company have entered into a Stock Purchase and Sale Agreement of even date herewith (the "Purchase Agreement");

WHEREAS, as a result of the transactions contemplated in the Purchase Agreement, the Investor will be the record or beneficial holders of the Registrable Securities (as defined below); and

WHEREAS, in order to induce the Investor to enter into the Purchase Agreement, the Company has agreed to grant to the Investor the rights set forth below.

NOW, THEREFORE, in consideration of the premises and mutual covenants contained herein, the parties hereto agree as follows:

SECTION 1
DEFINITIONS

As used in this Agreement, the following defined terms shall have the following meanings:

" 2011 Investors " means the Persons that purchased Company Common Stock in 2011 and entered into Investors' Rights Agreements with the Company in substantially the same form as this Agreement.

" Affiliate " has the meaning ascribed to such term in Rule 12b-2 under the Exchange Act, as in effect on the date hereof, but shall be deemed not to include the Company and its subsidiaries.

" Agreement " means this Investor Rights Agreement, as amended, supplemented or otherwise modified from time to time.

" Business Day " means a day other than a Saturday, Sunday or other day on which commercial banks are authorized or required to close under the laws of the States of New York or California or the United States of America.

" Commission " means the United States Securities and Exchange Commission.

" Common Stock " means the Company's common stock, $0.01 par value per share, and includes its Class A Common Stock ("Class A Shares") and Class B Non-Voting Common Stock ("Class B Shares").

" Company " has the meaning set forth in the preamble hereto, and also includes (a) the Company's successors and permitted assigns, and (b) with respect to Section 4 the Company's wholly-owned subsidiary, Silvergate Bank, and any subsidiaries thereof.

" Exchange Act " means the Securities Exchange Act of 1934, as amended.

" GAAP " means United States generally accepted accounting principles.

" Initial Public Offering " means a firm commitment underwritten public offering pursuant to an effective registration statement under the Securities Act, covering the offer and sale to the public of Common Stock for the account of the Company or shareholders of the Company after which there is an active trading market in such shares of Common Stock (it being understood that an active trading market shall be deemed to exist if the shares of Common Stock are listed on a national securities exchange).

" Investor " has the meaning set forth in the preamble hereto and also includes the Investor's successors and permitted assigns.

" New Securities " has the meaning set forth in Section 7.2.

" Person " means any individual, firm, partnership, corporation (including, without limitation, a business trust), limited liability company, joint stock company, trust, unincorporated association, joint venture or other entity, and shall include any successor (by merger or otherwise) of any such entity.

" Preemptive Share Percentage " has the meaning set forth in Section 7.1.

" Prospectus " means the prospectus included in the Registration Statement, including, without limitation, any preliminary prospectus, and any such prospectus as supplemented by any prospectus supplement with respect to the terms of the offering of any of the Registrable Securities, and by all other amendments and supplements to such prospectus, and in each case including, without limitation, all documents incorporated by reference therein or otherwise constituting a prospectus with respect to the Registrable Securities to which the Registration Statement relates.

" register ," " registered ," and " registration " refer to a registration of Registrable Securities effected by preparing and filing a Registration Statement under the Securities Act, and the declaration or ordering of the effectiveness of such Registration Statement.

" Registrable Securities " means any and all of the shares of Common Stock issued and sold to (a) the Investor pursuant to the Purchase Agreement, and (b) the 2011 Investors, plus any securities issuable or issued or distributed in respect of any of such shares of Common Stock by way of stock dividend or stock split or in connection with a combination of shares, recapitalization, reorganization, merger, consolidation or otherwise; provided however , that securities cease to be Registrable Securities when they are no longer Restricted Securities.

" Registration Expenses " means any and all out-of-pocket expenses incident to performance of or compliance with this Agreement, including, without limitation, (i) all Commission, Financial Industry Regulatory Authority and securities exchange registration and filing fees, (ii) all fees and expenses of complying with state securities or "blue sky" laws (including, without limitation, fees and disbursements of counsel for any underwriters in connection with "blue sky" qualifications of the Registrable Securities), (iii) all processing, printing, copying, messenger and delivery expenses, (iv) all fees and expenses incurred in connection with the listing of the Registrable Securities on any securities exchange, (v) all fees and disbursements of counsel for the Company and of its independent public accountants, and of one law firm for all Investor, and (vi) the fees and expenses

of any special experts retained by the Company in connection with a registration under this Agreement, but excluding Selling Expenses.

" Registration Statement " means a registration statement filed under the Securities Act providing for the registration of, and the sale by the holders of, any Registrable Securities, filed by the Company pursuant to the provisions of Section 2 of this Agreement, including, without limitation, any amendments and supplements to such Registration Statement, including, without limitation, post-effective amendments, and all exhibits and all material incorporated by reference in such Registration Statement.

" Restricted Security " means any security or share of Common Stock, including, without limitation, securities or shares of Common Stock issuable upon conversion thereof, except any such security or share of Common Stock which (i) has been effectively registered under the Securities Act and sold in a manner contemplated by the applicable Registration Statement, (ii) has been transferred in compliance with Rule 144 under the Securities Act (or any successor provision thereto) or (iii) has had its registration rights terminated pursuant to Section 9.1.

" Securities Act " means the Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder.

" Selling Expenses " means all underwriting discounts, selling commissions and transfer taxes, if any, applicable to the sale of Registrable Securities by any Investor, and all fees and disbursements of counsel for such Investor not included in the definition herein of Registration Expenses.

" Purchase Agreement " has the meaning set forth in the recitals hereto.

" Underwriter " means any underwriter of Registrable Securities in connection with an offering thereof under a Registration Statement.

SECTION 2
REGISTRATION RIGHTS

2.1 Requested Registration .

(a) Subject to the conditions set forth in this Section 2.1, if the Company shall receive at any time after six (6) months after the effective date of the Initial Public Offering a written request from holders of Registrable Securities (for purposes of this Section 2.1, " Holders ") collectively holding at least fifty percent (50%) or more of the Registrable Securities then outstanding (for purposes of this Section 2.1, the " Initiating Holders ") that the Company file a registration statement under the Securities Act covering the registration of Registrable Securities with an anticipated aggregate offering price of at least $5,000,000, then the Company shall, within twenty (20) days of the receipt thereof, give written notice of such request to all holders and, subject to the limitations of this Section 2.1, use its reasonable best efforts to effect, as soon as practicable, the registration under the Securities Act of all Registrable Securities that the Holders request to be registered in a written request received by the Company within twenty (20) days of the mailing of the Company's notice pursuant to this Section 2.1(a).

(b) If the Initiating Holders intend to distribute the Registrable Securities covered by their request by means of an underwriting, they shall so advise the Company as a part of their

request made pursuant to this Section 2.1, and the Company shall include such information in the written notice referred to in Section 2.1(a). In such event the right of any Holder to include its Registrable Securities in such registration shall be conditioned upon such Holder's participation in such underwriting and the inclusion of such Holder's Registrable Securities in the underwriting (unless otherwise mutually agreed by a majority in interest of the Initiating Holders and such Holder) to the extent provided herein. All Holders proposing to distribute their securities through such underwriting shall enter into an underwriting agreement in customary form with the underwriter or underwriters selected for such underwriting by those Initiating Holders holding a majority of the Registrable Securities held by all Initiating Holders (which underwriter or underwriters shall be reasonably acceptable to the Company). Notwithstanding any other provision of this Section 2.1, if the underwriter advises the Company that marketing factors require a limitation on the number of securities underwritten (including Registrable Securities), then the Company shall so advise all Holders of Registrable Securities that would otherwise be underwritten pursuant hereto, and the number of shares that may be included in the underwriting shall be allocated to the Holders of such Registrable Securities pro rata based on the number of Registrable Securities held by all such Holders (including the Initiating Holders). In no event shall any Registrable Securities be excluded from such underwriting unless all other securities are first excluded. Any Registrable Securities excluded or withdrawn from such underwriting shall be withdrawn from the registration.

(c) Notwithstanding the foregoing, the Company shall not be required to effect a registration pursuant to this Section 2.1:

(a) in any particular jurisdiction in which the Company would be required to execute a general consent to service of process in effecting such registration, unless the Company is already subject to service in such jurisdiction and except as may be required under the Act; or

(b) if the Company has previously effected registrations pursuant to this Section 2.1, and such registrations have been declared or ordered effective; or

(c) during the period starting with the date sixty (60) days prior to the Company's good faith estimate of the date of the filing of and ending on a date one hundred eighty (180) days following the effective date of a Company-initiated registration subject to Section 1.3 below, provided that the Company is actively employing in good faith all commercially reasonable efforts to cause such registration statement to become effective; or

(d) if the Company shall furnish to Holders requesting a registration statement pursuant to this Section 2.1 a certificate signed by the Company's Chief Executive Officer or Chairman of the Board of Directors stating that in the good faith judgment of the Board of Directors of the Company, it would be seriously detrimental to the Company and its stockholders for such registration statement to be effected at such time, in which event the Company shall have the right to defer such filing for a period of not more than ninety (90) days after receipt of the request of the Initiating Holders, provided, that such right shall be exercised by the Company not more than once in any twelve (12) month period and provided further that the Company shall not register any securities for the account of itself or any other stockholder during such ninety (90) day period (other than a registration relating solely to the sale of securities of participants in a Company stock plan, a registration relating to a corporate reorganization or transaction under Rule 145 of the Act, a registration on any form that does not include substantially the same information as would be required to be included in a registration statement covering the sale of the Registrable Securities, or a

registration in which the only Common Stock being registered is Common Stock issuable upon conversion of debt securities that are also being registered).

2.2 Company Registration . If, but without any obligation to do so, the Company proposes to register, including, without limitation, in connection with the Initial Public Offering, any shares of Common Stock or other securities issued by it on behalf of itself or any other shareholders of the Company ("Other Securities") for public sale under the Securities Act (whether proposed to be offered for sale by the Company or by any other Person) on a form which would permit registration of Registrable Securities for sale to the public under the Securities Act, it will give prompt written notice to the Investor of its intention to do so, which notice the Investor shall keep confidential, and upon the written request of any Investor delivered to the Company within twenty (20) Business Days after the giving of any such notice (which request shall specify the number of Registrable Securities intended to be disposed of by such Investor) the Company will use its commercially reasonable efforts to effect the registration of all Registrable Securities which the Company has been so requested to register by any such Investor; provided , that:

(a) if, at any time after giving such written notice of its intention to register any Other Securities and prior to the effective date of the Registration Statement filed in connection with such registration, the Company shall determine for any reason not to register the Other Securities, the Company may, at its election, give written notice of such determination to the Investor who have submitted a written request pursuant to this Section 2.1 and thereupon the Company shall be relieved of its obligation to register such Registrable Securities in connection with the registration of such Other Securities (but not from its obligation to pay Registration Expenses other than Selling Expenses to the extent incurred in connection therewith as provided in Section 2.2);

(b) the Company will not be required to effect any registration of Registrable Securities requested to be registered pursuant to this Section 2.1 if the Company shall have been advised by the lead underwriter in connection with the public offering of the Other Securities that the registration of such Registrable Securities at that time would jeopardize the success of the offering of the Other Securities; provided however , that if an offering of some but not all of the shares requested to be registered pursuant to this Section 2.1 would not jeopardize the success of the offering of the Other Securities by the Company, the aggregate number of shares requested to be included in such offering by the Investor submitting a request pursuant to this Section 2.1 shall be reduced accordingly with such shares being allocated among such Investor and any Permitted Transferee(s) (as hereinafter defined) in proportion (as nearly as practicable and rounded to the nearest 100 shares) to the number of Registrable Securities owned by such Investor and Permitted Transferee(s); further provided , however , that, notwithstanding the foregoing, in no event shall the number of Registrable Securities to be included in such offering on behalf of the Investor submitting a request pursuant to this Section 2.1 be reduced to less than 30% of the shares of Common Stock requested to be registered purchased by such Investor; and

(c) the Company shall not be required to effect any registration of Registrable Securities under this Section 2 incidental to the registration of any of its securities (i) on Form S-8 or any successor form to such Form or in connection with any employee or director welfare, benefit or compensation plan, (ii) on Form S-4 or any successor form to such Form or in connection with an exchange offer, (iii) in connection with a rights offering exclusively to existing holders of Common Stock, (iv) in connection with an offering solely to employees of the Company or its subsidiaries, or (v) relating to a transaction pursuant to Rule 145 of the Securities Act.

2.3 Registration Expenses . The Company shall pay all (and will promptly reimburse to any Investor submitting a request pursuant to Section 2.1 to the extent it has borne any) Registration Expenses with respect to any registration of Registrable Securities pursuant to this Section 3, regardless of whether the Registration Statement filed in connection with such registration becomes effective. Investor shall be solely liable for the payment of any Selling Expenses applicable to the sale of Registrable Securities by such Investor.

SECTION 3
REGISTRATION PROCEDURES

3.1 Registration and Qualification . If and whenever the Company is required to use its commercially reasonable efforts to effect the registration of any Registrable Securities under the Securities Act as provided in Section 2, the Company will, as promptly as is practicable, as applicable:

(a) prepare, file and use its commercially reasonable efforts to cause to become effective a Registration Statement under the Securities Act regarding the Registrable Securities to be offered;

(b) prepare and file with the Commission such amendments and supplements to such Registration Statement and Prospectus used in connection therewith as may be necessary to keep such Registration Statement effective and to comply with the provisions of the Securities Act with respect to the disposition of all Registrable Securities until such time as all of such Registrable Securities have been disposed of in accordance with the intended methods of disposition by the Investor set forth in such Registration Statement;

(c) furnish to applicable Investor and to any underwriter of such Registrable Securities such number of conformed copies of such Registration Statement and of each such amendment and supplement thereto (in each case including, without limitation, all exhibits), such number of copies of the Prospectus included in such Registration Statement (including, without limitation, each preliminary prospectus and any summary prospectus), such documents incorporated by reference in such Registration Statement or Prospectus, and such other documents as such Investor or such underwriter may reasonably request in order to facilitate its disposition of the Registrable Securities;

(d) use its commercially reasonable efforts to register or qualify all Registrable Securities covered by such Registration Statement under such other securities or “blue sky” laws of such jurisdictions as the applicable Investor or any underwriter of such Registrable Securities shall reasonably request, and do any and all other acts and things which may be reasonably requested by such Investor or any underwriter to consummate the disposition in such jurisdictions of the Registrable Securities covered by such Registration Statement, except the Company shall not for any such purpose be required to qualify generally to do business as a foreign corporation in any jurisdiction wherein it is not so qualified, or to subject itself to taxation in any jurisdiction where it is not then subject to taxation, or to consent to general service of process in any jurisdiction where it is not then subject to service of process;

(e) use its commercially reasonable efforts to cause the Registrable Securities covered by such Registration Statement to be listed on each national securities exchange on which the Common Stock is then listed, if the listing of such securities is then permitted under the rules of

such exchange, or, in the case of an Initial Public Offering, the New York Stock Exchange, the Nasdaq Stock Market or an equivalent exchange, and, without limiting the generality of the foregoing, use its commercially reasonable efforts to engage necessary specialists or market makers, as applicable;

(f) in connection with any underwritten offering, use its commercially reasonable efforts to (i) cause to be furnished to the underwriters an opinion of counsel for the Company dated the date of the closing under the underwriting agreement, (ii) cause to be furnished to the underwriters a "comfort letter" signed by the independent public accountants who have certified the Company's financial statements included in such Registration Statement; and (iii) indemnify the Investor and their Affiliates in relation to substantially the same matters and on substantially the same terms and conditions as is customary for underwriters in underwritten public offerings of securities to be indemnified for and such other matters as the applicable Investor may reasonably request;

(g) promptly notify the applicable Investor, at any time when a Prospectus relating to a registration pursuant to Section 2 hereof is required to be delivered under the Securities Act, of the happening of any event as a result of which the Prospectus included in such Registration Statement, as then in effect, includes an untrue statement of a material fact or omits to state any material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, and at the request of such Investor prepare and furnish to the them as many copies of a supplement to or an amendment of such Prospectus as they reasonably request so that, as thereafter delivered to the purchasers of such Registrable Securities, such Prospectus shall not include an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; and

(h) promptly notify the applicable Investor of the issuance by the Commission or any state securities authority of any stop order suspending the effectiveness of a Registration Statement filed pursuant to Section 2 hereof or the initiation of any proceedings for that purpose and take every commercially reasonable effort to obtain the withdrawal of any such stop order.

(i) It shall be a condition precedent to the obligations of the Company to take any action pursuant to Sections 2 and 3 of this Agreement that the Investor shall furnish to the Company such information regarding the Investor, the Registrable Securities and the proposed method of distribution of the Registrable Securities as the Company may from time to time reasonably request in writing or as shall be required by law or by the Commission in connection with any registration, and the Investor shall promptly notify the Company of the distribution of such securities.

3.2 Underwriting .

(a) If requested by the underwriters for any underwritten offering of Registrable Securities pursuant to a registration requested hereunder, the Company will enter into and perform its obligations under an underwriting agreement with such underwriters for such offering, such agreement to contain such representations and warranties by the Company and such other terms and provisions as are customarily contained in underwriting agreements with respect to secondary distributions, including, without limitation, indemnities and contribution to the effect and to the extent provided in Section 6 hereof. The applicable Investor shall, if requested by such underwriters,

be party to any such underwriting agreement and shall make representations and warranties and covenants customary for selling shareholders therein. Notwithstanding the foregoing, Investor may elect, in writing prior to the effective date of the Registration Statement filed in connection with such registration, not to register such Registrable Securities in connection with such registration.

(b) In the event that any registration pursuant to Section 2 hereof shall involve, in whole or in part, an underwritten offering, the Company may require Registrable Securities requested to be registered pursuant to Section 2 to be included in such underwriting on the same terms and conditions as shall be applicable to the Other Securities being sold through underwriters under such registration. In such case, the holders of Registrable Securities on whose behalf Registrable Securities are to be distributed by such underwriters shall be parties to any such underwriting agreement. Such agreement shall contain such representations and warranties and such other terms and provisions as are customarily contained in underwriting agreements with respect to secondary distributions, including, without limitation, indemnities and contribution to the effect and to the extent provided in Section 6.

3.3 Qualification for Rule 144 Sales . Following the Initial Public Offering, the Company shall use its commercially reasonable efforts to take such measures and file such information, documents and reports as shall be required by the Commission as a condition to the availability of Rule 144 under the Securities Act so as to enable the Investor to sell Registrable Securities without registration under the Securities Act and, upon the written request of any Investor, the Company will promptly deliver to such Investor a written statement as to whether it has complied with such filing requirements. In connection with any sale, transfer or other disposition by any Investor of any Registrable Securities pursuant to Rule 144 under the Securities Act, upon delivery to the Company of an opinion of legal counsel that (to the Company's reasonable satisfaction) is knowledgeable in securities laws matters to the effect that such disposition of Registrable Securities may be effected without registration under the Securities Act, the Company shall reasonably cooperate with such Investor to facilitate the timely preparation and delivery of certificates representing Registrable Securities to be sold and not bearing any Securities Act legend, and enable certificates for such Registrable Securities to be for such number of shares and registered in such names as such Investor may reasonably request at least five (5) Business Days prior to any sale of Registrable Securities hereunder.

3.4 "Market Stand Off" Agreement . Investor hereby agrees that it will not, without the prior written consent of the applicable managing underwriter, during the period commencing on the date of the final prospectus relating to the Initial Public Offering or other registration by the Company of shares of Common Stock or any other equity securities under the Securities Act, and ending on the date specified by the Company and the managing underwriter (such period not to exceed one hundred and eighty (180) days, provided that if during the last seventeen (17) days of such period the Company issues an earnings or other public release or, prior to the expiration of such period, the Company proposes to release an earnings or other public release of material information within fifteen (15) days of the last day of such period, then in each such case such period may be extended upon the request of the managing underwriter for an additional period of up to eighteen (18) days from the date of the issuance of such earnings or other public release) (i) lend, offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right, or warrant to purchase, or otherwise transfer or dispose of, directly or indirectly, any shares of Common Stock originally purchased by the Investor pursuant to a Subscription Agreement (the " Original Securities ") or (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the

Original Securities, whether any such transaction described in clause (i) or (ii) above is to be settled by delivery of the Original Securities or other securities, in cash, or otherwise. The foregoing provisions of this Section 3.4 shall not apply to the sale of any shares to an underwriter pursuant to an underwriting agreement, and shall be applicable to the Investor only if all executive officers and directors of the Company are subject to at least the same restrictions. The underwriters in connection with such registration are intended third-party beneficiaries of this Section 3.4 and shall have the right, power, and authority to enforce the provisions hereof as though they were a party hereto. Investor further agrees to execute such agreements as may be reasonably requested by the underwriters in connection with such registration that are consistent with this Section 3.4 or that are necessary to give further effect thereto. For the avoidance of doubt, in no event shall the Investor or any Affiliate of the Investor be restricted from selling or otherwise disposing of any securities of the Company other than the Original Securities by the terms hereof.

3.5 Preparation; Reasonable Investigation . In connection with the preparation and filing of each Registration Statement registering the Investor Registrable Securities under the Securities Act, the Company will give such Investor and the underwriters, if any, and their respective counsel and accountants, drafts of such Registration Statement for their review and comment prior to filing and such access to its books and records and such opportunities to discuss the business of the Company with its officers and the independent public accountants who have certified its financial statements as shall be necessary, in the opinion of such Investor and underwriters or their respective counsel, to conduct a reasonable investigation within the meaning of the Securities Act.

SECTION 4
INFORMATION RIGHTS

4.1 Delivery of Financial Statements . The Company shall deliver to the Investor:

(a) as soon as practicable, but in any event within ninety days (90) after the end of each fiscal year of the Company, a balance sheet as of the last day of such year and an income statement and a statement of stockholders' equity and cash flows for such year, prepared in accordance with GAAP consistently applied, and audited and certified by independent public accountants selected by the Company;

(b) as soon as practicable, but in any event within forty five (45) days after the end of each of the first three (3) quarters of each fiscal year of the Company, an unaudited income statement and an unaudited balance sheet as of the end of such fiscal quarter, in such form as the Company normally produces for internal use, and prepared in accordance with GAAP consistently applied (except that such financial statements may (i) be subject to year-end audit adjustments that are not, individually or in the aggregate, material and (ii) not contain notes thereto that may be required in accordance with GAAP);

(c) with respect to the financial statements called for in subsections (a) and (b) of this Section 4.1, an instrument signed by the Company certifying that such financial statements were prepared in accordance with GAAP consistently applied with the Company's prior practice for earlier periods (in the case of Section 4.1(b), with the exception of footnotes that may be required by GAAP) and fairly present in all material respects the financial condition of the Company and its results of operation for the periods specified therein, subject to year-end audit adjustment that are not, individually or in the aggregate, material (in the case of Section 4.1(b) only); and

(d) such other information relating to the financial condition, business, prospects or corporate affairs of the Company as the Company provides to all other stockholders and such further information as Investor may reasonably request from time to time.

4.2 Inspection. The Company shall permit Investor to visit and inspect the Company's properties, to examine its books of account and records and to discuss the Company's affairs, finances and accounts with its officers, all at such reasonable times as may be requested by the Investor; provided, however, that the Company shall not be obligated pursuant to this Section 4.2 to provide access to any information the disclosure of which would adversely affect the attorney-client privilege between the Company and its legal counsel.

4.3 Confidentiality. Investor hereby agrees that it will keep confidential and will not disclose, divulge, or use for any purpose (other than to monitor its investment in the Company) any confidential information obtained from the Company to the extent such information specifically relates to the Company pursuant to the terms of this Agreement (including notice of the Company's intention to file a registration statement), unless (a) such information is already in its possession prior to its being furnished to the Investor by or on behalf of the Company; (b) such information has become generally available to the public other than as a result of a disclosure by the Investor or its Affiliates by any means; or (c) such information has become available to the Investor on a non-confidential basis from a source other than the Company or on behalf of the Company, provided, however, that the Investor is not aware that such source is not bound by a confidentiality agreement with, or other contractual, legal, or fiduciary obligation of secrecy or confidentiality to, the Company; provided, however, that Investor may disclose confidential information (i) to its Affiliates and its Affiliates' respective directors, officers, general partners, members, employees, contractors, agents, advisors (including financial advisors and legal counsel) that need to know such information to the extent necessary to monitor such Investor's investment in the Company provided that such persons are subject to customary confidentiality agreements with the Investor with respect thereto; or (ii) as may otherwise be required by law or legal process; provided further that such Investor promptly notifies the Company of any such disclosure required by law or legal process and takes commercially reasonable steps to minimize the extent of any such required disclosure; and provided further that Investor may disclose to its limited partners high-level summaries of Financial Statements received pursuant to Section 4.1 hereof to the extent required by the applicable partnership agreement and provided that the limited partners are subject to customary confidentiality agreements with the Investor with respect thereto.

4.4 Termination of Information Covenants. The covenants set forth in Section 4.1 and Section 4.2 shall terminate and be of no further force or effect upon the consummation of the Initial Public Offering or when the Company first becomes subject to the periodic reporting requirements of Section 13(a) or 15(d) of the Exchange Act, whichever event occurs first.

4.5 Provision of Information by Investor. Investor hereby agrees to promptly provide to the Company such information and materials as the Company may reasonably request in connection with any notices or applications of the Company or any of its subsidiaries to or with applicable banking or other regulators in order to respond to any informational requests or requirements of such regulators or applicable law.

SECTION 5
TRANSFER AND OTHER RESTRICTIONS

5.1 Restrictions on Transfer .

(a) Investor agrees not to make any disposition of all or any portion of the Common Stock other than:

(i) to an Affiliate that agrees in writing to be bound by the provisions of the Subscription Agreement and this Agreement;

(ii) to a transferee that agrees in writing to be bound by the provisions of the Subscription Agreement and this Agreement;

(iii) to a transferee in a widely distributed public offering pursuant to an effective registration statement under the Securities Act or Offering, in a transaction not requiring registration under the Securities Act;

(iv) by (A) a partnership to its partners or retired partners in accordance with their partnership interest, (B) a corporation to its stockholders in accordance with their interest in the corporation, (C) a limited liability company to its members or former members in accordance with their interest in the limited liability company, (D) an investment or venture capital fund to an affiliated investment or venture capital fund or (E) to the Investor's family member or trust for the benefit of an individual Investor, provided in each case that the transfer complies with applicable securities laws.

(b) At any time prior to the Initial Public Offering or the Company otherwise becoming subject to the periodic reporting obligations of Section 13(a) or Section 15(d) of the Exchange Act, the Company may refuse to register any proposed transfer of shares of Common Stock if, as a result of such transfer, the Company's Common Stock would be held of record (within the meaning of Rule 12g5-1 under the Exchange Act or any successor thereto) by more than 450 holders.

5.2 Legends . Each certificate representing shares of Common Stock shall (unless otherwise permitted by the provisions of this Agreement) be stamped or otherwise imprinted with a legend substantially similar to the following (in addition to any legend required under applicable state securities laws):

THE SECURITIES REPRESENTED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 (THE "ACT") AND MAY NOT BE OFFERED, SOLD OR OTHERWISE TRANSFERRED, PLEDGED OR HYPOTHECATED UNLESS AND UNTIL REGISTERED UNDER THE ACT OR, IN THE OPINION OF COUNSEL, REASONABLY SATISFACTORY TO THE ISSUER OF THESE SECURITIES, SUCH OFFER, SALE OR TRANSFER, PLEDGE OR HYPOTHECATION OTHERWISE COMPLIES WITH THE ACT.

THE SHARES REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO RESTRICTIONS PURSUANT TO AN INVESTOR RIGHTS AGREEMENT BETWEEN THE COMPANY AND THE ORIGINAL HOLDER OF THESE SHARES, A COPY OF WHICH MAY BE OBTAINED AT

THE PRINCIPAL OFFICE OF THE COMPANY. SUCH TRANSFER RESTRICTIONS ARE BINDING UPON THE TRANSFEREE OF THESE SHARES.

5.3 Unlegended Certificates. The Company shall be obligated to reissue certificates not bearing the first paragraph of the legend set forth above at the request of any holder thereof if the holder shall have obtained (i) an opinion of counsel (in form and substance and from counsel reasonably satisfactory to the Company) at Investor's expense to the effect that the securities proposed to be disposed of may lawfully be so disposed of without registration, qualification or legend, and (ii) delivered such securities to the Company or its transfer agent.

5.4 Prohibited Transfers. The Company may refuse to register any proposed disposition of Common Stock that is not in accordance with the foregoing transfer restrictions, and any purported transfer in violation of these restrictions shall be null and void. In determining whether to register an attempted transfer, the Company may reasonably require such supporting documents and instruments, including agreements, certificates, representations and warranties and opinions of counsel, as it may request in its absolute discretion to establish compliance with this Section 5.

5.5 Ownership Limitation. Investor agrees that it will not, without any required regulatory approval, acquire additional securities of the Company such that, upon consummation of such additional securities, and conversion, exercise or exchange of any securities hereafter acquired by subscriber for voting securities of the Company, would result in the Investor and its Affiliates having beneficial ownership greater than 24.9% of any class of the Company's voting securities then outstanding.

SECTION 6
INDEMNIFICATION AND CONTRIBUTION

6.1 Indemnification and Contribution. Upon the registration of the Registrable Securities pursuant to Section 2 hereof:

(a) Indemnification by the Company. The Company shall indemnify and hold harmless Investor and each of its officers and directors and each Person who controls Investor within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act (each such person being sometimes referred to as an "Indemnified Person") against any losses, claims, damages or liabilities, joint or several, to which such Indemnified Person may become subject under the Securities Act or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon an untrue statement or alleged untrue statement of a material fact contained in any Registration Statement under which such Registrable Securities are to be registered under the Securities Act, or any Prospectus contained therein or furnished by the Company to any Indemnified Person, or any amendment or supplement thereto, or arise out of or are based upon the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, and the Company hereby agrees to reimburse such Indemnified Person for any legal or other expenses reasonably incurred by them in connection with investigating or defending any such action or claim as such expenses are incurred; provided however, that the Company shall not be liable to any such Indemnified Person in any such case to the extent that any such loss, claim, damage or liability arises out of or is based upon an untrue statement or alleged untrue statement or omission or alleged omission made in such Registration Statement or Prospectus, or amendment or supplement, in reliance upon and in

conformity with written information furnished to the Company by such Indemnified Person expressly for use therein.

(b) Indemnification by the Investor . Investor agrees, upon exercise of its registration rights pursuant to Section 2, to (i) indemnify and hold harmless the Company, its directors, officers who sign any Registration Statement and each Person, if any, who controls the Company within the meaning of either Section 15 of the Securities Act or Section 20 of the Exchange Act, against any losses, claims, damages or liabilities to which the Company or such other persons may become subject, under the Securities Act or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon an untrue statement or alleged untrue statement of a material fact contained in such Registration Statement or Prospectus, or any amendment or supplement, or arise out of or are based upon the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, in each case to the extent, but only to the extent, that such untrue statement or alleged untrue statement or omission or alleged omission was made in reliance upon and in conformity with written information furnished to the Company by Investor expressly for use therein, and (ii) reimburse the Company for any legal or other expenses reasonably incurred by the Company in connection with investigating or defending any such action or claim as such expenses are incurred.

(c) Notices of Claims, Etc . Promptly after receipt by an indemnified party under subsection (a) or (b) above of notice of the commencement of any action, such indemnified party shall, if a claim in respect thereof is to be made against an indemnifying party under this Section 6, promptly notify such indemnifying party in writing of the commencement thereof; but the omission so to notify the indemnifying party shall not relieve it from any liability which it may have to any indemnified party under this Section 6, except to the extent that the indemnifying party is materially prejudiced by the indemnified party's failure to give such notice. In case any such action shall be brought against any indemnified party and it shall notify an indemnifying party of the commencement thereof, such indemnifying party shall be entitled to participate therein and, to the extent that it shall wish, jointly with any other indemnifying party similarly notified, to assume the defense thereof, with counsel reasonably satisfactory to such indemnified party (who shall not, except with the consent of the indemnified party, be counsel to the indemnifying party), and, after notice from the indemnifying party to such indemnified party of its election so to assume the defense thereof, such indemnifying party shall not be liable to such indemnified party under this Section 6 for any legal expenses of other counsel or any other expenses, in each case subsequently incurred by such indemnified party, in connection with the defense thereof other than reasonable costs of investigation; provided, however, that the indemnified party, together with all the other indemnified parties that may be represented without conflict by one legal counsel, shall have the right to retain one separate legal counsel, whose fees and expenses shall be paid by the indemnifying party, if representation of such indemnified party by the legal counsel retained by the indemnifying party would be inappropriate due to actual or potential differing interests between such indemnified party or any other party represented by such counsel in such proceeding. No indemnifying party shall, without the written consent of the indemnified party, effect the settlement or compromise of, or consent to the entry of any judgment with respect to, any pending or threatened action or claim in respect of which indemnification or contribution may be sought hereunder (whether or not the indemnified party is an actual or potential party to such action or claim) unless such settlement, compromise or judgment (i) includes an unconditional release of the indemnified party from all liability arising out of such action or claim and (ii) does not include a statement as to, or an admission of, fault, culpability or a failure to act, by or on behalf of any indemnified party. No

indemnified party may effect the settlement or compromise of, or consent to the entry of any judgment with respect to, any pending or threatened action or claim in respect of which indemnification or contribution may be sought hereunder (whether or not the indemnifying party is an actual or potential party to such action or claim) without the prior written consent of the indemnifying party.

(d) Contribution . If the indemnification provided for in this Section 6 is unavailable to or insufficient to hold harmless an indemnified party under subsection (a) or (b) above in respect of any losses, claims, damages or liabilities (or actions in respect thereof) referred to therein, then each indemnifying party shall contribute to the amount paid or payable by such indemnified party as a result of such losses, claims, damages or liabilities (or actions in respect thereof) in such proportion as is appropriate to reflect the relative fault of the indemnifying party and the indemnified party in connection with the statements or omissions which resulted in such losses, claims, damages or liabilities (or actions in respect thereof), as well as any other relevant equitable considerations. The relative fault of such indemnifying party and indemnified party shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or omission or alleged omission to state a material fact relates to information supplied by such indemnifying party or by such indemnified party, and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission. The amount paid or payable by an indemnified party as a result of the losses, claims, damages or liabilities (or actions in respect thereof) referred to above shall be deemed to include any legal or other fees or expenses reasonably incurred by such indemnified party in connection with investigating or defending any such action or claim to the extent such fees or expenses were incurred prior to an indemnifying party's election to assume the defense of such action or claim. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation.

(e) Notwithstanding any other provision of this Section 6, in no event will Investor be required to undertake liability to any Person or Persons under this Section 6 for any amounts in the aggregate in excess of the dollar amount of the proceeds to be received by Investor from the sale of Investors Registrable Securities (after deducting any fees, discounts and commissions applicable thereto) pursuant to any Registration Statement under which such Registrable Securities are to be registered under the Securities Act.

(f) The obligations of the Company under this Section 6 shall be in addition to any liability that the Company may otherwise have to any Indemnified Person and the obligations of the Company and the Investor under this Section 6 shall be in addition to any liability that such Persons may otherwise have to the Company. The remedies provided in this Section 6 are not exclusive and shall not limit any rights or remedies that may otherwise be available to a party at law or in equity.

SECTION 7
PREEMPTIVE RIGHTS

7.1 Right to Purchase New Securities . The Company hereby grants to Investor the right to purchase any or all of Investor's Preemptive Share Percentage (as defined below) of all New Securities (as defined below) that the Company may, from time to time, propose to issue and sell at the cash price and on the terms on which the Company proposes to sell such New Securities. Investor's "Preemptive Share Percentage" shall be equal to a fraction (A) the numerator of which is

the number of shares of Common Stock held by Investor on the date of the Company's written notice pursuant to Section 7.3 and (B) the denominator of which is the aggregate number of shares of Common Stock outstanding on such date.

7.2 New Securities . " New Securities " shall mean any shares of Common Stock and rights, options or warrants to purchase Common Stock that are sold by the Company for cash; provided, however, that the term New Securities shall not include (i) securities issued as part of compensatory arrangements to employees, consultants or directors of the Company or any of its subsidiaries whether or not pursuant to any management equity plan or stock option plan or any other management or employee benefit plan or other equity compensation agreement; (ii) securities issued pro rata to existing security holders pursuant to any stock dividend, stock split, combination or other reclassification by the Company of any of its capital stock; (iii) securities issued in connection with transactions that are primarily debt financing transactions to which the Company and an unaffiliated third party may be a party and which are approved by the Board, including securities issued pursuant to the exercise of warrants, rights, options or other securities issued in connection therewith; (iv) securities issued as part of the sale of the Company, or in connection with the acquisition of another Person or any assets thereof by merger, purchase or otherwise; (v) securities issued pursuant to the fulfillment of commitments made in the Purchase Agreement; or (vi) securities issued upon the conversion, exchange or exercise of any securities that may be issued by the Company that provide for the conversion or exchange into or exercise for any other securities, where the Investor were granted preemptive rights pursuant to this Section 7 in connection with the initial issuance of such convertible, exchangeable or exercisable security.

7.3 Required Notices . In the event the Company proposes to undertake an issuance of New Securities, it shall give Investor written notice of its intention, describing the type of New Securities, the cash price, the number and type of New Securities and the general terms upon which the Company proposes to issue the same. Investor shall have twenty (20) days from the date of receipt of any such notice to agree to purchase any or all of Investor's Preemptive Share Percentage of such New Securities, as may be applicable, for the Issue Price in the case of (a), and in the case of (b) at the price and upon the general terms specified in the Company's notice, by the Investor giving written notice to the Company and stating therein the quantity of New Securities to be purchased.

7.4 Company's Right to Sell . In the event any Investor fails to exercise its right within such twenty (20) day period to acquire its full Preemptive Share Percentage of the New Securities offered, the Company shall have sixty (60) days to sell or enter into an agreement to sell (pursuant to which the sale of New Securities covered thereby shall be closed, if at all, within one hundred twenty (120) days from the date of such agreement) all such New Securities for which the Investor preemptive rights were not exercised, at a price and upon terms not more favorable in any material respect to the purchasers thereof than specified in the Company's notice delivered pursuant to Section 7.3. In the event the Company has not sold within such sixty (60) day period or entered into any agreement to sell all such New Securities within such sixty (60) day period (or sold and issued all such New Securities in accordance with the foregoing within one hundred twenty (120) days from the date of such agreement), the Company shall not thereafter issue or sell any New Securities without first offering such securities to the Investor in the manner provided in this Section 7.

7.5 Certain Preemptive Rights Limitations . Except with any required regulatory approvals, no Investor shall be permitted to purchase New Securities pursuant to this Section 7 to the extent such purchase would result in Investor and any Affiliate of Investor (considered as if they were a single entity) having more than 24.9% of any class of voting securities of the Company,

determined in accordance with the rules and regulations of the Board of Governors of the Federal Reserve System (including the definition of "affiliate" set forth therein); provided, however, that the Company shall be obligated to make available for purchase by Investor sufficient Class B shares as to enable Investor to exercise its preemptive rights through the purchase of Class B shares, or shall otherwise make appropriate arrangements to enable Investor to exercise its preemptive rights hereunder.

SECTION 8
VOTING AND CONVERSION RIGHTS

8.1 Voting Rights . Except as otherwise required by law, Class A Shares shall be entitled to one vote per outstanding share, and Class B Shares shall be entitled to no voting rights, either on a per share or class basis.

8.2 Conversion Rights . Class B Shares will not be convertible into Class A Shares in the hands of the Investor and will only become convertible into Class A Shares when transferred in a permitted transfer (as defined below) to a third party unaffiliated with the Investor, subject to the transfer restrictions described herein. The Investor may sell or transfer such shares to an Affiliate; however the Class B Shares would remain non-voting in the hands of such Affiliate. Class B Shares would be automatically convertible into Class A Shares upon a permitted transfer defined in the Company's Articles of Incorporation, such a transfer being a sale or transfer: (i) to the Company; (ii) in a widely dispersed public offering; (iii) in which no transferee (or group of associated transferees) would receive 2% or more of a class of the Company's voting securities; or (iv) to a person that, prior to the completion of the transfer, owns, controls or holds the power to vote 50% or more of the Class A Shares. Any conversions of the Class B Shares shall be effected in accordance with procedures provided in the Company's Articles of Incorporation. In the event of any conflict between the provisions of this Section 8.2 and those of the Company's Articles of Incorporation, the provisions of the Company's Articles of Incorporation shall be controlling.

SECTION 9
MISCELLANEOUS

9.1 Termination of the Company's Obligations . The Company shall have no obligations pursuant to Section 7 hereof after the consummation of the Company's Initial Public Offering.

9.2 Governing Law . This Agreement shall be governed by and construed in accordance with the laws of the State of California, without giving effect to the conflict of laws rules thereof.

9.3 Assignment; Successors and Assigns . No party hereto may assign this Agreement or any of its rights, interests or obligations hereunder without the prior written approval of the other; provided , however , that Investor may assign its rights (but only together with the associated obligations) hereunder, in whole or in part, to a Permitted Transferee. Except as otherwise expressly provided herein, the provisions hereof shall inure to the benefit of, and be binding upon, the respective successors, permitted assigns, heirs, executors and administrators of the parties hereto.

9.4 Entire Agreement . This Agreement, together with any previously executed Nondisclosure Agreement between Investor and the Company and the applicable Subscription Agreement between Investor and the Company, constitutes the full and entire understanding and agreement among the parties with regard to the subjects hereof, and this Agreement shall supersede

and cancel all prior agreements between the parties hereto with regard to the subject matter hereof, and in particular, but without limiting the generality of the foregoing, it shall supersede the entire registration rights, preemptive rights, rights of first refusal or any and all similar rights held by the Investor prior to the execution of this Agreement.

9.5 Notices, etc . Except as otherwise expressly provided herein, all notices and other communications required or permitted hereunder shall be in writing (including, without limitation, facsimile or e-mail communication) or confirmed in writing, and such notices and other communications shall, when mailed, communicated by facsimile transmission or e-mailed, be effective when received at the address for notices to the party to whom such notice or communications is to be given as follows:

If to Investor, at

If to the Company, at:

Silvergate Capital Corporation
4275 Executive Square, Suite 800
La Jolla, California 92037
Attention: Dennis S. Frank
Email: dsf@silvergatebank.com
Facsimile: (858) 362-3300

or at such other address as either party shall have furnished to the other in writing.

9.6 Delays or Omissions . No delay or omission to exercise any right, power or remedy accruing to either party hereto upon any breach or default of the other party under this Agreement shall impair any such right, power or remedy of such party nor shall it be construed to be a waiver of any such breach or default, or any acquiescence therein, or of or in any similar breach or default thereafter occurring; nor shall any waiver of any single breach or default be deemed a waiver of any other breach or default theretofore or thereafter occurring. Any waiver, permit, consent or approval of any kind or character on the part of any party hereto of any breach or default under this Agreement or any waiver on the part of any party hereto of any provisions or conditions of this Agreement must be made in writing and shall be effective only to the extent specifically set forth in such writing. All remedies, either under this Agreement or by law or otherwise afforded to any party, shall be cumulative and not alternative.

9.7 Severability . In case any provision of this Agreement shall be invalid, illegal, or unenforceable, the validity, legality and enforceability of the remaining provisions of this Agreement shall not in any way be affected or impaired thereby. The parties hereto agree to replace any such provision with a valid provision that reflects as closely as possible the intent and spirit of the invalid provision.

9.8 Specific Performance . The parties hereto acknowledge that the obligations undertaken by them hereunder are unique and that there would be no adequate remedy at law if any party fails to perform any of its obligations hereunder, and accordingly agree that each party, in addition to any other remedy to which it may be entitled at law or in equity, shall be entitled to seek specific performance of the obligations, covenants and agreements of any other party under this Agreement in accordance with the terms and conditions of this Agreement without being required to post any bond or other security.

9.9 Titles and Subtitles . The titles of the Sections, subsections and paragraphs of this Agreement are for convenience of reference only and are not to be considered in construing this Agreement.

9.10 Counterparts . This Agreement may be executed in any number of counterparts, each of which shall be an original, but all of which together shall constitute one instrument.

(Signature Page Follows)

IN WITNESS WHEREOF, this Agreement has been duly executed on the day and year first above written.

INVESTOR

By _____

SILVERGATE CAPITAL CORPORATION
a Maryland corporation

By _____
Dennis S. Frank, Chairman and Chief Executive Officer

SILVERGATE BANK
a California chartered commercial bank

By _____
Alan J. Lane, Chief Executive Officer

Exhibit 4.6

SILVERGATE CAPITAL CORPORATION
INVESTORS' RIGHTS AGREEMENT
Sept, 7, 2011

INVESTORS' RIGHTS AGREEMENT
FOR
SILVERGATE CAPITAL CORPORATION

INVESTORS' RIGHTS AGREEMENT dated as of Sept, 7, 2011, among SILVERGATE CAPITAL CORPORATION, a Maryland corporation (the " Company "), and the Investors listed on Annex A hereto who have executed signature pages for this Agreement (each, an "Investor " and collectively, the " Investors ").

WHEREAS, the Investors and the Company have entered into certain Common Stock Purchase Agreements and/or subscription agreements (each, a " Subscription Agreement " and collectively, the "Subscription Agreements ");

WHEREAS, as a result of the transactions contemplated in the Subscription Agreements, the Investors will be the record or beneficial holders of the Registrable Securities (as defined below); and

WHEREAS, in order to induce each Investor to enter into a Subscription Agreement, the Company has agreed to grant to the Investors the rights set forth below.

NOW, THEREFORE, in consideration of the premises and mutual covenants contained herein, the parties hereto agree as follows:

SECTION 1
DEFINITIONS

As used in this Agreement, the following defined terms shall have the following meanings:

" Affiliate " has the meaning ascribed to such term in Rule 12b-2 under the Exchange Act, as in effect on the date hereof, but shall be deemed not to include the Company and its subsidiaries.

" Agreement " means this Investors' Rights Agreement, as amended, supplemented or otherwise modified from time to time.

" Business Day " means a day other than a Saturday, Sunday or other day on which commercial banks are authorized or required to close under the laws of the States of New York or California or the United States of America.

" Commission " means the United States Securities and Exchange Commission.

" Common Stock " means the Company's common stock, $0.01 par value per share, and includes its Class A Common Stock (" Class A Shares ") and Class B Non-Voting Common Stock (" Class B Shares ").

" Company " has the meaning set forth in the preamble hereto, and also includes (a) the Company's successors and permitted assigns, and (b) with respect to Section 4 the Company's wholly-owned subsidiary, Silvergate Bank .

" Exchange Act " means the Securities Exchange Act of 1934, as amended.

" GAAP " means United States generally accepted accounting principles.

" Initial Public Offering " means a firm commitment underwritten public offering pursuant to an effective registration statement under the Securities Act, covering the offer and sale to the public

of Common Stock for the account of the Company or shareholders of the Company after which there is an active trading market in such shares of Common Stock (it being understood that an active trading market shall be deemed to exist if the shares of Common Stock are listed on a national securities exchange).

" Investor " and " Investors " have the meaning set forth in the preamble hereto and also includes each Investor's successors and permitted assigns.

" Person " means any individual, firm, partnership, corporation (including, without limitation, a business trust), limited liability company, joint stock company, trust, unincorporated association, joint venture or other entity, and shall include any successor (by merger or otherwise) of any such entity.

" Prospectus " means the prospectus included in the Registration Statement, including, without limitation, any preliminary prospectus, and any such prospectus as supplemented by any prospectus supplement with respect to the terms of the offering of any of the Registrable Securities, and by all other amendments and supplements to such prospectus, and in each case including, without limitation, all documents incorporated by reference therein or otherwise constituting a prospectus with respect to the Registrable Securities to which the Registration Statement relates.

" register ," " registered, " and " registration " refer to a registration of Registrable Securities effected by preparing and filing a Registration Statement under the Securities Act, and the declaration or ordering of the effectiveness of such Registration Statement.

" Registrable Securities " means any and all of the shares of Common Stock issued and sold to the Investors pursuant to the Subscription Agreements and any securities issuable or issued or distributed in respect of any of such shares of Common Stock by way of stock dividend or stock split or in connection with a combination of shares, recapitalization, reorganization, merger, consolidation or otherwise; provided however , that securities cease to be Registrable Securities when they are no longer Restricted Securities.

" Registration Expenses " means any and all out-of-pocket expenses incident to performance of or compliance with this Agreement, including, without limitation, (i) all Commission, Financial Industry Regulatory Authority and securities exchange registration and filing fees, (ii) all fees and expenses of complying with state securities or "blue sky" laws (including, without limitation, fees and disbursements of counsel for any underwriters in connection with "blue sky" qualifications of the Registrable Securities), (iii) all processing, printing, copying, messenger and delivery expenses, (iv) all fees and expenses incurred in connection with the listing of the Registrable Securities on any securities exchange, (v) all fees and disbursements of counsel for the Company and of its independent public accountants, and of one law firm for all Investors, and (vi) the fees and expenses of any special experts retained by the Company in connection with a registration under this Agreement, but excluding Selling Expenses.

" Registration Statement " means a registration statement filed under the Securities Act providing for the registration of, and the sale by the holders of, any Registrable Securities, filed by the Company pursuant to the provisions of Section 2 of this Agreement, including, without limitation, any amendments and supplements to such Registration Statement, including, without limitation, post-effective amendments, and all exhibits and all material incorporated by reference

in such Registration Statement.

" Restricted Security " means any security or share of Common Stock, including, without limitation, securities or shares of Common Stock issuable upon conversion thereof, except any such security or share of Common Stock which (i) has been effectively registered under the Securities Act and sold in a manner contemplated by the applicable Registration Statement, (ii) has been transferred in compliance with Rule 144 under the Securities Act (or any successor provision thereto) or (iii) has had its registration rights terminated pursuant to Section 9.1.

" Securities Act " means the Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder.

" Selling Expenses " means all underwriting discounts, selling commissions and transfer taxes, if any, applicable to the sale of Registrable Securities by any Investor, and all fees and disbursements of counsel for such Investor not included in the definition herein of Registration Expenses.

" Subscription Agreement " and " Subscription Agreements " have the meaning set forth in the recitals hereto.

" Underwriter " means any underwriter of Registrable Securities in connection with an offering thereof under a Registration Statement.

SECTION 2
REGISTRATION RIGHTS

2.1 Requested Registration .

(a) Subject to the conditions set forth in this Section 2.1, if the Company shall receive at any time after six (6) months after the effective date of the Initial Public Offering a written request from Investors holding Registrable Securities (for purposes of this Section 2.1, " Holders ") holding at least fifty percent (50%) or more of the Registrable Securities then outstanding (for purposes of this Section 2.1, the " Initiating Holders ") that the Company file a registration statement under the Securities Act covering the registration of Registrable Securities with an anticipated aggregate offering price of at least $5,000,000, then the Company shall, within twenty (20) days of the receipt thereof, give written notice of such request to all holders and, subject to the limitations of this Section 2.1, use its reasonable best efforts to effect, as soon as practicable, the registration under the Securities Act of all Registrable Securities that the Holders request to be registered in a written request received by the Company within twenty (20) days of the mailing of the Company's notice pursuant to this Section 2.1(a).

(b) If the Initiating Holders intend to distribute the Registrable Securities covered by their request by means of an underwriting, they shall so advise the Company as a part of their request made pursuant to this Section 2.1, and the Company shall include such information in the written notice referred to in Section 2.1(a). In such event the right of any Holder to include its Registrable Securities in such registration shall be conditioned upon such Holder's participation in such underwriting and the inclusion of such Holder's Registrable Securities in the underwriting (unless otherwise mutually agreed by a majority in interest of the Initiating Holders and such Holder) to the extent provided herein. All Holders proposing to distribute their securities through such underwriting shall enter into an underwriting agreement in

customary form with the underwriter or underwriters selected for such underwriting by those Initiating Holders holding a majority of the Registrable Securities held by all Initiating Holders (which underwriter or underwriters shall be reasonably acceptable to the Company. Notwithstanding any other provision of this Section 2.1, if the underwriter advises the Company that marketing factors require a limitation on the number of securities underwritten (including Registrable Securities), then the Company shall so advise all Holders of Registrable Securities that would otherwise be underwritten pursuant hereto, and the number of shares that may be included in the underwriting shall be allocated to the Holders of such Registrable Securities pro rata based on the number of Registrable Securities held by all such Holders (including the Initiating Holders). In no event shall any Registrable Securities be excluded from such underwriting unless all other securities are first excluded. Any Registrable Securities excluded or withdrawn from such underwriting shall be withdrawn from the registration.

(c) Notwithstanding the foregoing, the Company shall not be required to effect a registration pursuant to this Section 2.1:

(1) in any particular jurisdiction in which the Company would be required to execute a general consent to service of process in effecting such registration, unless the Company is already subject to service in such jurisdiction and except as may be required under the Act; or

(2) if the Company has previously effected a registrations pursuant to this Section 2.1, and such registrations have been declared or ordered effective; or

(3) during the period starting with the date sixty (60) days prior to the Company's good faith estimate of the date of the filing of and ending on a date one hundred eighty (180) days following the effective date of a Company-initiated registration subject to Section 1.3 below, provided that the Company is actively employing in good faith all commercially reasonable efforts to cause such registration statement to become effective; or

(4) if the Company shall furnish to Holders requesting a registration statement pursuant to this Section 2.1 a certificate signed by the Company's Chief Executive Officer or Chairman of the Board of Directors stating that in the good faith judgment of the Board of Directors of the Company, it would be seriously detrimental to the Company and its stockholders for such registration statement to be effected at such time, in which event the Company shall have the right to defer such filing for a period of not more than ninety (90) days after receipt of the request of the Initiating Holders, provided, that such right shall be exercised by the Company not more than once in any twelve (12) month period and provided further that the Company shall not register any securities for the account of itself or any other stockholder during such ninety (90) day period (other than a registration relating solely to the sale of securities of participants in a Company stock plan, a registration relating to a corporate reorganization or transaction under Rule 145 of the Act, a registration on any form that does not include substantially the same information as would be required to be included in a registration statement covering the sale of the Registrable Securities, or a registration in which the only Common Stock being registered is Common Stock issuable upon conversion of debt securities that are also being registered).

2.2 Company Registration . If, but without any obligation to do so, the Company proposes to register, including, without limitation, in connection with the Initial Public Offering,

any shares of Common Stock or other securities issued by it on behalf of itself or any other shareholders of the Company (" Other Securities ") for public sale under the Securities Act (whether proposed to be offered for sale by the Company or by any other Person) on a form which would permit registration of Registrable Securities for sale to the public under the Securities Act, it will give prompt written notice to the Investors of its intention to do so, which notice the Investors shall keep confidential, and upon the written request of any Investor delivered to the Company within twenty (20) Business Days after the giving of any such notice (which request shall specify the number of Registrable Securities intended to be disposed of by such Investor) the Company will use its commercially reasonable efforts to effect the registration of all Registrable Securities which the Company has been so requested to register by any such Investor; provided, that:

(a) if, at any time after giving such written notice of its intention to register any Other Securities and prior to the effective date of the Registration Statement filed in connection with such registration, the Company shall determine for any reason not to register the Other Securities, the Company may, at its election, give written notice of such determination to the Investors who have submitted a written request pursuant to this Section 2.1 and thereupon the Company shall be relieved of its obligation to register such Registrable Securities in connection with the registration of such Other Securities (but not from its obligation to pay Registration Expenses other than Selling Expenses to the extent incurred in connection therewith as provided in Section 2.2);

(b) the Company will not be required to effect any registration of Registrable Securities requested to be registered pursuant to this Section 2.1 if the Company shall have been advised by the lead underwriter in connection with the public offering of the Other Securities that the registration of such Registrable Securities at that time would jeopardize the success of the offering of the Other Securities; provided however , that if an offering of some but not all of the shares requested to be registered pursuant to this Section 2.1 would not jeopardize the success of the offering of the Other Securities by the Company, the aggregate number of shares requested to be included in such offering by the Investors submitting a request pursuant to this Section 2.1 shall be reduced accordingly with such shares being allocated among such Investors and any Permitted Transferee(s) (as hereinafter defined) in proportion (as nearly as practicable and rounded to the nearest 100 shares) to the number of Registrable Securities owned by such Investors and Permitted Transferee(s); further provided , however , that, notwithstanding the foregoing, in no event shall the number of Registrable Securities to be included in such offering on behalf of the Investors submitting a request pursuant to this Section 2.1 be reduced to less than 30% of the shares of Common Stock requested to be registered purchased by such Investors; and

(c) the Company shall not be required to effect any registration of Registrable Securities under this Section 2 incidental to the registration of any of its securities (i) on Form S-8 or any successor form to such Form or in connection with any employee or director welfare, benefit or compensation plan, (ii) on Form S-4 or any successor form to such Form or in connection with an exchange offer, (iii) in connection with a rights offering exclusively to existing holders of Common Stock, (iv) in connection with an offering solely to employees of the

Company or its subsidiaries, or (v) relating to a transaction pursuant to Rule 145 of the Securities Act.

2.3 Registration Expenses . The Company shall pay all (and will promptly reimburse to any Investor submitting a request pursuant to Section 2.1 to the extent it has borne any) Registration Expenses with respect to any registration of Registrable Securities pursuant to this Section 3, regardless of whether the Registration Statement filed in connection with such registration becomes effective. Each Investor shall be solely liable for the payment of any Selling Expenses applicable to the sale of Registrable Securities by such Investor.

SECTION 3
REGISTRATION PROCEDURES

3.1 Registration and Qualification . If and whenever the Company is required to use its commercially reasonable efforts to effect the registration of any Registrable Securities under the Securities Act as provided in Section 2, the Company will, as promptly as is practicable, as applicable:

(a) prepare, file and use its commercially reasonable efforts to cause to become effective a Registration Statement under the Securities Act regarding the Registrable Securities to be offered;

(b) prepare and file with the Commission such amendments and supplements to such Registration Statement and Prospectus used in connection therewith as may be necessary to keep such Registration Statement effective and to comply with the provisions of the Securities Act with respect to the disposition of all Registrable Securities until such time as all of such Registrable Securities have been disposed of in accordance with the intended methods of disposition by the Investors set forth in such Registration Statement;

(c) furnish to applicable Investors and to any underwriter of such Registrable Securities such number of conformed copies of such Registration Statement and of each such amendment and supplement thereto (in each case including, without limitation, all exhibits), such number of copies of the Prospectus included in such Registration Statement (including, without limitation, each preliminary prospectus and any summary prospectus), such documents incorporated by reference in such Registration Statement or Prospectus, and such other documents as such Investors or such underwriter may reasonably request in order to facilitate its disposition of the Registrable Securities;

(d) use its commercially reasonable efforts to register or qualify all Registrable Securities covered by such Registration Statement under such other securities or “blue sky” laws of such jurisdictions as the applicable Investors or any underwriter of such Registrable Securities shall reasonably request, and do any and all other acts and things which may be reasonably requested by such Investors or any underwriter to consummate the disposition in such jurisdictions of the Registrable Securities covered by such Registration Statement, except the Company shall not for any such purpose be required to qualify generally to do business as a foreign corporation in any jurisdiction wherein it is not so qualified, or to subject itself to

taxation in any jurisdiction where it is not then subject to taxation, or to consent to general service of process in any jurisdiction where it is not then subject to service of process;

(e) use its commercially reasonable efforts to cause the Registrable Securities covered by such Registration Statement to be listed on each national securities exchange on which the Common Stock is then listed, if the listing of such securities is then permitted under the rules of such exchange, or, in the case of an Initial Public Offering, the New York Stock Exchange, the Nasdaq Stock Market or an equivalent exchange, and, without limiting the generality of the foregoing, use its commercially reasonable efforts to engage necessary specialists or market makers, as applicable;

(f) in connection with any underwritten offering, use its commercially reasonable efforts to (i) cause to be furnished to the underwriters an opinion of counsel for the Company dated the date of the closing under the underwriting agreement, (ii) cause to be furnished to the underwriters a "comfort letter" signed by the independent public accountants who have certified the Company's financial statements included in such Registration Statement; and (iii) indemnify the Investors and their Affiliates in relation to substantially the same matters and on substantially the same terms and conditions as is customary for underwriters in underwritten public offerings of securities to be indemnified for and such other matters as the applicable Investors may reasonably request;

(g) promptly notify the applicable Investors, at any time when a Prospectus relating to a registration pursuant to Section 2 hereof is required to be delivered under the Securities Act, of the happening of any event as a result of which the Prospectus included in such Registration Statement, as then in effect, includes an untrue statement of a material fact or omits to state any material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, and at the request of such Investors prepare and furnish to the them as many copies of a supplement to or an amendment of such Prospectus as they reasonably request so that, as thereafter delivered to the purchasers of such Registrable Securities, such Prospectus shall not include an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; and

(h) promptly notify the applicable Investors of the issuance by the Commission or any state securities authority of any stop order suspending the effectiveness of a Registration Statement filed pursuant to Section 2 hereof or the initiation of any proceedings for that purpose and take every commercially reasonable effort to obtain the withdrawal of any such stop order.

(i) It shall be a condition precedent to the obligations of the Company to take any action pursuant to Sections 2 and 3 of this Agreement that the Investors shall furnish to the Company such information regarding the Investors, the Registrable Securities and the proposed method of distribution of the Registrable Securities as the Company may from time to time reasonably request in writing or as shall be required by law or by the Commission in connection with any registration, and the Investors shall promptly notify the Company of the distribution of such securities.

3.2 Underwriting .

(a) If requested by the underwriters for any underwritten offering of Registrable Securities pursuant to a registration requested hereunder, the Company will enter into and perform its obligations under an underwriting agreement with such underwriters for such offering, such agreement to contain such representations and warranties by the Company and such other terms and provisions as are customarily contained in underwriting agreements with respect to secondary distributions, including, without limitation, indemnities and contribution to the effect and to the extent provided in Section 6 hereof. The applicable Investors shall, if requested by such underwriters, be party to any such underwriting agreement and shall make representations and warranties and covenants customary for selling shareholders therein. Notwithstanding the foregoing, an Investor may elect, in writing prior to the effective date of the Registration Statement filed in connection with such registration, not to register such Registrable Securities in connection with such registration.

(b) In the event that any registration pursuant to Section 2 hereof shall involve, in whole or in part, an underwritten offering, the Company may require Registrable Securities requested to be registered pursuant to Section 2 to be included in such underwriting on the same terms and conditions as shall be applicable to the Other Securities being sold through underwriters under such registration. In such case, the holders of Registrable Securities on whose behalf Registrable Securities are to be distributed by such underwriters shall be parties to any such underwriting agreement. Such agreement shall contain such representations and warranties and such other terms and provisions as are customarily contained in underwriting agreements with respect to secondary distributions, including, without limitation, indemnities and contribution to the effect and to the extent provided in Section 6.

3.3 Qualification for Rule 144 Sales . Following the Initial Public Offering, the Company shall use its commercially reasonable efforts to take such measures and file such information, documents and reports as shall be required by the Commission as a condition to the availability of Rule 144 under the Securities Act so as to enable the Investors to sell Registrable Securities without registration under the Securities Act and, upon the written request of any Investor, the Company will promptly deliver to such Investor a written statement as to whether it has complied with such filing requirements. In connection with any sale, transfer or other disposition by any Investor of any Registrable Securities pursuant to Rule 144 under the Securities Act, upon delivery to the Company of an opinion of legal counsel that (to the Company's reasonable satisfaction) is knowledgeable in securities laws matters to the effect that such disposition of Registrable Securities may be effected without registration under the Securities Act, the Company shall reasonably cooperate with such Investor to facilitate the timely preparation and delivery of certificates representing Registrable Securities to be sold and not bearing any Securities Act legend, and enable certificates for such Registrable Securities to be for such number of shares and registered in such names as such Investor may reasonably request at least five (5) Business Days prior to any sale of Registrable Securities hereunder.

3.4 "Market Stand Off" Agreement . Each Investor hereby agrees that it will not, without the prior written consent of the applicable managing underwriter, during the period commencing on the date of the final prospectus relating to the Initial Public Offering or other registration by the Company of shares of Common Stock or any other equity securities under the

Securities Act, and ending on the date specified by the Company and the managing underwriter (such period not to exceed one hundred and eighty (180) days, provided that if during the last seventeen (17) days of such period the Company issues an earnings or other public release or, prior to the expiration of such period, the Company proposes to release an earnings or other public release of material information within fifteen (15) days of the last day of such period, then in each such case such period may be extended upon the request of the managing underwriter for an additional period of up to eighteen (18) days from the date of the issuance of such earnings or other public release) (i) lend, offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right, or warrant to purchase, or otherwise transfer or dispose of, directly or indirectly, any shares of Common Stock originally purchased by the Investor pursuant to a Subscription Agreement (the " Original Securities") or (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the Original Securities, whether any such transaction described in clause (i) or (ii) above is to be settled by delivery of the Original Securities or other securities, in cash, or otherwise. The foregoing provisions of this Section 3.4 shall not apply to the sale of any shares to an underwriter pursuant to an underwriting agreement, and shall be applicable to the Investors only if all executive officers and directors of the Company are subject to at least the same restrictions. The underwriters in connection with such registration are intended third-party beneficiaries of this Section 3.4 and shall have the right, power, and authority to enforce the provisions hereof as though they were a party hereto. Each Investor further agrees to execute such agreements as may be reasonably requested by the underwriters in connection with such registration that are consistent with this Section 3.4 or that are necessary to give further effect thereto. For the avoidance of doubt, in no event shall the Investors or any Affiliate of the Investors be restricted from selling or otherwise disposing of any securities of the Company other than the Original Securities by the terms hereof.

3.5 Preparation; Reasonable Investigation . In connection with the preparation and filing of each Registration Statement registering the Investors' Registrable Securities under the Securities Act, the Company will give such Investors and the underwriters, if any, and their respective counsel and accountants, drafts of such Registration Statement for their review and comment prior to filing and such access to its books and records and such opportunities to discuss the business of the Company with its officers and the independent public accountants who have certified its financial statements as shall be necessary, in the opinion of such Investors and underwriters or their respective counsel, to conduct a reasonable investigation within the meaning of the Securities Act.

SECTION 4
INFORMATION RIGHTS

4.1 Delivery of Financial Statements . The Company shall deliver to the Investors:

(a) as soon as practicable, but in any event within ninety days (90) after the end of each fiscal year of the Company, a balance sheet as of the last day of such year and an income statement and a statement of stockholders' equity and cash flows for such year, prepared in accordance with GAAP consistently applied, and audited and certified by independent public accountants selected by the Company;

(b) as soon as practicable, but in any event within forty five (45) days after the end of each of the first three (3) quarters of each fiscal year of the Company, an unaudited income statement and an unaudited balance sheet as of the end of such fiscal quarter, in such form as the Company normally produces for internal use, and prepared in accordance with GAAP consistently applied (except that such financial statements may (i) be subject to year-end audit adjustments that are not, individually or in the aggregate, material and (ii) not contain notes thereto that may be required in accordance with GAAP);

(c) with respect to the financial statements called for in subsections (a) and (b) of this Section 4.1, an instrument signed by the Company certifying that such financial statements were prepared in accordance with GAAP consistently applied with the Company's prior practice for earlier periods (in the case of Section 4.1 (b), with the exception of footnotes that may be required by GAAP) and fairly present in all material respects the financial condition of the Company and its results of operation for the periods specified therein, subject to year end audit adjustment that are not, individually or in the aggregate, material (in the case of Section 4.1(b) only); and

(d) such other information relating to the financial condition, business, prospects or corporate affairs of the Company as the Company provides to all other stockholders and such further information as an Investor may reasonably request from time to time.

4.2 Inspection. The Company shall permit each Investor to visit and inspect the Company's properties, to examine its books of account and records and to discuss the Company's affairs, finances and accounts with its officers, all at such reasonable times as may be requested by the Investor; provided, however, that the Company shall not be obligated pursuant to this Section 4.2 to provide access to any information the disclosure of which would adversely affect the attorney-client privilege between the Company and its legal counsel.

4.3 Confidentiality . Each Investor hereby agrees that it will keep confidential and will not disclose, divulge, or use for any purpose (other than to monitor its investment in the Company) any confidential information obtained from the Company to the extent such information specifically relates to the Company pursuant to the terms of this Agreement (including notice of the Company's intention to file a registration statement), unless (a) such information is already in its possession prior to its being furnished to the Investor by or on behalf of the Company; (b) such information has become generally available to the public other than as a result of a disclosure by the Investor or its Affiliates by any means; or (c) such information has become available to the Investor on a non-confidential basis from a source other than the Company or on behalf of the Company, provided, however , that the Investor is not aware that such source is not bound by a confidentiality agreement with, or other contractual, legal, or fiduciary obligation of secrecy or confidentiality to, the Company; provided , however, that an Investor may disclose confidential information (i) to its Affiliates and its and its Affiliates' respective directors, officers, general partners, members, employees, contractors, agents, advisors (including financial advisors and legal counsel) that need to know such information to the extent necessary to monitor such Investor's investment in the Company provided that such persons are subject to customary confidentiality agreements with the Investor with respect thereto; or (ii) as may otherwise be required by law or legal process; provided further that such Investor promptly notifies the Company of any such disclosure required by law or legal process and takes

commercially reasonable steps to minimize the extent of any such required disclosure; and provided further that an Investor may disclose to its limited partners high-level summaries of Financial Statements received pursuant to Section 4.1 hereof to the extent required by the applicable partnership agreement and provided that the limited partners are subject to customary confidentiality agreements with the Investor with respect thereto.

4.4 Termination of Information Covenants. The covenants set forth in Section 4.1 and Section 4.2 shall terminate and be of no further force or effect upon the consummation of the Initial Public Offering or when the Company first becomes subject to the periodic reporting requirements of Section 13(a) or 15(d) of the Exchange Act, whichever event occurs first.

4.5 Provision of Information by Investors. Each Investor hereby agrees to promptly provide to the Company such information and materials as the Company may reasonably request in connection with any notices or applications of the Company or any of its subsidiaries to or with applicable banking or other regulators in order to respond to any informational requests or requirements of such regulators or applicable law.

SECTION 5
TRANSFER AND OTHER RESTRICTIONS

5.1 Restrictions on Transfer.

(a) Each Investor agrees not to make any disposition of all or any portion of the Common Stock other than:

(i) to an Affiliate that agrees in writing to be bound by the provisions of the Subscription Agreement and this Agreement;

(ii) to a transferee that agrees in writing to be bound by the provisions of the Subscription Agreement and this Agreement;

(iii) to a transferee in a widely distributed public offering pursuant to an effective registration statement under the Securities Act or Offering, in a transaction not requiring registration under the Securities Act;

(iv) by (A) a partnership to its partners or retired partners in accordance with their partnership interest, (B) a corporation to its stockholders in accordance with their interest in the corporation, (C) a limited liability company to its members or former members in accordance with their interest in the limited liability company, (D) an investment or venture capital fund to an affiliated investment or venture capital fund or (E) to the Investor's family member or trust for the benefit of an individual Investor, provided in each case that the transfer complies with applicable securities laws.

1.1.1 (b) At any time prior to the Initial Public Offering or the Company otherwise becoming subject to the periodic reporting obligations of Section 13(a) or Section 15(d) of the Exchange Act, the Company may refuse to register any proposed transfer of shares of Common Stock if, as a result of such transfer, the Company's Common Stock would be held of record (within the meaning of Rule 12g5-1 under the Exchange Act or any successor thereto) by more than 450 holders.

5.2 Legends . Each certificate representing shares of Common Stock shall (unless otherwise permitted by the provisions of this Agreement) be stamped or otherwise imprinted with a legend substantially similar to the following (in addition to any legend required under applicable state securities laws):

THE SECURITIES REPRESENTED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 (THE "ACT") AND MAY NOT BE OFFERED, SOLD OR OTHERWISE TRANSFERRED, PLEDGED OR HYPOTHECATED UNLESS AND UNTIL REGISTERED UNDER THE ACT OR, IN THE OPINION OF COUNSEL, REASONABLY SATISFACTORY TO THE ISSUER OF THESE SECURITIES, SUCH OFFER, SALE OR TRANSFER, PLEDGE OR HYPOTHECATION OTHERWISE COMPLIES WITH THE ACT. THE SHARES REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO RESTRICTIONS PURSUANT TO AN INVESTORS' RIGHTS AGREEMENT BETWEEN THE COMPANY AND THE ORIGINAL HOLDER OF THESE SHARES, A COPY OF WHICH MAY BE OBTAINED AT THE PRINCIPAL OFFICE OF THE COMPANY. SUCH TRANSFER RESTRICTIONS ARE BINDING UPON THE TRANSFEREE OF THESE SHARES.

5.3 Unlegended Certificates . The Company shall be obligated to reissue certificates not bearing the first paragraph of the legend set forth above at the request of any holder thereof if the holder shall have obtained (i) an opinion of counsel (in form and substance and from counsel reasonably satisfactory to the Company) at such Investor's expense to the effect that the securities proposed to be disposed of may lawfully be so disposed of without registration, qualification or legend, and (ii) delivered such securities to the Company or its transfer agent.

5.4 Prohibited Transfers . The Company may refuse to register any proposed disposition of Common Stock that is not in accordance with the foregoing transfer restrictions, and any purported transfer in violation of these restrictions shall be null and void. In determining whether to register an attempted transfer, the Company may reasonably require such supporting documents and instruments, including agreements, certificates, representations and warranties and opinions of counsel, as it may request in its absolute discretion to establish compliance with this Section 5.

5.5 Ownership Limitation . Each Investor agrees that it will not, without any required regulatory approval, acquire additional securities of the Company such that, upon consummation of such additional securities, and conversion, exercise or exchange of any securities hereafter acquired by subscriber for voting securities of the Company, would result in the Investor and its Affiliates having beneficial ownership greater than 9.9% of any class of the Company's voting securities then outstanding.

SECTION 6
INDEMNIFICATION AND CONTRIBUTION

6.1 Indemnification and Contribution . Upon the registration of the Registrable Securities pursuant to Section 2 hereof:

(a) Indemnification by the Company . The Company shall indemnify and hold harmless each Investor and each of its officers and directors and each Person who controls such Investor within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act (each such person being sometimes referred to as an " Indemnified Person ") against any

losses, claims, damages or liabilities, joint or several, to which such Indemnified Person may become subject under the Securities Act or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon an untrue statement or alleged untrue statement of a material fact contained in any Registration Statement under which such Registrable Securities are to be registered under the Securities Act, or any Prospectus contained therein or furnished by the Company to any Indemnified Person, or any amendment or supplement thereto, or arise out of or are based upon the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, and the Company hereby agrees to reimburse such Indemnified Person for any legal or other expenses reasonably incurred by them in connection with investigating or defending any such action or claim as such expenses are incurred; provided however , that the Company shall not be liable to any such Indemnified Person in any such case to the extent that any such loss, claim, damage or liability arises out of or is based upon an untrue statement or alleged untrue statement or omission or alleged omission made in such Registration Statement or Prospectus, or amendment or supplement, in reliance upon and in conformity with written information furnished to the Company by such Indemnified Person expressly for use therein.

(b) Indemnification by the Investors . Each Investor agrees, upon exercise of its registration rights pursuant to Section 2, to (i) indemnify and hold harmless the Company, its directors, officers who sign any Registration Statement and each Person, if any, who controls the Company within the meaning of either Section 15 of the Securities Act or Section 20 of the Exchange Act, against any losses, claims, damages or liabilities to which the Company or such other persons may become subject, under the Securities Act or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon an untrue statement or alleged untrue statement of a material fact contained in such Registration Statement or Prospectus, or any amendment or supplement, or arise out of or are based upon the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, in each case to the extent, but only to the extent, that such untrue statement or alleged untrue statement or omission or alleged omission was made in reliance upon and in conformity with written information furnished to the Company by such Investor expressly for use therein, and (ii) reimburse the Company for any legal or other expenses reasonably incurred by the Company in connection with investigating or defending any such action or claim as such expenses are incurred.

(c) Notices of Claims, Etc . Promptly after receipt by an indemnified party under subsection (a) or (b) above of notice of the commencement of any action, such indemnified party shall, if a claim in respect thereof is to be made against an indemnifying party under this Section 6, promptly notify such indemnifying party in writing of the commencement thereof; but the omission so to notify the indemnifying party shall not relieve it from any liability which it may have to any indemnified party under this Section 6, except to the extent that the indemnifying party is materially prejudiced by the indemnified party's failure to give such notice. In case any such action shall be brought against any indemnified party and it shall notify an indemnifying party of the commencement thereof, such indemnifying party shall be entitled to participate therein and, to the extent that it shall wish, jointly with any other indemnifying party similarly notified, to assume the defense thereof, with counsel reasonably satisfactory to such indemnified party (who shall not, except with the consent of the indemnified party, be counsel to

the indemnifying party), and, after notice from the indemnifying party to such indemnified party of its election so to assume the defense thereof, such indemnifying party shall not be liable to such indemnified party under this Section 6 for any legal expenses of other counsel or any other expenses, in each case subsequently incurred by such indemnified party, in connection with the defense thereof other than reasonable costs of investigation; provided, however, that the indemnified party, together with all the other indemnified parties that may be represented without conflict by one legal counsel, shall have the right to retain one separate legal counsel, whose fees and expenses shall be paid by the indemnifying party, if representation of such indemnified party by the legal counsel retained by the indemnifying party would be inappropriate due to actual or potential differing interests between such indemnified party or any other party represented by such counsel in such proceeding. No indemnifying party shall, without the written consent of the indemnified party, effect the settlement or compromise of, or consent to the entry of any judgment with respect to, any pending or threatened action or claim in respect of which indemnification or contribution may be sought hereunder (whether or not the indemnified party is an actual or potential party to such action or claim) unless such settlement, compromise or judgment (i) includes an unconditional release of the indemnified party from all liability arising out of such action or claim and (ii) does not include a statement as to, or an admission of, fault, culpability or a failure to act, by or on behalf of any indemnified party. No indemnified party may effect the settlement or compromise of, or consent to the entry of any judgment with respect to, any pending or threatened action or claim in respect of which indemnification or contribution may be sought hereunder (whether or not the indemnifying party is an actual or potential party to such action or claim) without the prior written consent of the indemnifying party.

(d) Contribution . If the indemnification provided for in this Section 6 is unavailable to or insufficient to hold harmless an indemnified party under subsection (a) or (b) above in respect of any losses, claims, damages or liabilities (or actions in respect thereof) referred to therein, then each indemnifying party shall contribute to the amount paid or payable by such indemnified party as a result of such losses, claims, damages or liabilities (or actions in respect thereof) in such proportion as is appropriate to reflect the relative fault of the indemnifying party and the indemnified party in connection with the statements or omissions which resulted in such losses, claims, damages or liabilities (or actions in respect thereof), as well as any other relevant equitable considerations. The relative fault of such indemnifying party and indemnified party shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or omission or alleged omission to state a material fact relates to information supplied by such indemnifying party or by such indemnified party, and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission. The amount paid or payable by an indemnified party as a result of the losses, claims, damages or liabilities (or actions in respect thereof) referred to above shall be deemed to include any legal or other fees or expenses reasonably incurred by such indemnified party in connection with investigating or defending any such action or claim to the extent such fees or expenses were incurred prior to an indemnifying party's election to assume the defense of such action or claim. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation.

(e) Notwithstanding any other provision of this Section 6, in no event will an Investor be required to undertake liability to any Person or Persons under this Section 6 for any amounts in the aggregate in excess of the dollar amount of the proceeds to be received by such Investor from the sale of such Investor's Registrable Securities (after deducting any fees, discounts and commissions applicable thereto) pursuant to any Registration Statement under which such Registrable Securities are to be registered under the Securities Act.

(f) The obligations of the Company under this Section 6 shall be in addition to any liability that the Company may otherwise have to any Indemnified Person and the obligations of the Company and the Investors under this Section 6 shall be in addition to any liability that such Persons may otherwise have to the Company. The remedies provided in this Section 6 are not exclusive and shall not limit any rights or remedies that may otherwise be available to a party at law or in equity.

SECTION 7
PREEMPTIVE RIGHTS

7.1 Right to Purchase New Securities . The Company hereby grants to each Investor the right to purchase any or all of such Investor's Preemptive Share Percentage (as defined below) of all New Securities (as defined below) that the Company may, from time to time, propose to issue and sell at the cash price and on the terms on which the Company proposes to sell such New Securities. An Investor's " Preemptive Share Percentage" shall be equal to a fraction (A) the numerator of which is the number of shares of Common Stock held by such Investor on the date of the Company's written notice pursuant to Section 7.3 and (B) the denominator of which is the aggregate number of shares of Common Stock outstanding on such date.

7.2 New Securities . " New Securities " shall mean any shares of Common Stock and rights, options or warrants to purchase Common Stock that are sold by the Company for cash; provided, however, that the term New Securities shall not include (i) securities issued as part of compensatory arrangements to employees, consultants or directors of the Company or any of its subsidiaries whether or not pursuant to any management equity plan or stock option plan or any other management or employee benefit plan or other equity compensation agreement; (ii) securities issued pro rata to existing security holders pursuant to any stock dividend, stock split, combination or other reclassification by the Company of any of its capital stock; (iii) securities issued in connection with transactions that are primarily debt financing transactions to which the Company and an unaffiliated third party may be a party and which are approved by the Board, including securities issued pursuant to the exercise of warrants, rights, options or other securities issued in connection therewith; (iv) securities issued as part of the sale of the Company, or in connection with the acquisition of another Person or any assets thereof by merger, purchase or otherwise; (v) securities issued pursuant to the fulfillment of commitments made in the Subscription Agreements; or (vi) securities issued upon the conversion, exchange or exercise of any securities that may be issued by the Company that provide for the conversion or exchange into or exercise for any other securities, where the Investors were granted preemptive rights pursuant to this Section 7 in connection with the initial issuance of such convertible, exchangeable or exercisable security.

7.3 Required Notices . In the event the Company proposes to undertake an issuance of New Securities, it shall give each Investor written notice of its intention, describing the type of New Securities, the cash price, the number and type of New Securities and the general terms upon which the Company proposes to issue the same. Each Investor shall have twenty (20) days from the date of receipt of any such notice to agree to purchase any or all of such Investor's (a) Optional Investment, or (b) Preemptive Share Percentage of such New Securities, as may be applicable, for the Issue Price in the case of (a), and in the case of (b) at the price and upon the general terms specified in the Company's notice, by the Investor giving written notice to the Company and stating therein the quantity of New Securities to be purchased.

7.4 Company's Right to Sell . In the event any Investor fails to exercise its right within such twenty (20) day period to acquire its full Preemptive Share Percentage of the New Securities offered, the Company shall have sixty (60) days to sell or enter into an agreement to sell (pursuant to which the sale of New Securities covered thereby shall be closed, if at all, within one hundred twenty (120) days from the date of such agreement) all such New Securities for which the Investors' preemptive rights were not exercised, at a price and upon terms not more favorable in any material respect to the purchasers thereof than specified in the Company's notice delivered pursuant to Section 7.3. In the event the Company has not sold within such sixty (60) day period or entered into any agreement to sell all such New Securities within such sixty (60) day period (or sold and issued all such New Securities in accordance with the foregoing within one hundred twenty (120) days from the date of such agreement), the Company shall not thereafter issue or sell any New Securities without first offering such securities to the Investors in the manner provided in this Section 7.

7.5 Certain Preemptive Rights Limitations . Except with any required regulatory approvals, no Investor shall be permitted to purchase New Securities pursuant to this Section 7 to the extent such purchase would result in such Investor and any Affiliate of such Investor (considered as if they were a single entity) having more than 9.9% of any class of voting securities of the Company, determined in accordance with the rules and regulations of the Board of Governors of the Federal Reserve System (including the definition of "affiliate" set forth therein); provided, however, that the Company shall be obligated to make available for purchase by such Investor sufficient Class B shares as to enable such Investor to exercise its preemptive rights through the purchase of Class B shares, or shall otherwise make appropriate arrangements to enable such Investor to exercise its preemptive rights hereunder.

SECTION 8
VOTING AND CONVERSION RIGHTS

8.1 Voting Rights . Except as otherwise required by law, Class A Shares shall be entitled to one vote per outstanding share, and Class B Shares shall be entitled to no voting rights, either on a per share or class basis.

8.2 Conversion Rights . Class B Shares will not be convertible into Class A Shares in the hands of the Investor and will only become convertible into Class A Shares when transferred in a permitted transfer (as defined below) to a third party unaffiliated with the Investor; provided, however, that an Investor may convert Class B shares into Class A shares if, but only to the extent, that upon such conversion such Investor would not own more than 9.9% of the then

outstanding Class A shares. The Investor may sell or transfer such shares to an Affiliate; however the Class B Shares would remain non-voting in the hands of such Affiliate. Class B Shares would be automatically convertible into Class A Shares upon a permitted transfer defined in the Company's Articles of Incorporation, such a transfer being a sale or transfer: (i) to the Company; (ii) in a widely dispersed public offering; (iii) in which no transferee (or group of associated transferees) would receive 2% or more of a class of the Company's voting securities; or (iv) to a person that, prior to the completion of the transfer, owns, controls or holds the power to vote 50% or more of the Class A Shares. Any conversions of the Class B Shares shall be effected in accordance with procedures provided in the Company's Articles of Incorporation. In the event of any conflict between the provisions of this Section 8.2 and those of the Company's Articles of Incorporation, the provisions of the Company's Articles of Incorporation shall be controlling.

SECTION 9
MISCELLANEOUS

9.1 Termination of the Company's Obligations . The Company shall have no obligations pursuant to Section 7 hereof after the consummation of the Company's Initial Public Offering.

9.2 Governing Law . This Agreement shall be governed by and construed in accordance with the laws of the State of California, without giving effect to the conflict of laws rules thereof.

9.3 Assignment; Successors and Assigns . No party hereto may assign this Agreement or any of its rights, interests or obligations hereunder without the prior written approval of the other; provided , however, that an Investor may assign its rights (but only together with the associated obligations) hereunder, in whole or in part, to a Permitted Transferee. Except as otherwise expressly provided herein, the provisions hereof shall inure to the benefit of, and be binding upon, the respective successors, permitted assigns, heirs, executors and administrators of the parties hereto.

9.4 Entire Agreement . This Agreement, together with any previously executed Nondisclosure Agreement between an Investor and the Company and the applicable Subscription Agreement between an Investor and the Company, constitutes the full and entire understanding and agreement among the parties with regard to the subjects hereof, and this Agreement shall supersede and cancel all prior agreements between the parties hereto with regard to the subject matter hereof, and in particular, but without limiting the generality of the foregoing, it shall supersede the entire registration rights, preemptive rights, rights of first refusal or any and all similar rights held by the Investors prior to the execution of this Agreement.

9.5 Notices, etc . Except as otherwise expressly provided herein, all notices and other communications required or permitted hereunder shall be in writing (including, without limitation, facsimile or e-mail communication) or confirmed in writing, and such notices and other communications shall, when mailed, communicated by facsimile transmission or e-mailed, be effective when received at the address for notices to the party to whom such notice or communications is to be given as follows:

If to an Investor, at the address set forth next to such Investor's name on Annex A, or at such other address as the Company may be notified in writing from time to time.

If to the Company, at:

Silvergate Capital Corporation
4275 Executive Square, Suite 800
La Jolla, California 92037
Attention: Alan J. Lane
Facsimile: (858) 362-3300
Email: alane@silvergatebank.com

or at such other address as either party shall have furnished to the other in writing.

9.6 Delays or Omissions . No delay or omission to exercise any right, power or remedy accruing to either party hereto upon any breach or default of the other party under this Agreement shall impair any such right, power or remedy of such party nor shall it be construed to be a waiver of any such breach or default, or any acquiescence therein, or of or in any similar breach or default thereafter occurring; nor shall any waiver of any single breach or default be deemed a waiver of any other breach or default theretofore or thereafter occurring. Any waiver, permit, consent or approval of any kind or character on the part of any party hereto of any breach or default under this Agreement or any waiver on the part of any party hereto of any provisions or conditions of this Agreement must be made in writing and shall be effective only to the extent specifically set forth in such writing. All remedies, either under this Agreement or by law or otherwise afforded to any party, shall be cumulative and not alternative.

9.7 Severability . In case any provision of this Agreement shall be invalid, illegal, or unenforceable, the validity, legality and enforceability of the remaining provisions of this Agreement shall not in any way be affected or impaired thereby. The parties hereto agree to replace any such provision with a valid provision that reflects as closely as possible the intent and spirit of the invalid provision.

9.8 Specific Performance . The parties hereto acknowledge that the obligations undertaken by them hereunder are unique and that there would be no adequate remedy at law if any party fails to perform any of its obligations hereunder, and accordingly agree that each party, in addition to any other remedy to which it may be entitled at law or in equity, shall be entitled to seek specific performance of the obligations, covenants and agreements of any other party under this Agreement in accordance with the terms and conditions of this Agreement without being required to post any bond or other security.

9.9 Titles and Subtitles . The titles of the Sections, subsections and paragraphs of this Agreement are for convenience of reference only and are not to be considered in construing this Agreement.

9.10 Counterparts . This Agreement may be executed in any number of counterparts, each of which shall be an original, but all of which together shall constitute one instrument.

(Signature Page Follows)

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first set forth above.

SILVERGATE CAPITAL CORPORATION

By: _____
Dennis S. Frank
Chairman and Chief Executive Officer

INVESTOR

By _____

ANNEX A
INVESTORS

Name	Contact Information
[_____]	[_____]

Exhibit 10.1

SILVERGATE CAPITAL CORPORATION

2018 EQUITY COMPENSATION PLAN

ARTICLE I
Establishment, Purpose and Duration

1.1 *Establishment of the Plan* . Silvergate Capital Corporation (hereinafter referred to as the " Company "), a Maryland corporation, hereby establishes an incentive compensation plan to be known as the "2018 Equity Compensation Plan" (hereinafter referred to as the " Plan "), as set forth in this document. Unless otherwise defined herein, all capitalized terms shall have the meanings set forth in Section 2.1 herein. The Plan permits the grant of Incentive Stock Options, Non-Qualified Stock Options, Stock Appreciation Rights, Restricted Stock, and/or Restricted Stock Units to Key Associates and Directors.

The Plan was adopted by the Board of Directors of the Company on June 4, 2018 to become effective (the " Effective Date ") as of June 22, 2018 if approved by the Company's shareholders at the applicable Special Meeting of Shareholders in accordance with applicable laws. Except for Awards payable only in cash (with payment also contingent on shareholder approval of the Plan), Awards may not be granted under the Plan prior to shareholder approval of the Plan.

1.2 *Purpose of the Plan* . The purpose of the Plan is to promote the success of the Company and its Subsidiaries by providing incentives to Key Associates and Directors that will align their personal interest with both the long term financial success of the Company and growth in shareholder value. The Plan is designed to provide flexibility to the Company in its ability to motivate, attract, and retain the services of Key Associates and Directors whose judgment, interest and special effort is integral to the success of the Company's operations.

1.3 *Duration of the Plan* . The Plan shall commence on the Effective Date, as described in Section 1.1 herein, and shall remain in effect, subject to the right of the Board of Directors to terminate the Plan at any time pursuant to Article XII herein, until June 22, 2028, at which time it shall terminate except with respect to Awards made prior to, and outstanding on, that date which shall remain valid in accordance with their terms.

ARTICLE II
Definitions

2.1 *Definitions* . Except as otherwise defined in the Plan, the following terms shall have the meanings set forth below:

(a) " Agreement " means a written agreement implementing the grant of each Award signed by an authorized officer of the Company and by the Participant.

(b) " Award " means, individually or collectively, a grant under the Plan of Incentive Stock Options, Non-Qualified Stock Options, Stock Appreciation Rights, Restricted Stock, and/or Restricted Stock Units.

(c) " Award Date " or " Grant Date " means the date the Committee adopts a resolution or takes other appropriate action expressly granting an Award to a Participant that specifies the key terms and conditions of the Award or, if a later date is set forth in such resolution, then such later date as set forth in such resolution.

(d) " Board " or " Board of Directors " means the Board of Directors of the Company.

(e) " Change in Control " shall be deemed to have occurred if the conditions set forth in any one of the following paragraphs shall have been satisfied:

(i) any one person, or more than one person acting as a group, acquires ownership of securities of the Company that, together with securities held by such person or group, constitutes more than 50 percent of the total voting power of the securities of the Company;

(ii) either (a) any one person, or more than one person acting as a group, acquires (or has acquired during the 12-month period ending on the date of the most recent acquisition by such person or persons) ownership of securities of the Company possessing more than 50 percent or more of the total voting power of the securities of the Company; or (b) a majority of members of the Board is replaced during any 12-month period by Directors whose appointment or election is not endorsed by a majority of the members of the Board prior to the date of the appointment or election; or

(iii) any one person, or more than one person acting as a group, acquires (or has acquired during the 12-month period ending on the date of the most recent acquisition by such person or persons) assets from the Company that have a total gross fair market value equal to or more than 50 percent of the total gross fair market value of all of the assets of the Company immediately prior to such acquisition or acquisitions. For this purpose, gross fair market value means the value of the assets of the Company, or the value of the assets being disposed of, determined without regard to any liabilities associated with such assets.

Notwithstanding the foregoing, ownership or control of the Company's voting stock, individually or collectively, by Silvergate Bank, the Company's bank subsidiary (the " Bank ") or any benefit plan sponsored by the Company or the Bank shall not constitute a Change in Control. For purposes of this paragraph only, the term "person" refers to an individual or a corporation, partnership, trust, association, joint venture, pool, syndicate, sole proprietorship, unincorporated organization of any other form of entity not specifically listed herein.

(f) " Code " means the Internal Revenue Code of 1986, as amended from time to time.

(g) " Committee " means a committee of the Board consisting of not less than two Directors, which shall be appointed to administer the Plan pursuant to Article III hereof, all of the members of which shall be "non-employee directors" as defined in Rule 16b-3, as amended, under the Exchange Act, or any similar or successor rule, and "outside directors" within the meaning of Section 162(m)(4)(C)(i) of the Code. Unless otherwise determined by the Board, the Compensation Committee of the Board, or any successor committee responsible for executive compensation, shall constitute the Committee.

(h) " Company " means Silvergate Capital Corporation or any successor thereto as provided in Article XIV herein.

(i) " Director " means a director of the Company or any of its Subsidiaries, which term shall not include an advisory or honorary director.

(j) " Exchange Act " means the Securities Exchange Act of 1934, as amended from time to time.

(k) " Fair Market Value " of a Share as of any particular date shall be the closing price of such security on the date of calculation (or on the last preceding trading date if such security was not traded on such date), or, if not so reported, the fair market value as determined pursuant to a reasonable method adopted by the Committee in good faith for such purpose and in a manner consistent with Section 409A of the Code.

(l) " Incentive Stock Option " or " ISO " means an option to purchase Shares, granted under Article VI herein, which is designated as an incentive stock option and is intended to meet the requirements of Section 422 of the Code.

(m) " Key Associate " means an officer, employee or consultant of the Company or of its Subsidiaries (including any corporation which becomes a Subsidiary after the adoption of the Plan by the Board) who, in the opinion of the Committee, can contribute significantly to the growth and profitability of, or perform services of major importance to, the Company and its Subsidiaries. The term includes a Director who is also an officer or employee of the Company or its Subsidiaries.

(n) " Non-Qualified Stock Option " or " NQSO " means an option to purchase Shares, granted under Article VI herein, which is not intended to be an Incentive Stock Option.

(o) " Option " means an Incentive Stock Option or a Non-Qualified Stock Option.

(p) " Option Price " means the price at which each Share subject to an Option may be purchased from the Company upon exercise of the Option.

(q) " Participant " means a Key Associate or a Director who has been granted an Award under the Plan and whose Award remains outstanding.

(r) " Period of Restriction " means the period during which the transfer of Shares of Restricted Stock is restricted, pursuant to Article VIII herein.

(s) " Plan " means this 2018 Stock Equity Compensation Plan, as herein described and as hereafter from time to time amended.

(t) " Restricted Stock " means an Award of Shares granted to a Participant pursuant to Article VIII herein, which is subject to restrictions and forfeiture until the designated conditions for the lapse of the restrictions are satisfied.

(u) " Restricted Stock Unit " or " RSU " means an Award, designated as a Restricted Stock Unit, granted to a Participant pursuant to Article IX herein and valued by reference to Shares, which is subject to restrictions and forfeiture until the designated condition for the lapse of the restrictions are satisfied.

(v) " Section 409A " shall have the meaning set forth in Section 16.1 herein.

(w) " Share " means a share of Stock.

(x) " Stock " means the Class A voting common stock, $0.01 par value per share, of the Company.

(y) " Stock Appreciation Right " or " SAR " means an Award, designated as a stock appreciation right, granted to a Participant pursuant to Article VII herein.

(z) " Subsidiary " means any subsidiary corporation of the Company within the meaning of Section 424(f) of the Code.

(aa) " Substitute Awards " shall mean Awards granted or shares issued by the Company in assumption of, or in substitution or exchange for, awards previously granted, or the right or obligation to make future awards, by a company acquired by the Company or any Subsidiaries or with which the Company or any Subsidiary combines; provided that the terms and conditions of each such Substitute Award (including, without limitation, the exercise price and number of shares subject to such Substitute Award) shall be determined in accordance with Treasury Regulations section 1.409A-1(b)(5)(v)(D).

ARTICLE III
Administration

3.1 *Administration of the Plan by the Committee.* The Plan shall be administered by the Committee which shall have all powers necessary or desirable for such administration. The express grant in the Plan of any specific power to the Committee shall not be construed as limiting any power or authority of the Committee. In addition to any other powers and, subject to the provisions of the Plan, the Committee shall have the following specific powers:

(a) to determine the terms and conditions upon which the Awards may be made and exercised;

(b) to determine all terms and conditions of each Agreement, which need not be identical;

(c) to construe and interpret the Agreements and the Plan;

(d) to establish, amend or waive rules or regulations for the Plan's administration;

(e) to delegate its authority to one or more Officers of the Company with respect to Awards that do not involve "covered employees" within the meaning of Section 162(m) of the Code or "insiders" within the meaning of Section 16 of the Exchange Act;

(f) to amend any outstanding Awards, including for the purpose of modifying the time or manner of vesting, or the term of any outstanding Award; *provided, however* , that if any such amendment impairs a Participant's rights or increases a Participant's obligations under his or her Award or creates or increases a Participant's federal income tax liability with respect to an Award, such amendment shall also be subject to the Participant's consent;

(g) to determine the duration and purpose of leaves of absences which may be granted to a Participant without constituting termination of their employment or service for purposes of the Plan, which periods shall be no shorter than the periods generally applicable to Employees under the Company's employment policies;

(h) to interpret, administer, reconcile any inconsistency in, correct any defect in and/or supply any omission in the Plan and any instrument or agreement relating to, or Award granted under, the Plan; and

(i) to make all other determinations and take all other actions necessary or advisable for the administration of the Plan.

Notwithstanding anything in the Plan to the contrary, the Committee shall have the ability to accelerate the vesting of any outstanding Award at any time and for any reason, including upon a Change in Control, subject to Article X , or in the event of a Participant's termination of service by the Company other than for cause, or due to the Participant's death, Disability or retirement (as such term may be defined in an applicable Award Agreement or, if no such definition exists, in accordance with the Company's then-current policies and guidelines). The Committee shall make an equitable adjustment, without limitation, to reflect extraordinary, unusual or infrequently occurring events provided that no Award may be modified to reduce the outstanding exercise price of outstanding Options or SARs or cancel outstanding Options or SARs in exchange for cash or other Awards with an exercise price that is less than the exercise price of the original Option without shareholder approval, and subject to the requirements of any minimum vesting requirements, and, as applicable, Article X .

The Chairman of the Committee and such other Directors and officers of the Company as shall be designated by the Committee are hereby authorized to execute Agreements on behalf of the Company and to cause them to be delivered to the recipients of Awards.

Subject to limitations under applicable law, the Committee is authorized in its discretion to issue Awards and/or accept notices, elections, consents and/or other forms or communications by Participants by electronic or similar means, including, without limitation, transmissions through e-mail, voice mail, recorded messages on electronic telephone systems, and other permissible methods, on such basis and for such purposes as it determines from time to time.

A majority of the entire Committee shall constitute a quorum and the action of a majority of the members present at any meeting at which a quorum is present (in person or as otherwise permitted by applicable law), or acts approved in writing by a majority of the Committee without a meeting, shall be deemed the action of the Committee.

The Committee also may modify the purchase price or the exercise price of any outstanding Award, provided that if the modification effects a repricing, shareholder approval shall be required before the repricing is effective.

3.2 *Selection of Participants.* The Committee shall have the authority to grant Awards under the Plan, from time to time, to such Key Associates and/or Directors as may be selected by it. Each Award shall be evidenced by an Agreement.

3.3 *Decisions Binding.* All determinations and decisions made by the Board or the Committee pursuant to the provisions of the Plan shall be final, conclusive and binding on the Company and the Participants, unless such decisions are determined by a court having jurisdiction to be arbitrary and capricious.

3.4 *Requirements of Rule 16b-3 and Section 162(m) of the Code.* Notwithstanding any other provision of the Plan, the Board or the Committee may impose such conditions on any Award, and amend the Plan in any such respects, as may be required to satisfy the requirements of Rule 16b-3, as amended (or any successor or similar rule), under the Exchange Act.

Any provision of the Plan to the contrary notwithstanding, and except to the extent that the Committee determines otherwise: (a) transactions by and with respect to officers and Directors of the Company who are subject to Section 16(b) of the Exchange Act (hereafter, " Section 16 Persons ") shall comply with any applicable conditions of SEC Rule 16b-3; (b) transactions with respect to persons whose remuneration is subject to the provisions of Section 162(m) of the Code shall conform to the requirements of Section 162(m)(4)(C) of the Code, unless otherwise eligible for transition relief under Section 162(m); and (c) every provision of the Plan shall be administered, interpreted and construed to carry out the foregoing provisions of this sentence.

3.5 *Indemnification of Committee.* In addition to such other rights of indemnification as they may have as Directors or as members of the Committee, and to the extent allowed by applicable law, the members of the Committee shall be indemnified by the Company against reasonable expenses, including attorneys' fees actually and reasonably incurred in connection with the defense of any action, suit or proceeding, or in connection with any appeal therein, to which they or any of them may be a party by reason of any action taken or failure to act under or in connection with the Plan or any Award granted or made hereunder, and against all amounts reasonably paid by them in settlement thereof (*provided, however* , that the settlement has been approved by the Company, which approval shall not be unreasonably withheld) or paid by them in satisfaction of a judgment in any such action, suit or proceeding, if such members acted in good faith and in a manner which they believed to be in, and not opposed to, the best interests of the Company and its Subsidiaries; *provided further, however* , that within 60 days after institution of any such action, suit or proceeding, such Committee may, in writing, offer the Company the opportunity at its own expense to handle and defend such action, suit or proceeding.

ARTICLE IV
Shares Subject to the Plan

4.1 *Number of Shares.* Subject to adjustment as provided in Section 4.4 herein, the maximum aggregate number of Shares that may be issued pursuant to Awards made under the Plan shall not exceed the sum of 1,596,753, all of which are available for grants of Incentive Stock Options. Except as provided in Sections 4.2 and 4.3 herein, the issuance of Shares in connection with the exercise of, or as other payment for Awards, under the Plan shall reduce the number of Shares available for future Awards under the Plan and shall not again be available for the grant of an Award. During the terms of the Awards, the Company shall keep available at all times the number of Shares of Stock required to satisfy such Awards.

Shares that may be issued under the Plan may either be authorized but unissued Shares or Shares held in a grantor trust created by the Company.

The Company, during the term of the Plan and thereafter during the term of any outstanding Award which may be settled in Shares, shall reserve and keep available a number of Shares sufficient to satisfy the requirements of the Plan.

4.2 *Lapsed Awards or Forfeited Shares.* Any Shares of Stock that are subject to an Award that terminates without being exercised, expires, is forfeited or canceled, is exchanged for an Award that does not involve Shares of Stock or, is settled in cash in lieu of shares, shall, to the extent of such termination, expiration, forfeiture, cancellation, or exchange for another Award or settlement in cash, again be available for Awards under the Plan.

4.3 *Delivery of Shares as Payment.* Notwithstanding anything to the contrary contained herein: Shares subject to an Award under the Plan shall not again be made available for issuance or delivery under the Plan if such Shares are (a) Shares tendered in payment of an Option, (b) Shares delivered or withheld by the Company to satisfy any tax withholding obligation, or (c) Shares covered by a stock-settled Stock Appreciation Right. Notwithstanding the preceding sentence, with respect to any SAR that is settled partly in cash and partly in Shares, the Shares that are subject to the SAR settled in cash shall not become available for future Awards under the Plan. If the Company uses the proceeds from the exercise of an Option to repurchase Shares, the Shares so repurchased shall not again be available for Awards under the Plan.

4.4 *Capital Adjustments.* In the event that the outstanding Shares shall be increased or decreased or changed into or exchanged for a different number or kind of shares of stock or other securities of the Company or of another corporation, effected without the receipt of consideration by the Company, through reorganization, merger or consolidation, recapitalization, reclassification, stock split, reverse stock split, split-up, combination or exchange of Shares or declaration of any dividends payable in Shares, or other distributions to common shareholders other than regular cash dividends, the number or kind of Shares or other securities issued or reserved for issuance pursuant to the Plan and subject to outstanding Awards, as well as the exercise price, grant price or purchase price relating to any Award shall be adjusted as may be deemed appropriate by the Committee under the Plan. The decision of the Committee as to the amount and timing of any such adjustment shall be conclusive.

4.5 *Substitute Awards.* Substitute Awards shall not reduce the Shares authorized for grant under the Plan or to a Participant in any period. Additionally, in the event that a company acquired by the Company or any Subsidiary or with which the Company or any Subsidiary combines has shares available under a pre-existing plan approved by shareholders and not adopted in contemplation of such acquisition or combination, the shares available for delivery pursuant to the terms of such pre-existing plan (as adjusted, to the extent appropriate, using the exchange ratio or other adjustment or valuation ratio or formula used in such acquisition or combination to determine the consideration payable to the holders of common stock of the entities party to such acquisition or combination) may be used for Awards under the Plan and shall not reduce the shares of Common Stock authorized for delivery under the Plan; provided that Awards using such available shares shall not be made after the date awards or grants could have been made under the terms of the pre-existing plan, absent the acquisition or combination, and shall only be made to individuals who were not Key Associates or Directors prior to such acquisition or combination.

4.6 *Maximum Dollar Amount Underlying Awards Granted Under the Plan to Any Single Nonemployee Director* . The maximum dollar value of all Awards measured in Shares (whether payable in Shares, cash or a combination of both) that may be granted to any single Director in any year is $300,000, measured at the time of grant.

ARTICLE V
Eligibility

The Committee shall determine and designate from time to time those Key Associates and Directors who are eligible to participate in the Plan. Multiple grants of Awards under the Plan may be made in any calendar year to a Participant.

ARTICLE VI
Stock Options

6.1 *Grant of Options.* Subject to the terms and conditions of the Plan and the applicable Agreement, Options may be granted to Key Associates and Directors at any time and from time to time as shall be determined by the Committee. The Committee shall have complete discretion in determining the number of Shares subject to Options granted to each Participant, *provided, however* , consultants and non-employee Directors may be granted Non-Qualified Stock Options only and the aggregate Fair Market Value (determined at the time the Award is made) of Shares with respect to which any Participant may first exercise ISOs (granted under the Plan and all other equity compensation plans of the Company) during any calendar year may not exceed $100,000 or such amount as shall be specified in Section 422 of the Code and rules and regulations thereunder. For purposes of this Section 6.1 , ISOs shall be taken into account in the order in which they were granted.

6.2 *Option Agreement.* Each Option grant shall be evidenced by an Agreement that shall specify: the type of Option granted, the Option Price (as hereinafter defined), the duration of the Option, the number of Shares to which the Option pertains, any vesting conditions or other conditions imposed upon the exercisability of Options in the event of retirement, death, disability or other termination of employment or service, and such other provisions as the Committee shall determine. The Agreement shall specify whether the Option is intended to be an Incentive Stock

Option within the meaning of Section 422 of the Code, or a Non-Qualified Stock Option not intended to be within the provisions of Section 422 of the Code, *provided, however* , that if an Option is intended to be an Incentive Stock Option but fails to be such for any reason, it shall continue in full force and effect as a Non-Qualified Stock Option. A Participant granted an Option shall not be eligible for the payment of dividends or distributions nor shall be credited with dividends or distributions paid with respect to any Shares.

6.3 *Option Price.* The Option Price shall be determined by the Committee subject to the limitations stated in this Section. The Option Price shall not be less than 100% of the Fair Market Value of a Share on the Grant Date. In addition, an ISO granted to a Key Associate (including any Director who is a Key Associate) who, at the time of grant, owns (within the meaning of Section 424(d) of the Code) securities possessing more than 10% of the total combined voting power of all classes of securities of the Company, shall have an Option Price which is at least equal to 110% of the Fair Market Value of a Share on the Grant Date.

6.4 Each Option shall expire at such time as the Committee shall determine, *provided, however* , that no Option shall be exercisable after the expiration of ten years from its Award Date. In addition, an ISO granted to a Key Associate (including any Key Associate who is a Director) who, at the time of grant, owns (within the meaning of Section 424(d) of the Code) securities possessing more than 10% of the total combined voting power of all classes of securities of the Company, shall not be exercisable after the expiration of five years from its Award Date.

6.5 *Exercisability.* Options granted under the Plan shall be exercisable at such times and be subject to such restrictions and conditions as the Committee shall determine (which may be based on performance or other criteria), and as shall be set forth in the Agreement, which need not be the same for all Participants. No option may be exercised for a fraction of a share.

6.6 *Method of Exercise.* Options shall be exercised by the delivery of a written notice to the Company in the form prescribed by the Committee setting forth the number of Shares with respect to which the Option is to be exercised, accompanied by full payment for the Shares and payment of (or an arrangement satisfactory to the Company for the Participant to pay) any tax withholding required in connection with the Option exercise. The Option Price shall be payable to the Company in full either in cash, by delivery of Shares having a Fair Market Value at the time of exercise equal to the Option Price, by reduction in the number of shares otherwise deliverable upon the exercise of such Option with a Fair Market Value equal to the Option Price or by a combination of the foregoing.

To the extent permitted under the applicable laws and regulations, at the request of the Participant and with the consent of the Committee, the Company agrees to cooperate in a " cashless exercise " of an Option. The cashless exercise shall be effected by the Participant delivering to a securities broker instructions to exercise all or part of the Option, including instructions to sell a sufficient number of Shares to cover the costs and expenses associated therewith.

As soon as practicable, after receipt of written notice and payment of the Option Price and completion of payment of (or an arrangement satisfactory to the Company for the Participant to pay) any tax withholding required in connection with the Option exercise, the Company shall deliver to the Participant, stock certificates in an appropriate amount based upon the number of Options exercised, issued in the Participant's name.

6.7 *Restrictions on Shares.* The Committee may impose such restrictions on any Shares acquired pursuant to the exercise of an Option under the Plan as it may deem advisable, including, without limitation, restrictions under applicable federal securities laws, under the requirements of The NASDAQ Stock Market, Inc. or any national securities exchange upon which such Shares are then listed or traded and under any state securities laws applicable to such Shares. The Committee may specify in an Agreement that Shares delivered on exercise of an Option are Restricted Stock or Shares subject to forfeiture and cancellation or a buyback right in the event that any term or condition specified in the Agreement is not satisfied.

6.8 *Nontransferability of Options.* No Option granted under the Plan may be sold, transferred, pledged, assigned or otherwise alienated or hypothecated, other than by will or by the laws of descent and distribution. Further, all Options granted to a Participant under the Plan shall be exercisable during his lifetime only by such Participant or his guardian or legal representative. Notwithstanding the foregoing, if the Participant dies while employed, the executor, administrator, legatees, or distributor of the Participant's estate shall have the right to exercise the Option during the 12 month period following the Participant's death; however, in no event shall an Option be exercisable more than 10 years from the date of grant.

Notwithstanding the foregoing or any other provision of the Plan to the contrary, to the extent permissible under Rule 16b-3 of the Exchange Act, a Participant who is granted Non-Qualified Stock Options pursuant to the Plan may transfer such Non-Qualified Stock Options to his or her spouse, lineal ascendants, lineal descendants, or to trusts for their benefit, provided that the Non-Qualified Stock Options so transferred may not again be transferred other than to the Participant originally receiving the grant of Non-Qualified Stock Options or to an individual or trust to whom such Participant could have transferred Non-Qualified Stock Options pursuant to this Section 6.8 . Non-Qualified Stock Options which are transferred pursuant to this Section 6.8 shall be exercisable by the transferee subject to the same terms and conditions as would have applied to such Non-Qualified Stock Options in the hands of the Participant originally receiving the grant of such Non-Qualified Stock Options.

6.9 *Notification of Disqualifying Disposition of ISO Shares* . In the event of a disposition of Shares received upon exercise of an ISO where the disposition occurs within two years from the date the ISO was granted or one year from the receipt of the underlying Shares (a " disqualifying disposition "), the Participant shall notify the Company's Secretary in writing as to the date of such disposition, the sale price (if any), and the number of Shares involved.

ARTICLE VII
Stock Appreciation Rights

7.1 *Grant of SARs* . The Committee may, in its sole discretion, grant SARs to Key Associates or Directors. A SAR is a right to receive a payment in cash, Shares or a combination of both. Each SAR shall be subject to such terms and conditions, as the Committee shall impose from time to time in its sole discretion and subject to the terms of the Plan.

7.2 *SAR Agreement.* Each SAR grant shall be evidenced by an Agreement that shall specify its type of SAR and its terms and conditions. The exercise price of a SAR shall be determined by the Committee, but the exercise price of any SAR that is intended to be an exempt stock right under Section 409A shall not be less than 100% of the Fair Market Value of one Share of Stock on the Grant Date of such Stock Appreciation Right. The Committee is expressly authorized to grant SARs which are deferred compensation covered by Section 409A, as well as SARs which are not deferred compensation covered by Section 409A.

7.3 *Exercise of SARs.* SARs may be exercised upon whatever terms and conditions the Committee, in its sole discretion imposes upon such SARs.

7.4 *Other Conditions Applicable to SAR.* In no event shall the term of any SAR granted under the Plan exceed ten years from the Grant Date. A SAR may be exercised only when the Fair Market Value of a Share exceeds the Fair Market Value per Share on the Grant Date. A SAR shall be exercised by delivery to the Committee of a notice of exercise in the form prescribed by the Committee.

7.5 *Payment after Exercise of SARs.* Subject to the provisions of the Agreement, upon the exercise of a SAR, the Participant is entitled to receive, without any payment to the Company (other than required tax withholding amounts), an amount equal (the " SAR Value ") to the product of multiplying (a) the number of Shares with respect to which the SAR is exercised by (b) an amount equal to the excess of (1) the Fair Market Value per Share on the date of exercise of the SAR over (2) the Fair Market Value per Share on the Award Date. The Agreement may provide for payment of the SAR Value at the time of exercise or, on an elective or non-elective basis, for payment of the SAR Value at a later date, adjusted (if so provided in the Agreement) from the date of exercise based on an interest, dividend equivalent, earnings, or other basis (including deemed investment of the SAR Value in Shares) set out in the Agreement (the " adjusted SAR Value ").

Payment of the SAR Value or adjusted SAR Value to the Participant shall be made in Shares, valued at the Fair Market Value on the date of exercise in the case of an immediate payment after exercise or at the Fair Market Value on the date of settlement in the event of an elective or non-elective delayed payment, in cash or a combination thereof as determined by the Committee, either at the time of the Award or thereafter, and as provided in the Agreement.

7.6 *Nontransferability of SARs.* No SAR granted under the Plan, and no right to receive payment in connection therewith, may be sold, transferred, pledged, assigned or otherwise alienated or hypothecated, other than by will or by the laws of descent and distribution. Further, all SARs, and rights in connection therewith, granted to a Participant under the Plan shall be exercisable during his lifetime only by such Participant or his guardian or legal representative.

ARTICLE VIII
Restricted Stock

8.1 *Grant of Restricted Stock.* Subject to the terms and conditions of the Plan, the Committee, at any time and from time to time, may grant Shares of Restricted Stock under the Plan to such Key Associates and Directors and in such amounts as it shall determine. Participants receiving Restricted Stock Awards are not required to pay the Company therefor (except for applicable tax withholding) other than the rendering of services. If determined by the Committee, custody of Shares of Restricted Stock may be retained *by* the Company until the termination of the Period of Restriction pertaining thereto.

8.2 *Restricted Stock Agreement.* Each Restricted Stock Award shall be evidenced by an Agreement that shall specify, the Period of Restriction, the number of Shares of Restricted Stock granted, and the applicable restrictions and such other provisions as the Committee shall determine.

8.3 *Nontransferability of Restricted Stock.* Except as provided in this Article VIII and subject to the limitation in the next sentence, the Shares of Restricted Stock granted hereunder may not be sold, transferred, pledged, assigned or otherwise alienated or hypothecated until the termination of the applicable Period of Restriction or upon the earlier satisfaction of other conditions as specified by the Committee in its sole discretion and set forth in the Agreement. All rights with respect to the Restricted Stock granted to a Participant under the Plan shall be exercisable during his lifetime only by such Participant or his guardian or legal representative.

8.4 *Other Restrictions.* The Committee may impose such other restrictions on any Shares of Restricted Stock granted, including performance requirements, pursuant to the Plan as it may deem advisable including, without limitation, restrictions under applicable Federal or state securities laws, and may legend the certificates representing Restricted Stock to give appropriate notice of such restrictions. Failure to satisfy any applicable restrictions shall result in the subject Shares of the Restricted Stock being forfeited and returned to the Company, with any purchase price paid by the Participant to be refunded, unless otherwise provided by the Committee.

8.5 *Certificate Legend.* In addition to any legends placed on certificates pursuant to Section 8.4 herein each certificate representing Shares of Restricted Stock granted pursuant to the Plan shall bear the following legend:

> THE SALE OR OTHER TRANSFER OF THE SECURITIES REPRESENTED BY THIS CERTIFICATE, WHETHER VOLUNTARY, INVOLUNTARY, OR BY OPERATION OF LAW, IS SUBJECT TO CERTAIN RESTRICTIONS ON TRANSFER SET FORTH IN THE SILVERGATE CAPITAL CORPORATION 2018 EQUITY COMPENSATION PLAN, IN THE RULES AND ADMINISTRATIVE PROCEDURES ADOPTED PURSUANT TO SUCH PLAN, AND IN AN AGREEMENT DATED (DATE OF GRANT). A COPY OF THE PLAN, SUCH RULES AND PROCEDURES, AND SUCH RESTRICTED STOCK AGREEMENT MAY BE OBTAINED FROM THE SECRETARY OF SILVERGATE CAPITAL CORPORATION.

8.6 *Removal of Restrictions.* Except as otherwise provided in this Article VIII , Shares of Restricted Stock covered by each Restricted Stock Award made under the Plan shall become freely transferable by the Participant after the last day of the Period of Restriction. Once the Shares are released from the restrictions, the Participant shall be entitled to have the legend required by Section 8.5 herein removed from his or her stock certificate.

8.7 *Voting Rights.* During the Period of Restriction, Participants holding Shares of Restricted Stock granted hereunder may exercise full voting rights with respect to those Shares.

8.8 *Dividends and Other Distributions.* Unless otherwise provided in the Agreement, during the Period of Restriction, Participants entitled to or holding Shares of Restricted Stock granted hereunder shall be entitled to receive all dividends and other distributions paid in either cash or Shares with respect to those Shares while they are so held. All dividends credited on behalf of a Participant (and earnings thereon, if applicable) shall be withheld by the Company without interest (unless otherwise provided in the Award Agreement) and distributed in cash equal to any of the dividends credited or, at the discretion of the Board, Shares having a Fair Market Value equal to such dividends, if any, upon vesting of such Award, provided that if any portion of the Restricted Stock Award is forfeited, the Participant shall have no right to receive such dividends with respect to the forfeited Award. If any such dividends or distributions are paid in Shares, the Shares shall be subject to the same restrictions on transferability and the same rules for custody as the Shares of Restricted Stock with respect to which they were distributed.

ARTICLE IX
Restricted Stock Units

9.1 *Grant of Restricted Stock Units.* Subject to the terms and conditions of the Plan, the Committee, at any time and from time to time, may grant Restricted Stock Units under the Plan (with one Unit representing one Share) to such Key Associates and Directors and in such amounts as it shall determine. Participants receiving Restricted Stock Unit Awards are not required to pay the Company therefor (except for applicable tax withholding) other than the rendering of services. No Shares shall be issued at the time a Restricted Stock Unit is granted, and the Company will not be required to set aside a fund for the payment of any such Award. A Participant shall have no voting rights with respect to any Restricted Stock Units granted hereunder. The Committee may also grant Restricted Stock Units with a deferral feature, whereby settlement is deferred beyond the vesting date until the occurrence of a future payment date or event set forth in an Award Agreement.

9.2 *Restricted Stock Unit Agreement.* Each Restricted Stock Unit Award shall be evidenced by an Agreement that shall specify the Period of Restriction, the number of Restricted Stock Units granted, and the applicable restrictions and such other provisions as the Committee shall determine.

Unless otherwise provided in the Agreement, during the Period of Restriction, Participants holding Restricted Stock Units (representing the equivalent of one Share) shall have no rights to dividends or other distributions which would have been paid with respect to the Shares represented by those Restricted Stock Units if such Shares were outstanding ("Dividend Equivalents"). Failure to satisfy any applicable restrictions shall result in the Restricted Stock Units being forfeited and the Company shall have no obligation to make any payment with respect to such forfeited Award, unless otherwise provided by the Committee. In the event an Award Agreement provides for Dividend Equivalents, such Participant shall receive credit for all dividends and other distributions paid or made in respect of one share of Common Stock during the period that the Participant holds the Restricted Stock Units or Performance Units. Dividend Equivalents shall be withheld by the Company and credited to the Participant's account. All Dividend Equivalents credited on behalf

of a Participant (and earnings thereon, if applicable) shall be withheld by the Company without interest (unless otherwise provided in the Award Agreement) and, at the discretion of the Committee, distributed in cash or Shares having a Fair Market Value equal to such Dividend Equivalents, if any, upon vesting of such Award, provided that if any portion of the Restricted Stock Units is forfeited, the Participant shall have no right to receive such dividends with respect to the forfeited Award.

9.3 *Payment after Lapse of Restrictions.* Subject to the provisions of the Agreement, upon the lapse of restrictions with respect to a Restricted Stock Unit, the Participant is entitled to receive, without any payment to the Company (other than required tax withholding amounts), an amount equal (the " RSU Value ") to the product of multiplying (a) the number of Shares with respect to which the restrictions lapse by (b) the Fair Market Value per Share on the date the restrictions lapse.

(a) The Agreement may provide for payment of the RSU Value at the time of settlement or, on an elective or non-elective basis, for payment of the RSU Value at a later date, adjusted (if so, provided in the Agreement) from the date of exercise based on an interest, dividend equivalent, earnings, or other basis (including deemed investment of the RSU Value in Shares) set out in the Agreement (the " adjusted RSU Value "). The Committee is expressly authorized to grant Restricted Stock Units which are deferred compensation covered by Section 409A, as well as Restricted, Stock Units which are not deferred compensation covered by Section 409A provided that any deferral of the settlement of a Restricted Stock Unit or any election to defer the settlement of Restricted Stock Unit shall be made in accordance with the requirements of Section 409A.

(b) Payment of the RSU Value or adjusted RSU Value to the Participant shall be made in Shares, in cash equal to the value of the Shares, or a combination thereof as determined by the Committee and as provided in the Agreement, valued at the Fair Market Value on the date the restrictions therefor lapse in the case of an immediate payment after vesting or at the Fair Market Value on the date of settlement in the event of an elective or non-elective delayed payment.

9.4 *Nontransferability of Restricted Stock Units.* No Restricted Stock Unit granted under the Plan, and no right to receive payment in connection therewith, may be sold, transferred, pledged, assigned or otherwise alienated or hypothecated, other than by will or by the laws of descent and distribution. Further, all Restricted Stock Units, and rights in connection therewith, granted to a Participant under the Plan shall be exercisable during his lifetime only by such Participant or his guardian or legal representative. In the event the Participant dies while employed, the Restricted Stock Units, to the extent vested, shall be paid to the trustee of a designated trust, or to the executor of the Participant's estate if no trust is designated, within 90 days following the Participant's death.

ARTICLE X
Change in Control

10.1 The provisions of this Section 10.1 shall apply unless otherwise provided in the Award Agreement, or to the extent otherwise determined by the Committee, upon the occurrence of a Change in Control:

(a) *Assumption of Outstanding Awards* . Upon a Change in Control where the Company is not the surviving corporation (or survives only as a subsidiary of another corporation), all outstanding Awards that are not exercised or paid at the time of the Change in Control shall be assumed by, or substituted with Awards that have comparable terms by, the surviving corporation (or a parent or subsidiary of the surviving corporation). For the purposes of this Section 10.1(a), an Award shall be considered assumed or substituted for if, following the Change in Control, the Award confers the right to purchase or receive, for each Share subject to the Award immediately prior to the Change in Control, the consideration (whether stock, cash or other securities or property) received in the transaction constituting a Change in Control by holders of Shares for each Share held on the effective date of such transaction (and if holders were offered a choice of consideration, the type of consideration chosen by the holders of a majority of the outstanding shares); *provided, however* , that if such consideration received in the transaction constituting a Change in Control is not solely common stock of the surviving corporation (or a parent or subsidiary of the surviving corporation), the Committee may, with the consent of the surviving corporation (or a parent or subsidiary of the surviving corporation), provide that the consideration to be received upon the exercise or vesting of an Award, for each Share subject thereto, will be solely common stock of the surviving corporation (or a parent or subsidiary of the surviving corporation) substantially equal in fair market value to the per share consideration received by holders of Shares in the transaction constituting a Change in Control. The determination of such substantial equality of value of consideration shall be made by the Committee in its sole discretion and its determination shall be conclusive and binding. After a Change in Control, references to the " Company " as they relate to employment matters shall include the successor employer.

(b) *Vesting Upon Certain Terminations of Employment in Connection with a Change in Control* . The Committee shall have the discretion to provide for full or partial vesting of Awards upon a Participant's involuntary termination of service that occurs in connection with a Change in Control, subject to such terms and conditions set forth in a Participant's employment agreement, or if none, the Agreement. If any such Awards vest based upon the attainment of certain performance goals, the vesting of the Award may accelerate pro rata based on the portion of performance period completed as of the date of the Participant's termination of service or based on the actual performance of the Company based on a shortened performance period which extends through the end of the fiscal quarter immediately preceding the Participant's termination of employment or service.

(c) *Other Alternatives* . In the event of a Change in Control, if all outstanding Awards are not assumed by, or substituted with Awards that have comparable terms by, the surviving corporation (or a parent or subsidiary of the surviving corporation), the Committee may take any of the following actions with respect to any or all outstanding Awards, without the consent of any Participant:

(i) the Committee may determine that the vesting of each outstanding Award shall be accelerated so that each Award shall, immediately prior to the effective date of the Change in Control, become fully vested with respect to the total number of Shares of Stock subject to such Award provided that the vesting of any Award based upon the attainment of certain performance goals may accelerate pro rata based on the portion of performance period completed as of the date of the Change in Control or based on the actual performance of the Company based on a shortened performance period which extends through the end of the fiscal quarter immediately preceding the Change in Control;

(ii) the Committee, in its sole discretion, may determine that, upon the occurrence of a Change in Control of the Company, all or a portion of certain outstanding Awards shall terminate within a specified number of days after notice to the Participants, and each such Participant shall receive an amount equal to the value of such Award on the date of the Change in Control, and with respect to each Share of Stock subject to an Option or SAR, an amount equal to the excess of the Fair Market Value of such Shares immediately prior to the occurrence of such Change in Control (or such other greater amount as the Committee may determine in its sole and absolute discretion to be equitable to prevent dilution or enlargement of Participants' rights under the Plan) over the exercise price per share of such Option or SAR. Such amount shall be payable in cash, in one or more kinds of property (including the property, if any, payable in the transaction) or in a combination thereof, as the Committee, in its sole discretion, shall determine; and

(iii) after giving Participants an opportunity to exercise all of their outstanding Options and SARs, the Committee may terminate any or all unexercised Options and SARs at such time as the Committee deems appropriate. Such surrender, termination or payment shall take place as of the date of the Change in Control or such other date as the Committee may specify. Without limiting the foregoing, if the per share Fair Market Value of the Shares does not exceed the per Share Option exercise price or SAR grant price, as applicable, the Company shall not be required to make any payment to the Participant upon surrender of the Option or SAR.

ARTICLE XI
Modification, Extension and Renewal of Awards

Subject to the terms and conditions and within the limitations of the Plan: (a) the Committee may modify, extend or renew outstanding Awards and may modify the terms of an outstanding Agreement, provided that the exercise price of any Award may not be lowered other than pursuant to Sections 4.4 and 3.1(i) herein; and (b) the Committee may accept the surrender of outstanding Awards (to the extent not yet exercised) granted under the Plan or outstanding awards granted under any other equity compensation plan of the Company and authorize the granting of new Awards pursuant to the Plan in substitution therefor so long as the new or substituted awards do not specify a lower exercise price than the surrendered Awards, and otherwise the new Awards may be of a different type than the surrendered Awards, may specify a longer term than the surrendered Awards up to a maximum of 10 years, may provide for more rapid vesting and exercisability than the surrendered Awards and may contain any other provisions that are authorized by the Plan. Notwithstanding the foregoing, however, no modification of an Award, shall, without the consent of the Participant, adversely affect the rights or obligations of the Participant.

ARTICLE XII
Amendment, Modification and Termination of the Plan

12.1 *Amendment, Modification and Termination.* At any time and from time to time, the Board may terminate, amend or modify the Plan. Such amendment or modification may be without shareholder approval except to the extent that such approval is required by the Code, pursuant to the rules under Section 16 of the Exchange Act, by any national securities exchange or system on which the Shares are then traded, listed or reported, by any regulatory body having jurisdiction with respect thereto or under any other applicable laws, rules or regulations.

12.2 *Awards Previously Granted* . No termination, amendment or modification of the Plan other than pursuant to Section 4.4 herein shall in any manner adversely affect any Award theretofore granted under the Plan, without the written consent of the Participant.

ARTICLE XIII
Withholding

13.1 *Tax Withholding.* The Company shall have the power and the right to deduct or withhold, or require a Participant to remit to the Company, an amount sufficient to satisfy Federal, State and local taxes (including the Participant's FICA obligation) required by law to be withheld with respect to any grant, exercise, or payment made under or as a result of the Plan.

13.2 *Withholding of Shares.* With respect to employees, the Company may require a Participant whose Award granted hereunder has vested, or who exercises an Option or SAR granted hereunder to reimburse the Company for any taxes required by any governmental regulatory authority to be withheld or otherwise deducted and paid by such corporation or entity in respect of the issuance or disposition of such Shares or the payment of any amounts. In lieu thereof, the Company shall have the right to withhold the amount of such taxes from any other sums due or to become due from the Company to the Participant upon such terms and conditions as the Committee shall in its sole discretion prescribe. The Company, in its discretion, may hold the stock certificate to which such Participant is entitled upon the vesting of an Award or the exercise of a Stock Option or SAR as security for the payment of such withholding tax liability, until cash sufficient to pay that liability has been accumulated by or paid to the Company. With respect to employees, at any time that the Company, Subsidiary or other entity that employs such Participant becomes subject to a withholding obligation under applicable law with respect to the vesting of an Award or the exercise of an Option (the " Tax Date "), except as set forth below, a Participant may, subject to the approval of the Committee, elect to satisfy, in whole or in part, the Participant's related personal tax liabilities (an " Election ") by (a) directing the Company to withhold from Shares issuable in the related vesting or exercise either a specified number of Shares of Stock having a specified value (in each case equal to the related minimum statutory personal withholding tax liabilities with respect to the applicable taxing jurisdiction in order to comply with the requirements for a "fixed plan" under Accounting Principles Board Opinion No. 25), (b) tendering Shares of Stock or other securities of the Company previously issued pursuant to the exercise of an Option or other Shares of Stock owned by the Participant, or (iii) combining any or all of the foregoing Elections in any fashion. The foregoing notwithstanding, however, when previously issued Shares of Stock or other securities of the Company are tendered pursuant to an Election, such tender of Shares will not be accepted unless the Participant has held such Shares for the requisite period necessary to avoid a charge to the Company's earnings for financial reporting purposes. An Election shall be irrevocable. The withheld Shares and other Shares of Stock or other securities tendered in payment shall be valued at their Fair Market Value on the Tax Date. The Committee may in its sole discretion disapprove of any Election, suspend or terminate the right to make Elections or provide that the right to make Elections shall not apply to particular Shares or exercises. The Committee may impose any additional conditions or restrictions on the right to make an Election as it shall deem appropriate, including conditions or restrictions with respect to Section 16 of the Exchange Act.

ARTICLE XIV
Successors

All obligations of the Company under the Plan, with respect to Awards granted hereunder, shall be binding on any successor to the Company, whether the existence of such successor is the result of a direct or indirect purchase, merger, consolidation or otherwise, of all or substantially all of the business and/or assets of the Company.

ARTICLE XV
General

15.1 *Minimum Vesting Restriction* . Awards shall fully vest over a period that is not less than one year from the date of grant; *provided, however* , that up to five percent of the Shares of Stock subject to the aggregate share reserve set forth in Section 4.1 as of Effective Date may be subject to Awards that are not subject to the vesting restriction in this Section 15.1 .

15.2 *Forfeiture Events* . The Committee may specify in an Agreement that the Participant's rights, payments and benefits with respect to an Award shall be subject to reduction, cancellation, forfeiture or recoupment upon the occurrence of certain events, in addition to applicable vesting conditions of an Award. Such events may include, without limitation, breach of non-competition, non-solicitation, confidentiality or other restrictive covenants that are contained in the Agreement or otherwise applicable to the Participant, a termination of the Participant's employment or service for cause, or other conduct by the Participant that is detrimental to the business or reputation of the Company.

15.3 *Clawback* . Notwithstanding any other provisions in this Plan, any Award which is subject to recovery under any law, government regulation or stock exchange listing requirement, will be subject to such deductions and clawback as may be required to be made pursuant to such law, government regulation or stock exchange listing requirement (or any policy adopted by the Company pursuant to any such law, government regulation or stock exchange listing requirement).

15.4 *Deferral of Awards* . The Committee may establish one or more programs under the Plan to permit selected Participants the opportunity to elect to defer receipt of consideration upon exercise of an Award, satisfaction of performance goals or other event that absent the election would entitle the Participant to payment or receipt of Shares of Stock or other consideration under an Award. The Committee may establish the election procedures, the timing of such elections, the mechanisms for payments of, and accrual of interest or other earnings, if any, on amounts, Shares or other consideration so deferred, and such other terms, conditions, rules and procedures that the Committee deems advisable for the administration of any such deferral program.

15.5 *Requirements of Law.* The granting of Awards and the issuance of Shares of Stock under the Plan shall be subject to all applicable laws, rules and regulations, and to such approvals by any governmental agencies or self-regulatory organizations as may be required.

15.6 *Effect of the Plan.* The establishment of the Plan shall not confer upon any Key Associate or Director any legal or equitable right against the Company, a Subsidiary or the Committee, except as expressly provided in the Plan. The Plan does not constitute an inducement or consideration for the employment or service of any Key Associate or Director, nor is it a contract between the Company or any of its Subsidiaries and any Key Associate or Director. Participation in the Plan shall not give any Key Associate or Director any right to be retained in the service of the Company or any of its Subsidiaries. No Key Associate or Director who receives an Award shall have rights as a shareholder of the Company prior to the date Shares are issued to the Participant pursuant to the Plan.

15.7 *Creditors.* The interests of any Participant under the Plan or any Agreement are not subject to the claims of creditors and may not, in any way, be assigned, alienated or encumbered.

15.8 *Governing Law.* The Plan, and all Agreements hereunder, shall be governed, construed and administered in accordance with and governed by the laws of the State of Maryland and the intention of the Company is that ISOs granted under the Plan qualify as such under Section 422 of the Code.

15.9 *Severability.* In the event any provision of the Plan shall be held illegal or invalid for any reason, the illegality or invalidity shall not affect the remaining parts of the Plan and the Plan shall be construed and enforced as if the illegal or invalid provision had not been included.

15.10 *Unfunded Status of Plan.* The Plan is intended to constitute an "unfunded" plan for incentive and deferred compensation. With respect to any payments as to which a Participant has a fixed and vested interest but which are not yet made to a Participant by the Company, nothing contained herein shall give any such Participant any rights that are greater than those of a general unsecured creditor of the Company.

ARTICLE XVI
Section 409A

16.1 *General* . Notwithstanding any provision of this Plan or of an Agreement to the contrary, the Company intends that all Awards be structured in compliance with, or to satisfy an exemption from, Section 409A of the Code and any related regulations or other guidance promulgated with respect to such Section by the U.S. Department of the Treasury or the Internal Revenue Services (" Section 409A "), such that no adverse tax consequences, interest, or penalties under Section 409A apply in connection with any Awards. Notwithstanding anything herein or in any Award Agreement to the contrary, the Committee may, without a Participant's prior consent, amend this Plan and/or Awards, adopt policies and procedures, or take any other actions (including amendments, policies, procedures and actions with retroactive effect) as are necessary or appropriate to preserve the intended tax treatment of Awards under the Plan, including without limitation, any such actions intended to (A) exempt this Plan and/or any Award from the application of Section 409A, and/or (B) comply with the requirements of Section 409A, including without limitation any such regulations, guidance, compliance programs and other interpretative authority that may be issued after the date of grant of any Award. The Company makes no representations or warranties as to the tax treatment of any Award under Section 409A or

otherwise. The Company will have no obligation under this Section 16.1 or otherwise to take any action (whether or not described herein) to avoid the imposition of taxes, penalties or interest under Section 409A with respect to any Award and will have no liability to any Participant or any other person if any Award, compensation or other benefits under the Plan are determined to constitute non-compliant, "nonqualified deferred compensation" subject to the imposition of taxes, penalties and/or interest under Section 409A.

16.2 *Separation from Service* . With respect to any Award that constitutes "nonqualified deferred compensation" under Section 409A, any payment or settlement of such Award that is to be made upon a termination of a Participant's service relationship will, to the extent necessary to avoid the imposition of taxes under Section 409A, be made only upon the Participant's "separation from service" (within the meaning of Section 409A), whether such "separation from service" occurs upon or subsequent to the termination of the Participant's service relationship. For purposes of any such provision of this Plan or any Award Agreement relating to any such payments or benefits, references to a "termination," "termination of employment" or like terms will mean "separation from service."

16.3 *Payments to Specified Employees* . Notwithstanding any contrary provision in the Plan or any Award Agreement, any payment(s) of "nonqualified deferred compensation" that are otherwise required to be made under an Award to a "specified employee" (as defined under Section 409A and determined by the Administrator) as a result of his or her "separation from service" will, to the extent necessary to avoid the imposition of taxes under Code Section 409A(a)(2)(B)(i), be delayed until the expiration of the six (6) month period immediately following such "separation from service" (or, if earlier, until the date of death of the specified employee) and will instead be paid (in a manner set forth in the Award agreement) on the day that immediately follows the end of such six (6) month period or as soon as administratively practicable thereafter (without interest). Any payments of "nonqualified deferred compensation" under such Award that are, by their terms, payable more than six (6) months following the Participant's "separation from service" will be paid at the time or times such payments are otherwise scheduled to be made.

* * * * * * *

Exhibit 10.5

SILVERGATE CAPITAL CORPORATION

2010 EQUITY COMPENSATION PLAN

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SILVERGATE CAPITAL CORPORATION
2010 EQUITY COMPENSATION PLAN

ARTICLE I
GENERAL

1.1 Purpose

The purpose of the Silvergate Capital Corporation 2010 Equity Compensation Plan (the " **Plan** ") is to attract, retain and motivate officers, directors and employees (including prospective employees), consultants and others who may perform services for the Company (as hereinafter defined), to compensate them for their contributions to the long-term growth and profits of the Company and to encourage them to acquire a proprietary interest in the success of the Company.

1.2 Definitions

As used in the Plan, the following terms shall have the meanings set forth below:

" **AAA** " shall have the meaning provided in Section 5.16 .

" **Affiliate** " of a Person means any other Person, entity or investment fund controlling, controlled by or under common control with such Person and, in the case of a Person which is a partnership, any partner of such Person.

" **Award** " shall have the meaning provided in Section 2.1 .

" **Award Agreement** " means a written agreement between the Company and a Participant setting forth the terms, conditions and limitations applicable to an Award. All Award Agreements shall be deemed to include all of the terms and conditions of the Plan, except to the extent otherwise set forth in an Award Agreement and approved by the Committee.

" **Award Stock** " means, with respect to a Participant, any Common Stock issued to such Participant upon exercise, delivery or grant of any Award granted hereunder. For all purposes of the Plan, Award Stock shall continue to be Award Stock in the hands of any holder (including any Permitted Transferee) other than a Participant (except for the Company and purchasers pursuant to a Public Sale), and each such other holder of Award Stock shall succeed to all rights and obligations attributable to such Participant as a holder of Award Stock hereunder. Award Stock shall also include Shares issued with respect to Shares of Award Stock by way of a stock split, stock dividend or other recapitalization.

" **Bank** " means Silvergate Bank, a direct subsidiary of the Company.

" **Board** " means the Board of Directors of the Company or any of its Subsidiaries.

" **Change in Control** " means any of the following (other than an Initial Public Offering): (a) any Person is or becomes a beneficial owner (as such term is defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing 33.3% or more of the combined voting power of the Company's then outstanding securities; (b) any plan or proposal for the dissolution or liquidation of the Company is adopted by the shareholders of the Company; (c) all or substantially all of the assets of the Company are sold, transferred or

distributed; (d) all or substantially all of the capital stock and/or assets of the Bank are sold, transferred or distributed; or (e) there occurs a reorganization, merger, consolidation or other corporate transaction involving the Company (a " **Transaction** "), with respect to which the shareholders of the Company immediately prior to such Transaction do not, immediately after the Transaction, own more than 50% of the combined voting power of the Company or other corporation resulting from such Transaction (or any such entity's parent corporation) in substantially the same respective proportions as such shareholders' ownership of the voting power of the Company immediately before such Transaction.

" **Code** " means the Internal Revenue Code of 1986, as amended from time to time, or any successor thereto, and the applicable rulings and regulations thereunder.

" **Committee** " means the Compensation Committee of the Board, as constituted from time to time, and including any successor committee.

" **Common Stock** " means the Company's Common Stock, par value $.01 per share, or, in the event that the outstanding Shares are hereafter recapitalized, converted into or exchanged for different stock or securities of the Company or its Affiliates, such other stock or securities.

" **Company** " means Silvergate Capital Corporation, a Maryland corporation.

" **Consent** " shall have the meaning provided in Section 5.3(b).

" **Cost** " means (i) for each share of Award Stock which is originally issued upon exercise of an Option, the exercise price paid by the Participant for such share of Award Stock, and (ii) for each share of Award Stock which is originally issued for any other reason, the amount paid by the Participant in respect of such shares of Award Stock (excluding any taxes incurred), and in each case as proportionally adjusted for all stock splits, stock dividends and other recapitalizations affecting the Award Stock subsequent to the Effective Date.

" **Covered Person** " shall have the meaning provided in Section 1.3(d) .

" **Disability** " for any Participant, shall have the meaning given to such term in an employment agreement entered into by such Participant on or after the Effective Date and approved by the Board, or in the absence of such an agreement it shall mean such Participant's eligibility to receive disability benefits under the Company's or its Subsidiaries' long-term disability plan or the inability of such Participant, as determined by the Board, to perform the essential functions of his or her regular duties and responsibilities, with or without reasonable accommodation, due to a medically determinable physical or mental illness which has lasted (or can reasonably be expected to last) for a period of six consecutive months.

" **Disputed Matter** " shall have the meaning provided in Section 5.16 .

" **Effective Date** " means the date provided in Section 5.18 .

" **Exchange Act** " means the Securities Exchange Act of 1934, as amended from time to time, or any successor thereto, and the applicable rules and regulations thereunder.

" **Exercise Notice** " shall have the meaning provided in Section 3.6 .

" **Fair Market Value** " with respect to any property on any date, shall be determined by the Board in the exercise of its reasonable judgment based on such methods or procedures (including, without limitation, independent appraisal) as shall be established from time to time by the Board. For securities which are listed on any established stock exchange or a national market system, unless otherwise determined by the Board in the exercise of its reasonable judgment, the Fair Market Value of such securities on a day shall mean the closing price of such securities on that day (or, if the securities were not traded on that day, the next preceding day that the securities were traded) on the principal exchange or market system on which such securities are traded, as such prices are officially quoted on such exchange.

" **Initial Public Offering** " means a firm commitment underwritten public offering pursuant to an effective registration statement under the Securities Act, covering the offer and sale to the public of Common Stock for the account of the Company or shareholders of the Company after which there is an active trading market in such shares of Common Stock (it being understood that an active trading market shall be deemed to exist if the shares of Common Stock are listed on a national securities exchange).

" **Last Issuance Date** " means the date that is ten years from the date the Plan is adopted by the Board or, if earlier, the termination of the Plan.

" **Options** " means non-qualified stock options, as described in Article III .

" **Participant** " means a Person who receives an Award.

" **Permitted Transferee** " with respect to any Participant means such Participant's spouse and/or descendants (whether or not adopted) and any trust, family limited partnership or limited liability company that is and remains at all times solely for the benefit of such Participant and/or such Participant's spouse and/or descendants, in each case which transferee has executed and delivered to the Company the documents the Company requires, including, but not limited to, documents providing that the transferee remains bound by the Plan and the Award Agreement in the same manner as the Participant.

" **Person** " means an individual, a partnership, a corporation, a limited liability company, an association, a joint stock company, a trust, a joint venture, an unincorporated organization and a government or any branch, department, agency, political subdivision or official thereof.

" **Plan** " shall have the meaning provided in Section 1.1 .

" **Plan Action** " shall have the meaning provided in Section 5.3(a) .

" **Public Sale** " means any sale pursuant to a registered public offering under the Securities Act or any sale to the public through a broker, dealer or market maker pursuant to Rule 144 promulgated under the Securities Act.

" **Required Listing** " shall have the meaning provided in Section 4.3 .

" **Securities Act** " means the Securities Act of 1933, as amended from time to time, or any successor thereto, and the applicable rules and regulations thereunder.

" **Shares** " means shares of Common Stock.

" **Subsidiary** " means any corporation, partnership, limited liability company, or other entity in which the Company owns, directly or indirectly, stock or other equity securities or interests possessing 50% or more of the total combined voting power of such entity.

" **Termination Date** " means the earliest date on which a Participant is no longer (a) employed by, or (b) providing services to, the Company or any of its Subsidiaries (including serving as a member of the Board). Furthermore, a Participant who goes on a leave of absence approved by the Company or one of its Subsidiaries shall not be deemed to have ceased his employment with the Company or its Subsidiaries during the period of such approved leave; provided that, the time vesting of such Participant's Options under Section 3.3 shall be suspended during the period of such leave, except to the extent required by applicable law.

" **Transaction** " shall have the meaning provided in the definition of Change in Control.

" **Transfer, Transferable and Transferred** " mean any direct or indirect sale, transfer, assignment, pledge, encumbrance or other disposition (whether with or without consideration and whether voluntary or involuntary or by operation of law, including to the Company) of any interest.

1.3 "Administration"

(a) The Committee shall administer the Plan. In particular, the Committee shall have the authority in its sole discretion to:

(i) exercise all of the powers granted to it under the Plan;

(ii) construe, interpret and implement the Plan and all Award Agreements;

(iii) prescribe, amend and rescind rules and regulations relating to the Plan, including rules governing the Committee's own operations;

(iv) make all determinations necessary or advisable in administering the Plan;

(v) correct any defect, supply any omission and reconcile any inconsistency in the Plan;

(vi) amend the Plan to reflect changes in applicable law, but, subject to Section 2.5 or as otherwise specifically provided herein, no such amendment shall materially adversely impair the rights of a Participant under an outstanding Award without such Participant's written consent;

(vii) grant Awards and determine who shall receive Awards, when such Awards shall be granted and the terms of such Awards, including setting forth provisions with regard to the effect of a termination of employment on such Awards;

(viii) amend any outstanding Award Agreement in any respect, including, without limitation, to (1) accelerate the time or times at which the Award becomes vested, unrestricted or may be exercised (and, in connection with such acceleration, the

Committee may provide that any Shares acquired pursuant to such Award shall be restricted shares, which are subject to vesting, transfer, forfeiture or repayment provisions similar to those in the Participant's underlying Award), (2) accelerate the time or times at which Shares are delivered under the Award (and, without limitation on the Committee's rights, in connection with such acceleration, the Committee may provide that any Shares delivered pursuant to such Award shall be restricted shares, which are subject to vesting, transfer, forfeiture or repayment provisions similar to those in the Participant's underlying Award Agreement), (3) waive or amend any goals, restrictions or conditions set forth in such Award Agreement, or impose new goals, restrictions and conditions or (4) reflect a change in the Participant's circumstances (e.g., a change to part-time employment status or a change in position, duties or responsibilities), but, subject to Section 2.5 or as otherwise specifically provided herein, no such amendment shall materially adversely impair the rights of a Participant under an outstanding Award without such Participant's written consent; and

(ix) determine at any time whether, to what extent and under what circumstances and method or methods (1) Awards may be (A) settled in cash, Shares, other securities, other Awards or other property (in which event, the Committee may specify what other effects such settlement shall have on the Participant's Award, including the effect on any repayment provisions under the Plan or Award Agreement), (B) exercised or (C) canceled, forfeited or suspended, (2) Shares, other securities, other Awards or other property and other amounts payable with respect to an Award may be deferred either automatically or at the election of the Participant thereof or of the Committee, (3) to the extent permitted under applicable law, loans (whether or not secured by Common Stock) may be extended by the Company with respect to any Awards and (4) Awards may be settled by the Company or its Affiliates or any of its or their designees.

(b) Actions of the Committee may be taken by the vote of a majority of its members present at a meeting (which may be held telephonically). Any action may be taken by a written instrument signed by a majority of the Committee members, and action so taken shall be fully as effective as if it had been taken by a vote at a meeting. The determination of the Committee on all matters relating to the Plan or any Award Agreement shall be final, binding and conclusive. The Committee may allocate among its members and delegate to any Person who is not a member of the Committee or to any administrative group within the Company, any of its powers, responsibilities or duties.

(c) Notwithstanding anything to the contrary contained herein, the Board may, in its sole discretion, at any time and from time to time, grant Awards or administer the Plan. In any such case, the Board shall have all of the authority and responsibility granted to the Committee herein.

(d) No member of the Board or the Committee or any employee of the Company (each such Person, a " **Covered Person** ") shall have any liability to any Person (including any Participant) for any action taken or omitted to be taken or any determination made in good faith with respect to the Plan or any Award. Each Covered Person shall be indemnified and held harmless by the Company against and from (i) any loss, cost, liability or expense (including attorneys' fees) that may be imposed upon or incurred by such Covered Person in connection

with or resulting from any action, suit or proceeding to which such Covered Person may be a party or in which such Covered Person may be involved by reason of any action taken or omitted to be taken under the Plan or any Award Agreement, in each case, in good faith and (ii) any and all amounts paid by such Covered Person, with the Company's approval, in settlement thereof, or paid by such Covered Person in satisfaction of any judgment in any such action, suit or proceeding against such Covered Person, provided that the Company shall have the right, at its own expense, to assume and defend any such action, suit or proceeding and, once the Company gives notice of its intent to assume the defense, the Company shall have sole control over such defense with counsel of the Company's choice. The foregoing right of indemnification shall not be available to a Covered Person to the extent that a court of competent jurisdiction in a final judgment or other final adjudication, in either case, not subject to further appeal, determines that the acts or omissions of such Covered Person giving rise to the indemnification claim resulted from such Covered Person's bad faith, fraud or willful misconduct. The foregoing right of indemnification shall not be exclusive of any other rights of indemnification to which Covered Persons may be entitled under the Company's certificate of incorporation or bylaws (as may be amended from time to time), as a matter of law, or otherwise, or any other power that the Company may have to indemnify such Persons or hold them harmless.

1.4 Persons Eligible for Awards

Awards under the Plan may be made to any person who is (a) an employee of the Company or any of its subsidiaries, including without limitation any employee who is also a director of the Company, (b) a non-employee director of the Company, or (c) a consultant or advisor as referred to in Rule 701 under the Securities Act of 1933, as amended, as the Committee may select.

ARTICLE II
AWARDS UNDER THE PLAN

2.1 Types of Awards under the Plan

Awards under the Plan may be granted in the form (the " **Awards** ") of Options.

2.2 Agreements Evidencing Awards

Each Award granted under the Plan shall be evidenced by an Award Agreement that shall contain such provisions and conditions as the Committee deems appropriate; provided that, except as otherwise expressly provided in an Award Agreement, if there is any conflict between any provision of the Plan and an Award Agreement, the provisions of the Plan shall govern. Unless otherwise provided herein, the Committee may grant Awards in tandem with or in substitution for any other Award or Awards granted under the Plan. By accepting an Award pursuant to the Plan, a Participant thereby agrees that the Award shall be subject to all of the terms and provisions of the Plan and the applicable Award Agreement.

2.3 Shares Available for Awards

Subject to adjustment as provided in Section 2.5 and the following provisions of this Section 2.3 , the total number of Shares reserved for issuance in connection with Awards under the Plan shall be 730,784.

2.4 Replacement of Shares

If any Awards expire unexercised or unpaid or are canceled, terminated or forfeited in any manner without the issuance of Common Stock or payment thereunder, the Shares with respect to which such Awards were granted shall again be available under the Plan, subject to the maximum amounts set forth in Section 2.3 (as may be adjusted pursuant to Section 2.5). Similarly, if any Shares issued hereunder upon exercise of Awards are repurchased hereunder, such Shares shall again be available under the Plan for reissuance, subject to the maximum amounts set forth in Section 2.3 (as may be adjusted pursuant to Section 2.5).

2.5 Adjustments

The aggregate number of shares of Common Stock available for issuance under this Plan, the number of shares to which any Award relates, and the exercise price per share of Common Stock under any Award shall be automatically proportionately adjusted for any increase or decrease in the total number of outstanding shares of Common Stock issued subsequent to the effective date of this Plan resulting from a split, subdivision or consolidation of shares or any other capital adjustment, the payment of a stock dividend, or other increase or decrease in such shares effected without receipt or payment of consideration by the Company. If, upon a merger, consolidation, reorganization, liquidation, recapitalization or the like of the Company, the shares of the Company's Common Stock shall be exchanged for other securities of the Company or of another corporation, the term of any Award granted hereunder and the property which the Participant shall receive upon the exercise or termination thereof shall be subject to and be governed by the provisions regarding the treatment of any such Awards set forth in a definitive agreement with respect to any of the aforementioned transactions entered into by the Company to the extent any such Award remains outstanding and unexercised upon consummation of the transactions contemplated by such definitive agreement. In any adjustment made pursuant to this Section 2.5 , the number of Shares subject to each outstanding Award shall be rounded down to the nearest whole number.

ARTICLE III
OPTIONS

3.1 Options

The Committee shall have the right and power to grant to any Participant, at any time prior to the Last Issuance Date, Options in such quantity, at such price, on such terms and subject to such conditions that are consistent with the Plan and established by the Committee. Unless otherwise set forth in an Award Agreement, Options granted under the Plan shall be in the form described in this Article III and shall be subject to such additional terms and conditions and evidenced by Award Agreements, as shall be determined from time to time by the Committee.

3.2 Exercise Price

Each Award Agreement with respect to Options shall set forth the exercise price payable by the Participant on exercise of the Options, which shall be at least 100% of the Fair Market Value of a Share on the date the Options are granted.

3.3 Vesting of Options

Options shall be subject to vesting over such periods as the Committee may provide for in an Award Agreement with a Participant, and otherwise in accordance with the provisions of this Section 3.3. Options shall be exercisable only to the extent that they are vested. In the event of a Change in Control, 100% of the Options shall vest.

3.4 Termination of Options

(a) All Options granted under the Plan shall terminate at the close of business on the tenth anniversary of the date of grant to the Participant holding such Options, subject to earlier expiration as provided in this Article III.

(b) If a Participant ceases to be employed by the Company and its Subsidiaries for any reason, then the portion of such Participant's Options that has not vested as of the Termination Date shall terminate at such time.

3.5 Exercise Following Termination Date

The portion of a Participant's Options that have fully vested as of such Participant's Termination Date shall terminate upon the earlier to occur of (a) the end of their stated term, and (b) (i) 60 days after the Termination Date, or (ii) six months after the Termination Date if a Participant is terminated due to death or due to Disability.

3.6 Procedure for Exercise

At any time after all or any portion of a Participant's Options have become vested and prior to their expiration, a Participant may exercise all or any specified portion of such vested Options by delivering written notice of exercise specifically identifying the particular Options to the Company (an "**Exercise Notice**"), together with a written acknowledgment that such Participant has read and has been afforded an opportunity to ask questions of management of the Company regarding all financial and other information provided to such Participant regarding the Company. Payment by Participants in connection with any exercise (a) shall be made by delivery of a cashier's check, certified check or wire transfer in the amount equal to the product of the exercise price multiplied by the number of Award Shares to be acquired, plus the amount of any additional federal and state income taxes or any income taxes or employee's social security contributions arising in any jurisdiction outside the United States required to be withheld (or accounted for to appropriate revenue authorities by the Participant's employer) by reason of the exercise of the Options (which such amount shall be calculated by the Company and provided to Participants promptly following delivery of an Exercise Notice, and which shall be subject to later adjustment by the Company (with a corresponding payment by or refund to the Participant) in the event that any such adjustment is required) and (b) shall be due in full from the Participant at the same time as delivery of the Exercise Notice (with the portion representing taxes or contributions due within two (2) days of the date on which the Company informs the Participant of the amount of such items pursuant to the provisions of this Section 3.6). In addition, the Committee at its discretion may make arrangements for the cashless exercise of Options.

3.7 Representations on Exercise

In connection with any exercise of any Option and the issuance of Award Stock thereunder (other than pursuant to an effective registration statement under the Securities Act), Participant shall by the act of delivering the Exercise Notice (and without any further action on the part of the Participant) represent and warrant to the Company that as of the time of such exercise:

(a) The Award Stock to be acquired by Participant upon exercise shall be acquired for Participant's own account and not with a view to, or intention of, distribution thereof in violation of the Securities Act or any applicable state securities laws, and the Award Stock shall not be disposed of in contravention of the Securities Act or any applicable state securities laws.

(b) Participant is able to bear the economic risks of his investment in the Award Stock for an indefinite period of time and is aware that transfer of the Award Stock may not be possible because the Award Stock has not been registered under the Securities Act or any applicable state securities laws and, therefore, cannot be sold unless subsequently registered under the Securities Act and such applicable state securities laws or an exemption from such registration is available.

(c) In connection with any exercise of any Option, Participant shall make such additional customary investment representations as the Company may reasonably require and Participant shall execute such documents reasonably necessary for the Company to perfect exemptions from registration under federal and state securities laws as the Company may reasonably request.

3.8 Rights as a Stockholder

A Participant holding Options shall have no rights as a stockholder with respect to any shares of Award Stock issuable upon exercise thereof until the date on which a stock certificate is registered and issued to such Participant representing such Award Stock.

ARTICLE IV
PUBLIC OFFERINGS

4.1 Cooperation in an Initial Public Offering

In the event that the Company approves an Initial Public Offering, the holders of Awards or Award Stock shall take all necessary or desirable actions in connection with the consummation of such offering. In the event that such Initial Public Offering is an underwritten offering and the managing underwriters advise the Company in writing that in their opinion the Common Stock structure shall adversely affect the marketability of the offering, each holder of Awards or Award Stock shall consent to and vote for a recapitalization, reorganization and/or exchange of the Common Stock into securities that the managing underwriters and the Committee find acceptable and shall take all necessary or desirable actions in connection with the consummation of the recapitalization, reorganization and/or exchange. Notwithstanding the foregoing, the vesting conditions for Awards shall not be changed pursuant to this Section 4.1 .

4.2 Holdback

No Participant shall effect any Public Sale or distribution (including sales pursuant to Rule 144) of any Award Stock during the seven days prior to and the 90 days (or 180 days in the event of an Initial Public Offering) after the effective date of any underwritten public offering of the Company's Common Stock, except as part of such underwritten public offering or if otherwise permitted by the Company.

4.3 Compliance with Laws

Each Award shall be subject to the requirement that if at any time the Committee shall determine, in its discretion, that the listing, registration or qualification of the shares subject to such Award upon any securities exchange or under any state or federal securities or other law or regulation or the consent or approval of any governmental regulatory body, is necessary or desirable as a condition to or in connection with the granting of such Award or the issue or purchase of shares thereunder, no such Award may be exercised or paid in Common Stock in whole or in part unless such listing, registration, qualification, consent or approval (a " **Required Listing** ") shall have been effected or obtained and the holder of the Award, as applicable, shall supply the Company with such certificates, representations and information as the Company shall request which are reasonably necessary or desirable in order for the Company to obtain such Required Listing, and shall otherwise cooperate with the Company in obtaining such Required Listing. In the case of officers and other Persons subject to Section 16(b) of the Securities Exchange Act of 1934, as amended, the Committee may at any time impose any limitations upon the exercise of an Option which, in the Committee's discretion, are necessary or desirable in order to comply with Section 16(b) and the rules and regulations thereunder. If the Company, as part of an offering of securities or otherwise, finds it desirable because of federal or state regulatory requirements to reduce the period during which any Options may be exercised, the Committee may, in its discretion and without the consent of the holders of any such Options, so reduce such period on not less than 15 days' written notice to the holders thereof.

4.4 Purchaser Representative

If the Company or the holders of the Company's securities enter into any negotiation or transaction for which Rule 506 (or any similar rule then in effect) promulgated by the Securities Exchange Commission may be available with respect to such negotiation or transaction (including a merger, consolidation or other reorganization), the holders of Award Stock shall, at the request of the Company, appoint a purchaser representative (as such term is defined in Rule 501) reasonably acceptable to the Company. If any holder of Award Stock appoints a purchaser representative designated by the Company, the Company shall pay the reasonable fees of such purchaser representative; but if any holder of Award Stock declines to appoint the purchaser representative designated by the Company, such holder shall appoint another purchaser representative and such holder shall be responsible for the fees of the purchaser representative so appointed.

ARTICLE V
OTHER PROVISIONS

5.1 Termination and Amendment

The Committee may, at any time or times, suspend or terminate the Plan and make such additions or amendments as it deems advisable under the Plan; provided that, the Committee may not change any of the terms of the Plan or an Award Agreement in a manner adverse to a Participant without the prior written approval of such Participant.

5.2 Tax Withholding

As a condition to the delivery of any Shares, cash or other securities or property pursuant to any Award or the lifting or lapse of restrictions on any Award, or in connection with any other event that gives rise to a federal or other governmental tax withholding obligation on the part of the Company relating to an Award (including, without limitation, FICA tax), (a) the Company may deduct or withhold (or cause to be deducted or withheld) from any payment or distribution to a Participant whether or not pursuant to the Plan (including Shares otherwise deliverable), (b) the Committee shall be entitled to require that the Participant remit cash to the Company (through payroll deduction or otherwise) or (c) the Company may enter into any other suitable arrangements to withhold, in each case in an amount sufficient in the opinion of the Company to satisfy such withholding obligation.

5.3 Required Consents and Legends

(a) If the Committee at any time determines that any Consent is necessary or desirable as a condition of, or in connection with, the granting of any Award, the delivery of Shares or the delivery of any cash, securities or other property under the Plan, or the taking of any other action thereunder (each such action a " **Plan Action** "), then such Plan Action shall not be taken, in whole or in part, unless and until such Consent shall have been effected or obtained to the full satisfaction of the Committee. The Committee shall direct that any Shares delivered pursuant to the Plan shall bear the following legend, unless otherwise determined by the Committee:

> "THE SECURITIES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 (THE "ACT") OR THE SECURITIES LAWS OF ANY STATE (THE "STATE ACTS"), AND MAY NOT BE SOLD OR OTHERWISE TRANSFERRED (WHETHER OR NOT FOR CONSIDERATION) BY THE REGISTERED HOLDER HEREOF EXCEPT PURSUANT TO AN AVAILABLE EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT, OR PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, IN EITHER CASE IN ACCORDANCE WITH ANY APPLICABLE FEDERAL AND STATE SECURITIES LAWS. THE COMPANY MAY REQUIRE REASONABLE EVIDENCE OF COMPLIANCE WITH THE FOREGOING PRIOR TO THE EFFECTIVENESS OF ANY PURPORTED TRANSFER.

THE SECURITIES REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO RESTRICTIONS ON TRANSFER, OWNERSHIP AND OTHER TERMS AND CONDITIONS SET FORTH IN THE COMPANY'S 2010 EQUITY COMPENSATION PLAN, COPIES OF WHICH MAY BE OBTAINED FROM THE COMPANY AT ITS PRINCIPAL EXECUTIVE OFFICES."

(b) The term " **Consent** " as used in this Article V with respect to any Plan Action includes (i) any and all listings, registrations or qualifications in respect thereof upon any securities exchange or under any federal, state, or local law, or law, rule or regulation of a jurisdiction outside the United States, (ii) any and all written agreements and representations by the Participant with respect to the disposition of shares, or with respect to any other matter, which the Committee may deem necessary or desirable to comply with the terms of any such listing, registration or qualification or to obtain an exemption from the requirement that any such listing, qualification or registration be made, (iii) any and all other consents, clearances and approvals in respect of a Plan Action by any governmental or other regulatory body or any stock exchange or self-regulatory agency, (iv) any and all consents by the Participant to (1) the Company's supplying to any third party record keeper of the Plan such personal information as the Committee deems reasonably advisable to administer the Plan, (2) the Company's deducting amounts from the Participant's wages, or another arrangement satisfactory to the Committee, to reimburse the Company for advances made on the Participant's behalf to satisfy certain withholding and other tax obligations in connection with an Award and (3) the Company's imposing sales and transfer procedures and restrictions and hedging restrictions on Shares delivered under the Plan and (v) any and all consents or authorizations required to comply with, or required to be obtained under, applicable local law or otherwise required by the Committee. Nothing herein shall require the Company to list, register or qualify the Shares on any securities exchange

5.4 Right of Offset

The Company shall have the right to offset against its obligation to deliver Shares (or other property or cash) under the Plan or any Award Agreement any outstanding amounts (including, without limitation, travel and entertainment or advance account balances, loans, repayment obligations under any Awards or amounts repayable to the Company pursuant to tax equalization, housing, automobile or other employee programs) that the Participant then owes to the Company and any amounts the Committee otherwise acting reasonably deems appropriate pursuant to any tax equalization policy or agreement; provided, that the Participant is first offered the opportunity to pay cash for such outstanding amounts. Notwithstanding the foregoing, the Committee shall have no right to offset against its obligation to deliver Shares (or other property or cash) under the Plan, any Award Agreement or any non-qualified deferred compensation amounts if such offset would subject the Participant to the additional tax imposed under Section 409A in respect of an outstanding Award.

5.5 Nonassignability; Transfer Restrictions

Unless otherwise provided in an Award Agreement, no Award or Award Stock (or any rights and obligations thereunder) granted to any Person under the Plan may be sold, exchanged, transferred, assigned, pledged, hypothecated, encumbered or otherwise disposed of in any

manner (including through the use of any cash-settled instrument), whether voluntarily or involuntarily and whether by operation of law or otherwise, other than by will or by the laws of descent and distribution, and all Awards (and any rights thereunder) shall be exercisable during the life of the Participant only by the Participant or the Participant's legal representative. Notwithstanding the foregoing, the Committee may permit, under such terms and conditions that it deems appropriate in its sole discretion, a Participant to transfer any Award or Award Stock to any Person or entity that the Committee so determines. Any sale, exchange, transfer, assignment, pledge, hypothecation or other disposition in violation of the provisions of this Section 5.5 shall be null and void and any Award or Award Stock which is hedged in any manner shall immediately be forfeited. All of the terms and conditions of the Plan and the Award Agreements shall be binding upon any permitted heirs, successors and assigns.

5.6 Waiver of Claims

Each Participant who receives an Award recognizes and agrees that before being selected by the Committee to receive an Award he or she has no right to any benefits under such Award. Accordingly, in consideration of the Participant's receipt of any Award hereunder, he or she expressly waives any right to contest the amount of any Award, the terms of any Award Agreement, any determination, action or omission hereunder or under any Award Agreement by the Committee, the Company or the Board, or any amendment to the Plan or any Award Agreement (other than an amendment to the Plan or an Award Agreement to which his or her consent is expressly required by the express terms of an Award Agreement).

5.7 Nature of Payments

Any and all grants of Awards and deliveries of Common Stock, cash, securities or other property under the Plan shall be in consideration of services performed or to be performed for the Company by the Participant. Awards under the Plan may, in the discretion of the Committee, be made in substitution in whole or in part for cash or other compensation otherwise payable to a Participant. Only whole Shares shall be delivered under the Plan. Awards shall, to the extent reasonably practicable, be aggregated in order to eliminate any fractional shares. Fractional shares may, in the discretion of the Committee, be forfeited or be settled in cash or otherwise as the Committee may determine. All grants and deliveries of Shares, cash, securities or other property under the Plan shall constitute a special discretionary incentive payment to the Participant and shall not be required to be taken into account in computing the amount of salary or compensation of the Participant for the purpose of determining any contributions to or any benefits under any pension, retirement, profit-sharing, bonus, life insurance, severance or other benefit plan of the Company or under any agreement with the Participant, unless the Company specifically provides otherwise.

5.8 Non-Uniform Determinations

The Committee's determinations under the Plan and Award Agreements need not be uniform and any such determinations may be made by it selectively among Persons who receive, or are eligible to receive, Awards under the Plan (whether or not such Persons are similarly situated). Without limiting the generality of the foregoing, the Committee shall be entitled, among other things, to make non-uniform and selective determinations under Award Agreements, and to enter into non-uniform and selective Award Agreements, as to (a) the

Persons to receive Awards, (b) the terms and provisions of Awards and (c) whether a Participant's employment has been terminated for purposes of the Plan.

5.9 No Third Party Beneficiaries

Except as expressly provided in an Award Agreement, neither the Plan nor any Award Agreement shall confer on any Person other than the Company and the Participant receiving any Award any rights or remedies thereunder. The exculpation and indemnification provisions of Section 1.3(d) shall inure to the benefit of a Covered Person's estate and beneficiaries and legatees.

5.10 Other Payments or Awards

Nothing contained in the Plan shall be deemed in any way to limit or restrict the Company from making any award or payment to any Person under any other plan, arrangement or understanding, whether now existing or hereafter in effect.

5.11 Plan Headings

The headings in the Plan are for the purpose of convenience only and are not intended to define or limit the construction of the provisions hereof.

5.12 Successors and Assigns of the Company

The terms of the Plan shall be binding upon and inure to the benefit of the Company and any of its successor or assigns.

5.13 Notices

Notices required or permitted to be made under the Plan shall be in writing and shall be deemed given, delivered and effective on the earliest of (a) the date of transmission, if such notice or communication is delivered via facsimile prior to 5:00 p.m. (California time) on a business day, (b) the business day after the date of transmission, if such notice or communication is delivered via facsimile later than 5:00 p.m. (California time) on any business day and earlier than 11:59 p.m. (California time) on the day preceding the next business day, (c) one (1) business day after when sent, if sent by nationally recognized overnight courier service (charges prepaid) or (d) upon actual receipt by the Person to whom such notice is required to be given. All notices shall be addressed (a) to a Participant at such Participant's address as set forth in the books and records of the Company or (b) to the Company or the Committee or the Board to the following address:

Attention: Corporate Secretary
Silvergate Capital Corporation
4275 Executive Square, Suite 800
La Jolla, CA 92037

5.14 No Right to Continued Employment

Nothing in the Plan or (in the absence of an express provision to the contrary) in any Award Agreement, as applicable, shall confer on any Participant any right to continue in the employment of, or provide any other service to, the Company or any of its Subsidiaries, or interfere in any way with the right of the Company or any of its Subsidiaries to terminate such Participant's employment or other service at any time for any reason or to continue such Participant's present (or any other) rate of compensation, except as may otherwise be provided by written agreement between the Participant and the Company or any of its Subsidiaries.

5.15 Severability

Whenever possible, each provision of the Plan shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of the Plan is held to be invalid, illegal or unenforceable in any respect under any applicable law or rule in any jurisdiction, such invalidity, illegality or unenforceability shall not affect any other provision or any other jurisdiction, but the Plan shall be reformed, construed and enforced in such jurisdiction as if such invalid, illegal or unenforceable provision had never been contained herein.

5.16 Disputes; Governing Law and Forum

(a) Subject to the provisions of this Section 5.16 , any controversy or claim between a Participant and the Company arising out of or relating to or concerning the Plan or any aspect of the Participant's employment with, or other service to, the Company or any of its Subsidiaries (including service as a Director), or the termination of that employment or service (together, a " **Disputed Matter** ") shall be finally settled by arbitration in the city of San Diego, California administered by the American Arbitration Association (the " **AAA** ") under its Commercial Arbitration Rules then in effect. However, the AAA's Commercial Arbitration Rules shall be modified in the following ways: (i) the decision must not be a compromise but must be the adoption of the submission by one of the parties; (ii) each arbitrator shall agree to treat as confidential evidence and other information presented to them; (iii) there shall be no authority to award punitive damages (and the Participant and the Company agree not to request any such award); (iv) the optional Rules for Emergency Measures of Protections shall apply; (v) there shall be no authority to amend or modify the terms of the Plan except as provided in Section 5.1 (and the Participant and the Company agree not to request any such amendment or modification); and (vi) a decision must be rendered within ten business days of the parties' closing statements or submission of post-hearing briefs.

(b) A Participant or the Company may bring an action or special proceeding in a state or federal court of competent jurisdiction sitting in the city of San Diego, California to enforce any arbitration award under Section 5.16(a) .

(c) Participants and the Company irrevocably submit to the exclusive jurisdiction of any state or federal court located in the city of San Diego, California over any Disputed Matter that is not otherwise arbitrated or resolved according to Section 5.16(a) . This includes any action or proceeding to compel arbitration or to enforce an arbitration award. Both the Participants and the Company (i) acknowledge that the forum stated in this Section 5.16(c) has a reasonable relation to the Plan and to the relationship between the Participant and the Company and that the submission to the forum shall apply even if the forum chooses to apply non-forum law,

(ii) waive, to the extent permitted by law, any objection to personal jurisdiction or to the laying of venue of any action or proceeding covered by this Section 5.16(c) in the forum stated in this Section 5.16(c) , (iii) agree not to commence any such action or proceeding in any forum other than the forum stated in this Section 5.16(c) and (iv) agree that, to the extent permitted by law, a final and non-appealable judgment in any such action or proceeding in any such court shall be conclusive and binding on the Participant and the Company. However, nothing in the Plan precludes the Participant or the Company from bringing any action or proceeding in any court for the purpose of enforcing the provisions of Section 5.16(a) and this Section 5.16(c) .

(d) **The Plan shall be governed by and construed in accordance with the law of the State of Maryland applicable to contracts made and to be performed entirely within that state.**

5.17 Section 409A Compliance

It is the intention of the Company and the Board that the Plan not be subject to the provisions of Section 409A of the Code, as in effect as of the Effective Date or subsequently modified thereafter, or to the extent subject to such provisions then to comply in all material respects with such provisions. In the event that Section 409A would impose a detriment on the Participants, taken as a whole, with respect to Awards under the Plan, then the Board shall consider in good faith modifications or amendments to the Plan intended to eliminate or ameliorate such detriment; provided that, in no event shall the Board be required to modify or amend the Plan in a manner adverse to the Company.

5.18 Date of Adoption

The Plan shall become effective as of December 17, 2010 (the " **Effective Date** "), concurrent with its adoption by the Board on such date.

5.19 Stockholder Approval

This Plan shall be approved within 12 months of the Effective Date by a majority of the outstanding securities entitled to vote. Any securities issued pursuant to Awards shall not be counted in determining whether such approval is obtained. If such approval is not obtained, then any Awards granted pursuant to this Plan, and any Shares issued pursuant to such Awards, shall be rescinded.

Exhibit 10.6

SILVERGATE CAPITAL CORPORATION
COMPENSATORY STOCK OPTION AWARD AGREEMENT
PURSUANT TO THE 2018 EQUITY COMPENSATION PLAN

This option is granted on _____, (the "Grant Date") by Silvergate Capital Corporation (the "Company") to _____, (the "Optionee"), in accordance with the following terms and conditions:

1. Option Grant and Exercise Period. The Company hereby grants to Optionee an Option to purchase (the "Option"), pursuant to the Company's 2010 Equity Compensation Plan (the "Plan"), and upon the terms and conditions therein and hereinafter set forth, _____ shares (the "Option Shares") of Class A Common Stock, par value $.01 per share ("Common Stock"), of the Company at the price (the "Exercise Price") of $ _____ per share. The Option granted hereby is not an "incentive stock option" as that term is defined in Section 422 of the Internal Revenue Code of 1986, as amended.

This Option shall be exercisable during the period (the "Exercise Period") commencing on the Grant Date and ending at 5:00 p.m., La Jolla, California, time, on the earlier of: (a) ten years after the Grant Date, and (b) (i) 60 days after the date the Optionee ceases to be an employee of the Company or any of its subsidiaries ("Termination Date"), or (ii) six months after the Termination Date if an Optionee is terminated due to death or Disability (as defined in the Plan). This Option shall vest and become exercisable according to the following schedule:

Vesting Based on Years of Continuous Service After Grant Date of Option	Amount of Shares of Common Stock Subject to Option Which May be Exercised
Immediate	25%
12 months after Grant Date	25%
24 months after Grant Date	25%
36 months after Grant Date	25%

The right to exercise the Option pursuant to the above schedule is cumulative.

2. Method of Exercise of This Option. This Option may be exercised during the Exercise Period by delivering written notice to the Company (in the form attached to this Agreement) specifying the number of Option Shares to be purchased). Such notice must be accompanied by payment in full of the Exercise Price for the Option Shares to be purchased, plus the amount of any additional U.S. federal and state income or other taxes, or any taxes by any non-U.S. jurisdiction, required to be withheld by the Company or any of its affiliates in connection with an Option exercise. Payment shall be by personal or certified check payable to the order of the Company or, if permitted by the Compensation Committee of the Company's Board of Directors (the "Committee"), on a cashless exercise basis that may include tender of shares of Common Stock with a fair market value equivalent to the amount of the purchase price, withholding some of the shares of Common Stock which are being purchased upon exercise of this Option, withholding compensation payable to Optionee, or by any combination of the foregoing.

3. Non-Transferability of This Option. This Option may not be sold, transferred, pledged, assigned, or otherwise alienated or hypothecated, except, in the event of the death of the Optionee, by will or the laws of descent and distribution, or pursuant to a court approved domestic relations order. Except as provided herein, or on such other terms as the Committee may determine in its sole discretion, this Option is exercisable during the Optionee's lifetime only by the Optionee.

4. Restrictions on Stock Transferability. The Option Shares may be subject to further restrictions upon transfer, including, restrictions under applicable federal and state securities laws.

5. Additional Exercise Considerations. A successor to an Optionee's rights by virtue of a court approved domestic relations order shall be subject to the Exercise Period limitations herein.

6. Adjustments for Changes In Capitalization Of The Company. In the event of any change in the outstanding shares of Stock by reason of any stock dividend or split, recapitalization, merger, consolidation, combination, exchange of shares, or other similar corporate change, the aggregate number of shares of Stock available under the Plan and subject to each outstanding Award, and its stated

exercise price or the basis upon which the Award is measured, shall be adjusted appropriately by the Committee, whose determination shall be conclusive.

7. Stockholder Rights Not Granted by This Option . The Optionee is not entitled by virtue hereof to any rights of a stockholder of the Company or to notice of meetings of stockholders or to notice of any other proceedings of the Company.

8. Notices . All notices hereunder to the Company shall be delivered or mailed to it addressed to the Secretary of the Company at its then current headquarters office (presently 4275 Executive Square, Suite 800, La Jolla, CA 92037). Any notices hereunder to the Optionee shall be delivered personally or mailed to the Optionee's address noted below. Such addresses for the service of notices may be changed at any time provided written notice of the change is furnished in advance to the Company or to the Optionee, as the case may be.

9. Plan and Plan Interpretations as Controlling . This Option and the terms and conditions herein set forth are subject in all respects to the terms and conditions of the Plan, which are controlling. All determinations and interpretations of the Committee shall be binding and conclusive upon the Optionee or his legal representatives with regard to any question arising hereunder or under the Plan.

10. Optionee Service . Nothing in this Option shall limit the right of the Company or any of its affiliates to terminate the Optionee's service as an officer or employee, or otherwise impose upon the Company or any of its affiliates any obligation to employ or accept the services of the Optionee.

11. Optionee Acceptance . The Optionee shall signify his acceptance of the terms and conditions of this Option by signing in the space provided below and returning a signed copy hereof to the Company at its current headquarters address.

IN WITNESS WHEREOF, the parties hereto have caused this COMPENSATORY STOCK OPTION AWARD AGREEMENT to be executed as of the date first above written.

SILVERGATE CAPITAL CORPORATION

By: _____
Dennis S. Frank
Chairman of the Board

(Corporate Seal)

ACCEPTED BY OPTIONEE:

_____
[NAME]
[ADDRESS]
[CITY, STATE, ZIP]

SILVERGATE CAPITAL CORPORATION

NOTICE OF EXERCISE OF COMPENSATORY STOCK OPTION

PURSUANT TO THE 2010 EQUITY COMPENSATION PLAN

_____
Date

ATTN: Secretary
Silvergate Capital Corporation
4275 Executive Square, Suite 800
La Jolla, California 92037

Dear Sir or Madam:

The undersigned elects to exercise his Compensatory Stock Option to purchase _____shares, par value $.01 per share, of Class A common stock of Silvergate Capital Corporation (the "Common Stock").

In submitting this Notice of Exercise I acknowledge that I have read and been afforded an opportunity to ask questions of management of the Company regarding all financial and other information provided to me regarding the Company. I hereby also represent and warrant to the Company that:

(a) I am acquiring the Common Stock for my own account and not with a view to, or intention of, distribution thereof in violation of the Securities Act of 1933 (the "Securities Act") or any applicable state securities laws, and the Common Stock shall not be disposed of in contravention of the Securities Act or any applicable state securities laws; and

(b) I am able to bear the economic risks of my investment in the Common Stock for an indefinite period of time and am aware that transfer of the Common Stock may not be possible because the Common Stock has not been registered under the Securities Act or any applicable state securities laws and, therefore, cannot be sold unless subsequently registered under the Securities Act and such applicable state securities laws or an exemption from such registration is available.

Delivered herewith is a personal or certified check, or Common Stock, or a combination thereof, in the total amount of $ _____ in full payment of the option price. If Common Stock is enclosed in full or partial consideration of the purchase price, I am also attaching a notification from the Board of Directors or the Plan Committee advising: (i) that such means of payment has been authorized and (ii) as to the fair market value of the shares proposed to be tendered by me as required by the provisions of the Plan.

The name to be on the stock certificate to be issued and the address and Social Security number of such person or persons are as follows:

Name: _____

Address: _____

_____

Social Security Number: _____

Very truly yours,

_____
(Signature of Person Exercising the Option)

Exhibit 10.7

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT (the " **Agreement** ") is made effective as of January 1, 2018 (the " **Effective Date** "), between Silvergate Capital Corporation (" **SCC** "), Silvergate Bank (" **Silvergate** "), and Alan J. Lane (" **Executive** ") for the purposes set forth in this Agreement.

WHEREAS, SCC is a Maryland corporation and the parent company of Silvergate, a California state-chartered bank and wholly-owned subsidiary of SCC, subject to the supervision and regulation of the California Department of Business Oversight (" **DBO** "), Federal Deposit Insurance Corporation (" **FDIC** "), and Board of Governors of the Federal Reserve System (" **FRB** "); and

WHEREAS, it is the intention of the parties to enter into this Agreement for the purpose of securing Executive's services as the President and Chief Executive Officer of SCC and Chief Executive Officer of Silvergate (SCC and Silvergate together, the " **Company** ").

NOW, THEREFORE, in consideration of the mutual covenants and agreements contained herein, SCC, Silvergate and Executive agree as follows:

1. TERM . Subject to the provisions for earlier termination hereinafter provided, Executive's employment hereunder shall be for a term commencing on the Effective Date and ending on the third anniversary of the Effective Date (the " **Term** ").

2. POSITION, DUTIES AND RESPONSIBILITIES . During the Term, the Company will employ Executive, and Executive agrees to be employed, as the President and Chief Executive Officer of SCC and Chief Executive Officer of Silvergate. In such employment capacity, Executive will have such duties and responsibilities as are normally associated with such position and will report to Boards of Directors of SCC and Silvergate, respectively (together, the " **Board** "). In addition, Company agrees to cause Executive to be elected to the Board of Directors of SCC and Silvergate during the term of this Agreement. During the Term, and except as set forth on Schedule 1 , Executive shall devote his entire business time, attention and energies to the business and affairs of the Company, to the performance of Executive's duties under this Agreement and to the promotion of the Company's interests. Notwithstanding the foregoing, subject to Section 11 below, nothing in this Agreement shall be construed to limit Executive's ability to provide services to or participate in non-profit, charitable or civic organizations or to manage personal investments, including personal investment vehicles, to the extent that such activities do not materially interfere with Executive's performance of his duties hereunder. During the Term, the geographic location where Executive's primary office will be located will be in the Company's principal offices currently located at 4250 Executive Sq., Suite 300, La Jolla, CA 92037, but Executive may also work from any location Executive chooses as long as Executive has access to equipment and other resources necessary to perform Executive's duties. Notwithstanding the foregoing, the Company may from time to time require Executive to travel temporarily to other locations on the Company's business. At the Company's request, Executive will serve the Company and/or its subsidiaries and affiliates in other capacities in addition to the foregoing. In the event that Executive serves in any one or more of such additional capacities, Executive's compensation will not be increased beyond that specified in this Agreement. In addition, in the event Executive's service in one or more of such additional capacities is terminated, Executive's compensation, as specified in this

Agreement, will not be diminished or reduced in any manner as a result of such termination for so long as Executive otherwise remains employed under the terms of this Agreement.

3. BASE COMPENSATION . During the Term, the Company will pay Executive a base salary of $400,000 per year, less payroll deductions and all required withholdings, payable in accordance with the Company's normal payroll practices and prorated for any partial pay period of employment. Executive's base salary shall be subject to increase only, in the sole discretion of the Board, based on the Board's annual review (such base salary, as may be increased pursuant to this Section 3 , the " **Base Compensation** ").

4. BONUS . In addition to the Base Compensation, during the Term, Executive will be eligible to participate in the Company's incentive bonus plan applicable to senior executives of the Company. The amount of Executive's annual bonus will be based on the attainment of performance criteria established and evaluated by the Board in accordance with the terms of such bonus plan as in effect from time to time, provided that, subject to the terms of such bonus plan, Executive's target annual bonus shall be fifty percent (50%) of Base Compensation. Each annual bonus shall, to the extent payable in accordance with the terms of the incentive bonus plan, be paid no later than March 15 th of the year following the year in which such annual bonus is earned. Each annual bonus shall be paid in cash.

5. STOCK OPTIONS . The Board of Directors of SCC may grant stock options to Executive during the Term in its sole discretion.

6. BENEFITS, VACATION AND AUTOMOBILE . During the Term, (i) Executive and his dependents shall be eligible as of the Effective Date to participate in Company's medical and dental insurance programs, (ii) Executive shall be eligible to participate in all incentive, savings and retirement plans, practices, policies and programs maintained or sponsored by the Company from time to time which are applicable to other senior executives of the Company, including without limitation, a Company 401(k) plan, subject to the terms and conditions thereof, and (iii) Executive shall be eligible for standard benefits, such as paid time off and holidays, to the extent applicable generally to other senior executives of the Company, provided that, during the Term, Executive shall be entitled to no less than thirty (30) vacation days per year (*i.e.* , six weeks of vacation), pro-rated for any partial year of service, in all cases, subject to the terms and conditions of the applicable Company plans or policies. In addition, without limiting the generality of the foregoing, the Company shall make available to Executive any long-term disability insurance policy which it may provide for other senior executives of the Company on the same terms and conditions as are made available to such other senior executives.

In addition, during the Term, the Company shall provide Executive, for Executive's sole use, a suitable full-sized luxury automobile, the specific make and model of such automobile to be determined by Executive, which automobile shall initially be new and at no time be older than four (4) years, and have an original cost of no more than $90,000 plus applicable taxes and license fees. Company shall pay all operating expenses of any nature whatsoever with regard to such automobile, provided Executive furnishes to Company adequate records and documentary evidence required by Federal and State statutes and regulations issued by the appropriate taxing authorities for the substantiation of such payments as deductible business

expenses of Company and not as deductible compensation to Executive. Company shall procure and maintain in force an automobile insurance policy on such automobile, containing reasonable and necessary coverage.

7. EXPENSES. During the Term, Executive shall be entitled to receive prompt reimbursement of all reasonable business expenses incurred by Executive in accordance with Company expense reimbursement policy applicable to its senior executives, as in effect from time to time (plus such additional expense amounts as Executive, in his reasonable discretion and subject to Company approval, deems necessary and appropriate to carry out his duties). To the extent that any such expenses are deemed to constitute compensation to Executive, such expenses shall be reimbursed by December 31 of the year following the year in which the expense was incurred. The amount of any such expenses reimbursed in one year shall not affect the amount eligible for reimbursement in any subsequent year and Executive's right to reimbursement of any such expenses shall not be subject to liquidation or exchange for any other benefit.

8. TERMINATION OF EMPLOYMENT.

a. Termination Without Cause. The Company may terminate Executive's employment without Cause (as defined below) at any time during the Term upon thirty (30) days' written notice provided to Executive in accordance with Section 10 below, or in the Company's sole discretion, payment of Executive's Base Salary for such period in lieu of notice. If Executive's termination of employment is without Cause and is also a "separation from service" (within the meaning of Section 409A(a)(2)(A)(i) of the Internal Revenue Code of 1986, as amended (the " **Code** "), and Treasury Regulation Section 1.409A-1(h)) (" **Separation from Service** "), the Company shall promptly or, in the case of obligations described in clause (iv) below, as such obligations become due, pay or provide to Executive, (i) Executive's earned but unpaid Base Compensation accrued through the date of such Separation from Service (the " **Termination Date** "), (ii) accrued but unpaid vacation time through the Termination Date, (iii) reimbursement of any business expenses incurred by Executive prior to the Termination Date that are reimbursable under Section 7 above, (iv) any vested benefits and other amounts due to Executive under any plan, program or policy of the Company, and (v) any payment in lieu of notice of termination under this Section 8.a (together, the " **Accrued Obligations** "). In addition, subject to Section 8.f and Section 8.h below and Executive's execution and non-revocation of a binding release in accordance with Section 8.g below, and Executive acting in accordance with the post-termination covenants of Section 11 below, in the event Executive experiences a Separation from Service due to a termination by the Company without Cause, the Company shall pay or provide to Executive (the " **Severance** "):

(1) twelve (12) monthly payments in accordance with the Company's regular payroll schedule, each equal to twice Executive's monthly portion of the Base Compensation at the rate in effect as of the Termination Date (disregarding any purported reduction of such Base Compensation), and

(2) at the Company's expense, continuation of group healthcare coverage for Executive and his legal dependents until the earlier of twelve months from the Termination Date or such time as Executive becomes eligible to receive medical benefits under another group health plan, provided that Executive properly elects continuation healthcare coverage under Section 4980B of the Code and the regulations thereunder; following such continuation period, any further continuation of such coverage under applicable law shall be at Executive's sole expense.

b. Resignation . Executive may terminate his employment at any time upon thirty (30) days' written notice provided to Company in accordance with Section 10 below, provided, that the Company may, in the Company's sole discretion, waive such notice period with payment of Executive's Base Salary for such period in lieu of notice, and Executive shall be entitled to receive the Accrued Obligations promptly or, in the case of benefits described in Section 8.a(iv) above, as such obligations become due.

c. Death; Disability . If Executive dies during the Term or his employment is terminated due to his total and permanent disability (within the meaning of Section 22(e)(3) of the Code) (" **Disability** "), Executive or his estate, as applicable, shall be entitled to receive the Accrued Obligations promptly or, in the case of benefits described in Section 8.a(iv) above, as such obligations become due.

d. Resignation for Good Reason . As used herein, " **Good Reason** " shall mean the occurrence of any of the following, without Executive's express written consent: (i) a material reduction of Executive's duties or responsibilities; (ii) a material reduction by Company of Executive's Base Compensation as in effect immediately prior to such reduction; (iii) the relocation of Executive's principal work location to a facility or a location that constitutes a material change in the geographic location at which Executive provides services (within the meaning of Section 409A, as defined below); or (iv) a material breach by the Company of Sections 3 , 4 , 5 , 6 or 7 of this Agreement; *provided,* that no resignation for Good Reason shall be effective unless and until (A) Executive has first provided the Company with written notice specifically identifying the acts or omissions constituting the grounds for "Good Reason" within thirty (30) days after Executive has or should reasonably be expected to have had knowledge of the occurrence thereof, (B) the Company has not cured such acts or omissions within thirty (30) days of its actual receipt of such notice, and (C) the effective date of Executive's termination for Good Reason occurs no later than ninety (90) days after the initial existence of the facts or circumstances constituting Good Reason.

If Executive's termination of employment is for "Good Reason" and is also a Separation from Service, then Company shall, subject to Section 8.f and Section 8.h below and Executive's execution and non-revocation of a binding release in accordance with Section 8.g below, have the same obligations as are set forth in Section 8.a above under the circumstance when a termination without Cause is also a Separation from Service.

e. Cause . The Company may terminate Executive's employment for Cause by providing notice to Executive in accordance with Section 10 below. If the Company terminates Executive's employment for Cause, Executive shall be entitled to receive the Accrued Obligations promptly or, in the case of benefits described in Section 8.a (iv) above, as such obligations become due.

f. Potential Six-Month Delay . Notwithstanding anything to the contrary in this Agreement, compensation and benefits that become payable in connection with a termination of employment (if any), including without limitation any Severance payments, shall be paid to Executive during the six (6)-month period following his Separation from Service only to the extent that the Company reasonably determines that paying such amounts at the time or times indicated in this Agreement will not cause Executive to incur additional taxes under Code Section 409A (together with Department of Treasury regulations issued thereunder, " **Section 409A** "). If the payment of any such amounts is delayed as a result of the previous sentence, then on the first business day following the end of such six (6)-month period (or such earlier date upon which such amount can be paid under Section 409A without being subject to such additional taxes, including as a result of Executive's death), the Company shall pay to Executive a lump-sum amount equal to the cumulative amount that would have otherwise been payable to Executive during such six (6)-month period.

g. Release . Executive's right to receive the Severance payments and benefits set forth in this Section 8 is conditioned on and subject to the execution and non-revocation by Executive of a general release of claims against the Company and its affiliates in the form of Exhibit A hereto.

h. Regulatory Restrictions . The parties understand and agree that at the time any payment would otherwise be made or benefit provided under this Section 8 , depending on the facts and circumstances existing at such time, the satisfaction of such obligations by the Company may be deemed by a regulatory authority to be illegal, an unsafe and unsound practice, or for some other reason not properly due or payable by the Company. Among other things, the regulations at 12 C.F.R. Part 30, Appendix A promulgated pursuant to Section 39(a) of the Federal Deposit Insurance Act, and at 12 C.F.R. Part 359, or similar regulations or regulatory action following similar principles may apply at such time. The Company agrees that to the extent reasonably feasible, it will in good faith seek to determine the position of the appropriate regulatory authority in advance of each payment or benefit otherwise due under this Section 8 , including seeking the approval or acquiescence of the appropriate regulatory authorities, if required. The parties understand, acknowledge and agree that, notwithstanding any other provision of this Agreement, the Company shall not be obligated to make any payment or provide any benefit under this Section 8 (except as required by law) where (i) an appropriate regulatory authority does not approve or acquiesce as required or (ii) the Company has been informed either orally or in writing by a representative of the appropriate regulatory authority that it is the position of such regulatory authority that making such payment or providing such benefit would constitute an unsafe and unsound practice, violate a written agreement with the regulatory authority, violate an applicable rule, law or regulation, or would cause the representative of the regulatory

authority to recommend enforcement action against the Company or a subsidiary or affiliate of the Company.

i. Termination of Offices and Directorships . Upon termination of Executive's employment for any reason, Executive shall be deemed to have resigned from all offices and directorships, if any, then held with the Company or any affiliate, and shall take all actions reasonably requested by the Company to effectuate the foregoing.

j. Definitions . For purposes of this Agreement:

(1) " **Acquisition** " means (i) any consolidation or merger of the Company with or into any other corporation or other entity or person in which the stockholders of the Company prior to such consolidation or merger own, directly or indirectly, less than fifty percent (50%) of the continuing or surviving entity's voting power immediately after such consolidation or merger, excluding any consolidation or merger effected exclusively to change the domicile of the Company; or (ii) a sale or other disposition of all or substantially all of the stock or assets of the Company.

(2) " **Cause** " shall mean (A) Executive willfully and habitually fails to perform the duties which Executive is required to perform hereunder, (B) Executive willfully and habitually engages in illegal activity which materially and adversely affects the Company's reputation in the community or which evidences Executive's lack of fitness or ability to perform his duties as reasonably determined by the Board in good faith, (C) Executive willfully and habitually engages in the falsification of reports or makes material, intentional misrepresentations or omissions of information supplied to SCC, Silvergate or to regulatory agencies, (D) Executive willfully commits any act which would cause termination of coverage under Silvergate's Bankers' Blanket Bond, (E) Executive willfully breaches a fiduciary duty, exhibits dishonesty or deliberately or repeatedly disregards material policies or procedures of the Company, (F) Executive willfully breaches this Agreement in any material respect, (G) Executive willfully and habitually engages in conduct or acts of moral turpitude that are materially injurious to the Company or any of its subsidiaries and affiliates, (H) Executive is suspended or temporarily or permanently removed or prohibited from participating in the conduct of the business of the Company by the, FRB, FDIC, DBO or any other banking authority. Notwithstanding the foregoing, Executive's employment with the Company shall not be deemed to have been terminated for Cause unless the Company provides written notice to Executive in accordance with Section 10 below of its intention to terminate his employment for Cause, setting forth the specific facts or circumstances constituting Cause and, in the case of facts or circumstances that are capable of cure, Executive has either failed to cure, or has failed to take reasonable steps toward curing, such facts or circumstances within fifteen (15) days of such notice (or, in the case that reasonable steps have been taken within fifteen (15) days of such notice, has failed to cure within forty-five (45) days of such notice).

9. INTERNAL REVENUE CODE SECTION 280G . The terms of this Section 9 override and control any and all other terms of this Agreement to the extent such terms are inconsistent with this Section 9 . This Section 9 shall apply to the extent that the aggregate present value of any or all payments and benefits in the nature of compensation to (or for the benefit of) Executive provided under this Agreement or otherwise provided to Executive by or on behalf of the Company or any subsidiary, affiliate, parent or controlling entity of the Company, constitute a "parachute payment" under the provisions of Section 280G of the Code (the " **Total Payments** "). In the event that the Total Payments would exceed an amount equal to 299% of Executive's "base amount" as that term is defined in Section 280G of the Code and would be subject to the excise tax imposed by Section 4999 of the Code, as determined by the independent public accountants for the Company (the " **Accountants** "), then prior to the first relevant payment under this Agreement, the Company shall inform Executive of this determination and payment shall be delayed for a period of no longer than thirty (30) days. During that thirty (30) days, the Accountants, legal counsel to the Company, Executive and Executive's tax advisors shall review the tax impact to Executive of all of the payments and benefits included in the calculation of the Total Payments and the Company shall pay to Executive under this Agreement whichever of the following would provide Executive with the higher after-tax compensation, after taking into account all applicable state and federal taxes (computed at the highest marginal rate) including Executive's share of F.I.C.A. and Medicare taxes and any taxes payable pursuant to Section 4999 of the Code: (i) a reduced payment under this Agreement (or a reduction in other payments or benefits included in the Total Payments such that the Total Payments are no more than 299% of the "base amount", or (ii) the payment required under this Agreement. For purposes of clause (i), the reduction of the Total Payments shall be made by first reducing Total Payments that are continued employee benefits coverage and then any cash payments to the extent necessary to not exceed 299% of Executive's "base amount," provided that such reduction is applied in a manner that complies with Code Section 409A.

10. NOTICE . Any notice or other communication required or permitted under this Agreement shall be effective only if it is in writing and delivered personally or sent by fax, email (followed by confirmation in writing) or registered or certified mail, postage prepaid, addressed as follows (or if it is sent through any other method agreed upon by the parties):

If to the Company:

Silvergate Capital Corporation
4250 Executive Square, Suite 300
La Jolla, CA 92037
Attention: Dennis Frank
Facsimile: (858) 430-3151
E-mail: dsf@silvergatebank.com

If to Executive: to Executive's most current home address on file with the Company's Human Resources Department, or to such other address as any party hereto may designate by notice to the other in accordance with this Section 10 , and shall be deemed to have been given upon receipt.

11. COVENANTS.

a. Noncompetition, Nonsolicitation and Nondisclosure by Executive .

(1) Executive hereby agrees that he shall not, during the Term directly or indirectly, whether as an employee, employer, consultant, agent, principal, stockholder, officer, director, or in any other individual or representative capacity, engage or participate in any banking or financial services business competitive with SCC or Silvergate.

(2) Executive hereby agrees that he shall not, during the Term and for the twelve (12)-month period immediately following termination of Executive's employment hereunder (the " **Restricted Period** "), solicit, encourage or assist, directly, indirectly or in any manner whatsoever, any employees of the Company or its affiliates or subsidiaries (including any former employees who voluntarily terminated employment with the Company within a twelve (12)-month period prior to Executive's termination of employment with the Company) to resign or to apply for or accept employment with any other competitive banking or financial services business within the counties in California in which the Company has located its offices. In addition, Executive hereby agrees that he shall not, at any time, use any Proprietary Information (as defined below) to solicit, encourage or assist, directly, indirectly or in any manner whatsoever, any customer, person or entity that has a business relationship with the Company or, during the twelve (12)-month period prior to Executive's termination of employment with the Company, was engaged in a business relationship with the Company, to terminate such business relationship and engage in a business relationship with any other competitive banking or financial services business within the counties in California in which the Company has located its offices.

b. Disclosure of Information . Executive shall not, at any time, without the prior written consent of the Board or except as required by law to comply with legal process including, without limitation, by oral questions, interrogatories, requests for information or documents, subpoena, civil investigative demand or similar process, disclose to anyone, or use for any purpose other than providing service to and for the benefit of the Company, any trade or business secrets, including without limitation, any financial information, customer lists, computer software or other information concerning the business or operations of the Company or its affiliates or subsidiaries (the " **Proprietary Information** "); provided, that Proprietary Information shall not include information (i) in or which enters the public domain (other than by breach of Executive's obligations hereunder), (ii) acquired by Executive other than in connection with his employment, or (iii) that is disclosed to Executive by a third party who Executive reasonably believes is not obligated to the Company to keep such information confidential. Executive further recognizes and acknowledges that any financial information concerning any customers of the Company or its affiliates or subsidiaries is strictly confidential and is a valuable, special and unique asset of the Company's business which also constitutes Proprietary Information. Executive shall

not, at any time, without such consent or except as required by law, disclose to anyone said financial information or any part thereof, for any reason or purpose whatsoever. In the event Executive is required by law to disclose such information described in this Section 11.b , Executive will provide the Company with prompt notice of such request so that it may consider seeking a protective order. If, in the absence of a protective order or the receipt of a waiver hereunder, Executive is nonetheless, in the opinion of counsel, compelled to disclose any of such information to any tribunal or any other party, then Executive may disclose (on an "as needed" basis only) such information to such tribunal or other party without liability hereunder. Notwithstanding the foregoing, Executive may disclose such information concerning the business or operations of the Company and its affiliates and subsidiaries as reasonably necessary in the proper performance of Executive's duties and responsibilities hereunder or as may be required by the FDIC, DBO, FRB or other regulatory agency having jurisdiction over the operations of the Company in connection with an examination of the Company or other proceeding conducted by such regulatory agency.

c. Non-Disparagement . During the Term and following termination of this Agreement and Executive's employment hereunder, (i) Executive agrees that he shall not publicly or privately disparage, defame or criticize the Company, its shareholders, its affiliates, subsidiaries, officers or directors, and (ii) the Company, and each of them, agrees that none of its officers or directors shall publicly disparage, defame or criticize Executive.

d. Written, Printed or Electronic Material . All written, printed and electronic material, notebooks and records including, without limitation, computer disks used by Executive in performing duties for the Company, other than Executive's personal address lists, telephone lists, notes and diaries, are and shall remain the sole property of the Company. Upon termination of Executive's employment or earlier request by the Company, Executive shall promptly return all such materials (including all copies, extracts and summaries thereof) to the Company.

e. Breach of Covenants . Each party acknowledges that a breach by such party of any of the covenants or restrictions contained in this Section 11 will cause irreparable damage to the other party, the exact amount of which will be difficult to ascertain, and that the remedies at law for any such breach will be inadequate. Accordingly, each party agrees that if such party breaches or attempts to breach any such covenants or restrictions, the other party shall be entitled to temporary or permanent injunctive relief with respect to any such breach or attempted breach (in addition to any other remedies, at law or in equity, as may be available to such other party), without posting bond or other security.

12. INDEMNIFICATION . The Company shall defend and indemnify Executive, to the extent permitted by law and applicable regulation (including as limited by 12 C.F.R. Part 359, or similar regulations or regulatory action following similar principles), if he becomes a party or is threatened to be made a party in any action brought by a third party against Executive (whether or not SCC or Silvergate is joined as a party defendant) against expenses, judgments, fines, settlements and other amounts actually and reasonably incurred in connection with said

action if Executive acted in good faith and in a manner Executive reasonably believed to be in the best interests of the Company (and, with respect to a criminal proceeding, if Executive had no reasonable cause to believe his conduct was unlawful), provided that the alleged conduct of Executive arose out of and was within the course and scope of his employment as an officer or director of the Company.

13. REPRESENTATIONS. Executive hereby represents and warrants to the Company that (a) Executive is entering into this Agreement voluntarily and that the performance of his obligations hereunder will not violate any agreement between Executive and any other person, firm, organization or other entity, and (b) Executive is not bound by the terms of any agreement with any previous employer or other party to refrain from competing, directly or indirectly, with the business of such previous employer or other party that would be violated by his entering into this Agreement and/or providing services to the Company pursuant to the terms of this Agreement.

14. CODE SECTION 409A. To the extent applicable, this Agreement shall be interpreted in accordance with Section 409A. Notwithstanding any provision of this Agreement to the contrary, if at any time Executive and the Company mutually determine that any payments or benefits payable hereunder may be subject to Section 409A, the parties shall work together to adopt such amendments to this Agreement or take any other actions that the parties determine are necessary or appropriate to (i) exempt such payments and benefits from Section 409A and/or preserve the intended tax treatment of such payments or benefits, or (ii) comply with the requirements of Section 409A and thereby avoid the application of penalty taxes under Section 409A.

15. WITHHOLDING. The Company may withhold from any amounts payable under this Agreement such federal, state, local or foreign taxes as shall be required to be withheld pursuant to any applicable law or regulation.

16. TERMINATION OF PRIOR AGREEMENT. That certain Employment Agreement between the Company and Executive dated January 1, 2015, as amended effective April 19, 2017, (the " **Prior Agreement** "), is hereby terminated in its entirety.

17. ENTIRE AGREEMENT. As of the Effective Date, this Agreement, together with any Indemnification Agreement, constitutes the final, complete and exclusive agreement between Executive and the Company with respect to the subject matter hereof and replaces and supersedes any and all other agreements, offers or promises, whether oral or written, made to Executive by the Company or any representative thereof, including without limitation, the Prior Agreement. Executive agrees that any such agreement, offer or promise is hereby terminated and will be of no further force or effect, and that upon his execution of this Agreement, Executive will have no right or interest in or with respect to any such agreement, offer or promise.

18. AMENDMENT. The terms of this Agreement may not be amended or modified other than by a written instrument executed by the parties hereto or their respective successors.

19. ACKNOWLEDGEMENT. Executive hereby acknowledges (a) that Executive has consulted with or has had the opportunity to consult with independent counsel of his own choice concerning this Agreement, and has been advised to do so by the Company, and (b) that Executive has read and understands this Agreement, is fully aware of its legal effect, and has entered into it freely based on his own judgment.

20. GOVERNING LAW. This Agreement shall be governed by and construed in accordance with the laws of the State of California, without regard to conflicts of laws principles thereof.

21. DISPUTE RESOLUTION. Any dispute arising out of or related to this Agreement shall be resolved through binding arbitration through JAMS in San Diego, California, under the then current applicable rules of JAMS. The expenses of arbitration (other than attorneys' fees) shall be paid by the Company.

22. NO WAIVER. Failure by either party hereto to insist upon strict compliance with any provision of this Agreement or to assert any right such party may have hereunder shall not be deemed to be a waiver of such provision or right or any other provision or right of this Agreement.

23. ASSIGNMENT. This Agreement is binding on and for the benefit of the parties hereto and their respective successors, heirs, executors, administrators and other legal representatives. Neither this Agreement nor any right or obligation hereunder may be assigned by Executive.

24. SEVERABILITY. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement.

25. CONSTRUCTION. The parties hereto acknowledge and agree that each party has reviewed and negotiated the terms and provisions of this Agreement and has had the opportunity to contribute to its revision. Accordingly, the rule of construction to the effect that ambiguities are resolved against the drafting party shall not be employed in the interpretation of this Agreement. Rather, the terms of this Agreement shall be construed fairly as to all parties hereto and not in favor or against any party by the rule of construction abovementioned.

26. COUNTERPARTS. This Agreement may be executed in several counterparts, each of which shall be deemed an original, but all of which shall constitute one and the same instrument.

27. CAPTIONS. The captions of this Agreement are not part of the provisions hereof, rather they are included for convenience only and shall have no force or effect.

28. SURVIVAL. Any provision herein that, in order to give proper effect to its intent, should survive the expiration or termination of this Agreement, will survive the expiration or earlier termination of this Agreement for the period specified therein, or if nothing is specified, until fully performed to completion.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

EXECUTIVE:

/s/ Alan J. Lane
Alan J. Lane

SILVERGATE:

SILVERGATE CAPITAL CORPORATION

By: /s/ Dennis S. Frank

Name: Dennis S. Frank

Title: Chairman of the Board

SILVERGATE BANK

By: /s/ Dennis S. Frank

Name: Dennis S. Frank

Title: Chairman of the Board

SCHEDULE 1

LIST OF EXECUTIVE'S
OTHER PERMITTED ACTIVITIES

Boards of Directors positions:

-Natural Alternatives International, Inc., Director

Other Activities:

Legatus membership and expenses to be paid by Company up to a maximum of $10,000 per year.

Exhibit A

SEPARATION AGREEMENT
AND
GENERAL RELEASE OF CLAIMS

THIS SEPARATION AGREEMENT AND GENERAL RELEASE OF CLAIMS (hereinafter "Agreement") is entered into by and between, on one hand, Alan J. Lane (hereinafter "Executive"), and on the other hand, Silvergate Bank and Silvergate Capital Corporation (together "Employer" or "Company").

RECITALS

A. Executive has been employed by the Company as its _____.

B. On or about _____, Executive's employment with the Company terminated.

C. In exchange for compensation that Executive would not otherwise be entitled to receive, Executive desires to settle and compromise any and all possible claims and disputes he has against the Company arising out of their relationship to date, and to provide for a general release of any and all such claims.

AGREEMENT

1. Termination of Employment. Executive agrees that his employment with the Company shall terminate as of _____.

2. Separation Pay/Consideration. In consideration of the covenants and releases set forth herein, the Company agrees to pay Executive the amount payable to him and the non-monetary consideration (if any) due him, pursuant to and in accordance with, Section 8.a or 8.d, as the case may be, of the Employment Agreement dated January 1, 2018, by and between Executive and the Company (the "Employment Agreement"), less all applicable state and federal tax withholdings (in each case, the "Payment"), $2,000 of which shall be consideration for Executive's release of ADEA claims as set forth in Section 4, below. A check representing the Payment, if applicable, shall be mailed to Executive at his last home address on file with the Company in accordance with the Employment Agreement.

3. Release of All Claims Except ADEA Claims.

a. Release. In consideration of the separation payment described in Section 2 of this Agreement, which Executive would otherwise not be entitled to except for signing this Agreement, Executive does hereby unconditionally, irrevocably and absolutely release and discharge the Company, its owners, directors, officers, employees, agents, attorneys, stockholders, insurers, divisions, successors and assigns, and any related holding, parent, sister or subsidiary corporations from any and all loss, liability, claims, demands, causes of action or suits of any type, whether in law and/or in equity, related directly or indirectly, or in any way connected with any transactions, affairs or

occurrences between them to date, including, but not limited to, Executive's employment with the Company and the termination of said employment. This Agreement specifically applies, without limitation, to any and all wage claims, claims for unpaid expenses, contract or tort claims, claims for wrongful termination, and claims arising under Title VII of the Civil Rights Act of 1991, the Americans with Disabilities Act, the Equal Pay Act, the California Fair Employment and Housing Act, the Fair Labor Standards Act, the Family and Medical Leave Act, the California Family Rights Act, the California Labor Code, and any and all federal or state statutes or laws governing discrimination in employment except the federal statute specifically excluded hereafter. This release specifically excludes any and all loss, liability, claims, demands, causes of action or suits of any type arising under the ADEA. Executive's release of ADEA claims will be addressed separately in Section 4 of this Agreement.

b. Section 1542 Waiver. Executive does expressly waive all of the benefits and rights granted to him/her pursuant to California Civil Code section 1542, which reads as follows:

> A general release does not extend to claims which the creditor does not know of or suspect to exist in his or her favor at the time of executing the release, which if known by him or her must have materially affected his or her settlement with the debtor.

Executive does certify that he has read all of this Agreement, including the release provisions contained herein and the quoted Civil Code section, and that he fully understands all of the same. Executive hereby expressly agrees that this Agreement shall extend and apply to all unknown, unsuspected and unanticipated injuries and damages, as well as those that are now disclosed.

c. No Further Action. Executive irrevocably and absolutely agrees that he will not prosecute nor allow to be prosecuted on his behalf, in any administrative agency, whether federal or state, or in any court, whether federal or state, any claim or demand of any type related to the matters released above, it being the intention of the parties that with the execution by Executive of this release, the Company, its owners, directors, officers, employees, agents, attorneys, stockholders, insurers, divisions, successors and assigns, and any related holding, parent, sister or subsidiary corporations will be absolutely, unconditionally and forever discharged of and from all obligations to or on behalf of Executive related in any way to the matters discharged herein.

4. Release of All ADEA Claims/OWBPA Provisions.

a. ADEA Claims. This section of the Agreement exclusively addresses Executive's release of claims arising under federal law involving discrimination on the basis of age in employment (age forty and above). This section is provided separately, in compliance with federal law, including but not limited to the Older Workers' Benefit Protection Act of 1990 ("OWBPA"), to ensure that Executive clearly understands his rights so that any release of age discrimination claims under federal law (the ADEA) is knowing and voluntary on the part of Executive.

b. Review Period/OWBPA Provisions. In accordance with the provisions of the OWBPA, Executive is aware of the following: Executive represents, acknowledges and agrees that the Company has advised him, in writing, (i) to discuss this Agreement with an attorney, and to that extent, if any, that Executive has desired, Executive has done so; (ii) that the Company has given

Executive twenty-one (21) days from receipt of this Agreement to review and consider this Agreement before signing it, and Executive understands that he may use as much of this twenty-one (21) day period as he wishes prior to signing; (iii) that no promise, representation, warranty or agreements not contained herein have been made by or with anyone to cause him to sign this Agreement; (iv) that he has read this Agreement in its entirety, and fully understands and is aware of its meaning, intent, content and legal effect; (v) and that he is executing this release voluntarily and free of any duress or coercion; (vi) this Agreement includes rights and claims under the federal Age Discrimination in Employment Act, as amended, and the federal OWBPA, as amended; and (vii) that this Agreement does not waive rights or claims that may arise after the date Executive signs this Agreement

c. Effective Date of Agreement . The parties acknowledge that for a period of _____ (___) days following the execution of this Agreement, Executive may revoke the Agreement, and the Agreement shall not become effective or enforceable until the revocation period has expired without any revocation. This Agreement shall become effective _____ (___) days after it has been signed by Executive and the Company, and in the event the parties do not sign on the same date, then this Agreement shall become effective _____ (___) days after the date it is signed by Executive.

d. EEOC Charges . Nothing in this Agreement shall be deemed to preclude Executive from filing an Age Discrimination in Employment Act charge or complaint with the federal Equal Employment Opportunity Commission, although he may have no right to relief by reason of the claims he has released herein, or from participating in an investigation or proceeding conducted by the Equal Employment Opportunity Commission.

e. Release . In consideration of the separation payment described in Section 2 of this Agreement, which Executive would otherwise not be entitled to except for signing this Agreement, Executive does hereby unconditionally, irrevocably and absolutely release and discharge the Company, its owners, directors, officers, employees, agents, attorneys, stockholders, insurers, divisions, successors and/or assigns, and any related holding, parent, sister or subsidiary corporations from any and all loss, liability, claims, demands, causes of action or suits of any type relating to age discrimination in employment, including any claims arising under the ADEA and/or the OWBPA and related directly or indirectly to Executive's employment with the Company and the termination of said employment.

f. Section 1542 Waiver . Executive does expressly waive all of the benefits and rights granted to him pursuant to California Civil Code section 1542, which reads as follows:

> A general release does not extend to claims which the creditor does not know of or suspect to exist in his or her favor at the time of executing the release, which if known by him or her must have materially affected his or her settlement with the debtor.

Executive does certify that he has read all of this Agreement, including the release provisions contained herein and the quoted Civil Code section, and that he fully understands all of the same. Executive hereby expressly agrees that this Agreement shall extend and apply to all unknown, unsuspected and unanticipated ADEA injuries and damages, as well as those ADEA injuries and damages that are now disclosed.

5. Confidentiality/Non-Disparagement . Executive agrees that all matters relative to this Agreement shall remain confidential. Accordingly, Executive hereby agrees that, with the exception of his spouse, counsel and tax advisors, he shall not discuss, disclose or reveal to any other persons, entities or organizations, whether within or outside of the Company, the terms and conditions of this Agreement. Executive agrees not to make any derogatory or adverse statements, written or verbal, regarding the Company or any of its present or former directors, officers or employees, to anyone.

6. Covenants . Executive hereby reaffirms his obligations under his Employment Agreement with the Company to which this Agreement relates, which shall remain in effect to the extent provided in the Employment Agreement. Executive further agrees that he shall not disclose to any person(s) or entity(ies) at any time or in any manner, directly or indirectly, any information relating to the operations of the Company which has not already been disclosed to the general public. Executive agrees that this provision includes, but is not limited to, the following information: proprietary information and/or trade secrets; secret formulae; customer lists and/or names; product and service prices; customer charges; contracts; contract negotiations and employee relations matters. Executive understands and agrees that this list is not all-inclusive.

7. Return of Company Property . Executive agrees to promptly return all property or information belonging to the Company, including all keys, computers, cellular telephones, and any document or property Executive generated during his employment at the Company, and agrees that no such property will be in his possession or control at the time he receives the consideration specified in Section 1 . This includes all property or information that may have come into his possession as a result of his employment with the Company. Executive further acknowledges that he has not retained any copies of any such information.

8. Entire Agreement . The parties further declare and represent that no promise, inducement or agreement not herein expressed has been made to them and that this Agreement contains the full and entire agreement between and among the parties, and that the terms of this Agreement are contractual and not a mere recital.

9. Applicable Law . The validity, interpretation, and performance of this Agreement shall be construed and interpreted according to the laws of the State of California.

10. Dispute Resolution . Except as set forth in Section 4(d) , any dispute arising out of or related to this Agreement shall be resolved through binding arbitration through JAMS in San Diego, California, under the then current applicable rules of JAMS. Each party shall be responsible for its or his or her own costs and attorneys' fees in connection with the arbitration, as well as half of the costs of the arbitration.

11. Knowing and Voluntary Agreement . Executive acknowledges that he has carefully read and fully understands all the provisions and effects of this Agreement. Executive further acknowledges that he has been given the opportunity to consult with his own independent legal counsel with respect to the matters referenced in this Agreement. Executive acknowledges that he has fully discussed this Agreement with his attorney or has voluntarily chosen to sign this Agreement without consulting an attorney, fully understanding the consequences of this Agreement. Executive further acknowledges that he is entering into this Agreement without coercion or duress from the Company and that neither the Company nor any of its agents or attorneys has made any

representations or promises concerning the terms or effects of this Agreement other than those set forth in this Agreement.

12. Complete Defense . This Agreement may be pleaded as a full and complete defense and may be used as the basis for an injunction against any action, suit or proceeding, which may be prosecuted, instituted or attempted by either party in breach thereof.

13. Counterparts . This Agreement may be executed in counterparts and, if so executed, each such counterpart shall have the force and effect of an original. A facsimile signature shall have the same force and effect as an original signature.

14. Severability . If any provision of this Agreement, or part thereof, is held invalid, void or voidable as against public policy or otherwise, the invalidity shall not affect other provisions, or parts thereof, which may be given effect without the invalid provision or part. To this extent, the provisions, and parts thereof, of this Agreement are declared to be severable.

15. No Admission of Liability . It is understood that this Agreement is not an admission of any liability by any person, firm, association or corporation but is in compromise of a disputed claim.

16. Successors and Assigns . This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective heirs, legal representatives, successors and assigns.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF , the undersigned have executed this Agreement on the dates shown below.

Dated: _____, 20__

_____

Alan J. Lane, Executive

Silvergate Bank:

Dated: _____, 20__

By: _____

Title: _____

Silvergate Capital Corporation:

Dated: _____, 20__

By: _____

Title: _____

Exhibit 10.8

CHANGE IN CONTROL SEVERANCE AGREEMENT

THIS CHANGE IN CONTROL SEVERANCE AGREEMENT is dated this 4th day of October, 2017, among SILVERGATE CAPITAL CORPORATION, a Maryland corporation (the "Corporation"), SILVERGATE BANK, a California banking corporation (the "Bank"), and Dennis S. Frank (the "Executive"). The Corporation and the Bank are collectively referred to as the "Employers".

WITNESSETH

WHEREAS, Corporation is a bank holding company registered under the Bank Holding Company Act of 1956, as amended, subject to the primary supervision and regulation of the Board of Governors of the Federal Reserve System ("FRB").

WHEREAS, Bank is a California chartered commercial bank and wholly-owned subsidiary of Corporation, subject to the primary supervision and regulation of the California Department of Business Oversight ("CDBO") and the FRB by virtue of its membership in the Federal Reserve Bank of San Francisco.

WHEREAS, the Executive is presently an officer of each of the Employers; and

WHEREAS, in order to induce the Executive to remain in the employ of the Employers and in consideration of the Executive's agreeing to remain in the employ of the Employers, the parties desire to specify the severance benefits which shall be due the Executive in the event that Executive's employment with the Employers is terminated under specified circumstances;

NOW THEREFORE, in consideration of the mutual agreements herein contained, and upon the other terms and conditions hereinafter provided, the parties hereby agree as follows:

1. Definitions. The following words and terms shall have the meanings set forth below for the purposes of this Agreement:

(a) **Cause.** Termination of the Executive's employment with the Employers for "Cause" shall mean termination because of personal dishonesty, willful misconduct, breach of fiduciary duty involving personal profit, intentional failure to perform stated duties on behalf of either Employer, willful violation of any law, rule or regulation (other than traffic violations or similar offenses) or final cease-and-desist order. For purposes of this paragraph, no act or failure to act on the Executive's part shall be considered "willful" unless done, or omitted to be done, by the Executive not in good faith and without reasonable belief that the Executive's action or omission was in the best interests of the Employers. Executive shall not be deemed to have been terminated for Cause unless and until there shall have been delivered to him a Notice of Termination. In the event employment of the Executive is terminated pursuant to this subparagraph 1(a), the Employers shall have no further liability to the Executive under this Agreement. Termination under this subparagraph 1(a) shall not prejudice any remedy that the Employers may have at law, in equity, or under this Agreement.

(b) **Change in Control of the Corporation** . "Change in Control of the Corporation" shall mean the occurrence of any of the following events, subject to the interpretational provisions thereafter:

(i) A person (or group) acquires stock that, together with stock already owned by such person or group, constitutes more than fifty percent (50%) of the total fair market value or total voting power of the stock of the Corporation, and (A) a majority of the members of the board of directors is replaced during the twelve (12)-month period following such acquisition, by directors whose appointment or election is not endorsed by a majority of the Corporation's board of directors prior to the date of the appointment or election; (B) the acquisition is the result of a merger or consolidation of the Corporation; or (C) the acquisition constitutes more than ninety percent (90%) of the total fair market value or total voting power of the stock of the Corporation. If a person (or group) already owns more than fifty percent (50%) of the stock, the acquisition of additional stock will not be considered a Change in Control of the Corporation under this paragraph unless and until the acquisition of additional stock reaches the threshold in (C) above. Under this paragraph, a Change in Control of the Corporation occurs only if there is a transfer or issuance of stock and the stock remains outstanding after the transaction. The change in board membership event is considered part of a Change in Control of the Corporation only when there is no majority shareholder corporation.

(ii) A person (or group) acquires, during a twelve (12)-month period, stock possessing fifty percent (50%) or more of the total voting power of the Corporation, and (A) a majority of the members of the board of directors is replaced during the twelve (12)-month period following such acquisition, by directors whose appointment or election is not endorsed by a majority of the Corporation's board of directors prior to the date of the appointment or election; (B) the acquisition is the result of a merger or consolidation of the Corporation; or (C) the acquisition constitutes more than ninety percent (90%) of the total voting power of the stock of the Corporation. If a person (or group) already owns at least fifty percent (50%) of the voting power, the acquisition of additional voting power does not trigger a Change in Control of the Corporation under this paragraph unless and until the acquisition of additional stock reaches the threshold in (C) above. The change in board membership event is considered part of a Change in Control of the Corporation only when there is no majority shareholder corporation.

(iii) A person (or group) acquires, during a twelve (12)-month period, assets that have a total gross fair market value (i.e. without regard to liabilities) of ninety percent (90%) or more of the total gross fair market value of all of the assets of the Corporation immediately prior to such acquisition. However, such an event will not be a Change in Control of the Corporation under this paragraph if the transfer is to an entity that is controlled by the shareholders of the Corporation, such as: (i) a shareholder of the Corporation in exchange for or with respect to the receiving of the other entity's stock, (ii) an entity in which the Corporation owns fifty percent (50%) or more of the total fair market value or total voting power, (iii) a person (or group) that owns directly or indirectly fifty percent (50%) or more of the total fair market value or total voting power of all of the outstanding stock of the Corporation; or (iv) an entity in which at least fifty percent (50%) of the total fair market value or total voting power is owned directly or indirectly by a person that owns directly or indirectly fifty percent (50%) or more of the total fair market value or total voting power of all of the outstanding stock of the Corporation.

The following interpretational provisions relate to the foregoing:

a. The terms "person" and "group" shall have the meanings set forth in Section 13(d) of the Securities Exchange Act of 1934 and the rules promulgated thereunder; provided that (I) persons will not be considered to be acting as a group solely because they purchase or own stock of the Employer at the same time or as a result of the same public offering; and (II) persons will be considered to be acting as a group if they are owners of a corporation that enters into a merger, consolidation, purchase or acquisition of stock, or similar business transaction, with the Corporation or the Bank.

b. The term "acquire" shall mean becoming, and the term "own" shall mean being, the "beneficial owner" as defined in Rule 13d-3 of the Securities and Exchange Commission.

c. The formation of a holding company for the Bank as to which the beneficial owners are substantially identical in proportion to their prior ownership of the Bank shall not be deemed a Change in Control of the Corporation.

d. The preceding events, when they occur with respect to the Bank (as if it were the "Corporation" in the preceding subparagraphs) shall be deemed to be a Change in Control of the Corporation so long as the Corporation owns at least fifty percent (50%) or more of the total voting power of the Bank.

(c) **Code.** "Code" shall mean the Internal Revenue Code of 1986, as amended and the regulations issued thereunder.

(d) **Date of Termination.** "Date of Termination" shall mean (i) if the Executive's employment with the Employers is terminated for Cause, the date on which the Notice of Termination is given, and (ii) if the Executive's employment with the Employers is terminated for any other reason, the date specified in the Notice of Termination. Notwithstanding anything to the contrary, the Date of Termination shall be a "separation from service" with the Employers within the meaning of Code Section 409A and shall only occur when the Executive terminates employment with both the Corporation and the Bank and their subsidiaries, affiliates, and successors.

(e) **Disability.** Termination by the Employers of the Executive's employment with the Employers based on "Disability" shall mean the Executive is either (1) unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than twelve (12) months, or (2) is, by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than twelve (12) months, receiving income replacement benefits for a period of not less than three (3) months under an accident and health plan covering employees of the Employers (or any subsidiary).

(f) **Good Reason.** Termination by the Executive of the Executive's employment with the Employers for "Good Reason" shall mean termination by the Executive following a Change in Control of the Corporation, provided that the Employers have not remedied the condition specified in the Notice of Termination provided by the Executive within the thirty (30) day or more period specified in the Notice of Termination, based on the occurrence of one of the following events:

(i) Without the Executive's express written consent, either Employer makes a material adverse change in the Executive's functions, duties or responsibilities with that Employer;

(ii) Without the Executive's express written consent, the Bank makes a material reduction in the Executive's base salary with the Bank as the same may be increased from time to time or makes a material reduction in the package of fringe benefits provided to the Executive by the Bank, taken as a whole;

(iii) Without the Executive's express written consent, either Employer requires the Executive to work in an office which is more than 30 miles from the location of the Employer's current principal executive office, except for required travel on business of the Employers to an extent substantially consistent with the Executive's present business travel obligations;

(iv) The Employers purport to terminate the Executive's employment for Disability or Retirement, which is not effected pursuant to a Notice of Termination satisfying the requirements of paragraph (h) below; or

(v) Either Employer fails to obtain the assumption of and agreement to perform this Agreement by any successor as contemplated in Section 6 hereof.

(g) **IRS.** IRS shall mean the Internal Revenue Service.

(h) **Notice of Termination.** Any purported termination of the Executive's employment by the Employers for any reason, including without limitation for Cause, Disability or Retirement, or by the Executive for any reason, including without limitation for Good Reason, shall be communicated by written "Notice of Termination" to the other party hereto. For purposes of this Agreement, a "Notice of Termination" shall mean a dated notice which (i) indicates the specific termination provision in this Agreement relied upon; (ii) sets forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Executive's employment under the provision so indicated; (iii) specifies a Date of Termination, which shall be not less than thirty (30) nor more than ninety (90) days after such Notice of Termination is given, except in the case of the Employers' termination of the Executive's employment for Cause, which shall be effective immediately; (iv) is given in the manner specified in Section 7 hereof; and (v) with respect to a Notice of Termination by the Executive for Good Reason, the notice shall be provided within ninety (90) days of the initial existence of Good Reason condition, and the Employers shall be provided a period of at least thirty (30) days to remedy the Good Reason condition.

(i) **Retirement.** "Retirement" shall mean voluntary termination by the Executive of Executive's employment with the Employers in accordance with the Employers' retirement policies, including early retirement, generally applicable to the Employers' salaried employees.

2. Benefits Upon Termination. If the Executive's employment with the Employers shall be terminated subsequent to a Change in Control of the Corporation and during the term of this Agreement by (i) the Employers for any reason other than Cause, Disability, or the Executive's death or (ii) the Executive for Good Reason, then the Bank shall:

(a) pay to the Executive in a lump sum on the Date of Termination an amount equal to twelve (12) months of the Executive's then current monthly base salary;

(b) maintain and provide for a period ending twelve (12) months from the Date of Termination, at no greater cost to the Executive than Executive is paying as of the Date of Termination, the Executive's continued participation in all group health insurance plans offered by the Bank in which the Executive was entitled to participate immediately prior to the Date of Termination. In the event that the Bank is unable to provide the benefits set forth in this subparagraph (b) due to the change in Executive's status to that of a non-employee, the Bank shall include in the lump sum payment due pursuant to the terms of Section 2(a) the Bank's premium cost for active employee coverage under the benefits required to be provided by this subparagraph (b), payable on the Date of Termination. To the extent the benefits described in this Section 2(b) would trigger the penalty tax and interest penalties under Section 409A or 105(h) of the Code, then the benefit(s) that would trigger the tax and interest penalties shall not be provided, and in lieu of such benefit(s) a lump sum cash payment equal to the present value of such benefit(s) will be provided to the Executive, payable on the Date of Termination.

3. IRC Section 280G. If the payments and benefits pursuant to Section 2 hereof, either alone or together with other payments and benefits which the Executive has the right to receive from the Employers, would constitute a "parachute payment" under Section 280G of the Code, the benefits or payments payable by the Bank pursuant to Section 2(b) hereof then followed by the cash payments payable by the Bank pursuant to Section 2(a) hereof shall be reduced, by the amount, if any, which is the minimum necessary to result in no portion of the payments and benefits payable by the Bank under Section 2 being non-deductible to the Bank pursuant to Section 280G of the Code and subject the Executive to the excise tax imposed under Section 4999 of the Code. The determination of any reduction in the payments and benefits to be made pursuant to Section 2 shall be based upon the opinion of independent counsel selected by the Employers' independent public accountants and paid by the Employers. Such counsel shall be reasonably acceptable to the Employers and the Executive; shall promptly prepare the foregoing opinion, but in no event later than thirty (30) days from the Date of Termination; and may use such actuaries as such counsel deems necessary or advisable for the purpose. Nothing contained herein shall result in a reduction of any payments or benefits to which the Executive may be entitled upon termination of employment under any circumstances other than as specified in this Section 3, or a reduction in the payments and benefits specified in Section 2 below zero.

4. Mitigation; Exclusivity of Benefits .

(a) The Executive shall not be required to mitigate the amount of any benefits hereunder, nor shall the amount of any such benefits be reduced by any compensation earned by the Executive as a result of employment by another employer after the Date of Termination or otherwise.

(b) The specific arrangements referred to herein are not intended to exclude any other benefits which may be available to the Executive upon a termination of employment with the Employers pursuant to employee benefit plans of the Employers or otherwise.

5. Withholding. All payments required to be made by the Employers hereunder to the Executive shall be subject to the withholding of such amounts, if any, relating to tax and other payroll deductions as the Employers may reasonably determine should be withheld pursuant to any applicable law or regulation.

6. Assignability. The Employers may assign this Agreement and their rights and obligations hereunder in whole, but not in part, to any corporation, bank, savings association or other

entity with or into which either of the Employers may hereafter merge or consolidate or to which either of the Employers may transfer all or substantially all of its respective assets, if in any such case said corporation, bank or other entity shall by operation of law or expressly in writing assume all obligations of the Employers hereunder as fully as if it had been originally made a party hereto, but may not otherwise assign this Agreement or their rights and obligations hereunder. The Executive may not assign or transfer this Agreement or any rights or obligations hereunder.

7. Notice. For the purposes of this Agreement, notices and all other communications provided for in this Agreement shall be in writing and shall be deemed to have been duly given when delivered or mailed by certified or registered mail, return receipt requested, postage prepaid, addressed to the respective addresses set forth below:

To the Corporation:
Silvergate Capital Corporation
4250 Executive Square, Suite 300
La Jolla, CA 92037

To the Bank:
Silvergate Bank
4250 Executive Square, Suite 300
La Jolla, CA 92037

To the Executive:
At Executive's address as set forth in the employment records of the Bank.

8. Amendment; Waiver. No provisions of this Agreement may be modified, waived or discharged unless such waiver, modification or discharge is agreed to in writing and signed by the Executive and such officer or officers as may be specifically designated by the Boards of Directors of the Employers to sign on their behalf. No waiver by any party hereto at any time of any breach by any other party hereto of, or compliance with, any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time.

9. Governing Law. The validity, interpretation, construction and performance of this Agreement shall be governed by the laws of the United States where applicable and otherwise by the substantive laws of the State of California.

10. Nature of Employment and Obligations.

(a) Nothing contained herein shall be deemed to create other than a terminable at will employment relationship between the Employers and the Executive, and the Employers may terminate the Executive's employment at any time, subject to providing any payments specified herein in accordance with the terms hereof.

(b) Nothing contained herein shall create or require the Employers to create a trust of any kind to fund any benefits which may be payable hereunder, and to the extent that the Executive acquires a right to receive benefits from the Employers hereunder, such right shall be no greater than the right of any unsecured general creditor of the Employers.

11. Term of Agreement. This Agreement shall commence on the date of this Agreement and this Agreement shall terminate one (1) year after a Change in Control of the Corporation, or upon the termination of the Executive's employment with the Bank (without prejudice to the rights

of the Executive under this Agreement, if any, related to such termination if such termination occurs after a Change in Control of the Corporation). This Agreement may not be terminated prior to or subsequent to a Change in Control without the Executive's consent.

12. Headings. The section headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement.

13. Validity. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provisions of this Agreement, which shall remain in full force and effect.

14. Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original but all of which together will constitute one and the same instrument.

15. Regulatory Prohibition. The Parties acknowledge and agree that entry into this Agreement is and payment of severance under Section 2 of this Agreement may be subject to receipt of approval from the FRB pursuant to Section 1828(k) and Part 359 of the FDIC Rules and Regulations and the CDBO. If such approval is not obtained or is subject to modifications specified by the FRB or the CDBO the parties agree to negotiate in good faith to amend this Agreement to provide for substantially equivalent terms consistent with regulatory requirements and Code Section 409A.

16. Arbitration . Any dispute, controversy or claim arising out of or relating to this Agreement or the breach thereof, shall be submitted to and finally settled by arbitration in accordance with the Commercial Arbitration Rules (the "Rules") of the American Arbitration Association (the "AAA") then in effect before a panel of three arbitrators selected by the Bank. Arbitration shall occur in La Jolla, California or such other location as may be mutually agreed to by the parties.

The award made by all or a majority of the panel of arbitrators shall be final and binding, and judgment may be entered based upon such award in any court of law having competent jurisdiction. The award is subject to confirmation, modification, correction or vacation only as explicitly provided in Title 9 of the United States Code. The prevailing party shall be entitled to receive any award of pre- and post-award interest as well as attorney's fees incurred in connection with the arbitration and any judicial proceedings related thereto. The parties acknowledge that this Agreement evidences a transaction involving interstate commerce. The United States Arbitration Act and the Rules shall govern the interpretation, enforcement, and proceedings pursuant to this Section. Any provisional remedy which would be available from a court of law shall be available from the arbitrators to the parties to this Agreement pending arbitration. Either party may make an application to the arbitrators seeking injunctive relief to maintain the status quo, or may seek from a court of competent jurisdiction any interim or provisional relief that may be necessary to protect the rights and property of that party, until such times as the arbitration award is rendered or the controversy otherwise resolved.

17. Entire Agreement. This Agreement embodies the entire agreement between the Employers and the Executive with respect to the matters agreed to herein. All prior agreements between the Employers and the Executive with respect to the matters agreed to herein are hereby superseded and shall have no force or effect.

18. Code Section 409A. Although the Employers do not guarantee to the Executive any particular tax treatment relating to the payments and benefits under this Agreement, it is intended

that such payments and benefits be exempt from, or comply with, Section 409A of the Code. The terms of this Agreement when subject to more than one interpretation shall always be interpreted in a manner that complies with the requirements of Code Section 409A and the formal guidance issued thereunder. Notwithstanding anything to the contrary, in the event that the Board of Directors of the Bank and the Corporation determine, after a review of Section 409A of the Code and all applicable IRS guidance, that this Agreement should be amended to comply with Section 409A of the Code then the Employers may amend this Agreement to make any changes required to comply with Section 409A of the Code. With regard to any provision herein that provides for reimbursement of costs and expenses or in-kind benefits, except as permitted by Code Section 409A, (i) the right to reimbursement or in-kind benefits shall not be subject to liquidation or exchange for another benefit; (ii) the amount of expenses eligible for reimbursement, or in-kind benefits, provided during any taxable year shall not affect the expenses eligible for reimbursement, or in-kind benefits to be provided, in any other taxable year; and (iii) such payments shall be made on or before the last day of the Executive's taxable year following the taxable year in which the expense was incurred. If the Executive is deemed on the Date of Termination to be a "specified employee" within the meaning of that term under Code Section 409A(a)(2)(B), then with regard to any payment that is considered non-qualified deferred compensation under Code Section 409A payable on account of a "separation from service," such payment or benefit shall be made or provided at the date which is the earlier of (A) the expiration of the six (6)-month period measured from the date of such "separation from service" of the Executive, and (B) the date of the Executive's death (the "Delay Period"). Upon the expiration of the Delay Period, all payments and benefits delayed pursuant to this Paragraph (whether they would have otherwise been payable in a single sum or in installments in the absence of such delay), shall be paid or reimbursed to the Executive in a lump sum and any remaining payments and benefits due under this Agreement shall be paid or provided in accordance with the normal payment dates specified for them herein.

IN WITNESS WHEREOF, this Agreement has been executed as of the date first above written.

THIS AGREEMENT CONTAINS A BINDING ARBITRATION PROVISION WHICH MAY BE ENFORCED BY THE PARTIES.

Attest:

/s/ John M. Bonino

SILVERGATE CAPITAL CORPORATION

By /s/ Robert C. Campbell
Robert C. Campbell, Lead Director

Attest:

/s/ John M. Bonino

SILVERGATE BANK

By /s/ Alan J. Lane
Alan J. Lane, Chief Executive Officer

Attest:

/s/ Kathleen Fraher

EXECUTIVE

By /s/ Dennis S. Frank
Dennis S. Frank

AGREEMENT

THIS AGREEMENT (the “Agreement”) made as of the 2nd day of May, 2014, by and between Dennis Frank (hereinafter “Frank”) and Silvergate Bank (hereinafter “Silvergate”).

WHEREAS Silvergate and Frank wish to formally set out the terms and conditions of the long term bonus component (hereinafter the “Long Term Bonus”) of Frank’s compensation to be paid by Silvergate to Frank;

AND WHEREAS Frank is currently the Chairman of the Board of Directors of Silvergate (hereinafter the “Board”) as well as member of several committees of Silvergate;

AND WHEREAS the Compensation Committee of Silvergate has unanimously recommended to the Board that the terms and conditions as set out in this Agreement relating to the Long Term Bonus be approved by the Board;

AND WHEREAS the Board has approved payment of the Long Term Bonus to Frank in accordance with the terms and conditions of this Agreement;

NOW THEREFORE THIS AGREEMENT WITNESETH that in consideration of the mutual covenants and agreements contained herein and other good and valuable consideration, the receipt and sufficiency of which is hereby expressly acknowledged by the parties hereto, Silvergate and Frank hereby agree as follows:

1. LONG TERM BONUS COMPENSATION

   On and subject to all of the terms and conditions hereof, Silvergate covenants and agrees to pay to Frank, in addition to any other salary, fees, annual performance bonuses or honorariums currently paid or agreed to be paid to Frank, the Long Term Bonus which shall be payable at the rate of SEVENTY-FIVE THOUSAND DOLLARS ($75,000.00) per annum each year for a period of TEN (10) years commencing in the year 2014 to and including the year 2023 (hereinafter the “Term”) resulting in an aggregate potential payment of SEVEN HUNDRED AND FIFTY THOUSAND DOLLARS ($750,000.00) to Frank.

   The Long Term Bonus shall be payable annually to Frank on or before the 15th day of January of each year of the Term subject to all taxes and statutory withholdings as required by law or regulation.

2. CONDITIONS PRECEDENT TO PAYMENT OF LONG TERM BONUS

   The Long Term Bonus shall be payable on and subject to the following conditions precedent being satisfied by Frank for each year of the Term: (i) Frank holding the duly appointed position of Chairman of the Board as of the first day of January of each year of the Term; or (ii) Frank

holding the position of a duly appointed member of the Board as of the first day of January of each year of the Term.

3. ACCELERATION OF LONG TERM BONUS

Notwithstanding anything to the contrary herein contained, any and all of the aggregate amount of the Long Term Bonus remaining unpaid from time to time shall immediately become due and payable in full in the event of any of the following: (i) in the event that FIFTY PER CENT (50 %) or more of the issued and paid voting shares of Silvergate or Silvergate Capital Corporation, the sole shareholder of Silvergate, (hereinafter "Capital") are transferred to any person or entity other than the shareholders of Silvergate or Capital as currently constituted as of the date of this Agreement; or (ii) in the event that the Board of Silvergate in its absolute and unfettered discretion determines, by duly authorized resolution, that payment of any or all of the then remaining unpaid portion of the Long Term Bonus should be paid to Frank prior to the expiration of the Term.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement this 2nd day of May, 2014.

WITNESS

/s/ W. M. Herrick
W. M. Herrick

/s/ Robert C. Campbell
Robert C. Campbell

/s/ Thomas D. Dircks
Thomas D. Dircks

/s/ Dennis S. Frank
Dennis S. Frank

SILVERGATE BANK

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

Exhibit 10.10

CHANGE IN CONTROL SEVERANCE AGREEMENT

THIS CHANGE IN CONTROL SEVERANCE AGREEMENT is dated this 29th day of September, 2005, among SILVERGATE CAPITAL CORPORATION, a Maryland corporation (the "Corporation"), SILVERGATE BANK, a California industrial bank (the "Bank"), and Derek J. Eisele (the "Executive"). The Corporation and the Bank are collectively referred to as the "Employers".

WITNESSETH

WHEREAS, the Executive is presently an officer of each of the Employers;

WHEREAS, the Employers desire to be ensured of the Executive's continued active participation in the business of the Employers; and

WHEREAS, in order to induce the Executive to remain in the employ of the Employers and in consideration of the Executive's agreeing to remain in the employ of the Employers, the parties desire to specify the severance benefits which shall be due the Executive in the event that his employment with the Employers is terminated under specified circumstances;

NOW THEREFORE, in consideration of the mutual agreements herein contained, and upon the other terms and conditions hereinafter provided, the parties hereby agree as follows:

1. Definitions. The following words and terms shall have the meanings set forth below for the purposes of this Agreement:

(a) **Cause.** Termination of the Executive's employment for "Cause" shall mean termination because of personal dishonesty, willful misconduct, breach of fiduciary duty involving personal profit, intentional failure to perform stated duties, willful violation of any law, rule or regulation (other than traffic violations or similar offenses) or final cease-and-desist order. For purposes of this paragraph, no act or failure to act on the Executive's part shall be considered "willful" unless done, or omitted to be done, by the Executive not in good faith and without reasonable belief that the Executive's action or omission was in the best interests of the Employers.

(b) **Change in Control of the Corporation.** "Change in Control of the Corporation" shall mean a change in the ownership of the Corporation, a change in the effective control of the Corporation or a change in the ownership of a substantial portion of the assets of the Corporation as provided under Section 409A of the Code, as amended from time to time, and any Internal Revenue Service guidance, including Notice 2005-1, and regulations issued in connection with Section 409A of the Code.

(c) **Code.** "Code" shall mean the Internal Revenue Code of 1986, as amended.

(d) **Date of Termination.** "Date of Termination" shall mean (i) if the Executive's employment is terminated for Cause, the date on which the Notice of Termination is given, and (ii) if the Executive's employment is terminated for any other reason, the date specified in the Notice of Termination.

(e) **Disability.** Termination by the Employers of the Executive's employment based on

"Disability" shall mean the Executive is either (1) unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than twelve (12) months, or (2) is, by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than twelve (12) months, receiving income replacement benefits for a period of not less than three (3) months under an accident and health plan covering employees of the Employers (or any subsidiary).

(f) **Good Reason.** Termination by the Executive of the Executive's employment for "Good Reason" shall mean termination by the Executive following a Change in Control of the Corporation based on:

(i) Without the Executive's express written consent, the failure to elect or to re-elect or to appoint or to re-appoint the Executive to the office of Vice Chairman (or a comparable executive position) of the Employers or a material adverse change made by the Employers in the Executive's functions, duties or responsibilities with the Employers;

(ii) Without the Executive's express written consent, a material reduction by the Employers in the Executive's base salary as the same may be increased from time to time or a material reduction in the package of fringe benefits provided to the Executive, taken as a whole;

(iii) Without the Executive's express written consent, the Employers require the Executive to work in an office which is more than 30 miles from the location of the Employers' current principal executive office, except for required travel on business of the Employers to an extent substantially consistent with the Executive's present business travel obligations;

(iv) Any purported termination of the Executive's employment for Disability or Retirement which is not effected pursuant to a Notice of Termination satisfying the requirements of paragraph (i) below; or

(v) The failure by the Employers to obtain the assumption of and agreement to perform this Agreement by any successor as contemplated in Section 6 hereof.

(g) **IRS.** IRS shall mean the Internal Revenue Service.

(h) **Notice of Termination.** Any purported termination of the Executive's employment by the Employers for any reason, including without limitation for Cause, Disability or Retirement, or by the Executive for any reason, including without limitation for Good Reason, shall be communicated by written "Notice of Termination" to the other party hereto. For purposes of this Agreement, a "Notice of Termination" shall mean a dated notice which (i) indicates the specific termination provision in this Agreement relied upon, (ii) sets forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Executive's employment under the provision so indicated, (iii) specifies a Date of Termination, which shall be not less than thirty (30) nor more than ninety (90) days after such Notice of Termination is given, except in the case of the

Employers' termination of the Executive's employment for Cause, which shall be effective immediately; and (iv) is given in the manner specified in Section 7 hereof.

(i) **Retirement.** "Retirement" shall mean voluntary termination by the Executive in accordance with the Employers' retirement policies, including early retirement, generally applicable to the Employers' salaried employees.

2. Benefits Upon Termination. If the Executive's employment by the Employers shall be terminated subsequent to a Change in Control of the Corporation and during the term of this Agreement by (i) the Employers for other than Cause, Disability, Retirement or the Executive's death or (ii) the Executive for Good Reason, then the Employers shall:

(a) pay to the Executive in a lump sum as of the Date of Termination an amount equal to the Executive's then current monthly salary rate (determined by dividing the Executive's then current Base Salary by twelve (12)) for the number of months otherwise remaining in the term of this Agreement as set forth in paragraph 11 hereof;

(b) give, at no cost to the Executive, the vehicle which the Employers provided the Executive for his business use immediately prior to the Date of Termination; and

(c) maintain and provide for a period ending the earlier of (i) the expiration of the remaining term of this Agreement as of the Date of Termination or (ii) the date of the Executive's full-time employment by another employer (provided that the Executive is entitled under the terms of such employment to benefits substantially similar to those described in this subparagraph (b)), at no greater cost to the Executive than he is paying as of the Date of Termination, the Executive's continued participation in all group insurance, life insurance, health and accident insurance, disability insurance and other similar types of employee benefit plans, programs and arrangements offered by the Employer in which the Executive was entitled to participate immediately prior to the Date of Termination (excluding other types of benefits, plans or arrangements including (w) the Corporation's Employee Stock Ownership Plan and (y) stock benefit plans of the Corporation or the Bank). In the event that the Employers are unable to provide the benefits set forth in this subparagraph (c) due to the change in Executive's status to that of a non-employee, the Employer shall include in the lump sum payment due pursuant to the terms of Section 2 the value of the benefits required to be provided by this subparagraph (c). If the benefits described in this Section 2(c) would trigger the penalty tax and interest penalties under Section 409A of the Code, then the benefit(s) that would trigger the tax and interest penalties shall not be provided, and in lieu of such benefit(s) a lump sum cash payment equal to the present value of such benefit(s) will be provided to the Executive.

3. Limitation of Benefits under Certain Circumstances. If the payments and benefits pursuant to Section 2 hereof, either alone or together with other payments and benefits which the Executive has the right to receive from the Employers, would constitute a "parachute payment" under Section 280G of the Code, the cash payments payable by the Employers pursuant to Section 2(a) hereof shall be reduced, by the amount, if any, which is the minimum necessary to result in no portion of the payments and benefits payable by the Employers under Section 2 being non-deductible to the Employer pursuant to Section 280G of the Code and subject to the excise tax imposed under Section 4999 of the Code. The determination of any reduction in the payments and benefits to be made pursuant to Section 2 shall be based upon the opinion of independent counsel selected by the Employers' independent public accountants and paid by the Employers. Such counsel shall be reasonably acceptable to the Employers and the Executive; shall promptly prepare

the foregoing opinion, but in no event later than thirty (30) days from the Date of Termination; and may use such actuaries as such counsel deems necessary or advisable for the purpose. Nothing contained herein shall result in a reduction of any payments or benefits to which the Executive may be entitled upon termination of employment under any circumstances other than as specified in this Section 3, or a reduction in the payments and benefits specified in Section 2 below zero.

4. Mitigation; Exclusivity of Benefits.

(a) The Executive shall not be required to mitigate the amount of any benefits hereunder by seeking other employment or otherwise, nor shall the amount of any such benefits be reduced by any compensation earned by the Executive as a result of employment by another employer after the Date of Termination or otherwise.

(b) The specific arrangements referred to herein are not intended to exclude any other benefits which may be available to the Executive upon a termination of employment with the Employers pursuant to employee benefit plans of the Employers or otherwise.

5. Withholding. All payments required to be made by the Employers hereunder to the Executive shall be subject to the withholding of such amounts, if any, relating to tax and other payroll deductions as the Employers may reasonably determine should be withheld pursuant to any applicable law or regulation.

6. Assignability. The Employers may assign this Agreement and their rights and obligations hereunder in whole, but not in part, to any corporation, bank, savings association or other entity with or into which either of the Employers may hereafter merge or consolidate or to which either of the Employers may transfer all or substantially all of its respective assets, if in any such case said corporation, bank or other entity shall by operation of law or expressly in writing assume all obligations of the Employers hereunder as fully as if it had been originally made a party hereto, but may not otherwise assign this Agreement or their rights and obligations hereunder. The Executive may not assign or transfer this Agreement or any rights or obligations hereunder.

7. Notice. For the purposes of this Agreement, notices and all other communications provided for in this Agreement shall be in writing and shall be deemed to have been duly given when delivered or mailed by certified or registered mail, return receipt requested, postage prepaid, addressed to the respective addresses set forth below:

To the Corporation:
Silvergate Capital Corporation
4275 Executive Square, Suite 800
La Jolla, CA 92037

To the Bank:
Silvergate Capital Corporation
4275 Executive Square, Suite 800
La Jolla, CA 92037

To the Executive:
Derek J. Eisele
8162 Via Panacea

San Diego, CA 92129

8. Amendment; Waiver. No provisions of this Agreement may be modified, waived or discharged unless such waiver, modification or discharge is agreed to in writing and signed by the Executive and such officer or officers as may be specifically designated by the Boards of Directors of the Employers to sign on their behalf. No waiver by any party hereto at any time of any breach by any other party hereto of, or compliance with, any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time. Notwithstanding the foregoing, in the event that the Board of Directors of either the Bank or the Corporation determines, after a review of Section 409A of the Code and all applicable Internal Revenue Service guidance, that this Agreement should be amended to comply with Section 409A of the Code then the Board of Directors of either the Bank or the Corporation may amend this Agreement to make any changes required to comply with Section 409A of the Code.

9. Governing Law. The validity, interpretation, construction and performance of this Agreement shall be governed by the laws of the United States where applicable and otherwise by the substantive laws of the State of California.

10. Nature of Employment and Obligations.

(a) Nothing contained herein shall be deemed to create other than a terminable at will employment relationship between the Employers and the Executive, and the Employers may terminate the Executive's employment at any time, subject to providing any payments specified herein in accordance with the terms hereof.

(b) Nothing contained herein shall create or require the Employers to create a trust of any kind to fund any benefits which may be payable hereunder, and to the extent that the Executive acquires a right to receive benefits from the Employers hereunder, such right shall be no greater than the right of any unsecured general creditor of the Employers.

11. Term of Agreement. This Agreement shall commence on the date of this Agreement and this Agreement shall terminate two (2) years after a Change in Control. This Agreement may not be terminated prior to or subsequent to a Change in Control without the Executive's consent.

12. Headings. The section headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement.

13. Validity. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provisions of this Agreement, which shall remain in full force and effect.

14. Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original but all of which together will constitute one and the same instrument.

15. Regulatory Prohibition. Notwithstanding any other provision of this Agreement to the contrary, any payments made to the Executive pursuant to this Agreement, or otherwise, are subject to and conditioned upon their compliance with Section 18(k) of the Federal Deposit

Insurance Act (12 U.S.C. §1828(k)) and the regulations promulgated thereunder, including 12 C.F.R. Part 359.

16. Arbitration . Any dispute, controversy or claim arising out of or relating to this Agreement or the breach thereof, shall be submitted to and finally settled by arbitration in accordance with the Commercial Arbitration Rules (the "Rules") of the American Arbitration Association (the "AAA") then in effect before a panel of three arbitrators selected by the Bank. Arbitration shall occur in La Jolla, California or such other location as may be mutually agreed to by the parties.

The award made by all or a majority of the panel of arbitrators shall be final and binding, and judgment may be entered based upon such award in any court of law having competent jurisdiction. The award is subject to confirmation, modification, correction or vacation only as explicitly provided in Title 9 of the United States Code. The prevailing party shall be entitled to receive any award of pre- and post-award interest as well as attorney's fees incurred in connection with the arbitration and any judicial proceedings related thereto. The parties acknowledge that this Agreement evidences a transaction involving interstate commerce. The United States Arbitration Act and the Rules shall govern the interpretation, enforcement, and proceedings pursuant to this Section. Any provisional remedy which would be available from a court of law shall be available from the arbitrators to the parties to this Agreement pending arbitration. Either party may make an application to the arbitrators seeking injunctive relief to maintain the status quo, or may seek from a court of competent jurisdiction any interim or provisional relief that may be necessary to protect the rights and property of that party, until such times as the arbitration award is rendered or the controversy otherwise resolved.

17. Entire Agreement. This Agreement embodies the entire agreement between the Employers and the Executive with respect to the matters agreed to herein. All prior agreements between the Employers and the Executive with respect to the matters agreed to herein are hereby superseded and shall have no force or effect.

IN WITNESS WHEREOF, this Agreement has been executed as of the date first above written.

THIS AGREEMENT CONTAINS A BINDING ARBITRATION PROVISION WHICH MAY BE ENFORCED BY THE PARTIES.

Attest:

SILVERGATE CAPITAL CORPORATION

/s/ John M. Bonino

By /s/ Dennis S. Frank
Dennis S. Frank, Chairman and CEO

Attest:

SILVERGATE BANK

/s/ John M. Bonino

By /s/ Dennis S. Frank
Dennis S. Frank, Chairman and CEO

Attest:

EXECUTIVE

/s/ John M. Bonino

By /s/ Derek J. Eisele
Derek J. Eisele

Exhibit 21.1

Subsidiaries of the Registrant

The following is a list of subsidiaries of Silvergate Capital Corporation, the names under which such subsidiaries do business, and the jurisdiction in which each was organized, as of the date of this prospectus. All subsidiaries are wholly-owned unless otherwise noted.

Subsidiaries of Silvergate Capital Corporation

Name	Jurisdiction of Organization
Silvergate Bank	California
Silvergate Capital Trust I	Delaware
Silvergate Capital Trust II	Delaware

Subsidiaries of Silvergate Bank

Name	Jurisdiction of Organization
Spring Valley Lots, LLC	Delaware

Exhibit 23.2

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the use in this Registration Statement of Silvergate Capital Corporation on Form S-1 of our report dated August 1, 2018 on the consolidated financial statements of Silvergate Capital Corporation and to the reference to us under the heading "Experts" in the prospectus.

Crowe LLP

Costa Mesa, California
November 16, 2018