



Silvergate Bank

Community Reinvestment Act

2017-2019 Strategic Plan

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A. Overview of Silvergate Bank

a. Main Office Information

Silvergate Bank (“Bank”) is a California state-chartered Federal Reserve member commercial bank headquartered at 4250 Executive Square, Suite 300, La Jolla, CA 92037. It is a wholly owned subsidiary of Silvergate Capital Corporation, a federally registered bank holding company.

b. Corporate Background and History

Silvergate Bank began operations in 1988 under a California industrial loan company (“ILC”) charter as an institution with a focus on commercial real estate lending and limited to wholesale deposit activities such as certificates of deposit, savings accounts, and consumer NOW accounts. In February 2009, the Bank completed its charter change from an ILC to a state chartered commercial bank and has been working to establish itself as a business bank in the marketplace since that time. In December 2012, the Bank became a Federal Reserve member bank.

The Bank currently operates 4 branch locations, with 25% low- and moderate-income (LMI) census tract penetration:

- La Jolla, CA (San Diego County)—upper income census tract
- La Mesa, CA (San Diego County)—middle income census tract
- Escondido, CA (San Diego County)—low income census tract
- Carlsbad, CA (San Diego County)—upper income census tract

The Bank plans to change its branch locations in 2018, having received from the Federal Reserve approval to open a new branch located within the northern San Diego County city of San Marcos (in a middle-income census tract). As of application approval, it is the Bank’s intention to also close the individual branches in Carlsbad and Escondido, effectively consolidating the upper- and low-income branches into one middle-income census tract branch.

All of the Bank’s current and future branches operate business hours from 9 am-5 pm Monday through Friday.

In September 2014, the Bank opened a loan production office in the Orange County community of Seal Beach, CA in order to facilitate business lending activities. The Bank’s lending focus includes a blend of commercial lending (real estate secured), small business lending (including SBA 7 (a), and 504), commercial and industrial (C&I) lending (term loans and express lines of credit), multi-family lending, and single family residential pool purchases. Additionally, the Bank operates a correspondent lending division through which residential mortgage loans are purchased and sold in the secondary market. The Bank also operates a mortgage warehouse lending division, providing funding to mortgage bankers throughout the United States. The Bank does not originate residential mortgages or consumer loans.

At December 31, 2016, the Bank’s Report of Condition and Income “Call Report” reported total assets of \$978.1 million, total loans of \$ 844.2 million, and total deposits of \$769.9 million. Silvergate Bank is considered a well-capitalized institution with a Tier 1 Leverage Capital Ratio of 9.03%, and risk-based capital ratio of 14.52%.

c. Our Vision and Mission

Silvergate Bank’s strategic vision is to continue to develop a growing and valuable

commercial banking franchise, with increased core deposits in all of the Bank's branch offices. The Bank also intends to further expand and diversify the Bank's asset mix and revenue streams while sustaining the Bank's net interest margin in our existing lending activities. The Bank intends to maintain its traditionally high loan underwriting and portfolio management standards to support strong asset quality, while increasing bank capital by generating earnings consistent or superior to peer range. The Bank will actively manage the funding of its diverse categories of earning assets with deposits and other liabilities that closely match the maturity and/or rate setting characteristics of those assets, supporting a highly flexible and liquid balance sheet profile. For Financial technology (Fintech) deposits with perceived volatility, the Bank conservatively maintains cash or short-term securities rather than utilizing them to fund loans. The Bank will also maintain sound internal controls, risk management, and regulatory compliance systems.

The Bank's current business plan, which goes through 2017, emphasizes high-quality products and a relationship-oriented approach for providing efficient personalized services in order to establish long-term business relationships. The plan notes a desire to not just operate an efficient and profitable bank to the benefit of its customers, but to also be an active participant in serving the communities in which it operates.

Silvergate Bank is committed to providing customized banking solutions that satisfy the current and long-term needs of our clients, redefining the way that it partners with companies and individuals. The Bank is dedicated to providing the highest level of personal service to its customers, with local decision making, and a customer-centric philosophy. Silvergate Bank's marketing theme is "Business Banking, Redefined."

d. Current Products and Services

The Bank provides financial services that include commercial and residential real estate lending, business lending, and mortgage warehouse lending and commercial banking.

The Bank maintains a seasoned staff of commercial lending professionals, dedicated to the orderly growth of its commercial real estate and multi-family lending portfolio. Commercial real estate loans include owner-occupied real estate, investment real estate, and construction loans.

The Bank has expanded access to credit to small business borrowers since its charter change in 2009. It continued this expansion with the 2014 hiring of a new Chief Banking Officer who, with his extensive experience in business banking, has increased outreach and business loan production with additional loan officers and a loan production office. Business lending products offered by the Bank include business lines of credit, asset based lines of credit, business term loans, small business loans, standby letters of credit, SBA 7(a) and 504 loans, government assisted California Southern Small Business Loans, and California Capital Access Program Loans.

The Bank operates a correspondent lending channel through which it acquires high-quality conventional single-family residential loans from reputable and compliant mortgage originators who can expect efficient customer service and technological platform, reasonable pricing, quick turn times, and a unique non-qualified mortgage loan product offering that meets the needs of self-employed and other underserved borrowers who would otherwise struggle for financing.

The Bank operates a mortgage warehouse division that provides an interim funding

facility for lenders after initial loan closing but before sale in the secondary market.

The deposit products offered by the Bank include a full suite of traditional products such as checking accounts, savings accounts, certificates of deposit, and money market accounts. In addition, the Bank offers its business clients a full suite of cash management products and services including online banking, office deposit, ACH and wire transfer origination, and lock box services. The Bank also offers its customers debit cards, ATM and night drop access, and mobile banking. The Bank has expanded its access to customers by redesigning its website, recently adding account opening functionality online through its internet branch.

In response to success from its Fintech initiative, the Bank dedicates resources for a Fintech “branch” to further support and facilitate Fintech deposit activities and transactions. Clients include digital currency exchanges, institutional investors, software developers and other financial technology firms.

In the third quarter of 2016, the Bank successfully underwent a core systems conversion that further enhanced functionality for numerous applications, including deposit transaction processing, payment processing, electronic wire transfer, consumer and business online banking, consumer and business mobile banking, imaging, and online account opening. The new platform allows the Bank to offer more services, reach new markets, and to do so in a more efficient manner.

e. Banking Market and Competition

The Bank generates its core deposits from the Bank’s business banking franchise and its digital branch platform. All four of the Bank’s branches and its main office are located in the San Diego Market. While the Bank sources its physical branch deposits from the San Diego MSA, its digital branch deposits are from all over the country. The Bank conducts its business lending primarily in Southern California.

The Bank has strong competition in the San Diego marketplace. There are numerous other existing national, regional, and local banks, credit unions, and finance companies in the area. As of the June 2016, there were 52 FDIC-insured depository financial institutions in the San Diego County market, with a combined total of \$79.6 billion in deposits.

At the same time, there were nine banks and 18 credit unions with a main office in San Diego County. Of those financial institutions, seven banks and 10 credit unions had assets greater than \$100 million. The top ten largest depository institutions as of June 30, 2016, were: BofI Federal Bank, San Diego County CU, Mission Federal CU, California Coast CU, North Island Financial CU, Silvergate Bank, U.S.E. CU, Pacific Marine CU, Seacoast Commerce Bank, and San Diego Private Bank.

One of the main challenges Silvergate Bank faces in achieving its goals related to the Community Reinvestment Act is the presence of larger local and regional financial institutions, with larger branch networks, more employees, and better brand recognition that are able to capture the majority of the community development and lending opportunities in its assessment area. Silvergate Bank’s retail footprint is rather small and with a staff of approximately 120 employees, the Bank is challenged to find safe and sound business lending opportunities, feasible community development opportunities, and appropriate investment and service opportunities. Additionally, Silvergate Bank’s business model has virtually excluded the origination of mortgages for the last several years, causing the Bank to look to secondary market activities and investments to adequately participate in the provision and satisfaction of the

affordable housing needs in our community. Most of the mortgage originations purchased via correspondent lenders occur outside the Bank's assessment area.

B. Historical CRA Performance

It is the goal of the Bank's Board of Directors and senior management to fully comply with the spirit and regulations of the Community Reinvestment Act ("CRA"). To accomplish this, the Bank closely monitors and discusses all activities pertaining to its CRA performance. The Bank has a board approved CRA Policy, which is reviewed and approved annually. The CRA Policy establishes a CRA Officer and a CRA committee that monitors CRA performance. The Bank's CRA committee is a committee comprised of members of the Board of Directors and management. The Bank's CRA Officer and CRA committee are charged with the responsibility of implementing the Bank's CRA program. The committee utilizes the diverse backgrounds of each of its members to ensure that the Bank is meeting the goals and objectives of its CRA program. The Bank is classified as an Intermediate-Small Bank by the regulation.

In the Bank's CRA Performance Evaluation from October of 2013, the Bank was rated as having performed satisfactorily in both the lending and community development tests. In the CRA Performance Evaluation in June of 2011, the Bank was rated as having performed satisfactorily in the lending test and outstanding in the community development test.

Since the performance evaluation in late 2013, the Bank has directed efforts on adding experienced lenders and support personnel in an effort to increase its volume of small business lending. The Bank's commercial banking platform experienced strong growth as a result of these efforts. From 2Q 2014 to 4Q 2016, the Bank's total deposits increased almost \$300 million to \$769.9.8 million. During the same approximate timeframe, business lending loan balances experienced more than a 600% increase from \$12 million to \$86 million.

Under its first Strategic Plan that ended in 2016, the Bank met or exceeded all of its enumerated goals.

C. Silvergate Bank's Strategic Plan

Silvergate Bank is an FDIC-insured financial institution subject to the Community Reinvestment Act of 1977. As an Intermediate-Small Bank, Silvergate Bank has been subject to performance evaluations consisting of two tests, a Lending Test and a Community Development test. These tests are designed to evaluate the Bank's lending and community development activities within its designated assessment area. As an alternative to this standard evaluation method, the regulation provides an option for an institution to be evaluated under an approved strategic plan. In an effort to satisfactorily fulfill its CRA obligations, Silvergate Bank has elected to operate under a strategic plan.

a. Effective Date and Term

The term of this strategic plan is 36 months, covering the period from January 1, 2017 through December 31, 2019. Silvergate Bank's Board of Directors and Management will oversee the Bank's progress in meeting the Plan's objectives. If there are material changes to Silvergate Bank's condition, mission, objectives, or operations, and the Plan is no longer appropriate or viable, the Bank will seek approval to amend or modify the Plan from the Board of Governors of the Federal Reserve System. Upon approval of a modified plan, the Bank would continue to operate under the approved modified plan for the remaining duration of the term.

The Plan will terminate on December 31, 2019. The Bank may choose to submit a new strategic plan for approval and use for the following term.

b. Assessment Area

Silvergate Bank's Assessment Area (AA) consists of the San Diego Metropolitan Statistical Area. The Bank's main office and all four branches are in the San Diego Assessment Area.

c. Geographic, Demographic, Economic and Housing Information of the Assessment Areas

San Diego County is located in Southern California, bordered by Mexico to the south, the Pacific Ocean to the west, and the Anza Borrego Desert on the east. The County includes a mix of urban and rural communities, from coastal beachfront to mountain and desert areas. It encompasses 4,300 square miles with 70 miles of coastline and natural harbors, yet, much of the county's land area is considered rural. Climate on the coast is mild and constant, while inland the temperature can vary in more extremes.

According to the 2010 U.S. Census, San Diego County ranks second in population in California and is the 5th most populous county in the nation.¹ The population of the San Diego MSA was expected to reach nearly 3.3 million people in 2015.² The area is approximately 64% white, 11% Asian, 5% black, and 32% Hispanic.³ Almost one third of the 2010 population was located in low- or moderate-income tracts.⁴ The median household income in 2014 was \$63,996⁵. Analysts forecast 1.14 million households in the MSA by third quarter 2017.⁶

San Diego's economic industries include a diverse mix of health care, telecommunications, biotechnology, electronic/instrument manufacturing, defense, tourism, and international trade. An active port facilitates commerce with Mexico and the Pacific Rim nations. Many of these sectors capitalize on the highly educated and skilled labor force in the county.

Economic conditions have strengthened in the San Diego MSA since 2014. The U.S. Bureau of Labor Statistics calculated a 4.46% local unemployment rate for December 2016, down from a rate of 6.3% in June 2014.⁷ Local employment was up more than 37,000 jobs in the first half of 2016, compared to the same period in 2015, with the most growth in health care, hospitality, and government sectors.⁸ Also in 2016, price inflation remained limited while wages increased due to a growing demand for highly skilled workers in the technology, banking, and health-care IT sectors.⁹

While the housing market has recovered substantially from the Great Recession, a slowdown became evident in mid-2016 due to reductions in residential building permits and consumer confidence; however, the latter half of 2016 saw gains in both.¹⁰ While median home values are

¹ United States Census Bureau. *2010 Census*. U.S. Census Bureau. 2010.

² American FactFinder (US Census Bureau) *Annual Estimates of the Resident Population: 2015 Population Estimates*. 2015

³ CRA Wiz (PCI Corporation, Inc.) *Worksheet B: Assessment Area In-Depth*. Census Year 2010.

⁴ Id. *Percentage of Demographic Data by Income Level of Tract*. Census Year 2010.

⁵ American Community Survey (US Census Bureau) *2010-2014 Median Household Income*. 2016.

⁶ Office of Policy Development and Research (U.S. Department of Housing and Urban Development) *Comprehensive Housing Market Analysis: San Diego, California*. August 2014.

⁷ Id. *Market at a Glance: San Diego County, California*. September 2016.

⁸ Burnham-Moores Center for Real Estate (University of San Diego) *Leading Economic Indicators*. July 2016.

⁹ Federal Reserve District. *Current Economic Conditions*. August 2016.

¹⁰ Burnham-Moores Center for Real Estate (University of San Diego) *Leading Economic Indicators*. December 2016.

at their highest in 10 years, the increases are much more gradual than when they first rebounded from 2012 lows.¹¹ After peaking in 2015, single and multifamily building activity for the first half of 2016 was down 8.22 percent before ending the year with multifamily units up 26 percent and single-family units down by over 28 percent.¹² Consumer confidence decreased every month from November 2015 to June 2016 before ending the year with six consecutive monthly increases.¹³

Housing inventory data shows trends toward lower owner-occupancy and higher renter percentages, with fewer housing units to rent and sale. The 2010 Census shows total housing units in San Diego to be 1,164,786. Of these units, 54.4% are owner occupied and 45.6% are rental units. Data from 2015 show 1,194,494 total housing units, consisting of 52% owner-occupied and 47% rented.¹⁴ Sales and rental vacancy rates have continued to decrease since 2010.¹⁵

d. Credit Needs of the Assessment Area and Overall Goals

Local conditions demonstrate an ongoing need and opportunity for the Bank to continue to support the prevailing needs of sustained economic development and affordable housing initiatives. Economic conditions of the AA have improved since during the great recession, as indicated by way of lower unemployment rates, business expansion, and improving home prices.

In an effort to stay connected to the needs of its communities, the Bank is active in the region's interagency banker CRA roundtable panel. This roundtable comes together on a bi-annual basis to hear from community agencies regarding economic needs of the community, providing a forum for banks and community agencies to connect and leverage opportunities to serve the community. Through the Bank's participation in this roundtable, the Bank has identified the following areas as the primary categories of need of its assessment area:

Economic expansion through small business lending

Community Development lending to support economic development, job creation, and community revitalization

Initiatives that support access to affordable housing

Community services that support the needs of low and moderate income peoples

It is the Bank's goal to meet or exceed each of the established goals in this plan for each of the years covered. The Bank believes that in meeting these goals, it will also be meeting the needs of the communities within its assessment area.

e. Performance Goals & Measurement Standards

Silvergate Bank is committed to helping meet the needs of its community. The Bank has strategically targeted the following objectives that it believes are of great significance to the

¹¹ Zillow. *San Diego Market Overview*. September 2016.

¹² Burnham-Moores Center for Real Estate, *Leading Economic Indicators*. July and December 2016.

¹³ Id.

¹⁴ Office of Policy Development and Research (U.S. Department of Housing and Urban Development) *Market at a Glance: San Diego County, California*. December 2016.

¹⁵ Id.

families and communities in the assessment area that the Bank serves. It intends to meet the goals established in this plan with the following activities:

- Seeking opportunities to lend to qualified small businesses promoting economic development in its assessment area.
- Seeking Community Development lending opportunities within its assessment area that will support affordable housing, promote economic development and job creation, provide community services to low and moderate income individuals, or serve to revitalize and stabilize neighborhoods and the surrounding economy.
- Facilitating residential mortgage lending activities, including multifamily loan origination and single family loan purchases in support of affordable housing in low- and moderate-income census tracts and to low- and moderate-income borrowers.
- Investing in qualified CRA investments that support affordable low and moderate income housing, and in minority/women owned financial institutions.
- Contributing through grants and service hours to the efforts of community development organizations and non-profits that provide needed services to low- and moderate-income people within its assessment area.

i. Lending and Qualified Community Investment Goals and Standards

The following measurable goals have been established, taking into consideration the Bank’s corporate strategic plan, business model, and asset size. In formulating the goals presented by the Bank in this plan, the Bank conducted extensive research to analyze peer performance. In reviewing other banks that are now operating under a strategic plan (Live Oak Bank, Seacoast Commerce Bank, EnerBank, Stifel Bank and Trust), the Bank determined that it was typical to set goals as a percentage of assets. This proved to be a meaningful metric during the Bank’s first Strategic Plan. The range of committed assets for CRA loans and investments for peers operating under approved strategic plans for satisfactory performance was 0.67%-1.25% per year, while outstanding performance ranged from 0.8375%-1.5% per year. As with its last Plan, the Bank will target the high-end of this percentage range.

Committed to continuing to deploy needed resources to the communities that it serves, Silvergate Bank has decided to set its goals as a quarterly average of assets over each plan period. This standard is an accurate representation of the Bank’s size that also ensures the goal will increase as the Bank does. The Bank believes that the goals outlined below demonstrate an ongoing commitment to serve the needs in the assessment area, which is now much smaller after eliminating Los Angeles county.

Lending and Qualified Community Investment Goals

Satisfactory	2017	2018	2019
Cumulative Loans & Qualified CRA Investments*	1.5% Avg Assets	1.5% Avg Assets	1.5% Avg Assets

Outstanding	2017	2018	2019
Cumulative Loans & Qualified CRA Investments*	2.5% Avg Assets	2.5% Avg Assets	2.5% Avg Assets

*No more than 30% of this category total will come from Qualified CRA Investments

In measuring performance, the Bank will consider small business loans and community development loans originated, purchased, or renewed within the specified time period. The Bank will include both new dollars invested as well as the current book value of prior period CRA qualified investments. CRA investments made by the Bank will be comprised of funds directly benefitting the Bank's Assessment Area, and may also include funds that benefit the Bank's Assessment Area, as well as benefitting the broader statewide or regional area.

The Bank intends to achieve these goals through a variety of channels. While the Bank does not limit itself to the specific channels described in this plan, it believes that these channels are representative of the types of qualified activities we intend to pursue.

The Bank's possible investment channels will include the following:

- Affordable Housing Tax Credit Investments
- CRA Eligible Mortgage Backed Securities
- Mortgage Bonds secured by LMI census tract properties
- Certificate of Deposit investments in Minority/Women Owned Institutions

The Bank's possible lending channels will include the following:

- Small Business Lending. The Bank's small business lending programs will include products such as its Business Express loans/lines, and SBA 7a loans, which are geared toward small business borrowers.
- Community Development loans for activities that support affordable housing, promote economic development and job creation, provide community services to low and moderate income individuals, or serve to revitalize and stabilize neighborhoods and the surrounding economy.
- Single Family residential loans acquired by the Bank on properties in low and moderate income census tract geographies, and/or loans to low and moderate income borrowers.
- Multi-Family loan originations or purchased loans on units that support affordable housing in low and moderate census tracts.

ii. Qualified Community Development Grants and Service Hour Goal Standards

Silvergate Bank has set the following grant donations and service hour goals and standards which it believes to be appropriate and impactful for its assessment area and communities.

The Bank developed these goals taking in to consideration anticipated asset and full-time employee (FTE) size, historical performance, as well as the performance of peers. By using goals derived by a percentage of assets and hours per FTE, the Bank ensures that its goals grow as the Bank does.

Satisfactory Goal	2017	2018	2019
Approximate Annual Donations	\$52,150	\$58,300	\$66,500
Hours of Service	205	256	288
Cumulative Total over 3 years:	\$176,950 Donations / 749 Hours		
Outstanding Goal	2017	2018	2019
Approximate Annual Donations	\$64,145	\$71,709	\$81,795
Hours of Service	333	416	468
Cumulative Total over 3 years:	\$217,649 Donations / 1217 Hours		

Silvergate Bank takes pride in community involvement and is very supportive of its employees and their contributions to non-profit and community development organizations. Whenever possible, the Bank tries to partner with the non-profits and community development organizations to provide both financial assistance and professional expertise through service hours. Silvergate Bank and its employees currently partner with a variety of eligible and deserving organizations that provide critical services to deserving people in the community. Some of these organizations include:

- Accion San Diego: Accion is an organization dedicated to providing economic resources and micro-lending opportunities to entrepreneurs who lack traditional resources and access to credit. The Bank provides financial resources in the form of grants to Accion to support the operations of the organization.
- Angels Foster Family Agency: The Agency’s core values focus on the key areas of comprehensive training and selection of qualified foster parents, and the commitment of long term family placements for battered babies to begin the healing process in a safe, loving, and nurturing environment. The impact that the program provides to the battered babies in our community is substantial and vital to their rehabilitation. The Bank’s Compliance Officer serves as a Board Member.
- Community Housing Works: CHW is dedicated to ensuring a supportive, quality home and revitalized neighborhood in which the children and adults in a community can learn and grow. It provides the education and training to individuals that empower them to become home owners. In addition, CHW builds affordable apartments, and provides unique first-time homebuyer loans.
- Father Joe’s Villages: Father Joe’s Villages is Southern California’s largest full service homeless services provider. The programs at Father Joe’s Villages are aimed at restoring self-sufficiency to residents. Services include lodging, medical and dental care, mental services, childcare, schooling for children/teens, vocational training, and career planning assistance.

- Junior Achievement (JA): JA is a financial literacy program which focuses on the key content areas of free enterprise, financial literacy, work related life skills, business and economics, citizenship, entrepreneurship, ethics and character. The resources the program provides students, especially those who come from the most underserved and underprivileged parts of our community are invaluable. Bank employees teach courses, serve at JA's Biztown and Finance Park facility, and serve on the Community Advisory Committee.
- Monarch School: A non-profit High School serving homeless teens. The school's mission of providing an environment where homeless and at-risk youth can improve their lives through education.
- UCSD Neonatal Intensive Care Unit: Sponsorship of educational fair providing resources about environmental, developmental, health, and nutrition topics pertaining to infants with special needs.
- Voices for Children: Voices for Children is a volunteer Court Supported Child Advocacy "CASA" organization caring for foster children. One of the Bank's employees serves on the Board of this organization.
- Local Initiatives Support Corporation (LISC) San Diego is a community development support organization dedicated to helping community residents transform distressed neighborhoods into sustainable neighborhoods by developing local leadership and providing financial, organizational, and management support to local organizations. Since 1991, LISC San Diego and bank partners have invested more than \$212 million towards construction of over 6,000 affordable housing units in San Diego County. The Bank's CRA Officer serves on its local advisory committee.
- Partnership with Industry: Partnership with Industry is a non-profit that pairs disabled people with employers. One of the Bank's employees serves on the Board of this organization.

In addition to the organizations listed above, Silvergate Bank will also consider opportunities to support other organizations that serve our community and the Bank's targeted CRA objectives.

D. Public Participation in the Development of the Plan

Silvergate Bank has partnered with the community to solicit input on its strategic plan through discussions with community development organizations, financial intermediaries, peers, and government and regulatory agencies. The Bank, through its involvement in the regional interagency banker roundtable forums, has heard of the following critical needs in the community.

There is a critical need for affordable housing. As more families are earning lower wages, the socioeconomic gap is widening, and fewer families can afford homes. Due to San Diego housing being among the most expensive in the nation, an individual earning minimum wage would have to work the equivalent of almost three full-time jobs to make the two-bedroom fair market rent affordable.¹⁶ According to San Diego Housing Federation, a shortage of affordable housing has

¹⁶ National Low Income Housing Coalition. *Out of Reach 2016*. 2016.

created lengthy waiting lists and few vacancies. The San Diego Union Tribune reported in 2015 that a 67-unit affordable housing development received over 1,600 applications and was fully rented within two weeks of opening. The San Diego Association of Governments anticipates that shortage will persist as population growth continues to outpace home construction.

Deploying working capital into the small business marketplace is a critical need in facilitating the overall economic recovery within our assessment area. The majority of all businesses in San Diego county are considered small and employ a significant percentage of the workforce. In 2012, the District Director of the San Diego Small Business Administration reported at a CRA roundtable that 99.2% of all employees in San Diego are employed by a small business. Based on 2010 US Census and 2015 D&B data, 80.3 percent of the 263,161 businesses in San Diego county earn \$1 million or less in gross annual revenue. In spite of this prominent presence and importance, small businesses remain in need of credit. According to a 2016 FDIC community contact, existing small businesses need banks to provide small dollar loans of \$250,000 or less for working capital and expansion.

The following is a summary of the public comments received in the development of this plan. As part of the Bank's development efforts in creating the Strategic Plan, we solicited feedback from community partners and non-profit groups that are intimately familiar with the needs of the community within our assessment area.

Jason Jarvinen, Program Officer for San Diego's branch of the Local Initiatives Support Corporation (LISC), commented: "San Diego continues to have critical needs in the areas of affordable housing, economic development, job creation, community revitalization, and community services for low and moderate income people. Silvergate Bank's 2017-2018 CRA Strategic Plan identifies a variety of investment channels to alleviate these challenges by increasing access to capital. Through strategic grant making, the bank also supports local community organizations that provide vital services in San Diego's underserved communities. The Local Initiatives Support Corporation greatly appreciates the bank's strong commitment to San Diego's underserved neighborhoods."

Elizabeth Schott, CEO of ACCION, commented: "Silvergate has continued to be involved in providing service to the LMI community and the underserved small business community. They have identified these key areas on their strategic plan and by contributing in both grants and referrals to organizations like Accion it assists us to provide economic opportunity for these folks. In turn, this spurs job creation and wealth creation for individuals and families which is particularly important given the high housing and cost of living within this region. Small businesses make up over 90% of all businesses in San Diego and therefore lending programs like Silvergate's small business express and 7a programs are very important to provide access to capital, in addition to working closely with the ACCION to assist business owners through the micro loan program if they fall outside of Silvergate's lending requirements. We value the bank's commitment to these key target markets and enjoy working closely with them to service these populations."

In its desire for further community feedback specific to this Plan, the Bank published notice in two separate newspapers at different times throughout the year.

E. Notice Regarding Public Inspection of the Plan

Silvergate Bank solicited feedback from the community at large prior to submitting the plan to the Federal Reserve by posting a notice in The San Diego Business Journal on May 22, 2017 and again on September 4, 2017, as well as in the San Diego Union-Tribune North County on August 26,

2017. These notices were intended to alert the community of the plan, as well as provide an opportunity for the Bank to receive specific feedback regarding planned goals. There were no public comments directly received as a result.

F. Satisfactory and Outstanding Goals

Silvergate Bank has identified the measurable goals for lending, investments, grants and services established in section C(d) above by analyzing the Bank as compared with industry peers. As such, the Bank believes that the goals are reasonable and appropriate when considering its business model, its reduced assessment area, the current economic environment, and peer performance. These goals accurately represent what constitutes a “Satisfactory” or “Outstanding” performance rating under the requirements of the Community Reinvestment Act. In order to achieve an outstanding overall rating, the Bank must meet or exceed its prescribed “Outstanding” goals in all performance categories. Similarly, the Bank must meet or exceed its “Satisfactory” goals in all performance categories to receive a “Satisfactory” rating.

G. Ongoing Review of Performance Goals and Standards

The lending, investment, and service goals that are defined in this strategic plan are based on: forecasted economic environment; current business model and strategy, deposit mix, anticipated bank condition and staff and asset size/mix; and industry/market trends. As these conditions may change at any time, Bank management and the Board of Directors, via the Board CRA Committee, will regularly monitor the Bank’s performance to goals. Any material changes to the above-mentioned factors will be evaluated in relation to the goals outlined in this strategic plan. If changes to the originally approved plan are deemed necessary by the Bank, and the original goals are no longer deemed reasonable or appropriate, the Bank will follow the requirements of the Federal Reserve Bank to seek approval for a strategic plan revision.

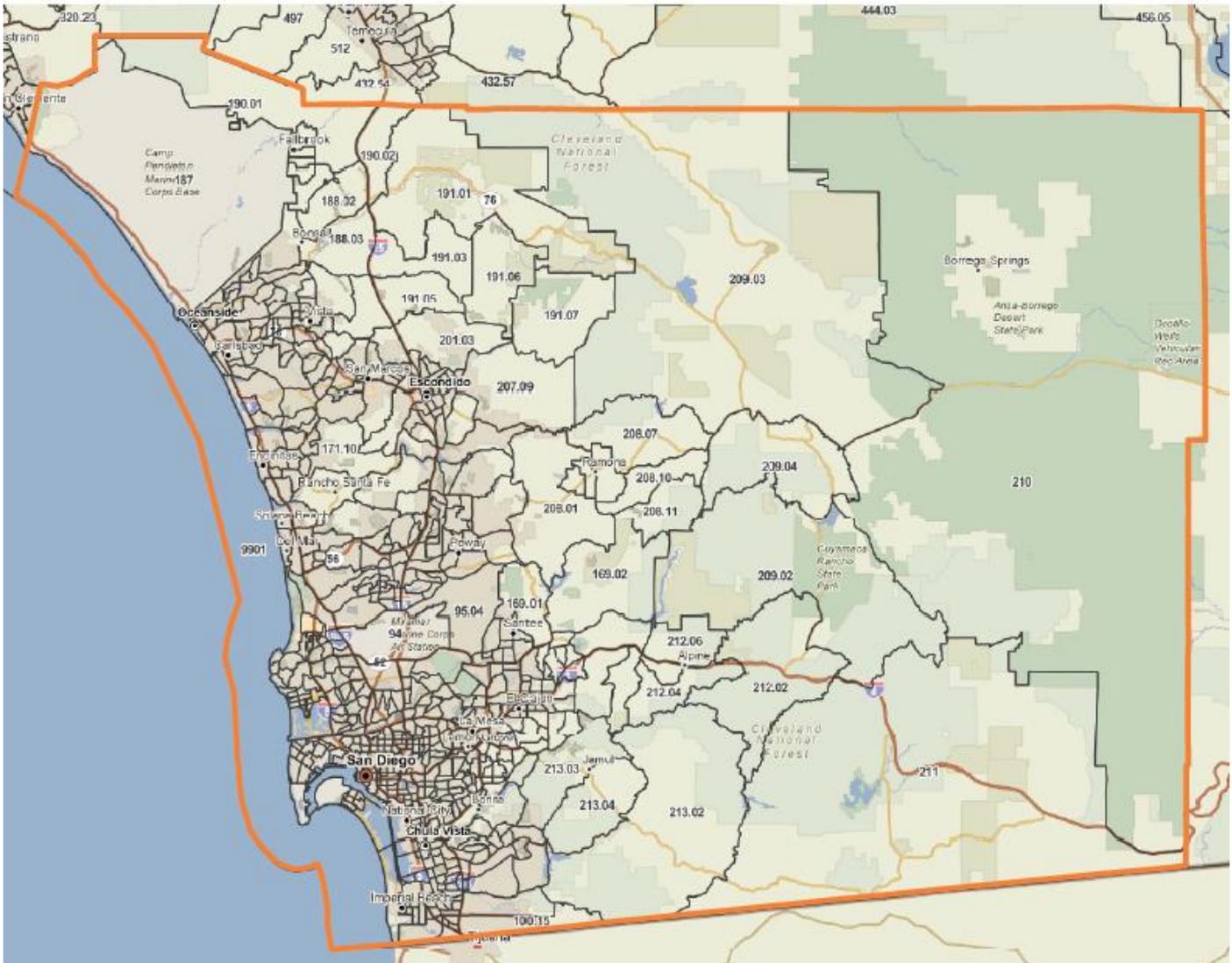
H. Election of Alternative Performance Evaluations

It is the intent of the Board of Directors and management that Silvergate Bank will meet or exceed all goals prescribed in this plan. However, the Bank reserves the right to request to be evaluated under the appropriate, traditional CRA performance evaluation if deemed necessary.

I. Designated Assessment Area Map and Census Tract Information

The Bank has defined its assessment area (AA) to include the San Diego-Carlsbad MSA.

San Diego-Carlsbad MSA



Census Tract Listing

MSA/MD: 41740 - San Diego-Carlsbad-San Marcos State: 06 – California County: 073 San Diego County

1.00	2.01	2.02	3.00	4.00	5.00	6.00	7.00	8.00	9.00
10.00	11.00	12.00	13.00	14.00	15.00	16.00	17.00	18.00	19.00
20.01	20.02	21.00	22.01	22.02	23.01	23.02	24.01	24.02	25.01
25.02	26.01	26.02	27.02	27.03	27.05	27.07	27.08	27.09	27.10
27.11	27.12	28.01	28.03	28.04	29.02	29.03	29.04	29.05	30.01
30.03	30.04	31.01	31.03	31.05	31.07	31.08	31.09	31.11	31.12
31.13	31.14	31.15	32.01	32.02	32.04	32.07	32.08	32.09	32.11
32.12	32.13	32.14	33.01	33.03	33.04	33.05	34.01	34.03	34.04
35.01	35.02	36.01	36.02	36.03	38.00	39.01	39.02	40.00	41.00
42.00	43.00	44.00	45.01	46.00	47.00	48.00	49.00	50.00	51.00
52.00	53.00	54.00	55.00	56.00	57.00	58.00	59.00	60.00	61.00
62.00	63.00	65.00	66.00	68.01	68.02	69.00	70.02	71.00	72.00
73.01	73.02	74.00	75.01	75.02	76.00	77.01	77.02	78.00	79.03
79.05	79.07	79.08	79.10	80.02	80.03	80.06	81.01	81.02	82.00
83.01	83.03	83.05	83.06	83.07	83.10	83.11	83.12	83.13	83.24
83.27	83.28	83.29	83.30	83.31	83.33	83.35	83.36	83.37	83.39
83.40	83.41	83.43	83.44	83.45	83.46	83.47	83.48	83.49	83.50
83.51	83.52	83.53	83.54	83.55	83.56	83.57	83.58	83.59	83.60
83.61	83.62	83.63	83.64	83.65	83.66	85.01	85.02	85.03	85.04
85.05	85.06	85.07	85.09	85.10	85.11	85.12	85.13	86.00	87.01
87.02	88.00	89.01	89.02	90.00	91.01	91.02	91.03	91.04	91.06
91.07	92.01	92.02	93.01	93.04	93.05	93.06	94.00	95.02	95.04
95.05	95.06	95.07	95.09	95.10	95.11	96.02	96.03	96.04	97.03
97.04	97.05	97.06	98.01	98.02	98.04	98.05	99.01	99.02	100.01
100.03	100.04	100.05	100.09	100.10	100.11	100.12	100.13	100.14	100.15
101.03	101.04	101.06	101.07	101.09	101.10	101.11	101.12	102.00	103.00
104.01	104.02	105.01	105.02	106.01	108.00	109.00	110.00	111.00	113.00
116.01	116.02	1170.00	118.01	118.02	119.02	120.02	120.03	121.01	121.02
122.00	123.02	123.03	123.04	124.01	124.02	125.01	125.02	126.00	127.00

128.00	129.00	130.00	131.02	131.03	131.04	132.03	132.04	132.05	132.06
133.01	133.02	133.03	133.06	133.07	133.08	133.09	133.10	133.11	133.12
133.13	133.14	134.01	134.09	134.10	134.11	134.12	134.14	134.15	134.16
134.17	134.18	134.19	134.20	134.21	135.03	135.04	135.05	135.06	136.01
136.04	136.05	136.06	137.01	137.02	138.01	138.02	139.03	139.05	139.06
139.07	139.08	139.09	140.01	140.02	141.01	141.02	142.00	143.00	144.00
145.00	146.01	146.02	147.00	148.03	148.04	148.05	148.06	149.01	149.02
150.00	151.00	152.00	153.01	153.02	154.03	154.04	154.05	154.06	155.01
155.02	156.01	156.02	157.01	157.03	157.04	158.01	158.02	159.01	159.02
160.00	161.00	162.01	162.02	163.01	163.02	164.01	164.02	165.02	165.03
165.04	166.05	166.06	166.07	166.08	166.09	166.10	166.12	166.13	166.14
166.15	166.16	166.17	167.01	167.02	168.02	168.04	168.06	168.07	168.09
168.10	168.11	169.01	169.02	170.06	170.09	170.10	170.14	170.15	170.18
170.19	170.20	170.21	170.22	170.29	170.30	170.31	170.32	170.33	170.34
170.35	170.36	170.37	170.39	170.40	170.41	170.42	170.43	170.44	170.45
170.46	170.47	170.48	170.49	170.50	170.51	170.52	170.53	170.54	170.55
170.56	171.04	171.06	171.07	171.08	171.09	171.10	172.00	173.03	173.04
									173.05
173.06	174.01	174.03	174.04	175.01	175.02	176.01	176.03	176.04	177.01
177.02	178.01	179.08	178.09	178.10	178.11	178.13	179.00	180.00	181.00
182.00	183.00	184.00	185.04	185.07	185.09	185.10	185.11	185.12	185.13
185.14	185.15	185.16	185.17	185.18	185.19	186.01	186.03	186.08	186.09
186.10	186.11	186.12	186.13	186.14	187.00	188.01	188.02	188.03	189.03
189.04	189.05	189.06	190.01	190.02	191.01	191.03	191.05	191.06	191.07
192.03	192.05	192.06	192.07	192.08	193.01	193.02	193.03	194.03	194.04
194.05	194.06	195.01	195.02	195.03	196.01	196.02	197.01	197.02	198.03
198.04	198.05	198.06	198.08	198.09	199.02	199.03	199.04	199.05	200.13
200.14	200.15	200.16	200.17	200.18	200.19	200.20	200.21	200.22	200.23
200.24	200.25	200.26	200.27	200.28	200.29	201.03	201.05	201.06	201.07
201.08	201.09	202.02	202.06	202.07	202.08	202.09	202.10	202.11	202.13
202.14	203.04	203.05	203.06	203.07	203.08	203.09	204.01	204.03	204.04
204.05	205.00	206.01	206.02	207.05	207.06	207.07	207.08	207.09	207.10

208.01	208.05	208.06	208.07	208.09	208.10	208.11	209.02	209.03	209.04
210.00	211.00	212.02	212.04	212.05	212.06	213.02	213.03	213.04	214.00
215.00	216.00	218.00	219.00	220.00	221.00	9901.00			

J. Certificate and Affidavit of Publication

Silvergate Bank twice published notice of the Bank's proposed CRA Strategic Plan in The San Diego Business Journal, a newspaper widely circulated in the Bank's Assessment Area. The notices seeking comments for a 30-day period were published on May 22, 2017 and September 04, 2017. The Bank also published notice on August 26, 2017 in the San Diego Union Tribune North County, a newspaper of general circulation within the Bank's Assessment Area. No comments were received during any of 30-day periods.

**In The Matter OF
Silvergate Bank**

PUBLIC NOTICE

Community Reinvestment Act
Strategic Plan Public Comments
Invited

~~Silvergate Bank intends to file a~~
Community Reinvestment Act
Strategic Plan with the Federal
Reserve Bank of San Francisco no
later than thirty (30) days from the
date of this notice. The proposed
plan is available for public inspection
from 9am-5pm Monday-Friday at
4250 Executive Square Suite 300 La
Jolla, CA 92037. Upon verbal request,
Silvergate Bank will mail a copy of
the proposed plan to any interested
party. These requests should be
directed to Andrew Litchy at 858-
362-6300. Written comments from the
public should be directed to Andrew
Litchy Silvergate Bank 4250 Executive
Square Suite 300 La Jolla, Ca 92037
and will be reviewed and considered
in preparing the final Community
Reinvestment Act Strategic Plan.
All written comments will also be
submitted with the Strategic Plan
to the Federal Reserve Bank of San
Francisco.
Pub Dates 05/22/2017

I, L. L. Lauridsen, hereby certify that The San Diego Business Journal is a weekly newspaper of general circulation within the provisions of the Government Code of the State of California, printed and published in The/ County of San Diego, State of California, and the City of San Diego

Public Notice

To which this certificate is annexed is a true and correct copy published in said newspaper on

5/22/2017

I certify under penalty of perjury that the foregoing is true and correct.

Dated at San Diego, California May 22 2017.



*The San Diego Business Journal was Judicated for Publication on 11/14/86 in San Diego County, Case Number # 572404

The San Diego Union-Tribune

PROOF OF PUBLICATION (2016.5 C.C.P.)

STATE OF ILLINOIS
County of Cook

Proof of Publication of

I am a citizen of the United States and a resident of the County aforesaid; I am over the age of eighteen years and not a party to or interested in the above-entitled matter. I am the principal clerk of the printer of

See Attached

The San Diego Union Tribune

Formerly known as the North County Times and UT North County and which newspaper has been adjudicated as a newspaper of general circulation by the Superior Court of the County San Diego, State of California, for the City of Oceanside and the City of Escondido, Court Decree numbers 172171, 171349, for the County of San Diego that the notice of which the annexed is a printed copy (set in type not smaller than nonpareil), has been published in each regular and entire issue of the said newspaper and not in any supplement thereof on the following dates, to-wit:

Aug 28, 2017

I certify (or declare) under the penalty of perjury that the foregoing is true and correct.

Dated at Chicago, Illinois on this
28th day of August, 2017


Taylor Wash
Legal Advertising

Community Reinvestment Act Strategic Plan Public Comments Invited Silvergate Bank intends to file a Community Reinvestment Act Strategic Plan with the Federal Reserve Bank of San Francisco no later than thirty (30) days from the date of this notice. The proposed plan is available for public inspection from 9am-5pm Monday-Friday at 4250 Executive Square Suite 300 La Jolla, CA 92037. Upon verbal request, Silvergate Bank will mail a copy of the proposed plan to any interested party. These requests should be directed to Andrew Litchy at 858-362-6300. Written comments from the public should be directed to Andrew Litchy Silvergate Bank 4250 Executive Square Suite 300 La Jolla, Ca 92037 and will be reviewed and considered in preparing the final Community Reinvestment Act Strategic Plan. All written comments will also be submitted with the Strategic Plan to the Federal Reserve Bank of San Francisco.

In The Matter OF Silvergate Bank

PUBLIC NOTICE

Community Reinvestment Act
Strategic Plan Public Comments
Invited

Silvergate Bank intends to file a Community Reinvestment Act Strategic Plan with the Federal Reserve Bank of San Francisco no later than thirty (30) days from the date of this notice. The proposed plan is available for public inspection from 9am-5pm Monday-Friday at 4250 Executive Square Suite 300 La Jolla, CA 92037. Upon verbal request, Silvergate Bank will mail a copy of the proposed plan to any interested party. These requests should be directed to Andrew Litchy at 858-362-6900. Written comments from the public should be directed to Andrew Litchy Silvergate Bank 4250 Executive Square Suite 300 La Jolla, Ca 92037 and will be reviewed and considered in preparing the final Community Reinvestment Act Strategic Plan. All written comments will also be submitted with the Strategic Plan to the Federal Reserve Bank of San Francisco.

Pub Date: 9/4/17

I, L. L. Lauridsen, hereby certify that The San Diego Business Journal is a weekly newspaper of general circulation within the provisions of the Government Code of the State of California, printed and published in The/ County of San Diego, State of California, and the City of San Diego

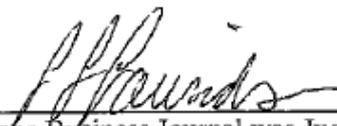
Public Notice

To which this certificate is annexed is a true and correct copy published in said newspaper on

9/4/2017

I certify under penalty of perjury that the foregoing is true and correct.

Dated at San Diego, California September 5 2017.



*The San Diego Business Journal was Judicated for Publication on 11/14/86 in San Diego County, Case Number # 572404