

A large, dark gray, stylized letter 'S' is centered in the background of the slide. The 'S' is composed of two main vertical strokes connected by a curved middle section, creating a modern, geometric look.

Silvergate Capital Corporation

2Q20 Earnings Presentation

July 27, 2020

Forward Looking Statements

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

Silvergate

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2Q20 Highlights

Digital Currency Platform

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

2Q20 Financial Highlights

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

Loan Portfolio & Credit

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

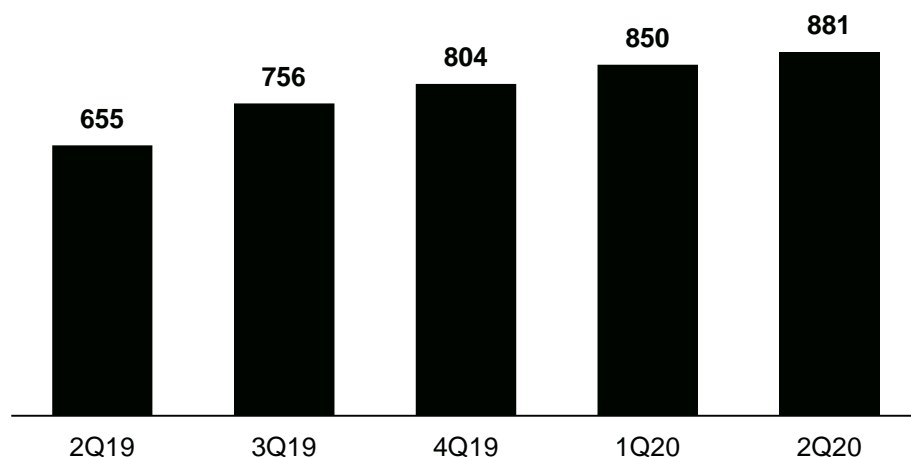
Other

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



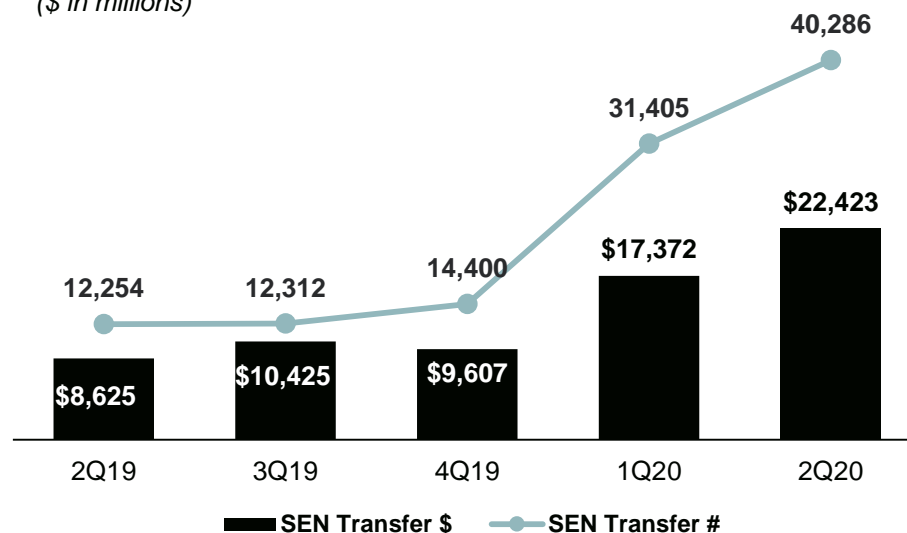
Digital Currency Platform Expansion

Digital Currency Net Customer Growth



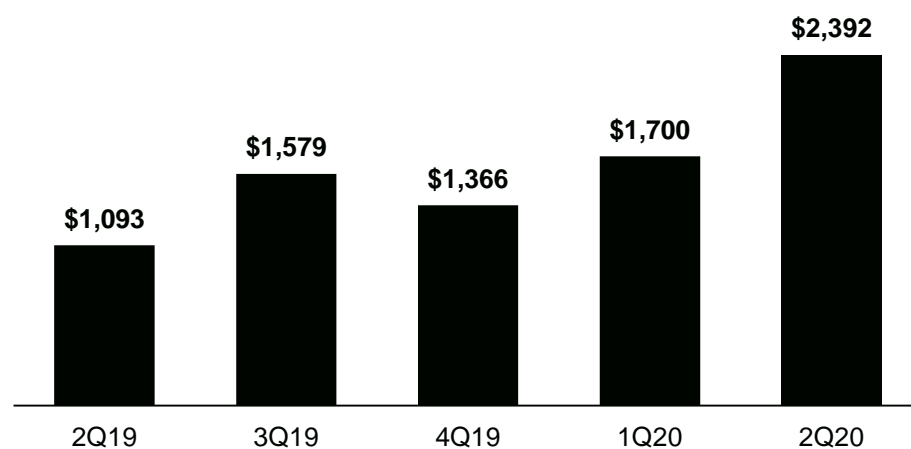
Global Payments Platform Utilization (SEN Transfers)

(\$ in millions)



Fee Income from Digital Currency Customers

(\$ in thousands)



Commentary

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



2Q20 Financial Results

(\$ in millions, except per share data)

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

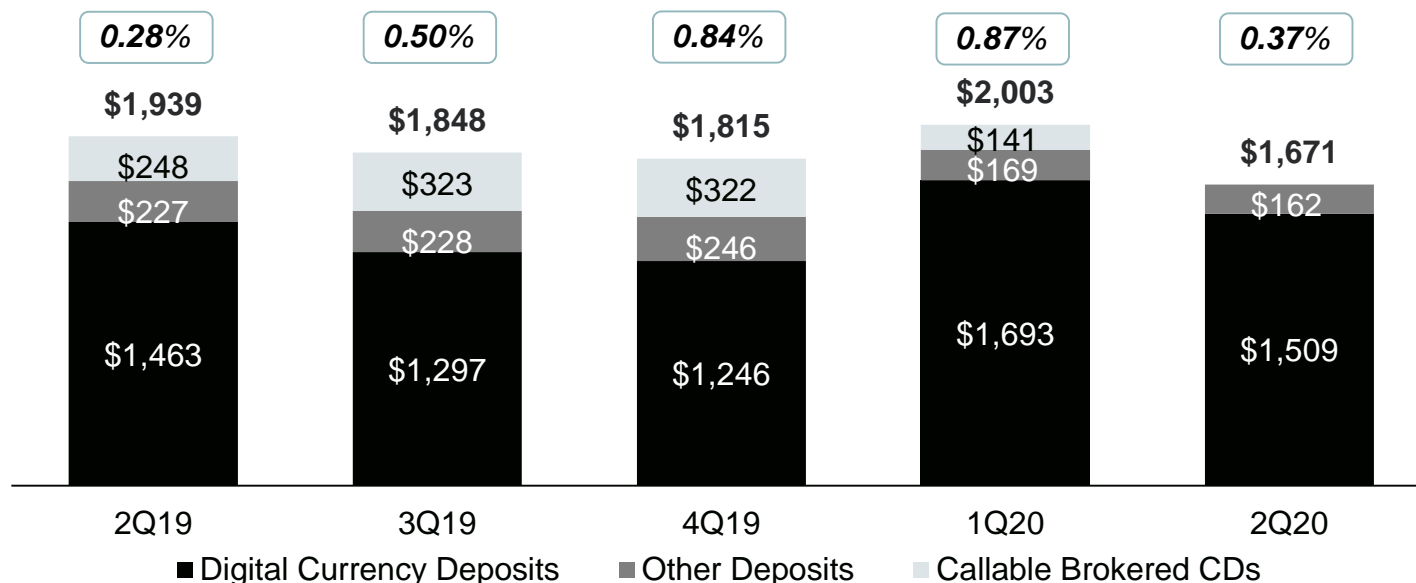


Deposits

Digital Currency and Other Deposit Trends

(\$ in millions)

Cost of Deposits %



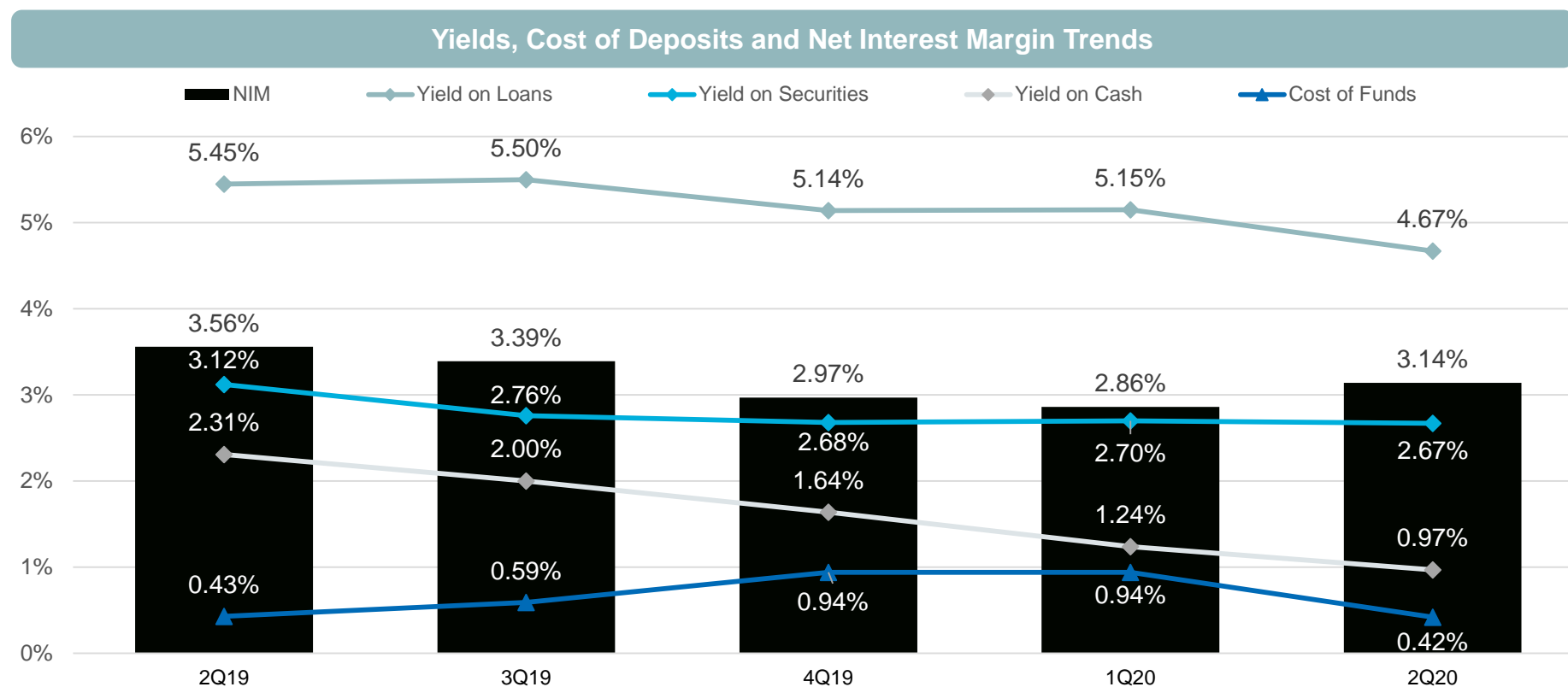
Commentary

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

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



Yields, Cost of Funds and Net Interest Margin Trends

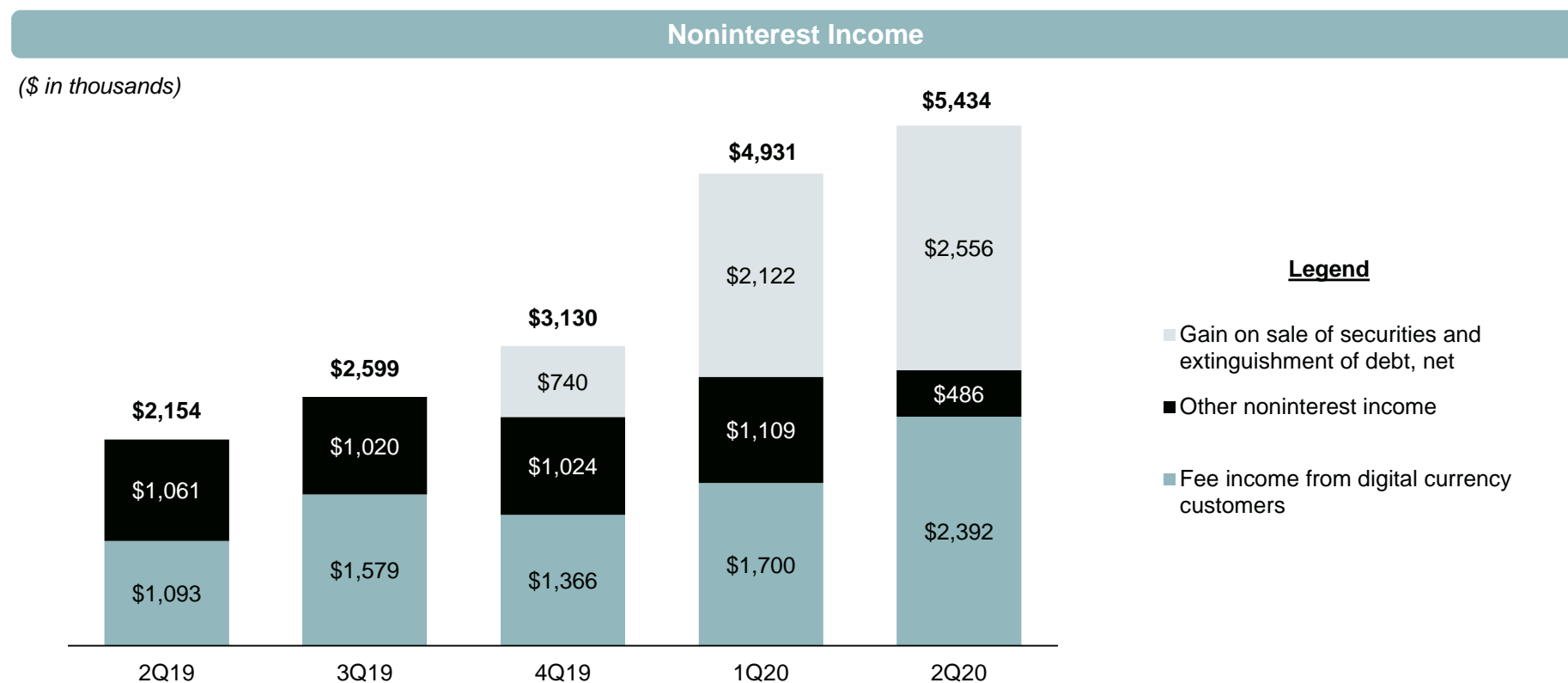


Commentary

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



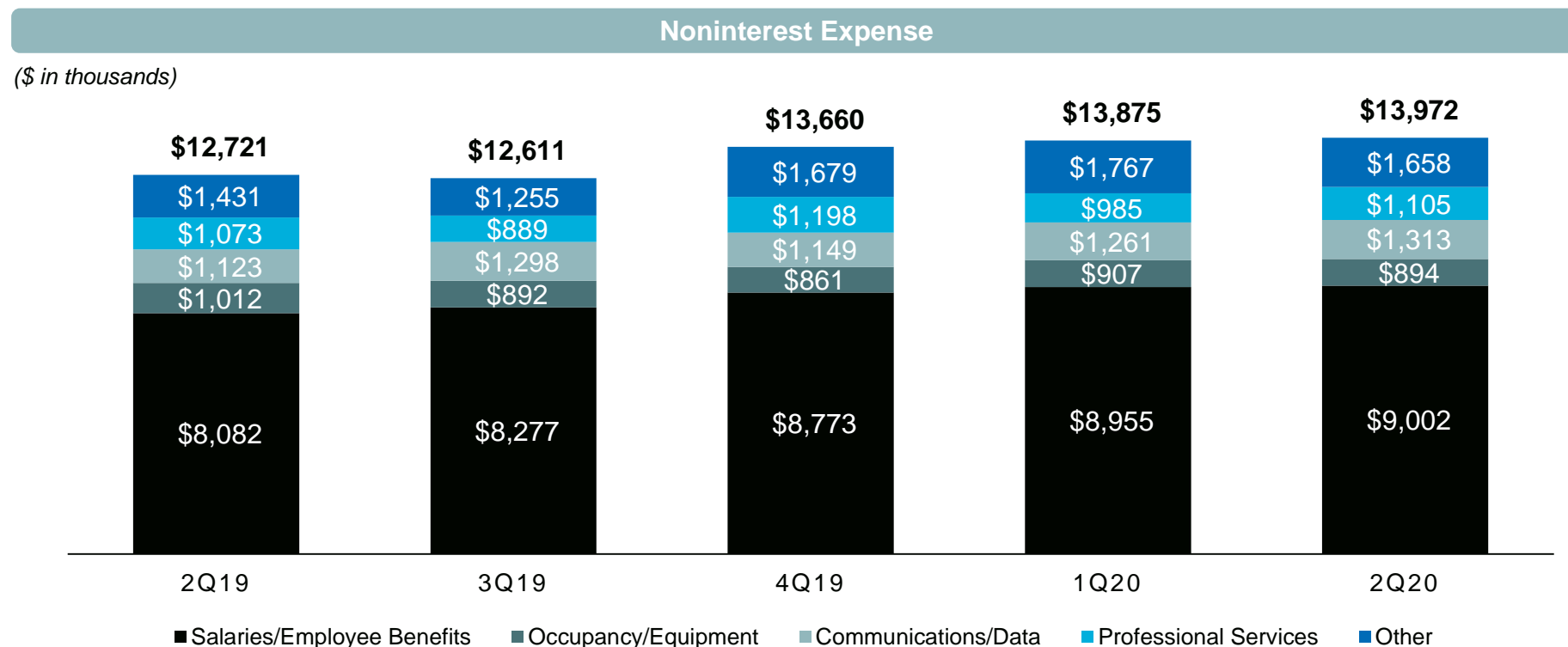
Noninterest Income



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



Noninterest Expense



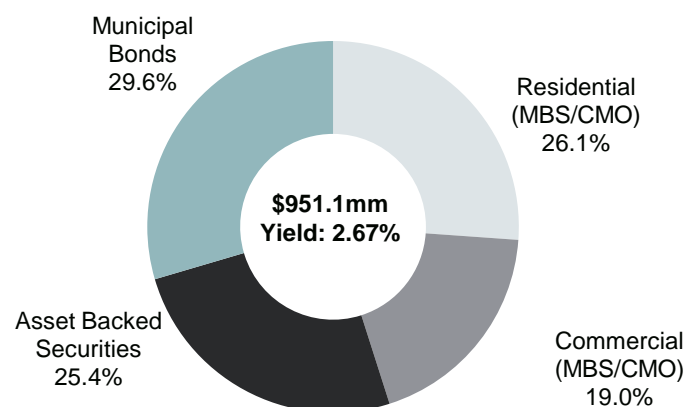
Commentary

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



Securities and Loan Portfolio

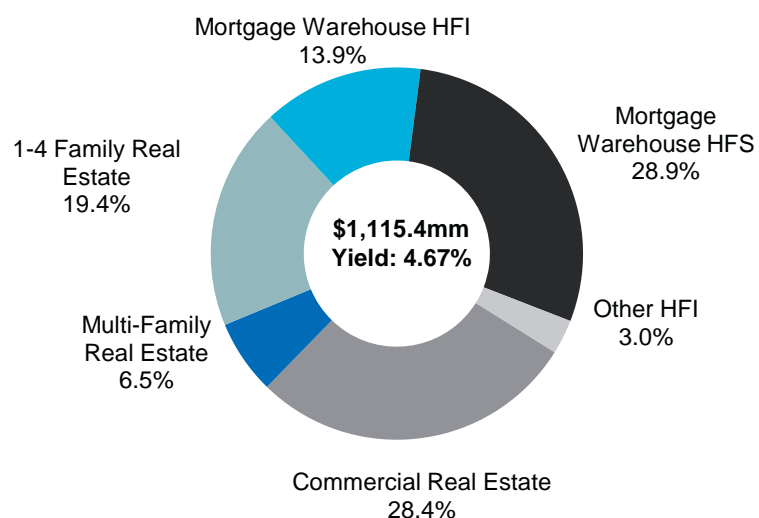
Securities Composition – 41% of Total Assets



Securities Commentary

- Securities portfolio is managed with the same disciplined credit approach as is applicable to our loan portfolio, with consideration for the underlying debt components and capped exposure for underlying asset classes
- 2Q20 includes purchases of \$179.7 million of fixed rate municipal bonds, which included general obligation, revenue or essential purpose bonds rated AA- or higher
- These purchases were part of a broader risk balancing strategy that included selling \$202.3 million of our Commercial MBS/CMO exposure during the quarter
- Commercial MBS/CMO are non-agency with 96% rated AAA. Residential MBS/CMO are 99% agency backed
- 100% of asset backed securities are agency backed FFELP student loan bonds and rated AA+ or better

Loan Composition – 48% of Total Assets



Loan Commentary

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

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



Loan Portfolio (HFI) & COVID-19 Related Modifications

Loan Segments at June 30, 2020

(\$ in millions)

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

COVID-19 Loan Modifications

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

Commentary

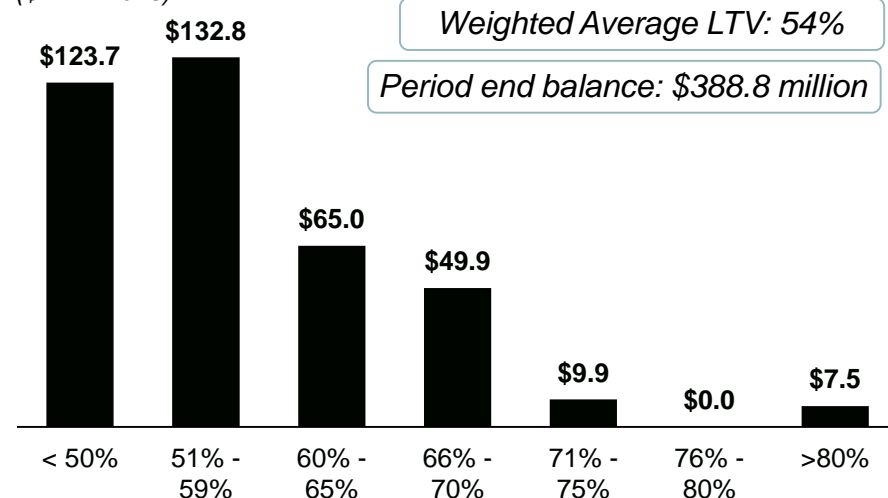
- 27% of total COVID-19 modified loans on a dollar volume basis have resumed payments as of July 15, 2020
- Commercial borrowers with need for modification were initially granted payment deferrals of two months, while three months were initially granted to one-to four family borrowers in need. Both types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



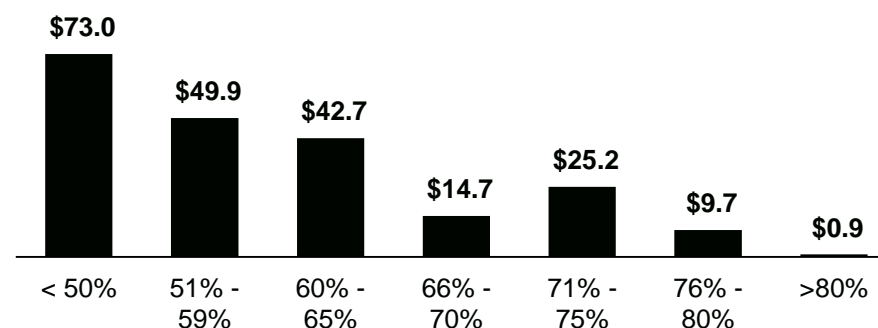
Credit Quality

Commercial & Multi-Family Real Estate Balances - LTV

(\$ in millions)

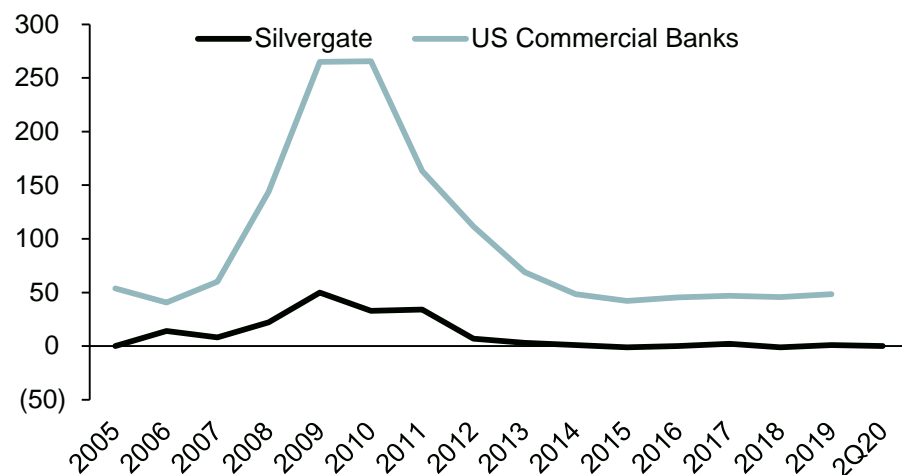


1-4 Family Residential Real Estate Balances - LTV



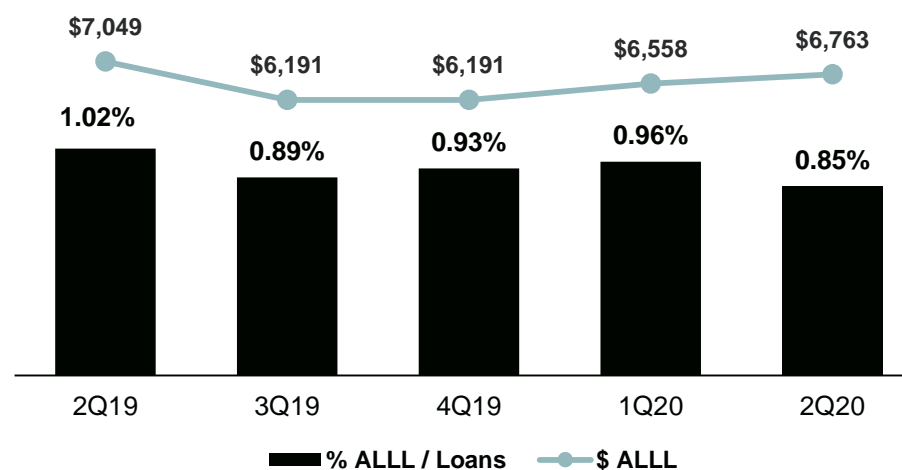
Net Charge-offs / Average Loans

(bps)



Allowance for Loan Losses

(\$ in thousands)



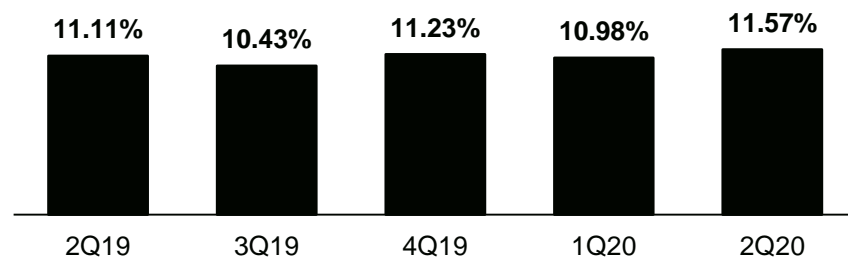
Note: Company LTV data as of June 30, 2020.

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

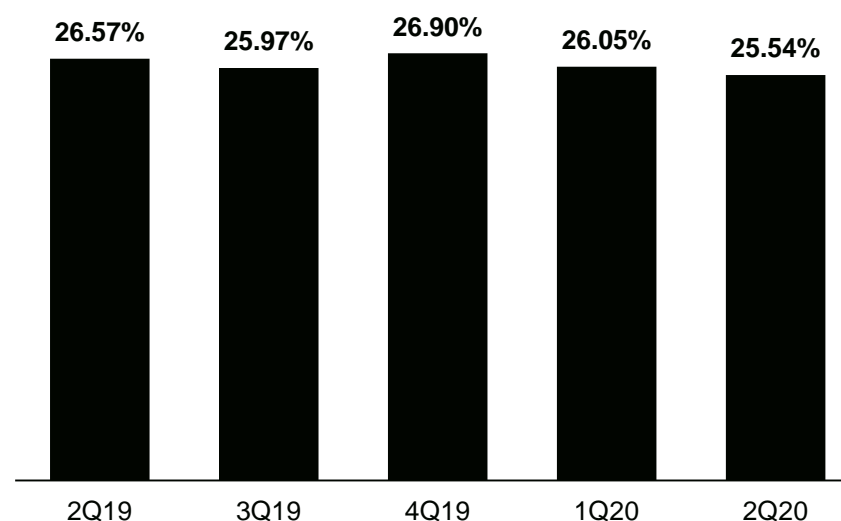


Capital and Liquidity Ratios

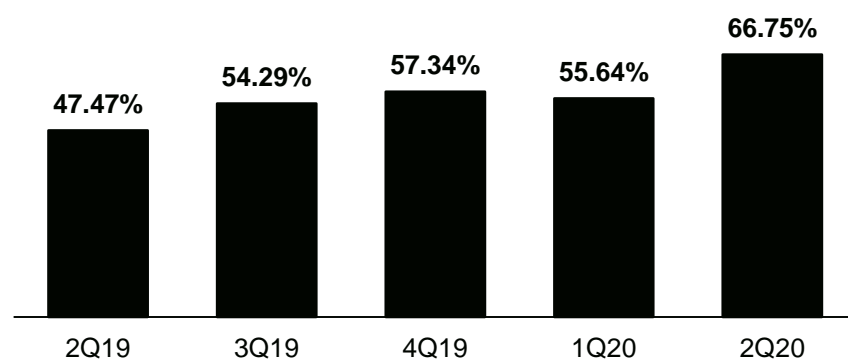
Tier 1 Leverage Ratio



Total Risk-Based Capital Ratio



Loans to Deposits



Commentary

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

Note: June 30, 2020 capital ratios are preliminary.



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Appendix

Reconciliation of Non-GAAP Financial Measures

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

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

(2) Data has been annualized.

