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Silvergate Capital Corporation
3Q20 Earnings Presentation
October 26, 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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3Q20 Highlights

Digital Currency Platform

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

3Q20 Financial Highlights

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

Loan Portfolio & Credit

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

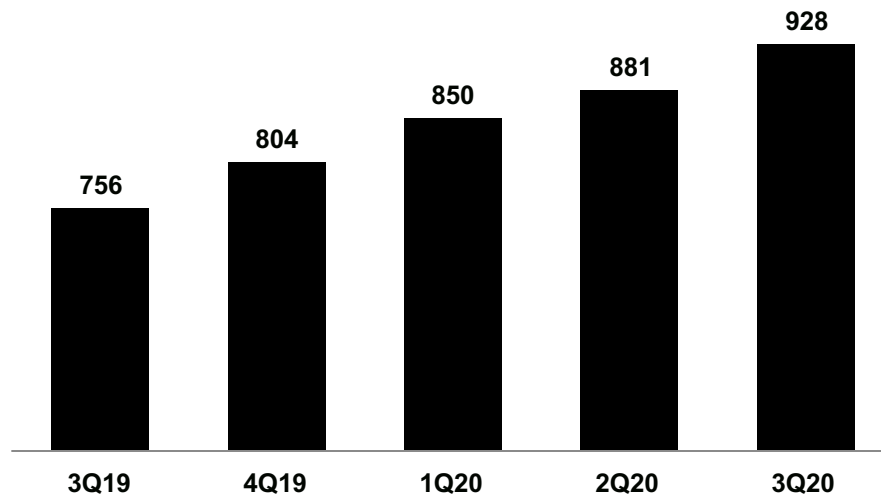
Other

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



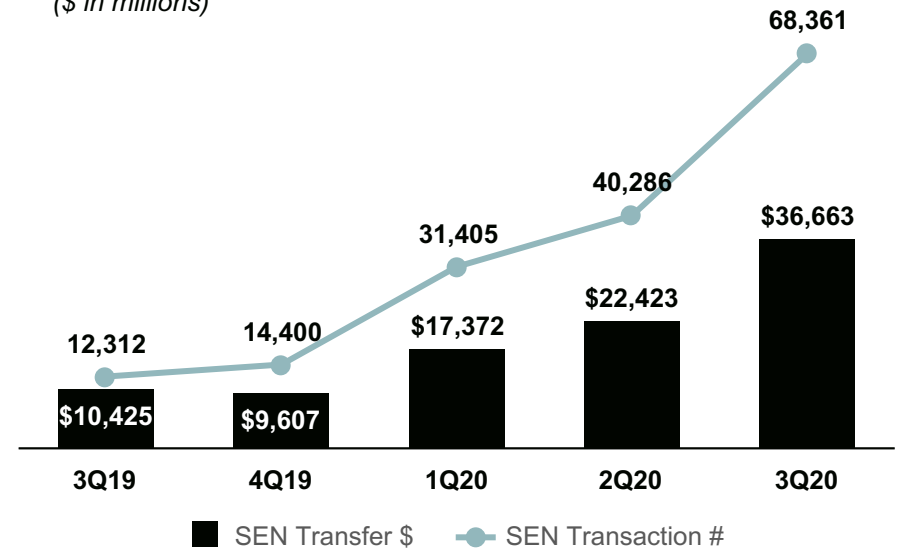
Digital Currency Platform Expansion

Digital Currency Net Customer Growth



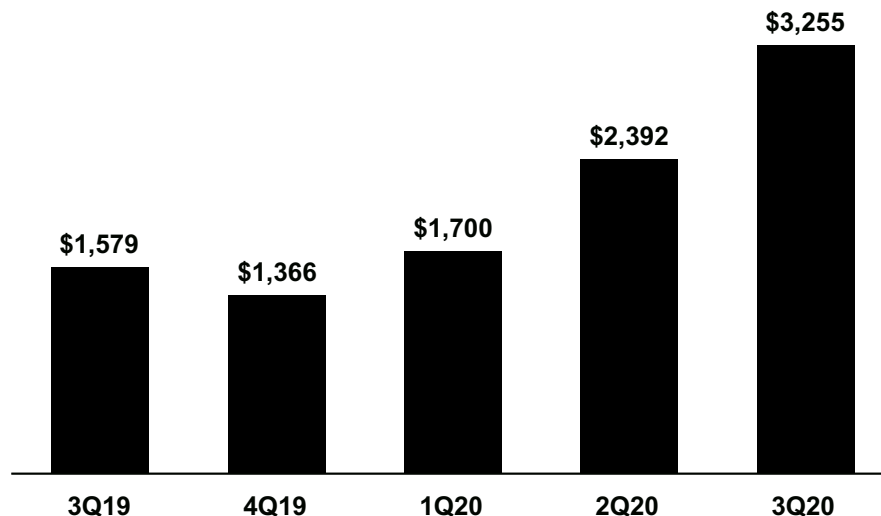
Global Payments Platform Utilization (SEN Transfers)

(\$ in millions)



Fee Income from Digital Currency Customers

(\$ in thousands)



Commentary

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



3Q20 Financial Results

(\$ in millions, except per share data)

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

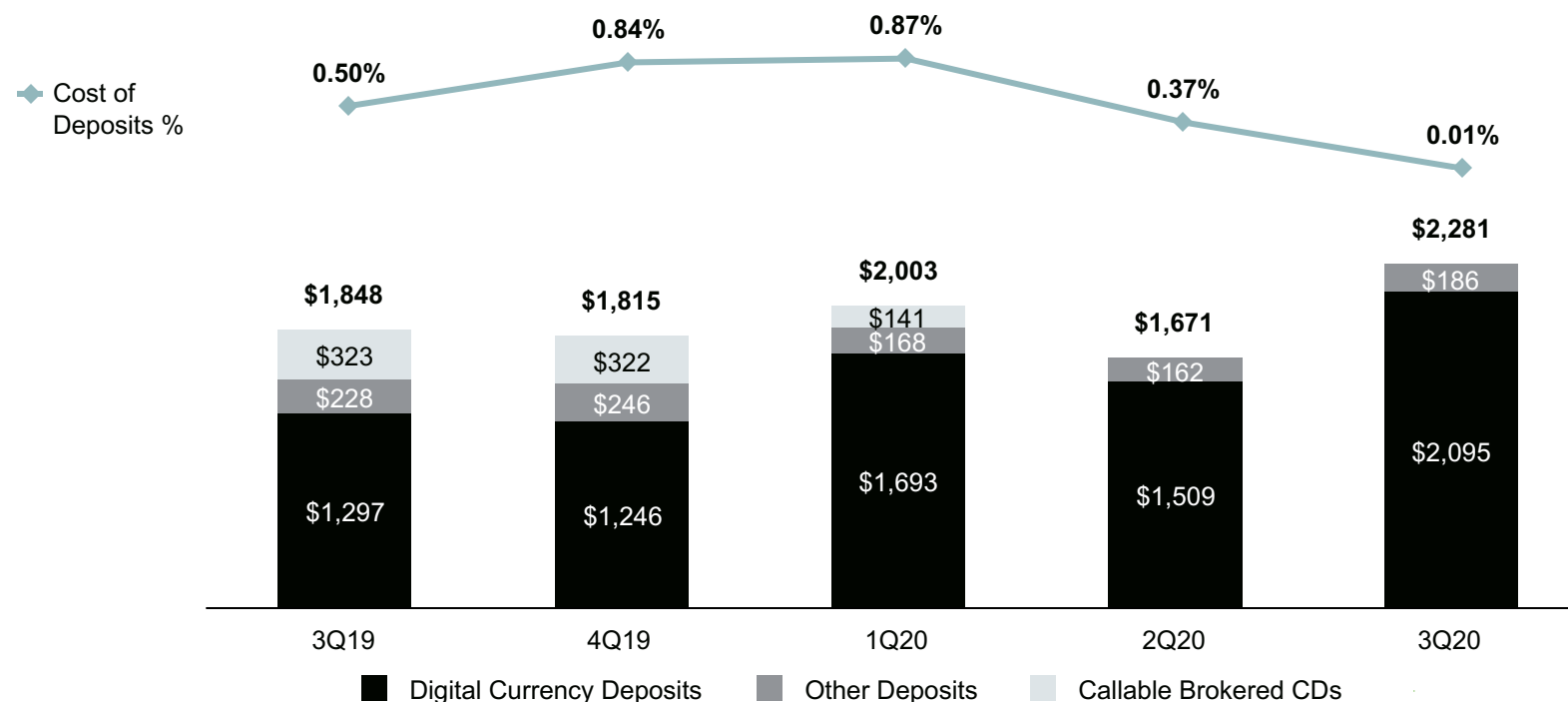
N/M - Not meaningful



Deposits

Digital Currency and Other Deposit Trends

(\$ in millions)



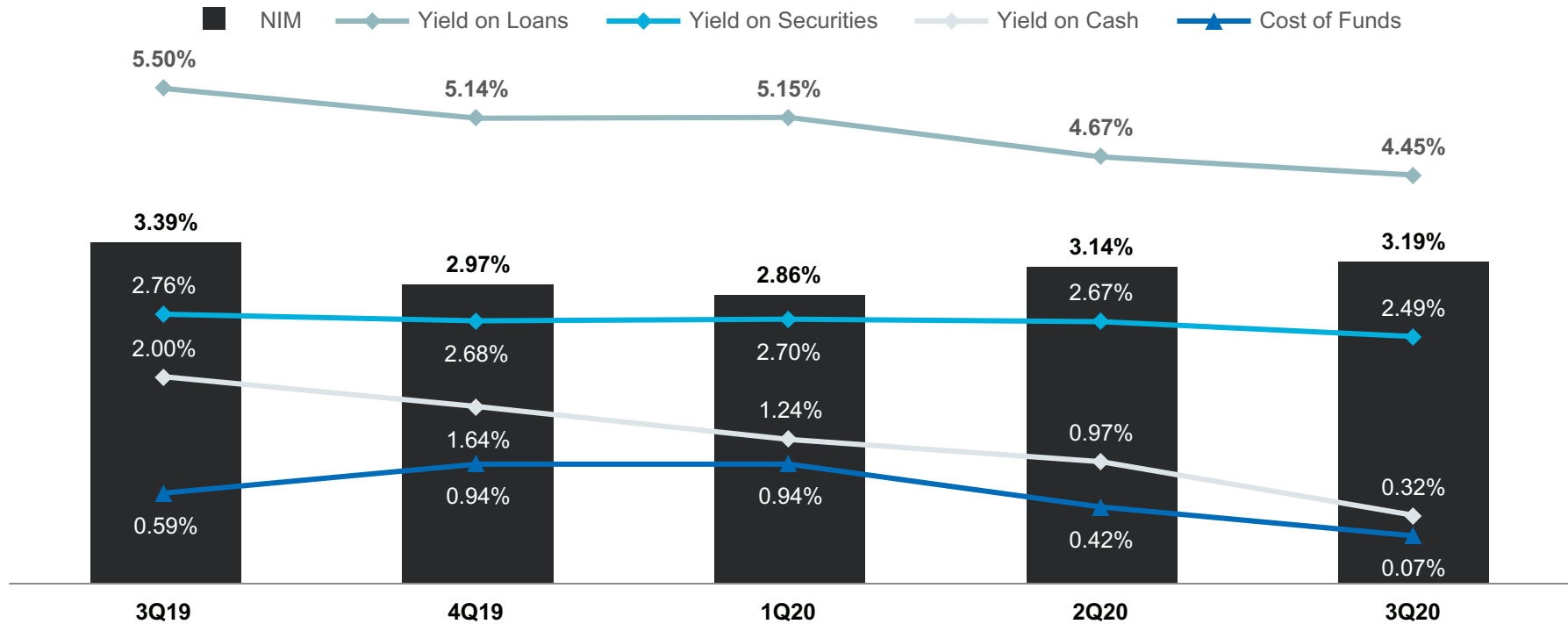
Commentary

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



Yields, Cost of Funds and Net Interest Margin Trends

Yields, Cost of Deposits and Net Interest Margin Trends



Commentary

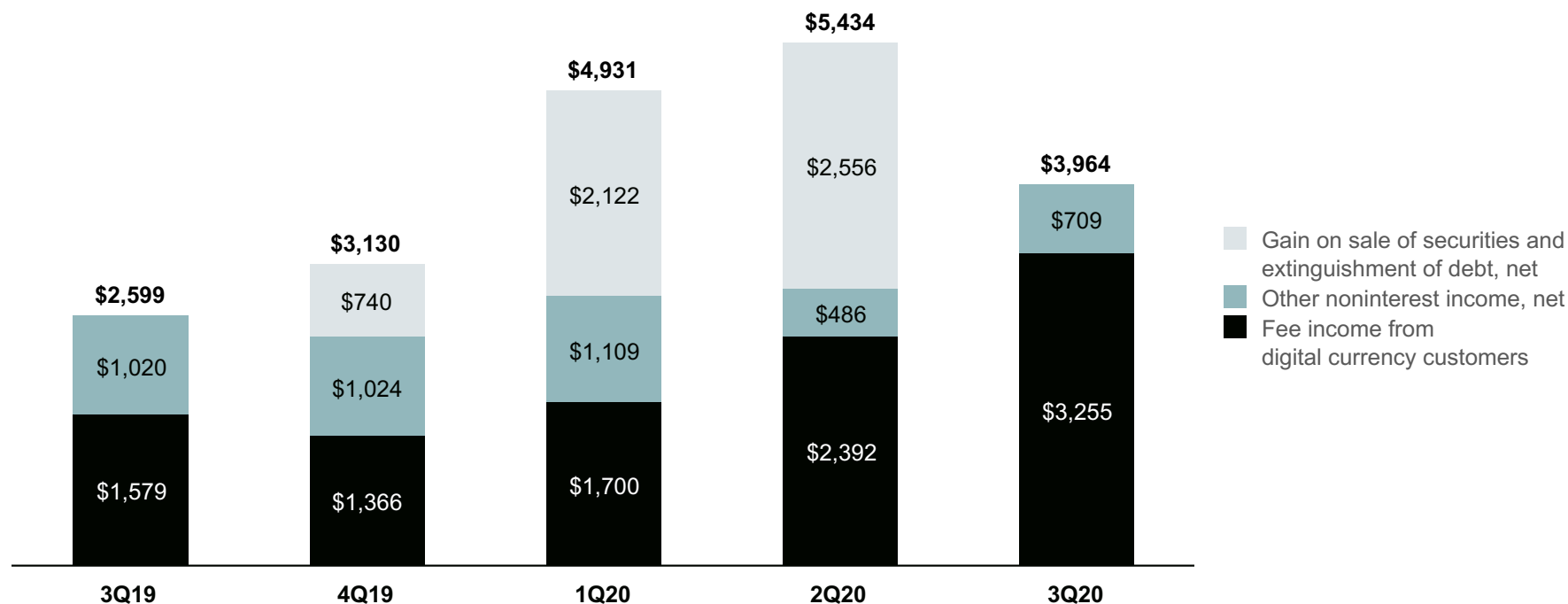
- Net interest margin increase was driven by the reduction in callable brokered CDs, which drove down cost of funds, partially offset by lower yield on loans and the variable rate portion of securities, along with the impact of maintaining a higher level of cash and cash equivalents during the quarter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



Noninterest Income

Noninterest Income

(\$ in thousands)



Commentary

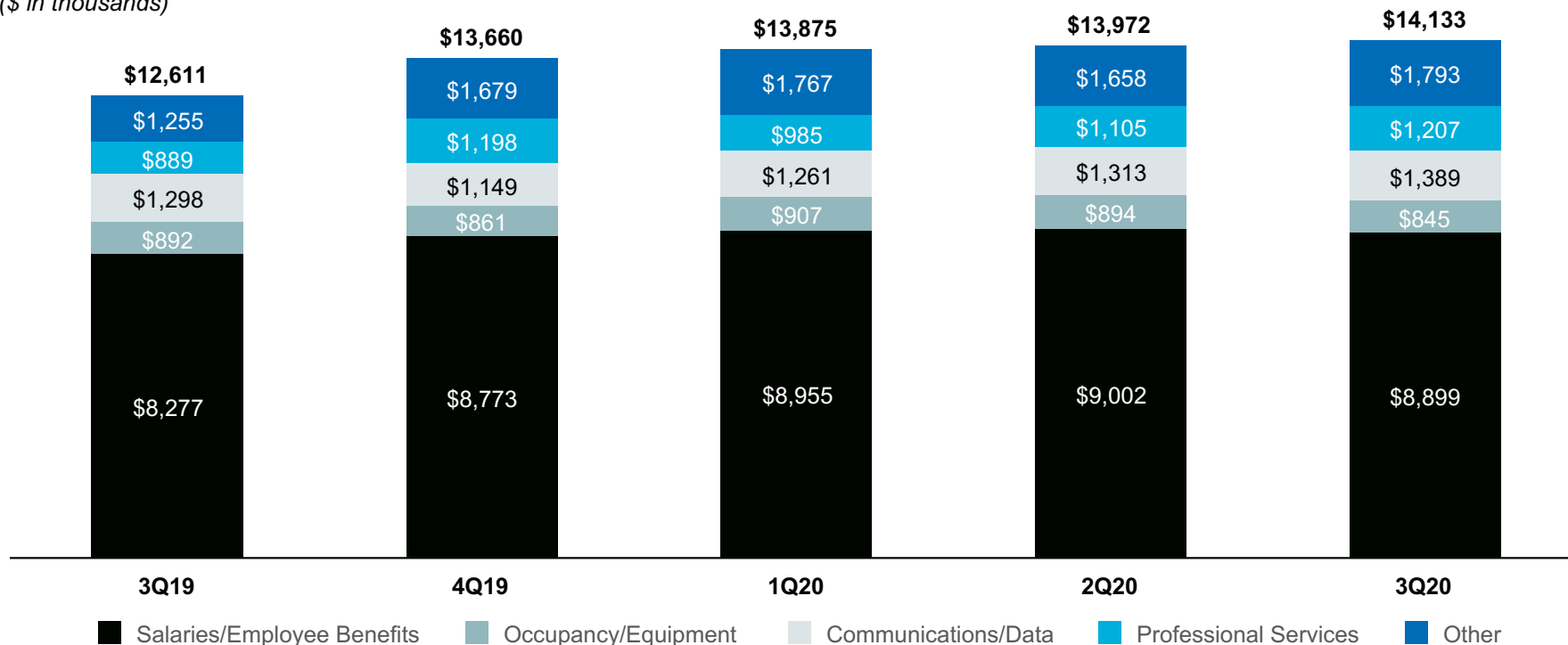
- 3Q20 fee income from digital currency customers was up 106% year over year driven by increased transactional volume and related demand for cash management services
- Other noninterest income is made up primarily of mortgage warehouse fee income of \$0.8 million, up 68% from the prior quarter and up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



Noninterest Expense

Noninterest Expense

(\$ in thousands)



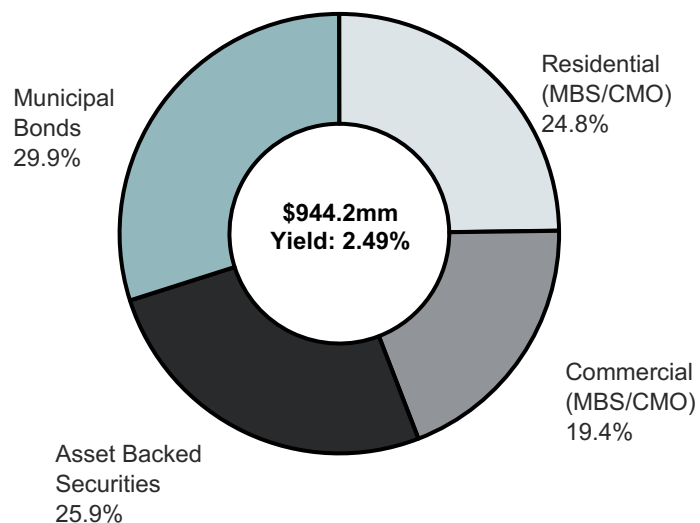
Commentary

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



Securities and Loan Portfolio

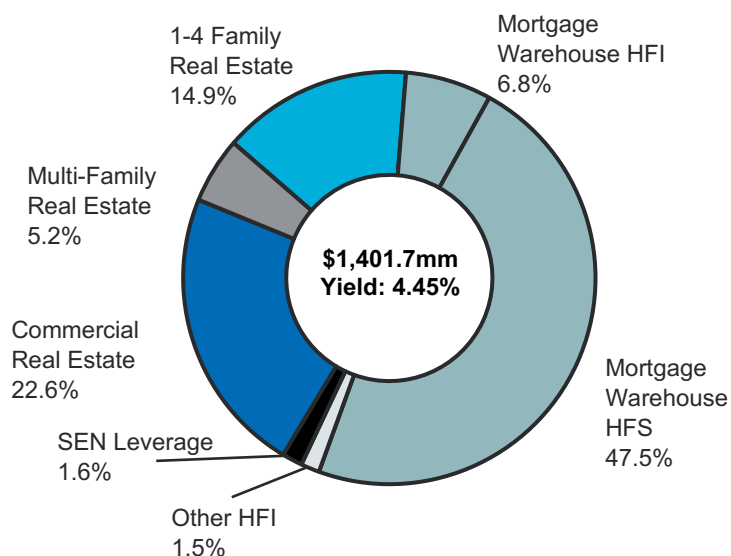
Securities Composition – 36% of Total Assets



Securities Commentary

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

Loan Composition – 54% of Total Assets



Loan Commentary

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

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



Loan Portfolio (HFI) & COVID-19 Related Modifications

Loan Segments at September 30, 2020

(\$ in millions)

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

COVID-19 Loan Modifications

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

Commentary

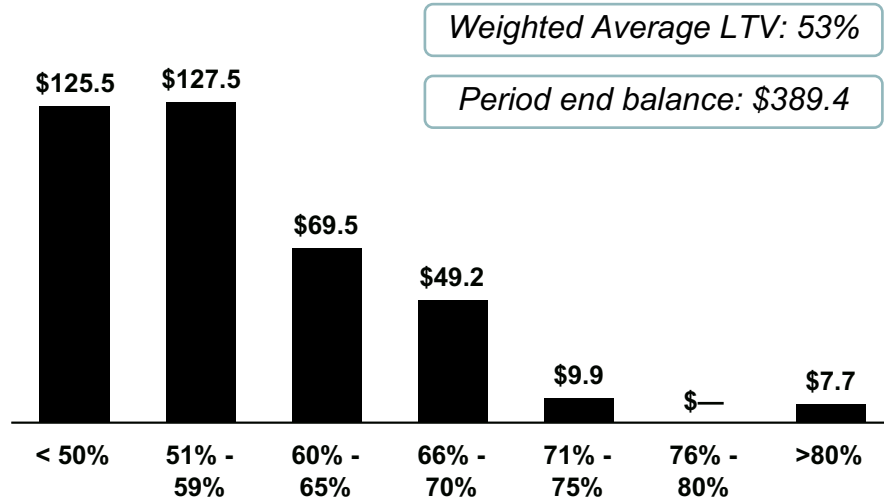
- 4.4% of loan balances are in modification with either full payment deferral or resumed partial interest only payments compared to 15.5% as of June 30, 2020
- Commercial borrowers with need for modification were initially granted payment deferrals of two months, while three months were initially granted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



Credit Quality

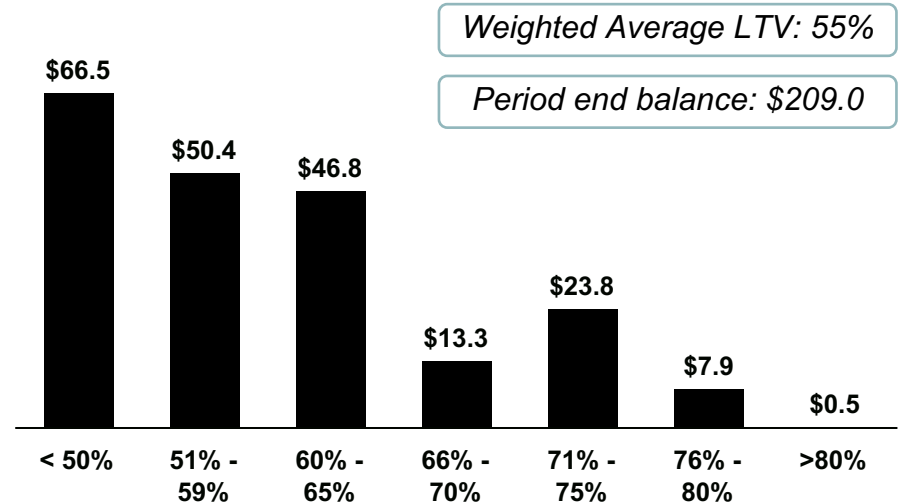
Commercial & Multi-Family Real Estate Balances - LTV

(\$ in millions)



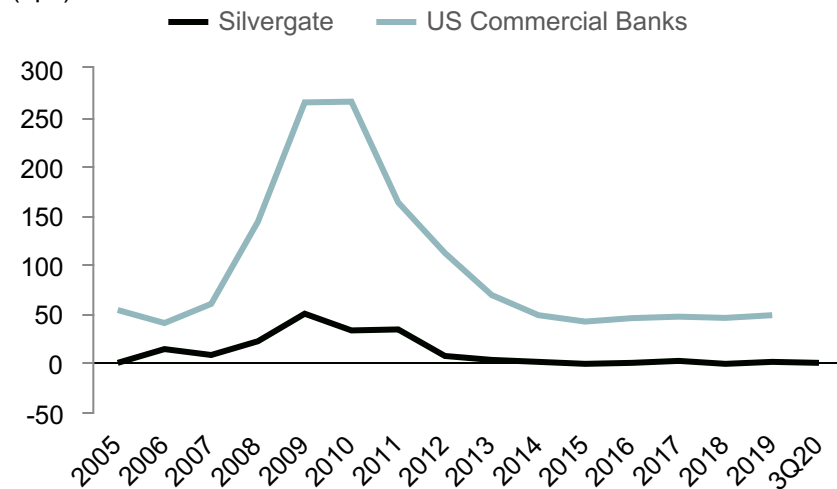
1-4 Family Residential Real Estate Balances - LTV

(\$ in millions)



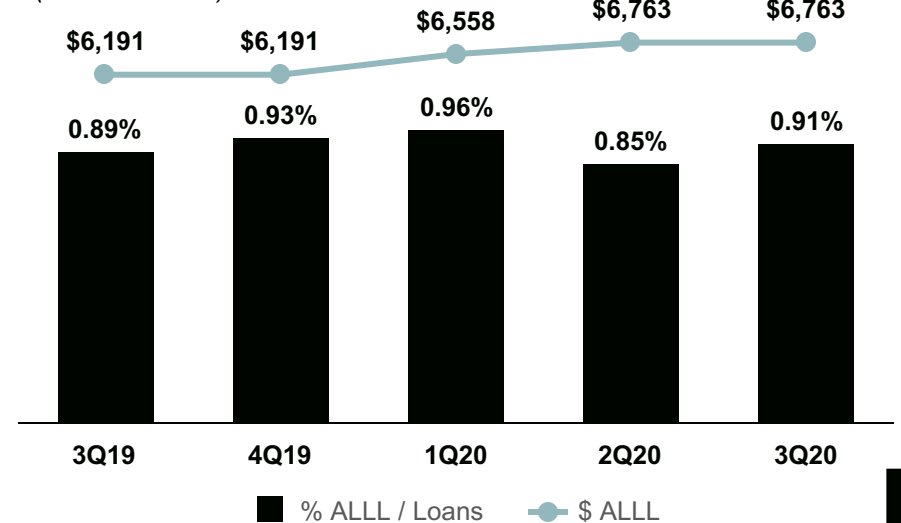
Net Charge-offs / Average Loans

(bps)



Allowance for Loan Losses

(\$ in thousands)



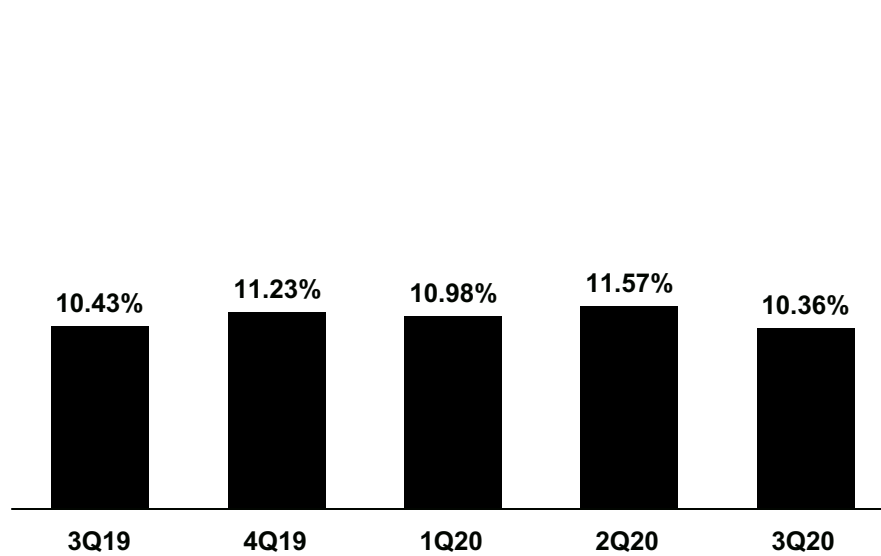
Note: Company LTV data as of September 30, 2020.

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

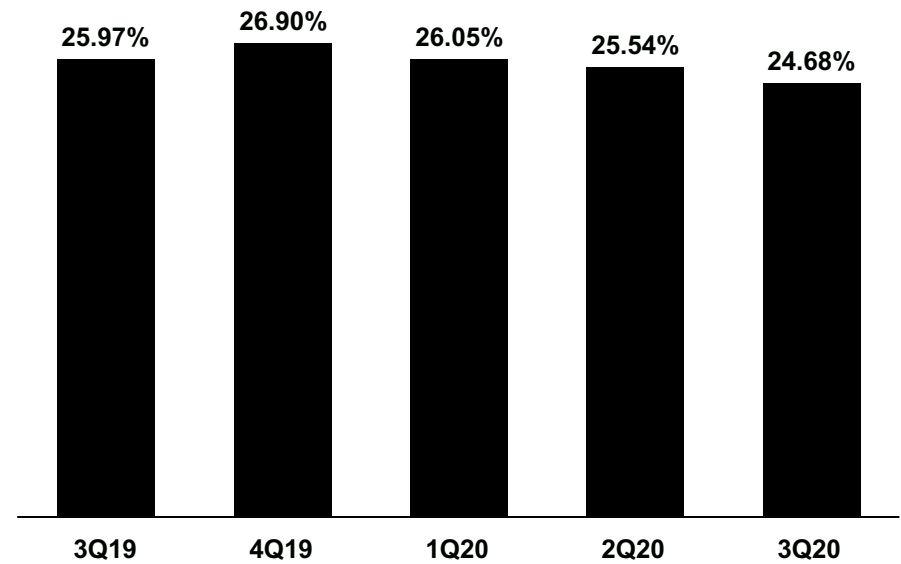


Capital and Liquidity Ratios

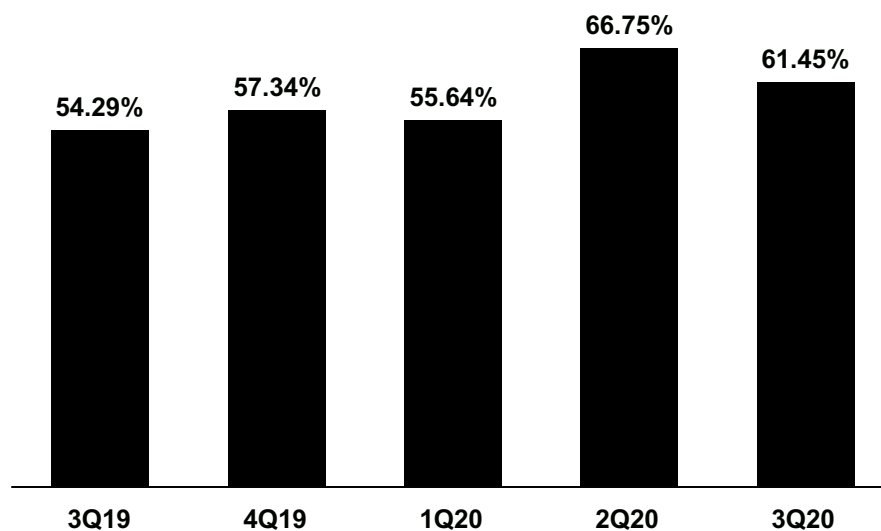
Tier 1 Leverage Ratio



Total Risk-Based Capital Ratio



Loans to Deposits



Commentary

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

Note: September 30, 2020 capital ratios are preliminary.



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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	<u>1,972,483</u>	<u>1,991,171</u>	<u>2,063,298</u>	<u>2,082,007</u>
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	<u>1,972,483</u>	<u>1,991,171</u>	<u>2,063,298</u>	<u>2,082,007</u>
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	<u>195,989</u>	<u>200,996</u>	<u>208,775</u>	<u>215,338</u>
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	<u>27,187</u>	<u>46,909</u>	<u>67,951</u>	<u>86,711</u>
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.

