

Silvergate Capital Corporation Announces Second Quarter 2022 Results

La Jolla, CA, July 19, 2022 -- Silvergate Capital Corporation ("Silvergate" or "Company") (NYSE:SI) and its wholly-owned subsidiary, Silvergate Bank ("Bank"), today announced financial results for the three and six months ended June 30, 2022.

Second Quarter 2022 Highlights

- Net income for the quarter was \$38.6 million, compared to \$27.4 million for the first quarter of 2022, and \$20.9 million for the second quarter of 2021
- Net income available to common shareholders for the quarter was \$35.9 million, or \$1.13 per diluted common share, compared to net income of \$24.7 million, or \$0.79 per diluted share, for the first quarter of 2022, and net income of \$20.9 million, or \$0.80 per diluted share, for the second quarter of 2021
- Digital currency customers grew to 1,585 at June 30, 2022, compared to 1,503 at March 31, 2022, and 1,224 at June 30, 2021
- The Silvergate Exchange Network ("SEN") handled \$191.3 billion of U.S. dollar transfers in the second quarter of 2022, an increase of 34% compared to \$142.3 billion in the first quarter of 2022, and a decrease of 20% compared to \$239.6 billion in the second quarter of 2021
- Total SEN Leverage commitments increased to \$1.4 billion at June 30, 2022, compared to \$1.1 billion at March 31, 2022, and \$258.5 million at June 30, 2021
- Digital currency customer related fee income for the quarter was \$8.8 million, compared to \$8.9 million for the first quarter of 2022, and \$11.3 million for the second quarter of 2021
- Average digital currency customer deposits were \$13.8 billion during the second quarter of 2022, compared to \$14.7 billion during the first quarter of 2022

Alan Lane, president and chief executive officer of Silvergate, commented, "Silvergate had another strong quarter in light of the challenging backdrop facing the broader digital currency ecosystem. I am proud of our results as we achieved record net income available to common shareholders of \$35.9 million and saw some of the highest daily dollar transfer volumes ever on the Silvergate Exchange Network (SEN). In addition, we saw continued demand for our SEN Leverage product, with no losses or forced liquidations."

"Overall, our platform was built to support our clients in this relatively nascent industry during periods of high volumes, market volatility and transformation, and performed as designed throughout the quarter. Our balance sheet is optimized for client liquidity and risk management practices are at the forefront in all aspects of our business to ensure we are prepared for any market environment. I remain confident in our trajectory throughout the second half of 2022, while continuing to invest in our strategic initiatives," Lane added.

| | As of or for the Three Months Ended | | |
|--|-------------------------------------|---|------------------|
| | June 30, 2022 | March 31, 2022 | June 30, 2021 |
| Financial Highlights | | | |
| | | (Dollars in thousands, except per share data) | |
| Net income | \$ 38,605 | \$ 27,386 | \$ 20,935 |
| Net income available to common shareholders | \$ 35,917 | \$ 24,698 | \$ 20,935 |
| Diluted earnings per common share | \$ 1.13 | \$ 0.79 | \$ 0.80 |
| Return on average assets (ROAA) ⁽¹⁾ | 0.90 % | 0.60 % | 0.77 % |
| Return on average common equity (ROACE) ⁽¹⁾ | 10.99 % | 6.87 % | 10.40 % |
| Net interest margin ⁽¹⁾⁽²⁾ | 1.96 % | 1.36 % | 1.16 % |
| Cost of deposits ⁽¹⁾ | 0.00 % | 0.00 % | 0.00 % |
| Cost of funds ⁽¹⁾ | 0.03 % | 0.01 % | 0.01 % |
| Efficiency ratio ⁽³⁾ | 38.30 % | 46.74 % | 50.69 % |
| Total assets | \$ 15,847,656 | \$ 15,798,013 | \$ 12,289,476 |
| Total deposits | \$ 13,500,720 | \$ 13,396,162 | \$ 11,371,556 |
| Book value per common share | \$ 38.86 | \$ 42.77 | \$ 32.84 |
| Tier 1 leverage ratio | 10.10 % | 9.68 % | 7.91 % |
| Total risk-based capital ratio | 44.03 % | 45.01 % | 43.15 % |

(1) Data has been annualized.

(2) Net interest margin is a ratio calculated as net interest income, on a fully taxable equivalent basis for interest income on tax-exempt securities using the federal statutory tax rate of 21.0%, divided by average interest earning assets for the same period.

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

Digital Currency Initiative

At June 30, 2022, the Company's digital currency customers increased to 1,585 from 1,503 at March 31, 2022, and from 1,224 at June 30, 2021. At June 30, 2022, prospective digital currency customer leads in various stages of the customer onboarding process and pipeline were above 300. For the second quarter of 2022, \$191.3 billion of U.S. dollar transfers occurred on the SEN, a 34% increase from \$142.3 billion transfers in the first quarter of 2022, and a decrease of 20% compared to \$239.6 billion in the second quarter of 2021. Based on digital currency industry transaction data provided by Coin Metrics, bitcoin and ether dollar trading volumes increased by 6% during the second quarter of 2022 compared to the first quarter of 2022.

Results of Operations, Quarter Ended June 30, 2022

Net Interest Income and Net Interest Margin Analysis (Taxable Equivalent Basis)

The Company's securities portfolio includes tax-exempt municipal bonds with tax-exempt income from these securities calculated and presented below on a taxable equivalent basis. Net interest income, net interest spread and net interest margin are presented on a taxable equivalent basis to consistently reflect income from taxable securities and tax-exempt securities based on the federal statutory tax rate of 21.0%.

Net interest income on a taxable equivalent basis totaled \$74.5 million for the second quarter of 2022, compared to \$54.0 million for the first quarter of 2022, and \$31.2 million for the second quarter of 2021.

Compared to the first quarter of 2022, net interest income increased \$20.5 million due to increased interest income, driven by higher yields across all interest earning asset categories, offset slightly by increased interest expense. Average total interest earning assets decreased by \$0.9 billion for the second quarter of 2022 compared to the first quarter of 2022, primarily due to decreased interest earning deposits in other banks due in part to lower average deposits and increased securities balances. The average yield on interest earning assets increased from 1.37% for the first quarter of 2022 to 1.99% for the second quarter of 2022, with the most significant impacts due to higher yields on securities and loans. Average interest bearing liabilities increased \$318.2 million for the second quarter of 2022 compared to the first quarter of 2022, due to

increased FHLB advances. The average rate on total interest bearing liabilities increased from 0.85% for the first quarter of 2022 to 0.87% for the second quarter of 2022, primarily due to an increase in interest rates on FHLB borrowings.

Compared to the second quarter of 2021, net interest income increased \$43.3 million due to increased interest income, with the largest driver being higher securities balances, offset slightly by increased interest expense. Average total interest earning assets increased by \$4.4 billion for the second quarter of 2022 compared to the second quarter of 2021, primarily due to increased securities balances funded primarily by the growth in digital currency related deposits and reallocation of interest earning deposits in other banks. The average yield on total interest earning assets increased from 1.17% for the second quarter of 2021 to 1.99% for the second quarter of 2022, primarily due to a higher proportion of securities and a lower proportion of interest earning deposits in other banks as a percentage of interest earning assets, as well as higher yields on securities, loans and interest earning deposits in other banks. Average interest bearing liabilities increased \$368.4 million for the second quarter of 2022 compared to the second quarter of 2021, due to increased FHLB advances. The average rate on total interest bearing liabilities decreased from 1.02% for the second quarter of 2021 to 0.87% for the second quarter of 2022, primarily due to a higher proportion of lower cost FHLB borrowings as a percentage of interest bearing liabilities.

Net interest margin for the second quarter of 2022 was 1.96%, compared to 1.36% for the first quarter of 2022, and 1.16% for the second quarter of 2021. The increase in net interest margin compared to the first quarter of 2022 was primarily due to higher yields on adjustable rate securities and loans reflecting the increasing interest rate environment. The increase in net interest margin compared to the second quarter of 2021 was primarily due to a higher proportion of securities and a lower proportion of interest earning deposits in other banks as a percentage of interest earning assets, as well as higher yields on securities, loans and interest earning deposits in other banks.

| | Three Months Ended | | | | | | | | | |
|--|-----------------------------|-------------------------|--------------------|-----------------------------|-------------------------|--------------------|-----------------------------|-------------------------|--------------------|--|
| | June 30, 2022 | | | March 31, 2022 | | | June 30, 2021 | | | |
| | 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 | \$ 1,458,173 | \$ 3,008 | 0.83 % | \$ 3,067,054 | \$ 1,385 | 0.18 % | \$ 5,603,397 | \$ 1,599 | 0.11 % | |
| Taxable securities | 9,058,960 | 30,986 | 1.37 % | 8,492,768 | 17,779 | 0.85 % | 2,937,659 | 8,324 | 1.14 % | |
| Tax-exempt securities ⁽¹⁾ | 2,992,038 | 18,759 | 2.51 % | 2,887,072 | 16,689 | 2.34 % | 698,149 | 3,953 | 2.27 % | |
| Loans ⁽²⁾⁽³⁾ | 1,689,852 | 22,054 | 5.23 % | 1,644,604 | 18,287 | 4.51 % | 1,541,373 | 17,158 | 4.46 % | |
| Other | 58,852 | 719 | 4.90 % | 41,751 | 203 | 1.97 % | 29,394 | 466 | 6.36 % | |
| Total interest earning assets | 15,257,875 | 75,526 | 1.99 % | 16,133,249 | 54,343 | 1.37 % | 10,809,972 | 31,500 | 1.17 % | |
| Noninterest earning assets | 729,378 | | | 500,299 | | | 121,288 | | | |
| Total assets | <u>\$15,987,253</u> | | | <u>\$16,633,548</u> | | | <u>\$10,931,260</u> | | | |
| Liabilities and Shareholders' Equity | | | | | | | | | | |
| Interest bearing liabilities: | | | | | | | | | | |
| Interest bearing deposits | \$ 68,128 | \$ 2 | 0.01 % | \$ 76,663 | \$ 21 | 0.11 % | \$ 97,463 | \$ 35 | 0.14 % | |
| FHLB advances and other borrowings | 397,810 | 796 | 0.80 % | 71,111 | 70 | 0.40 % | 44 | — | 0.00 % | |
| Subordinated debentures | 15,850 | 243 | 6.15 % | 15,846 | 252 | 6.45 % | 15,836 | 252 | 6.38 % | |
| Total interest bearing liabilities | 481,788 | 1,041 | 0.87 % | 163,620 | 343 | 0.85 % | 113,343 | 287 | 1.02 % | |
| Noninterest bearing liabilities: | | | | | | | | | | |
| Noninterest bearing deposits | 13,951,397 | | | 14,781,601 | | | 9,980,680 | | | |
| Other liabilities | 49,550 | | | 36,770 | | | 29,586 | | | |
| Shareholders' equity | <u>1,504,518</u> | | | <u>1,651,557</u> | | | <u>807,651</u> | | | |
| Total liabilities and shareholders' equity | <u>\$15,987,253</u> | | | <u>\$16,633,548</u> | | | <u>\$10,931,260</u> | | | |
| Net interest spread ⁽⁴⁾ | | <u>1.12 %</u> | | | <u>0.52 %</u> | | | | <u>0.15 %</u> | |
| Net interest income, taxable equivalent basis | | <u>\$ 74,485</u> | | | <u>\$ 54,000</u> | | | | <u>\$ 31,213</u> | |
| Net interest margin ⁽⁵⁾ | | <u>1.96 %</u> | | | <u>1.36 %</u> | | | | <u>1.16 %</u> | |
| Reconciliation to reported net interest income: | | | | | | | | | | |
| Adjustments for taxable equivalent basis | | <u>(3,939)</u> | | | <u>(3,505)</u> | | | | <u>(830)</u> | |
| Net interest income, as reported | | <u>\$ 70,546</u> | | | <u>\$ 50,495</u> | | | | <u>\$ 30,383</u> | |

(1) Interest income on tax-exempt securities is presented on a taxable equivalent basis using the federal statutory tax rate of 21.0% for all periods presented.

(2) Loans include nonaccrual loans and loans held-for-sale, net of deferred fees and before allowance for loan losses.

(3) Interest income includes amortization of deferred loan fees, net of deferred loan costs.

(4) Net interest spread is the difference between interest rates earned on interest earning assets and interest rates paid on interest bearing liabilities.

(5) Net interest margin is a ratio calculated as annualized net interest income, on a taxable equivalent basis, divided by average interest earning assets for the same period.

Provision for Loan Losses

The Company recorded no provision for loan losses for the second quarter of 2022, compared to a reversal of provision for loan losses of \$2.5 million for the first quarter of 2022, and no provision for the second quarter of 2021. The reversal in the first quarter of 2022 was due to the changes in loan product and segment mix in the portfolio, including the net impact of the sale of real estate loans, partially offset by an increase in SEN Leverage loans.

Noninterest Income

Noninterest income for the second quarter of 2022 was \$9.2 million, a decrease of \$0.2 million, or 2.5%, from the first quarter of 2022. The primary reasons for this decrease were a \$0.4 million decrease in other income due to a gain on sale of other assets of \$0.4 million for the first quarter of 2022 and a \$0.2 million, or 1.8%, decrease in deposit related fees which remained relatively flat, offset by a \$0.4 million decrease in loss on sale of securities.

Noninterest income for the second quarter of 2022 decreased by \$2.9 million, or 23.7%, compared to the second quarter of 2021. This decrease was primarily due to a \$2.5 million, or 22.1%, decrease in deposit related fees as a result of lower cash management fees from digital currency related customers.

| | Three Months Ended | | |
|---------------------------------|--------------------|-------------------|------------------|
| | June 30, 2022 | March 31, 2022 | June 30, 2021 |
| (Dollars in thousands) | | | |
| Noninterest income: | | | |
| Deposit related fees | \$ 8,808 | \$ 8,968 | \$ 11,308 |
| Mortgage warehouse fee income | 555 | 651 | 753 |
| Loss on sale of securities, net | (199) | (605) | — |
| Other income | 50 | 436 | 8 |
| Total noninterest income | <u>\$ 9,214</u> | <u>\$ 9,450</u> | <u>\$ 12,069</u> |

Noninterest Expense

Noninterest expense totaled \$30.6 million for the second quarter of 2022, an increase of \$2.5 million, or 9.0%, compared to the first quarter of 2022, and an increase of \$9.0 million, or 42.0%, compared to the second quarter of 2021. The increase in noninterest expense compared to the prior quarter was primarily due to an increase in salaries and benefits expense attributable to increased headcount as part of organic growth as well as increases in professional services and occupancy and equipment costs, all of which support the Company's strategic initiatives. Other general and administrative expenses decreased from the first quarter of 2022 primarily due to a \$1.6 million reversal of the provision for off-balance sheet commitments due to a change in estimate related to bitcoin collateralized SEN Leverage commitments. The increase in noninterest expense from the second quarter of 2021 was primarily driven by an increase in salaries and employee benefits attributable to increased headcount as well as increases in occupancy and equipment, communications and data processing and professional services, all of which support organic growth and the Company's strategic initiatives. This was partially offset by a decrease in federal deposit insurance expense due to a lower growth rate in deposit levels.

| | Three Months Ended | | |
|------------------------------------|--------------------|-------------------|------------------|
| | June 30, 2022 | March 31, 2022 | June 30, 2021 |
| (Dollars in thousands) | | | |
| Noninterest expense: | | | |
| Salaries and employee benefits | \$ 16,356 | \$ 15,544 | \$ 10,260 |
| Occupancy and equipment | 1,063 | 586 | 599 |
| Communications and data processing | 2,967 | 2,762 | 1,796 |
| Professional services | 6,280 | 2,954 | 2,594 |
| Federal deposit insurance | 1,495 | 1,762 | 3,844 |
| Correspondent bank charges | 801 | 828 | 812 |
| Other loan expense | 682 | 384 | 280 |
| Other general and administrative | 908 | 3,198 | 1,334 |
| Total noninterest expense | <u>\$ 30,552</u> | <u>\$ 28,018</u> | <u>\$ 21,519</u> |

Income Tax Expense (Benefit)

Income tax expense was \$10.6 million for the second quarter of 2022, compared to \$7.0 million for the first quarter of 2022, and a benefit of \$2,000 for the second quarter of 2021. Our effective tax rate for the second quarter of 2022 was 21.5%, compared to 20.4% for the first quarter of 2022, and zero for the second quarter of 2021. The tax expense and effective tax rate for the first and second quarter of 2022 were impacted by significant increases in tax-exempt income earned on certain municipal bonds compared to the second quarter of 2021. In addition, the lower effective tax rate for the second quarter of 2021 was due to higher excess tax benefits recognized on the exercise of stock options.

Balance Sheet

Deposits

At June 30, 2022, deposits totaled \$13.5 billion, an increase of \$104.6 million, or 0.8%, from March 31, 2022, and an increase of \$2.1 billion, or 18.7%, from June 30, 2021. Noninterest bearing deposits totaled \$13.4 billion, representing approximately 99.5% of total deposits at June 30, 2022, an increase of \$112.5 million from the prior quarter end, and a \$2.1 billion increase compared to June 30, 2021.

Our continued growth has been accompanied by significant fluctuations in the levels of our deposits, in particular our deposits from customers operating in the digital currency industry. The Bank's average total deposits from digital currency customers during the second quarter of 2022 amounted to \$13.8 billion, with the high and low daily totals of these deposit levels during such time being \$17.6 billion and \$12.6 billion, respectively, compared to an average of \$14.7 billion during the first quarter of 2022, and high and low daily deposit levels of \$16.2 billion and \$13.2 billion, respectively.

Demand for new deposit accounts is generated by the Company's banking platform for innovators that includes the SEN, which is enabled through Silvergate's proprietary API, and other cash management solutions. These tools enable Silvergate's customers to grow their businesses and scale operations. The following table sets forth a breakdown of the Company's digital currency customer base and the deposits held by such customers at the dates noted below:

| | June 30, 2022 | | March 31, 2022 | | June 30, 2021 | |
|----------------------------|---------------------|-------------------------------|---------------------|-------------------------------|---------------------|-------------------------------|
| | Number of Customers | Total Deposits ⁽¹⁾ | Number of Customers | Total Deposits ⁽¹⁾ | Number of Customers | Total Deposits ⁽¹⁾ |
| (Dollars in millions) | | | | | | |
| Digital currency exchanges | 102 | \$ 8,133 | 96 | \$ 7,960 | 93 | \$ 5,395 |
| Institutional investors | 1,017 | 3,293 | 966 | 3,109 | 771 | 3,986 |
| Other customers | 466 | 1,879 | 441 | 2,126 | 360 | 1,734 |
| Total | 1,585 | \$ 13,304 | 1,503 | \$ 13,195 | 1,224 | \$ 11,114 |

(1) Total deposits may not foot due to rounding.

The weighted average cost of deposits for the second quarter of 2022, the first quarter of 2022 and the second quarter of 2021 was 0.00%.

| | Three Months Ended | | | | | |
|--|---------------------|---------------|---------------------|---------------|---------------------|---------------|
| | June 30, 2022 | | March 31, 2022 | | June 30, 2021 | |
| | Average Balance | Average Rate | Average Balance | Average Rate | Average Balance | Average Rate |
| (Dollars in thousands) | | | | | | |
| Noninterest bearing demand accounts | \$13,951,397 | — | \$14,781,601 | — | \$ 9,980,680 | — |
| Interest bearing accounts: | | | | | | |
| Interest bearing demand accounts | 3,250 | 0.00 % | 5,531 | 0.07 % | 27,303 | 0.12 % |
| Money market and savings | 64,456 | 0.01 % | 70,632 | 0.11 % | 69,527 | 0.15 % |
| Certificates of deposit | 422 | 0.95 % | 500 | 0.81 % | 633 | 0.63 % |
| Total interest bearing deposits | 68,128 | 0.01 % | 76,663 | 0.11 % | 97,463 | 0.14 % |
| Total deposits | \$14,019,525 | 0.00 % | \$14,858,264 | 0.00 % | \$10,078,143 | 0.00 % |

Loan Portfolio

Total loans, including net loans held-for-investment and loans held-for-sale, were \$1.5 billion at June 30, 2022, a decrease of \$209.4 million, or 12.5%, from March 31, 2022, and a decrease of \$22.0 million, or 1.5%, from June 30, 2021.

| | June 30, 2022 | March 31, 2022 | June 30, 2021 |
|--|----------------------------|----------------------------|----------------------------|
| | (Dollars in thousands) | | |
| Real estate loans: | | | |
| One-to-four family | \$ 82,671 | \$ 94,161 | \$ 144,247 |
| Multi-family | 8,827 | 9,368 | 67,704 |
| Commercial | 69,637 | 80,279 | 272,948 |
| Construction | — | — | 5,481 |
| Commercial and industrial ⁽¹⁾ | 302,610 | 434,960 | 204,279 |
| Reverse mortgage and other | 1,110 | 1,137 | 1,364 |
| Mortgage warehouse | <u>136,485</u> | <u>125,435</u> | <u>49,897</u> |
| Total gross loans held-for-investment | 601,340 | 745,340 | 745,920 |
| Deferred fees, net | (2,227) | (1,884) | 1,151 |
| Total loans held-for-investment | <u>599,113</u> | <u>743,456</u> | <u>747,071</u> |
| Allowance for loan losses | (4,442) | (4,442) | (6,916) |
| Loans held-for-investment, net | <u>594,671</u> | <u>739,014</u> | <u>740,155</u> |
| Loans held-for-sale ⁽²⁾ | 872,056 | 937,140 | 748,577 |
| Total loans | <u>\$ 1,466,727</u> | <u>\$ 1,676,154</u> | <u>\$ 1,488,732</u> |

(1) Commercial and industrial loans includes \$302.6 million, \$435.0 million and \$203.4 million of SEN Leverage loans as of June 30, 2022, March 31, 2022 and June 30, 2021, respectively.

(2) Loans held-for-sale includes \$872.1 million, \$914.2 million and \$748.6 million of mortgage warehouse loans as of June 30, 2022, March 31, 2022 and June 30, 2021, respectively.

Asset Quality and Allowance for Loan Losses

The allowance for loan losses was unchanged from \$4.4 million at June 30, 2022, compared to March 31, 2022 and down from \$6.9 million at June 30, 2021. The ratio of the allowance for loan losses to total loans held-for-investment at June 30, 2022 was 0.74%, compared to 0.60% and 0.93% at March 31, 2022 and June 30, 2021, respectively.

Nonperforming assets totaled \$3.8 million, or 0.02% of total assets, at June 30, 2022, an increase of \$0.1 million from \$3.6 million, or 0.02% of total assets at March 31, 2022. Nonperforming assets decreased \$3.7 million, from \$7.4 million, or 0.06%, of total assets at June 30, 2021.

| | June 30, 2022 | March 31, 2022 | June 30, 2021 |
|--|------------------------|-------------------|------------------|
| | (Dollars in thousands) | | |

Asset Quality

Nonperforming Assets:

| | June 30, 2022 | March 31, 2022 | June 30, 2021 |
|------------------------------|------------------------|-------------------|------------------|
| | (Dollars in thousands) | | |
| Nonperforming Assets: | | | |
| Nonaccrual loans | \$ 3,724 | \$ 3,632 | \$ 7,444 |
| Troubled debt restructurings | \$ 1,619 | \$ 1,703 | \$ 1,437 |
| Other real estate owned, net | \$ 45 | — | — |
| Nonperforming assets | \$ 3,769 | \$ 3,632 | \$ 7,444 |

Asset Quality Ratios:

| | | | |
|--|----------|----------|---------|
| Nonperforming assets to total assets | 0.02 % | 0.02 % | 0.06 % |
| Nonaccrual loans to total loans ⁽¹⁾ | 0.62 % | 0.49 % | 1.00 % |
| Net charge-offs (recoveries) to average total loans ⁽¹⁾ | 0.00 % | 0.00 % | 0.00 % |
| Allowance for loan losses to total loans ⁽¹⁾ | 0.74 % | 0.60 % | 0.93 % |
| Allowance for loan losses to nonaccrual loans | 119.28 % | 122.30 % | 92.91 % |

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

Securities

The total securities portfolio decreased \$0.4 billion, or 3.3%, from \$12.2 billion at March 31, 2022, and increased \$5.6 billion, or 90.5%, from \$6.2 billion at June 30, 2021, to \$11.8 billion at June 30, 2022. As of June 30, 2021, there were \$3.1 billion of securities classified as held-to-maturity.

Capital Ratios

At June 30, 2022, the Company's ratio of common equity to total assets was 7.76%, compared with 8.56% at March 31, 2022, and 7.08% at June 30, 2021. At June 30, 2022, the Company's book value per common share was \$38.86, compared to \$42.77 at March 31, 2022, and \$32.84 at June 30, 2021.

At June 30, 2022, the Company had a tier 1 leverage ratio of 10.10%, common equity tier 1 capital ratio of 38.36%, tier 1 risk-based capital ratio of 43.91% and total risk-based capital ratio of 44.03%.

At June 30, 2022, the Bank had a tier 1 leverage ratio of 10.04%, common equity tier 1 capital ratio of 43.66%, tier 1 risk-based capital ratio of 43.66% and total risk-based capital ratio of 43.78%. These capital ratios each exceeded the “well capitalized” standards defined by federal banking regulations of 5.00% for tier 1 leverage ratio, 6.5% for common equity tier 1 capital ratio, 8.00% for tier 1 risk-based capital ratio and 10.00% for total risk-based capital ratio.

| Capital Ratios ⁽¹⁾ | June 30, 2022 | March 31, 2022 | June 30, 2021 |
|------------------------------------|------------------|-------------------|------------------|
| The Company | | | |
| Tier 1 leverage ratio | 10.10 % | 9.68 % | 7.91 % |
| Common equity tier 1 capital ratio | 38.36 % | 38.97 % | 42.03 % |
| Tier 1 risk-based capital ratio | 43.91 % | 44.84 % | 42.80 % |
| Total risk-based capital ratio | 44.03 % | 45.01 % | 43.15 % |
| Common equity to total assets | 7.76 % | 8.56 % | 7.08 % |
| The Bank | | | |
| Tier 1 leverage ratio | 10.04 % | 9.51 % | 7.88 % |
| Common equity tier 1 capital ratio | 43.66 % | 44.28 % | 42.51 % |
| Tier 1 risk-based capital ratio | 43.66 % | 44.28 % | 42.51 % |
| Total risk-based capital ratio | 43.78 % | 44.45 % | 42.87 % |

(1) June 30, 2022 capital ratios are preliminary.

Subsequent Event

On July 11, 2022, the Company's Board of Directors declared a quarterly dividend payment of \$13.44 per share, equivalent to \$0.336 per depositary share, on its Fixed Rate Non-Cumulative Perpetual Preferred Stock, Series A (the “Series A Preferred Stock”), for the period covering May 15, 2022 through August 14, 2022, for a total dividend of \$2.7 million. The depositary shares representing the Series A Preferred Stock are traded on the New York Stock Exchange under the symbol “SI PRA.” The dividend will be payable on August 15, 2022 to shareholders of record of the Series A Preferred Stock as of July 29, 2022.

Conference Call and Webcast

The Company will host a conference call on Tuesday, July 19, 2022 at 11:00 a.m. (Eastern Time) to present and discuss second quarter 2022 financial results. The conference call can be accessed live by dialing 1-844-200-6205 or for international callers, 1-929-526-1599, entering the access code 200185. A replay will be available starting at 1:00 p.m. (Eastern Time) on July 19, 2022 and can be accessed by dialing 1-866-813-9403, or for international callers +44-204-525-0658. The passcode for the replay is 449932. The replay will be available until 11:59 p.m. (Eastern Time) on August 2, 2022.

Interested investors and other parties may also listen to a simultaneous webcast of the conference call by logging onto the investor relations section of the Company's website at <https://ir.silverage.com>. The online replay will remain available for a limited time beginning immediately following the call.

About Silvergate

Silvergate Capital Corporation (NYSE: SI) is the leading provider of innovative financial infrastructure solutions and services for the growing digital currency industry. The Company's real-time payments platform, known as the Silvergate Exchange Network, is at the heart of its customer-centric suite of payments, lending and funding solutions serving an expanding class of digital currency companies and investors around the world. Silvergate is enabling the rapid growth of digital currency markets and reshaping global commerce for a digital currency future.

Forward Looking Statements

Statements in this earnings release may constitute forward-looking statements within the meaning of the Securities Exchange Act of 1934, as amended. 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 or any other person that such expectations, estimates and projections will be achieved. Although we believe that the expectations reflected in these forward-looking statements are reasonable as of the date made, such forward-looking statements are not guarantees of future performance and are subject to risks, assumptions and uncertainties that are difficult to predict. For information about other important factors that could cause actual results to differ materially from those discussed in the forward-looking statements contained in this release, please refer to the Company's public reports filed with the U.S. Securities and Exchange Commission.

While there is no assurance that any list of risks and uncertainties or risk factors is complete, below are certain factors which could cause actual results to differ materially from those contained or implied in the forward-looking statements: changes in general economic, political, or industry conditions; geopolitical concerns, including the ongoing war in Ukraine; the magnitude and duration of the COVID-19 pandemic and related variants and mutations and their impact on the global economy and financial market conditions and our business, results of operations, and financial condition; uncertainty in U.S. fiscal and monetary policy, including the interest rate policies of the Board of Governors of the Federal Reserve System; inflation/deflation, interest rate, market, and monetary fluctuations; volatility and disruptions in global capital and credit markets; the transition away from USD LIBOR and uncertainty regarding potential alternative reference rates, including SOFR; competitive pressures on product pricing and services; success, impact, and timing of our business strategies, including market acceptance of any new products or services; the impact of changes in financial services policies, laws, and regulations, including those concerning taxes, banking, securities, digital currencies and insurance, and the application thereof by regulatory bodies; cybersecurity threats and the cost of defending against them, including the costs of compliance with potential legislation to combat cybersecurity at a state, national, or global level; and other factors that may affect our future results.

Any forward-looking statement speaks only as of the date of this earnings release, 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.

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Source: Silvergate Capital Corporation

SILVERGATE CAPITAL CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION
(In Thousands)

(Unaudited)

| | June 30, 2022 | March 31, 2022 | December 31, 2021 | September 30, 2021 | June 30, 2021 |
|---|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| ASSETS | | | | | |
| Cash and due from banks | \$ 256,378 | \$ 207,304 | \$ 208,193 | \$ 168,628 | \$ 52,859 |
| Interest earning deposits in other banks | 1,637,410 | 1,178,205 | 5,179,753 | 3,615,860 | 4,415,458 |
| Cash and cash equivalents | 1,893,788 | 1,385,509 | 5,387,946 | 3,784,488 | 4,468,317 |
| Trading securities, at fair value | — | — | — | — | 26,998 |
| Securities available-for-sale, at fair value | 8,686,307 | 9,463,494 | 8,625,259 | 7,234,216 | 6,176,778 |
| Securities held-to-maturity, at amortized cost | 3,131,321 | 2,751,625 | — | — | — |
| Loans held-for-sale, at lower of cost or fair value | 872,056 | 937,140 | 893,194 | 818,447 | 748,577 |
| Loans held-for-investment, net of allowance for loan losses | 594,671 | 739,014 | 887,304 | 809,745 | 740,155 |
| Other investments | 63,456 | 61,719 | 34,010 | 34,010 | 29,460 |
| Accrued interest receivable | 72,463 | 62,573 | 40,370 | 32,154 | 24,505 |
| Premises and equipment, net | 3,328 | 1,678 | 3,008 | 1,483 | 1,604 |
| Intangible assets | 190,455 | 189,977 | — | — | — |
| Derivative assets | 104,995 | 46,415 | 34,056 | 37,210 | 39,454 |
| Other assets | 234,816 | 158,869 | 100,348 | 24,868 | 33,628 |
| Total assets | <u>\$ 15,847,656</u> | <u>\$ 15,798,013</u> | <u>\$ 16,005,495</u> | <u>\$ 12,776,621</u> | <u>\$ 12,289,476</u> |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | | | | |
| Deposits: | | | | | |
| Noninterest bearing demand accounts | \$ 13,436,017 | \$ 13,323,535 | \$ 14,213,472 | \$ 11,586,318 | \$ 11,290,638 |
| Interest bearing accounts | 64,703 | 72,627 | 77,156 | 76,202 | 80,918 |
| Total deposits | 13,500,720 | 13,396,162 | 14,290,628 | 11,662,520 | 11,371,556 |
| Federal home loan bank advances | 800,000 | 800,000 | — | — | — |
| Subordinated debentures, net | 15,852 | 15,848 | 15,845 | 15,841 | 15,838 |
| Accrued expenses and other liabilities | 107,865 | 39,507 | 90,186 | 26,179 | 31,575 |
| Total liabilities | <u>14,424,437</u> | <u>14,251,517</u> | <u>14,396,659</u> | <u>11,704,540</u> | <u>11,418,969</u> |
| Commitments and contingencies | | | | | |
| Preferred stock | 2 | 2 | 2 | 2 | — |
| Class A common stock | 316 | 316 | 304 | 265 | 265 |
| Class B non-voting common stock ⁽¹⁾ | — | — | — | — | — |
| Additional paid-in capital | 1,554,627 | 1,553,547 | 1,421,592 | 891,611 | 697,070 |
| Retained earnings | 254,475 | 218,558 | 193,860 | 175,485 | 151,993 |
| Accumulated other comprehensive (loss) income | (386,201) | (225,927) | (6,922) | 4,718 | 21,179 |
| Total shareholders' equity | <u>1,423,219</u> | <u>1,546,496</u> | <u>1,608,836</u> | <u>1,072,081</u> | <u>870,507</u> |
| Total liabilities and shareholders' equity | <u><u>\$ 15,847,656</u></u> | <u><u>\$ 15,798,013</u></u> | <u><u>\$ 16,005,495</u></u> | <u><u>\$ 12,776,621</u></u> | <u><u>\$ 12,289,476</u></u> |

(1) Effective June 14, 2022, Class B non-voting common stock was cancelled and its authorized shares reallocated to Class A common stock following a shareholder approved amendment to the Company's articles of incorporation.

SILVERGATE CAPITAL CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(In Thousands, Except Per Share Data)

(Unaudited)

| | Three Months Ended | | | Six Months Ended | |
|---|--------------------|-------------------|------------------|------------------|------------------|
| | June 30, 2022 | March 31, 2022 | June 30, 2021 | June 30, 2022 | June 30, 2021 |
| Interest income | | | | | |
| Loans, including fees | \$ 22,054 | \$ 18,287 | \$ 17,158 | \$ 40,341 | \$ 33,755 |
| Taxable securities | 30,986 | 17,779 | 8,324 | 48,765 | 11,916 |
| Tax-exempt securities | 14,820 | 13,184 | 3,123 | 28,004 | 4,818 |
| Other interest earning assets | 3,008 | 1,385 | 1,599 | 4,393 | 2,878 |
| Dividends and other | 719 | 203 | 466 | 922 | 609 |
| Total interest income | 71,587 | 50,838 | 30,670 | 122,425 | 53,976 |
| Interest expense | | | | | |
| Deposits | 2 | 21 | 35 | 23 | 81 |
| Federal home loan bank advances and other | 796 | 70 | — | 866 | — |
| Subordinated debentures | 243 | 252 | 252 | 495 | 497 |
| Total interest expense | 1,041 | 343 | 287 | 1,384 | 578 |
| Net interest income before provision for loan losses | 70,546 | 50,495 | 30,383 | 121,041 | 53,398 |
| Reversal of provision for loan losses | — | (2,474) | — | (2,474) | — |
| Net interest income after provision for loan losses | 70,546 | 52,969 | 30,383 | 123,515 | 53,398 |
| Noninterest income | | | | | |
| Deposit related fees | 8,808 | 8,968 | 11,308 | 17,776 | 18,432 |
| Mortgage warehouse fee income | 555 | 651 | 753 | 1,206 | 1,707 |
| Loss on sale of securities, net | (199) | (605) | — | (804) | — |
| Other income | 50 | 436 | 8 | 486 | 20 |
| Total noninterest income | 9,214 | 9,450 | 12,069 | 18,664 | 20,159 |
| Noninterest expense | | | | | |
| Salaries and employee benefits | 16,356 | 15,544 | 10,260 | 31,900 | 21,250 |
| Occupancy and equipment | 1,063 | 586 | 599 | 1,649 | 1,213 |
| Communications and data processing | 2,967 | 2,762 | 1,796 | 5,729 | 3,417 |
| Professional services | 6,280 | 2,954 | 2,594 | 9,234 | 4,311 |
| Federal deposit insurance | 1,495 | 1,762 | 3,844 | 3,257 | 6,140 |
| Correspondent bank charges | 801 | 828 | 812 | 1,629 | 1,309 |
| Other loan expense | 682 | 384 | 280 | 1,066 | 454 |
| Other general and administrative | 908 | 3,198 | 1,334 | 4,106 | 3,031 |
| Total noninterest expense | 30,552 | 28,018 | 21,519 | 58,570 | 41,125 |
| Income before income taxes | 49,208 | 34,401 | 20,933 | 83,609 | 32,432 |
| Income tax expense (benefit) | 10,603 | 7,015 | (2) | 17,618 | (1,213) |
| Net income | 38,605 | 27,386 | 20,935 | 65,991 | 33,645 |
| Dividends on preferred stock | 2,688 | 2,688 | — | 5,376 | — |
| Net income available to common shareholders | \$ 35,917 | \$ 24,698 | \$ 20,935 | \$ 60,615 | \$ 33,645 |
| Basic earnings per common share | \$ 1.14 | \$ 0.79 | \$ 0.81 | \$ 1.93 | \$ 1.40 |
| Diluted earnings per common share | \$ 1.13 | \$ 0.79 | \$ 0.80 | \$ 1.92 | \$ 1.37 |
| Weighted average common shares outstanding: | | | | | |
| Basic | 31,635 | 31,219 | 25,707 | 31,428 | 24,114 |
| Diluted | 31,799 | 31,401 | 26,102 | 31,601 | 24,565 |