

The background of the slide features a large, stylized, light gray 'S' logo that spans across the center. The logo is composed of two main vertical strokes with a curved bridge connecting them at the top and bottom.

# Silvergate Capital Corporation

## 4Q21 Earnings Presentation

### January 18, 2022

# Forward Looking Statements

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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 the 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 presentation 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 fully 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 as planned, 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>.

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# Full Year 2021 Highlights

## Key Highlights

- Net income available to common shareholders nearly tripled compared to 2020
- Drove record demand on the Silvergate Exchange Network ("SEN"), growing fee income to \$35.8 million
- Grew SEN Leverage commitments to \$570.5 million
- Announced SEN Leverage partnerships with two additional digital asset custodians
- Continued developing stablecoin infrastructure technology offering
- Added over 400 digital currency customers
- Executed four capital raises, totaling \$1.3 billion in net proceeds

## Key Metrics

**\$787.4B**

+480%

SEN Transfers

**1,381**

+43%

Digital Currency  
Customers

**\$35.8M**

+222%

Fee Income from  
Digital Currency  
Customers

**\$570.5M**

+592%

SEN Leverage  
Commitments

**\$75.5M**

+190%

Net Income Available  
to Common  
Shareholders

**\$2.91**

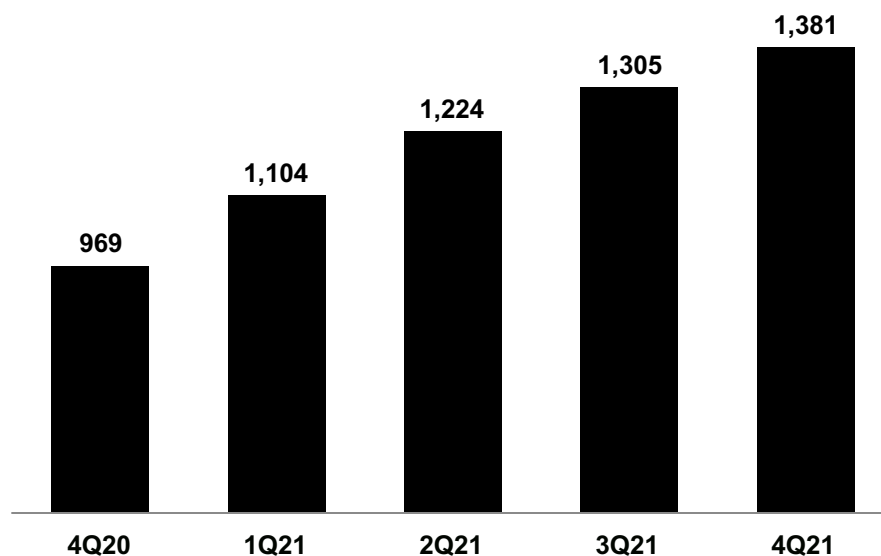
+114%

Diluted EPS



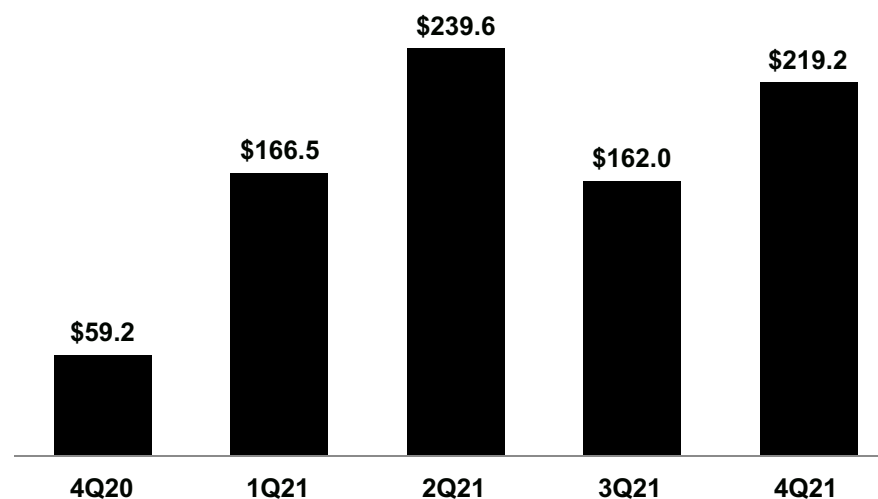
# Growth Fueled by Powerful Network Effects

## Digital Currency Customers



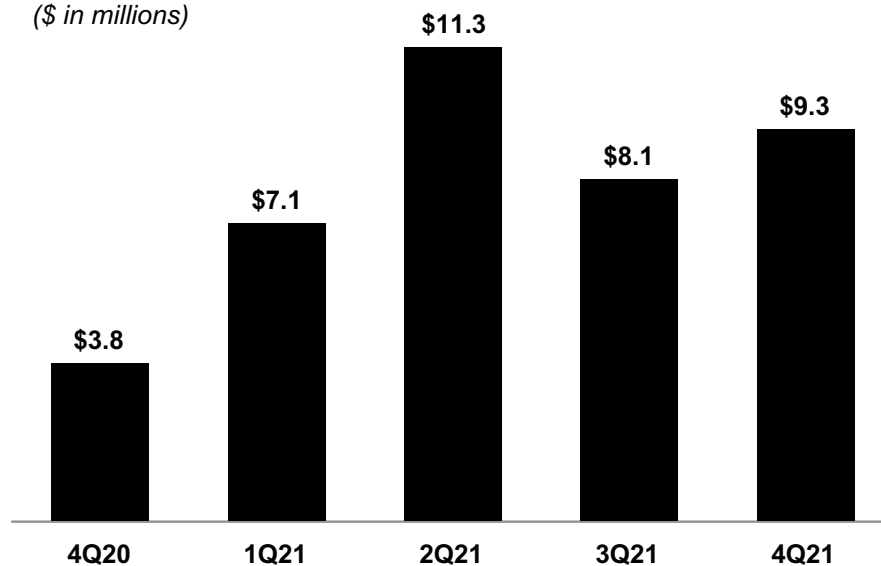
## SEN Utilization (SEN Transfer \$)

(\$ in billions)



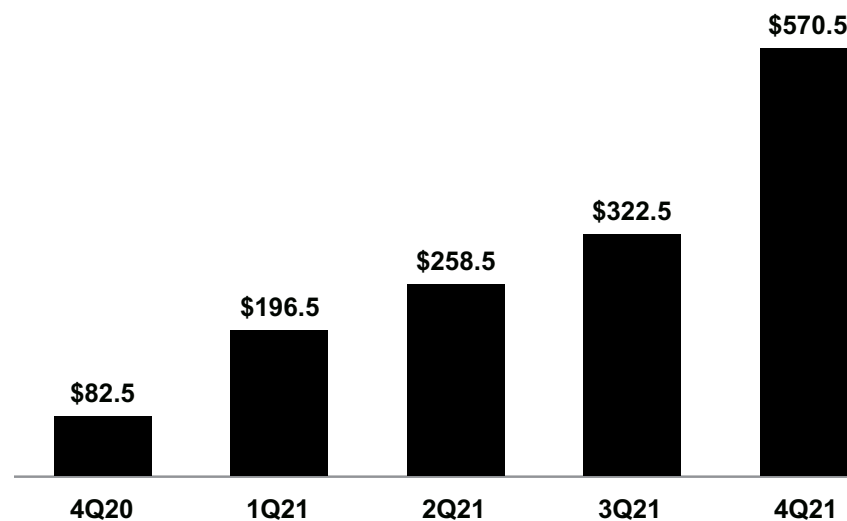
## Transaction Revenue

(\$ in millions)



## SEN Leverage

(\$ in millions)



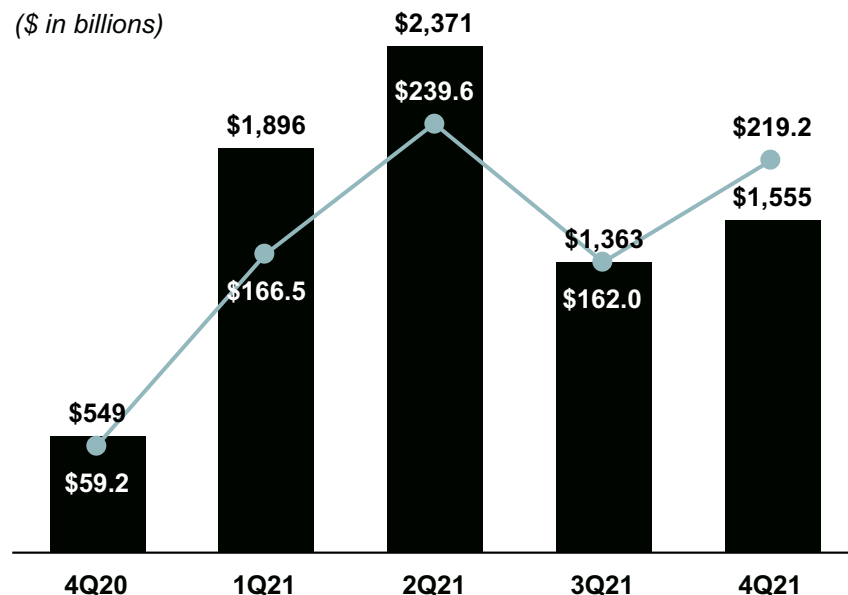
Note: Transaction revenue represents fee income from digital currency customers. SEN Leverage balances reflect total approved lines of credit.



# Broader Crypto Industry Trends

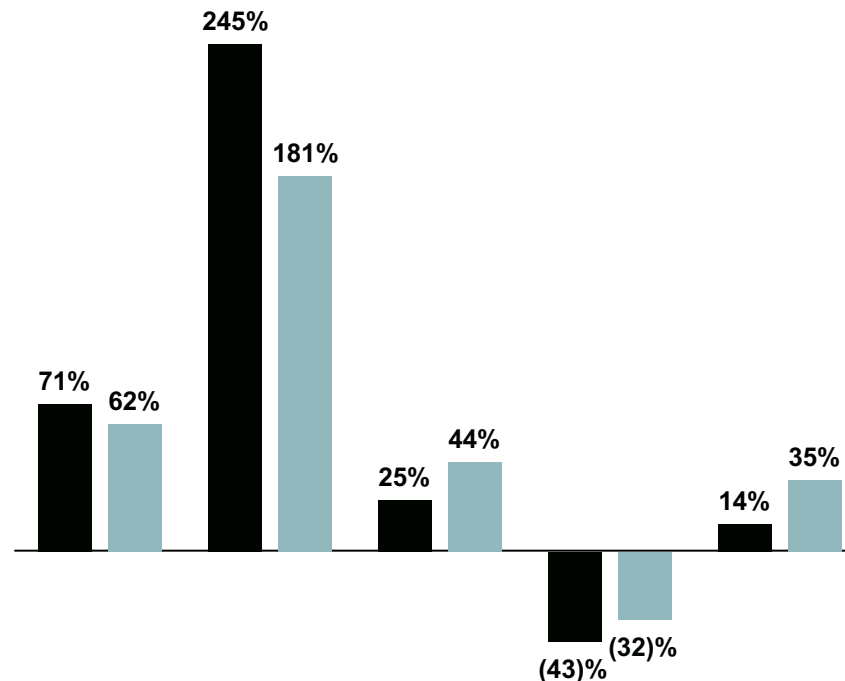
## Dollar Trading Volume

(\$ in billions)



■ BTC and ETH Spot Trading Volume \$ —●— SEN Transfers \$

## % Change in Dollar Volume by Quarter



■ BTC and ETH Spot Trading Volume ■ SEN Transfers

## Commentary

- Industry volume is based on Bitcoin and Ethereum daily trusted spot volume as defined by Coin Metrics from exchanges that they consider the most accurate and trustworthy
- Strong correlation between SEN dollar volume and industry volume by quarter



# 4Q21 Financial Results

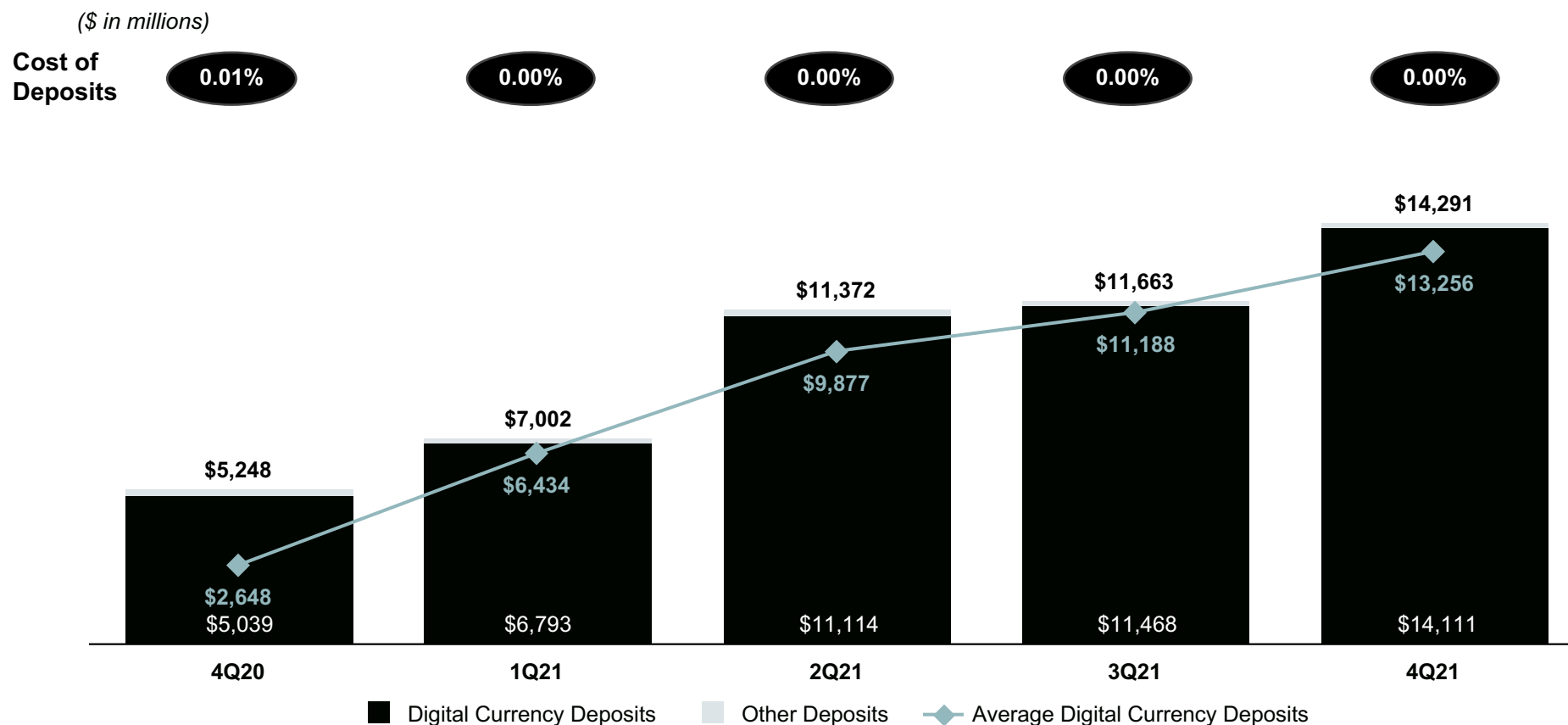
(In millions, except per share data)

	4Q21	4Q21 vs 3Q21      4Q20		Highlights
		% Inc / (Dec)		
<b>Income Statement</b>				
Net interest income	\$ 38.2	1 %	74 %	➡ YoY increase driven by higher securities and SEN Leverage balances
Provision for loan losses	—	—	N/M	
Noninterest income	11.1	(21)%	128 %	➡ Grew digital currency fee income QoQ and YoY; 3Q21 included gain on sale of securities
Noninterest expense	25.7	15 %	46 %	➡ Reflects ongoing investments related to strategic growth initiatives
Pre-tax income	23.6	(20)%	163 %	
Income tax expense	2.2	N/M	N/M	
Net income	21.4	(9)%	135 %	
Net income available to common shareholders	\$ 18.4	(22)%	102 %	
Diluted earnings per common share	\$ 0.66	(25)%	40 %	
<b>Balance Sheet</b>				
Securities available-for-sale	\$ 8,625	19 %	819 %	
Total loans	\$ 1,780	9 %	10 %	
Total assets	\$ 16,005	25 %	187 %	
Digital currency related deposits	\$ 14,111	23 %	180 %	
Total shareholders' equity	\$ 1,609	50 %	447 %	
Book value per common share	\$ 46.55	41 %	198 %	
Common shares outstanding	30.4	15 %	61 %	
Diluted weighted average common shares	27.7	4 %	43 %	



# Deposits

## Digital Currency and Other Deposit Trends



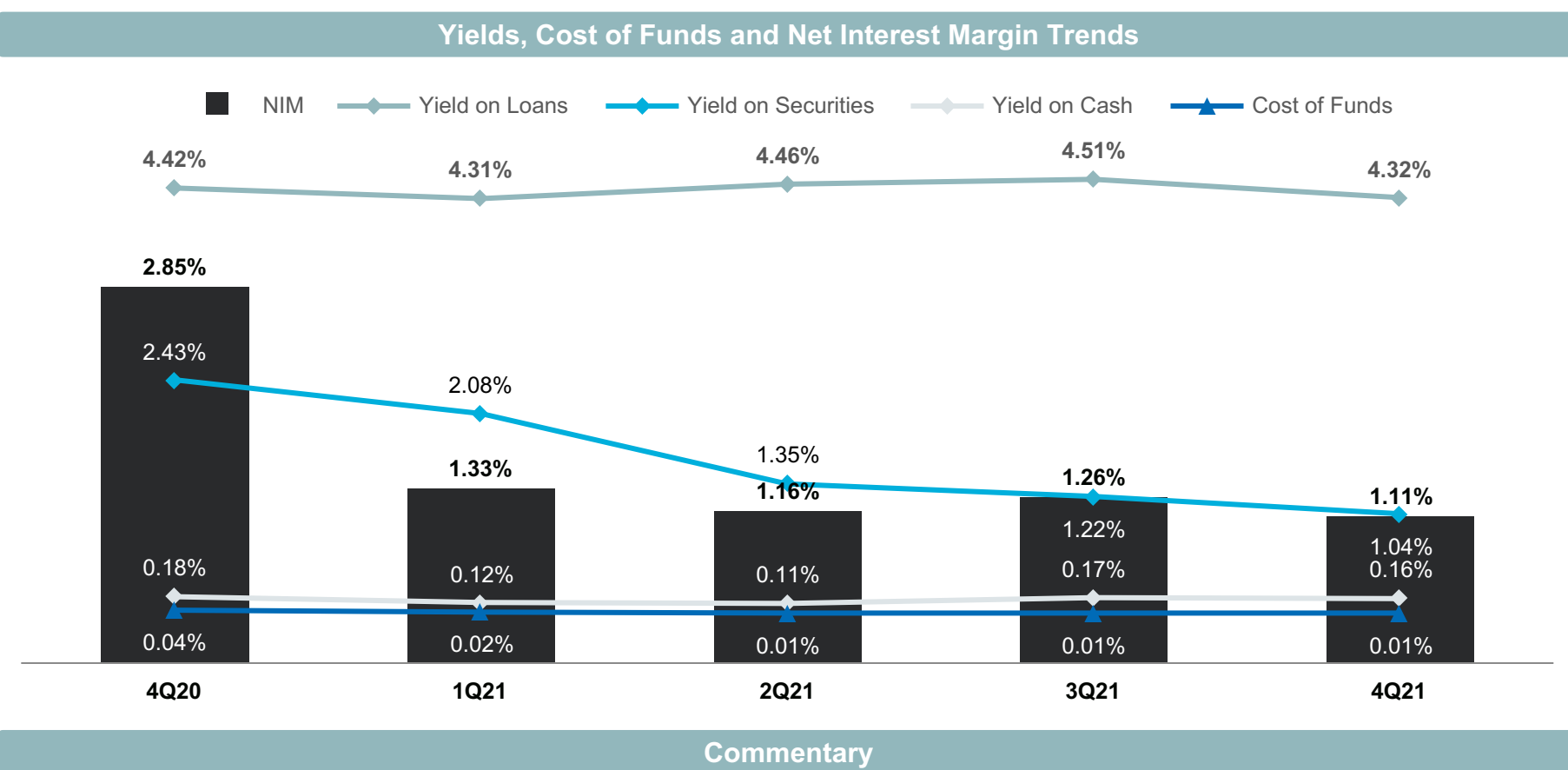
## Commentary

- Average digital currency deposits for 4Q21 was \$13.3 billion, up from \$11.2 billion for 3Q21
- Other deposits represent deposits from non-digital currency customers, including demand deposits, savings, money market and certificates of deposit
- The cost of deposits was 0.00% in 4Q21, reflecting the Company's digital currency deposit gathering strategy

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



# Yields, Cost of Funds and Net Interest Margin Trends



- Net interest margin decrease from 3Q21 was driven by lower yield securities purchases and, to a lesser extent, a higher proportion of cash and securities relative to total assets
- Yield on securities for 4Q21 impacted by new securities purchased throughout 3Q21 and 4Q21

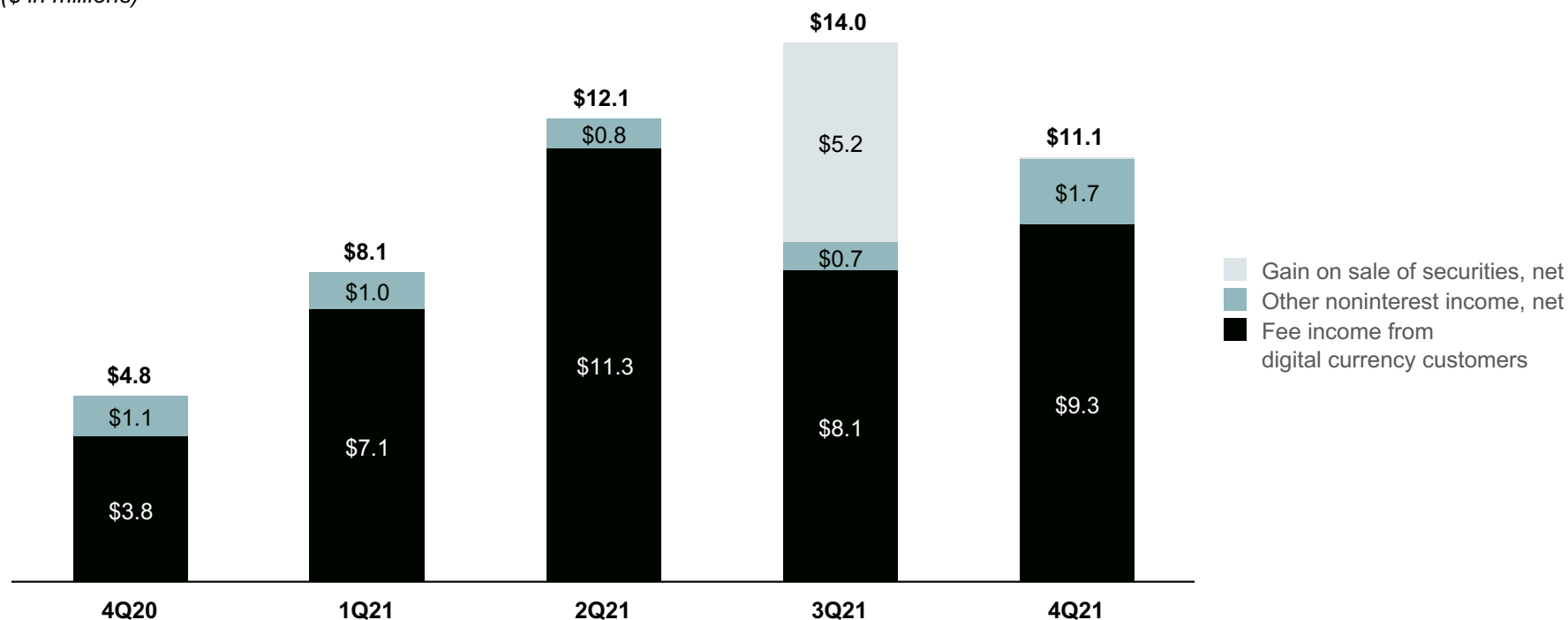




# Noninterest Income

## Noninterest Income

(\$ in millions)



## Commentary

- 4Q21 fee income from digital currency customers was up 146% year over year driven by increased transactional volume and related demand for cash management and foreign exchange services
- Other noninterest income for 4Q21 was primarily mortgage warehouse fee income and a \$0.9 million gain on sale of interest rate swaps

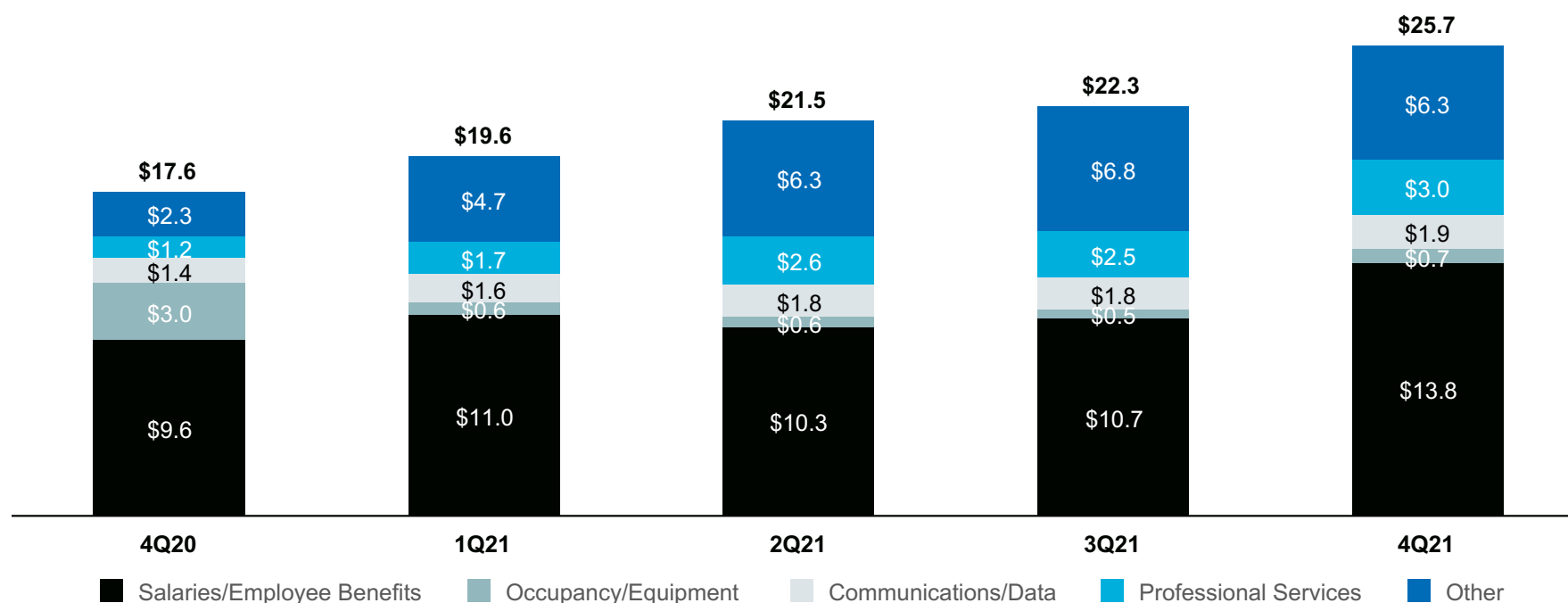
Note: Totals may not foot due to rounding.



# Noninterest Expense

## Noninterest Expense

(\$ in millions)



## Commentary

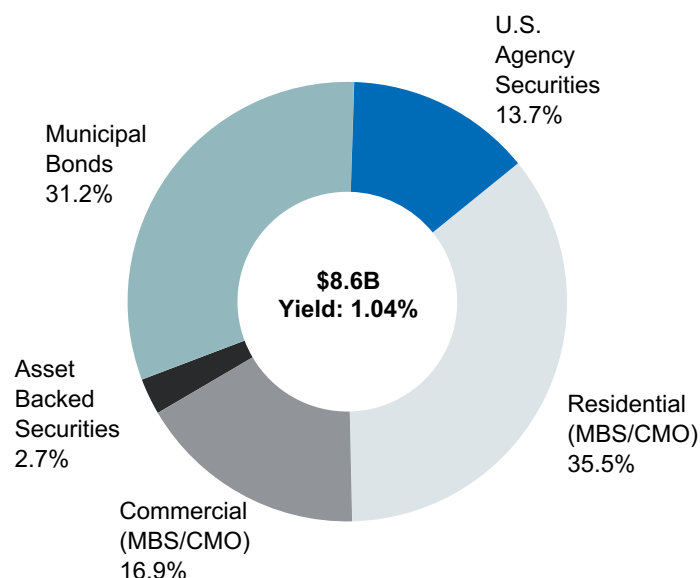
- 4Q21 noninterest expense up 15% versus 3Q21 and 46% versus 4Q20 attributable to increased Salaries/Employee Benefits and Professional Services due to ongoing investments related to strategic growth initiatives
- Other primarily includes FDIC insurance expense
- Headcount was 279 as of December 31, 2021 compared to 249 at September 30, 2021 and 218 at December 31, 2020

Note: Totals may not foot due to rounding.



# Securities and Loan Portfolio

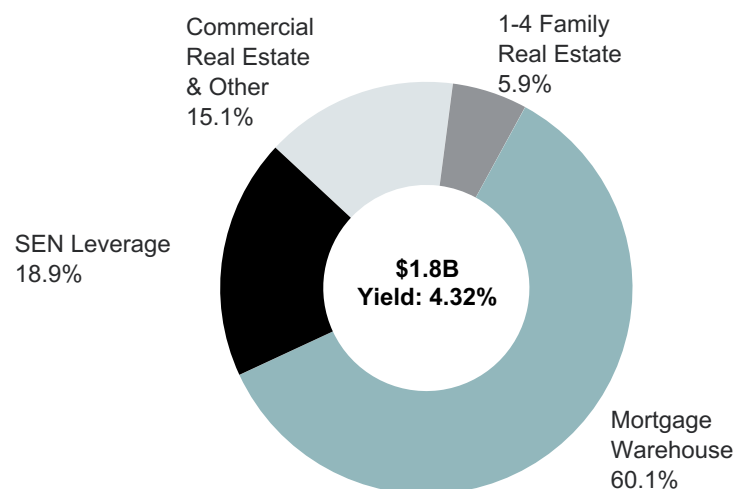
## Securities Composition – 54% of Total Assets



## Securities Commentary

- There were \$2.7 billion of securities purchased in 4Q21 with a projected weighted average yield of 1.29%
- Sold securities in 4Q21 amounting to \$1.1 billion resulting in an immaterial net gain
- Residential MBS/CMO are 99% agency backed. Commercial MBS/CMO are 82% agency backed and 8% non-agency, of which 94% are rated AAA
- Municipal bonds are all general obligation or revenue bonds with 99% rated AA- or better
- 100% of asset backed securities are agency backed FFELP student loan bonds and rated AA+ or better

## Loan Composition – 11% of Total Assets



## Loan Commentary

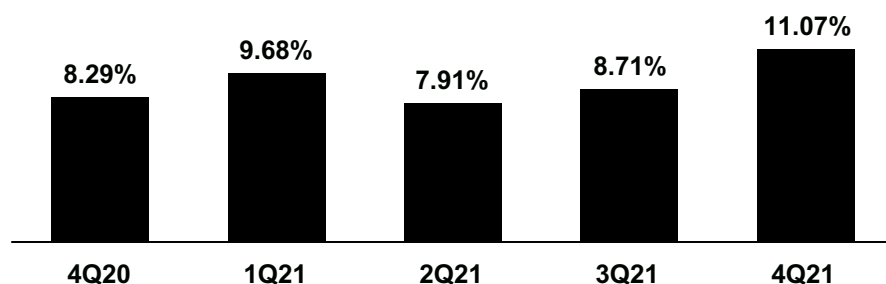
- Mortgage warehouse loans amounted to \$1.1 billion representing 60% of total loans
- SEN Leverage loans amounted to \$335.9 million, up 32% from \$254.5 million at September 30, 2021
- Nonperforming assets totaled \$4.0 million, or 0.03% of total assets at December 31, 2021
- Allowance for loan losses remained at \$6.9 million and represented 0.77% of total loans HFI

Note: Data as of December 31, 2021. Securities and loan yields are for 4Q21 and have been annualized.

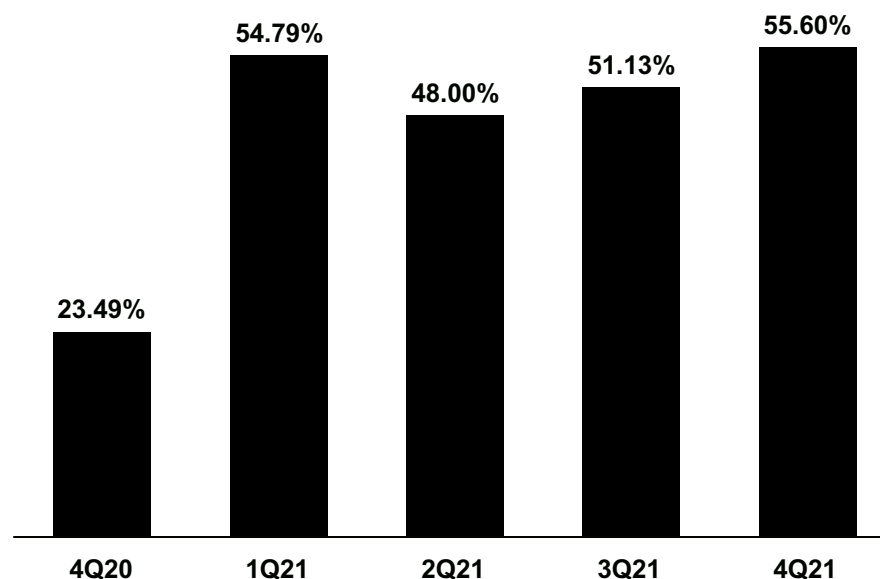


# Capital and Liquidity Ratios

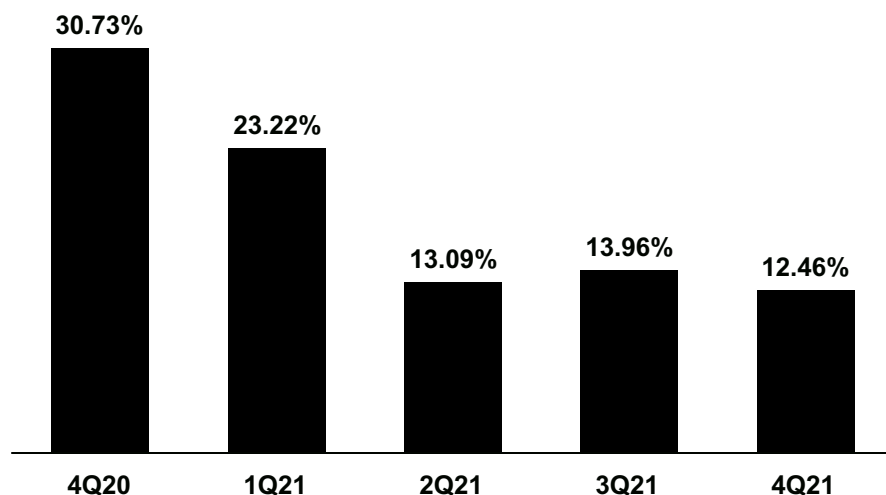
## Tier 1 Leverage Ratio



## Total Risk-Based Capital Ratio



## Loans to Deposits



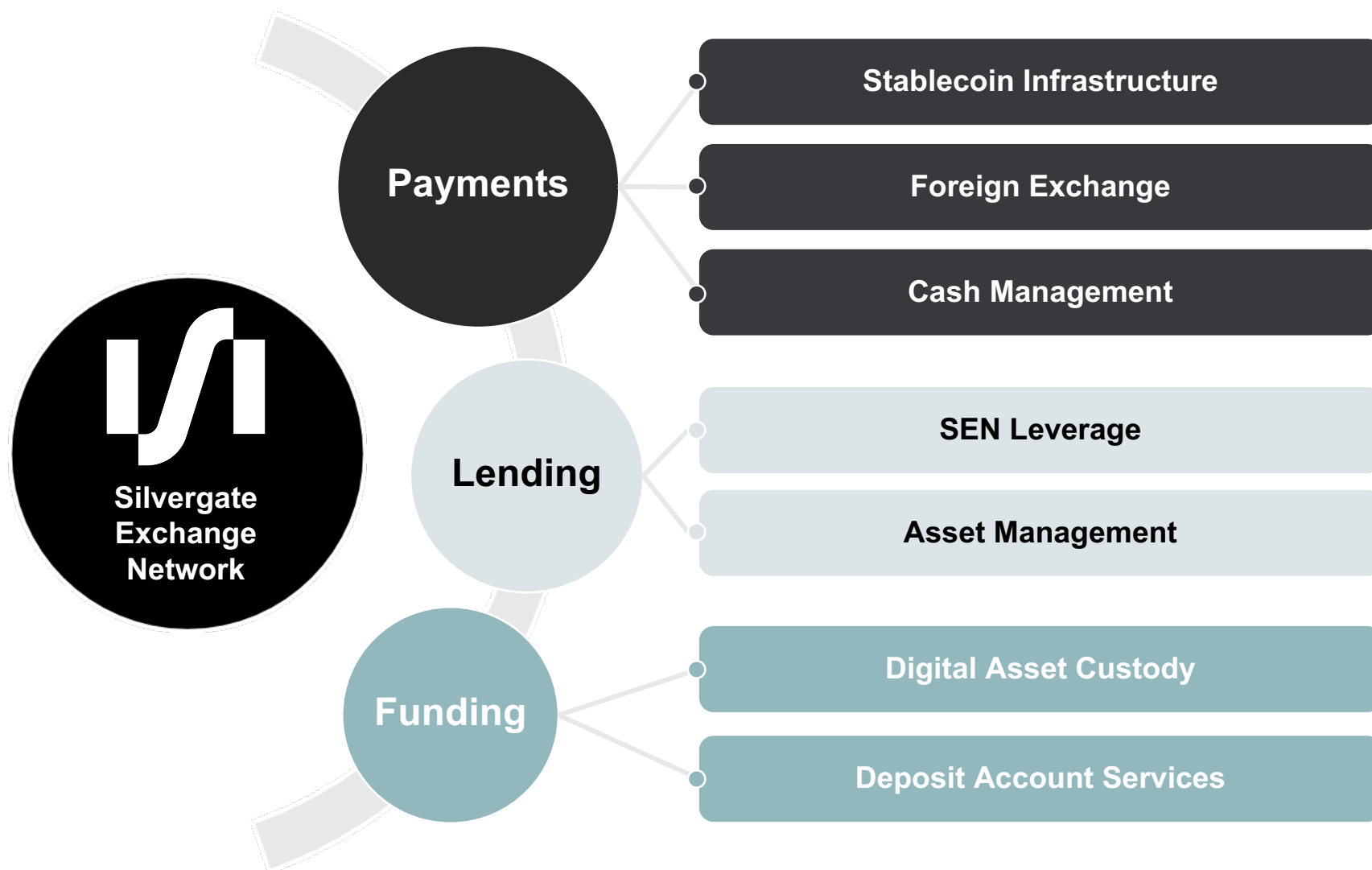
## Commentary

- The Bank had a tier 1 leverage ratio of 10.49%, a common equity tier 1 capital ratio of 52.49%, a tier 1 risk-based capital ratio of 52.49% and a total risk-based capital ratio of 52.75% at December 31, 2021
- Bank capital ratios each exceeded the “well capitalized” standards defined by the federal banking regulations
- Increase in the Company’s tier 1 leverage ratio driven by higher capital as a result of \$530.3 million of common equity raised, after transaction related costs, during 4Q21

Note: December 31, 2021 capital ratios are preliminary.



## Network Effects of the SEN Create Multiple Avenues for Growth



The network effects of the SEN reinforce the strength of our product offerings, create a platform to launch new customer solutions, and enable high-quality revenue streams