



## **N E W S**

*For Immediate Release*

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### **SILVERGATE BANK REPORTS FIRST QUARTER 2015 RESULTS**

**LA JOLLA, CA, May 6, 2015** – Silvergate Bank today announced financial results for the quarter ended March 31, 2015, with net income of \$1.2 million. The Bank's total assets increased to \$953.1 million from \$864.8 million at year end 2014 and equity grew to \$76.7 million from \$75.6 million over the same time period.

"We continued to see strong growth in our residential lending activities, as both home purchase and refinance activity picked up in the first quarter," said Alan Lane, the Bank's Chief Executive Officer. "We're investing the revenue generated by these activities to further expand our business banking market share and provide innovative, valued services to our core client base," he added. "Serving our client's unique needs remains our top priority, and we're making significant investments to create additional value for them."

#### **Financial Performance**

The Bank's net income for the quarter was \$1.2 million, compared to \$1.7 million for the prior quarter and \$943 thousand for the first quarter last year. Total assets at the end of the quarter increased \$88.4 million, reflecting higher quarter end balances in mortgage warehouse and other residential loans.

The Bank's net interest income for the first quarter of 2015 was \$6.9 million, compared to \$7.6 million for the prior quarter and \$4.7 million in the first quarter of last year. The Bank's net interest margin for the first quarter was 3.33%, compared to 3.80% for the prior quarter, and 3.12% for the first quarter last year. The decline in the net interest margin from the prior quarter was due to significant loan prepayment activity that occurred in the prior quarter. Adjusting for this activity results in a normalized net interest margin of 3.38% for the fourth quarter of 2014, much more consistent with the current quarter results. The improvement from last year represents growth in higher-yielding loans over the prior year.

Noninterest income was \$446 thousand for the quarter ended March 31, 2015, compared to \$792 thousand for the prior quarter. The decrease in noninterest income resulted from a decrease in the gain on sale of loans during the quarter, as the Company did not engage in any significant loan sales during the current quarter. Noninterest income totaling \$1.6 million in last year's first quarter consisted primarily of gains on the sale of investments and loans. Noninterest expense was \$5.1 million for the first quarter of 2015, compared to \$4.9 million for the prior quarter and \$4.8 million for the same quarter last year, due to an increase in general and administrative costs related to expanding the Company's business banking activities.

"Our client focus, adaptive business model and financial strength are creating new opportunities for us," noted Derek Eisele, the Bank's president, "as existing clients expand and new clients join us. As a result, our core earnings and underlying financial strength continue to grow."

#### **Balance Sheet Activity**

The Bank's total loan balances increased by \$79.1 million during the quarter to \$809.6 million. Loans funded and purchased by the Bank's Mortgage Warehouse Lending Division totaled \$971.1 million through March 31, 2015, generating an increase of \$49.7 million in warehouse loan balances at the end of the quarter. Residential loan

balances, including reverse mortgages, increased 8.3% to \$325.9 million, compared to \$300.8 million as of December 31, 2014. Commercial real estate loan balances totaled \$230.1 million at March 31, 2015, compared to \$225.2 million as of December 31, 2014.

At March 31, 2015, deposits totaled \$535.3 million, compared to \$546.2 million in the prior quarter and \$444.2 million for the same quarter last year. Deposit balances have increased 20.5% from March 31, 2014 but decreased by 2.0% in the first quarter of this year. The annual growth in deposits reflects focused local marketing efforts, including increases of \$38.3 million in non-interest bearing deposit accounts, and \$11.2 million in other transaction, money market and savings accounts.

At March 31, 2015, Silvergate Bank's Tier 1 Leverage Capital Ratio was 9.09% and Total Risk-Based Capital Ratio was 13.08%, both substantially exceeding "well capitalized" minimums of 5.00% and 10.00%. The Bank's ratios of nonperforming loans to total loans and nonperforming assets to total assets increased slightly from the prior quarter end, to 0.69% and 0.62%, respectively, but still remained very low.

### **About Silvergate Bank**

Silvergate Bank is a San Diego-based bank that specializes in meeting the needs of small businesses through a comprehensive offering of lending products and personalized banking services. Silvergate Bank opened in 1988 and is a subsidiary of Silvergate Capital Corporation. Bank branches are located in Carlsbad, Escondido, La Jolla, and La Mesa. Silvergate Bank's headquarters office is located at 4275 Executive Square, Suite 800, La Jolla, CA 92037. The Bank's website is [www.silvergatebank.com](http://www.silvergatebank.com).

Statements concerning future performance, developments or events, expectations for growth and income forecasts, and any other guidance on future periods, constitute forward-looking statements that are subject to a number of risks and uncertainties. Actual results may differ materially from stated expectations. When used in this release, the words or phrases such as "will continue," "is anticipated," "estimate," "expect," "projected," "believe," "seeking," or similar expressions, are intended to identify "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Readers should not place undue reliance on the forward-looking statements, which reflect views only as of the date hereof. Neither Silvergate Capital Corporation nor Silvergate Bank undertakes any obligation to publicly revise these forward-looking statements to reflect subsequent events or circumstances.

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## Silvergate Bank Selected Financial and Operating Data

(Dollars in Thousands - Unaudited)

<b>INCOME STATEMENT</b>	Three Months Ended			Annual Change		
	March 31, 2015	December 31, 2014	March 31, 2014			
Interest Income	\$ 8,115	\$ 8,832	\$ 5,786	40%		
Interest Expense	<u>1,250</u>	<u>1,248</u>	<u>1,131</u>	11%		
Net Interest Income	6,865	7,584	4,655	47%		
Provision for Loan Losses	319	671	-	n/a		
Total Noninterest Income	446	792	1,625	-73%		
Total Noninterest Expense	<u>5,101</u>	<u>4,915</u>	<u>4,763</u>	7%		
Income Before Taxes	1,891	2,790	1,517	25%		
Income Tax Expense	<u>741</u>	<u>1,110</u>	<u>574</u>	29%		
Net Income	<u>\$ 1,150</u>	<u>\$ 1,680</u>	<u>\$ 943</u>	22%		
 <b>Performance Ratios</b>						
Net Interest Margin	3.33%	3.80%	3.12%			
Return on Average Assets	0.55%	0.84%	0.61%			
Return on Average Equity	5.97%	8.90%	5.30%			
Efficiency Ratio	69.77%	58.68%	75.84%			
Net Loan Charge-Offs to Average Total Loans	-0.03%	0.01%	0.02%			
 <b>BALANCE SHEET</b>						
	March 31, 2015	December 31, 2014	September 30, 2014	June 30, 2014	March 31, 2014	Annual Change
Cash and Due from Banks	\$ 46,062	\$ 38,138	\$ 33,929	\$ 30,294	\$ 44,820	3%
Investments	<u>58,368</u>	<u>57,112</u>	<u>51,815</u>	<u>63,273</u>	<u>66,618</u>	-12%
Total Cash & Investments	104,430	95,250	85,744	93,567	111,438	-6%
Securitized Loans, at fair value	29,460	29,635	28,675	29,365	28,451	4%
Loans Held for Investment ("HFI")	675,798	628,392	587,826	488,269	426,893	58%
Allowance for Loan Losses	<u>(5,340)</u>	<u>(4,957)</u>	<u>(4,297)</u>	<u>(3,887)</u>	<u>(3,897)</u>	37%
Loans HFI, net	670,458	623,435	583,529	484,382	422,996	59%
Loans Held for Sale	139,165	107,068	54,872	118,275	150,246	-7%
Real Estate Owned ("REO")	117	-	-	-	3,549	-97%
Other Assets	<u>9,464</u>	<u>9,304</u>	<u>8,936</u>	<u>8,498</u>	<u>8,164</u>	16%
Total Assets	<u>\$ 953,094</u>	<u>\$ 864,692</u>	<u>\$ 761,756</u>	<u>\$ 734,087</u>	<u>\$ 724,844</u>	31%
Noninterest Bearing Demand Deposits	\$ 93,179	\$ 88,660	\$ 63,858	\$ 70,988	\$ 54,860	70%
Interest Bearing Demand Deposits	8,900	8,811	6,092	6,159	5,850	52%
NOW, Money Market, and Savings Accounts	190,054	216,796	210,695	189,007	181,874	4%
Certificates of Deposit	<u>243,200</u>	<u>231,941</u>	<u>212,564</u>	<u>205,944</u>	<u>201,598</u>	21%
Total Deposits	535,333	546,208	493,209	472,098	444,182	21%
FHLB Advances and Other Borrowings	309,000	210,000	165,000	157,000	177,000	75%
Payables under Securitizations	28,297	29,177	25,930	27,668	27,979	1%
Other Liabilities	<u>3,729</u>	<u>3,740</u>	<u>3,689</u>	<u>4,667</u>	<u>4,537</u>	-18%
Total Liabilities	876,359	789,125	687,828	661,433	653,698	34%
Total Shareholder's Equity	<u>76,735</u>	<u>75,567</u>	<u>73,928</u>	<u>72,654</u>	<u>71,146</u>	8%
Total Liabilities and Shareholder's Equity	<u>\$ 953,094</u>	<u>\$ 864,692</u>	<u>\$ 761,756</u>	<u>\$ 734,087</u>	<u>\$ 724,844</u>	31%
 <b>Asset Quality Ratios</b>						
Nonperforming Loans to Total Loans	0.69%	0.63%	0.65%	0.58%	0.59%	
Loss Allowance to Nonperforming Loans	92.19%	103.27%	99.22%	104.83%	108.20%	
Allowance for Loan Losses to Loans HFI	0.79%	0.79%	0.73%	0.80%	0.91%	
Nonperforming Assets to Total Assets	0.62%	0.56%	0.57%	0.51%	0.99%	
 <b>Capital Ratios</b>						
Tier I Leverage Capital Ratio	9.09%	9.45%	10.05%	10.32%	11.56%	
Total Risk-Based Capital Ratio	13.08%	14.75%	15.35%	15.47%	17.14%	