

SVB FINANCIAL GROUP
Form 10-Q
August 08, 2012
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended June 30, 2012

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to .

Commission File Number: 000-15637

SVB FINANCIAL GROUP

(Exact name of registrant as specified in its charter)

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Delaware
(State or other jurisdiction of
incorporation or organization)

91-1962278
(I.R.S. Employer
Identification No.)

3003 Tasman Drive, Santa Clara, California
(Address of principal executive offices)

95054-1191
(Zip Code)

(408) 654-7400

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☒ Accelerated filer ☐ Non-accelerated filer ☐ Smaller reporting company ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

At July 31, 2012, 44,410,239 shares of the registrant's common stock (\$0.001 par value) were outstanding.

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Glossary of Acronyms used in this Report

AICPA	American Institute of Certified Public Accountants
ASC	Accounting Standards Codification
ASU	Accounting Standards Update
EHOP	Employee Home Ownership Program of the Company
EPS	Earnings per share
ESOP	Employee Stock Ownership Plan of the Company
ESPP	1999 Employee Stock Purchase Plan of the Company
FASB	Financial Accounting Standards Board
FDIC	Federal Deposit Insurance Corporation
FHLB	Federal Home Loan Bank
FRB	Federal Reserve Bank
GAAP	Accounting principles generally accepted in the United States of America
IASB	International Accounting Standards Board
IFRS	International Financial Reporting Standards
IPO	Initial public offering
IRS	Internal Revenue Service
IT	Information technology
LIBOR	London Interbank Offered Rate
M&A	Merger and acquisition
OTTI	Other than temporary impairment
SEC	Securities and Exchange Commission
TDR	Troubled debt restructuring
UK	United Kingdom
VIE	Variable interest entity

Table of Contents**PART I - FINANCIAL INFORMATION****ITEM 1. INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)****SVB FINANCIAL GROUP AND SUBSIDIARIES****INTERIM CONSOLIDATED BALANCE SHEETS (UNAUDITED)**

	June 30, 2012	December 31, 2011
(Dollars in thousands, except par value and share data)		
Assets		
Cash and cash equivalents	\$ 1,411,725	\$ 1,114,948
Available-for-sale securities	10,620,951	10,536,046
Non-marketable securities	1,132,312	1,004,440
Investment securities	11,753,263	11,540,486
Loans, net of unearned income	7,789,752	6,970,082
Allowance for loan losses	(98,166)	(89,947)
Net loans	7,691,586	6,880,135
Premises and equipment, net of accumulated depreciation and amortization	64,773	56,471
Accrued interest receivable and other assets	368,425	376,854
Total assets	\$ 21,289,772	\$ 19,968,894
Liabilities and total equity		
Liabilities:		
Noninterest-bearing demand deposits	\$ 12,842,250	\$ 11,861,888
Interest-bearing deposits	5,226,562	4,847,648
Total deposits	18,068,812	16,709,536
Short-term borrowings	5,880	-
Other liabilities	312,523	405,321
Long-term debt	458,232	603,648
Total liabilities	18,845,447	17,718,505
Commitments and contingencies (Note 11 and Note 14)		
SVBFG stockholders' equity:		
Preferred stock, \$0.001 par value, 20,000,000 shares authorized; no shares issued and outstanding	-	-
Common stock, \$0.001 par value, 150,000,000 shares authorized; 44,402,954 shares and 43,507,932 shares outstanding, respectively	44	44
Additional paid-in capital	529,113	484,216
Retained earnings	1,082,126	999,733

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Accumulated other comprehensive income	104,077	85,399
Total SVBFG stockholders' equity	1,715,360	1,569,392
Noncontrolling interests	728,965	680,997
Total equity	2,444,325	2,250,389
Total liabilities and total equity	\$ 21,289,772	\$ 19,968,894

See accompanying notes to interim consolidated financial statements (unaudited).

Table of Contents**SVB FINANCIAL GROUP AND SUBSIDIARIES****INTERIM CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)**

(Dollars in thousands, except per share amounts)	Three months ended June 30,		Six months ended June 30,	
	2012	2011	2012	2011
Interest income:				
Loans	\$ 113,935	\$ 93,466	\$ 223,396	\$ 183,242
Available-for-sale securities:				
Taxable	44,072	44,217	91,447	85,599
Non-taxable	899	883	1,799	1,824
Federal funds sold, securities purchased under agreements to resell and other short-term investment securities	912	1,595	1,950	3,597
Total interest income	159,818	140,161	318,592	274,262
Interest expense:				
Deposits	1,614	2,559	3,095	5,664
Borrowings	6,270	7,149	12,626	17,846
Total interest expense	7,884	9,708	15,721	23,510
Net interest income	151,934	130,453	302,871	250,752
Provision for (reduction of) loan losses	7,999	134	22,528	(2,913)
Net interest income after provision for loan losses	143,935	130,319	280,343	253,665
Noninterest income:				
Gains on investment securities, net	25,809	71,680	33,648	123,017
Foreign exchange fees	12,031	10,354	24,134	20,851
Deposit service charges	8,369	7,838	16,465	14,955
Gains on derivative instruments, net	8,713	13,651	14,689	14,202
Credit card fees	6,169	4,364	11,837	8,181
Letters of credit and standby letters of credit income	3,296	2,702	6,932	5,412
Client investment fees	3,375	3,107	6,272	6,768
Other	12,664	10,012	25,742	20,276
Total noninterest income	80,426	123,708	139,719	213,662
Noninterest expense:				
Compensation and benefits	80,385	79,888	164,122	155,520
Professional services	16,514	13,891	31,121	26,878
Premises and equipment	9,419	6,440	16,983	12,352
Business development and travel	7,159	5,890	14,905	11,543
Net occupancy	5,378	4,546	11,001	9,196
Correspondent bank fees	2,840	2,202	5,528	4,365
FDIC assessments	2,731	2,163	5,229	5,638
Provision for unfunded credit commitments	1,922	976	1,664	76
Other	9,418	5,036	17,225	12,899
Total noninterest expense	135,766	121,032	267,778	238,467

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Income before income tax expense	88,595	132,995	152,284	228,860
Income tax expense	31,517	43,263	55,273	66,033
Net income before noncontrolling interests	57,078	89,732	97,011	162,827
Net income attributable to noncontrolling interests	(9,475)	(23,982)	(14,618)	(64,070)
Net income available to common stockholders	\$ 47,603	\$ 65,750	\$ 82,393	\$ 98,757
Earnings per common share basic	\$ 1.08	\$ 1.53	\$ 1.87	\$ 2.31
Earnings per common share diluted	1.06	1.50	1.85	2.27

See accompanying notes to interim consolidated financial statements (unaudited).

Table of Contents**SVB FINANCIAL GROUP AND SUBSIDIARIES****INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)**

(Dollars in thousands)	Three months ended June 30,		Six months ended June 30,	
	2012	2011	2012	2011
Net income before noncontrolling interests	\$ 57,078	\$ 89,732	\$ 97,011	\$ 162,827
Other comprehensive income (loss), net of tax:				
Change in cumulative translation gains:				
Foreign currency translation (losses) gains	(4,657)	926	(2,185)	1,891
Related tax benefit (expense)	1,889	(379)	876	(774)
Change in unrealized gains on available-for-sale securities:				
Unrealized holding gains	33,766	100,836	37,035	74,677
Related tax expense	(13,482)	(41,252)	(14,817)	(30,529)
Reclassification adjustment for gains included in net income	(4,567)	(37,221)	(3,693)	(37,283)
Related tax expense	1,819	15,227	1,462	15,252
Other comprehensive income, net of tax	14,768	38,137	18,678	23,234
Comprehensive income	71,846	127,869	115,689	186,061
Comprehensive income attributable to noncontrolling interests	(9,475)	(23,982)	(14,618)	(64,070)
Comprehensive income attributable to SVBFG	\$ 62,371	\$ 103,887	\$ 101,071	\$ 121,991

See accompanying notes to interim consolidated financial statements (unaudited).

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	Common Stock		Additional	Retained	Accumulated	Total	Noncontrolling	
(Dollars in thousands)	Shares	Amount	Paid-in	Earnings	Other	SVBFG	Interests	Total Equity
			Capital		Comprehensive	Stockholders' Equity		
					Income			
Balance at December 31, 2010	42,268,201	\$ 42	\$ 422,334	\$ 827,831	\$ 24,143	\$ 1,274,350	\$ 473,928	\$ 1,748,278
Common stock issued under employee benefit plans, net of restricted stock cancellations	866,984	1	26,129	-	-	26,130	-	26,130
Common stock issued upon settlement of 3.875% Convertible Notes, net of shares received from associated convertible note hedge	1,024	-	-	-	-	-	-	-
Income tax benefit from stock options exercised, vesting of restricted stock and other	-	-	5,563	-	-	5,563	-	5,563
Net income	-	-	-	98,757	-	98,757	64,070	162,827
Capital calls and distributions, net	-	-	-	-	-	-	41,160	41,160
Net change in unrealized gains on available-for-sale securities, net of tax	-	-	-	-	22,117	22,117	-	22,117
Foreign currency translation adjustments, net of tax	-	-	-	-	1,117	1,117	-	1,117
Share-based compensation expense	-	-	8,859	-	-	8,859	-	8,859
Balance at June 30, 2011	43,136,209	\$ 43	\$ 462,885	\$ 926,588	\$ 47,377	\$ 1,436,893	\$ 579,158	\$ 2,016,051
Balance at December 31, 2011	43,507,932	\$ 44	\$ 484,216	\$ 999,733	\$ 85,399	\$ 1,569,392	\$ 680,997	\$ 2,250,389
Common stock issued under employee benefit plans, net of restricted stock cancellations	821,462	-	24,303	-	-	24,303	-	24,303
Common stock issued under ESOP	73,560	-	4,345	-	-	4,345	-	4,345
Income tax benefit from stock options exercised, vesting of restricted stock and other	-	-	5,323	-	-	5,323	-	5,323
Net income	-	-	-	82,393	-	82,393	14,618	97,011
Capital calls and distributions, net	-	-	-	-	-	-	33,350	33,350
Net change in unrealized gains on available-for-sale securities, net of tax	-	-	-	-	19,987	19,987	-	19,987
Foreign currency translation adjustments, net of tax	-	-	-	-	(1,309)	(1,309)	-	(1,309)
Share-based compensation expense	-	-	10,926	-	-	10,926	-	10,926
Balance at June 30, 2012	44,402,954	\$ 44	\$ 529,113	\$ 1,082,126	\$ 104,077	\$ 1,715,360	\$ 728,965	\$ 2,444,325

See accompanying notes to interim consolidated financial statements (unaudited).

Table of Contents**SVB FINANCIAL GROUP AND SUBSIDIARIES****INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)**

(Dollars in thousands)	Six months ended June 30,	
	2012	2011
Cash flows from operating activities:		
Net income before noncontrolling interests	\$ 97,011	\$ 162,827
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for (reduction of) loan losses	22,528	(2,913)
Provision for unfunded credit commitments	1,664	76
Changes in fair values of derivatives, net	(11,024)	(13,211)
Gains on investment securities, net	(33,648)	(123,017)
Depreciation and amortization	13,594	13,834
Amortization of premiums and discounts on available-for-sale securities, net	25,273	8,904
Tax benefit from stock exercises	1,143	759
Amortization of share-based compensation	10,977	8,949
Amortization of deferred loan fees	(32,881)	(28,458)
Deferred income tax expense	5,876	2,423
Gain on the sale of certain assets related to our equity services management business	(4,243)	-
Net gain from note repurchases and termination of corresponding interest rate swaps	-	(3,123)
Changes in other assets and liabilities:		
Accrued interest receivable and payable, net	(4,444)	(8,348)
Accounts receivable and payable, net	22,886	78,593
Income tax payable and receivable, net	(15,715)	3,854
Prepaid FDIC assessments and amortization	5,065	5,082
Accrued compensation	(60,192)	(12,535)
Foreign exchange spot contracts, net	(43,405)	65,536
Other, net	(6,567)	12,574
Net cash (used for) provided by operating activities	(6,102)	171,806
Cash flows from investing activities:		
Purchases of available-for-sale securities	(1,778,451)	(4,334,481)
Proceeds from sales of available-for-sale securities	325,608	1,414,096
Proceeds from maturities and pay downs of available-for-sale securities	1,380,865	1,322,555
Purchases of nonmarketable securities (cost and equity method accounting)	(101,506)	(28,355)
Proceeds from sales of nonmarketable securities (cost and equity method accounting)	23,267	13,888
Purchases of nonmarketable securities (fair value accounting)	(63,017)	(82,574)
Proceeds from sales and distributions of nonmarketable securities (fair value accounting)	59,711	45,855
Net increase in loans	(817,601)	(449,114)
Proceeds from recoveries of charged-off loans	6,811	11,056
Purchases of premises and equipment	(20,016)	(12,843)
Proceeds from the sale of certain assets related to our equity services management business	2,870	-
Net cash used for investing activities	(981,459)	(2,099,917)
Cash flows from financing activities:		
Net increase in deposits	1,359,276	1,941,533
Increase (decrease) in short-term borrowings	5,880	(37,245)
Principal payments of other long term debt	(1,222)	-
Capital contributions from noncontrolling interests, net of distributions	33,350	41,160
Tax benefit from stock exercises	4,180	4,804

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Proceeds from issuance of common stock and ESPP	24,303	26,130
Principal payments of 5.70% Senior Notes	(141,429)	-
Payments for repurchases of portions of 5.70% Senior Notes and 6.05% Subordinated Notes, including repurchase premiums and associated fees	-	(346,443)
Proceeds from termination of portions of interest rate swaps associated with 5.70% Senior Notes and 6.05% Subordinated Notes	-	36,959
Payments for settlement of 3.875% Convertible Notes	-	(250,000)
Net cash provided by financing activities	1,284,338	1,416,898
Net increase (decrease) in cash and cash equivalents	296,777	(511,213)
Cash and cash equivalents at beginning of period	1,114,948	3,076,432
Cash and cash equivalents at end of period	\$ 1,411,725	\$ 2,565,219
Supplemental disclosures:		
Cash paid during the period for:		
Interest	\$ 15,913	\$ 25,625
Income taxes	58,992	53,336
Noncash items during the period:		
Unrealized gains (losses) on available-for-sale securities, net of tax	\$ 19,987	\$ 22,117

See accompanying notes to interim consolidated financial statements (unaudited).

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SVB FINANCIAL GROUP AND SUBSIDIARIES

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

1. Basis of Presentation

SVB Financial Group is a diversified financial services company, as well as a bank holding company and financial holding company. SVB Financial was incorporated in the state of Delaware in March 1999. Through our various subsidiaries and divisions, we offer a variety of banking and financial products and services to support our clients of all sizes and stages throughout their life cycles. In these notes to our consolidated financial statements, when we refer to SVB Financial Group, SVBFG, the Company, we, our, us or use similar words, we mean SVB Financial Group and all of its subsidiaries collectively, including Silicon Valley Bank (the Bank), unless the context requires otherwise. When we refer to SVB Financial or the Parent we are referring only to the parent company, SVB Financial Group, unless the context requires otherwise.

The accompanying unaudited interim consolidated financial statements reflect all adjustments of a normal and recurring nature that are, in the opinion of management, necessary to fairly present our financial position, results of operations and cash flows in accordance with GAAP. Such interim consolidated financial statements have been prepared in accordance with the instructions to Form 10-Q pursuant to the rules and regulations of the SEC. Certain information and footnote disclosures normally included in financial statements prepared in accordance with GAAP have been condensed or omitted pursuant to such rules and regulations. The results of operations for the three and six months ended June 30, 2012 are not necessarily indicative of results to be expected for any future periods. These interim consolidated financial statements should be read in conjunction with our Annual Report on Form 10-K for the year ended December 31, 2011 (2011 Form 10-K).

The accompanying unaudited interim consolidated financial statements have been prepared on a consistent basis with the accounting policies described in Consolidated Financial Statements and Supplementary Data Note 2 Summary of Significant Accounting Policies under Part II, Item 8 of our 2011 Form 10-K.

The preparation of unaudited interim consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Estimates may change as new information is obtained. Significant items that are subject to such estimates include measurements of fair value, the valuation of non-marketable securities, the valuation of equity warrant assets, the adequacy of the allowance for loan losses and reserve for unfunded credit commitments, and the recognition and measurement of income tax assets and liabilities.

Principles of Consolidation and Presentation

Our consolidated financial statements include the accounts of SVB Financial Group and entities in which we have a controlling financial interest. We determine whether we have a controlling financial interest in an entity by evaluating whether the entity is a voting interest entity or a variable interest entity and whether the accounting guidance requires consolidation. All significant intercompany accounts and transactions have been eliminated.

Voting interest entities are entities that have sufficient equity and provide the equity investors voting rights that enable them to make significant decisions relating to the entity's operations. For these types of entities, the Company's determination of whether it has a controlling interest is based on ownership of the majority of the entities' voting equity interest or through control of management of the entities.

VIEs are entities that, by design, either (1) lack sufficient equity to permit the entity to finance its activities without additional subordinated financial support from other parties, or (2) have equity investors that do not have the ability to make significant decisions relating to the entity's operations through voting rights, or do not have the obligation to absorb the expected losses, or do not have the right to receive the residual returns of the entity. We determine whether we have a controlling financial interest in a VIE by considering whether our involvement with the VIE is significant and designates us as the primary beneficiary based on the following:

1. We have the power to direct the activities of the VIE that most significantly impact the entity's economic performance;
- 2.

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The aggregate indirect and direct variable interests held by the Company have the obligation to absorb losses or the right to receive benefits from the entity that could be significant to the VIE; and,

3. Qualitative and quantitative factors regarding the nature, size, and form of our involvement with the VIE.
Voting interest entities in which we have a controlling financial interest or VIEs in which we are the primary beneficiary are consolidated into our financial statements.

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We have not provided financial or other support during the periods presented to any VIE that we were not previously contractually required to provide. We are variable interest holders in certain partnerships for which we are the primary beneficiary. We perform on-going reassessments on the status of the entities and whether facts or circumstances have changed in relation to previously evaluated voting interest entities and our involvement in VIEs which could cause our consolidation conclusion to change.

Impact of Adopting ASU No. 2011-04, Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRS

In May 2011, the FASB issued a new accounting standard which requires new disclosures and clarifies existing guidance surrounding fair value measurement. This standard was issued concurrently with the IASB's issuance of a fair value measurement standard with the objective of a converged definition of fair value measurement and disclosure guidance. The new guidance clarified that the principal market for a financial instrument should be determined based on the market with the greatest volume and level of activity. This new guidance was effective on a prospective basis for interim and annual reporting periods beginning after December 15, 2011, and was therefore adopted effective January 1, 2012. This standard clarified how fair value is measured and increased the disclosure requirements for fair value measurements, and did not have a material impact on our financial position, results of operations or stockholders' equity. See Note 13 Fair Value of Financial Instruments for further details.

Impact of Adopting ASU No. 2011-05, Presentation of Comprehensive Income

In June 2011, the FASB issued a new accounting standard, which requires presentation of the components of total comprehensive income in either a single continuous statement of comprehensive income or in two separate but consecutive statements. Regardless of which option is chosen, reclassification adjustments for items that are reclassified from other comprehensive income to net income are required to be shown on the face of the financial statements. In December 2011, the FASB approved a proposed update, which indefinitely defers the requirements of ASU No. 2011-05 to present components of reclassifications of other comprehensive income on the face of the income statement. This new guidance did not change the items that must be reported in other comprehensive income or when an item of other comprehensive income must be reclassified to net income. The guidance was effective on a retrospective basis for the interim and annual reporting periods beginning after December 15, 2011, and was therefore adopted effective January 1, 2012. This standard only clarified the presentation of comprehensive income and did not affect our financial position, results of operations or stockholders' equity.

Recent Accounting Pronouncements

In December 2011, the FASB issued a new accounting standard (ASU No. 2011-11, *Disclosures about Offsetting Assets and Liabilities*), which requires new disclosures surrounding financial instruments and derivative instruments that are offset on the statement of financial position, or are eligible for offset subject to a master netting arrangement. This standard was issued concurrent with the IASB's issuance of a similar standard with the objective of converged disclosure guidance. The guidance is effective on a retrospective basis for the interim and annual reporting periods beginning after January 1, 2013. We are currently assessing the impact of this guidance, however we do not expect it to have a material impact on our financial position, results of operations or stockholders' equity.

Reclassifications

Certain prior period amounts have been reclassified to conform to the current period presentations.

2. Stockholders' Equity and EPS

EPS

Basic EPS is the amount of earnings available to each share of common stock outstanding during the reporting period. Diluted EPS is the amount of earnings available to each share of common stock outstanding during the reporting period adjusted to include the effect of potentially dilutive common shares. Potentially dilutive common shares include incremental shares issued for stock options and restricted stock units outstanding under our equity incentive plans, our ESPP, and for certain prior periods, our 3.875% convertible senior notes (3.875% Convertible Notes). Potentially dilutive common shares are excluded from the computation of dilutive EPS in periods in which the effect would be antidilutive. The following is a reconciliation of basic EPS to diluted EPS for the three and six months ended June 30, 2012 and 2011:

Three months ended June 30, Six months ended June 30,

(Dollars and shares in thousands,

except per share amounts)

	2012	2011	2012	2011
Numerator:				
Net income available to common stockholders	\$ 47,603	\$ 65,750	\$ 82,393	\$ 98,757
Denominator:				
Weighted average common shares outstanding-basic	44,207	42,924	43,994	42,704
Weighted average effect of dilutive securities:				
Stock options and ESPP	385	654	426	678
Restricted stock units	120	101	153	100
3.875% Convertible Notes (1)	-	61	-	77
Denominator for diluted calculation	44,712	43,740	44,573	43,559
Earnings per common share:				
Basic	\$ 1.08	\$ 1.53	\$ 1.87	\$ 2.31
Diluted	\$ 1.06	\$ 1.50	\$ 1.85	\$ 2.27

(1) Our \$250 million 3.875% Convertible Notes matured on April 15, 2011.

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The following table summarizes the weighted-average common shares excluded from the diluted EPS calculation as they were deemed to be antidilutive for the three and six months ended June 30, 2012 and 2011:

(Shares in thousands)	Three months ended June 30,		Six months ended June 30,	
	2012	2011	2012	2011
Stock options	683	582	574	574
Restricted stock units	189	158	94	99
Total	872	740	668	673

3. Share-Based Compensation

For the three and six months ended June 30, 2012 and 2011, we recorded share-based compensation and related tax benefits as follows:

(Dollars in thousands)	Three months ended June 30,		Six months ended June 30,	
	2012	2011	2012	2011
Share-based compensation expense	\$ 5,828	\$ 4,706	\$ 10,977	\$ 8,949
Income tax benefit related to share-based compensation expense	(1,489)	(1,243)	(2,688)	(2,276)
<i>Unrecognized Compensation Expense</i>				

As of June 30, 2012, unrecognized share-based compensation expense was as follows:

(Dollars in thousands)	Unrecognized Expense	Average Expected Recognition Period - in Years
Stock options	\$ 19,129	3.00
Restricted stock units	29,706	2.99
Total unrecognized share-based compensation expense	\$ 48,835	

Table of Contents*Share-Based Payment Award Activity*

The table below provides stock option information related to the 1997 Equity Incentive Plan and the 2006 Equity Incentive Plan for the six months ended June 30, 2012:

	Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life in Years	Aggregate Intrinsic Value of In-The- Money Options
Outstanding at December 31, 2011	2,439,360	\$ 42.64		
Granted	387,793	64.02		
Exercised	(576,461)	36.26		
Forfeited	(36,629)	45.86		
Expired	(4,568)	42.50		
Outstanding at June 30, 2012	2,209,495	48.00	4.26	\$ 26,284,468
Vested and expected to vest at June 30, 2012	2,106,562	47.53	4.17	25,861,593
Exercisable at June 30, 2012	1,159,056	43.06	2.93	18,281,444

The aggregate intrinsic value of outstanding options shown in the table above represents the pretax intrinsic value based on our closing stock price of \$58.72 as of June 30, 2012. The total intrinsic value of options exercised during the three and six months ended June 30, 2012 was \$1.8 million and \$13.7 million, respectively, compared to \$6.9 million and \$15.8 million for the comparable 2011 periods.

The table below provides information for restricted stock units under the 2006 Equity Incentive Plan for the six months ended June 30, 2012:

	Shares	Weighted Average Grant Date Fair Value
Nonvested at December 31, 2011	499,119	\$ 52.72
Granted	309,840	63.89
Vested	(140,550)	51.46
Forfeited	(18,574)	54.73
Nonvested at June 30, 2012	649,835	58.27

4. Cash and Cash Equivalents

The following table details our cash and cash equivalents at June 30, 2012 and December 31, 2011:

(Dollars in thousands)	June 30, 2012	December 31, 2011
Cash and due from banks (1)	\$ 1,224,552	\$ 852,010
Securities purchased under agreements to resell (2)	100,787	175,553
Other short-term investment securities	86,386	87,385

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Total cash and cash equivalents	\$	1,411,725	\$	1,114,948
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- (1) At June 30, 2012 and December 31, 2011, \$662.4 million and \$100.1 million, respectively, of our cash and due from banks was deposited at the FRB and was earning interest at the Federal Funds target rate, and interest-earning deposits in other financial institutions were \$265.8 million and \$371.5 million, respectively.
- (2) At June 30, 2012 and December 31, 2011, securities purchased under agreements to resell were collateralized by U.S. treasury securities and U.S. agency securities with aggregate fair values of \$102.8 million and \$179.1 million, respectively. None of these securities received as collateral were sold or repledged as of June 30, 2012 and December 31, 2011.

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5. Investment Securities

Our investment securities portfolio consists of both an available-for-sale securities portfolio, which represents interest-earning investment securities, and a non-marketable securities portfolio, which primarily represents investments managed as part of our funds management business.

The major components of our investment securities portfolio at June 30, 2012 and December 31, 2011 are as follows:

(Dollars in thousands)	June 30, 2012				December 31, 2011			
	Amortized Cost	Unrealized Gains	Unrealized Losses	Carrying Value	Amortized Cost	Unrealized Gains	Unrealized Losses	Carrying Value
Available-for-sale securities, at fair value:								
U.S. treasury securities	\$ 25,146	\$ 453	\$ -	\$ 25,599	\$ 25,233	\$ 731	\$ -	\$ 25,964
U.S. agency debentures	2,571,796	68,328	-	2,640,124	2,822,158	52,864	(90)	2,874,932
Residential mortgage-backed securities:								
Agency-issued mortgage-backed securities	1,668,523	45,276	-	1,713,799	1,529,466	34,926	(106)	1,564,286
Agency-issued collateralized mortgage obligations fixed rate	3,751,327	54,283	(1,399)	3,804,211	3,317,285	56,546	(71)	3,373,760
Agency-issued collateralized mortgage obligations variable rate	2,103,451	5,081	(83)	2,108,449	2,416,158	1,554	(4,334)	2,413,378
Agency-issued commercial mortgage-backed securities	223,200	4,880	-	228,080	176,646	2,047	-	178,693
Municipal bonds and notes	91,659	8,035	-	99,694	92,241	8,257	-	100,498
Equity securities	1,352	26	(383)	995	5,554	180	(1,199)	4,535
Total available-for-sale securities	\$ 10,436,454	\$ 186,362	\$ (1,865)	\$ 10,620,951	\$ 10,384,741	\$ 157,105	\$ (5,800)	\$ 10,536,046
Non-marketable securities:								
Non-marketable securities (fair value accounting):								
Venture capital and private equity fund investments (1)				639,596				611,824
Other venture capital investments (2)				120,111				124,121
Other investments (3)				-				987
Non-marketable securities (equity method accounting):								
Other investments (4)				138,993				68,252
Low income housing tax credit funds				58,698				34,894
Non-marketable securities (cost method accounting):								
Venture capital and private equity fund investments (5)				153,618				145,007
Other investments				21,296				19,355
Total non-marketable securities				1,132,312				1,004,440
Total investment securities				\$ 11,753,263				\$ 11,540,486

(1) The following table shows the amount of venture capital and private equity fund investments by the following consolidated funds and our ownership of each fund at June 30, 2012 and December 31, 2011:

June 30, 2012

December 31, 2011

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(Dollars in thousands)	Amount	Ownership %	Amount	Ownership %
SVB Strategic Investors Fund, LP	\$ 36,694	12.6 %	\$ 39,567	12.6 %
SVB Strategic Investors Fund II, LP	109,343	8.6	122,619	8.6
SVB Strategic Investors Fund III, LP	213,405	5.9	218,429	5.9
SVB Strategic Investors Fund IV, LP	146,477	5.0	122,076	5.0
Strategic Investors Fund V, LP	18,134	0.2	8,838	0.3
SVB Capital Preferred Return Fund, LP	50,573	20.0	42,580	20.0
SVB Capital NT Growth Partners, LP	57,588	33.0	43,958	33.0
SVB Capital Partners II, LP (i)	863	5.1	2,390	5.1
Other private equity fund (ii)	6,519	58.2	11,367	58.2

Total venture capital and private equity fund investments	\$ 639,596	\$ 611,824
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- (i) At June 30, 2012, we had a direct ownership interest of 1.3 percent and an indirect ownership interest of 3.8 percent in the fund through our ownership interest of SVB Strategic Investors Fund II, LP.
- (ii) At June 30, 2012, we had a direct ownership interest of 41.5 percent and indirect ownership interests of 12.6 percent and 4.1 percent in the fund through our ownership interest of SVB Capital NT Growth Partners, LP and SVB Capital Preferred Return Fund, LP, respectively.

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- (2) The following table shows the amount of other venture capital investments by the following consolidated funds and our ownership of each fund at June 30, 2012 and December 31, 2011:

(Dollars in thousands)	June 30, 2012		December 31, 2011	
	Amount	Ownership %	Amount	Ownership %
Silicon Valley BancVentures, LP	\$ 16,739	10.7 %	\$ 17,878	10.7 %
SVB Capital Partners II, LP (i)	59,256	5.1	61,099	5.1
SVB India Capital Partners I, LP	40,668	14.4	42,832	14.4
SVB Capital Shanghai Yangpu Venture Capital Fund	3,448	6.8	2,312	6.8
Total other venture capital investments	\$ 120,111		\$ 124,121	

- (i) At June 30, 2012, we had a direct ownership interest of 1.3 percent and an indirect ownership interest of 3.8 percent in the fund through our ownership of SVB Strategic Investors Fund II, LP.
- (3) Other investments within non-marketable securities (fair value accounting) include our ownership in Partners for Growth, LP, a consolidated debt fund. At June 30, 2012, we had a majority ownership interest of slightly more than 50.0 percent in the fund. Partners for Growth, LP is managed by a third party and we do not have an ownership interest in the general partner of this fund.
- (4) The following table shows the carrying value and our ownership percentage of each investment at June 30, 2012 and December 31, 2011:

(Dollars in thousands)	June 30, 2012		December 31, 2011	
	Amount	Ownership %	Amount	Ownership %
Gold Hill Venture Lending 03, LP (i)	\$ 6,238	9.3 %	\$ 16,072	9.3 %
Gold Hill Capital 2008, LP (ii)	19,553	15.5	19,328	15.5
Partners for Growth II, LP	3,551	24.2	3,785	24.2
China Joint Venture investment (iii)	79,524	50.0	-	-
Other investments	30,127	N/A	29,067	N/A
Total other investments	\$ 138,993		\$ 68,252	

- (i) At June 30, 2012, we had a direct ownership interest of 4.8 percent in the fund and an indirect interest in the fund through our investment in Gold Hill Venture Lending Partners 03, LLC (GHLLC) of 4.5 percent. Our aggregate direct and indirect ownership in the fund is 9.3 percent.
- (ii) At June 30, 2012, we had a direct ownership interest of 11.5 percent in the fund and an indirect interest in the fund through our investment in Gold Hill Capital 2008, LLC of 4.0 percent. Our aggregate direct and indirect ownership in the fund is 15.5 percent.
- (iii) On May 3, 2012, we contributed \$79.7 million to SPD Silicon Valley Bank Co., Ltd., our joint venture bank in China.
- (5) Represents investments in 326 and 329 funds (primarily venture capital funds) at June 30, 2012 and December 31, 2011, respectively, where our ownership interest is less than 5% of the voting interests of each such fund and in which we do not have the ability to exercise significant influence over the partnerships operating and financial policies. For the three months ended June 30, 2012, we recognized OTTI losses of \$0.2 million resulting from other-than-temporary declines in value for 12 of the 326 investments. For the six months ended June 30, 2012, we recognized OTTI losses of \$0.5 million resulting from other-than-temporary declines in value for 30 of the 326 investments. The OTTI losses are included in net gains on investment securities, a component of noninterest income. We concluded that any declines in value for the remaining 296 investments were temporary and as such, no OTTI was required to be recognized. At June 30,

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2012, the carrying value of these venture capital and private equity fund investments (cost method accounting) was \$153.6 million, and the estimated fair value was \$185.3 million.

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The following table summarizes our unrealized losses on our available-for-sale securities portfolio into categories of less than 12 months, or 12 months or longer as of June 30, 2012:

		June 30, 2012					
		Less than 12 months		12 months or longer		Total	
(Dollars in thousands)		Fair Value of Investments	Unrealized Losses	Fair Value of Investments	Unrealized Losses	Fair Value of Investments	Unrealized Losses
Residential mortgage-backed securities:							
Agency-issued collateralized mortgage obligations	fixed rate	\$ 425,171	\$ (1,399)	\$ -	\$ -	\$ 425,171	\$ (1,399)
Agency-issued collateralized mortgage obligations	variable rate	182,847	(74)	43,153	(9)	226,000	(83)
Equity securities		162	(178)	243	(205)	405	(383)
Total temporarily impaired securities (1)		\$ 608,180	\$ (1,651)	\$ 43,396	\$ (214)	\$ 651,576	\$ (1,865)

- (1) As of June 30, 2012, we identified a total of 33 investments that were in unrealized loss positions, of which five investments totaling \$43.4 million with unrealized losses of \$0.2 million has been in an impaired position for a period of time greater than 12 months. As of June 30, 2012, we do not intend to sell any impaired debt securities prior to recovery of our adjusted cost basis, and it is more likely than not that we will not be required to sell any of our securities prior to recovery of our adjusted cost basis. Based on our analysis as of June 30, 2012, we deem all impairments to be temporary, and therefore changes in value for our temporarily impaired securities as of the same date are included in other comprehensive income. Market valuations and impairment analyses on assets in the available-for-sale securities portfolio are reviewed and monitored on a quarterly basis.

The following table summarizes our unrealized losses on our available-for-sale securities portfolio into categories of less than 12 months, or 12 months or longer as of December 31, 2011:

		December 31, 2011					
		Less than 12 months		12 months or longer		Total	
(Dollars in thousands)		Fair Value of Investments	Unrealized Losses	Fair Value of Investments	Unrealized Losses	Fair Value of Investments	Unrealized Losses
U.S. agency debentures		\$ 50,994	\$ (90)	\$ -	\$ -	\$ 50,994	\$ (90)
Residential mortgage-backed securities:							
Agency-issued mortgage-backed securities		54,588	(106)	-	-	54,588	(106)
Agency-issued collateralized mortgage obligations	fixed rate	50,125	(71)	-	-	50,125	(71)
Agency-issued collateralized mortgage obligations	variable rate	1,521,589	(4,334)	-	-	1,521,589	(4,334)
Equity securities		3,831	(1,199)	-	-	3,831	(1,199)
Total temporarily impaired securities		\$ 1,681,127	\$ (5,800)	\$ -	\$ -	\$ 1,681,127	\$ (5,800)

The following table summarizes the remaining contractual principal maturities and fully taxable equivalent yields on debt securities classified as available-for-sale as of June 30, 2012. Interest income on certain municipal bonds and notes (non-taxable investments) are presented on a fully taxable equivalent basis using the federal statutory tax rate of 35.0 percent. The weighted average yield is computed using the amortized cost of debt securities, which are reported at fair value. For U.S. treasury securities, the expected maturity is the actual contractual maturity of the notes. Expected remaining maturities for certain U.S. agency debentures may occur earlier than their contractual maturities because the note issuers have the right to call outstanding amounts ahead of their contractual maturity. Expected maturities for mortgage-backed securities may differ significantly from their contractual maturities because mortgage borrowers have the right to prepay outstanding loan obligations with or without penalties. Mortgage-backed securities classified as available-for-sale typically have original contractual maturities from 10 to 30 years whereas expected average lives of these securities tend to be significantly shorter and vary based upon structure.

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(Dollars in thousands)	June 30, 2012									
	Total		One Year or Less		After One Year to Five Years		After Five Years to Ten Years		After Ten Years	
	Carrying Value	Weighted- Average Yield	Carrying Value	Weighted- Average Yield	Carrying Value	Weighted- Average Yield	Carrying Value	Weighted- Average Yield	Carrying Value	Weighted- Average Yield
U.S. treasury securities	\$ 25,599	2.39 %	\$ 25,599	2.39 %	\$ -	- %	\$ -	- %	\$ -	- %
U.S. agency debentures	2,640,124	1.61	35,097	2.13	2,474,409	1.53	130,618	3.07	-	-
Residential mortgage-backed securities:										
Agency-issued mortgage-backed securities	1,713,799	2.35	-	-	-	-	1,583,036	2.27	130,763	3.28
Agency-issued collateralized mortgage obligations - fixed rate	3,804,211	2.21	-	-	-	-	-	-	3,804,211	2.21
Agency-issued collateralized mortgage obligations - variable rate	2,108,449	0.70	-	-	-	-	-	-	2,108,449	0.70
Agency-issued commercial mortgage-backed securities	228,080	2.09	-	-	-	-	-	-	228,080	2.09
Municipal bonds and notes	99,694	6.00	941	5.20	15,195	5.55	50,166	6.00	33,392	6.24
Total	\$ 10,619,956	1.82	\$ 61,637	2.28	\$ 2,489,604	1.55	\$ 1,763,820	2.44	\$ 6,304,895	1.74

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The following table presents the components of gains and losses (realized and unrealized) on investment securities for the three and six months ended June 30, 2012 and 2011:

(Dollars in thousands)	Three months ended June 30,		Six months ended June 30,	
	2012	2011	2012	2011
Gross gains on investment securities:				
Available-for-sale securities, at fair value (1)	\$ 5,322	\$ 37,314	\$ 5,343	\$ 37,377
Marketable securities (fair value accounting)	3,303	-	3,619	442
Non-marketable securities (fair value accounting):				
Venture capital and private equity fund investments	33,288	37,205	59,398	82,704
Other venture capital investments	1,556	2,071	3,333	7,019
Other investments	-	-	21	20
Non-marketable securities (equity method accounting):				
Other investments	5,389	3,132	6,811	6,516
Non-marketable securities (cost method accounting):				
Venture capital and private equity fund investments	538	801	945	1,056
Other investments	264	2,256	306	2,429
Total gross gains on investment securities	49,660	82,779	79,776	137,563
Gross losses on investment securities:				
Available-for-sale securities, at fair value (1)	(755)	(93)	(1,650)	(94)
Marketable securities (fair value accounting)	(754)	(3,307)	(754)	(4,115)
Non-marketable securities (fair value accounting):				
Venture capital and private equity fund investments	(18,618)	(4,845)	(32,533)	(6,901)
Other venture capital investments	(3,219)	(1,420)	(9,882)	(1,664)
Non-marketable securities (equity method accounting):				
Other investments	(327)	(1,110)	(703)	(1,309)
Non-marketable securities (cost method accounting):				
Venture capital and private equity fund investments	(177)	(293)	(540)	(432)
Other investments	(1)	(31)	(66)	(31)
Total gross losses on investment securities	(23,851)	(11,099)	(46,128)	(14,546)
Gains on investment securities, net	\$ 25,809	\$ 71,680	\$ 33,648	\$ 123,017
Gains attributable to noncontrolling interests, including carried interest	\$ 14,502	\$ 26,437	\$ 21,840	\$ 69,822

(1) The cost basis of available-for-sale securities sold is determined on a specific identification basis.

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6. Loans and Allowance for Loan Losses

We serve a variety of commercial clients in the technology, life science, venture capital/private equity and premium wine industries. Our technology clients generally tend to be in the industries of hardware (semiconductors, communications and electronics), software and related services, and clean technology. Because of the diverse nature of clean technology products and services, for our loan-related reporting purposes, cleantech-related loans are reported under our hardware, software, life science and other commercial loan categories, as applicable. Our life science clients are concentrated in the medical devices and biotechnology sectors. Loans made to venture capital/private equity firm clients typically enable them to fund investments prior to their receipt of funds from capital calls. Loans to the premium wine industry focus on vineyards and wineries that produce grapes and wines of high quality.

In addition to commercial loans, we make loans through SVB Private Bank primarily to venture capital/private equity professionals. These products and services include real estate secured home equity lines of credit, which may be used to finance real estate investments and loans used to purchase, renovate or refinance personal residences. These products and services also include restricted stock purchase loans and capital call lines of credit. We also provide real estate secured loans to eligible employees through our EHOP.

We also provide community development loans made as part of our responsibilities under the Community Reinvestment Act. These loans are included within Construction loans below and are primarily secured by real estate.

The composition of loans, net of unearned income of \$67.7 million and \$60.2 million at June 30, 2012 and December 31, 2011, respectively, is presented in the following table:

(Dollars in thousands)	June 30, 2012	December 31, 2011
Commercial loans:		
Software	\$ 2,752,500	\$ 2,492,849
Hardware	1,086,973	952,303
Venture capital/private equity	1,403,801	1,117,419
Life science	917,723	863,737
Premium wine (1)	120,043	130,245
Other	371,195	342,147
Commercial loans	6,652,235	5,898,700
Real estate secured loans:		
Premium wine (1)	373,658	345,988
Consumer loans (2)	554,266	534,001
Real estate secured loans	927,924	879,989
Construction loans	33,063	30,256
Consumer loans	176,530	161,137
Total loans, net of unearned income (3)	\$ 7,789,752	\$ 6,970,082

(1) Included in our premium wine portfolio are gross construction loans of \$147.9 million and \$110.8 million at June 30, 2012 and December 31, 2011, respectively.

(2) Consumer loans secured by real estate at June 30, 2012 and December 31, 2011 were comprised of the following:

(Dollars in thousands)	June 30, 2012	December 31, 2011
Loans for personal residence	\$ 369,780	\$ 350,359

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Loans to eligible employees	103,824	99,704
Home equity lines of credit	80,662	83,938
Consumer loans secured by real estate	\$ 554,266	\$ 534,001

- (3) Included within our total loan portfolio are credit card loans of \$58.3 million and \$49.7 million at June 30, 2012 and December 31, 2011, respectively.

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Credit Quality

The composition of loans, net of unearned income, broken out by portfolio segment and class of financing receivable as of June 30, 2012 and December 31, 2011, is as follows:

(Dollars in thousands)	June 30, 2012	December 31, 2011
Commercial loans:		
Software	\$ 2,752,500	\$ 2,492,849
Hardware	1,086,973	952,303
Venture capital/private equity	1,403,801	1,117,419
Life science	917,723	863,737
Premium wine	493,701	476,233
Other	404,258	372,403
Total commercial loans	7,058,956	6,274,944
Consumer loans:		
Real estate secured loans	554,266	534,001
Other consumer loans	176,530	161,137
Total consumer loans	730,796	695,138
Total loans, net of unearned income	\$ 7,789,752	\$ 6,970,082

The following table summarizes the aging of our gross loans, broken out by portfolio segment and class of financing receivable as of June 30, 2012 and December 31, 2011:

(Dollars in thousands)	30 - 59 Days Past Due	60 - 89 Days Past Due	Greater Than 90 Days Past Due	Total Past Due	Current	Loans Past Due 90 Days or More Still Accruing Interest
June 30, 2012:						
Commercial loans:						
Software	\$ 3,541	\$ 66	\$ 25	\$ 3,632	\$ 2,773,398	\$ 25
Hardware	32	-	-	32	1,083,630	-
Venture capital/private equity	75,349	-	-	75,349	1,342,366	-
Life science	35	124	-	159	926,735	-
Premium wine	-	-	-	-	493,107	-
Other	73	-	-	73	405,037	-
Total commercial loans	79,030	190	25	79,245	7,024,273	25
Consumer loans:						
Real estate secured loans	-	-	-	-	551,539	-
Other consumer loans	21	5,896	-	5,917	169,423	-
Total consumer loans	21	5,896	-	5,917	720,962	-
Total gross loans excluding impaired loans	79,051	6,086	25	85,162	7,745,235	25

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Impaired loans	16	1,411	3,724	5,151	21,920	-
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Total gross loans	\$ 79,067	\$ 7,497	\$ 3,749	\$ 90,313	\$ 7,767,155	\$ 25
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December 31, 2011:

Commercial loans:

Software	\$ 415	\$ 1,006	\$ -	\$ 1,421	\$ 2,515,327	\$ -
Hardware	1,951	45	-	1,996	954,690	-
Venture capital/private equity	45	-	-	45	1,128,475	-
Life science	398	78	-	476	871,626	-
Premium wine	1	174	-	175	475,406	-
Other	15	-	-	15	370,539	-

Total commercial loans	2,825	1,303	-	4,128	6,316,063	-
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Consumer loans:

Real estate secured loans	-	-	-	-	515,534	-
Other consumer loans	590	-	-	590	157,389	-

Total consumer loans	590	-	-	590	672,923	-
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Total gross loans excluding impaired loans	3,415	1,303	-	4,718	6,988,986	-
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Impaired loans	1,350	1,794	6,613	9,757	26,860	-
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Total gross loans	\$ 4,765	\$ 3,097	\$ 6,613	\$ 14,475	\$ 7,015,846	\$ -
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The following table summarizes our impaired loans as they relate to our allowance for loan losses, broken out by portfolio segment and class of financing receivable as of June 30, 2012 and December 31, 2011:

	Impaired loans for which there is a related allowance for loan losses	Impaired loans for which there is no related allowance for loan losses	Total carrying value of impaired loans	Total unpaid principal of impaired loans
(Dollars in thousands)				
June 30, 2012:				
Commercial loans:				
Software	\$ 2,558	\$ 418	\$ 2,976	\$ 4,749
Hardware	13,074	1,099	14,173	17,616
Life Science	-	-	-	-
Premium wine	-	3,123	3,123	3,325
Other	1,905	1,051	2,956	6,824
Total commercial loans	17,537	5,691	23,228	32,514
Consumer loans:				
Real estate secured loans	122	2,432	2,554	7,460
Other consumer loans	1,289	-	1,289	1,406
Total consumer loans	1,411	2,432	3,843	8,866
Total	\$ 18,948	\$ 8,123	\$ 27,071	\$ 41,380
December 31, 2011:				
Commercial loans:				
Software	\$ 1,142	\$ -	\$ 1,142	\$ 1,540
Hardware	4,754	429	5,183	8,843
Life science	-	311	311	523
Premium wine	-	3,212	3,212	3,341
Other	4,303	1,050	5,353	9,104
Total commercial loans	10,199	5,002	15,201	23,351
Consumer loans:				
Real estate secured loans	-	18,283	18,283	22,410
Other consumer loans	3,133	-	3,133	3,197
Total consumer loans	3,133	18,283	21,416	25,607
Total	\$ 13,332	\$ 23,285	\$ 36,617	\$ 48,958

The following table summarizes our average impaired loans, broken out by portfolio segment and class of financing receivable during the three and six months ended June 30, 2012 and 2011:

Three months ended June 30, Six months ended June 30,

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(Dollars in thousands)	2012	2011	2012	2011
Average impaired loans:				
Commercial loans:				
Software	\$ 1,896	\$ 2,620	\$ 1,716	\$ 2,697
Hardware	21,468	6,662	16,865	5,594
Life science	88	1,170	117	1,834
Premium wine	3,527	1,396	3,455	2,540
Other	3,506	3,588	4,075	2,878
Total commercial loans	30,485	15,436	26,228	15,543
Consumer loans:				
Real estate secured loans	2,645	19,557	7,746	19,841
Other consumer loans	2,170	-	2,595	-
Total consumer loans	4,815	19,557	10,341	19,841
Total average impaired loans	\$ 35,300	\$ 34,993	\$ 36,569	\$ 35,384

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The following tables summarize the activity relating to our allowance for loan losses for the three and six months ended June 30, 2012 and 2011, broken out by portfolio segment:

Three months ended June 30, 2012	Beginning Balance March 31, 2012	Charge-offs	Recoveries	Provision for (Reduction of)	Ending Balance June 30, 2012
(dollars in thousands)					
Commercial loans:					
Software	\$ 35,425	\$ (2,118)	\$ 1,329	\$ 3,345	\$ 37,981
Hardware	30,348	(10,413)	329	2,368	22,632
Venture capital/private equity	7,214	-	-	2,438	9,652
Life science	10,292	(122)	92	1,398	11,660
Premium wine	3,738	(584)	187	55	3,396
Other	4,802	(286)	1,107	(681)	4,942
Total commercial loans	91,819	(13,523)	3,044	8,923	90,263
Consumer loans	9,103	(607)	331	(924)	7,903
Total allowance for loan losses	\$ 100,922	\$ (14,130)	\$ 3,375	\$ 7,999	\$ 98,166

Six months ended June 30, 2012	Beginning Balance December 31, 2011	Charge-offs	Recoveries	Provision for (Reduction of)	Ending Balance June 30, 2012
(dollars in thousands)					
Commercial loans:					
Software	\$ 38,263	\$ (2,977)	\$ 4,088	\$ (1,393)	\$ 37,981
Hardware	16,810	(14,261)	434	19,649	22,632
Venture capital/private equity	7,319	-	-	2,333	9,652
Life science	10,243	(235)	313	1,339	11,660
Premium wine	3,914	(584)	265	(199)	3,396
Other	5,817	(2,456)	1,151	430	4,942
Total commercial loans	82,366	(20,513)	6,251	22,159	90,263
Consumer loans	7,581	(607)	560	369	7,903
Total allowance for loan losses	\$ 89,947	\$ (21,120)	\$ 6,811	\$ 22,528	\$ 98,166

Three months ended June 30, 2011	Beginning Balance March 31, 2011	Charge-offs	Recoveries	Provision for (Reduction of)	Ending Balance June 30, 2011
(dollars in thousands)					
Commercial loans:					
Software	\$ 30,479	\$ (518)	\$ 2,639	\$ (727)	\$ 31,873
Hardware	15,840	-	32	170	16,042
Venture capital/private equity	7,432	-	-	875	8,307
Life science	8,097	(471)	505	(906)	7,225
Premium wine	4,504	(449)	590	(636)	4,009

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Other	6,433	(2,855)	337	1,954	5,869
Total commercial loans	72,785	(4,293)	4,103	730	73,325
Consumer loans	9,266	-	160	(596)	8,830
Total allowance for loan losses	\$ 82,051	\$ (4,293)	\$ 4,263	\$ 134	\$ 82,155

Six months ended June 30, 2011	Beginning Balance December 31, 2010	Charge-offs	Recoveries	Provision for (Reduction of)	Ending Balance June 30, 2011
(dollars in thousands)					
Commercial loans:					
Software	\$ 29,288	\$ (1,622)	\$ 7,920	\$ (3,713)	\$ 31,873
Hardware	14,688	(15)	312	1,057	16,042
Venture capital/private equity	8,241	-	-	66	8,307
Life science	9,077	(3,662)	1,128	682	7,225
Premium wine	5,492	(449)	730	(1,764)	4,009
Other	5,318	(2,867)	407	3,011	5,869
Total commercial loans	72,104	(8,615)	10,497	(661)	73,325
Consumer loans	10,523	-	559	(2,252)	8,830
Total allowance for loan losses	\$ 82,627	\$ (8,615)	\$ 11,056	\$ (2,913)	\$ 82,155

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The following table summarizes the allowance for loan losses individually and collectively evaluated for impairment as of June 30, 2012 and December 31, 2011, broken out by portfolio segment:

(Dollars in thousands)	June 30, 2012		December 31, 2011	
	Individually Evaluated for Impairment	Collectively Evaluated for Impairment	Individually Evaluated for Impairment	Collectively Evaluated for Impairment
Commercial loans:				
Software	\$ 845	\$ 37,136	\$ 526	\$ 37,737
Hardware	4,225	18,407	1,261	15,549
Venture capital/private equity	-	9,652	-	7,319
Life science	-	11,660	-	10,243
Premium wine	-	3,396	-	3,914
Other	47	4,895	1,180	4,637
Total commercial loans	5,117	85,146	2,967	79,399
Consumer loans	548	7,355	740	6,841
Total allowance for loan losses	\$ 5,665	\$ 92,501	\$ 3,707	\$ 86,240

Credit Quality Indicators

For each individual client, we establish an internal credit risk rating for that loan, which is used for assessing and monitoring credit risk as well as performance of the loan and the overall portfolio. Our internal credit risk ratings are also used to summarize the risk of loss due to failure by an individual borrower to repay the loan. For our internal credit risk ratings, each individual loan is given a risk rating of 1 through 10. Loans risk-rated 1 through 4 are performing loans and translate to an internal rating of Pass, with loans risk-rated 1 being cash secured. Loans risk-rated 5 through 7 are performing loans, however, we consider them as demonstrating higher risk which requires more frequent review of the individual exposures; these translate to an internal rating of Performing (Criticized). A majority of our performing (criticized) loans are from our SVB Accelerator practice, serving our emerging or early stage clients. Loans risk-rated 8 and 9 are loans that are considered to be impaired and are on nonaccrual status. Loans are placed on nonaccrual status when they become 90 days past due as to principal or interest payments (unless the principal and interest are well secured and in the process of collection), or when we have determined, based upon most recent available information, that the timely collection of principal or interest is not probable. (For further description of nonaccrual loans, refer to Note 2 Summary of Significant Accounting Policies under Part II, Item 8 of our 2011 Form 10-K); these loans are deemed impaired. Loans rated 10 are charged-off and are not included as part of our loan portfolio balance. We review our credit quality indicators for performance and appropriateness of risk ratings as part of our evaluation process for our allowance for loan losses. The following table summarizes the credit quality indicators, broken out by portfolio segment and class of financing receivables as of June 30, 2012 and December 31, 2011:

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(Dollars in thousands)	Pass	Performing (Criticized)	Impaired	Total
June 30, 2012:				
Commercial loans:				
Software	\$ 2,573,437	\$ 203,593	\$ 2,976	\$ 2,780,006
Hardware	951,026	132,636	14,173	1,097,835
Venture capital/private equity	1,417,715	-	-	1,417,715
Life science	820,392	106,502	-	926,894
Premium wine	481,162	11,945	3,123	496,230
Other	376,158	28,952	2,956	408,066
Total commercial loans	6,619,890	483,628	23,228	7,126,746
Consumer loans:				
Real estate secured loans	530,017	21,522	2,554	554,093
Other consumer loans	163,390	11,950	1,289	176,629
Total consumer loans	693,407	33,472	3,843	730,722
Total gross loans	\$ 7,313,297	\$ 517,100	\$ 27,071	\$ 7,857,468
December 31, 2011:				
Commercial loans:				
Software	\$ 2,290,497	\$ 226,251	\$ 1,142	\$ 2,517,890
Hardware	839,230	117,456	5,183	961,869
Venture capital/private equity	1,120,373	8,147	-	1,128,520
Life science	748,129	123,973	311	872,413
Premium wine	434,309	41,272	3,212	478,793
Other	353,434	17,120	5,353	375,907
Total commercial loans	5,785,972	534,219	15,201	6,335,392
Consumer loans:				
Real estate secured loans	497,060	18,474	18,283	533,817
Other consumer loans	151,101	6,878	3,133	161,112
Total consumer loans	648,161	25,352	21,416	694,929
Total gross loans	\$ 6,434,133	\$ 559,571	\$ 36,617	\$ 7,030,321

TDRs

As of June 30, 2012 we had TDRs of \$25.5 million where concessions have been granted to borrowers experiencing financial difficulties, in an attempt to maximize collection. There were unfunded commitments available for funding of \$1.1 million to the clients associated with these TDRs as of June 30, 2012. The following table summarizes our loans modified in TDRs, broken out by portfolio segment and class of financing receivables at June 30, 2012 and December 31, 2011:

(Dollars in thousands)	June 30, 2012	December 31, 2011
Loans modified in TDRs:		
Commercial loans:		
Software	\$ 769	\$ 1,142
Hardware	15,272	5,183

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Premium wine	2,135	1,949
Other	3,491	4,934
Total commercial loans	21,667	13,208
Consumer loans:		
Real estate secured loans	2,522	17,934
Other consumer loans	1,289	3,133
Total consumer loans	3,811	21,067
Total	\$ 25,478	\$ 34,275

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The following table summarizes the recorded investment in loans modified in TDRs, broken out by portfolio segment and class of financing receivable, for modifications made during the three and six months ended June 30, 2012 and 2011:

(Dollars in thousands)	Three months ended June 30,		Six months ended June 30,	
	2012	2011	2012	2011
Loans modified in TDRs during the period:				
Commercial loans:				
Software	\$ -	\$ 605	\$ 100	\$ 605
Hardware	12,747	3,321	13,198	3,321
Premium wine	-	-	275	-
Other	535	-	2,440	-
Total commercial loans	13,282	3,926	16,013	3,926
Consumer loans:				
Real estate secured loans	289	-	411	-
Total consumer loans	289	-	411	-
Total loans modified in TDR s during the period (1)	\$ 13,571	\$ 3,926	\$ 16,424	\$ 3,926

(1) During the three and six months ended June 30, 2012, we had partial charge-offs of \$10.0 million and \$10.9 million, respectively, on loans classified as TDRs. There were no partial charge-offs on loans classified as TDRs during the three and six months ended June 30, 2011. During the three months ended June 30, 2012 new TDRs totaling \$10.0 million and \$3.6 million were modified through forgiveness of principal and payment deferrals granted to our clients, respectively. During the six months ended June 30, 2012 new TDRs totaling \$10.1 million and \$6.3 million were modified through forgiveness of principal and payment deferrals granted to our clients, respectively. During the three and six months ended June 30, 2011 all new TDRs were modified through payment deferrals granted to our clients and no principal or interest was forgiven.

The related allowance for loan losses for the majority of our TDRs is determined on an individual basis by comparing the carrying value of the loan to the present value of the estimated future cash flows, discounted at the pre-modification contractual interest rate. For certain TDRs, the related allowance for loan losses is determined based on the fair value of the collateral if the loan is collateral dependent.

The following table summarizes the recorded investment in loans modified in TDRs within the previous 12 months that subsequently defaulted during the three and six months ended June 30, 2012 and 2011, broken out by portfolio segment and class of financing receivable:

(Dollars in thousands)	Three months ended June 30,		Six months ended June 30,	
	2012	2011	2012	2011
TDRs modified within the previous 12 months that defaulted during the period:				
Commercial loans:				
Software	\$ -	\$ -	\$ 100	\$ -
Hardware	452	3,321	452	3,321
Premium wine	1,859	-	1,859	-
Total commercial loans	2,311	3,321	2,411	3,321

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Consumer loans:				
Other consumer loans	1,289	-	1,289	-
Total consumer loans	1,289	-	1,289	-

Total TDRs modified within the previous 12 months that defaulted in the period	\$ 3,600	\$ 3,321	\$ 3,700	\$ 3,321
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Charge-offs and defaults on previously restructured loans are evaluated to determine the impact to the allowance for loan losses, if any. The evaluation of these defaults may impact the assumptions used in calculating the reserve on other TDRs and impaired loans as well as management's overall outlook of macroeconomic factors that affect the reserve on the loan portfolio as a whole. After evaluating the charge-offs and defaults experienced on our TDRs we determined that no change to our reserving methodology was necessary to determine the allowance for loan losses as of June 30, 2012.

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The following table represents outstanding short-term borrowings and long-term debt at June 30, 2012 and December 31, 2011:

(Dollars in thousands)	Maturity	Principal value at June 30, 2012	Carrying Value	
			June 30, 2012	December 31, 2011
Short-term borrowings:				
Other short-term borrowings	(1)	\$ 5,880	\$ 5,880	\$ -
Total short-term borrowings			\$ 5,880	\$ -
Long-term debt:				
5.375% Senior Notes	September 15, 2020	\$ 350,000	\$ 347,893	\$ 347,793
5.70% Senior Notes (2)	June 1, 2012	-	-	143,969
6.05% Subordinated Notes (3)	June 1, 2017	45,964	55,054	55,075
7.0% Junior Subordinated Debentures	October 15, 2033	50,000	55,285	55,372
Other long-term debt	(4)	-	-	1,439
Total long-term debt			\$ 458,232	\$ 603,648

- (1) Represents cash collateral received from our counterparty for our interest rate swap agreement related to our 6.05% Subordinated Notes.
- (2) At December 31, 2011, included in the carrying value of our 5.70% Senior Notes was \$2.6 million related to the fair value of the interest rate swap associated with the notes.
- (3) At June 30, 2012 and December 31, 2011, included in the carrying value of our 6.05% Subordinated Notes were \$9.3 million and \$8.8 million, respectively, related to the fair value of the interest rate swap associated with the notes.
- (4) Represents long-term notes payable related to one of our debt fund investments. The last payment related to the notes was made in April 2012.

Interest expense related to short-term borrowings and long-term debt was \$6.3 million and \$12.6 million for the three and six months ended June 30, 2012, respectively, and \$7.1 million and \$17.8 million for the three and six months ended June 30, 2011, respectively. Interest expense is net of the cash flow impact from our interest rate swap agreements related to our 5.70% Senior Notes and 6.05% Subordinated Notes. The weighted average interest rate associated with our short-term borrowings as of June 30, 2012 was 0.14 percent.

5.70% Senior Notes

Our remaining \$141.4 million 5.70% Senior Notes matured on June 1, 2012 and we repaid all outstanding principal, including unpaid and accrued interest, in cash upon maturity. In connection with the maturity, we also terminated the interest rate swap associated with these notes (see Note 8 – Derivative Financial Instruments).

3.875% Convertible Notes

Our \$250 million 3.875% Convertible Notes matured on April 15, 2011. The effective interest rate for our 3.875% Convertible Notes for the three and six months ended June 30, 2011 was 6.84 percent and 5.92 percent, respectively, and interest expense was \$0.7 million and \$4.2 million, respectively.

Available Lines of Credit

We have certain facilities in place to enable us to access short-term borrowings on a secured (using available-for-sale securities as collateral) and an unsecured basis. These include repurchase agreements and uncommitted federal funds lines with various financial institutions. As of June 30, 2012, we did not borrow against our uncommitted federal funds lines. We also pledge securities to the FHLB of San Francisco and the discount

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window at the FRB. The market value of collateral pledged to the FHLB of San Francisco (comprised primarily of U.S. agency debentures) at June 30, 2012 totaled \$1.5 billion, of which the full available balance was unused and available to support additional borrowings. The market value of collateral pledged at the discount window of the FRB at June 30, 2012 totaled \$635.0 million, all of which was unused and available to support additional borrowings.

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8. Derivative Financial Instruments

We primarily use derivative financial instruments to manage interest rate risk, currency exchange rate risk, and to assist customers with their risk management objectives. Also, in connection with negotiating credit facilities and certain other services, we often obtain equity warrant assets giving us the right to acquire stock in private, venture-backed companies in the technology and life science industries.

Interest Rate Risk

Interest rate risk is our primary market risk and can result from timing and volume differences in the repricing of our interest rate-sensitive assets and liabilities and changes in market interest rates. To manage interest rate risk for our 5.70% Senior Notes and 6.05% Subordinated Notes, we entered into fixed-for-floating interest rate swap agreements at the time of debt issuance based upon LIBOR with matched-terms. Prior to our termination of portions of our interest rate swap agreements (discussed below), we used the shortcut method to assess hedge effectiveness and evaluate the hedging relationships for qualification under the shortcut method requirements for each reporting period. Net cash benefits associated with our interest rate swaps were recorded as a reduction in Interest expense Borrowings, a component of net interest income. The fair value of our interest rate swaps was calculated using a discounted cash flow method and adjusted for credit valuation associated with counterparty risk. Increases from changes in fair value were included in other assets and decreases from changes in fair value were included in other liabilities.

In connection with the repurchase of portions of our 5.70% Senior Notes and 6.05% Subordinated Notes in May 2011, we terminated corresponding amounts of the associated interest rate swaps. As a result of these terminations, the remaining portions of the interest rate swaps no longer qualify for the shortcut method to assess hedge effectiveness under ASC 815, *Derivatives and Hedging*, and are accounted for under the long-haul method. Any differences associated with our interest rate swaps that arise as a result of hedge ineffectiveness are recorded through net gains on derivative instruments, in noninterest income, a component of consolidated net income. Our 5.70% Senior Notes matured and were repaid on June 1, 2012, at which time we terminated the remaining portion of the associated interest rate swap.

Currency Exchange Risk

We enter into foreign exchange forward contracts to economically reduce our foreign exchange exposure risk related to our client loans that are denominated in foreign currencies, primarily in Pound Sterling and Euro. We do not designate any foreign exchange forward contracts as derivative instruments that qualify for hedge accounting. Changes in currency rates on the loans are included in other noninterest income, a component of noninterest income. We may experience ineffectiveness in the economic hedging relationship, because the loans are revalued based upon changes in the currency's spot rate on the principal value, while the forwards are revalued on a discounted cash flow basis. We record forward agreements in gain positions in other assets and loss positions in other liabilities, while net changes in fair value are recorded through net gains on derivative instruments, in noninterest income, a component of consolidated net income.

Other Derivative Instruments

Equity Warrant Assets

Our equity warrant assets are concentrated in private, venture-backed companies in the technology and life science industries. Most of these warrant agreements contain net share settlement provisions, which permit us to pay the warrant exercise price using shares issuable under the warrant (cashless exercise). We value our equity warrant assets using a modified Black-Scholes option pricing model, which incorporates assumptions about the underlying asset value, volatility, and the risk-free rate. We make valuation adjustments for estimated remaining life and marketability for warrants issued by private companies. Equity warrant assets are recorded at fair value in other assets, while changes in their fair value are recorded through net gains on derivative instruments, in noninterest income, a component of consolidated net income.

Loan Conversion Options

In connection with negotiating certain credit facilities, we occasionally extend loan facilities which have convertible option features. The convertible loans may be converted into a certain number of shares determined by dividing the principal amount of the loan by the applicable conversion price. Because our loan conversion options have underlying and notional values and had no initial net investment, these assets qualify as derivative instruments. We value our loan conversion options using a modified Black-Scholes option pricing model, which incorporates assumptions about the underlying asset value, volatility, and the risk-free rate. Loan conversion options are recorded at fair value in other assets, while changes in their fair value are recorded through net gains on derivative instruments, in noninterest income, a component of consolidated net income.

Other Derivatives

We sell forward and option contracts to clients who wish to mitigate their foreign currency exposure. We economically reduce the currency risk from this business by entering into opposite way contracts with correspondent banks. This relationship does not qualify for hedge accounting. The contracts generally have terms of one year or less, although we may have contracts extending for up to five years. Generally, we have not experienced nonperformance on these contracts, have not incurred credit losses, and anticipate performance by all counterparties to such agreements. Increases from changes in fair value are included in other assets and decreases from changes in fair value are included in other liabilities. The net change in the fair value of these contracts is recorded through net gains on derivative instruments, in noninterest income, a component of consolidated net income.

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We sell interest rate contracts to clients who wish to mitigate their interest rate exposure. We economically reduce the interest rate risk from this business by entering into opposite way contracts with correspondent banks. We do not designate any of these contracts (which are derivative instruments) as qualifying for hedge accounting. Increases from changes in fair value are included in other assets and decreases from changes in fair value are included in other liabilities. The net change in the fair value of these derivatives is recorded through net gains on derivative instruments, in noninterest income, a component of consolidated net income.

Counterparty Credit Risk

We are exposed to credit risk if counterparties to our derivative contracts do not perform as expected. We mitigate counterparty credit risk through credit approvals, limits, monitoring procedures and obtaining collateral, as appropriate. Consistent with the clarification guidance included in ASU 2011-04, we made an accounting policy decision effective January 1, 2012 to use the exception in the guidance with respect to measuring counterparty credit risk for derivative instruments, which allows us to continue to measure the fair value of a group of financial assets and financial liabilities on a net risk basis by counterparty portfolio.

The total notional or contractual amounts, fair value, collateral and net exposure of our derivative financial instruments at June 30, 2012 and December 31, 2011 were as follows:

(Dollars in thousands)	June 30, 2012					December 31, 2011			
	Balance Sheet Location	Notional or Contractual Amount	Fair Value	Collateral (1)	Net Exposure (2)	Notional or Contractual Amount	Fair Value	Collateral (1)	Net Exposure (2)
Derivatives designated as hedging instruments:									
Interest rate risks:									
Interest rate swaps	Other assets	\$ 45,964	\$ 9,331	\$ 5,880	\$ 3,451	\$ 187,393	\$ 11,441	\$ -	\$ 11,441
Derivatives not designated as hedging instruments:									
Currency exchange risks:									
Foreign exchange forwards	Other assets	53,158	1,518	-	1,518	68,518	514	-	514
Foreign exchange forwards	Other liabilities	45,505	(1,126)	-	(1,126)	6,822	(199)	-	(199)
Net exposure			392	-	392		315	-	315
Other derivative instruments:									
Equity warrant assets	Other assets	156,784	74,405	-	74,405	144,586	66,953	-	66,953
Other derivatives:									
Foreign exchange forwards	Other assets	530,889	18,317	-	18,317	387,714	17,541	-	17,541
Foreign exchange forwards	Other liabilities	388,394	(13,488)	-	(13,488)	366,835	(16,346)	-	(16,346)
Foreign currency options	Other assets	97,943	747	-	747	75,600	271	-	271
Foreign currency options	Other liabilities	97,943	(747)	-	(747)	75,600	(271)	-	(271)
Loan conversion options	Other assets	10,254	1,569	-	1,569	14,063	923	-	923
Client interest rate derivatives	Other assets	38,588	57	-	57	39,713	50	-	50
Client interest rate derivatives	Other liabilities	38,588	(59)	-	(59)	39,713	(52)	-	(52)
Net exposure			6,396	-	6,396		2,116	-	2,116
Net			\$ 90,524	\$ 5,880	\$ 84,644		\$ 80,825	\$ -	\$ 80,825

(1)

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Cash collateral received from our counterparty for our interest rate swap agreement is recorded as a component of short-term borrowings on our consolidated balance sheets.

- (2) Net exposure for contracts in a gain position reflects the replacement cost in the event of nonperformance by all such counterparties. The credit ratings of our institutional counterparties as of June 30, 2012 remain at investment grade or higher and there were no material changes in their credit ratings for the three and six months ended June 30, 2012.

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A summary of our derivative activity and the related impact on our consolidated statements of income for the three and six months ended June 30, 2012 and 2011 is as follows:

(Dollars in thousands)	Statement of income location	Three months ended June 30,		Six months ended June 30,	
		2012	2011	2012	2011
Derivatives designated as hedging instruments:					
<i>Interest rate risks:</i>					
Net cash benefit associated with interest rate swaps	Interest expense - borrowings	\$ 1,696	\$ 3,695	\$ 3,925	\$ 9,868
Changes in fair value of interest rate swaps	Net gain on derivative instruments	108	(67)	497	(67)
Net gains associated with interest rate risk derivatives		\$ 1,804	\$ 3,628	\$ 4,422	\$ 9,801
Derivatives not designated as hedging instruments:					
<i>Currency exchange risks:</i>					
(Losses) gains on revaluations of foreign currency loans, net	Other noninterest income	\$ (3,125)	\$ 502	\$ (1,466)	\$ 3,191
Gains (losses) on internal foreign exchange forward contracts, net	Net gains on derivative instruments	2,993	(483)	942	(3,051)
Net (losses) gains associated with currency risk		\$ (132)	\$ 19	\$ (524)	\$ 140
<i>Other derivative instruments:</i>					
Gains on equity warrant assets	Net gains on derivative instruments	\$ 4,876	\$ 13,861	\$ 11,811	\$ 17,857
Gains on client foreign exchange forward contracts, net	Net gains on derivative instruments	\$ 1,330	\$ 315	\$ 2,395	\$ 790
Net (losses) gains on other derivatives (1)	Net gains on derivative instruments	\$ (594)	\$ 25	\$ (956)	\$ (1,327)

(1) Primarily represents the change in fair value of loan conversion options.

9. Other Noninterest Income and Other Noninterest Expense

A summary of other noninterest income for the three and six months ended June 30, 2012 and 2011 is as follows:

(Dollars in thousands)	Three months ended June 30,		Six months ended June 30,	
	2012	2011	2012	2011
Unused commitment fees	\$ 3,678	\$ 1,808	\$ 6,733	\$ 3,294
Fund management fees	3,124	2,663	5,952	5,351
Service-based fee income	2,172	2,587	4,546	4,812
Net gains on the sale of certain assets related to our equity management services business	4,243	-	4,243	-
Loan syndication fees	1,375	870	1,500	870
Currency revaluation losses	(1,548)	(881)	(933)	(1,121)
(Losses) gains on revaluation of foreign currency loans, net	(3,125)	502	(1,466)	3,191
Other	2,745	2,463	5,167	3,879
Total other noninterest income	\$ 12,664	\$ 10,012	\$ 25,742	\$ 20,276

A summary of other noninterest expense for the three and six months ended June 30, 2012 and 2011 is as follows:

(Dollars in thousands)	Three months ended June 30,		Six months ended June 30,	
	2012	2011	2012	2011
Telephone	\$ 1,547	\$ 1,416	\$ 3,331	\$ 2,766
Client services	1,739	1,037	2,992	1,839
Data processing services	1,310	1,429	2,715	2,492
Tax credit fund amortization	962	1,101	2,020	2,154
Postage and supplies	628	562	1,253	1,084
Dues and publications	557	327	1,031	701
Net gain from note repurchases and termination of corresponding interest rate swaps	-	(3,123)	-	(3,123)
Other	2,675	2,287	3,883	4,986
Total other noninterest expense	\$ 9,418	\$ 5,036	\$ 17,225	\$ 12,899

10. Segment Reporting

We have three reportable segments for management reporting purposes: Global Commercial Bank, SVB Private Bank and SVB Capital. The results of our operating segments are based on our internal management reporting process.

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Our operating segments' primary source of revenue is from net interest income, which is primarily the difference between interest earned on loans, net of funds transfer pricing (FTP), and interest paid on deposits, net of FTP. Accordingly, our segments are reported using net interest income, net of FTP. FTP is an internal measurement framework designed to assess the financial impact of a financial institution's sources and uses of funds. It is the mechanism by which an earnings credit is given for deposits raised, and an earnings charge is made for funded loans. Effective January 1, 2012, FTP is calculated at an instrument level based on account characteristics. Prior to January 1, 2012, FTP was calculated by applying a transfer rate to pooled, or aggregated, loan and deposit volumes. We have reclassified all prior period amounts to conform to the current period's methodology and presentation.

We also evaluate performance based on provision for loan losses, noninterest income and noninterest expense, which are presented as components of segment operating profit or loss. In calculating each operating segment's noninterest expense, we consider the direct costs incurred by the operating segment as well as certain allocated direct costs. As part of this review, we allocate certain corporate overhead costs to a corporate account. We do not allocate income taxes to our segments. Additionally, our management reporting model is predicated on average asset balances; therefore, period-end asset balances are not presented for segment reporting purposes. Changes in an individual client's primary relationship designation have resulted, and in the future may result, in the inclusion of certain clients in different segments in different periods.

Unlike financial reporting, which benefits from the comprehensive structure provided by GAAP, our internal management reporting process is highly subjective, as there is no comprehensive, authoritative guidance for management reporting. Our management reporting process measures the performance of our operating segments based on our internal operating structure, which is subject to change from time to time, and is not necessarily comparable with similar information for other financial services companies.

The following is a description of the services that our three reportable segments provide:

Global Commercial Bank provides solutions to the financial needs of commercial clients through lending, deposit products, cash management services, and global banking and trade products and services. It also serves the needs of our non-U.S. clients with global banking products, including loans, deposits and global finance, in key foreign entrepreneurial markets, where applicable. Our Global Commercial Bank segment is comprised of results from our Commercial Bank, and also includes SVB Specialty Lending, SVB Analytics and our Debt Fund Investments. (For further description of these operating segments, refer to Note 20 Segment Reporting under Part II, Item 8 of our 2011 Form 10-K.) As a result of the change in FTP methodology discussed above, our Global Commercial Bank segment's total net interest income for the three and six months ended June 30, 2011 was increased by \$17.2 million and \$34.3 million, respectively (offset is included within Other Items), due to the reclassification of all prior periods to reflect the current period's methodology and presentation.

SVB Private Bank provides banking products and a range of credit services primarily to venture capital/private equity professionals using both long-term secured and short-term unsecured lines of credit.

SVB Capital is the venture capital investment arm of SVBFG, which focuses primarily on funds management. SVB Capital manages funds (primarily venture capital funds) on behalf of third party limited partners and SVB Financial Group. The SVB Capital family of funds is comprised of funds of funds and direct venture funds. SVB Capital generates income for the Company primarily through management fees, carried interest arrangements and returns through the Company's investments in the funds.

The summary financial results of our operating segments are presented along with a reconciliation to our consolidated interim results. The Other Items column reflects the adjustments necessary to reconcile the results of the operating segments to the consolidated financial statements prepared in conformity with GAAP. Noninterest income in the Other Items column is primarily attributable to noncontrolling interests and gains (losses) on equity warrant assets. Noninterest expense in the Other Items column primarily consists of expenses associated with corporate support functions such as finance, human resources, marketing, legal and other expenses. Additionally, average assets in the Other Items column primarily consists of cash and cash equivalents.

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Our segment information for the three and six months ended June 30, 2012 and 2011 is as follows:

(Dollars in thousands)	Global Commercial Bank (1)	SVB Private Bank	SVB Capital (1)	Other Items	Total
Three months ended June 30, 2012					
Net interest income (loss)	\$ 146,420	\$ 5,516	\$ 9	\$ (11)	\$ 151,934
(Provision for) reduction of loan losses	(8,923)	924	-	-	(7,999)
Noninterest income	52,494	151	4,557	23,224	80,426
Noninterest expense (2)	(98,478)	(3,356)	(2,872)	(31,060)	(135,766)
Income (loss) before income tax expense (3)	\$ 91,513	\$ 3,235	\$ 1,694	\$ (7,847)	\$ 88,595
Total average loans, net of unearned income	\$ 6,479,544	\$ 742,130	\$ -	\$ 15,508	\$ 7,237,182
Total average assets (4)	19,023,230	747,445	251,295	868,906	20,890,876
Total average deposits	17,131,816	253,482	-	22,338	17,407,636
Three months ended June 30, 2011					
Net interest income	\$ 125,695	\$ 4,653	\$ 3	\$ 102	\$ 130,453
(Provision for) reduction of loan losses	(730)	596	-	-	(134)
Noninterest income	36,551	136	6,716	80,305	123,708
Noninterest expense (2)	(84,702)	(2,477)	(3,111)	(30,742)	(121,032)
Income before income tax expense (3)	\$ 76,814	\$ 2,908	\$ 3,608	\$ 49,665	\$ 132,995
Total average loans, net of unearned income	\$ 4,822,497	\$ 642,287	\$ -	\$ 68,047	\$ 5,532,831
Total average assets (4)	16,805,670	642,744	232,381	573,736	18,254,531
Total average deposits	15,099,789	156,765	-	13,185	15,269,739
Six months ended June 30, 2012					
Net interest income	\$ 289,684	\$ 10,481	\$ 16	\$ 2,690	\$ 302,871
Provision for loan losses	(22,159)	(369)	-	-	(22,528)
Noninterest income	92,422	308	8,144	38,845	139,719
Noninterest expense (2)	(194,734)	(6,589)	(5,408)	(61,047)	(267,778)
Income (loss) before income tax expense (3)	\$ 165,213	\$ 3,831	\$ 2,752	\$ (19,512)	\$ 152,284
Total average loans, net of unearned income	\$ 6,255,450	\$ 740,049	\$ -	\$ 25,266	\$ 7,020,765
Total average assets (4)	18,790,252	744,703	254,835	771,919	20,561,709
Total average deposits	16,916,965	246,991	-	22,744	17,186,700
Six months ended June 30, 2011					
Net interest income (loss)	\$ 246,515	\$ 9,054	\$ 4	\$ (4,821)	\$ 250,752
Reduction of provision for loan losses	661	2,252	-	-	2,913
Noninterest income	71,415	223	14,006	128,018	213,662
Noninterest expense (2)	(170,582)	(4,480)	(6,253)	(57,152)	(238,467)
Income before income tax expense (3)	\$ 148,009	\$ 7,049	\$ 7,757	\$ 66,045	\$ 228,860
Total average loans, net of unearned income	\$ 4,766,104	\$ 613,467	\$ -	\$ 43,480	\$ 5,423,051
Total average assets (4)	16,502,986	613,734	222,570	763,918	18,103,208

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Total average deposits	14,803,648	153,520	-	12,638	14,969,806
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- (1) Global Commercial Bank's and SVB Capital's components of net interest income (loss), noninterest income, noninterest expense and total average assets are shown net of noncontrolling interests for all periods presented.
- (2) The Global Commercial Bank segment includes direct depreciation and amortization of \$3.6 million and \$2.7 million for the three months ended June 30, 2012 and 2011, respectively, and \$7.0 million and \$5.6 million for the six months ended June 30, 2012 and 2011, respectively.
- (3) The internal reporting model used by management to assess segment performance does not calculate income tax expense by segment. Our effective tax rate is a reasonable approximation of the segment rates.
- (4) Total average assets equals the greater of total average assets or the sum of total liabilities and total stockholders' equity for each segment.

Table of Contents**11. Off-Balance Sheet Arrangements, Guarantees and Other Commitments**

In the normal course of business, we use financial instruments with off-balance sheet risk to meet the financing needs of our customers. These financial instruments include commitments to extend credit, commercial and standby letters of credit and commitments to invest in venture capital and private equity fund investments. These instruments involve credit risk to varying degrees. Credit risk is defined as the possibility of sustaining a loss because other parties to the financial instrument fail to perform in accordance with the terms of the contract.

Commitments to Extend Credit

The following table summarizes information related to our commitments to extend credit at June 30, 2012 and December 31, 2011:

(Dollars in thousands)	June 30, 2012	December 31, 2011
Loan commitments available for funding: (1)		
Fixed interest rate commitments	\$ 834,431	\$ 658,377
Variable interest rate commitments	7,096,370	6,548,002
Total loan commitments available for funding	7,930,801	7,206,379
Commercial and standby letters of credit (2)	821,904	861,191
Total unfunded credit commitments	\$ 8,752,705	\$ 8,067,570
Commitments unavailable for funding (3)	\$ 882,458	\$ 841,439
Maximum lending limits for accounts receivable factoring arrangements (4)	847,757	747,392
Reserve for unfunded credit commitments (5)	23,476	21,811

- (1) Represents commitments which are available for funding, due to clients meeting all collateral, compliance and financial covenants required under loan commitment agreements.
- (2) See below for additional information on our commercial and standby letters of credit.
- (3) Represents commitments which are currently unavailable for funding, due to clients failing to meet all collateral, compliance and financial covenants under loan commitment agreements.
- (4) We extend credit under accounts receivable factoring arrangements when our clients' sales invoices are deemed creditworthy under existing underwriting practices.
- (5) Our reserve for unfunded credit commitments includes an allowance for both our unfunded loan commitments and our letters of credit.

Commercial and Standby Letters of Credit

The table below summarizes our commercial and standby letters of credit at June 30, 2012. The maximum potential amount of future payments represents the amount that could be remitted under letters of credit if there were a total default by the guaranteed parties, without consideration of possible recoveries under recourse provisions or from the collateral held or pledged.

(Dollars in thousands)	Expires In One Year or Less	Expires After One Year	Total Amount Outstanding	Maximum Amount of Future Payments
Financial standby letters of credit	\$ 646,170	\$ 107,677	\$ 753,847	\$ 753,847
Performance standby letters of credit	52,523	11,903	64,426	64,426
Commercial letters of credit	3,631	-	3,631	3,631

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Total	\$ 702,324	\$ 119,580	\$ 821,904	\$ 821,904
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At June 30, 2012 and December 31, 2011, deferred fees related to financial and performance standby letters of credit were \$5.3 million and \$6.1 million, respectively. At June 30, 2012, collateral in the form of cash of \$332.3 million and available-for-sale securities of \$12.3 million were available to us to reimburse losses, if any, under financial and performance standby letters of credit.

Commitments to Invest in Venture Capital and Private Equity Funds

We make commitments to invest in venture capital and private equity funds, which in turn make investments generally in, or in some cases make loans to, privately-held companies. Commitments to invest in these funds are generally made for a ten-year period from the inception of the fund. Although the limited partnership agreements governing these investments typically do not restrict the general partners from calling 100% of committed capital in one year, it is customary for these funds to generally call most of the capital commitments over five to seven years; however in certain cases, the funds may not call 100% of committed capital over the life of the fund. The actual timing of future cash requirements to fund these commitments is generally dependent upon the investment cycle, overall market conditions, and the nature and type of industry in which the privately held companies operate. The following table details our total capital commitments, unfunded capital commitments, and our ownership in each fund at June 30, 2012:

Table of Contents**Our Ownership in Limited Partnership**

(Dollars in thousands)	SVBFG Capital Commitments	SVBFG Unfunded Commitments	SVBFG Ownership of each Fund
Silicon Valley BancVentures, LP	\$ 6,000	\$ 270	10.7 %
SVB Capital Partners II, LP (1)	1,200	162	5.1
SVB India Capital Partners I, LP	7,750	1,263	14.4
SVB Capital Shanghai Yangpu Venture Capital Fund	913	157	6.8
SVB Strategic Investors Fund, LP	15,300	688	12.6
SVB Strategic Investors Fund II, LP	15,000	1,200	8.6
SVB Strategic Investors Fund III, LP	15,000	2,700	5.9
SVB Strategic Investors Fund IV, LP	12,239	4,896	5.0
Strategic Investors Fund V Funds	1,000	933	Various
SVB Capital Preferred Return Fund, LP	12,687	-	20.0
SVB Capital NT Growth Partners, LP	24,670	1,340	33.0
Other private equity fund (2)	9,338	-	58.2
Partners for Growth, LP	25,000	9,750	50.0
Partners for Growth II, LP	15,000	4,950	24.2
Gold Hill Venture Lending 03, LP (3)	20,000	-	9.3
Other fund investments (4)	331,772	73,268	Various
Total	\$ 512,869	\$ 101,577	

- (1) Our ownership includes 1.3 percent direct ownership through SVB Capital Partners II, LLC and SVB Financial, and 3.8 percent indirect ownership through our investment in SVB Strategic Investors Fund II, LP.
- (2) Our ownership includes 41.5 percent direct ownership and indirect ownership interest of 12.6 percent and 4.1 percent in the fund through our ownership interest of SVB Capital - NT Growth Partners, LP and SVB Capital Preferred Return Fund, LP, respectively.
- (3) Our ownership includes 4.8 percent direct ownership and 4.5 percent indirect ownership interest through GHLLC.
- (4) Represents commitments to 332 funds (primarily venture capital funds) where our ownership interest is generally less than 5 percent of the voting interests of each such fund.

The following table details the total remaining unfunded commitments to the venture capital and private equity funds by our consolidated managed funds of funds (including our interest and the noncontrolling interests) at June 30, 2012:

Limited Partnership

(Dollars in thousands)	Unfunded Commitments
SVB Strategic Investors Fund, LP	\$ 2,307
SVB Strategic Investors Fund II, LP	11,243
SVB Strategic Investors Fund III, LP	48,147
SVB Strategic Investors Fund IV, LP	114,552
Strategic Investors Fund V Funds	153,160
SVB Capital Preferred Return Fund, LP	20,299
SVB Capital NT Growth Partners, LP	22,882
Other private equity fund	4,447
Total	\$ 377,037

12. Income Taxes

We are subject to income tax in the U.S. federal jurisdiction and various state and foreign jurisdictions and have identified our federal tax return and tax returns in California and Massachusetts as major tax filings. U.S. federal tax examinations through 1998 have been concluded. Our U.S. federal tax returns for the years 1999 through 2005 were not reviewed and are no longer open to examination by the IRS. Our U.S. federal tax returns for 2006 and subsequent years remain open to examination. Our California tax returns for 2006 and subsequent years remain open to

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examination. Our Massachusetts tax returns for 2008 and subsequent years remain open to examination.

We are currently under audit examination by the IRS for the 2008 and 2009 tax years, which began in July 2011. To the extent the final tax liabilities are different from the amounts originally accrued, the increases or decreases will be recorded as income tax expense or benefit in the consolidated statements of operations. While the actual outcome is subject to the completion of these audits, we do not believe there will be a material adverse impact on our results of operations.

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At June 30, 2012, our unrecognized tax benefit was \$0.9 million, the recognition of which would reduce our income tax expense by \$0.7 million. We expect that our unrecognized tax benefit will change in the next 12 months; however we do not expect the change to have a significant impact on our financial position or our results of operations.

13. Fair Value of Financial Instruments

Fair Value Measurements

Our available-for-sale securities, derivative instruments and certain non-marketable and marketable securities are financial instruments recorded at fair value on a recurring basis. We make estimates regarding valuation of assets and liabilities measured at fair value in preparing our interim consolidated financial statements.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (the exit price) in an orderly transaction between market participants at the measurement date. There is a three-level hierarchy for disclosure of assets and liabilities recorded at fair value. The classification of assets and liabilities within the hierarchy is based on whether the inputs to the valuation methodology used for measurement are observable or unobservable and the significance of those inputs in the fair value measurement. Observable inputs reflect market-derived or market-based information obtained from independent sources, while unobservable inputs reflect our estimates about market data and views of market participants. The three levels for measuring fair value are based on the reliability of inputs and are as follows:

Level 1

Fair value measurements based on quoted prices in active markets for identical assets or liabilities that we have the ability to access. Valuation adjustments and block discounts are not applied to instruments utilizing Level 1 inputs. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these instruments does not entail a significant degree of judgment. Assets utilizing Level 1 inputs include exchange-traded equity securities and certain marketable securities accounted for under fair value accounting.

Level 2

Fair value measurements based on quoted prices in markets that are not active or for which all significant inputs are observable, directly or indirectly. Valuations for the available-for-sale securities are provided by independent external pricing service providers. We review the methodologies used to determine the fair value, including understanding the nature and observability of the inputs used to determine the price. Additional corroboration, such as obtaining a non-binding price from a broker, may be required depending on the frequency of trades of the security and the level of liquidity or depth of the market. The valuation methodology that is generally used for the Level 2 assets is the income approach. Below is a summary of the significant inputs used for each class of Level 2 assets and liabilities:

U.S. treasury securities: U.S. treasury securities are considered by most investors to be the most liquid fixed income investments available. These securities are priced relative to market prices on similar U.S. treasury securities.

U.S. agency debentures: Fair value measurements of U.S. agency debentures are based on the characteristics specific to bonds held, such as issuer name, coupon rate, maturity date and any applicable issuer call option features. Valuations are based on market spreads relative to similar term benchmark market interest rates, generally U.S. treasury securities.

Agency-issued mortgage-backed securities: Agency-issued mortgage-backed securities are pools of individual conventional mortgage loans underwritten to U.S. agency standards with similar coupon rates, tenor, and other attributes such as geographic location, loan size and origination vintage. Fair value measurements of these securities are based on observable price adjustments relative to benchmark market interest rates taking into consideration estimated loan prepayment speeds.

Agency-issued collateralized mortgage obligations: Agency-issued collateralized mortgage obligations are structured into classes or tranches with defined cash flow characteristics and are collateralized by U.S. agency-issued mortgage pass-through securities. Fair value measurements of these securities incorporate similar characteristics of mortgage pass-through securities such as coupon rate, tenor, geographic location, loan size and origination vintage, in addition to incorporating the effect of estimated prepayment speeds on the cash flow structure of the class or tranche. These measurements incorporate observable market spreads over an estimated average life after considering the inputs listed above.

Agency-issued commercial mortgage-backed securities: Fair value measurements of these securities are based on spreads to benchmark market interest rates (usually U.S. treasury rates or rates observable in the swaps market), prepayment speeds, loan default rate assumptions and loan loss severity assumptions on underlying loans.

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Municipal bonds and notes: Bonds issued by municipal governments generally have stated coupon rates, final maturity dates and are subject to being called ahead of the final maturity date at the option of the issuer. Fair value measurements of these securities are priced based on spreads to other municipal benchmark bonds with similar characteristics; or, relative to market rates on U.S. treasury bonds of similar maturity.

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Interest rate swap assets: Fair value measurements of interest rate swaps are priced considering the coupon rate of the fixed leg of the contract and the variable coupon on the floating leg of the contract. Valuation is based on both spot and forward rates on the swap yield curve and the credit worthiness of the contract counterparty.

Foreign exchange forward and option contract assets and liabilities: Fair value measurements of these assets and liabilities are priced based on spot and forward foreign currency rates and option volatility assumptions and the credit worthiness of the contract counterparty.

Equity warrant assets (public portfolio): Fair value measurements of equity warrant assets of public portfolio companies are priced based on the Black-Scholes option pricing model that use the publicly-traded equity prices (underlying stock value), stated strike prices, option expiration dates, the risk-free interest rate and market-observable option volatility assumptions.

Level 3

The fair value measurement is derived from valuation techniques that use significant assumptions not observable in the market. These unobservable assumptions reflect our own estimates of assumptions we believe market participants would use in pricing the asset. Below is a summary of the valuation techniques used for each class of Level 3 assets:

Venture capital and private equity fund investments: Fair value measurements are based on the information provided by the investee funds management, which reflects our share of the fair value of the net assets of the investment fund on the valuation date. We account for differences between our measurement date and the date of the fund investment's net asset value by using the most recent available financial information from the investee general partner, adjusted for any contributions paid, distributions received from the investment, and significant fund transactions or market events during the reporting period.

Other venture capital investments: Fair value measurements are based on consideration of a range of factors including, but not limited to, the price at which the investment was acquired, the term and nature of the investment, local market conditions, values for comparable securities, and as it relates to the private company, the current and projected operating performance, exit strategies and financing transactions subsequent to the acquisition of the investment. The significant unobservable inputs used in the fair value measurement include the information about each portfolio company, including actual and forecasted results, cash position, recent or planned transactions and market comparable companies. Significant changes to any one of these inputs in isolation could result in a significant change in the fair value measurement, however, we generally consider all factors available through ongoing communication with the portfolio companies and venture capital fund managers to determine whether there are changes to the portfolio company or the environment that indicate a change in the fair value measurement.

Equity warrant assets (private portfolio): Fair value measurements of equity warrant assets of private portfolio companies are priced based on a modified Black-Scholes option pricing model to estimate the underlying asset value by using stated strike prices, option expiration dates, risk-free interest rates and option volatility assumptions. Option volatility assumptions used in the modified Black-Scholes model are based on public market indices whose members operate in similar industries as companies in our private company portfolio. Option expiration dates are modified to account for estimates to actual life relative to stated expiration. Overall model asset values are further adjusted for a general lack of liquidity due to the private nature of the associated underlying company. There is a direct correlation between changes in the volatility and remaining life assumptions in isolation and the fair value measurement while there is an inverse correlation between changes in the liquidity discount assumption and the fair value measurement.

It is our policy to maximize the use of observable inputs and minimize the use of unobservable inputs when developing fair value measurements. When available, we use quoted market prices to measure fair value. If market prices are not available, fair value measurement is based upon valuation techniques that use primarily market-based or independently-sourced market parameters, including interest rate yield curves, prepayment speeds, option volatilities and currency rates. Substantially all of our financial instruments use either of the foregoing methodologies, and are categorized as a Level 1 or Level 2 measurement in the fair value hierarchy. However, in certain cases, when market observable inputs for our valuation techniques may not be readily available, we are required to make judgments about assumptions we believe market participants would use in estimating the fair value of the financial instrument, and based on the significance of those judgments, the measurement may be determined to be a Level 3 fair value measurement.

The degree of management judgment involved in determining the fair value of a financial instrument is dependent upon the availability of quoted market prices or observable market parameters. For financial instruments that trade actively and have quoted market prices or observable market parameters, there is minimal subjectivity involved in measuring fair value. When observable market prices and parameters are not fully available, management judgment is necessary to estimate fair value. For inactive markets, there is little information, if any, to evaluate if individual transactions are orderly. Accordingly, we are required to estimate, based upon all available facts and circumstances, the degree to which orderly transactions are occurring and provide more weighting to price quotes that are based upon orderly transactions. In addition,

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changes in the market conditions may reduce the availability of quoted prices or observable data. For example, reduced liquidity in the capital markets or changes in secondary market activities could result in observable market inputs becoming unavailable. Therefore, when market data is not available, we use valuation techniques requiring more management judgment to estimate the appropriate fair value measurement. Accordingly, the degree of judgment exercised by management in determining fair value is greater for financial assets and liabilities categorized as Level 3.

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The following fair value hierarchy tables present information about our assets and liabilities that are measured at fair value on a recurring basis as of June 30, 2012:

	Quoted Prices in Active Markets for Identical Assets (Level 1)				Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance as of June 30, 2012
(Dollars in thousands)							
Assets							
Available-for-sale securities:							
U.S. treasury securities	\$	-	\$	25,599	\$	-	\$ 25,599
U.S. agency debentures		-		2,640,124		-	2,640,124
Residential mortgage-backed securities:							
Agency-issued mortgage-backed securities		-		1,713,799		-	1,713,799
Agency-issued collateralized mortgage obligations - fixed rate		-		3,804,211		-	3,804,211
Agency-issued collateralized mortgage obligations - variable rate		-		2,108,449		-	2,108,449
Agency-issued commercial mortgage-backed securities		-		228,080		-	228,080
Municipal bonds and notes		-		99,694		-	99,694
Equity securities		995		-		-	995
Total available-for-sale securities		995		10,619,956		-	10,620,951
Non-marketable securities (fair value accounting):							
Venture capital and private equity fund investments		-		-		639,596	639,596
Other venture capital investments		-		-		120,111	120,111
Total non-marketable securities (fair value accounting)		-		-		759,707	759,707
Other assets:							
Marketable securities		1,042		3,694		-	4,736
Interest rate swaps		-		9,331		-	9,331
Foreign exchange forward and option contracts		-		20,582		-	20,582
Equity warrant assets		-		5,786		68,619	74,405
Loan conversion options		-		1,569		-	1,569
Client interest rate derivatives		-		57		-	57
Total assets (1)	\$	2,037	\$	10,660,975	\$	828,326	\$ 11,491,338
Liabilities							
Foreign exchange forward and option contracts	\$	-	\$	15,361	\$	-	\$ 15,361
Client interest rate derivatives		-		59		-	59
Total liabilities	\$	-	\$	15,420	\$	-	\$ 15,420

(1) Included in Level 1, Level 2, and Level 3 assets are \$0.9 million, \$3.5 million, and \$671.9 million, respectively, attributable to noncontrolling interests calculated based on the ownership percentages of the noncontrolling interests.

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The following fair value hierarchy tables present information about our assets and liabilities that are measured at fair value on a recurring basis as of December 31, 2011:

	Quoted Prices in Active Markets for Identical Assets (Level 1)				Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance as of December 31, 2011
(Dollars in thousands)							
Assets							
Available-for-sale securities:							
U.S. treasury securities	\$	-	\$	25,964	\$	-	\$ 25,964
U.S. agency debentures		-		2,874,932		-	2,874,932
Residential mortgage-backed securities:							
Agency-issued mortgage-backed securities		-		1,564,286		-	1,564,286
Agency-issued collateralized mortgage obligations - fixed rate		-		3,373,760		-	3,373,760
Agency-issued collateralized mortgage obligations - variable rate		-		2,413,378		-	2,413,378
Agency-issued commercial mortgage-backed securities		-		178,693		-	178,693
Municipal bonds and notes		-		100,498		-	100,498
Equity securities		4,535		-		-	4,535
Total available-for-sale securities		4,535		10,531,511		-	10,536,046
Non-marketable securities (fair value accounting):							
Venture capital and private equity fund investments		-		-		611,824	611,824
Other venture capital investments		-		-		124,121	124,121
Other investments		-		-		987	987
Total non-marketable securities (fair value accounting)		-		-		736,932	736,932
Other assets:							
Marketable securities		1,410		-		-	1,410
Interest rate swaps		-		11,441		-	11,441
Foreign exchange forward and option contracts		-		18,326		-	18,326
Equity warrant assets		-		3,923		63,030	66,953
Loan conversion options		-		923		-	923
Client interest rate derivatives		-		50		-	50
Total assets (1)	\$	5,945	\$	10,566,174	\$	799,962	\$ 11,372,081
Liabilities							
Foreign exchange forward and option contracts	\$	-	\$	16,816	\$	-	\$ 16,816
Client interest rate derivatives		-		52		-	52
Total liabilities	\$	-	\$	16,868	\$	-	\$ 16,868

(1) Included in Level 1 and Level 3 assets are \$1.2 million and \$647.5 million, respectively, attributable to noncontrolling interests calculated based on the ownership percentages of the noncontrolling interests.

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The following table presents additional information about Level 3 assets measured at fair value on a recurring basis for the three and six months ended June 30, 2012 and 2011, respectively:

(Dollars in thousands)	Beginning Balance	Total Realized and Unrealized Gains (Losses) Included in Income	Purchases	Sales	Issuances	Distributions and Other Settlements	Transfers Into Level 3	Transfers Out of Level 3	Ending Balance
Three months ended June 30, 2012:									
Non-marketable securities (fair value accounting):									
Venture capital and private equity fund investments	\$ 620,356	\$ 14,557	\$ 33,365	\$ -	\$ -	\$ (28,682)	\$ -	\$ -	\$ 639,596
Other venture capital investments	127,951	(3,540)	211	(3,932)	-	16	-	(595)	120,111
Other investments	1,002	-	-	-	-	(1,002)	-	-	-
Total non-marketable securities (fair value accounting) (1)	749,309	11,017	33,576	(3,932)	-	(29,668)	-	(595)	759,707
Other assets:									
Equity warrant assets (2)	65,217	5,853	-	(6,075)	3,873	-	-	(249)	68,619
Total assets	\$ 814,526	\$ 16,870	\$ 33,576	\$ (10,007)	\$ 3,873	\$ (29,668)	\$ -	\$ (844)	\$ 828,326
Three months ended June 30, 2011:									
Non-marketable securities (fair value accounting):									
Venture capital and private equity fund investments	\$ 464,377	\$ 32,423	\$ 37,335	\$ -	\$ -	\$ (19,017)	\$ -	\$ -	\$ 515,118
Other venture capital investments	108,525	660	4,639	(4,042)	-	4,288	-	-	114,070
Other investments	995	-	-	-	-	-	-	-	995
Total non-marketable securities (fair value accounting) (1)	573,897	33,083	41,974	(4,042)	-	(14,729)	-	-	630,183
Other assets:									
Equity warrant assets (2)	46,260	10,246	-	(9,924)	3,558	(1)	-	(362)	49,777
Total assets	\$ 620,157	\$ 43,329	\$ 41,974	\$ (13,966)	\$ 3,558	\$ (14,730)	\$ -	\$ (362)	\$ 679,960
Six months ended June 30, 2012:									
Non-marketable securities (fair value accounting):									
Venture capital and private equity fund investments	\$ 611,824	\$ 26,661	\$ 55,081	\$ -	\$ -	\$ (53,970)	\$ -	\$ -	\$ 639,596
Other venture capital investments	124,121	(7,127)	7,935	(4,239)	-	16	-	(595)	120,111
Other investments	987	21	-	-	-	(1,008)	-	-	-

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Total non-marketable securities (fair value accounting) (1)	736,932	19,555	63,016	(4,239)	-	(54,962)	-	(595)	759,707
Other assets:									
Equity warrant assets (2)	63,030	9,648	-	(9,718)	6,173	1	-	(515)	68,619
Total assets	\$ 799,962	\$ 29,203	\$ 63,016	\$ (13,957)	\$ 6,173	\$ (54,961)	\$ -	\$ (1,110)	\$ 828,326

Six months ended June 30, 2011:

Non-marketable securities (fair value accounting):									
Venture capital and private equity fund investments	\$ 391,247	\$ 75,991	\$ 77,400	\$ -	\$ -	\$ (29,520)	\$ -	\$ -	\$ 515,118
Other venture capital investments	111,843	5,371	10,746	(18,178)	-	4,288	-	-	114,070
Other investments	981	20	-	-	-	(6)	-	-	995
Total non-marketable securities (fair value accounting) (1)	504,071	81,382	88,146	(18,178)	-	(25,238)	-	-	630,183
Other assets:									
Equity warrant assets (2)	43,537	13,211	-	(13,462)	7,182	(63)	-	(628)	49,777
Total assets	\$ 547,608	\$ 94,593	\$ 88,146	\$ (31,640)	\$ 7,182	\$ (25,301)	\$ -	\$ (628)	\$ 679,960

- (1) Realized and unrealized gains (losses) are recorded on the line items gains on investment securities, net , and other noninterest income , components of noninterest income.
- (2) Realized and unrealized gains (losses) are recorded on the line item gains on derivative instruments, net , a component of noninterest income.

The following table presents the amount of unrealized gains (losses) included in earnings (which is inclusive of noncontrolling interest) attributable to Level 3 assets still held at June 30, 2012:

	Three months ended June 30, 2012	Six months ended June 30, 2012
Non-marketable securities (fair value accounting):		
Venture capital and private equity fund investments	\$ (9,872)	\$ (16,986)
Other venture capital investments	10,819	8,208
Other investments	-	21
Total non-marketable securities (fair value accounting) (1)	947	(8,757)
Other assets:		
Equity warrant assets (2)	2,888	3,392
Total unrealized gains	\$ 3,835	\$ (5,365)
Unrealized gains (losses) attributable to noncontrolling interests	\$ 457	\$ (9,425)

- (1) Unrealized gains (losses) are recorded on the line items gains on investment securities, net , and other noninterest income , components of noninterest income.
- (2) Unrealized gains are recorded on the line item gains on derivative instruments, net , a component of noninterest income.

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The following table presents quantitative information about the significant unobservable inputs used for certain of our Level 3 fair value measurements at June 30, 2012. We have not included in this table our venture capital and private equity fund investments (fair value accounting) as we use net asset value per share (as obtained from the general partners of the investments) as a practical expedient to determine fair value.

(Dollars in thousands)	Fair Value at June 30, 2012	Valuation Technique	Significant Unobservable Inputs	Weighted Average
Other venture capital investments (fair value accounting)	\$ 120,111	Private company equity pricing	(1)	(1)
Equity warrant assets (private portfolio)	68,619	Modified Black-Scholes option pricing model	Volatility Risk-Free interest rate Marketability discount (2) Remaining life assumption (3)	51.2% 0.4% 15.0% 40.0%

- (1) In determining the fair value of our other venture capital investment portfolio, we evaluate a variety of factors related to each underlying private portfolio company including, but not limited to, actual and forecasted results, cash position, recent or planned transactions and market comparable companies. Additionally, we have ongoing communication with the portfolio companies and venture capital fund managers, to determine whether there is a material change in fair value. These factors are specific to each portfolio company and a weighted average or range of values of the unobservable inputs is not meaningful.
- (2) Our marketability discount is applied to all private company warrants to account for a general lack of liquidity due to the private nature of the associated underlying company. The quantitative measure used is based on long-run averages and is influenced over time by various factors, such as market conditions. On a quarterly basis, a sensitivity analysis is performed on our marketability discount.
- (3) We adjust the contractual remaining term of private company warrants based on our best estimate of the actual remaining life, which we determine by utilizing historical data on cancellations and exercises. At June 30, 2012, the weighted average contractual remaining term was 6.5 years, compared to our estimated remaining life of 2.6 years. On a quarterly basis, a sensitivity analysis is performed on our remaining life assumption.

For the three and six months ended June 30, 2012 and 2011, we had no transfers between Level 1 and Level 2. Transfers from Level 3 to Level 2 for the three and six months ended June 30, 2012 included \$0.6 million due to the IPO of one of our portfolio companies, which was included in our non-marketable securities portfolio. All other transfers from Level 3 to Level 2 for the three and six months ended June 30, 2012 and all transfers for the three and six months ended June 30, 2011 were due to the transfer of equity warrant assets from our private portfolio to our public portfolio (See our Level 3 reconciliation above). All amounts reported as transfers represent the fair value as of the date of the change in circumstances that caused the transfer.

Financial Instruments not Carried at Fair Value

FASB guidance over financial instruments requires that we disclose estimated fair values for our financial instruments not carried at fair value. Fair value estimates, methods and assumptions, set forth below for our financial instruments, are made solely to comply with these requirements.

Fair values are based on estimates or calculations at the transaction level using present value techniques in instances where quoted market prices are not available. Because broadly traded markets do not exist for many of our financial instruments, the fair value calculations attempt to incorporate the effect of current market conditions at a specific time. The aggregation of the fair value calculations presented herein does not represent, and should not be construed to represent, the underlying value of the Company.

The following describes the methods and assumptions used in estimating the fair values of financial instruments, excluding financial instruments already recorded at fair value as described above.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, cash balances due from banks, interest-earning deposits, securities purchased under agreement to resell and other short-term investment securities. The carrying amount is a reasonable estimate of fair value because of the insignificant risk of changes in fair value due to changes in market interest rates, and the instruments are purchased in conjunction with our cash management activities.

Non-Marketable Securities (Cost and Equity Method Accounting)

Non-marketable securities (cost and equity method accounting) includes other investments (equity method accounting), low income housing tax credit funds (equity method accounting), venture capital and private equity fund investments (cost method accounting), and other venture capital investments (cost method accounting). The fair value of other investments (equity method accounting), venture capital and private equity fund investments (cost method accounting), and other venture capital investments (cost method accounting) is based on financial information obtained from the investee or obtained from the fund investments or debt fund investments respective general partners. For private company investments, fair value is based on consideration of a range of factors including, but not limited to, the price at which the investment was acquired, the term and nature of the investment, local market conditions, values for comparable securities, current and projected operating performance, exit strategies and financing transactions subsequent to the acquisition of the investment. For our fund investments, we utilize the net asset value per share as obtained from the general partners of the investments. We adjust the net asset value per share for differences between our measurement date and the date of the fund investment's net asset value by using the most recently available financial information from the investee general partner, for example March 31st, for our June 30th consolidated financial statements, adjusted for any contributions paid, distributions received from the investment, and significant fund transactions or market events during the reporting period. The carrying value of our low income housing tax credit funds (equity method accounting) is a reasonable estimate of fair value.

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Loans

The fair value of fixed and variable rate loans is estimated by discounting contractual cash flows using rates that reflect current pricing for similar loans and the projected forward yield curve. This method is not based on the exit price concept of fair value required under ASC 820, *Fair Value Measurements and Disclosures*.

FHLB and FRB stock

Investments in FHLB and FRB stock are recorded at cost. The carrying amounts of these investments are reasonable estimates of fair value because the securities are restricted to member banks and they do not have a readily determinable market value.

Accrued Interest Receivable and Payable

The carrying amounts of accrued interest receivable and payable are reasonable estimates of fair value due to the short-term nature of these instruments.

Deposits

The fair value of deposits with no stated maturity, such as noninterest-bearing demand deposits, interest-bearing checking accounts, money market accounts and interest-bearing sweep deposits is equal to the amount payable on demand at the measurement date. The fair value of time deposits is estimated by discounting the cash flows using our cost of borrowings and the projected forward yield curve over their remaining contractual term.

Short-Term Borrowings

Short-term borrowings at June 30, 2012 included cash collateral received from our counterparty for our interest rate swap agreement related to our 6.05% Subordinated Notes. The carrying amount of the cash collateral is a reasonable estimate of fair value.

Long-Term Debt

Long-term debt at June 30, 2012 included our 5.375% Senior Notes, 7.0% Junior Subordinated Debentures and 6.05% Subordinated Notes. The fair value of long-term debt is generally based on quoted market prices, when available, or is estimated based on calculations utilizing third-party pricing services and current market spread, price indications from reputable dealers or observable market prices of the underlying instrument(s), whichever is deemed more reliable. Also included in the estimated fair value of our 6.05% Subordinated Notes are amounts related to the fair value of the interest rate swap associated with the note.

Off-Balance Sheet Financial Instruments

The fair value of net available commitments to extend credit is estimated based on the average amount we would receive or pay to execute a new agreement with identical terms and pricing, while taking into account the counterparties' credit standing.

Letters of credit are carried at their fair value, which is equivalent to the residual premium or fee at June 30, 2012 or December 31, 2011. Commitments to extend credit and letters of credit typically result in loans with a market interest rate if funded.

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The information presented herein is based on pertinent information available to us as of June 30, 2012 and December 31, 2011. The following fair value hierarchy table presents the estimated fair values of our financial instruments that are not carried at fair value at June 30, 2012 and December 31, 2011:

(Dollars in thousands)	Carrying Amount	Estimated Fair Value		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
June 30, 2012:				
<i>Financial assets:</i>				
Cash and cash equivalents	\$ 1,411,725	\$ 1,411,725	\$ -	\$ -
Non-marketable securities (cost and equity method accounting)	372,605	-	-	407,262
Net commercial loans	6,968,693	-	-	7,145,552
Net consumer loans	722,893	-	-	743,208
FHLB and FRB stock	39,301	-	-	39,301
Accrued interest receivable	62,359	-	62,359	-
<i>Financial liabilities:</i>				
Other short-term borrowings	5,880	5,880	-	-
Non-maturity deposits (1)	17,900,604	17,900,604	-	-
Time deposits	168,208	-	167,917	-
5.375% Senior Notes	347,893	-	380,961	-
6.05% Subordinated Notes (2)	55,054	-	60,411	-
7.0% Junior Subordinated Debentures	55,285	-	51,897	-
Accrued interest payable	6,496	-	6,496	-
<i>Off-balance sheet financial assets:</i>				
Commitments to extend credit	-	-	-	22,343
December 31, 2011:				
<i>Financial assets:</i>				
Cash and cash equivalents	\$ 1,114,948	\$ 1,114,948	\$ -	\$ -
Non-marketable securities (cost and equity method accounting)	267,508	-	-	290,393
Net commercial loans	6,192,578	-	-	6,336,705
Net consumer loans	687,557	-	-	627,733
FHLB and FRB stock	39,189	-	-	39,189
Accrued interest receivable	58,108	-	58,108	-
<i>Financial liabilities:</i>				
Non-maturity deposits (1)	16,553,787	16,553,787	-	-
Time deposits	155,749	-	155,346	-
5.375% Senior Notes	347,793	-	362,786	-
6.05% Subordinated Notes (2)	55,075	-	57,746	-
5.70% Senior Notes (3)	143,969	-	145,184	-
7.0% Junior Subordinated Debentures	55,372	-	51,526	-
Other long-term debt	1,439	-	-	1,439
Accrued interest payable	6,689	-	6,689	-
<i>Off-balance sheet financial assets:</i>				
Commitments to extend credit	-	-	-	21,232

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- (1) Includes noninterest-bearing demand deposits, interest-bearing checking accounts, money market accounts and interest-bearing sweep deposits.
- (2) At June 30, 2012 and December 31, 2011, included in the carrying value and estimated fair value of our 6.05% Subordinated Notes was \$9.3 million and \$8.8 million, respectively, related to the fair value of the interest rate swap associated with the notes.
- (3) At December 31, 2011, included in the carrying value and estimated fair value of our 5.70% Senior Notes was \$2.6 million related to the fair value of the interest rate swap associated with the notes.

Investments in Entities that Calculate Net Asset Value Per Share

FASB guidance over certain fund investments requires that we disclose the fair value of funds, significant investment strategies of the investees, redemption features of the investees, restrictions on the ability to sell investments, estimate of the period of time over which the underlying assets are expected to be liquidated by the investee, and unfunded commitments related to the investments.

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Our investments in debt funds and venture capital and private equity fund investments generally cannot be redeemed. Alternatively, we expect distributions, if any, to be received primarily through IPOs and M&A activity of the underlying assets of the fund. We currently do not have any plans to sell any of these fund investments. If we decide to sell these investments in the future, the investee fund's management must approve of the buyer before the sale of the investments can be completed. The fair values of the fund investments have been estimated using the net asset value per share of the investments, adjusted for any differences between our measurement date and the date of the fund investment's net asset value by using the most recently available financial information from the investee general partner, for example March 31st, for our June 30th consolidated financial statements, adjusted for any contributions paid, distributions received from the investment, and significant fund transactions or market events during the reporting period.

The following table is a summary of the estimated fair values of these investments and remaining unfunded commitments for each major category of these investments as of June 30, 2012:

(Dollars in thousands)	Carrying Amount	Fair Value	Unfunded Commitments
Non-marketable securities (fair value accounting):			
Venture capital and private equity fund investments (1)	\$ 639,596	\$ 639,596	\$ 377,037
Non-marketable securities (equity method accounting):			
Other investments (2)	51,102	52,185	7,750
Non-marketable securities (cost method accounting):			
Venture capital and private equity fund investments (3)	153,618	185,335	67,988
Total	\$ 844,316	\$ 877,116	\$ 452,775

- (1) Venture capital and private equity fund investments within non-marketable securities (fair value accounting) include investments made by our managed funds of funds, one of our direct venture funds and one other private equity fund. These investments represent investments in venture capital and private equity funds that invest primarily in U.S. and global technology and life sciences companies. Included in the fair value and unfunded commitments of fund investments under fair value accounting are \$562.6 million and \$365.2 million, respectively, attributable to noncontrolling interests. It is estimated that we will receive distributions from the fund investments over the next 10 to 13 years, depending on the age of the funds and any potential extensions of terms of the funds.
- (2) Other investments within non-marketable securities (equity method accounting) include investments in debt funds and venture capital and private equity fund investments that invest in or lend money to primarily U.S. and global technology and life sciences companies. It is estimated that we will receive distributions from the fund investments over the next 10 to 13 years, depending on the age of the funds.
- (3) Venture capital and private equity fund investments within non-marketable securities (cost method accounting) include investments in venture capital and private equity fund investments that invest primarily in U.S. and global technology and life sciences companies. It is estimated that we will receive distributions from the fund investments over the next 10 to 13 years, depending on the age of the funds and any potential extensions of the terms of the funds.

14. Legal Matters

Certain lawsuits and claims arising in the ordinary course of business have been filed or are pending against us or our affiliates. In accordance with applicable accounting guidance, we establish accruals for all lawsuits, claims and expected settlements when we believe it is probable that a loss has been incurred and the amount of the loss is reasonably estimable. When a loss contingency is not both probable and estimable, we do not establish an accrual. Any such loss estimates are inherently uncertain, based on currently available information and are subject to management's judgment and various assumptions. Due to the inherent subjectivity of these estimates and unpredictability of outcomes of legal proceedings, any amounts accrued may not represent the ultimate resolution of such matters.

To the extent we believe any potential loss relating to such lawsuits and claims may have a material impact on our liquidity, consolidated financial position, results of operations, and/or our business as a whole and is reasonably possible but not probable, we disclose information relating to any such potential loss, whether in excess of any established accruals or where there is no established accrual. We also disclose information relating to any material potential loss that is probable but not reasonably estimable. Where reasonably practicable, we will provide an estimate of loss or range of potential loss. No disclosures are generally made for any loss contingencies that are deemed to be remote.

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Based upon information available to us, our review of lawsuits and claims filed or pending against us to date and consultation with our outside legal counsel, we have not recognized a material accrual liability for these matters, nor do we currently expect it is reasonably possible that these matters will result in a material liability to the Company. However, the outcome of litigation and other legal and regulatory matters is inherently uncertain, and it is possible that one or more of such matters currently pending or threatened could have an unanticipated material adverse effect on our liquidity, consolidated financial position, results of operations, and/or our business as a whole, in the future.

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15. Related Parties

During the six months ended June 30, 2012, the Bank made loans to related parties, including certain companies in which certain of our directors or their affiliated venture funds are beneficial owners of ten percent or more of the equity securities of such companies. Such loans: (a) were made in the ordinary course of business; (b) were made on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with other persons; and (c) did not involve more than the normal risk of collectability or present other unfavorable features. Additionally, we also provide real estate secured loans to eligible employees through our EHOP.

16. Subsequent Events

We have evaluated all material subsequent events and determined there are no events that require disclosure.

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ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Forward-Looking Statements

This Quarterly Report on Form 10-Q, including in particular Management's Discussion and Analysis of Financial Condition and Results of Operations under Part I, Item 2 of this report, contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Management has in the past and might in the future make forward-looking statements orally to analysts, investors, the media and others. Forward-looking statements are statements that are not historical facts. Broadly speaking, forward-looking statements include, but are not limited to, the following:

Projections of our net interest income, noninterest income, earnings per share, noninterest expenses (including professional services, compliance, compensation and other costs), cash flows, balance sheet positions, capital expenditures, liquidity and capitalization or other financial items

Descriptions of our strategic initiatives, plans or objectives for future operations, including pending sales or acquisitions

Forecasts of venture capital/private equity funding and investment levels

Forecasts of future interest rates, economic performance, and income from investments

Forecasts of expected levels of provisions for loan losses, loan growth and client funds

Descriptions of assumptions underlying or relating to any of the foregoing

In this Quarterly Report on Form 10-Q, we make forward-looking statements, including, but not limited to, those discussing our management's expectations about:

- Market and economic conditions (including interest rate environment, and levels of public offerings, mergers/acquisitions and venture capital financing activities) and the associated impact on us
- The sufficiency of our capital, including sources of capital (such as funds generated through retained earnings) and the extent to which capital may be used or required
- The adequacy of our liquidity position, including sources of liquidity (such as funds generated through retained earnings)
- Our overall investment plans, strategies and activities, including venture capital/private equity funding and investments, and our investment of excess cash/liquidity
- The realization, timing, valuation and performance of equity or other investments
- The likelihood that the market value of our impaired investments will recover
- Our intent to sell our investment securities prior to recovery of our cost basis, or the likelihood of such
- Expected cash requirements for unfunded commitments to certain investments, including capital calls
- Our overall management of interest rate risk, including managing the sensitivity of our interest-earning assets and interest-bearing liabilities to interest rates, and the impact to earnings from a change in interest rates
- The credit quality of our loan portfolio, including levels and trends of nonperforming loans, impaired loans, criticized loans and troubled debt restructurings
- The adequacy of reserves (including allowance for loan and lease losses) and the appropriateness of our methodology for calculating such reserves
- The level of loan and deposit balances
- The level of client investment fees and associated margins
- The profitability of our products and services
- Our strategic initiatives, including the expansion of operations in China, India, Israel, the UK and elsewhere (such as establishing our joint venture bank in China and a branch in the UK)
- The expansion and growth of our noninterest income sources
- Distributions of venture capital, private equity or debt fund investment proceeds; intentions to sell such fund investments
- The changes in, or adequacy of, our unrecognized tax benefits and any associated impact
- The impact from the IRS audit examination results
- The extent to which counterparties, including those to our forward and option contracts, will perform their contractual obligations
- The effect of application of certain accounting pronouncements
- The effect of lawsuits and claims
- Regulatory developments, including the nature and timing of the adoption and effectiveness of new requirements under the Dodd-Frank Act (as defined below), Basel guidelines, and other applicable laws and regulations

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You can identify these and other forward-looking statements by the use of words such as becoming, may, will, should, predicts, pot continue, anticipates, believes, estimates, seeks, expects, plans, intends, the negative of such words, or comparable terminology. believe that the expectations reflected in these forward-looking statements are reasonable, we have based these expectations on our beliefs as well as our assumptions, and such expectations may prove to be incorrect. Our actual results of operations and financial performance could differ significantly from those expressed in or implied by our management s forward-looking statements.

For information with respect to factors that could cause actual results to differ from the expectations stated in the forward-looking statements, see Risk Factors set forth in our Annual Report on Form 10-K for the year ended December 31, 2011 (2011 Form 10-K), as filed with the SEC. We urge investors to consider all of these factors carefully in evaluating the forward-looking statements contained in this report. All subsequent written or oral forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by these cautionary statements. The forward-looking statements included in this filing are made only as of the date of this filing. We assume no obligation and do not intend to revise or update any forward-looking statements contained in this Quarterly Report on Form 10-Q.

The following discussion and analysis of financial condition and results of operations should be read in conjunction with our interim unaudited consolidated financial statements and accompanying notes as presented in Part I, Item 1 of this report and in conjunction with our 2011 Form 10-K.

Reclassifications

Certain reclassifications have been made to prior period results to conform to the current period s presentations. Such reclassifications had no effect on our results of operations or stockholders equity.

Management s Overview of Second Quarter 2012 Performance

Overall, we had a strong second quarter of 2012, which reflected the strength of our clients and our business. We had net income available to common stockholders of \$47.6 million and diluted earnings per common share of \$1.06. In the second quarter of 2012, compared to the second quarter of 2011, we experienced exceptional loan growth with record high average balances of \$7.2 billion. Our total client funds, which consists of on-balance sheet deposits and off-balance sheet client investment funds, also increased reflecting growth from our existing clients and strong new client acquisition. In addition, overall credit quality remains strong, and we saw continued growth in our core fee income (foreign exchange fees, deposit service charges, credit card fees, client investment fees and letter of credit and standby letter of credit income) and solid gains from our investment securities and warrant portfolio. Additionally, our liquidity and capital ratios continued to remain strong.

Second quarter 2012 results (compared to the second quarter 2011, where applicable) included:

- Continued strong growth in our lending business with record high average loan balances of \$7.2 billion, an increase of \$1.7 billion, or 30.8 percent.
- Strong overall credit quality, as reflected by our allowance for loan losses as a percentage of gross loans of 1.25 percent. Our provision for loan losses of \$8.0 million for the second quarter of 2012 was primarily attributable to loan growth.
- Average deposit balances of \$17.4 billion, an increase of \$2.1 billion, or 14.0 percent. Average total client funds (including both average on-balance sheet deposits and off-balance sheet client investment funds) were \$37.2 billion, an increase of \$4.2 billion, or 12.8 percent.
- Net interest income (fully taxable equivalent basis) of \$152.4 million, an increase of \$21.5 million, primarily due to an increase in interest income from loans mainly attributable to growth in average balances of \$1.7 billion. These increases were partially offset by lower yields earned on our overall loan portfolio.

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- i Our net interest margin increased to 3.22 percent, compared to 3.13 percent, primarily due to growth in average loan balances and lower cash balances from deployment into available-for-sale securities, which has resulted in a favorable change in our mix of interest-earning assets. The increases were partially offset by a decrease in the overall yield of our loan portfolio and available-for-sale securities.
- i Gains on investment securities, net of noncontrolling interests, of \$11.3 million, compared to \$45.2 million. The gains on investment securities, net of noncontrolling interests included gains from the sale of certain available-for-sale of \$5.0 million and \$37.3 million in the second quarters of 2012 and 2011, respectively. See Results of Operations Noninterest Income Gains on Investment Securities, Net for further details and a reconciliation of gains on investment securities, net of noncontrolling interests.
- i Core fee income of \$33.2 million, an increase of \$4.9 million, or 17.2 percent. This increase reflects increased client activity and continued growth in our business, primarily from credit card fees and foreign exchange fees. See Results of Operations Noninterest Income for a description and reconciliation of core fee income.

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- i Net gains on equity warrant assets of \$4.9 million, compared to \$13.9 million. The net gains of \$4.9 million in the second quarter of 2012 were driven by M&A activity, and included gains of \$3.3 million from valuation increases and gains of \$2.2 million from the exercise of equity warrant assets.
- i Net gains of \$4.2 million from the sale of certain assets related to our equity management services business.
- i Noninterest expense of \$135.8 million, an increase of \$14.7 million, or 12.2 percent. The increase was primarily due to increased premises and equipment and professional services expenses to support continued growth in our business and IT infrastructure initiatives. In addition, average full-time equivalent employees (FTEs) increased by 10.6 percent to 1,566 average FTEs, compared to 1,416 average FTEs, which contributed to an increase in salaries and wages expense.
- i Overall, our liquidity remained strong based on our period end available-for-sale securities portfolio of \$10.6 billion at June 30, 2012. Our available-for-sale securities portfolio continues to be a good source of liquidity as it is invested in high quality investments and generates substantial monthly cash flows. Additionally, our available-for-sale securities portfolio provides us the ability to secure wholesale borrowings, if needed.
- i Overall, we continue to maintain strong capital positions. Our Tier 1 leverage ratios for both SVB Financial and the Bank increased as a result of strong earnings and an increase in additional paid-in capital primarily from stock issuances under our ESPP and stock option exercises during the second quarter of 2012. Our total risk-based capital for both SVB Financial and the Bank decreased due to changes in the mix of risk-weighted assets resulting from a large increase in period-end loans.

A summary of our performance for the three and six months ended June 30, 2012 and 2011 is as follows:

	Three months ended June 30,			Six months ended June 30,		
(Dollars in thousands,						
except per share data and ratios)	2012	2011	% Change	2012	2011	% Change
Income Statement:						
Diluted earnings per share	\$ 1.06	\$ 1.50	(29.3) %	\$ 1.85	\$ 2.27	(18.5) %
Net income available to common stockholders	47,603	65,750	(27.6)	82,393	98,757	(16.6)
Net interest income	151,934	130,453	16.5	302,871	250,752	20.8
Net interest margin	3.22 %	3.13 %	9 bps	3.26 %	3.04 %	22 bps
Provision for (reduction of) loan losses	\$ 7,999	\$ 134	NM %	\$ 22,528	\$ (2,913)	NM %
Noninterest income	80,426	123,708	(35.0)	139,719	213,662	(34.6)
Noninterest expense	135,766	121,032	12.2	267,778	238,467	12.3
Non-GAAP net income available to common stockholders (1)	42,069	41,363	1.7	76,859	74,370	3.3
Non-GAAP diluted earnings per share (1)	0.94	0.95	(1.1)	1.72	1.71	0.6
Non-GAAP noninterest income, net of noncontrolling interest and excluding gains on sales of available-for-sale-securities (2)	57,844	59,836	(3.3)	109,219	106,228	2.8
Non-GAAP noninterest expense, net of noncontrolling interest and excluding net gains from debt repurchases (3)	131,819	121,534	8.5	261,013	235,488	10.8
Balance Sheet:						
Average loans, net of unearned income	\$ 7,237,182	\$ 5,532,831	30.8 %	\$ 7,020,765	\$ 5,423,051	29.5 %
Average noninterest-bearing demand deposits	12,264,003	9,551,686	28.4	12,145,000	9,350,705	29.9
Average interest-bearing deposits	5,143,633	5,718,053	(10.0)	5,041,700	5,619,101	(10.3)
Average total deposits	17,407,636	15,269,739	14.0	17,186,700	14,969,806	14.8
Earnings Ratios:						
Return on average assets (annualized) (4)	0.92 %	1.44 %	(36.1) %	0.81 %	1.10 %	(26.4) %
Return on average common SVBFG stockholders equity (annualized) (5)	11.21	18.78	(40.3)	9.95	14.65	(32.1)

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Asset Quality Ratios:						
Allowance for loan losses as a percentage of total period-end gross loans	1.25 %	1.36 %	(11) bps	1.25 %	1.36 %	(11) bps
Allowance for loan losses for performing loans as a percentage of total gross performing loans	1.18	1.27	(9)	1.18	1.27	(9)
Gross loan charge-offs as a percentage of average total gross loans (annualized)	0.78	0.31	47	0.60	0.32	28
Net loan charge-offs (recoveries) as a percentage of average total gross loans (annualized)	0.59	0.00	59	0.41	(0.09)	50
Capital Ratios:						
Total risk-based capital ratio	13.85 %	14.97 %	(112) bps	13.85 %	14.97 %	(112) bps
Tier 1 risk-based capital ratio	12.62	13.58	(96)	12.62	13.58	(96)
Tier 1 leverage ratio	8.07	8.04	3	8.07	8.04	3
Tangible common equity to tangible assets (6)	8.06	7.42	64	8.06	7.42	64
Tangible common equity to risk-weighted assets (6)	13.35	13.72	(37)	13.35	13.72	(37)
Bank total risk-based capital ratio	12.24	13.06	(82)	12.24	13.06	(82)
Bank tier 1 risk-based capital ratio	10.98	11.62	(64)	10.98	11.62	(64)
Bank tier 1 leverage ratio	7.01	6.82	19	7.01	6.82	19
Bank tangible common equity to tangible assets (6)	7.39	6.67	72	7.39	6.67	72
Bank tangible common equity to risk-weighted assets (6)	11.86	12.07	(21)	11.86	12.07	(21)
Other Ratios:						
Operating efficiency ratio (7)	58.31 %	47.53 %	22.7 %	60.37 %	51.24 %	17.8 %
Non-GAAP operating efficiency ratio (3)	62.70	63.72	(1.6)	63.20	65.80	(4.0)
Book value per common share (8)	\$ 38.63	\$ 33.31	16.0	\$ 38.63	\$ 33.31	16.0
Other Statistics:						
Average full-time equivalent employees	1,566	1,416	10.6 %	1,561	1,403	11.3 %
Period-end full-time equivalent employees	1,562	1,428	9.4	1,562	1,428	9.4

NM Not meaningful

- (1) See Non-GAAP Net Income and Non-GAAP Diluted Earnings Per Common Share for a description and reconciliation of non-GAAP net income available to common stockholders and non-GAAP diluted earnings per share.
- (2) See Results of Operations Noninterest Income for a description and reconciliation of non-GAAP noninterest income.
- (3) See Results of Operations Noninterest Expense for a description and reconciliation of non-GAAP noninterest expense and non-GAAP operating efficiency ratio.
- (4) Ratio represents annualized consolidated net income available to common stockholders divided by quarterly average assets.

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- (5) Ratio represents annualized consolidated net income available to common stockholders divided by quarterly average SVBFG stockholders equity.
- (6) See Capital Resources Capital Ratios for a reconciliation of non-GAAP tangible common equity to tangible assets and tangible common equity to risk-weighted assets.
- (7) The operating efficiency ratio is calculated by dividing total noninterest expense by total taxable-equivalent net interest income plus noninterest income.
- (8) Book value per common share is calculated by dividing total SVBFG stockholders equity by total outstanding common shares at period-end.

Non-GAAP Net Income and Non-GAAP Diluted Earnings Per Common Share

We use and report non-GAAP net income and non-GAAP diluted earnings per common share, which excludes gains from sales of certain available-for-sale securities and net gains from debt repurchases and termination of corresponding interest rate swaps, as well as gains from the sale of certain assets related to our equity management services business. We believe these non-GAAP financial measures, when taken together with the corresponding GAAP financial measures, provide meaningful supplemental information regarding our performance by excluding certain items that do not occur every reporting period. Our management uses, and believes that investors benefit from referring to, these non-GAAP financial measures in assessing our operating results and related trends, and when planning, forecasting and analyzing future periods. However, these non-GAAP financial measures should be considered in addition to, not as a substitute for or preferable to, financial measures prepared in accordance with GAAP.

A reconciliation of GAAP to non-GAAP net income available to common stockholders and non-GAAP diluted earnings per common share for the three and six months ended June 30, 2012 and 2011 is as follows:

	Three months ended June 30,		Six months ended June 30,	
(Dollars in thousands,				
except per share data and ratios)	2012	2011	2012	2011
Net income available to common stockholders	\$ 47,603	\$ 65,750	\$ 82,393	\$ 98,757
Less: gains on sales of available-for-sale securities (1)	(4,955)	(37,314)	(4,955)	(37,314)
Tax impact of gains on sales of available-for-sale securities	1,974	14,810	1,974	14,810
Less: gains on the sale of certain assets related to our equity management services business (2)	(4,243)	-	(4,243)	-
Tax impact of gains on the sale of certain assets related to our equity management services business	1,690	-	1,690	-
Less: net gain from note repurchases and termination of corresponding interest rate swaps (3)	-	(3,123)	-	(3,123)
Tax impact of net gain from note repurchases and termination of corresponding interest rate swaps	-	1,240	-	1,240
Non-GAAP net income available to common stockholders	\$ 42,069	\$ 41,363	\$ 76,859	\$ 74,370
GAAP earnings per common share diluted	1.06	1.50	1.85	2.27
Less: gains on sales of available-for-sale securities (1)	(0.11)	(0.85)	(0.11)	(0.86)
Tax impact of gains on sales of available-for-sale securities	0.05	0.34	0.04	0.34
Less: gains on the sale of certain assets related to our equity management services business (2)	(0.10)	-	(0.10)	-
Tax impact of gains on the sale of certain assets related to our equity management services business	0.04	-	0.04	-
Less: net gain from note repurchases and termination of corresponding interest rate swaps (3)	-	(0.07)	-	(0.07)
Tax impact of net gain from note repurchases and termination of corresponding interest rate swaps	-	0.03	-	0.03

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Non-GAAP earnings per common share - diluted	0.94	0.95	1.72	1.71
Weighted average diluted common shares outstanding	44,711,895	43,739,743	44,572,656	43,559,345

- (1) Gains on the sales of \$315.7 million and \$1.4 billion in certain available-for-sale securities in the second quarters of 2012 and 2011, respectively.
- (2) Net gains of \$4.2 million from the sale of certain assets related to our equity management services business in the second quarter of 2012.
- (3) Net gains of \$3.1 million from the repurchase of \$108.6 million of our 5.70% Senior Notes and \$204.0 million of our 6.05% Subordinated Notes and the termination of the corresponding portions of interest rate swaps in the second quarter of 2011.

Table of Contents**Critical Accounting Policies and Estimates**

The accompanying management's discussion and analysis of results of operations and financial condition is based upon our unaudited interim consolidated financial statements, which have been prepared in accordance with GAAP. The preparation of these financial statements in accordance with GAAP requires management to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues, expenses and related disclosure of contingent assets and liabilities. Management evaluates estimates and assumptions on an ongoing basis. Management bases its estimates on historical experiences and various other factors and assumptions that are believed to be reasonable under the circumstances. Actual results may differ materially from these estimates under different assumptions or conditions.

There have been no significant changes during the six months ended June 30, 2012 to the items that we disclosed as our critical accounting policies and estimates in Management's Discussion and Analysis of Financial Condition and Results of Operations under Part II, Item 7 of our 2011 Form 10-K.

Results of Operations***Net Interest Income and Margin (Fully Taxable Equivalent Basis)***

Net interest income is defined as the difference between interest earned on loans, available-for-sale securities and short-term investment securities, and interest paid on funding sources. Net interest income is our principal source of revenue. Net interest margin is defined as the amount of annualized net interest income, on a fully taxable equivalent basis, expressed as a percentage of average interest-earning assets. Net interest income and net interest margin are presented on a fully taxable equivalent basis to consistently reflect income from taxable loans and securities and tax-exempt securities based on the federal statutory tax rate of 35.0 percent.

Analysis of Net Interest Income Changes Due to Volume and Rate (Fully Taxable Equivalent Basis)

Net interest income is affected by changes in the amount and mix of interest-earning assets and interest-bearing liabilities, referred to as volume change. Net interest income is also affected by changes in yields earned on interest-earning assets and rates paid on interest-bearing liabilities, referred to as rate change. The following table sets forth changes in interest income for each major category of interest-earning assets and interest expense for each major category of interest-bearing liabilities. The table also reflects the amount of simultaneous changes attributable to both volume and rate changes for the years indicated. For this table, changes that are not solely due to either volume or rate are allocated in proportion to the percentage changes in average volume and average rate.

(Dollars in thousands)	2012 Compared to 2011			2012 Compared to 2011		
	Three months ended June 30,			Six months ended June 30,		
	Increase (decrease) due to change in			Increase (decrease) due to change in		
	Volume	Rate	Total	Volume	Rate	Total
Interest income:						
Federal Reserve deposits, federal funds sold, securities purchased under agreements to resell and other short-term investment securities	\$ (857)	\$ 174	\$ (683)	\$ (2,043)	\$ 396	\$ (1,647)
Available-for-sale securities (taxable)	6,117	(6,262)	(145)	14,398	(8,550)	5,848
Available-for-sale securities (non-taxable)	(28)	53	25	(84)	45	(39)
Loans, net of unearned income	26,951	(6,482)	20,469	51,825	(11,671)	40,154
Increase (decrease) in interest income, net	32,183	(12,517)	19,666	64,096	(19,780)	44,316
Interest expense:						
NOW deposits	22	(11)	11	52	(39)	13
Money market deposits	90	(511)	(421)	162	(1,230)	(1,068)
Money market deposits in foreign offices	(26)	(70)	(96)	(19)	(152)	(171)

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Time deposits	(164)	45	(119)	(384)	68	(316)
Sweep deposits in foreign offices	(107)	(213)	(320)	(275)	(752)	(1,027)
Total decrease in deposits expense	(185)	(760)	(945)	(464)	(2,105)	(2,569)
Short-term borrowings	95	6	101	87	9	96
5.375% Senior Notes	1	5	6	11	1	12
3.875% Convertible Notes	(656)	-	(656)	(4,210)	-	(4,210)
Junior Subordinated Debentures	(3)	3	-	(1)	(1)	(2)
5.70% Senior Notes	(279)	195	(84)	(651)	401	(250)
6.05% Subordinated Notes	(186)	(13)	(199)	(725)	(89)	(814)
Other long-term debt	(113)	66	(47)	(195)	143	(52)
Total (decrease) increase in borrowings expense	(1,141)	262	(879)	(5,684)	464	(5,220)
Decrease in interest expense, net	(1,326)	(498)	(1,824)	(6,148)	(1,641)	(7,789)
Increase (decrease) in net interest income	\$ 33,509	\$ (12,019)	\$ 21,490	\$ 70,244	\$ (18,139)	\$ 52,105

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Net Interest Income (Fully Taxable Equivalent Basis)

Three months ended June 30, 2012 and 2011

Net interest income increased by \$21.5 million to \$152.4 million for the three months ended June 30, 2012, compared to \$130.9 million for the comparable 2011 period. Overall, we saw an increase in our net interest income primarily due to higher average loan balances, partially offset by lower yields earned on our loans.

The main factors affecting interest income and interest expense for the three months ended June 30, 2012, compared to the comparable 2011 period are discussed below:

Interest income for the three months ended June 30, 2012 increased by \$19.7 million primarily due to:

- i A \$20.5 million increase in interest income on loans, primarily due to an increase in average loan balances of \$1.7 billion, as well as an increase of \$4.7 million in loan prepayment fees. These increases were partially offset by a decrease in the yield on our loan portfolio, which is consistent with our credit performance and also reflective of our success in growing our later stage client portfolio. Additionally, the trend in yields is being influenced by changes in the composition of our loan portfolio to a higher proportion of variable-rate loans tied to national Prime rate benchmarks and 3 month LIBOR, which has continued to decrease over the past several quarters.
- i Interest income on available-for-sale securities remained relatively flat, reflecting a \$6.1 million increase related to higher average balances, offset by a \$6.2 million decrease related to lower yields. The increase in average balances came primarily from new investments in fixed-rate mortgage securities in the latter half of 2011 and first quarter of 2012, which were purchased with excess cash as a result of our continued deposit growth. The decrease in yields came primarily from an increase of \$9.1 million in premium amortization expense on fixed-rate mortgage securities, reflective of an increase in actual and estimated mortgage prepayment levels, which were impacted by a decrease in long-term market rates and growth in our mortgage securities balances. The decrease in yield from an increase in premium amortization expense was partially offset by a shift in our portfolio to a smaller proportion of lower-yielding variable-rate securities. For the three months ended June 30, 2012, average variable-rate securities were \$2.2 billion, or 20.1 percent of our available-for-sale securities portfolio, compared to \$2.8 billion, or 29.2 percent for the comparable 2011 period. These securities have variable-rate coupons that are indexed to and change with movements in the one-month LIBOR rate.

Interest expense for the three months ended June 30, 2012 decreased by \$1.8 million primarily due to:

- i A decrease in interest expense of \$0.9 million related to our long-term debt, mainly attributable to a decrease of \$0.7 million related to our \$250 million 3.875% Convertible Notes, which matured on April 15, 2011.
- i A decrease in interest expense from interest-bearing deposits of \$0.9 million, primarily due to decreases in rates paid on deposits throughout 2011, which is reflective of market rates.

Six months ended June 30, 2012 and 2011

Net interest income increased by \$52.1 million to \$303.8 million for the six months ended June 30, 2012, compared to \$251.7 million for the comparable 2011 period. Overall, we saw an increase in our net interest income primarily due to higher average loan balances and growth in our available-for-sale securities portfolio, which has increased as a result of our continued growth in deposits. These increases were partially offset by lower yields earned on our loans and available-for-sale securities.

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The main factors affecting interest income and interest expense for the six months ended June 30, 2012, compared to the comparable 2011 period are discussed below:

Interest income for the six months ended June 30, 2012 increased by \$44.3 million primarily due to:

- i A \$40.2 million increase in interest income on loans, primarily due to an increase in average loan balances of \$1.6 billion, as well as an increase of \$6.6 million in loan prepayment fees. These increases were partially offset by a decrease in the yield on our loan portfolio, which is consistent with our credit performance and also reflective of our success in growing our later stage client portfolio. Additionally, the trend in yields is being influenced by changes in the composition of our loan portfolio to a higher proportion of variable-rate loans tied to national Prime rate benchmarks and 3 month LIBOR, which has continued to decrease over the past several quarters.
- i A \$5.8 million increase in interest income on available-for-sale securities, reflecting a \$14.3 million increase related to higher average balances, offset by a \$8.5 million decrease related to lower yields. The increase in average balances came primarily from new investments in fixed-rate mortgage securities in the latter half of 2011 and first quarter of 2012, which were purchased with excess cash as a result of our continued deposit growth. The decrease in yields came primarily from an increase of \$16.4 million in premium amortization expense on fixed-rate mortgage securities, reflective of an increase in actual and estimated mortgage prepayment levels, which were impacted by a decrease in long-term market rates and growth in our mortgage securities balances. The decrease in yield from an increase in premium amortization expense was partially offset by a shift in our portfolio to a smaller proportion of lower-yielding variable-rate securities. For the six months ended June 30, 2012, average variable-rate securities were \$2.3 billion, or 21.2 percent of our available-for-sale securities portfolio, compared to \$2.8 billion, or 31.2 percent for the comparable 2011 period.

Interest expense for the six months ended June 30, 2012 decreased by \$7.8 million primarily due to:

- i A decrease in interest expense of \$5.3 million related to our long-term debt, primarily due to the maturity of \$250.0 million of our 3.875% Convertible Notes in April 2011.
- i A decrease in interest expense from interest-bearing deposits of \$2.6 million, primarily due to decreases in rates paid on deposits throughout 2011, which is reflective of market rates.

Net Interest Margin (Fully Taxable Equivalent Basis)

Our net interest margin was 3.22 percent and 3.26 percent for the three and six months ended June 30, 2012, respectively, compared to 3.13 percent and 3.04 percent for the comparable 2011 periods. The increases in our net interest margin were primarily due to growth in average loan balances and lower cash balances from deployment into available-for-sale securities, which has resulted in a favorable change in our mix of interest-earning assets. The increases were partially offset by a decrease in the overall yield of our loan portfolio and available-for-sale securities.

Table of Contents**Average Balances, Yields and Rates Paid (Fully Taxable Equivalent Basis)**

The average yield earned on interest-earning assets is the amount of annualized fully taxable equivalent interest income expressed as a percentage of average interest-earning assets. The average rate paid on funding sources is the amount of annualized interest expense expressed as a percentage of average funding sources. The following tables set forth average assets, liabilities, noncontrolling interests and SVBFG stockholders' equity, interest income, interest expense, annualized yields and rates, and the composition of our annualized net interest margin for the three and six months ended June 30, 2012 and 2011:

Average Balances, Rates and Yields for the Three Months Ended June 30, 2012 and 2011

(Dollars in thousands)	2012			2011		
	Average Balance	Interest Income/Expense	Yield/Rate	Average Balance	Interest Income/Expense	Yield/Rate
Interest-earning assets:						
Federal Reserve deposits, federal funds sold, securities purchased under agreements to resell and other short-term investment securities (1)	\$ 885,173	\$ 912	0.41 %	\$ 1,731,129	\$ 1,595	0.37 %
Available-for-sale securities: (2)						
Taxable	10,839,571	44,072	1.64	9,419,378	44,217	1.88
Non-taxable (3)	92,123	1,384	6.04	93,939	1,359	5.80
Total loans, net of unearned income (4)	7,237,182	113,935	6.33	5,532,831	93,466	6.78
Total interest-earning assets	19,054,049	160,303	3.39	16,777,277	140,637	3.36
Cash and due from banks	275,921			274,044		
Allowance for loan losses	(106,019)			(86,551)		
Other assets (5)	1,666,925			1,289,761		
Total assets	\$ 20,890,876			\$ 18,254,531		
Funding sources:						
Interest-bearing liabilities:						
NOW deposits	\$ 97,675	\$ 79	0.33 %	\$ 71,360	\$ 68	0.38 %
Money market deposits	2,676,432	1,064	0.16	2,516,675	1,485	0.24
Money market deposits in foreign offices	120,323	30	0.10	162,419	126	0.31
Time deposits	158,743	181	0.46	307,600	300	0.39
Sweep deposits in foreign offices	2,090,460	260	0.05	2,659,999	580	0.09
Total interest-bearing deposits	5,143,633	1,614	0.13	5,718,053	2,559	0.18
Short-term borrowings	221,863	110	0.20	26,110	9	0.14
5.375% Senior Notes	347,860	4,816	5.57	347,665	4,810	5.55
3.875% Convertible Notes	-	-	-	38,446	656	6.84
Junior Subordinated Debentures	55,313	831	6.04	55,489	831	6.01
5.70% Senior Notes	95,322	360	1.52	188,610	444	0.94
6.05% Subordinated Notes	54,900	127	0.93	134,432	326	0.97
Other long-term debt	494	26	21.17	5,634	73	5.20
Total interest-bearing liabilities	5,919,385	7,884	0.54	6,514,439	9,708	0.60
	13,134,664			10,262,838		

Portion of noninterest-bearing funding sources

Noninterest-bearing funding sources:

Total liabilities, noncontrolling interest, and SVBFG stockholders' equity

Total deposits	\$ 17,407,636	\$ 15,269,739
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Adjustments for taxable equivalent basis	(485)	(476)
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Net interest income, as reported	\$ 151,934	\$ 130,453
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- (1) Includes average interest-earning deposits in other financial institutions of \$288.8 million and \$286.6 million for the three months ended June 30, 2012 and 2011, respectively. For the three months ended June 30, 2012 and 2011, balances also include \$394.7 million and \$1.3 billion, respectively, deposited at the FRB, earning interest at the Federal Funds target rate.
- (2) Yields on available-for-sale securities are based on amortized cost, and therefore do not give effect to unrealized changes in fair value that are reflected in other comprehensive income.
- (3) Interest income on non-taxable available-for-sale securities is presented on a fully taxable-equivalent basis using the federal statutory income tax rate of 35.0 percent for all periods presented.
- (4) Nonaccrual loans are reflected in the average balances of loans.
- (5) Average investment securities of \$1.3 billion and \$907.0 million for the three months ended June 30, 2012 and 2011, respectively, were classified as other assets as they were noninterest-earning assets. These investments primarily consisted of non-marketable securities.

Average Balances, Rates and Yields for the Six Months Ended June 30, 2012 and 2011

(Dollars in thousands)	Six months ended June 30,					
	Average Balance	2012 Interest Income/Expense	Yield/Rate	Average Balance	2011 Interest Income/Expense	Yield/Rate
Interest-earning assets:						
Federal Reserve deposits, federal funds sold, securities purchased under agreements to resell and other short-term investment securities (1)	\$ 1,028,291	\$ 1,950	0.38 %	\$ 2,132,803	\$ 3,597	0.34 %
Available-for-sale securities: (2)						
Taxable	10,622,524	91,447	1.73	9,026,291	85,599	1.91
Non-taxable (3)	92,179	2,768	6.04	95,150	2,807	5.95
Total loans, net of unearned income (4)	7,020,765	223,396	6.40	5,423,051	183,242	6.81
Total interest-earning assets	18,763,759	319,561	3.43	16,677,295	275,245	3.32
Cash and due from banks	297,248			270,092		
Allowance for loan losses	(99,929)			(87,261)		
Other assets (5)	1,600,631			1,243,082		
Total assets	\$ 20,561,709			\$ 18,103,208		

Funding sources:

Interest-bearing liabilities:						
NOW deposits	\$ 101,086	\$ 158	0.31 %	\$ 73,807	\$ 145	0.40 %
Money market deposits	2,573,607	1,993	0.16	2,439,751	3,061	0.25
Money market deposits in foreign offices	136,452	67	0.10	149,266	238	0.32
Time deposits	155,682	361	0.47	324,875	677	0.42
Sweep deposits in foreign offices	2,074,873	516	0.05	2,631,402	1,543	0.12
Total interest-bearing deposits	5,041,700	3,095	0.12	5,619,101	5,664	0.20
Short-term borrowings	124,639	121	0.20	32,980	25	0.15
5.375% Senior Notes	347,835	9,631	5.57	347,641	9,619	5.58
3.875% Convertible Notes	-	-	-	143,394	4,210	5.92
Junior Subordinated Debentures	55,335	1,663	6.04	55,511	1,665	6.05
5.70% Senior Notes	119,403	863	1.45	226,632	1,113	0.99
6.05% Subordinated Notes	55,076	254	0.93	210,437	1,068	1.02

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Other long-term debt	967	94	19.55	5,449	146	5.40
Total interest-bearing liabilities	5,744,955	15,721	0.55	6,641,145	23,510	0.71
Portion of noninterest-bearing funding sources	13,018,804			10,036,150		
Total funding sources	18,763,759	15,721	0.17	16,677,295	23,510	0.28

Noninterest-bearing funding sources:

Demand deposits	12,145,000			9,350,705		
Other liabilities	306,746			237,261		
SVBFG stockholders' equity	1,665,789			1,359,848		
Noncontrolling interests	699,219			514,249		
Portion used to fund interest-earning assets	(13,018,804)			(10,036,150)		

Total liabilities, noncontrolling interest, and
SVBFG stockholders' equity

\$ 20,561,709

\$ 18,103,208

Net interest income and margin	\$ 303,840	3.26 %		\$ 251,735	3.04 %	
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Total deposits \$ 17,186,700

\$ 14,969,806

Reconciliation to reported net interest income:

Adjustments for taxable equivalent basis	(969)			(983)		
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Net interest income, as reported	\$ 302,871			\$ 250,752		
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- (1) Includes average interest-earning deposits in other financial institutions of \$310.5 million and \$270.0 million for the six months ended June 30, 2012 and 2011, respectively. For the six months ended June 30, 2012 and 2011, balances also include \$494.6 million and \$1.6 billion, respectively, deposited at the FRB, earning interest at the Federal Funds target rate.
- (2) Yields on available-for-sale securities are based on amortized cost, and therefore do not give effect to unrealized changes in fair value that are reflected in other comprehensive income.
- (3) Interest income on non-taxable available-for-sale securities is presented on a fully taxable-equivalent basis using the federal statutory income tax rate of 35.0 percent for all periods presented.
- (4) Nonaccrual loans are reflected in the average balances of loans.
- (5) Average investment securities of \$1.2 billion and \$840.9 million for the six months ended June 30, 2012 and 2011, respectively, were classified as other assets as they were noninterest-earning assets. These investments primarily consisted of non-marketable securities.

Provision for (Reduction of) Loan Losses

Our provision for (reduction of) loan losses is based on our evaluation of the existing allowance for loan losses in relation to total gross loans using historical and other objective information, and on our qualitative assessment of the inherent and identified credit risks of the loan portfolio. The following table summarizes our allowance for loan losses for the three and six months ended June 30, 2012 and 2011:

(Dollars in thousands)	Three months ended June 30,		Six months ended June 30,	
	2012	2011	2012	2011
Allowance for loan losses, beginning balance	\$ 100,922	\$ 82,051	\$ 89,947	\$ 82,627
Provision for (reduction of) loan losses	7,999	134	22,528	(2,913)
Gross loan charge-offs	(14,130)	(4,293)	(21,120)	(8,615)
Loan recoveries	3,375	4,263	6,811	11,056
Allowance for loan losses, ending balance	\$ 98,166	\$ 82,155	\$ 98,166	\$ 82,155
Provision for (reduction of) loan losses as a percentage of total gross loans (annualized)	0.41 %	0.01 %	0.58 %	(0.10) %
Gross loan charge-offs as a percentage of average total gross loans (annualized)	0.78	0.31	0.60	0.32
Net loan charge-offs (recoveries) as a percentage of average total gross loans (annualized)	0.59	0.00	0.41	(0.09)
Allowance for loan losses as a percentage of period-end total gross loans	1.25	1.36	1.25	1.36
Period-end total gross loans	\$ 7,857,468	\$ 6,030,966	\$ 7,857,468	\$ 6,030,966
Average total gross loans	7,297,446	5,579,271	7,079,284	5,468,200

We had a provision for loan losses of \$8.0 million for the three months ended June 30, 2012, compared to a provision of \$0.1 million for the comparable 2011 period. The provision of \$8.0 million in the second quarter of 2012 was primarily attributable to loan growth.

Gross loan charge-offs of \$14.1 million for the three months ended June 30, 2012 included \$7.1 million from a single nonperforming hardware loan that was specifically reserved for in the first quarter of 2012. The remaining charge-offs were primarily from our hardware and software client portfolios. Loan recoveries of \$3.4 million for the three months ended June 30, 2012 were primarily from our software and other commercial client portfolios.

We had a provision for loan losses of \$22.5 million for the six months ended June 30, 2012, compared to a reduction of provision of \$2.9 million for the comparable 2011 period. The provision of \$22.5 million for the six months ended June 30, 2012 was primarily due to net charge-offs of \$14.3 million, of which \$7.1 million related to the single nonperforming hardware loan noted above. Growth in loans also contributed to the provision for six months ended June 30, 2012.

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Gross loan charge-offs of \$21.1 million for the six months ended June 30, 2012 were primarily from our hardware client portfolio, including \$7.1 million related to the single nonperforming hardware loan noted above. Loan recoveries of \$6.8 million for the six months ended June 30, 2012 were primarily from our software client portfolio.

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See Consolidated Financial Condition Credit Quality and Allowance for Loan Losses below and Note 6 Loans and Allowance for Loan Losses of the Notes to Interim Consolidated Financial Statements (unaudited) under Part I, Item 1 of this report for further details on our allowance for loan losses.

Noninterest Income

A summary of noninterest income for the three and six months ended June 30, 2012 and 2011 is as follows:

(Dollars in thousands)	Three months ended June 30,			Six months ended June 30,		
	2012	2011	% Change	2012	2011	% Change
Core fee income:						
Foreign exchange fees	\$ 12,031	\$ 10,354	16.2 %	\$ 24,134	\$ 20,851	15.7 %
Deposit service charges	8,369	7,838	6.8	16,465	14,955	10.1
Credit card fees	6,169	4,364	41.4	11,837	8,181	44.7
Letters of credit and standby letters of credit income	3,296	2,702	22.0	6,932	5,412	28.1
Client investment fees	3,375	3,107	8.6	6,272	6,768	(7.3)
Total core fee income (1)	33,240	28,365	17.2	65,640	56,167	16.9
Gains on investment securities, net	25,809	71,680	(64.0)	33,648	123,017	(72.6)
Gains on derivative instruments, net	8,713	13,651	(36.2)	14,689	14,202	3.4
Other	12,664	10,012	26.5	25,742	20,276	27.0
Total noninterest income	\$ 80,426	\$ 123,708	(35.0)	\$ 139,719	\$ 213,662	(34.6)

(1) The following table provides a reconciliation GAAP noninterest income to non-GAAP core fee income:

(Dollars in thousands)	Three months ended June 30,			Six months ended June 30,		
	2012	2011	% Change	2012	2011	% Change
GAAP noninterest income (as reported)	\$ 80,426	\$ 123,708	(35.0) %	\$ 139,719	\$ 213,662	(34.6) %
Less: gains on investment securities, net	25,809	71,680	(64.0)	33,648	123,017	(72.6)
Less: gains on derivative instruments, net	8,713	13,651	(36.2)	14,689	14,202	3.4
Less: other noninterest income	12,664	10,012	26.5	25,742	20,276	27.0
Non-GAAP core fee income	\$ 33,240	\$ 28,365	17.2	\$ 65,640	\$ 56,167	16.9

Included in net income is income and expense attributable to noncontrolling interests. We recognize, as part of our investment funds management business through SVB Capital and Debt Fund Investments, the entire income or loss from funds where we own significantly less than 100% of the investment. We are required under GAAP to consolidate 100% of the results of entities that we are deemed to control, even though we may own less than 100% of such entities. The relevant amounts attributable to investors other than us are reflected under Net Income Attributable to Noncontrolling Interests on our statements of income. The non-GAAP tables presented below, for noninterest income and net gains on investment securities, all exclude noncontrolling interests. We believe these non-GAAP financial measures, when taken together with the corresponding GAAP financial measures, provide meaningful supplemental information regarding our performance by excluding certain items that represent income attributable to investors other than us and our subsidiaries. Our management uses, and believes that investors benefit from referring to, these non-GAAP financial measures in assessing our operating results and when planning, forecasting and analyzing future periods. However, these non-GAAP financial measures should be considered in addition to, not as a substitute for or preferable to, financial measures prepared in accordance with GAAP.

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The following table provides a summary of non-GAAP noninterest income, net of noncontrolling interests:

	Three months ended June 30,			Six months ended June 30,		
Non-GAAP noninterest income, net of noncontrolling interests						
(Dollars in thousands)	2012	2011	% Change	2012	2011	% Change
GAAP noninterest income (as reported)	\$ 80,426	\$ 123,708	(35.0) %	\$ 139,719	\$ 213,662	(34.6) %
Less: income attributable to noncontrolling interests, including carried interest	13,384	26,558	(49.6)	21,302	70,120	(69.6)
Non-GAAP noninterest income, net of noncontrolling interests	67,042	97,150	(31.0)	118,417	143,542	(17.5)
Less: gains on sales of certain available-for-sale securities	4,955	37,314	(86.7)	4,955	37,314	(86.7)
Less: net gains on the sale of certain assets related to our equity management services business	4,243	-	-	4,243	-	-
Non-GAAP noninterest income, net of noncontrolling interests and excluding gains on sales of certain available-for-sale securities	\$ 57,844	\$ 59,836	(3.3)	\$ 109,219	\$ 106,228	2.8

Foreign Exchange Fees

Foreign exchange fees were \$12.0 million and \$24.1 million for the three and six months ended June 30, 2012, respectively, compared to \$10.4 million and \$20.9 million for the comparable 2011 periods. The increases were primarily due to improved business conditions for our clients and increased volatility in foreign markets, which has resulted in an improvement in our spread as well as higher number of trades.

Credit Card Fees

Credit card fees were \$6.2 million and \$11.8 million for the three and six months ended June 30, 2012, compared to \$4.4 million and \$8.2 million for the comparable 2011 periods. The increases were primarily due to new credit card clients and an increase in client activity.

Client Investment Fees

Client investment fees were \$3.4 million and \$6.3 million for the three and six months ended June 30, 2012, compared to \$3.1 million and \$6.8 million for the comparable 2011 periods. The increase for the three month period was primarily due to an increase in average client investment funds due to a steadily improving funding environment for both private and public clients, as well as our clients' increased utilization of our off-balance sheet sweep money market funds. The decrease for the six month period was primarily attributable to lower margins earned on certain products owing to historically low rates in the short-term fixed income markets and was partially offset by an increase in average client investment funds. The following table summarizes average client investment funds for the three and six months ended June 30, 2012 and 2011:

	Three months ended June 30,			Six months ended June 30,		
(Dollars in millions)	2012	2011	% Change	2012	2011	% Change
Client directed investment assets (1)	\$ 7,133	\$ 9,134	(21.9) %	\$ 7,344	\$ 9,236	(20.5) %
Client investment assets under management	10,472	8,540	22.6	10,229	8,008	27.7
Sweep money market funds	2,259	85	NM	1,800	42	NM
Total average client investment funds (2)	\$ 19,864	\$ 17,759	11.9	\$ 19,373	\$ 17,286	12.1

NM Not meaningful

- (1) Comprised of mutual funds and Repurchase Agreement Program assets.
 (2) Client investment funds are maintained at third party financial institutions and are not recorded on our balance sheet.
 The following table summarizes period-end client investment funds at June 30, 2012 and December 31, 2011:

(Dollars in millions)	June 30, 2012	December 31, 2011	% Change
Client directed investment assets	\$ 7,003	\$ 7,709	(9.2) %
Client investment assets under management	10,399	9,919	4.8
Sweep money market funds	2,695	1,116	141.5
Total period-end client investment funds	\$ 20,097	\$ 18,744	7.2

Gains on Investment Securities, Net

Net gains on investment securities include both gains from our non-marketable and marketable securities, as well as gains from sales of our available-for-sale securities portfolio, when applicable.

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Our available-for-sale securities portfolio is managed to optimize portfolio yield over the long-term in a manner consistent with our liquidity, credit diversification, and asset/liability strategies. Though infrequent, the sale of investments from our available-for-sale portfolio results in net gains or losses on investment securities.

We experience variability in the performance of our non-marketable and marketable investments from quarter to quarter, which results in net gains or losses on investment securities. This variability is due to a number of factors, including changes in the values of our investments, changes in the amount of distributions or liquidity events and general economic and market conditions. Such variability may lead to volatility in the gains from investment securities and as such our results for a particular period are not necessarily indicative of our expected performance in a future period.

For the three months ended June 30, 2012, we had net gains on investment securities of \$25.8 million, compared to net gains of \$71.7 million for the comparable 2011 period. Gains on investment securities, net of noncontrolling interests, were \$11.3 million for the three months ended June 30, 2012, compared to \$45.2 million for the comparable 2011 period. The gains, net of noncontrolling interests, of \$11.3 million for the three months ended June 30, 2012 were primarily driven by the following:

Gains of \$6.7 million from our nonmarketable securities, primarily related to unrealized gains from investments in debt funds and certain fund investments.

Gains of \$5.0 million from the sale of \$315.7 million U.S. agency securities that were held in our available-for-sale portfolio. Proceeds from the sale of these securities were used to reduce overnight borrowings.

For the six months ended June 30, 2012, we had net gains on investment securities of \$33.6 million, compared to net gains of \$123.0 million for the comparable 2011 period. Gains on investment securities, net of noncontrolling interests, were \$11.8 million for the six months ended June 30, 2012, compared to \$53.2 million for the comparable 2011 period. The gains, net of noncontrolling interests, of \$11.8 million for the six months ended June 30, 2012 were primarily driven by the following:

Gains of \$8.1 million from our nonmarketable securities, primarily related to unrealized gains from investments in debt funds and certain fund investments.

Gains of \$5.0 million from the sale of \$315.7 million U.S. agency securities that were held in our available-for-sale portfolio. Proceeds from the sale of these securities were used to reduce overnight borrowings.

The following tables provide a summary of net gains on investment securities, net of noncontrolling interests, for the three and six months ended June 30, 2012 and 2011:

	Managed Funds of Funds	Managed Direct Venture Funds	Debt Funds	Available- For-Sale Securities	Strategic and Other Investments	Total
(Dollars in thousands)						
Three months ended June 30, 2012						
Total gains on investment securities, net	\$ 14,464	\$ 1,059	\$ 2,503	\$ 4,567	\$ 3,216	\$ 25,809
Less: income attributable to noncontrolling interests, including carried interest	13,286	1,201	15	-	-	14,502
Non-GAAP net gains (losses) on investment securities, net of noncontrolling interests	1,178	(142)	2,488	4,567	3,216	11,307
Less: gain on sales of available-for-sale securities	-	-	-	4,955	-	4,955
Non-GAAP net gains (losses) on investment securities, net of noncontrolling interests and excluding gains on sales of certain	\$ 1,178	\$ (142)	\$ 2,488	\$ (388)	\$ 3,216	\$ 6,352

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available-for-sale securities

Three months ended June 30, 2011

Total gains (losses) on investment securities, net	\$ 31,984	\$ (1,840)	\$ 814	\$ 37,221	\$ 3,501	\$ 71,680
Less: income (losses) attributable to noncontrolling interests, including carried interest	27,752	(1,066)	(249)	-	-	26,437

Non-GAAP net gains (losses) on investment securities, net of noncontrolling interests	4,232	(774)	1,063	37,221	3,501	45,243
Less: gain on sales of available-for-sale securities	-	-	-	37,314	-	37,314

Non-GAAP net gains (losses) on investment securities, net of noncontrolling interests and excluding gains on sales of certain available-for-sale securities	\$ 4,232	\$ (774)	\$ 1,063	\$ (93)	\$ 3,501	\$ 7,929
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Six months ended June 30, 2012

Total gains (losses) on investment securities, net	\$ 26,769	\$ (3,623)	\$ 3,384	\$ 3,693	\$ 3,425	\$ 33,648
Less: income (losses) attributable to noncontrolling interests, including carried interest	24,568	(2,758)	30	-	-	21,840

Non-GAAP net gains (losses) on investment securities, net of noncontrolling interests	2,201	(865)	3,354	3,693	3,425	11,808
Less: gain on sales of available-for-sale securities	-	-	-	4,955	-	4,955

Non-GAAP net gains (losses) on investment securities, net of noncontrolling interests and excluding gains on sales of certain available-for-sale securities	\$ 2,201	\$ (865)	\$ 3,354	\$ (1,262)	\$ 3,425	\$ 6,853
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Six months ended June 30, 2011

Total gains on investment securities, net	\$ 75,376	\$ 2,106	\$ 3,102	\$ 37,283	\$ 5,150	\$ 123,017
Less: income attributable to noncontrolling interests, including carried interest	66,962	2,820	40	-	-	69,822

Non-GAAP net gains (losses) on investment securities, net of noncontrolling interests	8,414	(714)	3,062	37,283	5,150	53,195
Less: gain on sales of available-for-sale securities	-	-	-	37,314	-	37,314

Non-GAAP net gains (losses) on investment securities, net of noncontrolling interests and excluding gains on sales of certain available-for-sale securities	\$ 8,414	\$ (714)	\$ 3,062	\$ (31)	\$ 5,150	\$ 15,881
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Gains on Derivative Instruments, Net

A summary of gains on derivative instruments, net, for the three and six months ended June 30, 2012 and 2011 is as follows:

(Dollars in thousands)	Three months ended June 30,			Six months ended June 30,		
	2012	2011	% Change	2012	2011	% Change
Equity warrant assets (1)						
Gains on exercises, net	\$ 2,219	\$ 7,581	(70.7) %	\$ 5,160	\$ 9,605	(46.3) %
Cancellations and expirations	(603)	(723)	(16.6)	(1,172)	(1,304)	(10.1)
Changes in fair value	3,260	7,003	(53.4)	7,823	9,556	(18.1)
Net gains on equity warrant assets (2)	4,876	13,861	(64.8)	11,811	17,857	(33.9)
Gains (losses) on foreign exchange forward contracts, net:						
Gains on client foreign exchange forward contracts, net	1,330	315	NM	2,395	790	NM
Gains (losses) on internal foreign exchange forward contracts, net (3)	2,993	(483)	NM	942	(3,051)	(130.9)
Total gains (losses) on foreign exchange forward contracts, net	4,323	(168)	NM	3,337	(2,261)	NM
Change in fair value of interest rate swaps	108	(67)	NM	497	(67)	NM
Net (losses) gains on other derivatives (4)	(594)	25	NM	(956)	(1,327)	(28.0)
Gains on derivative instruments, net	\$ 8,713	\$ 13,651	(36.2)	\$ 14,689	\$ 14,202	3.4

NM Not meaningful

- (1) At June 30, 2012, we held warrants in 1,215 companies, compared to 1,153 companies at June 30, 2011.
- (2) Net gains on equity warrant assets are included in the line item Gains on derivative instruments, net as part of noninterest expense.
- (3) Represents the change in the fair value of foreign exchange forward contracts used to economically reduce our foreign exchange exposure related to certain foreign currency denominated loans. This is offset by the gains and losses from the revaluations of these foreign currency denominated loans, which are recorded in the line item Other as part of noninterest income, a component of consolidated net income.
- (4) Primarily represents the change in fair value of loan conversion options held by SVB Financial. As of June 30, 2012, the loan conversion options related to five clients.

Net gains on derivative instruments were \$8.7 million for the three months ended June 30, 2012, compared to net gains of \$13.7 million for the comparable 2011 period. The key changes in factors affecting net gains on derivative instruments were as follows:

Net gains on equity warrant assets of \$4.9 million for the three months ended June 30, 2012, compared to net gains of \$13.9 million for the comparable 2011 period. The net gains of \$4.9 million for the three months ended June 30, 2012 were primarily driven by valuation increases and gains from the exercise of equity warrant assets, primarily from M&A activity.

Net gains of \$3.0 million on foreign exchange forward contracts for our foreign currency denominated loans for the three months ended June 30, 2012, compared to net losses of \$0.5 million for the comparable 2011 period. The net gains of \$3.0 million for the

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three months ended June 30, 2012 were primarily due to the strengthening of the U.S. Dollar against the Euro and Pound Sterling, and were partially offset by net losses of \$3.1 million from the revaluation of foreign currency denominated loans that are included in the line item Other as part of noninterest income.

Net gains on derivative instruments were \$14.7 million for the six months ended June 30, 2012, compared to net gains of \$14.2 million for the comparable 2011 period. The key changes in factors affecting net gains on derivative were as follows:

Net gains on equity warrant assets of \$11.8 million for the six months ended June 30, 2012, compared to net gains of \$17.9 million for the comparable 2011 period. The net gains of \$11.8 million for the six months ended June 30, 2012 were driven by valuation increases and gains from the exercise of equity warrant assets, primarily from M&A and IPO activity.

Net gains of \$0.9 million on foreign exchange forward contracts hedging our foreign currency denominated loans for the six months ended June 30, 2012, compared to net losses of \$3.1 million for the comparable 2011 period. The net gains of \$0.9 million for the six months ended June 30, 2012 were primarily due to the strengthening of the U.S. Dollar against the Euro and Pound Sterling, and were partially offset by net losses of \$1.5 million from the revaluation of foreign currency denominated loans that are included in the line item Other as part of noninterest income.

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A summary of other noninterest income for the three and six months ended June 30, 2012 and 2011, respectively, is as follows:

(Dollars in thousands)	Three months ended June 30,			Six months ended June 30,		
	2012	2011	% Change	2012	2011	% Change
Unused commitment fees	\$ 3,678	\$ 1,808	103.4 %	\$ 6,733	\$ 3,294	104.4 %
Fund management fees	3,124	2,663	17.3	5,952	5,351	11.2
Service-based fee income (1)	2,172	2,587	(16.0)	4,546	4,812	(5.5)
Net gains on the sale of certain assets related to our equity management services business	4,243	-	-	4,243	-	-
Loan syndication fees	1,375	870	58.0	1,500	870	72.4
Currency revaluation losses (2)	(1,548)	(881)	75.7	(933)	(1,121)	(16.8)
(Losses) gains on revaluation of foreign currency loans, net	(3,125)	502	NM	(1,466)	3,191	(145.9)
Other	2,745	2,463	11.4	5,167	3,879	33.2
Total other noninterest income	\$ 12,664	\$ 10,012	26.5	\$ 25,742	\$ 20,276	27.0

NM Not meaningful

- (1) Includes income from SVB Analytics
- (2) Included in currency revaluation losses are losses of \$1.3 million and \$0.8 million for the three and six months ended June 30, 2012, compared to gains of \$44 thousand and \$0.2 million for the comparable 2011 periods attributable to noncontrolling interests calculated based on the ownership percentages of the noncontrolling interests.

Other noninterest income was \$12.7 million and \$25.7 million for the three and six months ended June 30, 2012, compared to \$10.0 million and \$20.3 million for the comparable 2011 periods. The increase of \$2.7 million for the three month period was due to gains of \$4.2 million on the sale of certain assets related to our equity management services business and a \$1.9 million increase in unused commitment fees resulting from the prospective reclassification of certain fees from interest income to noninterest income. The comparable amount of these fees included in interest income in the second quarter of 2011 was \$1.0 million. The increases in other noninterest income were partially offset by foreign currency loan revaluation losses of \$3.1 million for the three months ended June 30, 2012, compared to net gains of \$0.5 million for the comparable 2011 period. The net losses of \$3.1 million for the three months ended June 30, 2012 were primarily due to the strengthening of the U.S. Dollar against the Euro and Pound Sterling.

The increase of \$5.5 million for the six month period was due to gains of \$4.2 million on the sale of certain assets related to our equity management services business and a \$3.4 million increase in unused commitment fees, primarily resulting from the prospective reclassification of certain fees from interest income to noninterest income. The comparable amount of these fees included in interest income in the six months ended June 30, 2011 was \$2.1 million. The increases in other noninterest income were partially offset by foreign currency loan revaluation losses of \$1.5 million for the six months ended June 30, 2012, compared to net gains of \$3.2 million for the comparable 2011 period. The net losses of \$1.5 million for the six months ended June 30, 2012 were primarily due to the strengthening of the U.S. Dollar against the Euro and Pound Sterling.

Noninterest Expense

A summary of noninterest expense for the three and six months ended June 30, 2012 and 2011 is as follows:

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(Dollars in thousands)	Three months ended June 30,			Six months ended June 30,		
	2012	2011	% Change	2012	2011	% Change
Compensation and benefits	\$ 80,385	\$ 79,888	0.6 %	\$ 164,122	\$ 155,520	5.5 %
Professional services	16,514	13,891	18.9	31,121	26,878	15.8
Premises and equipment	9,419	6,440	46.3	16,983	12,352	37.5
Business development and travel	7,159	5,890	21.5	14,905	11,543	29.1
Net occupancy	5,378	4,546	18.3	11,001	9,196	19.6
Correspondent bank fees	2,840	2,202	29.0	5,528	4,365	26.6
FDIC assessments	2,731	2,163	26.3	5,229	5,638	(7.3)
Provision for unfunded credit commitments	1,922	976	96.9	1,664	76	NM
Other	9,418	5,036	87.0	17,225	12,899	33.5
Total noninterest expense	\$ 135,766	\$ 121,032	12.2	\$ 267,778	\$ 238,467	12.3

NM Not meaningful

Included in noninterest expense is expense attributable to noncontrolling interests. See below for a summary of non-GAAP noninterest expense and non-GAAP operating efficiency ratio, both of which exclude noncontrolling interests.

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Non-GAAP Noninterest Expense

We use and report non-GAAP noninterest expense, non-GAAP taxable equivalent revenue and non-GAAP operating efficiency ratio, which excludes noncontrolling interests. We believe these non-GAAP financial measures, when taken together with the corresponding GAAP financial measures, provide meaningful supplemental information regarding our performance by: (i) excluding certain items that represent expenses attributable to investors other than us and our subsidiaries, or certain items that do not occur every reporting period; or (ii) providing additional information used by management that is not otherwise required by GAAP or other applicable requirements. Our management uses, and believes that investors benefit from referring to, these non-GAAP financial measures in assessing our operating results and when planning, forecasting and analyzing future periods. However, these non-GAAP financial measures should be considered in addition to, not as a substitute for or preferable to, financial measures prepared in accordance with GAAP. The table below provides a summary of non-GAAP noninterest expense and non-GAAP operating efficiency ratio, both net of noncontrolling interests:

	Three months ended June 30,			Six months ended June 30,		
Non-GAAP operating efficiency ratio, net of noncontrolling interests						
(Dollars in thousands, except ratios)	2012	2011	% Change	2012	2011	% Change
GAAP noninterest expense	\$ 135,766	\$ 121,032	12.2 %	\$ 267,778	\$ 238,467	12.3 %
Less: amounts attributable to noncontrolling interests	3,947	2,621	50.6	6,765	6,102	10.9
Less: net gain from note repurchases and termination of corresponding interest rate swaps	-	(3,123)	(100.0)	-	(3,123)	(100.0)
Non-GAAP noninterest expense, net of noncontrolling interests	\$ 131,819	\$ 121,534	8.5	\$ 261,013	\$ 235,488	10.8
GAAP taxable equivalent net interest income	\$ 152,419	\$ 130,929	16.4	\$ 303,840	\$ 251,735	20.7
Less: income attributable to noncontrolling interests	38	45	(15.6)	81	52	55.8
Non-GAAP taxable equivalent net interest income, net of noncontrolling interests	152,381	130,884	16.4	303,759	251,683	20.7
Non-GAAP noninterest income, net of noncontrolling interests	57,844	59,836	(3.3)	109,219	106,228	2.8
Non-GAAP taxable equivalent revenue, net of noncontrolling interests	\$ 210,225	\$ 190,720	10.2	\$ 412,978	\$ 357,911	15.4
Non-GAAP operating efficiency ratio (1)	62.70 %	63.72 %	(1.6)	63.20 %	65.80 %	(3.9)

(1) The non-GAAP operating efficiency ratio is calculated by dividing non-GAAP noninterest expense by non-GAAP total taxable-equivalent income.

Compensation and Benefits Expense

The following table provides a summary of our compensation and benefits expense:

	Three months ended June 30,			Six months ended June 30,		
(Dollars in thousands)	2012	2011	% Change	2012	2011	% Change
Compensation and benefits						

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Salaries and wages	\$ 37,501	\$ 32,634	14.9 %	\$ 75,621	\$ 66,441	13.8 %
Incentive compensation & ESOP	20,838	26,978	(22.8)	41,985	47,987	(12.5)
Other employee benefits (1)	22,046	20,276	8.7	46,516	41,092	13.2
Total compensation and benefits	\$ 80,385	\$ 79,888	0.6	\$ 164,122	\$ 155,520	5.5
Period-end full-time equivalent employees	1,562	1,428	9.4	1,562	1,428	9.4
Average full-time equivalent employees	1,566	1,416	10.6	1,561	1,403	11.3

(1) Other employee benefits includes employer payroll taxes, group health and life insurance, share-based compensation, 401(k), warrant and retention plans, agency fees and other employee related expenses.

Compensation and benefits expense was \$80.4 million for the three months ended June 30, 2012, compared to \$79.9 million for the comparable 2011 period. The key changes in factors affecting compensation and benefits expense were as follows:

An increase of \$4.9 million in salaries and wages expense, primarily due to an increase in the number of average FTEs, which increased by 150 to 1,566 average FTEs in the second quarter of 2012, compared to 1,416 average FTE for the comparable 2011 period. The increase in headcount was primarily to support our product development, operational and sales and advisory, as well as to support our commercial banking operations and initiatives.

A decrease of \$6.1 million in incentive compensation and ESOP expense primarily reflective of higher expenses in the second quarter of 2011 as a result of our better than expected results.

Compensation and benefits expense was \$164.1 million for the six months ended June 30, 2012, compared to \$155.5 million for the comparable 2011 period. The key changes in factors affecting compensation and benefits expense were as follows:

An increase of \$9.2 million in salaries and wages expense, primarily due to an increase in the number of average FTEs, which increased by 158 to 1561 average FTEs in the six month ended June 30, 2012, compared to 1,403 average FTEs for the comparable 2011 period. The increase in headcount was primarily to support our product development, operational and sales and advisory, as well as to support our commercial banking operations and initiatives.

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An increase of \$5.4 million in other employee benefits, primarily due to an increase in average FTEs, as well as an increase in 401(k) expenses driven by 2011 incentive compensation payouts during the first quarter of 2012, which were at higher levels than 2010 incentive compensation payouts in the first quarter of 2011.

A decrease of \$6.0 million in incentive compensation and ESOP expense primarily reflective of higher expenses in the second quarter of 2011 as a result of our better than expected results.

Our variable compensation plans primarily consist of our Incentive Compensation Plan, Direct Drive Incentive Compensation Plan, Long-Term Cash Incentive Plan, 401(k) and ESOP Plan, Retention Program and Warrant Incentive Plan. Total costs incurred under these plans were \$23.8 million and \$51.6 million for the three and six months ended June 30, 2012, respectively, compared to \$30.0 million and \$56.0 million for the comparable 2011 periods. These amounts are included in total compensation and benefits expense discussed above.

Professional Services

Professional services were \$16.5 million and \$31.1 million for the three and six months ended June 30, 2012, respectively, compared to \$13.9 million and \$26.9 million for the comparable 2011 periods. The increases were to support our ongoing business and infrastructure initiatives.

Premises and Equipment

Premises and equipment expense was \$9.4 million and \$17.0 million for the three and six months ended June 30, 2012, respectively, compared to \$6.4 million and \$12.4 million for the comparable 2011 periods. The increases were primarily due to increased spending to enhance and maintain our IT infrastructure.

Business Development and Travel

Business development and travel expense was \$7.2 million and \$14.9 million for the three and six months ended June 30, 2012, respectively, compared to \$5.9 million and \$11.5 million for the comparable 2011 periods. The increases were primarily reflective of our increased focus on global initiatives and increased business development activity due to improving economic and business conditions.

Provision for unfunded credit commitments

The provision for unfunded credit commitments was \$1.9 million and \$1.7 million for the three and six months ended June 30, 2012, respectively, compared to \$1.0 million and \$0.1 million for the comparable 2011 periods. The increases were primarily due to an increase in the period-end balance of unfunded credit commitments of \$1.3 billion from June 30, 2011 to June 30, 2012.

Other Noninterest Expense

A summary of other noninterest expense for the three and six months ended June 30, 2012 and 2011 is as follows:

(Dollars in thousands)	Three months ended June 30,			Six months ended June 30,		
	2012	2011	% Change	2012	2011	% Change
Telephone	\$ 1,547	\$ 1,416	9.3 %	\$ 3,331	\$ 2,766	20.4 %
Client services	1,739	1,037	67.7	2,992	1,839	62.7
Data processing services	1,310	1,429	(8.3)	2,715	2,492	8.9
Tax credit fund amortization	962	1,101	(12.6)	2,020	2,154	(6.2)
Postage and supplies	628	562	11.7	1,253	1,084	15.6
Dues and publications	557	327	70.3	1,031	701	47.1
Net gain from note repurchases and termination of corresponding interest rate swaps (1)	-	(3,123)	(100.0)	-	(3,123)	(100.0)
Other	2,675	2,287	17.0	3,883	4,986	(22.1)
Total other noninterest expense	\$ 9,418	\$ 5,036	87.0	\$ 17,225	\$ 12,899	33.5

- (1) Represents net gains from the repurchase of \$108.6 million of our 5.70% Senior Notes and \$204.0 million of our 6.05% Subordinated Notes and the termination of the corresponding portions of interest rate swaps in 2011.

Net Income Attributable to Noncontrolling Interests

Included in net income is income and expense attributable to noncontrolling interests. The relevant amounts attributable to investors other than us are reflected under Net Income Attributable to Noncontrolling Interests on our statements of income.

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In the table below, noninterest income consists primarily of investment gains and losses from our consolidated funds. Noninterest expense is primarily related to management fees paid by our managed funds to SVB Financial's subsidiaries as the funds' general partners. A summary of net income attributable to noncontrolling interests for the three and six months ended June 30, 2012 and 2011, respectively, is as follows:

(Dollars in thousands)	Three months ended June 30,			Six months ended June 30,		
	2012	2011	% Change	2012	2011	% Change
Net interest income (1)	\$ (38)	\$ (45)	(15.6) %	\$ (81)	\$ (52)	55.8 %
Noninterest income (1)	(11,210)	(28,418)	(60.6)	(17,842)	(70,789)	(74.8)
Noninterest expense (1)	3,947	2,621	50.6	6,765	6,102	10.9
Carried interest (2)	(2,174)	1,860	NM	(3,460)	669	NM
Net income attributable to noncontrolling interests	\$ (9,475)	\$ (23,982)	(60.5)	\$ (14,618)	\$ (64,070)	(77.2)

NM Not meaningful

- (1) Represents noncontrolling interests' share in net interest income, noninterest income and noninterest expense.
 (2) Represents the preferred allocation of income earned by the general partners or limited partners of certain consolidated funds.

Income Taxes

Our effective income tax expense rate was 39.8 percent for the three months ended June 30, 2012, compared to 39.7 percent for the comparable 2011 period. Our effective income tax expense rate was 40.2 percent for the six months ended June 30, 2012, compared to 40.1 percent for the comparable 2011 period.

Our effective tax rate is calculated by dividing income tax expense by the sum of income before income tax expense and the net income attributable to noncontrolling interests.

Operating Segment Results

We have three segments for which we report our financial information: Global Commercial Bank, SVB Private Bank and SVB Capital.

We report segment information based on the management approach. The management approach designates the internal reporting used by management for making decisions and assessing performance as the source of our reporting segments. Please refer to Note 10 Segment Reporting of the Notes to Interim Consolidated Financial Statements (unaudited) under Part I, Item 1 of this report for additional details.

Our primary source of revenue is from net interest income, which is primarily the difference between interest earned on loans, net of FTP, and interest paid on deposits, net of FTP. Accordingly, our segments are reported using net interest income, net of FTP. FTP is an internal measurement framework designed to assess the financial impact of a financial institution's sources and uses of funds. It is the mechanism by which an earnings credit is given for deposits raised, and an earnings charge is made for funded loans. Effective January 1, 2012, FTP is calculated at an instrument level based on account characteristics. Prior to January 1, 2012, FTP was calculated by applying a transfer rate to pooled, or aggregated, loan and deposit volumes. We have reclassified all prior period amounts to conform to the current period's methodology and presentation.

We also evaluate performance based on provision for loan losses, noninterest income and noninterest expense, which are presented as components of segment operating profit or loss. In calculating each operating segment's noninterest expense, we consider the direct costs incurred by the operating segment as well as certain allocated direct costs. As part of this review, we allocate certain corporate overhead costs to a corporate account. We do not allocate income taxes to our segments. Additionally, our management reporting model is predicated on average asset balances; therefore, period-end asset balances are not presented for segment reporting purposes.

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Changes in an individual client's primary relationship designation have resulted, and in the future may result, in the inclusion of certain clients in different segments in different periods. The following is our reportable segment information for the three and six months ended June 30, 2012 and 2011:

Global Commercial Bank

(Dollars in thousands)	Three months ended June 30,			Six months ended June 30,		
	2012	2011	% Change	2012	2011	% Change
Net interest income	\$ 146,420	\$ 125,695	16.5 %	\$ 289,684	\$ 246,515	17.5 %
(Provision for) reduction of loan losses	(8,923)	(730)	NM	(22,159)	661	NM
Noninterest income	52,494	36,551	43.6	92,422	71,415	29.4
Noninterest expense	(98,478)	(84,702)	16.3	(194,734)	(170,582)	14.2
Income before income tax expense	\$ 91,513	\$ 76,814	19.1	\$ 165,213	\$ 148,009	11.6
Total average loans, net of unearned income	\$6,479,544	\$4,822,497	34.4	\$6,255,450	\$4,766,104	31.2
Total average assets	19,023,230	16,805,670	13.2	18,790,252	16,502,986	13.9
Total average deposits	17,131,816	15,099,789	13.5	16,916,965	14,803,648	14.3

NM Not meaningful

Three months ended June 30, 2012 compared to the three months ended June 30, 2011

Net interest income from our Global Commercial Bank (GCB) increased by \$20.7 million for the three months ended June 30, 2012, primarily due to a \$22.4 million increase in loan interest income resulting mainly from an increase in average loan balances and a \$5.7 million increase in the FTP earned for deposits due to deposit growth. These increases were partially offset by a \$5.5 million decrease in the FTP earned for deposits from decreases in market interest rates.

We had a provision for loan losses for GCB of \$8.9 million for the three months ended June 30, 2012, compared to a provision of \$0.7 million for the comparable 2011 period. The provision of \$8.9 million in the second quarter of 2012 was primarily attributable to loan growth. The provision of \$0.7 million for the comparable 2011 period was primarily due to loan growth, partially offset by a decrease in the allowance for our performing loans due to the strong overall credit quality of our clients.

Noninterest income increased by \$15.9 million for the three months ended June 30, 2012, primarily due to gains of \$4.2 million on the sale of certain assets related to our equity management services business, and an increase in foreign exchange fees and credit card fees. The increase in foreign exchange fees was primarily due to improving business conditions for our clients and increased volatility in foreign markets, which has resulted in an improvement in our spread as well as higher number of trades. The increase in credit card fees was primarily due to the addition of new credit card clients and an increase in client activity.

Noninterest expense increased by \$13.8 million for the three months ended June 30, 2012, primarily due to an increase in salaries and wages, other employee benefits and professional services. The increase in salaries and wages and other employee benefits was primarily due to an increase in the average number of FTEs at GCB, which increased by 122 to 1,231 for the three months ended June 30, 2012, compared to 1,109 for the comparable 2011 period. The increase in average FTEs was attributable to increases in positions for product development, operational and sales and advisory, as well as to support our commercial banking operations and initiatives. The increase in professional services was to support our ongoing business and infrastructure initiatives.

Six months ended June 30, 2012 compared to the six months ended June 30, 2011

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Net interest income from our Global Commercial Bank (GCB) increased by \$43.2 million for the six months ended June 30, 2012, primarily due to a \$40.5 million increase in loan interest income resulting mainly from an increase in average loan balances and a \$12.2 million increase in the FTP earned for deposits due to deposit growth. These increases were partially offset by a \$9.1 million decrease in the FTP earned for deposits from decreases in market interest rates.

We had a provision for loan losses for GCB of \$22.2 million for the six months ended June 30, 2012, compared to a reduction of provision of \$0.7 million for the comparable 2011 period. The provision of \$22.2 million for the six months ended June 30, 2012 was primarily due to net charge-offs of \$14.3 million, of which \$7.1 million related to a single nonperforming hardware loan that was specifically reserved for in the first quarter of 2012. Growth in loans also contributed to the \$22.2 million provision for six months ended June 30, 2012. The reduction of provision for the comparable 2011 period was primarily due to net loan recoveries recognized and a decrease in the allowance for our performing loans due to the strong overall credit quality of our clients, partially offset by loan growth.

Noninterest income increased by \$21.0 million for the six months ended June 30, 2012, primarily due to gains of \$4.2 million on the sale of certain assets related to our equity management services business, and an increase in foreign exchange fees and credit card fees. The increase in foreign exchange fees was primarily due to improving business conditions for our clients and increased volatility in foreign markets, which has resulted in an improvement in our spread as well as higher number of trades. The increase in credit card fees was primarily due to the addition of new credit card clients and an increase in client activity.

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Noninterest expense increased by \$24.2 million for the six months ended June 30, 2012, primarily due to an increase in salaries and wages, other employee benefits, and professional services. The increase in salaries and wages and other employee benefits was primarily due to an increase in the average number of FTEs at GCB, which increased by 121 to 1,223 for the six months ended June 30, 2012, compared to 1,102 for the comparable 2011 period. The increase in average FTEs was attributable to increases in positions for product development, operational and sales and advisory, as well as to support our commercial banking operations and initiatives. The increase in professional services was to support our ongoing business and infrastructure initiatives.

SVB Private Bank

(Dollars in thousands)	Three months ended June 30,			Six months ended June 30,		
	2012	2011	% Change	2012	2011	% Change
Net interest income	\$ 5,516	\$ 4,653	18.5 %	\$ 10,481	\$ 9,054	15.8 %
Reduction of (provision for) loan losses	924	596	55.0	(369)	2,252	(116.4)
Noninterest income	151	136	11.0	308	223	38.1
Noninterest expense	(3,356)	(2,477)	35.5	(6,589)	(4,480)	47.1
Income before income tax expense	\$ 3,235	\$ 2,908	11.2	\$ 3,831	\$ 7,049	(45.7)
Total average loans, net of unearned income	\$ 742,130	\$ 642,287	15.5	\$ 740,049	\$ 613,467	20.6
Total average assets	747,445	642,744	16.3	744,703	613,734	21.3
Total average deposits	253,482	156,765	61.7	246,991	153,520	60.9

Three months ended June 30, 2012 compared to the three months ended June 30, 2011

Net interest income from SVB Private Bank increased by \$0.9 million for the three months ended June 30, 2012, primarily due to an increase in loan interest income resulting from an increase in average loan balances.

SVB Private Bank had a reduction of provision for loan losses of \$0.9 million for the three months ended June 30, 2012, compared to a reduction of provision of \$0.6 million for the comparable 2011 period. The reduction of provision for both periods was primarily due to a reduction in the reserve for impaired loans, partially offset by loan growth.

Noninterest expense increased by \$0.9 million for the three months ended June 30, 2012, primarily due to an increase in compensation and benefits expense resulting from an increase in the average number of FTEs at SVB Private Bank, which increased by 14 to 45 FTEs for the three months ended June 30, 2012, compared to 31 FTEs for the comparable 2011 period. The increase in average FTEs was to support the growth of SVB Private Bank.

Six months ended June 30, 2012 compared to the six months ended June 30, 2011

Net interest income from SVB Private Bank increased by \$1.4 million for the six months ended June 30, 2012, primarily due to an increase in loan interest income resulting primarily from an increase in average loan balances.

SVB Private Bank had a provision for loan losses of \$0.4 million for the six months ended June 30, 2012, compared to a reduction of provision of \$2.3 million for the comparable 2011 period. The provision of \$0.4 million for the six months ended June 30, 2012 was primarily due to loan growth, partially offset by a reduction in the reserve for impaired loans. The reduction of provision of \$2.3 million for the six months ended June 30, 2011 was primarily due to net loan recoveries.

Noninterest expense increased by \$2.1 million for the six months ended June 30, 2012, primarily due to an increase in compensation and benefits expense resulting from an increase in the average number of FTEs at SVB Private Bank, which increased by 18 to 45 FTEs for the six months ended June 30, 2012, compared to 27 FTEs for the comparable 2011 period. The increase in average FTEs was to support the growth of SVB Private Bank.

SVB Capital

(Dollars in thousands)	Three months ended June 30,			Six months ended June 30,		
	2012	2011	% Change	2012	2011	% Change
Net interest income	\$ 9	\$ 3	NM %	\$ 16	\$ 4	NM %
Noninterest income	4,557	6,716	(32.1)	8,144	14,006	(41.9)
Noninterest expense	(2,872)	(3,111)	(7.7)	(5,408)	(6,253)	(13.5)
Income before income tax expense	\$ 1,694	\$ 3,608	(53.0)	\$ 2,752	\$ 7,757	(64.5)
Total average assets	\$ 251,295	\$ 232,381	8.1	\$ 254,835	\$ 222,570	14.5

NM Not meaningful

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SVB Capital's components of noninterest income primarily include net gains and losses on marketable and non-marketable securities, carried interest and fund management fees. All components of income before income tax expense discussed below are net of noncontrolling interests.

We experience variability in the performance of SVB Capital from quarter to quarter due to a number of factors, including changes in the values of our funds' underlying investments, changes in the amount of distributions and general economic and market conditions. Such variability may lead to volatility in the gains and losses from investment securities and cause our results to differ from period to period. Results for a particular period may not be indicative of future performance.

Three months ended June 30, 2012 compared to the three months ended June 30, 2011

Noninterest income decreased by \$2.2 million to \$4.6 million for the three months ended June 30, 2012, primarily due to lower net gains on investment securities. SVB Capital's components of noninterest income primarily include the following:

Net gains on investment securities of \$1.7 million for the three months ended June 30, 2012, compared to net gains of \$4.0 million for the comparable 2011 period. The net gains on investment securities of \$1.7 million for the three months ended June 30, 2012 were primarily driven by valuation adjustments within our managed funds of funds.

Fund management fees of \$3.1 million for the three months ended June 30, 2012, compared to \$2.7 million for the comparable 2011 period.

Six months ended June 30, 2012 compared to the six months ended June 30, 2011

Noninterest income decreased by \$5.9 million to \$8.1 million for the six months ended June 30, 2012, primarily due to lower net gains on investment securities. SVB Capital's components of noninterest income primarily include the following:

Net gains on investment securities of \$2.3 million for the six months ended June 30, 2012, compared to net gains of \$8.6 million for the comparable 2011 period. The net gains on investment securities of \$2.3 million for the six months ended June 30, 2012 were primarily driven by valuation adjustments and IPO and M&A activity within our managed funds of funds.

Fund management fees of \$6.0 million for the six months ended June 30, 2012, compared to \$5.4 million for the comparable 2011 period.

Consolidated Financial Condition

Our total assets were \$21.3 billion at June 30, 2012, an increase of \$1.3 billion, or 6.6 percent, compared to \$20.0 billion at December 31, 2011. Below is a summary of the individual components driving the increase.

Cash and Cash Equivalents

Cash and cash equivalents totaled \$1.4 billion at June 30, 2012, an increase of \$296.8 million, or 26.6 percent, compared to \$1.1 billion at December 31, 2011. The increase was primarily due to deposit growth from both new and existing clients, partially offset by the investment of cash previously held at the FRB into available-for-sale securities as well as to fund loan growth.

As of June 30, 2012 and December 31, 2011, \$662.4 million and \$100.1 million, respectively, of our cash and due from banks was deposited at the FRB and was earning interest at the Federal Funds target rate, and interest-earning deposits in other financial institutions were \$265.8 million and \$371.5 million, respectively.

Investment Securities

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Investment securities totaled \$11.8 billion at June 30, 2012, an increase of \$212.8 million, or 1.8 percent, compared to \$11.5 billion at December 31, 2011. Our investment securities portfolio consists of both an available-for-sale securities portfolio, which represents interest-earning investment securities, and a non-marketable securities portfolio, which primarily represents investments managed as part of our funds management business. The increase of \$212.8 million included an increase of \$84.9 million in available-for-sale securities and an increase of \$127.9 million in non-marketable securities. The major components of the change are explained below.

Available-for-Sale Securities

Our available-for-sale securities portfolio is a fixed income investment portfolio that is managed to optimize portfolio yield over the long-term consistent with our liquidity, credit diversification and asset/liability strategies. Available-for-sale securities were \$10.6 billion at June 30, 2012, an increase of \$84.9 million, or 0.8 percent, compared to \$10.5 billion at December 31, 2011. The increase was primarily due to purchases of new investments of \$1.8 billion, partially offset by paydowns of \$1.4 billion and sales of \$315.7 million. The purchases of new investments of \$1.8 billion were primarily comprised of fixed-rate agency-issued mortgage securities and fixed-rate agency debentures. The paydowns of securities of \$1.4 billion were comprised of \$1.1 billion in fixed-rate securities and \$313.5 million in variable-rate securities. The sales of \$315.7 million were comprised entirely of U.S. agency securities. The proceeds from the sales and paydowns were used primarily to fund loan growth and reduce overnight borrowings.

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Portfolio duration is a standard measure used to approximate changes in the market value of fixed income instruments due to a change in market interest rates. The measure is an estimate based on the level of current market interest rates, expectations for changes in the path of forward rates and the effect of forward rates on mortgage prepayment speed assumptions. As such, portfolio duration will fluctuate with changes in market interest rates. Changes in portfolio duration are also impacted by changes in the mix of longer versus shorter term-to-maturity securities. Estimated portfolio duration was 1.8 years at both June 30, 2012 and December 31, 2011.

Non-Marketable Securities

Our non-marketable securities portfolio primarily represents investments in venture capital funds, debt funds and private portfolio companies. A majority of these investments are managed through our SVB Capital funds business in funds of funds and direct venture funds. Included in our non-marketable securities carried under fair value accounting are amounts that are attributable to noncontrolling interests. We are required under GAAP to consolidate 100% of these investments that we are deemed to control, even though we may own less than 100% of such entities. See below for a summary of the carrying value (as reported) of non-marketable securities compared to the amounts attributable to SVBFG.

Non-marketable securities were \$1.1 billion at June 30, 2012, an increase of \$127.9 million, or 12.7 percent, compared to \$1.0 billion at December 31, 2011. The increase was primarily attributable to the funding of our capital contribution of \$79.7 million to our joint venture bank in China, as well as to capital calls (net of distributions) from noncontrolling interests of \$33.4 million. The following table summarizes the carrying value (as reported) of nonmarketable securities compared to the amounts attributable to SVBFG (which generally represents the carrying value times our ownership percentage) at June 30, 2012 and December 31, 2011:

	June 30, 2012		December 31, 2011	
		Amount		Amount
	Carrying value	attributable	Carrying value	attributable
(Dollars in thousands)	(as reported)	to SVBFG	(as reported)	to SVBFG
Non-marketable securities (fair value accounting):				
Venture capital and private equity fund investments (1)	\$ 639,596	\$ 77,011	\$ 611,824	\$ 77,674
Other venture capital investments (2)	120,111	10,883	124,121	11,333
Other investments	-	-	987	493
Non-marketable securities (equity method accounting):				
Other investments	138,993	138,993	68,252	68,252
Low income housing tax credit funds	58,698	58,698	34,894	34,894
Non-marketable securities (cost method accounting):				
Venture capital and private equity fund investments	153,618	153,618	145,007	145,007
Other investments	21,296	21,296	19,355	19,355
Total non-marketable securities	\$ 1,132,312	\$ 460,499	\$ 1,004,440	\$ 357,008

- (1) The following table shows the amount of venture capital and private equity fund investments by the following consolidated funds and amounts attributable to SVBFG for each fund at June 30, 2012 and December 31, 2011:

	June 30, 2012		December 31, 2011	
		Amount		Amount
	Carrying value	attributable	Carrying value	attributable
(Dollars in thousands)	(as reported)	to SVBFG	(as reported)	to SVBFG
SVB Strategic Investors Fund, LP	\$ 36,694	\$ 4,609	\$ 39,567	\$ 4,970

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SVB Strategic Investors Fund II, LP	109,343	9,372	122,619	10,510
SVB Strategic Investors Fund III, LP	213,405	12,528	218,429	12,824
SVB Strategic Investors Fund IV, LP	146,477	7,324	122,076	6,104
Strategic Investors Fund V, LP	18,134	32	8,838	31
SVB Capital Preferred Return Fund, LP	50,573	12,518	42,580	11,571
SVB Capital NT Growth Partners, LP	57,588	24,065	43,958	20,176
SVB Capital Partners II, LP	863	44	2,390	121
Other private equity fund	6,519	6,519	11,367	11,367
Total venture capital and private equity fund investments	\$ 639,596	\$ 77,011	\$ 611,824	\$ 77,674

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- (2) The following table shows the amount of other venture capital investments by the following consolidated funds and amounts attributable to SVBFG for each fund at June 30, 2012 and December 31, 2011:

	June 30, 2012		December 31, 2011	
	Carrying value (as reported)	Amount attributable to SVBFG	Carrying value (as reported)	Amount attributable to SVBFG
(Dollars in thousands)				
Silicon Valley BancVentures, LP	\$ 16,739	\$ 1,790	\$ 17,878	\$ 1,912
SVB Capital Partners II, LP	59,256	3,010	61,099	3,103
SVB India Capital Partners I, LP	40,668	5,850	42,832	6,162
SVB Capital Shanghai Yangpu Venture Capital Fund	3,448	233	2,312	156
Total other venture capital investments	\$ 120,111	\$ 10,883	\$ 124,121	\$ 11,333

Loans

Loans, net of unearned income were \$7.8 billion at June 30, 2012, an increase of \$819.7 million, or 11.8 percent, compared to \$7.0 billion at December 31, 2011. Unearned income was \$67.7 million at June 30, 2012, compared to \$60.2 million at December 31, 2011. Total gross loans were \$7.9 billion at June 30, 2012, an increase of \$827.1 million, or 11.8 percent, compared to \$7.0 billion at December 31, 2011. The increase came primarily from sponsor-led buyouts in the software niche and from our venture capital/private equity clients for capital calls. The breakdown of total gross loans and total loans as a percentage of total gross loans by category is as follows:

	June 30, 2012		December 31, 2011	
(Dollars in thousands)	Amount	Percentage	Amount	Percentage
Commercial loans:				
Software	\$ 2,780,006	35.4 %	\$ 2,517,890	35.8 %
Hardware	1,097,835	14.0	961,869	13.7
Venture capital/private equity	1,417,715	18.0	1,128,520	16.1
Life science	926,894	11.8	872,413	12.4
Premium wine	121,242	1.5	131,552	1.9
Other	374,907	4.8	345,588	4.9
Total commercial loans	6,718,599	85.5	5,957,832	84.8
Real estate secured loans:				
Premium wine	374,988	4.8	347,241	4.9
Consumer loans	554,093	7.1	533,817	7.6
Total real estate secured loans	929,081	11.9	881,058	12.5
Construction loans	33,159	0.4	30,319	0.4
Consumer loans	176,629	2.2	161,112	2.3
Total gross loans	\$ 7,857,468	100.0 %	\$ 7,030,321	\$ 100.0 %

Table of Contents*Loan Concentration*

The following table provides a summary of loans by size and category. The breakout of the categories is based on total client balances (individually or in the aggregate) as of June 30, 2012:

June 30, 2012

(Dollars in thousands)	Less than Five Million	Five to Ten Million	Ten to Twenty Million	Twenty to Thirty Million	Thirty Million or More	Total
Commercial loans:						
Software	\$ 949,954	\$ 437,231	\$ 666,456	\$ 621,398	\$ 104,967	\$ 2,780,006
Hardware	292,266	193,314	244,182	191,154	176,919	1,097,835
Venture capital/private equity	259,928	208,991	234,400	71,000	643,396	1,417,715
Life science	252,062	209,427	148,089	167,071	150,245	926,894
Premium wine (1)	58,322	29,380	27,840	5,700	-	121,242
Other	109,618	49,276	56,941	51,894	107,178	374,907
Commercial loans	1,922,150	1,127,619	1,377,908	1,108,217	1,182,705	6,718,599
Real estate secured loans:						
Premium wine (1)	113,658	88,522	97,941	43,367	31,500	374,988
Consumer loans (2)	457,006	55,141	41,946	-	-	554,093
Real estate secured loans	570,664	143,663	139,887	43,367	31,500	929,081
Construction loans	11,826	21,333	-	-	-	33,159
Consumer loans (2)	46,457	49,209	35,963	-	45,000	176,629
Total gross loans	\$ 2,551,097	\$ 1,341,824	\$ 1,553,758	\$ 1,151,584	\$ 1,259,205	\$ 7,857,468

- (1) Premium wine clients can have loan balances included in both commercial loans and real estate secured loans, the total of which are used for the breakout of the above categories.
- (2) Consumer loan clients have loan balances included in both real estate secured loans and other consumer loans, the total of which are used for the breakout of the above categories.

At June 30, 2012, gross loans (individually or in the aggregate) totaling \$2.4 billion, or 30.7 percent of our portfolio, were equal to or greater than \$20 million to any single client. These loans represented 74 clients, and of these loans, none were on nonaccrual status as of June 30, 2012.

The following table provides a summary of loans by size and category. The breakout of the categories is based on total client balances (individually or in the aggregate) as of December 31, 2011:

December 31, 2011

(Dollars in thousands)	Less than Five Million	Five to Ten Million	Ten to Twenty Million	Twenty to Thirty Million	Thirty Million or More	Total
Commercial loans:						
Software	\$ 764,200	\$ 429,670	\$ 578,248	\$ 715,772	\$ 30,000	\$ 2,517,890

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Hardware	306,557	166,619	133,505	116,305	238,883	961,869
Venture capital/private equity	277,087	232,775	127,848	53,000	437,810	1,128,520
Life science	251,921	140,786	187,874	171,702	120,130	872,413
Premium wine (1)	69,418	13,971	42,763	5,400	-	131,552
Other	90,110	14,915	82,849	45,435	112,279	345,588
Commercial loans	1,759,293	998,736	1,153,087	1,107,614	939,102	5,957,832
Real estate secured loans:						
Premium wine (1)	119,708	75,161	75,247	45,625	31,500	347,241
Consumer loans (2)	434,406	41,177	39,302	18,932	-	533,817
Real estate secured loans	554,114	116,338	114,549	64,557	31,500	881,058
Construction loans	7,581	22,738	-	-	-	30,319
Consumer loans (2)	59,713	32,105	21,294	3,000	45,000	161,112
Total gross loans	\$ 2,380,701	\$ 1,169,917	\$ 1,288,930	\$ 1,175,171	\$ 1,015,602	\$ 7,030,321

- (1) Premium wine clients can have loan balances included in both commercial loans and real estate secured loans, the total of which are used for the breakout of the above categories.
- (2) Consumer loan clients have loan balances included in both real estate secured loans and other consumer loans, the total of which are used for the breakout of the above categories.

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At December 31, 2011, gross loans (individually or in the aggregate) totaling \$2.2 billion, or 31.2 percent of our portfolio, were equal to or greater than \$20 million to any single client. These loans represented 71 clients, and of these loans, none were on nonaccrual status as of December 31, 2011.

The credit profile of our clients varies across our loan portfolio, based on the nature of the lending we do for different market segments. Our technology and life sciences loan portfolio includes loans to clients at all stages of their life cycles, beginning with our SVB Accelerator practice, which serves our emerging or early-stage clients. Loans provided to early-stage clients represent a relatively small percentage of our overall portfolio at approximately 9 percent of total gross loans at June 30, 2012, compared to approximately 8 percent at December 31, 2011. Typically these loans are made to companies with modest or negative cash flows and no established record of profitable operations. Repayment of these loans may be dependent upon receipt by borrowers of additional equity financing from venture capitalists or others, or in some cases, a successful sale to a third party or a public offering. Venture capital firms may provide financing at lower levels, more selectively or on less favorable terms, which may have an adverse effect on our borrowers that are otherwise dependent on such financing to repay their loans to us. When repayment is dependent upon the next round of venture investment and there is an indication that further investment is unlikely or will not occur, it is often likely the company would need to be sold to repay debt in full. If reasonable efforts have not yielded a likely buyer willing to repay all debt at the close of the sale or on commercially viable terms, the account will most likely be deemed to be impaired.

At June 30, 2012, our lending to venture capital/private equity firms represented 18.0 percent of total gross loans, compared to 16.1 percent of total gross loans at December 31, 2011. Many of these clients have capital call lines of credit, the repayment of which is dependent on the payment of capital calls by the underlying limited partner investors in the funds managed by these firms.

At June 30, 2012, our asset-based lending, which consists primarily of working capital lines and accounts receivable factoring represented 7.2 percent and 4.9 percent, respectively, of total gross loans, compared to 8.8 percent and 5.4 percent, respectively at December 31, 2011. The repayment of these arrangements is dependent on the financial condition, and payment ability, of third parties with whom our clients do business.

Approximately 44.4 percent of our outstanding total gross loan balances as of June 30, 2012 were to borrowers based in California compared to 43.7 percent as of December 31, 2011. Other than California, there are no states with balances greater than 10 percent.

See generally *Risk Factors* *Credit Risks* set forth under Item 1A, Part I in our 2011 Form 10-K.

Credit Quality Indicators

As of June 30, 2012, our criticized and impaired loans represented 6.9 percent of our total gross loans. This compares to 8.5 percent at December 31, 2011. A majority of our criticized loans are from our SVB Accelerator portfolio, serving our emerging or early stage clients, and make up approximately 9 percent of our loan portfolio. It is common for an early stage client's remaining liquidity to fall temporarily below the threshold for a pass-rated credit during its capital-raising period for a new round of funding. This situation typically lasts only a few weeks and, in our experience, generally resolves itself with a subsequent round of venture funding. As a result, we expect that each of our early-stage clients will be managed through our criticized portfolio during a portion of their life cycle. Criticized loan levels will continue to vary but are expected to remain within the current range.

Table of Contents*Credit Quality and Allowance for Loan Losses*

Nonperforming assets consist of loans past due 90 days or more that are still accruing interest and loans on nonaccrual status. We measure all loans placed on nonaccrual status for impairment based on the fair value of the underlying collateral or the net present value of the expected cash flows. The table below sets forth certain data and ratios between nonperforming loans, nonperforming assets and the allowance for loan losses:

(Dollars in thousands)	June 30, 2012	December 31, 2011
Gross nonperforming loans:		
Loans past due 90 days or more still accruing interest	\$ 25	\$ -
Impaired loans	27,071	36,617
Total gross nonperforming loans	\$ 27,096	\$ 36,617
Nonperforming loans as a percentage of total gross loans	0.34 %	0.52 %
Nonperforming assets as a percentage of total assets	0.13	0.18
Allowance for loan losses	\$ 98,166	\$ 89,947
As a percentage of total gross loans	1.25 %	1.28 %
As a percentage of total gross nonperforming loans	362.29	245.64
Allowance for loan losses for impaired loans	\$ 5,665	\$ 3,707
As a percentage of total gross loans	0.07 %	0.05 %
As a percentage of total gross nonperforming loans	20.91	10.12
Allowance for loan losses for total gross performing loans	\$ 92,501	\$ 86,240
As a percentage of total gross loans	1.18 %	1.23 %
As a percentage of total gross performing loans	1.18	1.23
Total gross loans	\$ 7,857,468	\$ 7,030,321
Total gross performing loans	7,830,372	6,993,704
Reserve for unfunded credit commitments (1)	23,476	21,811
As a percentage of total unfunded credit commitments	0.27 %	0.27 %
Total unfunded credit commitments (2)	8,752,705	8,067,570

(1) The Reserve for unfunded credit commitments is included as a component of other liabilities. See Provision for Unfunded Credit Commitments above for a discussion of the changes to the reserve.

(2) Includes unfunded loan commitments and letters of credit.

Our allowance for loan losses as a percentage of total gross loans decreased to 1.25 percent at June 30, 2012 from 1.28 percent at December 31, 2011. The decrease is primarily reflective of the strong performance of our performing loan portfolio as our allowance for loan losses for total gross performing loans as a percentage of total gross performing loans decreased from 1.23 percent at December 31, 2011 to 1.18 percent at June 30, 2012.

Our nonperforming loans were \$27.1 million at June 30, 2012, compared to \$36.6 million at December 31, 2011. The decrease of \$9.5 million was primarily due to paydowns of \$20.0 million on nonperforming loans, partially offset by the addition of a single nonperforming hardware loan that had an impaired balance of \$10.0 million at June 30, 2012. The allowance for loan losses related to impaired loans was \$5.7 million at June 30, 2012 compared to \$3.7 million at December 31, 2011.

Average impaired loans for the three and six months ended June 30, 2012 were \$35.3 million and \$36.6 million, respectively, compared to \$35.0 million and \$35.4 million for the comparable 2011 periods. If the impaired loans had not been impaired, \$0.5 million and \$1.1 million in interest income would have been recorded for the three and six months ended June 30, 2012, respectively, compared to \$0.8 million and \$1.5 million for the comparable 2011 periods.

Table of Contents***Accrued Interest Receivable and Other Assets***

A summary of accrued interest receivable and other assets at June 30, 2012 and December 31, 2011 is as follows:

(Dollars in thousands)	June 30, 2012	December 31, 2011	% Change
Derivative assets, gross (1)	\$ 105,943	\$ 97,693	8.4 %
Foreign exchange spot contract assets, gross	67,330	86,610	(22.3)
Accrued interest receivable	62,359	58,108	7.3
FHLB and FRB stock	39,301	39,189	0.3
Accounts receivable	26,154	49,076	(46.7)
Current tax receivable	16,738	-	-
Prepaid FDIC assessments	3,711	8,776	(57.7)
Other assets	46,889	37,402	25.4
Total accrued interest receivable and other assets	\$ 368,425	\$ 376,854	(2.2)

(1) See Derivatives section below.

Foreign Exchange Spot Contract Assets

Foreign exchange spot contract assets represent unsettled client trades at the end of the period. The decrease of \$19.3 million was primarily due to decreased client trade activity at period-end, and is consistent with the decrease in foreign exchange spot contract liabilities (see Other Liabilities section below).

Accounts Receivable

The decrease in accounts receivable of \$22.9 million from December 31, 2011 was primarily due to a decrease in unsettled client trades related to our off-balance sheet sweep money market funds.

Current Tax Receivable

The current tax receivable balance of \$16.7 million at June 30, 2012 is a result of our 2012 estimated tax payments made to the IRS and to various state governments.

Prepaid FDIC Assessments

In 2009 the FDIC required insured financial institutions to prepay their estimated quarterly risk-based assessments for 2010 through 2012. The decrease of \$5.1 million from December 31, 2011 was due to the amortization of this prepayment during the six months ended June 30, 2012.

Derivatives

Derivative instruments are recorded as a component of other assets and other liabilities on the balance sheet. The following table provides a summary of derivative assets and liabilities, net at June 30, 2012 and December 31, 2011:

(Dollars in thousands)	June 30, 2012	December 31, 2011	% Change
Assets:			

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Equity warrant assets	\$	74,405	\$	66,953	11.1 %
Foreign exchange forward and option contracts		20,582		18,326	12.3
Interest rate swaps		9,331		11,441	(18.4)
Loan conversion options		1,569		923	70.0
Client interest rate derivatives		57		50	14.0
Total derivatives assets	\$	105,944	\$	97,693	8.4

Liabilities:

Foreign exchange forward and option contracts	\$	(15,361)	\$	(16,816)	(8.7)
Client interest rate derivative		(59)		(52)	13.5
Total derivatives liabilities	\$	(15,420)	\$	(16,868)	(8.6)

Table of Contents*Equity Warrant Assets*

In connection with negotiating credit facilities and certain other services, we often obtain rights to acquire stock in the form of equity warrant assets in primarily private, venture-backed companies in the technology and life science industries. At June 30, 2012, we held warrants in 1,215 companies, compared to 1,174 companies at December 31, 2011. The change in fair value of equity warrant assets is recorded in gains on derivatives instruments, net, in noninterest income, a component of consolidated net income. The following table provides a summary of transactions and valuation changes for equity warrant assets for the three and six months ended June 30, 2012 and 2011:

(Dollars in thousands)	Three months ended June 30,		Six months ended June 30,	
	2012	2011	2012	2011
Balance, beginning of period	\$ 71,404	\$ 51,273	\$ 66,953	\$ 47,565
New equity warrant assets	4,546	3,601	7,154	7,296
Non-cash increases in fair value	3,260	7,003	7,823	9,556
Exercised equity warrant assets	(4,202)	(4,213)	(6,353)	(6,172)
Terminated equity warrant assets	(603)	(723)	(1,172)	(1,304)
Balance, end of period	\$ 74,405	\$ 56,941	\$ 74,405	\$ 56,941

Interest Rate Swaps

For information on our interest rate swaps, see Note 8 *Derivative Financial Instruments* of the *Notes to Interim Consolidated Financial Statements (unaudited)* under Part I, Item 1 of this report.

Foreign Exchange Forward and Foreign Currency Option Contracts

We enter into foreign exchange forward contracts and foreign currency option contracts with clients involved in foreign activities, either as the purchaser or seller, depending upon the clients' need. For each forward or option contract entered into with our clients, we enter into an opposite way forward or option contract with a correspondent bank, which mitigates the risk of fluctuations in currency rates. We enter into forward contracts with correspondent banks to economically reduce our foreign exchange exposure related to certain foreign currency denominated loans. Revaluations of foreign currency denominated loans are recorded on the line item *Other* as part of noninterest income, a component of consolidated net income. We have not experienced nonperformance by a counterparty and therefore have not incurred related losses. Further, we anticipate performance by all counterparties. Our net exposure for foreign exchange forward and foreign currency option contracts at June 30, 2012 and December 31, 2011 amounted to \$5.2 million and \$1.5 million, respectively. For additional information on our foreign exchange forward contracts and foreign currency option contracts, see Note 8- *Derivative Financial Instruments* of the *Notes to the Consolidated Financial Statements* under Part I, Item I in this report.

Deposits

Deposits were \$18.1 billion at June 30, 2012, an increase of \$1.4 billion, or 8.1 percent, compared to \$16.7 billion at December 31, 2011. The increase is primarily due to new client acquisition and increased fundraising activity from our existing venture capital/private equity clients. At June 30, 2012, 28.9 percent of our total deposits were interest-bearing deposits, compared to 29.0 percent at December 31, 2011.

At June 30, 2012, the aggregate balance of time deposit accounts individually equal to or greater than \$100,000 totaled \$142.2 million, compared to \$126.0 million at December 31, 2011. At June 30, 2012, substantially all time deposit accounts individually equal to or greater than \$100,000 were scheduled to mature within one year. No material portion of our deposits has been obtained from a single depositor and the loss of any one depositor would not materially affect our business.

Long-Term Debt

At June 30, 2012, we had long-term debt of \$458.2 million, compared to \$603.6 million at December 31, 2011. At June 30, 2012, long-term debt included our 5.375% Senior Notes, 6.05% Subordinated Notes and 7.0% Junior Subordinated Debentures. Our 5.70% Senior Notes matured on June 1, 2012 and we repaid all outstanding principal, including unpaid and accrued interest, in cash upon maturity. For more information on our long-term debt, see Note 7 *Short-term Borrowings and Long-Term Debt* of the *Notes to Interim Consolidated Financial Statements (unaudited)*

under Part I, Item 1 of this report.

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Other Liabilities

A summary of other liabilities at June 30, 2012 and December 31, 2011 is as follows:

(Dollars in thousands)	June 30, 2012	December 31, 2011	% Change
Foreign exchange spot contract liabilities, gross	\$ 90,042	\$ 152,727	(41.0) %
Accrued compensation	49,935	114,472	(56.4)
Reserve for unfunded credit commitments	23,476	21,811	7.6
Derivative liabilities, gross (1)	15,421	16,868	(8.6)
Deferred tax liabilities	10,096	7,975	26.6
Other	123,553	91,468	35.1
Total other liabilities	\$ 312,523	\$ 405,321	(22.9)

(1) See Derivatives section above.

Foreign Exchange Spot Contract Liabilities

Foreign exchange spot contract liabilities represent unsettled client trades at the end of the period. The decrease of \$62.7 million was primarily due to decreased client trade activity at period-end, and is consistent with the decrease in foreign exchange spot contract assets. (See Accrued Interest Receivable and Other Assets section above).

Accrued Compensation

Accrued compensation includes amounts for our Incentive Compensation Plans, Direct Drive Incentive Compensation Plan, Long-Term Cash Incentive Plan, Retention Program, Warrant Incentive Plan, ESOP and other compensation arrangements. The decrease of \$64.4 million was primarily the result of 2011 incentive compensation payouts during the first quarter of 2012, partially offset by additional accruals for the six months ended June 30, 2012.

Noncontrolling Interests

Noncontrolling interests totaled \$729.0 million and \$681.0 million at June 30, 2012 and December 31, 2011, respectively. The increase of \$48.0 million was primarily due to \$33.8 million of contributed capital (net of distributions) from investors in our managed funds and net income attributable to noncontrolling interests of \$14.6 million for the six months ended June 30, 2012, primarily from our managed funds of funds.

Fair Value Measurements

The following table summarizes our financial assets and liabilities that are measured at fair value on a recurring basis as of June 30, 2012 and December 31, 2011.

(Dollars in thousands)	Saturday, June 30, 2012		December 31, 2011	
	Total Balance	Level 3	Total Balance	Level 3
Assets carried at fair value	\$ 11,491,338	\$ 828,326	\$ 11,372,081	\$ 799,962
As a percentage of total assets	54.0 %	3.9 %	56.9 %	4.0 %
Liabilities carried at fair value	\$ 15,420	\$ -	\$ 16,868	\$ -
As a percentage of total liabilities	0.1 %	- %	0.1 %	- %

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	Level 1 and 2	Level 3	Level 1 and 2	Level 3
Percentage of assets measured at fair value	92.8 %	7.2 %	93.0 %	7.0 %

As of June 30, 2012, our available-for-sale securities, consisting of agency-issued mortgage-backed securities, agency-issued collateralized mortgage obligations, U.S. agency debentures, U.S. treasury securities and municipal bonds and notes, totaled \$10.6 billion, or 92.4 percent of our portfolio of assets measured at fair value on a recurring basis, compared to \$10.5 billion, or 92.6 percent, as of December 31, 2011. These instruments were classified as Level 2 because their valuations were based on indicative prices corroborated by observable market quotes or valuation techniques with all significant inputs derived from or corroborated by observable market data. The fair value of our available-for-sale securities portfolio is sensitive to changes in levels of market interest rates and market perceptions of credit quality of the underlying securities. Market valuations and impairment analyses on assets in the available-for-sale securities portfolio are reviewed and monitored on a quarterly basis. Assets valued using Level 2 measurements also include equity warrant assets in shares of public company capital stock, marketable securities, interest rate swaps, foreign exchange forward and option contracts, loan conversion options and client interest rate derivatives.

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Financial assets valued using Level 3 measurements consist primarily of our investments in venture capital and private equity funds and direct equity investments in privately held companies. Our managed funds that hold these investments qualify as investment companies under AICPA Audit and Accounting Guide for Investment Companies and accordingly, these funds report their investments at estimated fair value, with unrealized gains and losses resulting from changes in fair value reflected as investment gains or losses in our consolidated statements of income. Assets valued using Level 3 measurements also include equity warrant assets in shares of private company capital stock.

During the three and six months ended June 30, 2012, the Level 3 assets that are measured at fair value on a recurring basis experienced net realized and unrealized gains of \$16.9 million and \$29.2 million (which is inclusive of noncontrolling interest), respectively, primarily due to valuation increases in underlying fund investments in our managed funds, as well as gains from liquidity events and distributions and gains from our equity warrant assets. During the three and six months ended June 30, 2011, the Level 3 assets that are measured at fair value on a recurring basis experienced net realized and unrealized gains of \$43.3 million and \$94.6 million, respectively, (which is inclusive of noncontrolling interest).

The valuation of non-marketable securities and equity warrant assets in shares of private company capital stock is subject to significant judgment. The inherent uncertainty in the process of valuing securities for which a ready market does not exist may cause our estimated values of these securities to differ significantly from the values that would have been derived had a ready market for the securities existed, and those differences could be material. The timing and amount of changes in fair value, if any, of these financial instruments depend upon factors beyond our control, including the performance of the underlying companies, fluctuations in the market prices of the preferred or common stock of the underlying companies, general volatility and interest rate market factors, and legal and contractual restrictions. The timing and amount of actual net proceeds, if any, from the disposition of these financial instruments depend upon factors beyond our control, including investor demand for IPOs, levels of M&A activity, legal and contractual restrictions on our ability to sell, and the perceived and actual performance of portfolio companies. All of these factors are difficult to predict (see Risk Factors set forth in our 2011 Form 10-K).

Capital Resources

Our management seeks to maintain adequate capital to support anticipated asset growth, operating needs and unexpected credit risks, and to ensure that SVB Financial and the Bank are in compliance with all regulatory capital guidelines. Our primary sources of new capital include retained earnings and proceeds from the sale and issuance of capital stock or other securities. Our management engages, in consultation with our Finance Committee of the Board of Directors, in a regular capital planning process in an effort to make effective use of the capital available to us and to appropriately plan for our future capital needs. The capital plan considers capital needs for the foreseeable future and allocates capital to both existing and future business activities. Expected future use or activities for which capital may be set aside include balance sheet growth and associated relative increases in market or credit exposure, investment activity, potential product and business expansions, acquisitions and strategic or infrastructure investments.

SVBFG Stockholders Equity

SVBFG stockholders equity totaled \$1.7 billion at June 30, 2012, an increase of \$146.0 million, or 9.3 percent compared to \$1.6 billion at December 31, 2011. This increase was primarily the result of net income of \$82.4 million for the six months ended June 30, 2012 and an increase in additional-paid-in-capital of \$44.9 million primarily from stock option exercises, stock purchases under our ESPP plan and ESOP contributions during the six months ended June 30, 2012.

Funds generated through retained earnings are a significant source of capital and liquidity and are expected to continue to be so in the future.

Capital Ratios

Both SVB Financial and the Bank are subject to various capital adequacy guidelines issued by the Federal Reserve Board and the California Department of Financial Institutions. To be classified as adequately capitalized under these capital guidelines, minimum ratios for total risk-based capital, Tier 1 risk-based capital and Tier 1 leverage ratio for bank holding companies and banks are 8.0%, 4.0% and 4.0%, respectively.

To be classified as well capitalized under these capital guidelines, minimum ratios for total risk-based capital and Tier 1 risk-based capital for bank holding companies and banks are 10.0% and 6.0%, respectively. Under the same capital adequacy guidelines, a well-capitalized state member bank must maintain a minimum Tier 1 leverage ratio of 5.0%. There is no Tier 1 leverage requirement for a holding company to be deemed well-capitalized.

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The Federal Reserve has not issued any minimum guidelines for the tangible common equity to tangible assets ratio or the tangible common equity to risk-weighted assets ratio. However, we believe these ratios provide meaningful supplemental information regarding our capital levels and are therefore provided below.

Regulatory capital ratios for SVB Financial and the Bank exceeded minimum federal regulatory guidelines for a well-capitalized depository institution as of June 30, 2012 and December 31, 2011. Capital ratios for SVB Financial and the Bank, compared to the minimum regulatory ratios to be considered well capitalized and adequately capitalized, are set forth below:

	June 30, 2012	December 31, 2011	Minimum ratio to be Well Capitalized	Minimum ratio to be Adequately Capitalized
SVB Financial:				
Total risk-based capital ratio	13.85 %	13.95 %	10.0 %	8.0 %
Tier 1 risk-based capital ratio	12.62	12.62	6.0	4.0
Tier 1 leverage ratio	8.07	7.92	N/A	4.0
Tangible common equity to tangible assets ratio (1)(2)	8.06	7.86	N/A	N/A
Tangible common equity to risk-weighted assets ratio (1)(2)	13.35	13.25	N/A	N/A
Bank:				
Total risk-based capital ratio	12.24 %	12.33 %	10.0 %	8.0 %
Tier 1 risk-based capital ratio	10.98	10.96	6.0	4.0
Tier 1 leverage ratio	7.01	6.87	5.0	4.0
Tangible common equity to tangible assets ratio (1)(2)	7.39	7.18	N/A	N/A
Tangible common equity to risk-weighted assets ratio (1)(2)	11.86	11.75	N/A	N/A

- (1) See below for a reconciliation of non-GAAP tangible common equity to tangible assets and tangible common equity to risk-weighted assets.
- (2) The FRB has not issued any minimum guidelines for the tangible common equity to tangible assets ratio or the tangible common equity to risk-weighted assets ratio. However, we believe these ratios provide meaningful supplemental information regarding our capital levels and are therefore provided above.

Our total risk based capital (includes tier 1 and tier 2 capital components) ratios for both SVB Financial and the Bank decreased nominally compared to December 31, 2011 due to period end loan growth relative to lower risk-weighted investments and cash. Our tier 1 leverage ratios for both SVB Financial and the Bank increased compared to December 31, 2011 due to growth in retained earnings and additional-paid-in-capital, the impact of which was partially offset by continued growth in assets. All of our capital ratios are above the levels to be considered well capitalized.

The tangible common equity to tangible assets ratio and the tangible common equity to risk-weighted assets ratios are not required by GAAP or applicable bank regulatory requirements. However, we believe these ratios provide meaningful supplemental information regarding our capital levels. Our management uses, and believes that investors benefit from referring to, these ratios in evaluating the adequacy of the Company's capital levels; however, this financial measure should be considered in addition to, not as a substitute for or preferable to, comparable financial measures prepared in accordance with GAAP. These ratios are calculated by dividing total SVBFG stockholders' equity, by total period-end assets and risk-weighted assets, after reducing both amounts by acquired intangibles, if any. The manner in which this ratio is calculated varies among companies. Accordingly, our ratio is not necessarily comparable to similar measures of other companies. The following table provides a reconciliation of non-GAAP financial measures with financial measures defined by GAAP:

	SVB Financial		Bank	
Non-GAAP tangible common equity and tangible assets (dollars in thousands, except ratios)	June 30, 2012	December 31, 2011	June 30, 2012	December 31, 2011
GAAP SVBFG stockholders' equity	\$ 1,715,360	\$ 1,569,392	\$ 1,479,817	\$ 1,346,854

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Less:

Intangible assets	-	601	-	-
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Tangible common equity	\$ 1,715,360	\$ 1,568,791	\$ 1,479,817	\$ 1,346,854
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GAAP Total assets	\$ 21,289,772	\$ 19,968,894	\$ 20,027,219	\$ 18,758,813
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Less:

Intangible assets	-	601	-	-
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Tangible assets	\$ 21,289,772	\$ 19,968,293	\$ 20,027,219	\$ 18,758,813
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Risk-weighted assets	\$ 12,850,191	\$ 11,837,902	\$ 12,482,417	\$ 11,467,401
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Tangible common equity to tangible assets	8.06	%	7.86	%	7.39	%	7.18	%
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Tangible common equity to risk-weighted assets	13.35		13.25		11.86		11.75	
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For both SVB Financial and the Bank, the tangible common equity to risk-weighted assets ratios increased due to an increase in retained earnings, an increase in accumulated other comprehensive income from increases in the fair value of our available-for-sale securities portfolio, and an increase in additional-paid-in-capital from stock option exercises, stock purchases under our ESPP plan, and ESOP contributions during the six months ended June 30, 2012. This growth was partially offset by increases in both tangible and risk-weighted assets, which reflects our growth in period-end loan balances.

Off-Balance Sheet Arrangements

In the normal course of business, we use financial instruments with off-balance sheet risk to meet the financing needs of our customers. These financial instruments include commitments to extend credit, commercial and standby letters of credit and commitments to invest in venture capital and private equity fund investments. These instruments involve, to varying degrees, elements of credit risk. Credit risk is defined as the possibility of sustaining a loss because other parties to the financial instrument fail to perform in accordance with the terms of the contract. For details of our commitments to extend credit, and commercial and standby letters of credit, please refer to Note 11 Off-Balance Sheet Arrangements, Guarantees, and Other Commitments of the Notes to Interim Consolidated Financial Statements (unaudited) under Part I, Item 1 of this report.

Commitments to Invest in Venture Capital/Private Equity Funds

We make commitments to invest in venture capital and private equity funds, which in turn make investments generally in, or in some cases make loans to, privately-held companies. Commitments to invest in these funds are generally made for a ten-year period from the inception of the fund. Although the limited partnership agreements governing these investments typically do not restrict the general partners from calling 100% of committed capital in one year, it is customary for these funds to generally call most of the capital commitments over five to seven years. The actual timing of future cash requirements to fund these commitments is generally dependent upon the investment cycle, overall market conditions, and the nature and type of industry in which the privately held companies operate.

For further details on our commitments to invest in private equity funds, refer to Note 11 Off-Balance Sheet Arrangements, Guarantees, and Other Commitments of the Notes to Interim Consolidated Financial Statements (unaudited) under Part I, Item 1 of this report.

Liquidity

The objective of liquidity management is to ensure that funds are available in a timely manner to meet our financial obligations, including, as necessary, paying creditors, meeting depositors' needs, accommodating loan demand and growth, funding investments, repurchasing securities and other operating or capital needs, without incurring undue cost or risk, or causing a disruption to normal operating conditions.

We regularly assess the amount and likelihood of projected funding requirements through a review of factors such as historical deposit volatility and funding patterns, present and forecasted market and economic conditions, individual client funding needs, and existing and planned business activities. Our Asset/Liability Committee (ALCO), which is a management committee, provides oversight to the liquidity management process and recommends policy guidelines for the approval of the Finance Committee of our Board of Directors, and courses of action to address our actual and projected liquidity needs.

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Our deposit base is, and historically has been, our primary source of liquidity. Our deposit levels and cost of deposits may fluctuate from time to time due to a variety of factors, including market conditions, prevailing interest rates, changes in client deposit behaviors, availability of insurance protection, and our offering of deposit products. At June 30, 2012, our period-end total deposit balances increased by \$1.4 billion to \$18.1 billion, compared to \$16.7 billion at December 31, 2011. The overall increase in deposit balances was primarily due to new client acquisition and increased fundraising activity by our venture capital/private equity clients.

Our liquidity requirements can also be met through the use of our portfolio of liquid assets. Our definition of liquid assets includes cash and cash equivalents in excess of the minimum levels necessary to carry out normal business operations, short-term investment securities maturing within one year, available-for-sale securities eligible and available for financing or pledging purposes with a maturity in excess of one year and anticipated near-term cash flows from investments.

On a stand-alone basis, SVB Financial's primary liquidity channels include dividends from the Bank, its portfolio of liquid assets, and its ability to raise debt and capital. The ability of the Bank to pay dividends is subject to certain regulations described in Business Supervision and Regulation Restriction on Dividends under Part I, Item 1 of our 2011 Form 10-K.

Consolidated Summary of Cash Flows

Below is a summary of our average cash position and statement of cash flows for the six months ended June 30, 2012 and 2011, respectively. Please refer to our Interim Statements of Cash Flows for the six months ended June 30, 2012 and 2011 under Part I, Item 1 of this report for more details.

(Dollars in thousands)	Six months ended June 30,	
	2012	2011
Average cash and cash equivalents	\$ 1,325,539	\$ 2,402,895
Percentage of total average assets	6.4 %	13.3 %
Net cash (used for) provided by operating activities	\$ (6,102)	\$ 171,806
Net cash used for investing activities	(981,459)	(2,099,917)
Net cash provided by financing activities	1,284,338	1,416,898
Net increase (decrease) in cash and cash equivalents	\$ 296,777	\$ (511,213)

Average cash and cash equivalents decreased by \$1.1 billion to \$1.3 billion for the six months ended June 30, 2012, compared to \$2.4 billion for the comparable 2011 period. The decrease was primarily due to the investment of cash and cash equivalents into available-for-sale securities and to fund loan growth.

Cash used for operating activities of \$6.1 million for the six months ended June 30, 2012 included \$60.2 million in net payouts of accrued compensation and \$43.4 million to reduce our net foreign exchange spot contract position, largely offset by \$22.9 million in net cash received from accounts receivable and strong operating income from the business.

Cash used for investing activities of \$981.5 million for the six months ended June 30, 2012 included \$1.8 billion for purchases of available-for-sale securities, a \$817.6 million net increase in loans, \$164.5 million for purchases of non-marketable securities and \$20.0 million for purchases of premises and equipment. These cash outflows were partially offset by \$1.7 billion from sales, maturities and paydowns of available-for-sale securities, \$83.0 million from sales or distributions of non-marketable securities of and \$6.8 million in recoveries from loans previously charged-off.

Cash provided by financing activities of \$1.3 billion for the six months ended June 30, 2012 included a \$1.4 billion increase in deposits, \$33.4 million from capital contributions (net of distributions) from noncontrolling interests and \$24.3 million from the issuance of common stock and ESPP. These cash inflows were offset by principal payments of \$141.4 million upon maturity of our 5.70% Senior Notes.

Cash and cash equivalents at June 30, 2012 were 1.4 billion, compared to \$2.6 billion at June 30, 2011.

Table of Contents**ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK****Interest Rate Risk Management**

Market risk is defined as the risk of adverse fluctuations in the market value of financial instruments due to changes in market interest rates. Interest rate risk is our primary market risk and can result from timing and volume differences in the repricing of our rate-sensitive assets and liabilities, widening or tightening of credit spreads, changes in the general level of market interest rates and changes in the shape and level of the benchmark LIBOR/SWAP yield curve. Additionally, changes in interest rates can influence the rate of principal prepayments on mortgage securities which affects the rate of amortization of purchase premiums and discounts. Other market risks include foreign currency exchange risk and equity price risk. These risks are not considered significant and no separate quantitative information concerning them is presented herein.

Interest rate risk is managed by our ALCO. ALCO reviews the market valuation and 12-month forward looking earnings sensitivity of assets and liabilities to changes in interest rates, structural changes in investment and funding portfolios, loan and deposit activity and current market conditions. Adherence to relevant policies, which are approved by the Finance Committee of our Board of Directors, is monitored on an ongoing basis.

Management of interest rate risk is carried out primarily through strategies involving our available-for-sale securities, available funding channels and capital market activities. In addition, our policies permit the use of off-balance sheet derivative instruments to assist in managing interest rate risk.

We utilize a simulation model to perform sensitivity analysis on the economic value of equity and net interest income under a variety of interest rate scenarios, balance sheet forecasts and proposed strategies. The simulation model provides a dynamic assessment of interest rate sensitivity embedded in our balance sheet which measures the potential variability in forecasted results relating to changes in market interest rates over time. We review our interest rate risk position on a quarterly basis at a minimum.

Model Simulation and Sensitivity Analysis

One application of the aforementioned simulation model involves measurement of the impact of market interest rate changes on our economic value of equity (EVE). EVE is defined as the market value of assets, less the market value of liabilities, adjusted for any off-balance sheet items. A second application of the simulation model measures the impact of market interest rate changes on our net interest income (NII) assuming a static balance sheet as of the period-end reporting date. The market interest rate changes that affect us are principally short-term interest rates and include the following: (1) National Prime and SVB Prime rates (impacts the majority of our variable rate loans); (2) 1-month and 3-month LIBOR (impacts our variable rate available-for-sale securities, our 6.05% Subordinated Notes, and a portion of our variable rate loans); and (3) Fed Funds target rate (impacts cash and cash equivalents). Additionally, deposit pricing generally follows overall changes in short-term interest rates.

Effective January 1, 2012, we enhanced certain model assumptions related to the decay rates on our deposits with no stated maturity, such as noninterest-bearing demand deposits, interest-bearing checking accounts, money market accounts and interest-bearing sweep deposits. As a result we have recast prior period EVE and NII sensitivities to provide a more comparable basis for the current quarter's analysis. The following table presents our EVE and NII sensitivity exposure at June 30, 2012 and December 31, 2011, related to an instantaneous and sustained parallel shift in market interest rates of 100 and 200 basis points.

Change in interest rates (basis points)	Estimated EVE	Estimated Increase/ (Decrease) In EVE		Estimated NII	Estimated Increase/ (Decrease) In NII	
		Amount	Percent (Dollars in thousands)		Amount	Percent
June 30, 2012:						
+200	\$ 3,202,809	\$ 534,995	20.1 %	\$ 803,559	\$ 129,310	19.2 %
+100	2,869,471	201,657	7.6	730,013	55,764	8.3
-	2,667,814	-	-	674,249	-	-
-100	2,850,860	183,046	6.9	641,228	(33,021)	(4.9)
-200	2,853,214	185,400	6.9	635,447	(38,802)	(5.8)

December 31, 2011:

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+200	\$ 3,003,465	\$ 508,947	20.4 %	\$ 735,740	\$ 106,717	17.0 %
+100	2,729,000	234,482	9.4	671,880	42,857	6.8
-	2,494,518	-	-	629,023	-	-
-100	2,619,182	124,664	5.0	592,325	(36,698)	(5.8)
-200	2,626,452	131,934	5.3	583,214	(45,809)	(7.3)

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Economic Value of Equity

The estimated EVE in the preceding table is based on a combination of valuation methodologies including a discounted cash flow analysis and a multi-path lattice based valuation. Both methodologies use publicly available market interest rates. The model simulations and calculations are highly assumption-dependent and will change regularly as our asset/liability structure changes, as interest rate environments evolve, and as we change our assumptions in response to relevant market or business circumstances. These calculations do not reflect the changes that we anticipate or may make to reduce our EVE exposure in response to a change in market interest rates as a part of our overall interest rate risk management strategy.

As with any method of measuring interest rate risk, certain limitations are inherent in the method of analysis presented in the preceding table. We are exposed to yield curve risk, prepayment risk and basis risk, which cannot be fully modeled and expressed using the above methodology. Accordingly, the results in the preceding table should not be relied upon as a precise indicator of actual results in the event of changing market interest rates. Additionally, the resulting EVE and NII estimates are not intended to represent, and should not be construed to represent the underlying value.

Our base case EVE at June 30, 2012 increased from December 31, 2011 by \$173.3 million primarily due to the change in balance sheet mix, the growth in higher-yielding interest-earning assets and flatter and lower market yield curves. The asset growth was primarily due to an increase in loans and available-for-sale securities, which grew by \$819.7 million and \$84.9 million, respectively. EVE sensitivity decreased slightly in the simulated upward interest rate movement due to the effect of the lower rate environment on the non-interest bearing deposits. Due to the lower market yield curve, the value benefits associated with the non-interest bearing deposits was reduced in the simulated upward interest rate movement scenarios. In the simulated downward interest rate movements, EVE sensitivity increased due to the combined effects of a flatter and lower yield curve and deposit rates being at or near their absolute floors thus muting the negative effects of the downward interest rate shocks.

12-Month Net Interest Income Simulation

Our expected 12-month NII at June 30, 2012 increased from December 31, 2011 by \$45.2 million primarily due to growth in our loan portfolio and higher-yielding available-for-sale securities. The growth in total assets was funded primarily by excess cash and cash equivalents from increases in deposit balances. NII sensitivity increased slightly in the simulated upward interest rate movements due largely to the increase in variable-rate loans. In the simulated downward interest rate movements, the NII sensitivity decreased due to the current low rate environment as certain of our deposit and loan rates are at or near their floors and a decrease in variable-rate available-for-sale securities.

The simulation model used for above analysis embeds floors in our interest rate scenarios, which prevent model benchmark rates from moving below 0.0%. Current modeling assumptions maintain the SVB prime lending rate at its existing level (currently at 4.0%) until the National Prime Index has been adjusted upward by a minimum of 75 basis points (to 4.0%), as we did not lower the Bank's prime lending rate despite the 75 basis points decrease in the target Federal Funds rates in December 2008. These assumptions may change in future periods based on management discretion. Actual changes in our deposit pricing strategies may differ from our current model assumptions and may have an impact on our overall sensitivity.

ITEM 4. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

Disclosure controls and procedures are the controls and other procedures that are designed to ensure that information required to be disclosed in the reports that we file or submit under the Securities Exchange Act of 1934, as amended (the "Exchange Act") is recorded, processed, summarized, and reported within the time periods specified in SEC rules and forms. Disclosure controls and procedures include, among other things, processes, controls and procedures designed to ensure that information required to be disclosed in the reports that we file or submit under the Exchange Act is accumulated and communicated to management, including the Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

We carried out an evaluation, under the supervision and with the participation of management, including the Chief Executive Officer and the Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures as of our most recently completed fiscal quarter, pursuant to Exchange Act Rule 13a-15(b). Based upon this evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of the period covered by this report, the Company's disclosure controls and procedures were effective.

Changes in Internal Control

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There were no changes in our internal control over financial reporting identified in management's evaluation pursuant to Rules 13a-15(d) or 15d-15(d) of the Exchange Act during the period covered by this Quarterly Report on Form 10-Q that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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PART II OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Please refer to Note 14 Legal Matters of the Notes to Interim Consolidated Financial Statements (unaudited) under Part I, Item 1 of this report.

ITEM 1A. RISK FACTORS

There are no material changes from the risk factors set forth in our 2011 Form 10-K.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Recent Sales of Unregistered Securities

None.

Issuer Purchases of Equity Securities

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

See Index to Exhibits at end of report.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Date: August 8, 2012

SVB Financial Group

/s/ MICHAEL DESCHENEUX
Michael Descheneaux
Chief Financial Officer
(Principal Financial Officer)

Date: August 8, 2012

SVB Financial Group

/s/ KAMRAN HUSAIN
Kamran Husain
Chief Accounting Officer
(Principal Accounting Officer)

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INDEX TO EXHIBITS

Exhibit		Incorporated by Reference				Filed Herewith
Number	Exhibit Description	Form	File No.	Exhibit	Filing Date	
3.1	Restated Certificate of Incorporation	8-K	000-15637	3.1	May 31, 2005	
3.2	Amended and Restated Bylaws	8-K	000-15637	3.2	July 27, 2010	
3.3	Certificate of Designation of Rights, Preferences and Privileges of Series A Participating Preferred Stock	8-K	000-15637	3.3	December 8, 2008	
3.4	Certificate of Designations of Fixed Rate Cumulative Perpetual Preferred Stock, Series B	8-K	000-15637	3.4	December 15, 2008	
4.1	Junior Subordinated Indenture, dated as of October 30, 2003 between SVB Financial and Wilmington Trust Company, as trustee	8-K	000-15637	4.12	November 19, 2003	
4.2	7.0% Junior Subordinated Deferrable Interest Debenture due October 15, 2033 of SVB Financial	8-K	000-15637	4.13	November 19, 2003	
4.3	Amended and Restated Trust Agreement, dated as of October 30, 2003, by and among SVB Financial as depositor, Wilmington Trust Company as property trustee, Wilmington Trust Company as Delaware trustee, and the Administrative Trustees named therein	8-K	000-15637	4.14	November 19, 2003	
4.4	Certificate Evidencing 7% Cumulative Trust Preferred Securities of SVB Capital II, dated October 30, 2003	8-K	000-15637	4.15	November 19, 2003	
4.5	Guarantee Agreement, dated October 30, 2003, between SVB Financial and Wilmington Trust Company, as trustee	8-K	000-15637	4.16	November 19, 2003	
4.6	Agreement as to Expenses and Liabilities, dated as of October 30, 2003, between SVB Financial and SVB Capital II	8-K	000-15637	4.17	November 19, 2003	
4.7	Certificate Evidencing 7% Common Securities of SVB Capital II, dated October 30, 2003	8-K	000-15637	4.18	November 19, 2003	
4.8	Officers Certificate and Company Order, dated October 30, 2003, relating to the 7.0% Junior Subordinated Deferrable Interest Debentures due October 15, 2033	8-K	000-15637	4.19	November 19, 2003	
4.9	Amended and Restated Preferred Stock Rights Agreement, dated as of January 29, 2004, between SVB Financial and Wells Fargo Bank Minnesota, N.A.	8-A12G/A	000-15637	4.20	February 27, 2004	
4.10	Amendment No. 1 to Amended & Restated Preferred Stock Rights Agreement, dated as of August 2, 2004, by and between SVB Financial and Wells Fargo Bank, N.A.	8-A12G/A	000-15637	4.13	August 3, 2004	
4.11	Amendment No. 2 to Amended & Restated Preferred Stock Rights Agreement, dated as of January 29, 2008, by and between SVB Financial and Wells Fargo Bank, N.A.	8-A/A	000-15637	4.14	January 29, 2008	
4.12	Amendment No. 3 to Amended and Restated Preferred Stock Rights Agreement, dated as of April 30, 2008, by and between SVB Financial and Wells Fargo Bank, N.A.	8-A/A	000-15637	4.20	April 30, 2008	

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Exhibit		Incorporated by Reference				Filed Herewith
Number	Exhibit Description	Form	File No.	Exhibit	Filing Date	
4.13	Amendment No. 4 to Amended and Restated Preferred Stock Rights Agreement, dated as of January 15, 2010, by and between SVB Financial, Wells Fargo Bank, N.A. and American Stock Transfer & Trust Company, LLC	8-A/A	000-15637	4.22	January 19, 2010	
4.14	Indenture, dated September 20, 2010, by and between SVB Financial Group and U.S. Bank National Association, as trustee	8-K	000-15637	4.1	September 20, 2010	
4.15	Form of 5.375% Senior Note due 2020	8-K	000-15637	4.2	September 20, 2010	
*10.8	Deferred Compensation Plan					X
31.1	Rule 13a-14(a) / 15(d)-14(a) Certification of Principal Executive Officer					X
31.2	Rule 13a-14(a) / 15(d)-14(a) Certification of Principal Financial Officer					X
32.1	Section 1350 Certifications					**
101.INS	XBRL Instance Document					X
101.SCH	XBRL Taxonomy Extension Schema Document					X
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document					X
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document					X
101.LAB	XBRL Taxonomy Extension Label Linkbase Document					X
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document					X

* Denotes management contract or any compensatory plan, contract or arrangement.

** Furnished herewith