

SVB FINANCIAL GROUP  
Form 10-Q  
May 08, 2009  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 10-Q**

(Mark One)

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

For the quarterly period ended March 31, 2009

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.

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 April 30, 2009, 32,978,109 shares of the registrant's common stock (\$0.001 par value) were outstanding.

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

(Dollars in thousands, except par value and share data)	March 31, 2009	December 31, 2008
<b>Assets</b>		
Cash and due from banks	\$ 3,362,216	\$ 1,791,396
Federal funds sold, securities purchased under agreements to resell and other short-term investment securities	286,787	647,414
Investment securities	2,032,157	1,786,100
Loans, net of unearned income	5,003,069	5,506,253
Allowance for loan losses	(110,010)	(107,396)
Net loans	4,893,059	5,398,857
Premises and equipment, net of accumulated depreciation and amortization	29,341	30,589
Goodwill		4,092
Accrued interest receivable and other assets	355,208	362,360
<b>Total assets</b>	<b>\$ 10,958,768</b>	<b>\$ 10,020,808</b>
<b>Liabilities and total equity</b>		
Liabilities:		
Deposits:		
Noninterest-bearing demand	\$ 5,228,830	\$ 4,419,965
Negotiable order of withdrawal (NOW)	43,802	58,133
Money market	1,061,547	1,213,086
Foreign money market	45,439	53,123
Time	393,433	379,200
Sweep	1,709,273	1,349,965
Total deposits	8,482,324	7,473,472
Short-term borrowings	56,450	62,120
Other liabilities	163,422	175,553
Long-term debt	964,175	995,423
<b>Total liabilities</b>	<b>9,666,371</b>	<b>8,706,568</b>
Commitments and contingencies (Note 12)		
SVBFG stockholders' equity:		
Preferred stock, \$0.001 par value, 20,000,000 shares authorized; no shares issued and outstanding		
Preferred stock, Series B Fixed Rate Cumulative Perpetual Preferred Stock, \$1,000 liquidation value per share, 235,000 shares authorized; 235,000 shares issued and outstanding, net of discount	221,783	221,185
Common stock, \$0.001 par value, 150,000,000 shares authorized; 32,935,515 and 32,917,007 shares outstanding, respectively	33	33
Additional paid-in capital	71,761	66,201

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Retained earnings	701,708	712,254
Accumulated other comprehensive loss	(3,162)	(5,789)
<b>Total SVBFG stockholders' equity</b>	<b>992,123</b>	<b>993,884</b>
Noncontrolling interests	300,274	320,356
Total equity	1,292,397	1,314,240
<b>Total liabilities and total equity</b>	<b>\$ 10,958,768</b>	<b>\$ 10,020,808</b>

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

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

(Dollars in thousands, except per share amounts)		Three months ended March 31,	
		2009	2008
Interest income:			
Loans	\$	88,251	\$ 89,759
Investment securities:			
Taxable		14,851	13,770
Non-taxable		1,061	937
Federal funds sold, securities purchased under agreements to resell and other short-term investment securities		2,376	4,117
Total interest income		106,539	108,583
Interest expense:			
Deposits		6,847	5,269
Borrowings		8,181	12,536
Total interest expense		15,028	17,805
Net interest income		91,511	90,778
Provision for loan losses		43,466	7,723
Net interest income after provision for loan losses		48,045	83,055
Noninterest (loss) income:			
Foreign exchange fees		7,466	7,844
Deposit service charges		6,823	5,891
Client investment fees		6,248	13,722
Letters of credit and standby letters of credit income		2,892	2,946
Gains on derivative instruments, net		1,814	2,599
Corporate finance fees			3,640
Losses on investment securities, net		(35,045)	(6,112)
Other		6,192	11,035
Total noninterest (loss) income		(3,610)	41,565
Noninterest expense:			
Compensation and benefits		48,280	53,781
Professional services		12,080	8,801
Premises and equipment		5,407	5,188
Net occupancy		4,305	4,348
Impairment of goodwill		4,092	
Business development and travel		3,273	3,422
FDIC assessments		2,675	436
Correspondent bank fees		1,913	1,506
(Reduction of) provision for unfunded credit commitments		(2,284)	(165)
Other		7,399	6,120
Total noninterest expense		87,140	83,437
(Loss) income before income tax (benefit) expense		(42,705)	41,183

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Income tax (benefit) expense	(1,702)	18,283
Net (loss) income	(41,003)	22,900
Net loss attributable to noncontrolling interests	33,993	4,218
<b>Net (loss) income attributable to SVBFG</b>	<b>\$ (7,010)</b>	<b>\$ 27,118</b>
Preferred stock dividend and discount accretion	(3,536)	
<b>Net (loss) income available to common stockholders</b>	<b>\$ (10,546)</b>	<b>\$ 27,118</b>
(Loss) earnings per common share basic	\$ (0.32)	\$ 0.84
(Loss) earnings per common share diluted	\$ (0.32)	\$ 0.78

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

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

(Dollars in thousands)	Three months ended March 31,	
	2009	2008
<b>Net (loss) income</b>	\$ (41,003)	\$ 22,900
Other comprehensive income, net of tax:		
Cumulative translation (losses) gains:		
Foreign currency translation losses	(1,431)	(98)
Related tax effect	365	39
Change in unrealized gains (losses) on available-for-sale investment securities:		
Unrealized holding gains	6,268	4,956
Related tax effect	(2,571)	(2,045)
Reclassification adjustment for realized (losses) gains included in net (loss) income attributable to SVBFG	(7)	821
Related tax effect	3	(337)
Other comprehensive income, net of tax	2,627	3,336
<b>Comprehensive (loss) income</b>	(38,376)	26,236
Net loss attributable to noncontrolling interests	33,993	4,218
<b>Comprehensive (loss) income attributable to SVBFG</b>	\$ (4,383)	\$ 30,454

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



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

(Dollars in thousands)	Preferred Stock		SVBFG Stockholders' Common Stock			Retained Earnings	Accumulated Other Comprehensive Losses	Total SVBFG Stockholders' Equity	Noncontrolling Interests	Total Equity
	Shares	Amount	Shares	Amount	Additional Paid-in Capital					
<b>Balance at December 31, 2007</b>		\$	32,670,557	\$ 33	\$ 13,167	\$ 669,703	\$ (6,290)	\$ 676,613	\$ 240,102	\$ 916,715
Common stock issued under employee benefit plans, net of restricted stock cancellations			188,693		5,510			5,510		5,510
Income tax benefit from stock options exercised, vesting of restricted stock and other					2,022			2,022		2,022
Net income (loss)						27,118		27,118	(4,218)	22,900
Capital calls and (distributions), net									36,845	36,845
Net change in unrealized losses on available-for-sale investment securities							3,395	3,395		3,395
Translation adjustments							(59)	(59)		(59)
Common stock repurchases			(979,628)	(1)	(11,870)	(32,749)		(44,620)		(44,620)
Stock-based compensation expense under SFAS 123(R)					3,647			3,647		3,647
Other-net					1,499	13		1,512		1,512
<b>Balance at March 31, 2008</b>		\$	31,879,622	\$ 32	\$ 13,975	\$ 664,085	\$ (2,954)	\$ 675,138	\$ 272,729	\$ 947,867
<b>Balance at December 31, 2008</b>	235,000	\$ 221,185	32,917,007	\$ 33	\$ 66,201	\$ 712,254	\$ (5,789)	\$ 993,884	\$ 320,356	\$ 1,314,240

Common stock issued under employee benefit plans, net of restricted stock cancellations			18,508		85			85		85
Income tax benefit from stock options exercised, vesting of restricted stock and other					1,342			1,342		1,342

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Net (loss)		(7,010)	(7,010)	(33,993)	(41,003)
Capital calls and (distributions), net				13,911	13,911
Net change in unrealized losses on available-for-sale investment securities		3,693	3,693		3,693
Translation adjustments		(1,066)	(1,066)		(1,066)
Stock-based compensation expense under SFAS 123(R)	3,908		3,908		3,908
Preferred stock dividend and discount accretion	598	(3,536)	(2,938)		(2,938)
Other-net	225		225		225

**Balance at March 31, 2009**      **235,000**   **\$ 221,783**   **32,935,515**   **\$ 33**   **\$ 71,761**   **\$ 701,708**   **\$ (3,162)**   **\$ 992,123**   **\$ 300,274**   **\$ 1,292,397**

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

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

	<b>Three months ended March 31,</b>	
<b>(Dollars in thousands)</b>	<b>2009</b>	<b>2008</b>
<b>Cash flows from operating activities:</b>		
Net (loss) income attributable to SVBFG	\$ (7,010)	\$ 27,118
Adjustments to reconcile net (loss) income to net cash provided by operating activities:		
Impairment of goodwill	4,092	
Provision for loan losses	43,466	7,723
(Reduction of) provision for unfunded credit commitments	(2,284)	(165)
Changes in fair values of derivatives, net	(1,452)	2,325
Losses on investment securities, net	35,045	6,112
Depreciation and amortization	7,239	7,209
Net loss attributable to noncontrolling interests	(33,993)	(4,218)
Tax benefit of original issue discount	1,105	627
Tax benefit of share-based compensation and other	178	620
Amortization of share-based compensation	3,887	3,647
Amortization of deferred warrant-related loan fees	(2,126)	(1,862)
Deferred income tax (benefit) expense	(2,937)	8,669
Loss on valuation adjustments to other real estate owned property	50	114
Changes in other assets and liabilities:		
Accrued interest, net	5,503	3,928
Accounts receivable	(4,031)	269
Income tax receivable, net	(11,930)	2,969
Accrued compensation	(16,313)	(42,914)
Foreign exchange spot contracts, net	(8,106)	4,050
Other, net	2,807	2,109
<b>Net cash provided by operating activities</b>	<b>13,190</b>	<b>28,330</b>
<b>Cash flows from investing activities:</b>		
Purchases of available-for-sale securities	(340,303)	(27,726)
Proceeds from sales of available-for-sale securities	7	910
Proceeds from maturities and pay downs of available-for-sale securities	86,882	43,831
Purchases of nonmarketable securities (cost and equity method accounting)	(14,035)	(15,956)
Proceeds from sales of nonmarketable securities (cost and equity method accounting)	648	1,801
Proceeds from nonmarketable securities (cost and equity method accounting)		354
Purchases of nonmarketable securities (investment fair value accounting)	(12,381)	(26,847)
Proceeds from sales of nonmarketable securities (investment fair value accounting)	2,193	5,767
Net decrease (increase) in loans	460,629	(204,028)
Proceeds from recoveries of charged-off loans	1,161	828
Purchases of premises and equipment	(2,475)	(1,983)
<b>Net cash provided by (used for) investing activities</b>	<b>182,326</b>	<b>(223,049)</b>
<b>Cash flows from financing activities:</b>		
Net increase in deposits	1,008,852	158,010
Principal payments of other long-term debt	(505)	(244)
(Decrease) increase in short-term borrowings	(5,670)	30,000
Capital contributions from noncontrolling interests, net of distributions	13,911	37,358
Stock compensation related tax benefits	60	774
Dividends paid on preferred stock	(2,056)	
Proceeds from issuance of common stock	85	5,510

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Repurchases of common stock		(44,620)
<b>Net cash provided by financing activities</b>	<b>1,014,677</b>	<b>186,788</b>
Net increase (decrease) in cash and cash equivalents	1,210,193	(7,931)
Cash and cash equivalents at beginning of period	2,438,810	684,063
<b>Cash and cash equivalents at end of period</b>	<b>\$ 3,649,003</b>	<b>\$ 676,132</b>

## Supplemental disclosures:

Noncash items during the period:

Preferred stock dividends accrued, not yet paid	\$ 1,469	\$
Expense associated with loans issued under the Employee Home Ownership Program	365	180
Unrealized gains on available-for-sale securities	3,697	2,911
Net change in fair value of interest rate swaps	(31,629)	17,454

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 ( SVB Financial or the Parent ) 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 through all stages of their life cycles. In these notes to our interim consolidated financial statements, when we refer to SVB Financial Group, 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 , SVBFG or the Parent we are referring only to the parent company, SVB Financial Group, unless the context requires otherwise.

The accompanying 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 accounting principles generally accepted in the United States of America ( 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 Securities and Exchange Commission ( 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 months ended March 31, 2009 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, 2008 ( 2008 Form 10-K ).

The accompanying 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 2008 Form 10-K.

The preparation of 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 the valuation of non-marketable securities, the adequacy of the allowance for loan losses, valuation of equity warrant assets, the recognition and measurement of income tax assets and liabilities, the adequacy of the reserve for unfunded credit commitments, and share-based compensation.

##### ***Principles of Consolidation and Presentation***

Our consolidated interim financial statements include the accounts of SVB Financial Group and our majority-owned subsidiaries and variable interest entities ( VIEs ) for which we are the primary beneficiary. There have been no significant changes during the three months ended March 31, 2009 to our majority-owned subsidiaries and VIEs. Refer to our Consolidated Financial Statements and Supplementary Data-Note 2- Summary of Significant Accounting Policies under Part II, Item 8 of our 2008 Form 10-K.

##### ***Impact of Adopting SFAS No. 160***

In December 2007, the FASB issued Statement of Financial Accounting Standards ( SFAS ) No. 160, *Noncontrolling Interests in Consolidated Financial Statements - an amendment of Accounting Research Bulletin No. 51* ( SFAS No. 160 ). SFAS No. 160 establishes accounting and reporting standards for ownership interests in subsidiaries held by parties other than the parent, the amount of consolidated net income attributable to the parent and to the noncontrolling interest, changes in a parent's ownership interest, and the valuation of retained noncontrolling equity investments when a subsidiary is deconsolidated. SFAS No. 160 also establishes disclosure requirements that clearly identify and distinguish between the interests of the parent and the interests of the noncontrolling owners. Our adoption of SFAS No. 160 on January 1, 2009 required us to reclassify our presentation of noncontrolling interests (formerly referred to as minority interests) and had no effect on our results of operations or stockholders' equity.

##### ***Impact of Adopting SFAS No. 161***

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In March 2008, the FASB issued SFAS No. 161, *Disclosures about Derivative Instruments and Hedging Activities* ( SFAS No. 161 ). SFAS No. 161 requires companies with derivative instruments to provide enhanced disclosure information that should enable financial statement users to better understand how and why a company uses derivative instruments, how derivative instruments and related hedged items are accounted for under SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities* ( SFAS No. 133 ) and how derivative instruments and related hedged items affect a company's financial position, financial performance and cash flows. Our adoption of SFAS No. 161 on January 1, 2009 required us to expand our disclosures for our derivative financial instruments. Please refer to Note 9- Derivative Financial Instruments for further details.

**Table of Contents****Impact of Adopting FSP APB No. 14-1**

In May 2008, the Financial Accounting Standards Board ( FASB ) issued FASB Staff Position ( FSP ) Accounting Principles Board ( APB ) Opinion No. 14-1, *Accounting for Convertible Debt Instruments That May Be Settled in Cash upon Conversion (Including Partial Cash Settlement)* ( FSP APB No. 14-1 ). The FSP requires the proceeds from the issuance of convertible debt instruments to be allocated between a liability and an equity component in a manner that reflects the entity's non-convertible debt borrowing rate when interest expense is recognized in subsequent periods. The resulting debt discount is amortized over the period the convertible debt is expected to be outstanding as additional non-cash interest expense. Our adoption on January 1, 2009 required historical financial statements for 2007 and 2008 to be adjusted to conform to the FSP's new accounting treatment for both our \$150 million zero-coupon convertible subordinated notes ( 2003 Convertible Notes ), which matured on June 15, 2008, and our \$250 million 3.875% convertible senior notes ( 2008 Convertible Notes ), due April 15, 2011.

As a result of adopting the requirements of FSP APB No. 14-1, our net loss applicable to common stockholders for the three months ended March 31, 2009 increased by \$0.3 million. Total SVBFG stockholders' equity, based on cumulative adjustments beginning January 1, 2007 through March 31, 2009 increased by \$4.9 million. The following table highlights certain revised items related to the adoption of FSP APB No. 14-1 in our unaudited consolidated statements of income and balance sheets for the quarters ended March 31, 2009, December 31, 2008, and March 31, 2008.

	March 31, 2009	Three months ended		March 31, 2008	
		December 31, 2008	March 31, 2008	December 31, 2008	March 31, 2008
		As reported	As reported	As reported	As reported
(Dollars in thousands, except per share amounts)	As reported	As adjusted (1/1/2009)	in prior filings	As adjusted (1/1/2009)	As reported in prior filings
<b>INCOME STATEMENT</b>					
Interest expense - borrowings	\$ 8,181	\$ 10,219	\$ 9,694	\$ 12,536	\$ 11,233
Income tax (benefit) expense	(1,702)	2,111	2,319	18,283	18,801
Net (loss) income attributable to SVBFG	(7,010)	2,105	2,422	27,118	27,903
Net (loss) income available to common stockholders	(10,546)	1,398	1,715	27,118	27,903
(Loss) earnings per common share - diluted	(0.32)	0.04	0.05	0.78	0.81
<b>BALANCE SHEET</b>					
Total assets	\$ 10,958,768	\$ 10,020,808	\$ 10,020,892	\$ 6,897,285	\$ 6,897,303
Long-term debt	964,175	995,423	1,000,640	892,516	893,189
Additional paid-in capital	71,761	66,201	45,872	13,975	
Retained earnings	701,708	712,254	727,450	664,085	678,078

**Reclassifications**

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

**Recent Accounting Pronouncements**

In April 2009, the FASB issued FSP No. 157-4, *Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly* ( FSP No. 157-4 ). FSP No. 157-4 provides guidance to highlight and expand on factors that should be considered in estimating fair value when there has been a significant decrease in market activity for a financial asset or liability. FSP 157-4 also provides guidance on identifying circumstances that may indicate that a transaction is not orderly. FSP No. 157-4 is effective for interim periods ending after June 15, 2009. We are currently assessing the impact of FSP No. 157-4 on our consolidated financial position and results of operations and we do not expect any material changes.

In April 2009, the FASB issued FSP No. 115-2 and SFAS 124-2, *Recognition and Presentation of Other-Than-Temporary Impairments* ( OTTI ) ( FSP No. 115-2 and SFAS No. 124-2 ). FSP No. 115-2 and SFAS No. 124-2 change the methodology for determining whether OTTI exists for debt securities. FSP No. 115-2 and SFAS No. 124-2 require changes to the presentation of OTTI impairment in the statements of income for those impairments involving credit losses, as well as enhanced disclosures regarding the methodology and significant inputs used to measure the amount related to credit losses. FSP No. 115-2 and SFAS No. 124-2 is effective for interim periods ending after June 15, 2009. We are currently assessing the impact of FSP No. 115-2 and SFAS No. 124-2 on our consolidated financial position and results of operations and we do not expect any material changes.

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In April 2009, the FASB issued FSP No. 107-1 and APB Opinion No. 28-1, *Interim Disclosures about Fair Value of Financial Instruments* ( FSP No. 107-1 and APB No. 28-1 ), which require interim disclosures regarding the fair values of all financial instruments within the scope of SFAS No. 107, *Disclosures about Fair Value of Financial Instruments*, as well as the methods and significant assumptions used to estimate the fair value of those financial instruments. FSP No. 107-1 and APB 28-1 are effective for interim periods ending after June 15, 2009. The guidance expands the disclosure requirements and has no impact on our consolidated financial position and results of operations.



**Table of Contents****2. Stockholders Equity and Earnings Per Share ( EPS )***Common Stock*

We did not repurchase any shares of our common stock for the three months ended March 31, 2009. We repurchased 1.0 million shares for the three months ended March 31, 2008 totaling \$44.6 million. In July 2008 upon expiration of our earlier stock repurchase program, our Board of Directors approved a stock repurchase program authorizing us to purchase up to \$150.0 million of our common stock, which expires on December 31, 2009. At March 31, 2009, \$150.0 million of shares remain authorized for repurchase under our current stock repurchase program.

*Preferred Stock*

In connection with our participation in the U.S. Treasury's ( Treasury ) Capital Purchase Program (the CPP ) in the latter part of the fourth quarter of 2008, for the three months ended March 31, 2009, we have accrued dividends of \$2.9 million on our Series B Fixed Rate Cumulative Perpetual Preferred Stock ( Series B Preferred Stock ). At December 31, 2008, accrued dividends were \$0.6 million.

*Earnings Per Share*

Basic earnings per share is the amount of earnings available to each share of common stock outstanding during the reporting period. Diluted earnings per share 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, our Employee Stock Purchase Plan, restricted stock awards and units, our \$150 million zero-coupon convertible subordinated notes ( 2003 Convertible Notes ) and related warrants, our \$250 million of 3.875% convertible senior notes ( 2008 Convertible Notes ) and related warrants and note hedge, and our warrant under the CPP. Potentially dilutive common shares are excluded from the computation of dilutive earnings per share in periods in which the effect would be antidilutive. The following is a reconciliation of basic EPS to diluted EPS for the three months ended March 31, 2009 and 2008:

(Dollars and shares in thousands, except per share amounts)	Three months ended March 31,	
	2009	2008
<b>Numerator:</b>		
Net (loss) income attributable to SVBFG	\$ (7,010)	\$ 27,118
Preferred stock dividend and discount accretion	(3,536)	
Net (loss) income available to common stockholders	\$ (10,546)	\$ 27,118
<b>Denominator:</b>		
Weighted average common shares outstanding-basic	32,932	32,280
<b>Weighted average effect of dilutive securities:</b>		
Stock options		1,012
Restricted stock awards and units		73
2003 Convertible Notes		1,218
Denominator for diluted calculation	32,932	34,583
<b>Net (loss) income per common share:</b>		
Basic	\$ (0.32)	\$ 0.84
Diluted	\$ (0.32)	\$ 0.78

Due to the loss applicable to common stockholders for the three months ended March 31, 2009, no potentially dilutive shares were included in the loss per share calculation as including such shares would be anti-dilutive and reduce the reported loss per share.



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The following table summarizes the common shares excluded from the diluted EPS calculation as they were deemed to be anti-dilutive for the three months ended March 31, 2009 and 2008:

(Shares in thousands)	Three months ended March 31,	
	2009	2008
Stock options	2,933	880
Restricted stock awards and units	847	3
Warrants associated with 2003 Convertible Notes		485
2008 Convertible Notes	7,848	
Warrants associated with 2008 Convertible Notes	10,544	
Warrant associated with Capital Purchase Program	1,062	
Total	23,234	1,368

**3. Share-Based Compensation**

For the three months ended March 31, 2009 and 2008, we recorded share-based compensation expense of \$3.9 million and \$3.5 million, respectively, resulting in the recognition of \$1.0 million and \$0.8 million, respectively, in related tax benefits.

**Unrecognized Compensation Expense**

At March 31, 2009, unrecognized share-based compensation expense was as follows:

(Dollars in thousands)	Unrecognized Expense	Average Expected
		Recognition Period - in Years
Stock options	\$ 5,939	1.25
Restricted stock units	10,821	1.25
Total unrecognized share-based compensation expense	\$ 16,760	

**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 three months ended March 31, 2009:

	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life in Years	Aggregate Intrinsic Value of In-The-Money Options
Outstanding at December 31, 2008	3,130,929	\$ 37.25		
Granted	7,088	21.75		
Exercised	(15,562)	9.62		
Forfeited	(2,975)	48.90		
Expired	(15,201)	36.53		
Outstanding at March 31, 2009	3,104,279	37.34	3.38	\$ 570,227

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Vested and expected to vest at March 31, 2009	3,020,243	37.03	3.32	569,530
Exercisable at March 31, 2009	2,278,543	33.21	2.70	566,732

The aggregate intrinsic value of outstanding options shown in the table above represents the pretax intrinsic value based on our closing stock price of \$20.01 as of March 31, 2009. The total intrinsic value of options exercised during the three months ended March 31, 2009 and 2008 was \$0.2 million and \$3.3 million, respectively.

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The table below provides information for restricted stock awards and restricted stock units under the 1997 Equity Incentive Plan and the 2006 Equity Incentive Plan for the three months ended March 31, 2009:

	Shares	Weighted Average Grant Date Fair Value
Nonvested at December 31, 2008	393,463	\$ 46.49
Granted	3,750	22.19
Vested	(4,952)	17.95
Forfeited	(1,259)	21.46
Nonvested at March 31, 2009	391,002	46.70

## 4. Federal Funds Sold, Securities Purchased under Agreements to Resell and Other Short-Term Investment Securities

The following table details the federal funds sold, securities purchased under agreements to resell and other short-term investment securities at March 31, 2009 and December 31, 2008, respectively:

(Dollars in thousands)	March 31, 2009	December 31, 2008
Federal funds sold overnight	\$	\$ 250,000
Securities purchased under agreements to resell	62,142	150,910
Interest-earning deposits	174,997	169,022
Other short-term investment securities	49,648	77,482
Total federal funds sold, securities purchased under agreements to resell and other short-term investment securities	\$ 286,787	\$ 647,414

In addition to the above, as of March 31, 2009 and December 31, 2008, \$3.1 billion and \$1.1 billion, respectively, of our cash and due from banks was deposited at the Federal Reserve Bank and was earning interest at the Federal Funds target rate.

## 5. Investment Securities

The major components of our investment securities portfolio at March 31, 2009 and December 31, 2008 are as follows:

	March 31, 2009				December 31, 2008			
(Dollars in thousands)	Amortized Cost	Unrealized Gains	Unrealized Losses	Carrying Value	Amortized Cost	Unrealized Gains	Unrealized Losses	Carrying Value
Marketable securities:								
Available-for-sale securities, at fair value:								
U.S. agencies and corporations:								
Collateralized mortgage obligations	\$ 549,258	\$ 8,303	\$ (20,498)	\$ 537,063	\$ 590,876	\$ 5,609	\$ (16,736)	\$ 579,749
Mortgage-backed securities	439,991	14,378	(1,564)	452,805	459,770	9,910	(2,230)	467,450
U.S. agency debentures	430,016	3,880	(129)	433,767	109,981	3,622		113,603
Commercial mortgage-backed securities	52,773		(5,956)	46,817	54,202		(6,721)	47,481
Municipal bonds and notes	104,786	1,784	(1,136)	105,434	109,405	1,384	(2,034)	108,755
Marketable equity securities	443	15	(12)	446	157		(5)	152
Venture capital fund investments		1		1		1		1

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Total available-for-sale securities	\$ 1,577,267	\$ 28,361	\$ (29,295)	\$ 1,576,333	\$ 1,324,391	\$ 20,526	\$ (27,726)	\$ 1,317,191
Marketable securities (investment company fair value accounting) (1)				1,297				1,703
Non-marketable securities (investment company fair value accounting):								
Private equity fund investments (2)				218,366				242,645
Other private equity investments (3)				82,473				82,444
Other investments (4)				1,276				1,547
Non-marketable securities (equity method accounting):								
Other investments (5)				32,137				27,000
Low income housing tax credit funds				30,381				31,510
Non-marketable securities (cost method accounting):								
Private equity fund investments (6)				76,755				69,971
Other private equity investments				13,139				12,089
Total investment securities				\$ 2,032,157				\$ 1,786,100

- (1) Marketable securities (investment company fair value accounting) represent investments managed by us or our consolidated subsidiaries that were originally made within our non-marketable securities portfolio that have been converted into publicly-traded shares. The following table shows the amount of investments by the following funds and our ownership of each fund at March 31, 2009 and December 31, 2008:

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(Dollars in thousands)	March 31, 2009		December 31, 2008	
	Amount	Ownership %	Amount	Ownership %
Partners for Growth, LP	\$ 960	50.0%	\$ 1,233	50.0%
SVB India Capital Partners I, LP	337	14.4	470	14.4
Total marketable securities	\$ 1,297		\$ 1,703	

- (2) The following table shows the amount of investments by the following consolidated funds of funds and our ownership of each fund at March 31, 2009 and December 31, 2008:

(Dollars in thousands)	March 31, 2009		December 31, 2008	
	Amount	Ownership %	Amount	Ownership %
SVB Strategic Investors Fund, LP	\$ 55,464	12.6%	\$ 65,985	12.6%
SVB Strategic Investors Fund II, LP	80,951	8.6	94,161	8.6
SVB Strategic Investors Fund III, LP	79,582	5.9	80,780	5.9
SVB Strategic Investors Fund IV, LP	2,369	5.0	1,719	5.0
Total private equity fund investments	\$ 218,366		\$ 242,645	

- (3) The following table shows the amount of investments by the following consolidated co-investment funds and our ownership of each fund at March 31, 2009 and December 31, 2008:

(Dollars in thousands)	March 31, 2009		December 31, 2008	
	Amount	Ownership %	Amount	Ownership %
Silicon Valley BancVentures, LP	\$ 23,537	10.7%	\$ 24,188	10.7%
SVB Capital Partners II, LP (i)	37,253	5.1	38,234	5.1
SVB India Capital Partners I, LP	21,683	14.4	20,022	14.4
Total other private equity investments	\$ 82,473		\$ 82,444	

- (i) At March 31, 2009, we had a direct ownership interest of 1.3% and an indirect ownership interest of 3.8% in the fund through our ownership interest of SVB Strategic Investors Fund II, LP.
- (4) Other investments within non-marketable securities (investment company fair value accounting) include our ownership in Partners for Growth, LP, a consolidated sponsored debt fund. At March 31, 2009 and December 31, 2008 we had a majority ownership interest of approximately 50.0% 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.
- (5) The following table shows the amount of investments by the following sponsored debt funds and our ownership of each fund at March 31, 2009 and December 31, 2008:

(Dollars in thousands)	March 31, 2009		December 31, 2008	
	Amount	Ownership %	Amount	Ownership %

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Gold Hill Venture Lending 03, LP (i)	\$ 17,816	9.3%	\$ 18,234	9.3%
Partners for Growth II, LP	10,622	24.2	8,559	24.2
Other fund investment	3,699		207	
Total other investments	\$ 32,137		\$ 27,000	

- (i) At March 31, 2009, we had a direct ownership interest of 4.8% in the fund. In addition, we had a 90.7% direct ownership interest in the fund's general partner, Gold Hill Venture Lending Partners 03, LLC ( GHLLC ). GHLLC has a direct ownership interest of 5.0% in Gold Hill Venture Lending 03, LP and its parallel funds. Our indirect interest in the fund through our investment in GHLLC is 4.5%. Our aggregate direct and indirect ownership in the fund is 9.3%.
- (6) Represents investments in 356 and 360 private equity funds at March 31, 2009 and December 31, 2008, respectively, where our ownership interest is less than 5% of the voting stock of each such fund.



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The following table summarizes our unrealized losses on our available-for-sale investment securities into categories of less than 12 months, or 12 months or longer, at March 31, 2009:

(Dollars in thousands)	Less than 12 months		March 31, 2009 12 months or longer		Total	
	Fair Value of Investments	Unrealized Losses	Fair Value of Investments	Unrealized Losses	Fair Value of Investments	Unrealized Losses
U.S. agencies and corporations:						
Collateralized mortgage obligations (1)	\$ 16,408	\$ (875)	\$ 86,804	\$ (19,623)	\$ 103,212	\$ (20,498)
Mortgage-backed securities (1)	4,499	(12)	18,531	(1,552)	23,030	(1,564)
U.S. agency debentures	85,971	(129)			85,971	(129)
Commercial mortgage-backed securities (1)			46,817	(5,956)	46,817	(5,956)
Municipal bonds and notes (1)	19,695	(757)	12,502	(379)	32,197	(1,136)
Marketable equity securities	38	(12)			38	(12)
Total temporarily impaired securities	\$ 126,611	\$ (1,785)	\$ 164,654	\$ (27,510)	\$ 291,265	\$ (29,295)

- (1) As of March 31, 2009, we identified a total of 93 investments that were in unrealized loss positions, of which 51 investments totaling \$164.7 million with unrealized losses of \$27.5 million have been in an impaired position for a period of time greater than 12 months. The time periods in which these securities were originally purchased were as follows: Collateralized mortgage obligations between May 2002 and July 2005, mortgage-backed securities between June 2003 and April 2005, commercial mortgage-backed securities between April 2005 and July 2005 and municipal bonds and notes between December 2007 and February 2008. All investments with unrealized losses for a period of time greater than 12 months are considered investment graded by either Moody's or S&P or were issued by a government sponsored enterprise. The unrealized losses are due primarily to increases in market interest rate or increase in market spreads to benchmark interest rates relative to rates and spreads at the time of purchase. Based on the underlying credit quality of the investments, we expect these impairments to be temporary, and as such, we expect the market value on these investments to recover over time and we have the intent and ability to hold these investments until recovery or final maturity. Market valuations and impairment analyses on assets in the investment portfolio are reviewed and monitored on an ongoing basis.

The following table summarizes our unrealized losses on our available-for-sale investment securities portfolio into categories of less than 12 months, or 12 months or longer, as of December 31, 2008:

(Dollars in thousands)	Less than 12 months		December 31, 2008 12 months or longer		Total	
	Fair Value of Investments	Unrealized Losses	Fair Value of Investments	Unrealized Losses	Fair Value of Investments	Unrealized Losses
U.S. agencies and corporations:						
Collateralized mortgage obligations	\$ 53,618	\$ (2,892)	\$ 94,550	\$ (13,844)	\$ 148,168	\$ (16,736)
Mortgage-backed securities	4,692	(1,433)	19,239	(797)	23,931	(2,230)
Commercial mortgage-backed securities	9,491	(404)	37,990	(6,317)	47,481	(6,721)
Municipal bonds and notes	39,694	(1,827)	4,091	(207)	43,785	(2,034)
Marketable equity securities	152	(5)			152	(5)
Total temporarily impaired securities	\$ 107,647	\$ (6,561)	\$ 155,870	\$ (21,165)	\$ 263,517	\$ (27,726)

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The cost of investment securities is determined on a specific identification basis. The following table presents the components of gains and losses on investment securities for the three months ended March 31, 2009 and 2008:

(Dollars in thousands)	Three months ended March 31,	
	2009	2008
Gross gains on investment securities:		
Available-for-sale securities, at fair value	\$ 7	\$ 66
Marketable securities (investment company fair value accounting)	488	
Non-marketable securities (investment company fair value accounting):		
Private equity fund investments	615	10,100
Other private equity investments	52	1,718
Other investments	364	
Non-marketable securities (equity method accounting):		
Other investments	564	369
Non-marketable securities (cost method accounting):		
Private equity fund investments	66	284
Other private equity investments	22	
Total gross gains on investment securities	2,178	12,537
Gross losses on investment securities:		
Available-for-sale securities, at fair value		(887)
Marketable securities (investment company fair value accounting)	(196)	(1,913)
Non-marketable securities (investment company fair value accounting):		
Private equity fund investments	(30,810)	(7,317)
Other private equity investments	(5,149)	(1,653)
Other investments		(5,514)
Non-marketable securities (equity method accounting):		
Other investments	(120)	(1,091)
Non-marketable securities (cost method accounting):		
Private equity fund investments	(948)	(274)
Other private equity investments		
Total gross losses on investment securities	(37,223)	(18,649)
Losses on investment securities, net	\$ (35,045)	\$ (6,112)
Losses attributable to noncontrolling interests, including carried interest	\$ (30,438)	\$ (1,899)

## 6. Loans and Allowance for Loan Losses

The composition of loans, net of unearned income of \$42.1 million and \$45.4 million at March 31, 2009 and December 31, 2008, respectively, is presented in the following table:

(Dollars in thousands)	March 31, 2009	December 31, 2008
Commercial loans	\$ 4,028,813	\$ 4,515,019
Premium wine (1)	400,505	419,539
Community development loans (2)	57,769	48,293
Consumer and other (3)	515,982	523,402
Total loans, net of unearned income	\$ 5,003,069	\$ 5,506,253

- (1) Premium wine consists of loans for vineyard development as well as working capital and equipment term loans to meet the needs of our clients – premium wineries and vineyards. At March 31, 2009 and December 31, 2008, \$266.5 million and \$269.6 million, respectively, of such loans were secured by real estate.
- (2) Community development loans consist of low income housing loans made as part of our responsibilities under the Community Reinvestment Act and are primarily secured by real estate.

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- (3) Consumer and other loans consist of loans to targeted high-net-worth individuals. These products and services include home equity lines of credit, secured lines of credit, restricted stock purchase loans and capital call lines of credit. This category also includes loans made to eligible employees through our Employee Home Ownership Plan ( EHOP ). Loans secured by real estate at March 31, 2009, and December 31, 2008 were comprised of the following:

(Dollars in thousands)	March 31, 2009	December 31, 2008
Home equity lines of credit (i)	\$ 86,675	\$ 89,544
Loans to eligible employees (ii)	83,771	74,759
Loans for personal residence (iii)	63,743	58,700
Consumer loans secured by real estate	\$ 234,189	\$ 223,003

- (i) Represents home equity lines of credits, which may have been used to finance real estate investments.  
(ii) Represents loans made to eligible employees through our EHOP.  
(iii) Represents loans used to purchase, renovate or refinance personal residences.

The activity in the allowance for loan losses for the three months ended March 31, 2009 and 2008 was as follows:

(Dollars in thousands)	Three months ended March 31,	
	2009	2008
Allowance for loan losses, beginning balance	\$ 107,396	\$ 47,293
Provision for loan losses	43,466	7,723
Gross loan charge-offs	(42,013)	(6,208)
Loan recoveries	1,161	828
Allowance for loan losses, ending balance	\$ 110,010	\$ 49,636

**Nonaccrual Loans**

The aggregate investment in loans for which impairment has been determined in accordance with SFAS No. 114, *Accounting by Creditors for Impairment of a Loan*, totaled \$97.6 million and \$84.9 million at March 31, 2009 and December 31, 2008, respectively. There were no commitments available for funding to any clients with nonaccrual loans at March 31, 2009 and at December 31, 2008. The allocation of the allowance for loan losses related to impaired loans was \$41.7 million and \$25.9 million at March 31, 2009 and December 31, 2008, respectively. Our accruing loans past due 90 days or more were \$3.5 million and \$2.3 million at March 31, 2009 and December 31, 2008, respectively.

**7. Goodwill**

During the first quarter of 2009, we conducted an assessment of goodwill of eProsper, a data management services company, in accordance with SFAS No. 142, *Goodwill and Other Intangible Assets*, based on eProsper's revised forecast of discounted net cash flows for that reporting unit. We concluded that we had an impairment of goodwill resulting from changes in our outlook for eProsper's future financial performance. As a result, \$4.1 million of goodwill was expensed as a noncash non tax-deductible charge to continuing operations during the first quarter of 2009. There is no remaining goodwill on our balance sheet as of March 31, 2009, compared to \$4.1 million at December 31, 2008.

**Table of Contents****8. Short-Term Borrowings and Long-Term Debt**

The following table represents outstanding short-term borrowings and long-term debt at March 31, 2009 and December 31, 2008:

(Dollars in thousands)	Maturity	March 31, 2009	December 31, 2008
<i>Short-term borrowings:</i>			
Other short-term borrowings	(1)	\$ 56,450	\$ 62,120
Total short-term borrowings		\$ 56,450	\$ 62,120
<i>Long-term debt:</i>			
FHLB advances	(2)	\$ 100,000	\$ 100,000
5.70% senior notes	June 1, 2012	273,664	279,370
6.05% subordinated notes	June 1, 2017	288,220	313,953
3.875% convertible senior notes (3)	April 15, 2011	245,329	244,783
7.0% junior subordinated debentures	October 15, 2033	55,932	55,914
8.0% long-term notes payable	(4)	1,030	1,403
Total long-term debt		\$ 964,175	\$ 995,423

- (1) Represents cash collateral received from counterparties for our interest rate swap agreements related to our senior and subordinated notes.
- (2) Represents Federal Home Loan Bank ( FHLB ) advances of \$50 million maturing in May 2009 and \$50 million maturing in November 2009.
- (3) Balance as of December 31, 2008 reflects a retrospective adjustment resulting from our adoption of FSP APB No. 14-1 on January 1, 2009 (see Note 1- Basis of Presentation ).
- (4) Represents long-term notes payable at eProsper and was payable beginning January 1, 2008 with the last payment due in November 2009. SVB purchased a 65% interest in eProsper in 2006.

Interest expense related to short-term borrowings and long-term debt was \$8.2 million and \$12.5 million for the three months ended March 31, 2009 and 2008, respectively. Interest expense shown is net of the cash flow impact from our interest rate swap agreements related to our senior and subordinated notes and junior subordinated debentures. In December 2008, our counterparty called the swap on our junior subordinated debentures for settlement in January 2009. As a result, the swap was terminated and is no longer designated as a hedging instrument. Additionally, interest expense for the three months ended March 31, 2008 reflects a retrospective adjustment resulting from our adoption of FSP APB No. 14-1 on January 1, 2009 (see Note 1- Basis of Presentation ).

**3.875% Convertible Senior Notes ( 2008 Convertible Notes )**

In April 2008, we issued our 2008 Convertible Notes, due April 15, 2011, in the aggregate principal amount of \$250 million to qualified institutional buyers pursuant to Rule 144A under the Securities Act of 1933. The issuance costs related to the 2008 Convertible Notes were \$6.8 million, and the net proceeds from the offering were \$243.2 million. We used \$141.9 million of the net proceeds to settle the principal value of our zero-coupon convertible subordinated notes, which matured in June 2008. All remaining proceeds were used for purchasing the call spread and for general corporate purposes. The 2008 Convertible Notes are initially convertible, subject to certain conditions, into cash up to the principal amount of notes and, into shares of our common stock or cash or any combination thereof for any excess conversion value, at our option. Holders may convert their 2008 Convertible Notes beginning any fiscal quarter commencing after June 30, 2008, if: (i) the price of our common stock issuable upon conversion of the note reaches a specific threshold, (ii) specified corporate transactions occur, or (iii) the trading price for the note falls below certain thresholds. The notes have an initial conversion rate of 18.8525 shares of common stock per \$1,000 principal amount of notes, which represents an initial effective conversion price of \$53.04 per share. Upon maturity, we intend to settle the outstanding principal amount in cash, and we have the option to settle any amount exceeding the principal value of the 2008 Convertible Notes in either cash or shares of our common stock.

Concurrent with the issuance of our 2008 Convertible Notes, we entered into a convertible note hedge and warrant agreement (see Note 9- Derivative Financial Instruments ), which effectively increased the economic conversion price of our 2008 Convertible Notes to \$64.43 per share of common stock. The terms of the hedge and warrant agreement are not part of the terms of the notes and will not affect the rights of the

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holders of the notes.

For the three months ended March 31, 2009, the effective interest rate for our 2008 Convertible Notes was 5.81 percent and interest expense was \$3.5 million. At March 31, 2009, the unamortized debt discount totaled \$4.7 million, and will be amortized over the remaining contractual term of the debt.

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### ***Available Lines of Credit***

We have certain facilities in place to enable us to access short-term borrowings on a secured (using fixed income securities as collateral) and an unsecured basis. These include repurchase agreements and uncommitted federal funds lines with various financial institutions. As of March 31, 2009, we had not borrowed against our repurchase lines or any of our uncommitted federal funds lines. We also pledge securities to the Federal Home Loan Bank of San Francisco and the discount window at the Federal Reserve Bank. The market value of collateral pledged to the Federal Home Loan Bank of San Francisco at March 31, 2009 totaled \$644.4 million, of which \$542.4 million was available to support additional borrowings. The market value of collateral pledged at the discount window of the Federal Reserve Bank at March 31, 2009 totaled \$84.8 million, all of which was unused.

## **9. Derivative Financial Instruments**

We primarily use derivative financial instruments to manage interest rate risk, currency exchange rate risk and equity market price risk. Also, as part of negotiating credit facilities and certain other services, we obtain rights to acquire stock in the form of equity warrant assets in certain client companies.

### ***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 our 6.05% subordinated notes, we entered into fixed-for-floating interest rate swaps at the time of debt issuance.

Concurrent with the issuance of our 5.70% senior notes and 6.05% subordinated notes, we entered into matched-terms interest rate swap agreements based upon LIBOR with matched-terms. We use the shortcut method to assess hedge effectiveness and evaluate the hedging relationships for qualification under the shortcut method requirements of SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities*, as amended ( SFAS No. 133 ), for each reporting period.

For more information on our 5.70% senior notes and our 6.05% subordinated notes, see our Consolidated Financial Statements and Supplementary Data-Note 12- Short-Term Borrowings and Long-Term Debt under Part II, Item 8 of our 2008 Form 10-K.

Net cash benefits associated with our interest rate swaps are recorded in Interest Expense: Borrowings , a component of net interest income. The fair value of our interest rate swaps is calculated using a discounted cash flow method and adjusted for credit valuation associated with counterparty risk. Increases from changes in fair value are included in Other Assets and decreases from changes in fair value are included in Other Liabilities . 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.

### ***Currency Exchange Risk***

We enter into foreign exchange forward contracts to hedge against exposures of our credit facilities that are denominated in foreign currencies to our clients, primarily in Pound Sterling, Euro, and Japanese Yen. We do not designate any foreign exchange forward contracts as derivative instruments that qualify for hedge accounting under SFAS No. 133. In accordance with SFAS No. 52, *Foreign Currency Translation*, changes in currency rates are included in other noninterest income, a component of noninterest income. We may experience ineffectiveness in the hedging relationship, because the credit facilities 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.

### ***Equity Market Price Risk***

We have convertible debt instruments that contain conversion options that enable the holders to convert the instruments, subject to certain conditions. We intend to settle any conversions in cash up to the principal amount of the notes and, in shares of our common stock or cash or any combination thereof for any excess conversion value, at our option. The conversion option represents an equity risk exposure for the excess conversion value and is an equity derivative classified in stockholders' equity. We manage equity market price risk of our convertible debt instruments by entering into convertible note hedge and warrant agreements to increase the economic conversion price of our convertible debt instruments and to decrease potential dilution to stockholders resulting from the conversion option. Similar to the conversion option, the hedge and warrant agreements are equity derivatives classified in stockholders' equity.





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Concurrent with the issuance of our \$150 million of Zero Coupon Convertible Subordinated Notes in 2003 ( 2003 Convertible Notes), we entered into a convertible note hedge agreement and a warrant agreement at a net cost of \$21.9 million, which effectively increased the economic conversion price from \$33.63 per common share to \$51.34. The 2003 Convertible Notes and associated note hedge and warrant agreement matured on June 15, 2008.

Concurrent with the issuance of our \$250 million of 3.875% Convertible Senior Notes in 2008 ( 2008 Convertible Notes ), we entered into a convertible note hedge and warrant agreement at a net cost of \$20.6 million, which effectively increased the economic conversion price from \$53.04 per common share to \$64.43. For the three months ended March 31, 2009, there were no note conversions or exercises under the warrant agreement as the notes were not convertible. For more information on the 2003 Convertible Notes and the 2008 Convertible Notes, see our Consolidated Financial Statements and Supplementary Data-Note 12- Short-Term Borrowings and Long-Term Debt under Part II, Item 8 of our 2008 Form 10-K.

### ***Other Derivative Instruments***

#### **Equity Warrant Assets**

Our equity warrant assets are concentrated in private, venture-backed companies in the technology and life science industries. Our warrant agreements contain net share settlement provisions, which permit us to pay the warrant exercise price using shares issuable under the warrant ( cashless exercise ). Because we can net settle our warrant agreements, our equity warrant assets qualify as derivative instruments. 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.

#### **Other Derivatives**

Our consolidated sponsored debt fund may extend credit facilities with options to convert their principal value into the borrower's common stock. These instruments often contain a price range whereby the conversion option may be exercised. As this fund follows fair value accounting, this embedded conversion feature is integrated into the fair value of the debt instrument and does not receive separate accounting recognition. The fair value of these instruments is recorded in Investment Securities with changes in fair value recorded through net gains (losses) in investment securities, in noninterest income, a component of consolidated net income.

We sell forward and option contracts to clients that wish to mitigate their foreign currency exposure. We hedge the currency risk from this business by entering into opposite way contracts with correspondent banks. This hedging 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. We generally 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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The total notional or contractual amounts, fair value, collateral and net exposure of our derivative financial instruments at March 31, 2009 and December 31, 2008, respectively, were as follows:

(Dollars in thousands)	Balance sheet location	Notional or contractual amount	March 31, 2009			December 31, 2008			
			Fair value	Collateral	Net exposure (1)	Notional or contractual amount	Fair value	Collateral	Net exposure (1)
Derivatives designated as hedging instruments:									
Interest Rate Risks:									
Interest rate swaps	Other assets	\$ 500,000	\$ 62,513	\$ 56,450	\$ 6,063	\$ 550,000	\$ 94,142	\$ 62,120	\$ 32,022
Derivatives not designated as hedging instruments:									
Currency Exchange Risks:									
Foreign exchange forwards	Other assets	42,742	3,044		3,044	50,393	4,212		4,212
Foreign exchange forwards	Other liabilities	11,697	(303)		(303)	23,193	(1,092)		(1,092)
Net exposure			2,741		2,741		3,120		3,120
Other Derivative Instruments:									
Equity warrant assets	Other assets	130,151	44,933		44,933	130,401	43,659		43,659
Other derivatives:									
Foreign exchange forwards	Other assets	385,297	27,952		27,952	354,399	32,476		32,476
Foreign exchange forwards	Other liabilities	376,665	(26,352)		(26,352)	344,703	(31,039)		(31,039)
Foreign currency options	Other assets	25,024	683		683	25,848	501		501
Foreign currency options	Other liabilities	25,024	(683)		(683)	25,848	(501)		(501)
Net exposure			1,600		1,600		1,437		1,437
Net			\$ 111,787	\$ 56,450	\$ 55,337		\$ 142,358	\$ 62,120	\$ 80,238

- (1) 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 March 31, 2009 remain at A or higher and there have been no material changes in their credit ratings for the three months ended March 31, 2009.

A summary of our derivative activity and the related impact on our consolidated statements of income for the three months ended March 31, 2009 and 2008 is as follows:

(Dollars in thousands)	Statement of income location	Three months ended March 31,	
		2009	2008
<b>Derivatives designated as hedging instruments:</b>			
<i>Interest Rate Risks:</i>			
Net cash benefit associated with interest rate swaps	Interest expense - borrowings	\$ 4,204	\$ 809
Changes in fair value of interest rate swap	Net gains on derivative instruments	(170)	(493)
Net gains associated with interest rate risk derivatives		\$ 4,034	\$ 316

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## Derivatives not designated as hedging instruments:

### Currency Exchange Risks:

(Losses) gains on foreign currency loan revaluations, net	Other noninterest income	\$	(2,677)	\$	3,907
Gains (losses) on foreign exchange forward contracts, net	Net gains on derivative instruments		1,943		(3,091)
Net (losses) gains associated with currency risk		\$	(734)	\$	816

### Other Derivative Instruments:

Equity warrant assets	Net gains on derivative instruments	\$	(455)	\$	5,455
Gains on client foreign exchange forward contracts, net	Net gains on derivative instruments	\$	496	\$	728

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### 10. Other Noninterest Income and Other Noninterest Expense

A summary of other noninterest income for the three months ended March 31, 2009 and 2008, respectively, is as follows:

(Dollars in thousands)	Three months ended March 31,	
	2009	2008
Fund management fees	\$ 2,717	\$ 1,920
Gains (losses) on foreign currency revaluation, net	2,094	(521)
Service-based fee income (1)	1,829	1,990
Credit card fees	1,439	1,699
(Losses) gains on foreign currency loans revaluation, net	(2,677)	3,907
Other	790	2,040
<b>Total other noninterest income</b>	<b>\$ 6,192</b>	<b>\$ 11,035</b>

(1) Includes income from SVB Analytics and eProsper.

A summary of other noninterest expense for the three months ended March 31, 2009 and 2008, respectively, is as follows:

(Dollars in thousands)	Three months ended March 31,	
	2009	2008
Telephone	\$ 1,380	\$ 1,152
Postage and supplies	1,258	754
Tax credit fund amortization	1,129	982
Data processing services	1,012	1,077
Other	2,620	2,155
<b>Total other noninterest expense</b>	<b>\$ 7,399</b>	<b>\$ 6,120</b>

### 11. Segment Reporting

We have four operating segments for management reporting purposes: Global Commercial Bank, Relationship Management, SVB Capital, and Other Business Services. Our Other Business Services group includes Sponsored Debt Funds & Strategic Investments and SVB Analytics. The results of our operating segments are based on our internal management reporting process.

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 and is not necessarily comparable with similar information for other financial services companies. In addition, changes in an individual client's primary relationship designation have resulted, and may in the future result, in the inclusion of certain clients in different segments in different periods.

An operating segment is separately reportable if it exceeds any one of several quantitative thresholds specified in SFAS No. 131, *Disclosures about Segments of an Enterprise and Related Information*. With respect to our operating segments, only Global Commercial Bank, Relationship Management and SVB Capital were determined to be reportable segments as of March 31, 2009.

The summary financial results of our operating segments are presented along with a reconciliation to our consolidated interim results. The Reconciling Items column reflects the adjustments necessary to reconcile the results of the operating segments to the interim consolidated financial statements prepared in conformity with GAAP. Net interest income in the Reconciling Items column is primarily interest income recognized from our fixed income investment portfolio. Noninterest income in the Reconciling Items column is primarily attributable to noncontrolling interests (formerly referred to as minority interests) and gains (losses) on equity warrant assets. Noninterest expense in the

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Reconciling Items column primarily consists of expenses associated with corporate support functions such as information technology, finance, human resources, loan and deposit operations, and legal, as well as certain corporate wide adjustments related to compensation expenses. Additionally, average assets in the Reconciling Items column primarily consist of our fixed income investment portfolio balances.

### *Changes to Segment Reporting Effective January 1, 2009*

Effective January 1, 2009, we changed the way we monitor performance and result of our business segments and as a result, we changed how our operating segments are presented. We have reclassified all prior period segment information to conform to the current presentation of our reportable segments. The following is a description of the services that our four operating 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

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the needs of our non-U.S. clients with global banking products, including loans, deposits and global finance, in key foreign entrepreneurial markets. Previously, the operations of SVB Global were aggregated as a part of Other Business Services.

**Relationship Management** provides banking products and services to our premium wine industry clients, including vineyard development loans, as well as a range of credit services to targeted high-net-worth individuals using both long-term secured and short-term unsecured lines of credit. Previously, the operations of SVB Wine and SVB Private Client Services were aggregated as part of Other Business Services.

**SVB Capital** manages and sponsors venture capital and private equity funds on behalf of SVB Financial Group and other third party limited partners. The SVB Capital family of funds is comprised of funds it manages, including funds of funds, such as our SVB Strategic Investors Funds, and co-investment funds, such as our SVB Capital Partners funds and SVB India Capital Partners fund. Previously, SVB Capital also included our sponsored debt funds, Gold Hill Venture Lending funds, which provide secured debt, typically to emerging-technology clients in their earliest stages, and Partners for Growth funds, which provide secured debt primarily to higher-risk, middle-market clients in their later stages, and certain strategic investments held by SVB Financial.

**Other Business Services** includes the results of our Sponsored Debt Funds & Strategic Investments segment, which is comprised of our sponsored debt funds, Gold Hill Venture Lending funds and Partners for Growth funds, and certain strategic investments held by SVB Financial. Previously, the operations of our sponsored debt funds and strategic investments were reported as part of the SVB Capital operating segment. Other Business Services also includes the results of SVB Analytics, which provides equity valuation and equity management services to private companies and venture capital firms.

The following table summarizes the key operating results and financial position for each of our business segments, as well as a reconciliation used to arrive at our consolidated totals. We have reclassified all prior period amounts to conform to the current period's presentation.

(Dollars in thousands)	Global Commercial Banking	Relationship Management	SVB Capital	Other Business Services	Reconciling Items	Total
<b>Three months ended March 31, 2009</b>						
Net interest income (loss)	\$ 94,259	\$ 8,887	\$ (2)	\$ (26)	\$ (11,607)	\$ 91,511
Provision for loan losses	(42,815)	(649)			(2)	(43,466)
Noninterest income (loss)	26,240	303	(2,358)	1,597	(29,392)	(3,610)
Noninterest expense(1)	(29,562)	(3,649)	(3,346)	(7,026)	(43,557)	(87,140)
(Loss) income before income tax expense(2)	\$ 48,122	\$ 4,892	\$ (5,706)	\$ (5,455)	\$ (84,558)	\$ (42,705)
Total average loans, net of unearned income	\$ 4,114,099	\$ 989,842	\$	\$	\$ 12,311	\$ 5,116,252
Total average assets(3)	4,199,044	991,605	400,862	76,295	4,788,601	10,456,407
Total average deposits	7,749,826	172,661			5,219	7,927,706
<b>Three months ended March 31, 2008</b>						
Net interest income (loss)	\$ 84,649	\$ 7,408	\$ 13	\$ 34	\$ (1,326)	\$ 90,778
Provision for (recovery of) loan losses	(8,149)	455			(29)	(7,723)
Noninterest income (loss)	33,657	409	2,079	(1,856)	7,276	41,565
Noninterest expense(1)	(30,216)	(4,136)	(4,228)	(2,285)	(42,572)	(83,437)
Income (loss) before income tax expense(2)	\$ 79,941	\$ 4,136	\$ (2,136)	\$ (4,107)	\$ (36,651)	\$ 41,183
Total average loans, net of unearned income	\$ 3,193,371	\$ 834,921	\$	\$	\$ 84,573	\$ 4,112,865
Total average assets(4)	3,247,069	839,159	293,612	73,248	2,298,901	6,751,989
Total average deposits	4,282,395	160,692			(8,074)	4,435,013

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- (1) The Global Commercial Bank segment includes direct depreciation and amortization of \$0.6 million and \$0.7 million for the three months ended March 31, 2009 and 2008, respectively.
- (2) The internal reporting model used by management to assess segment performance does not calculate income tax expense by segment.
- (3) For the three months ended March 31, 2009, total average assets for SVB Capital and Other Business Services included \$315.2 million and \$2.1 million, respectively, attributable to noncontrolling interests.
- (4) For the three months ended March 31, 2008, total average assets for SVB Capital and Other Business Services included \$257.2 million and \$6.5 million, respectively, attributable to noncontrolling interests.

### **12. 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 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.

**Table of Contents****Commitments to Extend Credit**

The following table summarizes information related to our commitments to extend credit at March 31, 2009 and December 31, 2008, respectively:

(Dollars in thousands)	March 31, 2009	December 31, 2008
Commitments available for funding: (1)		
Fixed interest rate commitments	\$ 803,201	\$ 689,063
Variable interest rate commitments	4,269,403	4,941,423
Total commitments available for funding	\$ 5,072,604	\$ 5,630,486
Commitments unavailable for funding (2)	\$ 1,232,678	\$ 922,170
Maximum lending limits for accounts receivable factoring arrangements (3)	462,355	476,329
Reserve for unfunded credit commitments	12,418	14,698

- (1) Represents commitments which are available for funding, due to clients meeting all collateral, compliance, and financial covenants under loan commitment agreements.
- (2) Represents commitments which are not available for funding, due to clients failing to meet all collateral, compliance, and financial covenants under loan commitment agreements.
- (3) We extend credit under accounts receivable factoring arrangements when our clients' sales invoices are deemed creditworthy under existing underwriting practices.

As of December 31, 2008, we guaranteed credit cards for some of our customers that had been provided by an unaffiliated financial institution. The total amount of these guarantees at December 31, 2008 was \$87.4 million. During the three months ended March 31, 2009, we purchased this credit card portfolio and began processing these credit cards in-house. The credit card commitments as of March 31, 2009 are included in the summary above within our commitments to extend credit.

**Commercial and Standby Letters of Credit**

The table below summarizes our commercial and standby letters of credit at March 31, 2009. 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	\$ 593,410	\$ 45,552	\$ 638,962	\$ 638,962
Performance standby letters of credit	21,444	9,208	30,652	30,652
Commercial letters of credit	3,444		3,444	3,444
Total	\$ 618,298	\$ 54,760	\$ 673,058	\$ 673,058

At both March 31, 2009 and December 31, 2008, deferred fees related to financial and performance standby letters of credit were \$4.8 million. At March 31, 2009, collateral in the form of cash of \$225.8 million and investment securities of \$42.3 million were available to us to reimburse losses, if any, under financial and performance standby letters of credit.



**Table of Contents****Commitments to Invest in 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 5 to 7 years. The actual timing of future cash requirements to fund such 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 unfunded capital commitments as well as our ownership in each fund based on our total capital commitment at March 31, 2009:

<b>Our Ownership in Limited Partnership (Dollars in thousands)</b>	<b>Capital Commitments</b>	<b>Unfunded Commitments</b>	<b>Our Ownership of each Fund</b>
Silicon Valley BancVentures, LP	\$ 6,000	\$ 270	10.7%
SVB Capital Partners II, LP (1)	1,200	546	5.1
SVB Strategic Investors Fund, LP	15,300	1,530	12.6
SVB Strategic Investors Fund II, LP	15,000	4,575	8.6
SVB Strategic Investors Fund III, LP	15,000	9,000	5.9
SVB Strategic Investors Fund IV, LP	12,239	11,505	5.0
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 (2)	20,000		9.3
SVB India Capital Partners I, LP	7,750	3,953	14.4
Other Fund Investments (3)	451,598	335,354	
<b>Total</b>	<b>\$ 584,087</b>	<b>\$ 381,433</b>	

- (1) Our ownership includes 1.3% direct ownership through SVB Capital Partners II, LLC and SVB Financial Group, and 3.8% indirect ownership through our investment in SVB Strategic Investors Fund II, LP.
- (2) Our ownership includes 4.8% direct ownership and 4.5% indirect ownership interest through GHLLC.
- (3) Represents commitments to 357 venture capital and private equity funds where our ownership interest is less than 5% of the voting stock of each such fund. Of the \$335.4 million of unfunded commitments, approximately \$290.1 million represents the remainder of the investment commitments made by SVB Financial on behalf of certain new managed funds of funds that we plan to form ( New Fund Commitments ). As of March 31, 2009, \$42.7 million of the New Fund Commitments has already been funded and is included as a part of our investment securities portfolio in private equity investments (cost method accounting). The New Fund Commitments are intended to be transferred to, and become the financial obligations of, these new funds once they are formed with the binding commitments of outside investors. Upon formation of such funds and transfer of these investments to the new funds, these investments are typically accounted for under the investment company fair value basis and any underlying gains or losses are recognized in earnings according to the ownership interests of all participants in the fund, including SVB Financial.

**13. Income Taxes**

At March 31, 2009, the total amount of unrecognized tax benefits was \$0.3 million, the recognition of which would reduce our income tax expense by \$0.3 million. Total accrued interest and penalties at March 31, 2009 were \$0.1 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 material impact on our financial position or our results of operations.

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. The U.S. federal tax return for 2005 and subsequent years remain open to examination by the Internal Revenue Service. Our California and Massachusetts tax returns for the years 2004 and 2005, respectively, and subsequent years remain open to examination.

**14. Fair Value of Financial Instruments**

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Our marketable investment securities, non-marketable investment securities and derivatives 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 consolidated financial statements.

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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 March 31, 2009, in accordance with SFAS No. 157, *Fair Value Measurements* ( SFAS No. 157 ):

(Dollars in thousands)	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance as of March 31, 2009
<b>Assets</b>				
Marketable securities:				
Available-for-sale securities:				
U.S. agencies and corporations:				
Collateralized mortgage obligations	\$	\$ 537,063	\$	\$ 537,063
Mortgage-backed securities		452,805		452,805
U.S. agency debentures		433,767		433,767
Commercial mortgage-backed securities		46,817		46,817
Municipal bonds and notes		105,434		105,434
Marketable equity securities	446			446
Venture capital fund investments	1			1
Total available-for-sale securities	447	1,575,886		1,576,333
Marketable securities (investment company fair value accounting)	1,297			1,297
Total marketable securities	1,744	1,575,886		1,577,630
Non-marketable securities (investment company fair value accounting):				
Private equity fund investments			218,366	218,366
Other private equity investments			82,473	82,473
Other investments			1,276	1,276
Total non-marketable securities (investment company fair value accounting)			302,115	302,115
Other assets:				
Interest rate swaps		62,513		62,513
Foreign exchange forward contracts		31,679		31,679
Equity warrant assets		1,921	43,012	44,933
Total assets (1)	\$ 1,744	\$ 1,671,999	\$ 345,127	\$ 2,018,870
<b>Liabilities</b>				
Foreign exchange forward contracts	\$	\$ 27,338	\$	\$ 27,338
Total liabilities	\$	\$ 27,338	\$	\$ 27,338

(1) Included in Level 1 and Level 3 assets are \$0.8 million and \$275.4 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, 2008, in accordance with SFAS No. 157:

(Dollars in thousands)	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, 2008
<b>Assets</b>				
Marketable securities:				
Available-for-sale securities:				
U.S. agencies and corporations:				
Collateralized mortgage obligations	\$	\$ 579,749	\$	\$ 579,749
Mortgage-backed securities		467,450		467,450
U.S. agency debentures		113,603		113,603
Commercial mortgage-backed securities		47,481		47,481
Municipal bonds and notes		108,755		108,755
Marketable equity securities	152			152
Venture capital fund investments	1			1
Total available-for-sale securities	153	1,317,038		1,317,191
Marketable securities (investment company fair value accounting)	1,703			1,703
Total marketable securities	1,856	1,317,038		1,318,894
Non-marketable securities (investment company fair value accounting):				
Private equity fund investments			242,645	242,645
Other private equity investments			82,444	82,444
Other investments			1,547	1,547
Total non-marketable securities (investment company fair value accounting)			326,636	326,636
Other assets:				
Interest rate swaps		94,142		94,142
Foreign exchange forward contracts		37,189		37,189
Equity warrant assets		1,960	41,699	43,659
Total assets (1)	\$ 1,856	\$ 1,450,329	\$ 368,335	\$ 1,820,520
<b>Liabilities</b>				
Foreign exchange forward contracts	\$	\$ 32,632	\$	\$ 32,632
Total liabilities	\$	\$ 32,632	\$	\$ 32,632

(1) Included in Level 1 and Level 3 assets are \$1.0 million and \$297.4 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 months ended March 31, 2009, and 2008:

	Total Realized and Unrealized Gains (Losses) Included in Income			Total Realized and Unrealized Gains (Losses) Included in Income	Purchases, Sales, Other Settlements and Issuances, net	Transfers In and/or (Out) of Level 3	Ending Balance
	Beginning Balance	Realized Gains (Losses) Included in Income	Unrealized Gains (Losses) Included in Income				
(Dollars in thousands)							
Three months ended March 31, 2009:							
Non-marketable securities (investment company fair value accounting):							
Private equity fund investments	\$ 242,645	\$ 883	\$ (31,079)	\$ (30,196)	\$ 5,917	\$	\$ 218,366
Other private equity investments	82,444	(523)	(5,009)	(5,532)	5,561		82,473
Other investments	1,547		367	367	(638)		1,276
Total non-marketable securities (investment company fair value accounting) (1)							
	326,636	360	(35,721)	(35,361)	10,840		302,115
Other assets:							
Equity warrant assets (2)	41,699	210	(401)	(191)	1,603	(99)	43,012
Total assets	\$ 368,335	\$ 570	\$ (36,122)	\$ (35,552)	\$		