GRACO INC
Form 4
April 20, 2012

FORM 4

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. *See* Instruction 1(b).

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

OMB APPROVAL

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(Print or Type Responses)

1. Name and Address of Reporting Person *
CARROLL WILLIAM J

(Last) (First) (Middle)

88 11TH AVENUE NE

(Street)

MINNEAPOLIS, MN 55413

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
GRACO INC [GGG]

3. Date of Earliest Transaction (Month/Day/Year)
04/20/2012

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

__X__ Director _____ 10% Owner
_____ Officer (give title below) _____ Other (specify below)

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1.Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474 (9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)	5. Number of Derivative Securities Acquired	6. Date Exercisable and Expiration Date (Month/Day/Year)	7. Title and Amount Underlying Securitie (Instr. 3 and 4)

Derivative Security				Code	V	(A) or Disposed of (D) (Instr. 3, 4, and 5) (A)	(D)	Date Exercisable	Expiration Date	Title	Amoun or Numbe of Shares
Non-Qualified Stock Option (right to buy)	$ 54.94	04/20/2012		A		5,600		(1)	04/20/2022	Common Stock	5,60

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
CARROLL WILLIAM J 88 11TH AVENUE NE MINNEAPOLIS, MN 55413	X			

Signatures

By: Carrie Daniel Russell, Attorney-in-Fact For: William J. Carroll	04/20/2012
**Signature of Reporting Person	Date

Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

(1) Nonemployee director stock option granted pursuant to the Graco Inc. 2010 Stock Incentive Plan in a transaction exempt under Rule 16b-3. The stock option becomes exercisable in four equal annual installments, commencing one year after the date of the grant.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.
Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number. 011 was primarily due to increases in our noninterest-bearing demand deposits of $2.9 billion, partially offset by a decrease in our interest-bearing deposits of $477.8 million. The increase in deposits balances was primarily due to growth from new clients and the continued lack of attractive market investment opportunities for our deposit clients. The decrease in interest-bearing deposits was primarily due to our increased efforts to guide clients towards products that are more appropriate for them, resulting in a shift of deposits off the balance sheet.

The increase in deposits of $4.0 billion in 2010 was primarily due to increases in our noninterest-bearing demand deposits of $2.7 billion and money market deposits of $980.7 million. These increases were primarily due to the lack of attractive market investment opportunities for our deposit clients.

At December 31, 2011, 29.0 percent of our total deposits were interest-bearing deposits, compared to 37.1 percent at December 31, 2010 and 39.0 percent at December 31, 2009.

At December 31, 2011, the aggregate amount of time deposit accounts individually equal to or greater than $100,000 totaled $126.0 million, compared to $343.5 million at December 31, 2010 and $281.2 million at December 31, 2009. At December 31, 2011, 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. The maturity profile of our time deposits as of December 31, 2011 is as follows:

	December 31, 2011				
(Dollars in thousands)	**Three months or less**	**More than three months to six months**	**More than six months to twelve months**	**More than twelve months**	**Total**
Time deposits, $100,000 and over	$ 59,703	$ 19,952	$ 45,947	$ 400	$ 126,002
Other time deposits	17,950	5,253	6,544		29,747
Total time deposits	$ 77,653	$ 25,205	$ 52,491	$ 400	$ 155,749

Short-Term Borrowings

The following table summarizes our short-term borrowings that mature in one month or less:

	December 31,					
	2011		**2010**		**2009**	
(Dollars in thousands)	**Amount**	**Rate**	**Amount**	**Rate**	**Amount**	**Rate**
Other short-term borrowings (1)	$	%	$ 37,245	0.13%	$ 38,755	0.05%
Total short-term borrowings	$		$ 37,245	0.13	$ 38,755	0.05

(1) Amounts for 2010 and 2009 represents cash collateral called from counterparties for our interest rate swap agreements related to our 5.70% Senior Notes and 6.05% Subordinated Notes.

79

Table of Contents

Average daily balances and maximum month-end balances for our short-term borrowings in 2011, 2010 and 2009 are as follows:

	Year ended December 31,		
(Dollars in thousands)	**2011**	**2010**	**2009**
Average daily balances:			
Federal Funds purchased (1)	$ 2,478	$ 2,211	$ 342
FHLB advances	55		
Securities sold under agreements to repurchase	1,666		
Other short-term borrowings (2)	12,795	47,761	45,791
	$ 16,994	$ 49,972	$ 46,133
Maximum month-end balances:			
Federal Funds purchased	$	$	$
FHLB advances			
Securities sold under agreements to repurchase			
Other short-term borrowings	38,645	59,735	56,450

(1) As part of our liquidity risk management practices, we regularly test availability and access to overnight borrowings in the Fed Funds market. These balances represent short-term borrowings.

(2) Represents cash collateral received from counterparties for our interest rate swap agreements related to our 5.70% Senior Notes and 6.05% Subordinated Notes.

Long-Term Debt

The following table represents outstanding long-term debt at December 31, 2011, 2010 and 2009:

		December 31,		
(Dollars in thousands)	**Principal value at December 31, 2011**	**2011**	**2010**	**2009**
5.375% Senior Notes	$ 350,000	$ 347,793	$ 347,601	$ -
5.70% Senior Notes	141,429	143,969	265,613	269,793
6.05% Subordinated Notes	45,964	55,075	285,937	276,541
3.875% Convertible Notes	-	-	249,304	246,991
Junior Subordinated Debentures	50,000	55,372	55,548	55,986
Other long-term debt	1,439	1,439	5,257	7,339
Total long-term debt		$ 603,648	$ 1,209,260	$ 856,650

The decrease of $605.6 million in our long-term debt in 2011 was primarily due to the repurchase of $312.6 million of our 5.70% Senior Notes and 6.05% Subordinated Notes in May 2011 and the maturity of $250.0 million of our 3.875% Convertible Notes in April 2011. The increase in our long-term debt in 2010 was primarily due to the issuance of $350 million in 5.375% Senior Notes in September 2010.

For more information on of our long-term debt, please refer to Note 11 Short-Term Borrowings and Long-Term Debt of the Notes to the Consolidated Financial Statements under Part II, Item 8 in this report.

80

Table of Contents

Other Liabilities

A summary of other liabilities as of December 31, 2011 and 2010 is as follows:

	Year ended December 31,		
(Dollars in thousands)	**2011**	**2010**	**% Change**
Foreign exchange spot contract liabilities, gross	$ 152,727	$ 16,705	NM%
Accrued compensation	114,472	79,068	44.8
Reserve for unfunded credit commitments	21,811	17,414	25.2
Derivative liabilities, gross (1)	16,868	10,267	64.3
Deferred tax liabilities (2)	7,975		
Other	91,468	72,583	26.0
Total other liabilities	$ 405,321	$ 196,037	106.8

NM Not meaningful

(1) See Derivatives section above.
(2) Our deferred taxes moved to a net liability position at December 31, 2011, primarily due to an increase in the fair value of our available-for-sale securities portfolio.

Foreign Exchange Spot Contract Liabilities

Foreign exchange spot contract liabilities represent unsettled client trades at the end of the period. The increase of $136.0 million was primarily due to increased client trade activity at period-end, and is partially offset by an increase in foreign exchange spot contract assets. (See Accrued Interest Receivable and Other Assets section above).

Accrued Compensation

Accrued compensation includes amounts for vacation time, our Incentive Compensation Plans, Direct Drive Incentive Compensation Plan, Long-Term Cash Incentive Plan, Retention Program, Warrant Incentive Plan, ESOP and other compensation arrangements. Accrued compensation increased by $35.4 million in 2011 as a result of us exceeding our internal performance targets for 2011. For a description of our variable compensation plans please refer to Note 15 Employee Compensation and Benefit Plans of the Notes to the Consolidated Financial Statements under Part II, Item 8 in this report.

Reserve for Unfunded Credit Commitments

The level of reserve for unfunded credit commitments is determined following a methodology that parallels that used for the allowance for loan losses. We recognized a provision for unfunded credit commitments of $4.4 million in 2011, compared to $4.1 million in 2010. The provision for unfunded credit commitments of $4.4 million in 2011 was primarily due to an increase in unfunded credit commitments and letters of credit balances, as well as from changes in the composition of the unfunded loan commitments. Total unfunded credit commitments balance increased to $7.2 billion as of December 31, 2011, compared to $6.3 billion as of December 31, 2010.

Other Liabilities

Other liabilities increased by $18.9 million primarily due to a $15.1 million increase in amounts payable related to additional investments in low income housing tax credit funds.

Table of Contents

Noncontrolling Interests

Noncontrolling interests totaled $681.0 million and $473.9 million at December 31, 2011 and 2010, respectively. The increase of $207.1 million was primarily due to net income attributable to noncontrolling interests of $110.9 million at December 31, 2011, primarily from our managed funds of funds, as well as $96.2 million of contributed capital (net of distributions) primarily from investors in our managed funds.

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 $1.6 billion at December 31, 2011, an increase of $295.0 million, or 23.2 percent compared to $1.3 billion at December 31, 2010. This increase was primarily the result of net income of $171.9 million in 2011, an increase in additional-paid-in-capital of $61.9 million primarily from stock option exercises during 2011 and an increase in accumulated other comprehensive income of $61.3 million resulting from increases in the fair value of our available-for-sale securities portfolio as a result of decreases in market interest rates. For a summary of our SVBFG stockholders equity, please refer to the Consolidated Statements of Stockholders Equity under Part II, Item 8 in this report.

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

82

Table of Contents

Capital Ratios

Regulatory capital ratios for SVB Financial and the Bank exceed minimal federal regulatory guidelines for a well-capitalized depository institution as of December 31, 2011, 2010 and 2009. See Note 19 Regulatory Matters of the Notes to the Consolidated Financial Statements under Part II, Item 8 in this report for further information. 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:

	December 31,			Minimum ratio to be Well Capitalized	Minimum ratio to be Adequately Capitalized
	2011	2010	2009		
SVB Financial:					
Total risk-based capital ratio	13.95%	17.35%	19.94%	10.0%	8.0%
Tier 1 risk-based capital ratio	12.62	13.63	15.45	6.0	4.0
Tier 1 leverage ratio	7.92	7.96	9.53	N/A	4.0
Tangible common equity to tangible assets ratio (1)(2)	7.86	7.27	8.78	N/A	N/A
Tangible common equity to risk-weighted assets ratio (1)(2)	13.25	13.54	15.05	N/A	N/A
Bank:					
Total risk-based capital ratio	12.33%	15.48%	17.05%	10.0%	8.0%
Tier 1 risk-based capital ratio	10.96	11.61	12.45	6.0	4.0
Tier 1 leverage ratio	6.87	6.82	7.67	5.0	4.0
Tangible common equity to tangible assets ratio (1)(2)	7.18	6.61	7.50	N/A	N/A
Tangible common equity to risk-weighted assets ratio (1)(2)	11.75	11.88	12.53	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 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 above

2011 compared to 2010

Our total risk-based capital ratio (includes tier 1 and tier 2 capital components) for both SVB Financial and the Bank declined primarily due to our repurchase of $204.0 million of our 6.05% Subordinated Notes as these notes are considered tier 2 capital instruments, as well as from increases in risk-weighted assets (loans and available-for-sale securities). Our tier 1 risk-based capital ratios for both SVB Financial and the Bank declined due to increases in risk-weighted assets. Our tier 1 leverage ratios for both SVB Financial and the Bank remained relatively flat, as our growth in assets was largely offset by growth in retained earnings and additional paid-in-capital. All of our ratios at December 31, 2011 remain above the levels to be considered well capitalized .

2010 compared to 2009

Annual growth in core earnings was the primary driver for increases in nominal total tier 1 capital for SVB Financial and the Bank for 2010. Despite growth in regulatory capital, increases in loans and available-for-sale securities relative to cash balances resulted in a general decline in risk-based capital ratios. The change is due to the impact of changes in the overall mix of risk-weighted assets as higher risk-weighted loans and available-for-sale securities increased. Increases in off-balance sheet unfunded loan commitments with

Table of Contents

expirations greater than 1 year also contributed to higher risk-weighted assets. For both SVB Financial and the Bank, decreases in the tier 1 leverage ratio reflect continued growth in average assets, which is due primarily to an increase in client deposits.

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 or risk-weighted assets, after reducing both amounts by acquired intangibles and goodwill. 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:

Non-GAAP tangible common equity and tangible assets (dollars in thousands, except ratios)	December 31, 2011	December 31, 2010	SVB Financial December 31, 2009	December 31, 2008	December 31, 2007
GAAP SVBFG stockholders equity	$ 1,569,392	$ 1,274,350	$ 1,128,343	$ 991,356	$ 676,369
Less:					
Preferred stock				221,185	
Goodwill				4,092	4,092
Intangible assets	601	847	665	1,087	1,632
Tangible common equity	$ 1,568,791	$ 1,273,503	$ 1,127,678	$ 764,992	$ 670,645
GAAP total assets	$ 19,968,894	$ 17,527,761	$ 12,841,399	$ 10,018,280	$ 6,692,171
Less:					
Goodwill				4,092	4,092
Intangible assets	601	847	665	1,087	1,632
Tangible assets	$ 19,968,293	$ 17,526,914	$ 12,840,734	$ 10,013,101	$ 6,686,447
Risk-weighted assets	$ 11,837,902	$ 9,406,677	$ 7,494,498	$ 8,220,447	$ 6,524,021
Tangible common equity to tangible assets	7.86%	7.27%	8.78%	7.64%	10.03%
Tangible common equity to risk-weighted assets	13.25	13.54	15.05	9.31	10.28

Non-GAAP tangible common equity and tangible assets (dollars in thousands, except ratios)	December 31, 2011	December 31, 2010	Bank December 31, 2009	December 31, 2008	December 31, 2007
Tangible common equity	$ 1,346,854	$ 1,074,561	$ 914,068	$ 695,438	$ 586,949
Tangible assets	$ 18,758,813	$ 16,268,589	$ 12,186,203	$ 9,419,440	$ 6,164,111
Risk-weighted assets	$ 11,467,401	$ 9,047,907	$ 7,293,332	$ 8,109,332	$ 6,310,721
Tangible common equity to tangible assets	7.18%	6.61%	7.50%	7.38%	9.52%
Tangible common equity to risk-weighted assets	11.75	11.88	12.53	8.58	9.30

2011 compared to 2010

For both SVB Financial and the Bank, the tangible common equity to tangible 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 during 2011. This growth was partially offset by increases in tangible assets which reflects our

84

continued growth in deposit and loan balances. For both SVB Financial and the Bank, the tangible common equity to risk-weighted assets ratios decreased due to increases in risk-weighted assets (loans and available-for-sale securities), partially offset by an increase in tangible common equity (as discussed above).

2010 compared to 2009

For both SVB Financial and the Bank, the tangible common equity to tangible assets ratio decreased due to an increase in tangible assets which reflects our continued growth in deposit balances. This increase was partially offset by an increase in tangible equity from an increase in retained earnings. For both SVB Financial and the Bank, the decrease in tangible common equity to risk-weighted assets ratio is reflective of higher loans and available-for-sale securities balances, as well as lower cash balances.

Off-Balance Sheet Arrangements and Aggregate Contractual Obligations

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. Please refer to the discussion of our off-balance sheet arrangements in Note 17 Off-Balance Sheet Arrangements, Guarantees and Other Commitments of the Notes to Consolidated Financial Statements under Part II, Item 8 in this report.

Table of Contents

As of December 31, 2011, we, or the funds in which we have an ownership interest and manage, had the following unfunded contractual obligations and commercial commitments.

		Payments Due By Period			
(Dollars in thousands)	Total	Less than 1 year	1-3 years	4-5 years	After 5 years
SVBFG Contractual obligations:					
Borrowings	$ 603,648	$ 145,408	$	$	$ 458,240
Non-cancelable operating leases, net of income from subleases	78,877	14,742	24,018	14,409	25,708
Remaining unfunded commitments to other fund investments (1)	86,811	86,811			
Remaining unfunded commitments to Partners for Growth, LP	9,750	9,750			
Remaining unfunded commitments to Partners for Growth II, LP	4,950	4,950			
Commitment to joint venture bank (2)	78,558	78,558			
Commitments to low income housing tax credit funds	21,526	8,589	11,994	627	316
Other obligations	19,499	5,265	7,589	6,645	
SVBFG unfunded commitments to our managed funds:					
SVB Strategic Investors Fund, LP (1)	688	688			
SVB Strategic Investors Fund II, LP (1)	1,950	1,950			
SVB Strategic Investors Fund III, LP (1)	3,000	3,000			
SVB Strategic Investors Fund IV, LP (1)	5,997	5,997			
Strategic Investors Fund V, LP	460	460			
SVB Capital NT Growth Partners, LP (1)	1,340	1,340			
Silicon Valley BancVentures, LP (1)	270	270			
SVB Capital Partners II, LP (1)	222	222			
SVB India Capital Partners I, LP (1)	1,364	1,364			
SVB Capital Shanghai Yangpu Venture Capital Fund (1)	159	159			
Total obligations attributable to SVBFG	$ 919,069	$ 369,523	$ 43,601	$ 21,681	$ 484,264
Remaining unfunded commitments to venture capital and private equity funds by our consolidated managed funds of funds:					
SVB Strategic Investors Fund, LP (1)	$ 2,311	$ 2,311	$	$	$
SVB Strategic Investors Fund II, LP (1)	12,145	12,145			
SVB Strategic Investors Fund III, LP (1)	60,040	60,040			
SVB Strategic Investors Fund IV, LP (1)	137,375	137,375			
Strategic Investors Fund V, LP	43,628	43,628			
SVB Capital Preferred Return Fund, LP (1)	23,234	23,234			
SVB Capital NT Growth Partners, LP (1)	26,373	26,373			
Other private equity fund (1)	4,659	4,659			
Total obligations to venture capital and private equity funds by our consolidated managed funds of funds	$ 309,765	$ 309,765	$	$	$

		Amount of commitment expiring per period			
(Dollars in thousands)	Total	Less than 1 year	1-3 years	4-5 years	After 5 years
Other commercial commitments:					
Total commitments to extend credit	$ 8,047,818	$ 5,558,844	$ 1,908,293	$ 520,372	$ 60,309
Standby letters of credit	855,611	769,341	67,449	4,515	14,306
Commercial letters of credit	5,580	5,580			

86

Table of Contents

(1) See Note 7 Investment Securities of the Notes to the Consolidated Financial Statements under Part II, Item 8 in this report, for further disclosure related to non-marketable securities. 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 commitment 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.

(2) Represents our capital commitment of 500 million Chinese Renminbi (calculated based on current exchange rates) under our agreement to form a joint venture bank in China.

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, subject to the approval of the Finance Committee of our Board of Directors, and courses of action to address our actual and projected liquidity needs.

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 December 31, 2011, our period-end total deposit balances increased by $2.4 billion to $16.7 billion, compared to $14.3 billion at December 31, 2010. The overall increase in deposit balances was primarily due to growth from new clients and the continued lack of attractive market investment opportunities for our deposit clients. This growth has been a continuing trend since 2009. Under the Dodd-Frank Act, unlimited FDIC insurance is currently available for noninterest-bearing accounts until January 1, 2013.

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 in this report.

Table of Contents

Consolidated Summary of Cash Flows

Below is a summary of our average cash position and statement of cash flows for 2011, 2010 and 2009, respectively:

(Dollars in thousands)	Year ended December 31, 2011	2010	2009
Average cash and cash equivalents	$ 2,257,597	$ 4,101,839	$ 3,572,093
Percentage of total average assets	12.1%	27.6%	31.5%
Net cash provided by operating activities	$ 166,287	$ 163,228	$ 86,963
Net cash used for investing activities	(4,038,851)	(5,052,707)	(1,857,466)
Net cash provided by financing activities	1,911,080	4,453,058	2,846,631
Net (decrease) increase in cash and cash equivalents	$ (1,961,484)	$ (436,421)	$ 1,076,128

In analyzing our liquidity for 2011, 2010 and 2009, reference is made to our consolidated statements of cash flows for the years ended December 31, 2011, 2010 and 2009; see Consolidated Financial Statements and Supplemental Data under Part II, Item 8 in this report.

Average cash and cash equivalents decreased by $1.8 billion to $2.3 billion in 2011, compared to $4.1 billion in 2010. The decrease was primarily due to the investment of cash and cash equivalents into available-for-sale securities and to fund loan growth.

2011

Cash provided by operating activities was $166.3 million in 2011, which included net income before noncontrolling interests of $282.8 million. Significant adjustments for items that increased cash provided by operating activities included $62.7 million of net foreign exchange spot contracts, a $35.4 million increase in accrued compensation, $27.8 million of amortization of premiums on available-for-sale securities, $27.5 million of depreciation and amortization and $18.2 million of amortization of share-based compensation. Significant adjustments for items that decreased cash provided by operating activities included $195.0 million of net gains on investment securities (which is inclusive of noncontrolling interests), $61.2 million of deferred loan fee amortization, a $38.8 million increase in accounts receivable and $26.2 million of net changes in the fair value of derivatives.

Cash used for investing activities was $4.0 billion in 2011. Net cash outflows included purchases of available-for-sale securities of $7.1 billion, a net increase in loans of $1.4 billion, purchases of non-marketable securities of $224.0 million and purchases of premises and equipment of $30.8 million. Net cash inflows included proceeds from the sales, maturities and pay downs of available-for-sale securities of $4.6 billion, sales or distributions of non-marketable securities of $117.3 million and recoveries of $25.1 million from loans previously charged-off.

Cash provided by financing activities was $1.9 billion in 2011. Net cash inflows included increases in deposits of $2.4 billion, capital contributions (net of distributions) from noncontrolling interests of $96.2 million, proceeds of $37.0 million from the termination of portions of interest rate swaps associated with our 5.70% Senior Notes and 6.05% Subordinated Notes and proceeds from issuance of common stock and ESPP of $36.9 million. Net cash outflows included payments of $346.4 million (including repurchase premiums and associated fees) for the repurchase of portions of our 5.70% Senior Notes and 6.05% Subordinated Notes, settlement of the maturity of $250.0 million of our 3.875% Convertible Notes, and a decrease in short-term borrowings of $37.2 million due to the return of collateral to our counterparties that we had previously held related to our interest rate swaps.

Cash and cash equivalents at December 31, 2011 were $1.1 billion.

Table of Contents

2010

Cash provided by operating activities was $163.2 million in 2010, which included net income before noncontrolling interests of $136.8 million. Significant adjustments for items that increased cash provided by operating activities included $44.6 million of provision for loan losses, a $41.2 million increase in accrued compensation, $28.0 million of amortization of premiums on investment securities, $19.3 million of depreciation and amortization, $13.8 million of share-based compensation expense and a $16.7 million decrease in income tax receivable. Significant adjustments for items that decreased cash provided by operating activities included $93.4 million of net gains on investment securities and $50.5 million of deferred loan fee amortization.

Cash used for investing activities was $5.1 billion in 2010. Net cash outflows included purchases of available-for-sale securities of $6.8 billion, a net increase in loans of $983.1 million, purchases of non-marketable securities of $172.8 million and purchases of premises and equipment of $27.1 million. Net cash inflows included proceeds from the sales, maturities and pay downs of available-for-sale securities of $2.8 billion, sales of non-marketable securities of $64.9 million and the recovery of $16.8 million from loans previously charged-off.

Cash provided by financing activities was $4.5 billion in 2010. Net cash inflows included increases in deposits of $4.0 billion, net proceeds from issuance of our 5.375% Senior Notes of $344.5 million, capital contributions from noncontrolling interests of $85.7 million and proceeds from issuance of common stock of $24.0 million. Net cash outflows included $6.8 million from the repurchase of a warrant under the CPP.

Cash and cash equivalents at December 31, 2010 were $3.1 billion.

2009

Cash provided by operating activities was $87.0 million in 2009, which included net income before noncontrolling interests of $10.6 million. Significant adjustments for items that increased cash provided by operating activities included $90.2 million of provision for loan losses, $31.2 million in net losses on investment securities, $20.3 million of depreciation and amortization, $15.1 million of amortization of premiums on investment securities, $14.8 million in share-based compensation amortization, tax benefit of original issue discount of $10.7 million, and net changes of $3.5 million in the fair value of derivatives. Significant adjustments for items that decreased cash provided by operating activities included $52.5 million of deferred loan fee amortization, $28.2 million of prepaid FDIC assessments, net changes of $14.8 million in income tax receivable, net changes of $10.0 million in accrued interest and net changes of $6.7 million in foreign exchange spot contracts.

Cash used for investing activities was $1.9 billion in 2009. Net cash outflows included purchases of available-for-sale securities of $3.3 billion and purchases of nonmarketable securities of $124.8 million. Net cash inflows included a net decrease in loans of $849.6 million, proceeds from the sales, maturities, and pay downs of available-for-sale securities of $716.0 million, proceeds from the sale of nonmarketable securities of $23.7 million, and proceeds from recoveries of charged-off loans of $18.4 million.

Cash provided by financing activities was $2.8 billion in 2009. Net cash inflows included increases in deposits of $2.9 billion and net proceeds from the issuance of common stock under our public equity offering of $292.1 million. Net cash outflows included our redemption of preferred stock under the CPP of $235.0 million and repayments of other long-term debt of $102.6 million.

Cash and cash equivalents at December 31, 2009 were $3.5 billion.

Table of Contents

ITEM 7A. 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. 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 market value of portfolio 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 estimated 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 market value of portfolio equity (MVPE). MVPE 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) LIBOR (impacts our variable rate available-for-sale securities, our 5.70% Senior Notes and 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.

Table of Contents

The following table presents our MVPE and NII sensitivity exposure at December 31, 2011 and December 31, 2010, related to an instantaneous and sustained parallel shift in market interest rates of 100 and 200 basis points (bps).

Change in interest rates (basis points)	Estimated MVPE	Estimated Increase/ (Decrease) In MVPE Amount	Estimated Increase/ (Decrease) In MVPE Percent	Estimated NII	Estimated Increase/ (Decrease) In NII Amount	Estimated Increase/ (Decrease) In NII Percent
			(Dollars in thousands)			
December 31, 2011:						
+200	$ 2,137,370	$ (195,532)	(8.4)%	$ 737,863	$ 108,840	17.3%
+100	2,141,664	(191,238)	(8.2)	672,941	43,918	7.0
-	2,332,902			629,023		
-100	2,580,856	247,954	10.6	592,639	(36,384)	(5.8)
-200	2,587,646	254,744	10.9	583,671	(45,352)	(7.2)
December 31, 2010:						
+200	$ 1,751,856	$ 72,018	4.3%	$ 613,871	$ 112,795	22.5%
+100	1,688,368	8,530	0.5	544,870	43,794	8.7
-	1,679,838			501,076		
-100	1,858,246	178,408	10.6	484,575	(16,501)	(3.3)
-200	1,956,178	276,340	16.5	475,716	(25,360)	(5.1)

Market Value of Portfolio Equity

The estimated MVPE in the preceding table is based on a combination of valuation methodologies including a discounted cash flow analysis (for non-option based products) and a multi-path lattice based valuation (for option embedded products). 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 circumstances. These calculations do not reflect the changes that we anticipate or may make to reduce our MVPE 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 MVPE and NII estimates are not intended to represent, and should not be construed to represent the underlying value.

Our base case MVPE at December 31, 2011 increased from December 31, 2010 by $653.1 million primarily due to the overall growth in the balance sheet as our available-for-sale securities and loans grew by $2.6 billion and $1.4 billion, respectively, while we reduced our cash and cash equivalents by $2.0 billion. Additionally, the maturity of $250.0 million of our 3.875% Convertible Notes and our repurchase of $312.6 million of 5.70% Senior Notes and 6.05% Subordinated Notes contributed to the increase in MVPE. The growth in our asset base was mostly offset by a $2.4 billion increase in our deposit balances. MVPE sensitivity increased in the simulated upward interest rate movement primarily due to additional investments in fixed-rate available-for-sale securities throughout the year. The increase was partially offset by the growth in noninterest-bearing deposits. In the simulated downward interest rate movements, MVPE sensitivity decreased due to a combination of growth in fixed-rate available-for-sale securities and deposit rates being at or near their absolute floors thus muting the effects of the downward interest rate shocks.

Table of Contents

12-Month Net Interest Income Simulation

Our expected 12-month NII at December 31, 2011 increased from December 31, 2010 by $127.9 million primarily due to overall growth in the loan portfolio and the investment of excess cash into higher yielding available-for-sale securities. Additionally, the maturity of $250.0 million of our 3.875% Convertible Notes and our repurchase of $312.6 million of our 5.70% Senior Notes and 6.05% Subordinated Notes contributed to the improvement. The growth in total assets was funded primarily by growth in deposits. NII sensitivity in the simulated upward interest rate movements decreased due primarily to the increase in fixed-rate available-for-sale securities and interest-bearing deposits. In the simulated downward interest rate movements, the NII sensitivity increased slightly due to assumed faster prepayments of mortgage securities and an assumed increase in callable U.S. agency debentures being retired prior to their contractual maturities.

The simulation model used for above analysis embeds floors in our interest rate scenarios, which prevents model benchmark rates from moving below 0.0%. Current modeling assumptions maintain SVB s 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 bps (to 4.0%), as we did not lower the Bank s prime lending rate despite the 75 bps decrease in the target Federal Funds rates in December 2008. While we do have a portion of the loans in the portfolio indexed off of the National Prime Rate, the majority of our floating rate loans are indexed off of the SVB Prime Rate. 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.

Table of Contents

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders

SVB Financial Group:

We have audited SVB Financial Group and subsidiaries (the Company) internal control over financial reporting as of December 31, 2011, based on criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management s Report on Internal Control over Financial Reporting (Item 9A.(b)). Our responsibility is to express an opinion on the Company s internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2011, based on criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of the Company as of December 31, 2011 and 2010, and the related consolidated statements of income, comprehensive income, stockholders equity, and cash flows for each of the years in the three-year period ended December 31, 2011, and our report dated February 28, 2012 expressed an unqualified opinion on those consolidated financial statements.

/s/ KPMG LLP

San Francisco, California

February 28, 2012

Table of Contents

Item 8. Consolidated Financial Statements and Supplementary Data

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders

SVB Financial Group:

We have audited the accompanying consolidated balance sheets of SVB Financial Group and subsidiaries (the Company) as of December 31, 2011 and 2010, and the related consolidated statements of income, comprehensive income, stockholders equity, and cash flows for each of the years in the three-year period ended December 31, 2011. These consolidated financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2011 and 2010, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2011, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company s internal control over financial reporting as of December 31, 2011, based on criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated February 28, 2012 expressed an unqualified opinion on the effectiveness of the Company s internal control over financial reporting.

/s/ KPMG LLP

San Francisco, California

February 28, 2012

Table of Contents

SVB FINANCIAL GROUP AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(Dollars in thousands, except par value and share data)	**December 31, 2011**	**2010**
Assets		
Cash and cash equivalents	1,114,948	3,076,432
Available-for-sale securities	10,536,046	7,917,967
Non-marketable securities	1,004,440	721,520
Investment securities	11,540,486	8,639,487
Loans, net of unearned income	6,970,082	5,521,737
Allowance for loan losses	(89,947)	(82,627)
Net loans	6,880,135	5,439,110
Premises and equipment, net of accumulated depreciation and amortization	56,471	44,545
Accrued interest receivable and other assets	376,854	328,187
Total assets	$ 19,968,894	$ 17,527,761
Liabilities and total equity		
Liabilities:		
Deposits:		
Noninterest-bearing demand	$ 11,861,888	$ 9,011,538
Interest-bearing	4,847,648	5,325,403
Total deposits	16,709,536	14,336,941
Short-term borrowings		37,245
Other liabilities	405,321	196,037
Long-term debt	603,648	1,209,260
Total liabilities	17,718,505	15,779,483
Commitments and contingencies (Note 17 and Note 23)		
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; 43,507,932 shares and 42,268,201 shares outstanding, respectively	44	42
Additional paid-in capital	484,216	422,334
Retained earnings	999,733	827,831
Accumulated other comprehensive income	85,399	24,143
Total SVBFG stockholders equity	1,569,392	1,274,350
Noncontrolling interests	680,997	473,928
Total equity	2,250,389	1,748,278

Total liabilities and total equity	$ 19,968,894	$ 17,527,761

See accompanying notes to the consolidated financial statements.

95

Table of Contents

SVB FINANCIAL GROUP AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

(Dollars in thousands, except per share amounts)	Year ended December 31, 2011	2010	2009
Interest income:			
Loans	$ 389,830	$ 319,540	$ 335,806
Available-for-sale securities:			
Taxable	165,449	127,422	81,536
Non-taxable	3,623	3,809	4,094
Federal funds sold, securities purchased under agreements to resell and other short-term investment securities	6,486	10,960	9,790
Total interest income	565,388	461,731	431,226
Interest expense:			
Deposits	8,862	14,778	21,346
Borrowings	30,249	28,818	27,730
Total interest expense	39,111	43,596	49,076
Net interest income	526,277	418,135	382,150
Provision for loan losses	6,101	44,628	90,180
Net interest income after provision for loan losses	520,176	373,507	291,970
Noninterest income:			
Gains (losses) on investment securities, net	195,034	93,360	(31,209)
Foreign exchange fees	43,891	36,150	30,735
Gains (losses) on derivative instruments, net	38,681	9,522	(753)
Deposit service charges	31,208	31,669	27,663
Credit card fees	18,741	12,685	9,314
Client investment fees	12,421	18,020	21,699
Letters of credit and standby letters of credit fees	12,201	10,482	10,333
Other	30,155	35,642	29,961
Total noninterest income	382,332	247,530	97,743
Noninterest expense:			
Compensation and benefits	313,043	248,606	189,631
Professional services	60,807	56,123	46,540
Premises and equipment	28,335	23,023	23,270
Business development and travel	24,250	20,237	14,014
Net occupancy	19,624	19,378	17,888
FDIC assessments	10,298	16,498	17,035
Correspondent bank fees	9,052	8,379	8,040
Provision for (reduction of) unfunded credit commitments	4,397	4,083	(1,367)
Impairment of goodwill			4,092
Other	30,822	26,491	24,723
Total noninterest expense	500,628	422,818	343,866
Income before income tax expense	401,880	198,219	45,847
Income tax expense	119,087	61,402	35,207
Net income before noncontrolling interests	282,793	136,817	10,640
Net (income) loss attributable to noncontrolling interests	(110,891)	(41,866)	37,370

Net income attributable to SVBFG	$ 171,902	$ 94,951	$ 48,010
Preferred stock dividend and discount accretion			(25,336)
Net income available to common stockholders	$ 171,902	$ 94,951	$ 22,674
Earnings per common share basic	$ 4.00	$ 2.27	$ 0.67
Earnings per common share diluted	3.94	2.24	0.66

See accompanying notes to the consolidated financial statements.

96

Table of Contents

SVB FINANCIAL GROUP AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Year ended December 31,		
(Dollars in thousands)	**2011**	**2010**	**2009**
Net income before noncontrolling interests	$ 282,793	$ 136,817	$ 10,640
Other comprehensive income, net of tax:			
Change in cumulative translation (losses) gains:			
Foreign currency translation (losses) gains	(7,500)	1,809	1,497
Related tax benefit (expense)	3,067	(739)	(617)
Change in unrealized gains on available-for-sale securities:			
Unrealized holding gains	148,257	53,776	18,083
Related tax expense	(60,630)	(21,913)	(7,368)
Reclassification adjustment for (gains) losses included in net income	(37,127)	(24,823)	168
Related tax benefit (expense)	15,189	10,128	(69)
Other comprehensive income, net of tax	61,256	18,238	11,694
Comprehensive income	344,049	155,055	22,334
Comprehensive (income) loss attributable to noncontrolling interests	(110,891)	(41,866)	37,370
Comprehensive income attributable to SVBFG	$ 233,158	$ 113,189	$ 59,704

See accompanying notes to the consolidated financial statements.

Table of Contents

SVB FINANCIAL GROUP AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS EQUITY

(Dollars in thousands, except share data)	Preferred stock Shares	Preferred stock Amount	Common stock Shares	Common stock Amount	Additional paid-in capital	Retained earnings	Accumulated other comprehensive (loss) income	Total SVBFG stockholders equity	Noncontrolling interests	Total equity
Balance at December 31, 2008	**235,000**	**$ 221,185**	**32,917,007**	**$ 33**	**$ 66,201**	**$ 709,726**	**$ (5,789)**	**$ 991,356**	**$ 320,356**	**$ 1,311,712**
Common stock issued under employee benefit plans, net of restricted stock cancellations			455,814		5,873			5,873		5,873
Redemption of preferred stock issued under the Treasury s CPP	(235,000)	(235,000)						(235,000)		(235,000)
Income tax expense from stock options exercised, vesting of restricted stock and other					(1,309)			(1,309)		(1,309)
Net income (loss)						48,010		48,010	(37,370)	10,640
Capital calls and distributions, net									62,781	62,781
Net change in unrealized gain on available-for-salesecurities, net of tax							10,814	10,814		10,814
Foreign currency translation adjustments, net of tax							880	880		880
Common stock issued in public offering			7,965,568	8	292,099			292,107		292,107
Stock-based compensation expense					14,670			14,670		14,670
Income tax benefit from original issue discount related to 3.875% convertible notes					10,745			10,745		10,745
Preferred stock dividend and discount accretion		13,815				(25,336)		(11,521)		(11,521)
Other, net					1,211	507		1,718		1,718
Balance at December 31, 2009		**$**	**41,338,389**	**$ 41**	**$ 389,490**	**$ 732,907**	**$ 5,905**	**$ 1,128,343**	**$ 345,767**	**$ 1,474,110**
Common stock issued under employee benefit plans, net of restricted stock cancellations			929,812	1	24,018			24,019		24,019
Income tax benefit from stock options exercised, vesting of restricted stock and other					3,962			3,962		3,962
Net income						94,951		94,951	41,866	136,817
Capital calls and distributions, net									85,699	85,699
Net change in unrealized gains on available-for-salesecurities, net of tax							17,168	17,168		17,168
Foreign currency translation adjustments, net of tax							1,070	1,070		1,070
Stock-based compensation expense					13,558			13,558		13,558
					(6,820)			(6,820)		(6,820)

Repurchase of warrant under Capital Purchase Program								
Purchase of remaining interest in eProsper			(1,896)			(1,896)	596	(1,300)
Other, net			22	(27)		(5)		(5)
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	1,238,707	2	36,871			36,873		36,873
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			7,140			7,140		7,140
Net income				171,902		171,902	110,891	282,793
Capital calls and distributions, net							96,178	96,178
Net change in unrealized gains on available-for-salesecurities, net of tax					65,689	65,689		65,689
Foreign currency translation adjustments, net of tax					(4,433)	(4,433)		(4,433)
Stock-based compensation expense			17,871			17,871		17,871
Balance at December 31, 2011	**$ 43,507,932**	**$ 44**	**$ 484,216**	**$ 999,733**	**$ 85,399**	**$ 1,569,392**	**$ 680,997**	**$ 2,250,389**

See accompanying notes to the consolidated financial statements.

98

Table of Contents

SVB FINANCIAL GROUP AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended December 31,		
(Dollars in thousands)	**2011**	**2010**	**2009**
Cash flows from operating activities:			
Net income before noncontrolling interests	$ 282,793	$ 136,817	$ 10,640
Adjustments to reconcile net income to net cash provided by operating activities:			
Impairment of goodwill			4,092
Net gain from note repurchases and termination of corresponding interest rate swaps	(3,123)		
Provision for loan losses	6,101	44,628	90,180
Provision for (reduction of) unfunded credit commitments	4,397	4,083	(1,367)
Changes in fair values of derivatives, net	(26,202)	(3,867)	3,500
(Gains) losses on investment securities, net	(195,034)	(93,360)	31,209
Depreciation and amortization	27,490	23,224	24,931
Amortization of premiums on available-for-sale securities, net	27,849	24,071	10,461
Tax benefit of original issue discount			10,745
Tax benefit (expense) from stock exercises	798	(189)	(1,767)
Amortization of share-based compensation	18,221	13,761	14,784
Amortization of deferred loan fees	(61,158)	(50,488)	(52,471)
Deferred income tax expense (benefit)	7,362	(1,434)	2,094
Changes in other assets and liabilities:			
Accrued interest receivable and payable, net	(12,370)	1,560	(9,988)
Accounts receivable	(38,765)	(4,393)	1,609
Income tax payable or receivable, net	(809)	16,694	(14,769)
Prepaid FDIC assessments and amortization	8,754	10,648	(28,178)
Accrued compensation	35,403	41,195	1,916
Foreign exchange spot contracts, net	62,747	(2,615)	(6,689)
Other, net	21,833	2,893	(3,969)
Net cash provided by operating activities	**166,287**	**163,228**	**86,963**
Cash flows from investing activities:			
Purchases of available-for-sale securities	(7,127,525)	(6,757,150)	(3,325,235)
Proceeds from sales of available-for-sale securities	1,415,463	655,555	3,569
Proceeds from maturities and pay downs of available-for-sale securities	3,215,186	2,151,574	712,396
Purchases of nonmarketable securities (cost and equity method accounting)	(59,081)	(53,450)	(57,477)
Proceeds from sales of nonmarketable securities (cost and equity method accounting)	36,589	20,147	5,191
Purchases of nonmarketable securities (investment fair value accounting)	(164,910)	(119,313)	(67,369)
Proceeds from sales of nonmarketable securities (investment fair value accounting)	80,757	44,739	18,509
Net (increase) decrease in loans	(1,429,702)	(983,077)	849,570
Proceeds from recoveries of charged-off loans	25,123	16,788	18,444
Proceeds from sale of other real estate owned		196	899
Payment for acquisition of intangibles, net of cash acquired		(360)	
Purchases of premises and equipment	(30,751)	(27,056)	(15,963)
Payment for acquisition of remaining interest in eProsper		(1,300)	
Net cash used for investing activities	**(4,038,851)**	**(5,052,707)**	**(1,857,466)**
Cash flows from financing activities:			
Net increase in deposits	2,372,595	4,005,004	2,858,465
Principal payments of other long-term debt	(4,179)	(1,961)	(102,578)
Decrease in short-term borrowings	(37,245)	(1,510)	(23,365)
Payments for repurchases 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)		
Proceeds from issuance of 5.375% Senior Notes, net of discount and issuance cost		344,476	

Capital contributions from noncontrolling interests, net of distributions	96,178	85,699	62,781
Tax benefit from stock exercises	6,342	4,151	458
Dividends paid on preferred stock			(12,110)
Proceeds from issuance of common stock and Employee Stock Purchase Plan	36,873	24,019	5,873
Proceeds from the issuance of common stock under our public equity offering, net of issuance costs			292,107
Redemption of preferred stock under the CPP			(235,000)
Repurchase of warrant under CPP		(6,820)	
Net cash provided by financing activities	**1,911,080**	**4,453,058**	**2,846,631**
Net (decrease) increase in cash and cash equivalents	(1,961,484)	(436,421)	1,076,128
Cash and cash equivalents at beginning of year	3,076,432	3,512,853	2,436,725
Cash and cash equivalents at end of year	$ 1,114,948	$ 3,076,432	$ 3,512,853
Supplemental disclosures:			
Cash paid during the period for:			
Interest	$ 41,203	$ 35,588	$ 50,017
Income taxes	103,848	41,763	39,050
Noncash items during the period:			
Unrealized gains on available-for-sale securities, net of tax	$ 65,689	$ 17,168	$ 10,814
Net change in fair value of interest rate swaps	(3,617)	5,122	(47,247)

See accompanying notes to the consolidated financial statements.

SVB FINANCIAL GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Nature of Business

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 Fin 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.

We offer commercial banking products and services through our principal subsidiary, the Bank, which is a California-chartered bank founded in 1983 and a member of the Federal Reserve System. Through its subsidiaries, the Bank also offers brokerage, investment advisory and asset management services. We also offer non-banking products and services, such as funds management, venture capital/private equity investment and equity valuation services, through our other subsidiaries and divisions. We primarily focus on serving corporate clients in the following niches: technology, life sciences, venture capital/private equity and premium wine. Our corporate clients range widely in terms of size and stage of maturity. Additionally, we focus on cultivating strong relationships with firms within the venture capital and private equity community worldwide, many of which are also our clients and may invest in our corporate clients.

We are headquartered in Santa Clara, California, and operate through 26 offices in the United States, as well as offices internationally in China, India, Israel and the United Kingdom.

For reporting purposes, SVB Financial Group has three operating segments for which we report financial information in this report: Global Commercial Bank, SVB Private Bank, and SVB Capital. Financial information, results of operations and a description of the services provided by our operating segments are set forth in Note 20 Segment Reporting in this report.

2. Summary of Significant Accounting Policies

Use of Estimates and Assumptions

The preparation of consolidated financial statements in conformity with generally accepted accounting principles in the United States of America (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. The following discussion provides additional background on our significant accounting policies.

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.

Table of Contents

SVB FINANCIAL GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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.

Variable interest 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. 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 the Company has a controlling financial interest or VIEs in which the Company is the primary beneficiary are consolidated into our financial statements.

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 the Company s consolidation conclusion to change.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand, cash balances due from banks, interest-earning deposits, Federal Reserve deposits, federal funds sold, securities purchased under agreements to resell and other short-term investment securities. For the consolidated statements of cash flows, we consider cash equivalents to be investments that are readily convertible to known amounts of cash, so near to their maturity that they present an insignificant risk of change in fair value due to changes in market interest rates, and purchased in conjunction with our cash management activities.

Investment Securities

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 and consists of debt and equity securities that we carry at fair value. Unrealized gains and losses on available-for-sale securities, net of applicable taxes, are reported in accumulated other comprehensive income, which is a separate component of SVBFG s stockholders equity, until realized.

Table of Contents

SVB FINANCIAL GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

We analyze available-for-sale securities for other-than-temporary impairment each quarter. Market valuations represent the current fair value of a security at a specified point in time and do not necessarily represent the risk of repayment of the principal due to our ability to hold the security to maturity. Gains and losses on securities are realized when there is a sale of the security prior to maturity. A credit downgrade represents an increased level of risk of other-than-temporary impairment, and as a part of our consideration of recording an other-than-temporary impairment we will assess the issuer s ability to service the debt and to repay the principal at contractual maturity.

We apply the other-than-temporary impairment standards of Financial Accounting Standard Board (FASB) Accounting Standard Codification (ASC) 320, *Investments-Debt and Equity Securities*. For our debt securities, we have the intent and ability to hold these securities until we recover our cost less any credit-related loss. We separate the amount of the other-than-temporary impairment, if any, into the amount that is credit related (credit loss component) and the amount due to all other factors. The credit loss component is recognized in earnings and is the difference between a security s amortized cost basis and the present value of expected future cash flows discounted at the security s effective interest rate. The amount due to all other factors is recognized in other comprehensive income.

We consider numerous factors in determining whether a credit loss exists and the period over which the debt security is expected to recover. The following list is not meant to be all inclusive. All of the following factors shall be considered:

- The length of time and the extent to which the fair value has been less than the amortized cost basis (severity and duration);
- Adverse conditions specifically related to the security, an industry, or geographic area; for example, changes in the financial condition of the issuer of the security, or in the case of an asset-backed debt security, changes in the financial condition of the underlying loan obligors. Examples of those changes include any of the following:
  - Changes in technology;
  - The discontinuance of a segment of the business that may affect the future earnings potential of the issuer or underlying loan obligors of the security; and
  - Changes in the quality of the credit enhancement.
- The historical and implied volatility of the fair value of the security;
- The payment structure of the debt security and the likelihood of the issuer being able to make payments that increase in the future;
- Failure of the issuer of the security to make scheduled interest or principal payments;
- Any changes to the rating of the security by a rating agency; and
- Recoveries or additional declines in fair value after the balance sheet date.

In accordance with ASC 310-20, *Receivables Nonrefundable Fees and Other Costs*, we use estimates of future principal prepayments, provided by third-party market-data vendors, in addition to actual principal prepayment experience to calculate the constant effective yield necessary to apply the effective interest method in the amortization of purchase discounts or premiums on mortgage-backed securities and fixed rate collateralized mortgage obligations (CMO). The discounts or premiums are included in interest income over the contractual terms of the underlying securities replicating the effective interest method (the straight-line method is used only for variable rate CMOs).

Table of Contents

SVB FINANCIAL GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Non-Marketable Securities

Non-marketable securities include investments in venture capital and private equity funds, debt funds, direct equity investments in companies and low income housing tax credit funds. A majority of these investments are managed through our SVB Capital funds business in funds of funds and direct venture funds (also referred to as co-investment funds). Our accounting for investments in non-marketable securities depends on several factors, including the level of ownership, power to control and the legal structure of the subsidiary making the investment. As further described below, we base our accounting for such securities on: (i) fair value accounting, (ii) equity method accounting, or (iii) cost method accounting.

Fair Value Accounting

Our managed funds and consolidated debt fund are investment companies under the American Institute of Certified Public Accountants (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. Our non-marketable securities recorded pursuant to fair value accounting consist of our investments through the following funds:

- Funds of funds; which make investments in venture capital and private equity funds;
- Direct venture funds (also referred to as co-investment funds); which make equity investments in privately held companies; and
- A consolidated debt fund; which provides secured debt primarily to mid-stage and late-stage clients.

A summary of our ownership interests in the investments held under fair value accounting is presented in the following table:

Limited partnership	Company Direct and Indirect Ownership in Limited Partnership
Managed funds of funds	
SVB Strategic Investors Fund, LP (1)	12.6%
SVB Strategic Investors Fund II, LP (1)	8.6
SVB Strategic Investors Fund III, LP (1)	5.9
SVB Strategic Investors Fund IV, LP (1)	5.0
Strategic Investors Fund V, LP (1)	0.3
SVB Capital Preferred Return Fund, LP (1)	20.0
SVB Capital NT Growth Partners, LP (1)	33.0
Other venture capital fund (1)	58.2
Managed direct venture funds	
Silicon Valley BancVentures, LP (1)	10.7
SVB Capital Partners II, LP (1)	5.1
SVB India Capital Partners I, LP (1)	14.4
SVB Capital Shanghai Yangpu Venture Capital Fund (1)	6.8
Consolidated debt fund	
Partners for Growth, LP (2)	50.0

Note Entity s results of operations and financial condition are included in the consolidated financial statements of SVB Financial Group net of noncontrolling interests.

103

Table of Contents

SVB FINANCIAL GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(1) The general partners of these funds are owned and controlled by SVB Financial. The limited partners of these funds do not have substantive participating or kick-out rights. Therefore, these funds are consolidated and any gains or losses resulting from changes in the estimated fair value of the investments are recorded as investment gains or losses in our consolidated net income.
(2) The general partner of Partners for Growth, LP, Partners for Growth, LLC, is not owned or controlled by SVB Financial. The limited partners of this fund have substantive kick-out rights by which the general partner may be removed without cause by a simple majority vote of the limited partners. SVB Financial has an ownership interest of slightly more than 50.0 percent in Partners for Growth, LP. Accordingly, the fund is consolidated and any gains or losses resulting from changes in the estimated fair value of the investments are recorded as investment gains or losses in our consolidated net income.

Under fair value accounting, investments are carried at their estimated fair value based on financial information obtained as the general partner of the fund or obtained from the funds respective general partner. For direct private company investments, valuations are based upon 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 fund investments as the funds do not have a readily determinable fair value and the funds prepare their financial statements using guidance consistent with fair value accounting. 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, for example September 30th, for our December 31st consolidated financial statements, adjusted for any contributions paid, distributions received from the investment, and significant fund transactions or market events during the reporting period. Gains or losses resulting from changes in the estimated fair value of the investments and from distributions received are recorded as gains (losses) on investment securities, net, a component of noninterest income. The portion of any investment gains or losses attributable to the limited partners is reflected as net (income) loss attributable to noncontrolling interests and adjusts our net income to reflect its percentage ownership.

Equity Method

Our equity method non-marketable securities consist of investments in venture capital and private equity funds, privately-held companies, debt funds, and qualified affordable housing tax credit funds. Our equity method non-marketable securities and related accounting policies are described as follows:

- Equity securities, such as preferred or common stock in privately-held companies in which we hold a voting interest of at least 20 percent but less than 50 percent or in which we have the ability to exercise significant influence over the investees operating and financial policies, are accounted for under the equity method.
- Investments in limited partnerships in which we hold voting interests of more than 5 percent, but less than 50 percent or in which we have the ability to exercise significant influence over the partnerships operating and financial policies are accounted for using the equity method.

We recognize our proportionate share of the results of operations of these equity method investees in our results of operations, based on the most current financial information available from the investee. We review our investments accounted for under the equity method at least quarterly for possible other-than-temporary impairment. Our review typically includes an analysis of facts and circumstances for each investment, the expectations of the investment s future cash flows and capital needs, variability of its business and the company s

104

Table of Contents

SVB FINANCIAL GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

exit strategy. For our fund investments, we utilize the net asset value per share as provided by the general partners of the fund investments. 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, for example September 30th, for our December 31st consolidated financial statements, adjusted for any contributions paid, distributions received from the investment, and significant fund transactions or market events during the reporting period. We reduce our investment value when we consider declines in value to be other-than-temporary and recognize the estimated loss as a loss on investment securities, a component of noninterest income.

Cost Method

Our cost method non-marketable securities and related accounting policies are described as follows:

- Equity securities, such as preferred or common stock in privately-held companies in which we hold an ownership interest of less than 20 percent and in which we do not have the ability to exercise significant influence over the investees operating and financial policies, are accounted for under the cost method.
- Investments in limited partnerships in which we hold voting interests of less than 5 percent and in which we do not have the ability to exercise significant influence over the partnerships operating and financial policies, are accounted for under the cost method. These non-marketable securities include investments in venture capital and private equity funds.

We record these investments at cost and recognize distributions or returns received from net accumulated earnings of the investee since the date of acquisition as income. Our share of net accumulated earnings of the investee after the date of investment are recognized in consolidated net income only to the extent distributed by the investee. Distributions or returns received in excess of accumulated earnings are considered a return of investment and are recorded as reductions in the cost basis of the investment.

We review our investments accounted for under the cost method at least quarterly for possible other-than-temporary impairment. Our review typically includes an analysis of facts and circumstances of each investment, the expectations of the investment s future cash flows and capital needs, variability of its business and the company s exit strategy. To help determine impairment, if any, for our fund investments, we utilize the net asset value per share as provided by the general partners of the fund investments. 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, for example September 30th, for our December 31st consolidated financial statements, adjusted for any contributions paid, distributions received from the investment, and significant fund transactions or market events during the reporting period. We reduce our investment value when we consider declines in value to be other-than-temporary and recognize the estimated loss as a loss on investment securities, a component of noninterest income.

Gains or losses on cost method investment securities that result from a portfolio company being acquired by a publicly traded company are determined using it s fair value when the acquisition occurs. The resulting gains or losses are recognized in consolidated net income on that date.

Loans

Loans are reported at the principal amount outstanding, net of unearned loan fees. Unearned loan fees reflect unamortized deferred loan origination and commitment fees net of unamortized deferred loan

105

Table of Contents

SVB FINANCIAL GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

origination costs. In addition to cash loan fees, we often obtain equity warrant assets that give us an option to purchase a position in a client company s stock in consideration for providing credit facilities. The grant date fair values of these equity warrant assets are deemed to be loan fees and are deferred as unearned income and recognized as an adjustment of loan yield through loan interest income. The net amount of unearned loan fees is amortized into loan interest income over the contractual terms of the underlying loans and commitments using the constant effective yield method, adjusted for actual loan prepayment experience, or the straight-line method, as applicable.

Allowance for Loan Losses

The allowance for loan losses considers credit risk and is established through a provision for loan losses charged to expense. Our allowance for loan losses is established for estimated loan losses that are probable but not yet realized. Our evaluation process is designed to determine that the allowance for loan losses is appropriate at the balance sheet date. The process of estimating loan losses is inherently imprecise. The evaluation process we use to estimate the required allowance for loan losses is described below.

We maintain a systematic process for the evaluation of individual loans and pools of loans for inherent risk of loan losses. On at least an annual basis, and on at least a quarterly basis for most criticized loans, each loan in our portfolio is assigned a Credit Risk Rating and industry niche. Credit Risk Ratings are assigned on a scale of 1 to 10, with 1 representing loans with a low risk of nonpayment, 9 representing loans with the highest risk of nonpayment, and 10 representing loans which have been charged-off. This Credit Risk Rating evaluation process includes, but is not limited to, consideration of such factors as payment status, the financial condition and operating performance of the borrower, borrower compliance with loan covenants, underlying collateral values and performance trends, the degree of access to additional capital, the presence of credit enhancements such as third party guarantees (where applicable), the degree to which the borrower is sensitive to external factors, the depth and experience of the borrower s management team, potential loan concentrations, and general economic conditions. Our policies require a committee of senior management to review, at least quarterly, credit relationships that exceed specific dollar values. Our review process evaluates the appropriateness of the credit risk rating and allocation of the allowance for loan losses, as well as other account management functions. The allowance for loan losses is based on a formula allocation for similarly risk-rated loans by portfolio segment and individually for impaired loans. The formula allocation provides the average loan loss experience for each portfolio segment, which considers: (i) our quarterly historical loss experience since the year 2000, both by risk-rating category and client industry sector, and (ii) our quarterly loss experience for the one-, three- and five-year periods preceding the applicable reporting period. The resulting loan loss factors for each risk-rating category and client industry sector are ultimately applied to the respective period-end client loan balances for each corresponding risk-rating category by client industry sector to provide an estimation of the allowance for loan losses. The probable loan loss experience for any one year period of time is reasonably expected to be greater or less than the average as determined by the loss factors. As such, management applies a qualitative allocation to the results of the aforementioned model to ascertain the total allowance for loan losses. This qualitative allocation is calculated based on management s assessment of the risks that may lead to a future loan loss experience different from our historical loan loss experience. Based on management s prediction or estimate of changing risks in the lending environment, the qualitative allocation may vary significantly from period to period and includes, but is not limited to, consideration of the following factors:

- Changes in lending policies and procedures, including underwriting standards and collections, and charge-off and recovery practices;
- Changes in national and local economic business conditions, including the market and economic condition of our clients industry sectors;

Table of Contents

SVB FINANCIAL GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

- Changes in the nature of our loan portfolio;
- Changes in experience, ability, and depth of lending management and staff;
- Changes in the trend of the volume and severity of past due and classified loans;
- Changes in the trend of the volume of nonaccrual loans, troubled debt restructurings, and other loan modifications;
- Reserve floor for portfolio segments that would not draw a minimum reserve based on the lack of historical loan loss experience;
- Reserve for large funded loan exposure; and
- Other factors as determined by management from time to time.

While the evaluation process of our allowance for loan losses uses historical and other objective information, the classification of loans and the establishment of the allowance for loan losses rely, to a great extent, on the judgment and experience of our management.

Uncollectible Loans and Write-offs

Our charge-off policy applies to all loans, regardless of portfolio segment. Loans are considered for full or partial charge-offs in the event that principal or interest is over 180 days past due, the loan lacks sufficient collateral and it is not in the process of collection. We also consider writing off loans in the event of any of the following circumstances: 1) the loan, or a portion of the loan is deemed uncollectible due to: a) the borrower s inability to make recurring payments, b) material changes in the borrower s assets, c) the expected sale of all or a portion of the borrower s business, or d) a combination of the foregoing; 2) the loan has been identified for charge-off by regulatory authorities; or 3) the debt is overdue greater than 90 days.

Troubled Debt Restructurings (TDRs)

A TDR arises from the modification of a loan where we have granted a concession to the borrower related to the borrower s financial difficulties that we would not have otherwise considered for economic or legal reasons. These concessions may include: (1) deferral of payment for more than an insignificant period of time; (2) interest rate reductions for the remaining original life of the debt; (3) extension of the maturity date with interest rate concessions; (4) principal forgiveness; and or (5) reduction of accrued interest.

We use the factors in ASC 310-40, *Receivables, Troubled Debt Restructurings by Creditors,* to help determine when a borrower is experiencing financial difficulty, and when we have granted a concession, both of which must be present for a restructuring to meet the criteria of a TDR. If we determine that a TDR exists, we measure impairment based on the present value of expected future cash flows discounted at the loan s effective interest rate, except that as a practical expedient, we may also measure impairment based on a loan s observable market price, or the fair value of the collateral if the loan is a collateral-dependent loan.

Reserve for Unfunded Credit Commitments

We record a liability for probable and estimable losses associated with our unfunded credit commitments being funded and subsequently being charged off. Each quarter, every unfunded client credit commitment is allocated to a credit risk-rating category in accordance with each client s credit risk rating. We use the historical loan loss factors described under our allowance for loan losses to calculate the loan loss experience if unfunded credit commitments are funded. Separately, we use historical trends to calculate a probability of an unfunded credit commitment being funded. We apply the loan funding probability factor to risk-factor adjusted unfunded credit commitments by credit risk-rating to derive the reserve for unfunded credit commitments. The reserve

Table of Contents

SVB FINANCIAL GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

for unfunded credit commitments also includes certain qualitative allocations as deemed appropriate by our management. We include the reserve for unfunded credit commitments in other liabilities and the related provision in other expenses.

Nonaccrual Loans and Impaired Loans

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 currently known information, that the timely collection of principal or interest is not probable.

When a loan is placed on nonaccrual status, the accrued interest and fees are reversed against interest income and the loan is accounted for using the cost recovery method thereafter until qualifying for return to accrual status. Historically, loans that have been placed on nonaccrual status have remained as nonaccrual loans until the loan is either charged-off, or the principal balances have been paid off. For a loan to be returned to accrual status, all delinquent principal and interest must become current in accordance with the terms of the loan agreement and future collection of remaining principal and interest must be deemed probable. We apply a cost recovery method in which all cash received is applied to the loan principal until it has been collected. Under this approach, interest income is recognized after total cash flows received exceed the recorded investment at the date of initial impairment.

A loan is considered impaired when, based upon currently known information, it is deemed probable that we will be unable to collect all amounts due according to the terms of the agreement. All of our nonaccrual loans are classified under the impaired category. On a quarterly basis, we review our loan portfolio for impairment. Each loan is assigned a credit risk rating (CRR), which is used when assessing and monitoring risk as well as performance of the portfolio. Each individual loan is given a risk rating of 1 through 10, 1 being cash secured and 10 being loans that are charged off (i.e. no longer included as part of our loan portfolio balance). Within each class of loans, we review individual loans for impairment based on credit risk ratings. All impaired loans which have credit risk ratings of 8 or 9 are reviewed individually.

For each loan identified as impaired, we measure the impairment based upon the present value of expected future cash flows discounted at the loan s effective interest rate. In limited circumstances, we may measure impairment based on the loan s observable market price or the fair value of the collateral if the loan is collateral dependent. Impaired collateral dependent loans will have independent appraisals completed and accepted at least annually. The fair value of the collateral will be determined by the current appraisal, as adjusted to reflect a reasonable marketing period for the sale of the asset(s) and an estimate of reasonable selling expenses.

If it is determined that the value of an impaired loan is less than the recorded investment in the loan, net of previous charge-offs and payments collected, we recognize impairment through the allowance for loan losses as determined by our analysis.

Standby Letters of Credit

We recognize a liability at the inception of a standby letter of credit equivalent to the premium or the fee received for such guarantee.

Table of Contents

SVB FINANCIAL GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Premises and Equipment

Premises and equipment are reported at cost less accumulated depreciation and amortization. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets or the terms of the related leases, whichever is shorter. The maximum estimated useful lives by asset classification are as follows:

Leasehold improvements	Lesser of lease term or asset life
Furniture and equipment	3 years
Computer software	3-7 years
Computer hardware	3-5 years

We capitalize the costs of computer software developed or obtained for internal use, including costs related to developed software, purchased software licenses and certain implementation costs.

For property and equipment that is retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts and the resulting gain or loss is included in noninterest expense in consolidated net income. We had no capitalized lease obligations at December 31, 2011 and 2010.

Lease Obligations

We lease all of our properties. At the inception of the lease, each property is evaluated to determine whether the lease will be accounted for as an operating or capital lease. For leases that contain rent escalations or landlord incentives, we record the total rent payable during the lease term, using the straight-line method over the term of the lease and record the difference between the minimum rents paid and the straight-line rent as lease obligations.

Fair Value Measurements

Our available-for-sale securities, derivative instruments and certain marketable and non-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 consolidated financial statements.

Table of Contents

SVB FINANCIAL GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Fair Value Measurement Definition and Hierarchy

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.

Table of Contents

SVB FINANCIAL GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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.

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.

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 recently available financial information from the investee general partner, adjusted for any contributions paid, distributions received from the investment, or significant fund transactions or market events during the reporting period.

111

Table of Contents

SVB FINANCIAL GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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 issue, the current and projected operating performance, exit strategies and financing transactions subsequent to the acquisition of the investment.

Other investments: Fair value measurements are based on valuation techniques that use observable inputs, such as yield curves and publicly-traded equity prices, and unobservable inputs, such as private company equity prices.

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 of 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.

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, 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.

Table of Contents

SVB FINANCIAL GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Fee-based Services Revenue Recognition

Letters of Credit and Standby Letters of Credit Fee Income

Fees generated from letters of credit and standby letters of credit are deferred as a component of other liabilities and recognized in noninterest income over the commitment period using the straight-line method, based on the likelihood that the commitment being drawn down will be remote.

Client Investment Fees

Client investment fees include fees earned from Rule 12(b)-1 fees and from customer transactional based fees. Rule 12(b)-1 fees are earned and recognized over the period client funds are invested. Transactional base fees are earned and recognized on fixed income and equity securities when the transaction is executed on the clients behalf.

Foreign Exchange Fees

Foreign exchange fees represent the income differential between purchases and sales of foreign currency on behalf of our clients and are recognized as earned.

Other Fee Income

Credit card fees and deposit service charge fee income are recognized as earned on a monthly basis.

Other Service Revenue

Other service revenue primarily includes revenue from valuation services and equity ownership data management services. We recognize revenue when (i) persuasive evidence of an arrangement exists, (ii) we have performed the service, provided we have no other remaining obligations to the customer, (iii) the fee is fixed or determinable and, (iv) collectibility is probable.

Fund Management Fees and Carried Interest

Fund management fees are comprised of fees charged directly to our managed funds of funds and direct venture funds. Fund management fees are based upon the contractual terms of the limited partnership agreements and are recognized as earned over the specified contract period, which is generally equal to the life of the individual fund.

Carried interest is comprised of preferential allocations of profits recognizable when the return on assets of our individual managed funds of funds and direct venture funds exceeds certain performance targets. Carried interest is recorded quarterly based on measuring fund performance to date versus the performance target and is recorded as a component of net (income) loss attributable to noncontrolling interests.

Income Taxes

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying

Table of Contents

SVB FINANCIAL GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Our federal, state and foreign income tax provisions are based upon taxes payable for the current year as well as current year changes in deferred taxes related to temporary differences between the tax basis and financial statement balances of assets and liabilities. Deferred tax assets and liabilities are included in the consolidated financial statements at currently enacted income tax rates applicable to the period in which the deferred tax assets and liabilities are expected to be realized. As changes in tax laws or rates are enacted, deferred tax assets and liabilities are adjusted through the provision for income taxes. We file a consolidated federal income tax return, and consolidated, combined, or separate state income tax returns as appropriate. Our foreign incorporated subsidiaries file tax returns in the applicable foreign jurisdictions. We record interest and penalties related to unrecognized tax benefits in other noninterest expense, a component of consolidated net income.

Share-Based Compensation

For all stock-based awards granted, stock-based compensation expense is amortized on a straight-line basis over the requisite service period, including consideration of vesting conditions and anticipated forfeitures. The fair value of stock options are measured using the Black-Scholes option-pricing model and the fair value for restricted stock awards and restricted stock units are based on the quoted price of our common stock on the date of grant.

Earnings Per Share

Basic earnings per common share is computed using the weighted average number of common stock shares outstanding during the period. Diluted earnings per common share is computed using the weighted average number of common stock shares and potential common shares outstanding during the period. Potential common shares consist of stock options, employee stock purchase plan (ESPP) shares and restricted stock units. Common stock equivalent shares are excluded from the computation if the effect is antidilutive.

Derivative Financial Instruments

All derivative instruments are recorded on the balance sheet at fair value. The accounting for changes in fair value of a derivative financial instrument depends on whether the derivative financial instrument is designated and qualifies as part of a hedging relationship and, if so, the nature of the hedging activity. Changes in fair value are recognized through earnings for derivatives that do not qualify for hedge accounting treatment, or that have not been designated in a hedging relationship.

Fair Value Hedges

For derivative instruments that are designated and qualify as a fair value hedge, the gain or loss on the hedging instrument should offset the loss or gain on the hedged item attributable to the hedged risk. Any difference that does arise would be the result of hedge ineffectiveness, which is recognized through earnings.

Equity Warrant Assets

In connection with negotiated credit facilities and certain other services, we often obtain equity warrant assets giving us the right to acquire stock in primarily private, venture-backed companies in the technology and life science industries. We hold these assets for prospective investment gains. We do not use them to hedge any economic risks nor do we use other derivative instruments to hedge economic risks stemming from equity warrant assets.

Table of Contents

SVB FINANCIAL GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

We account for equity warrant assets in certain private and public client companies as derivatives when they contain net settlement terms and other qualifying criteria under ASC 815, *Derivatives and Hedging*. In general, equity warrant assets entitle us to buy a specific number of shares of stock at a specific price within a specific time period. Certain equity warrant assets contain contingent provisions, which adjust the underlying number of shares or purchase price upon the occurrence of certain future events. Our warrant agreements typically contain net share settlement provisions, which permit us to receive at exercise a share count equal to the intrinsic value of the warrant divided by the share price (otherwise known as a cashless exercise). These equity warrant assets are recorded at fair value and are classified as derivative assets, a component of other assets, on our consolidated balance sheet at the time they are obtained.

The grant date fair values of equity warrant assets received in connection with the issuance of a credit facility are deemed to be loan fees and recognized as an adjustment of loan yield through loan interest income. Similar to other loan fees, the yield adjustment related to grant date fair value of warrants is recognized over the life of that credit facility.

Any changes in fair value from the grant date fair value of equity warrant assets will be recognized as increases or decreases to other assets on our balance sheet and as net gains or losses on derivative investments, in noninterest income, a component of consolidated net income. When a portfolio company completes an initial public offering (IPO) on a publicly reported market or is acquired, we may exercise these equity warrant assets for shares or cash.

In the event of an exercise for shares, the basis or value in the securities is reclassified from other assets to investment securities on the balance sheet on the latter of the exercise date or corporate action date. The shares in public companies are classified as available-for-sale securities (provided they do not have a significant restriction from sale). Changes in fair value of securities designated as available-for-sale, after applicable taxes, are reported in accumulated other comprehensive income, which is a separate component of SVBFG stockholders equity. The shares in private companies are classified as non-marketable securities. We account for these securities at cost and only record adjustments to the value at the time of exit or liquidation though gains (losses) on investments securities, net, which is a component of noninterest income.

The fair value of the equity warrant assets portfolio is reviewed quarterly. We value our equity warrant assets using a modified Black-Scholes option pricing model, which incorporates the following significant inputs:

- An underlying asset value, which is estimated based on current information available, including any information regarding subsequent rounds of funding.
- Stated strike price, which can be adjusted for certain warrants upon the occurrence of subsequent funding rounds or other future events.
- Price volatility or the amount of uncertainty or risk about the magnitude of the changes in the warrant price. The volatility assumption is based on historical price volatility of publicly traded companies within indices similar in nature to the underlying client companies issuing the warrant. The actual volatility input is based on the median volatility for an individual public company within an index for the past 16 quarters, from which an average volatility was derived. The weighted average quarterly median volatility assumption used for the warrant valuation at December 31, 2011 was 52.5 percent, compared to 50.7 percent at December 31, 2010.
- Actual data on cancellations and exercises of our warrants are utilized as the basis for determining the expected remaining life of the warrants in each financial reporting period. Warrants may be exercised in the event of acquisitions, mergers or IPOs, and cancelled due to events such as bankruptcies, restructuring activities or additional financings. These events cause the expected remaining life assumption to be shorter than the contractual term of the warrants.

Table of Contents

SVB FINANCIAL GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The risk-free interest rate is derived from the Treasury yield curve and is calculated based on a weighted average of the risk-free interest rates that correspond closest to the expected remaining life of the warrant. The risk-free interest rate used for the warrant valuation at December 31, 2011 was 0.4 percent, compared to 1.0 percent at December 31, 2010.
Other adjustments, including a marketability discount, are estimated based on management s judgment about the general industry environment.

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, had no initial net investment and met other qualifying criteria under ASC 815, 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 gains (losses) on derivative instruments, net, in noninterest income, a component of consolidated net income.

Foreign Exchange Forwards and Foreign Currency Option Contracts

We enter into foreign exchange forward contracts and foreign currency option contracts with clients involved in international activities, either as the purchaser or seller, depending upon the clients need. We also enter into an opposite-way forward or option contract with a correspondent bank to economically hedge client contracts to mitigate the fair value risk to us from fluctuations in currency rates. Settlement, credit, and operational risks remain. We also enter into forward contracts with correspondent banks to economically hedge currency exposure risk related to certain foreign currency denominated loans. These contracts are not designated as hedging instruments and are recorded at fair value in our consolidated balance sheets. Changes in the fair value of these contracts are recognized in consolidated net income under gains (losses) on derivative instruments, net, a component of noninterest income. Period end gross positive fair values are recorded in other assets and gross negative fair values are recorded in other liabilities.

Impact of Adopting Accounting Standards Update (ASU) No. 2011-02, A Creditors Determiniation of Whether a Restructuring Is a Troubled Debt Restructuring

In April 2011, the FASB issued a new accounting standard which requires new disclosures and provides additional guidance to creditors for determining whether a modification or restructuring of a receivable is a troubled debt restructuring (TDR). The new guidance requires creditors to evaluate modifications and restructurings of receivables using a more principles-based approach, which may result in more modifications and restructurings being considered TDRs. The new disclosures and guidance were effective for interim and annual reporting periods beginning on or after June 15, 2011 and was therefore adopted on July 1, 2011, with retrospective disclosures required for all TDR activities that occurred from the beginning of 2011. As a result of adopting this new guidance, we identified loans totaling $5.3 million that are now considered TDRs under the new guidance and are classified as impaired. The allowance for loan losses related to these loans was $1.3 million as calculated under ASC 310. This standard clarified how TDRs are determined and increased the disclosure requirements for TDRs, however it did not have a material impact on our financial position, results of operations or stockholders equity. See Note 8 Loans and Allowance for Loan Losses for further details.

Table of Contents

SVB FINANCIAL GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Recent Accounting Pronouncements

In May 2011, the FASB issued a new accounting standard (ASU No. 2011-04, *Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs*), which requires new disclosures and clarifies existing guidance surrounding fair value measurement. This standard was issued concurrent with the International Accounting Standards Board s (IASB) issuance of a fair value measurement standard with the objective of a converged definition of fair value measurement and disclosure guidance. The new guidance clarifies 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 is effective on a prospective basis for interim and annual reporting periods beginning after December 15, 2011. This standard clarifies how fair value is measured and increases the disclosure requirements for fair value measurements, and we do not expect it to have a material impact on our financial position, results of operations or stockholders equity.

In June 2011, the FASB issued a new accounting standard (ASU No. 2011-05, *Presentation of Comprehensive Income*), 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 (OCI) to net income are required to be shown on the face of the financial statements. This new guidance does 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 is effective on a retrospective basis for the interim and annual reporting periods beginning after December 15, 2011. We have assessed the new guidance and determined that it only clarifies the presentation of comprehensive income and it will not affect our financial position, results of operations or stockholders equity.

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. Adoption of the other requirements contained in the new guidance is still required for interim and annual periods beginning after December 15, 2011.

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 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.

3. Stockholders Equity and Earnings Per Share (EPS)

Preferred Stock

In December 2008, we participated in the Treasury s Capital Purchase Program (the CPP), under which we received $235 million in exchange for issuing shares of Series B Fixed Rate Cumulative Perpetual Preferred

Table of Contents

SVB FINANCIAL GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Stock (Series B Preferred Stock) and a warrant to purchase common stock to the Treasury. As a participant in CPP, we were subject to various restrictions and requirements, such as restrictions on our stock repurchases and payment of dividends, and other requirements relating to our executive compensation and corporate governance practices.

In December 2009, we redeemed from the Treasury all 235,000 outstanding shares of Series B Preferred Stock, having a liquidation amount equal to $1,000 per share. The aggregate total redemption price paid by us to the Treasury for the Series B Preferred Stock was $235 million, plus $1.2 million of accrued and unpaid dividends. During our participation in the CPP from December 2008 to December 2009, we paid dividends totaling $12.1 million.

In connection with the redemption, we recorded a one-time, non-cash charge of $11.4 million in the fourth quarter of 2009 to account for the difference between the redemption price and the carrying amount of the Series B Preferred Stock, or the accelerated amortization of the applicable discount on the shares.

Common Stock

In November 2009, we completed a public offering of 7,965,568 shares of common stock at an offering price of $38.50 per share. We received net proceeds of $292.1 million after deducting underwriting discounts and commissions.

In June 2010, we repurchased in its entirety the warrant previously issued to the U.S. Treasury in connection with our prior participation in the U.S. Treasury s CPP. The total cash repurchase price paid to the U.S. Treasury was $6.8 million for the aggregate warrant. At the time of issuance, the warrant was initially exercisable for 708,116 shares of our common stock at an exercise price of $49.78 per share. However, due to our completion of a qualified equity offering during the fourth quarter of 2009, the number of shares of common stock exercisable under the warrant was reduced to 354,058 pursuant to applicable CPP rules. The repurchase of the warrant reduced our stockholders equity by the total cash price of $6.8 million, and did not have any impact on our net income available to common stockholders or diluted earnings per share in 2010.

Additional Paid-In Capital

At December 31, 2009, we had a 65 percent ownership interest in eProsper, an equity ownership data management services company. In December 2010, we acquired the remaining 35 percent ownership interest in eProsper for a total cash price of $1.3 million. This acquisition was accounted for as an equity transaction as we changed our ownership interest, while retaining control of our financial interest in eProsper. As a result, we reduced our stockholders equity by $1.8 million, reflecting the total cash paid as well as the reduction of the noncontrolling interests ownership portion.

Stockholders Rights Plan

Our Board of Directors (the Board) has approved and adopted a stockholders rights plan to, among other things, protect our stockholders from coercive takeover tactics. The current stockholders rights plan is in effect through January 31, 2014 (the Rights Plan).

Under the Rights Plan, each stockholder of record on November 9, 1998 received a dividend of one right (a Right) for each outstanding share of common stock of the Company. The Rights are attached to, and presently only traded with, shares of the Company s common stock and are not currently exercisable. Except as

Table of Contents

SVB FINANCIAL GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

specified below, upon becoming exercisable, each Right will entitle the holder to purchase from us 1/1000th of a share of the Company s Series A Participating Preferred Stock at a price of $175.00 per share.

The Rights will be exercisable on the tenth (10th) business day (or such later date as is determined by our Board) following the announcement that a person or group (other than the Company, its subsidiaries or their employee benefit plans) has acquired or announces a tender or exchange offer to acquire beneficial ownership of 15 percent or more of the Company s common stock. If a person or group acquires beneficial ownership of 15 percent or more of the Company s common stock, each Right will then be exercisable for shares of common stock having a value equal to two times the exercise price of the Right. Similarly, in the event the Company is acquired in a merger or other business combination transaction or 50 percent or more of our consolidated assets or earning power are sold following such time as a person or group has acquired beneficial ownership of 15 percent or more of the Company s common stock, the rights will be exercisable for shares of the acquirer or its parent having a value equal to two times the exercise price of the Right.

At any time on or prior to the close of business on the earlier of (i) the fifth day following a public announcement that a person or group (other than the Company, its subsidiaries or their employee benefit plans) has acquired beneficial ownership of 15 percent or more of the Company s outstanding common shares (or such later date as may be determined by action of the Board and publicly announced) or (ii) January 31, 2014, we may redeem the Rights in whole, but not in part, at a price of $0.001 per Right, subject to adjustment.

Earnings Per Share

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 under our equity incentive plans, our ESPP, and for certain periods, our 3.875% convertible senior notes (3.875% Convertible Notes) and the associated convertible note hedge and warrant agreement. 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 2011, 2010 and 2009:

	Year ended December 31,		
(Dollars and shares in thousands, except per share amounts)	**2011**	**2010**	**2009**
Numerator:			
Net income attributable to SVBFG	$ 171,902	$ 94,951	$ 48,010
Preferred stock dividend and discount accretion			(25,336)
Net income available to common stockholders	$ 171,902	$ 94,951	$ 22,674
Denominator:			
Weighted average common shares outstanding basic	43,004	41,774	33,901
Weighted average effect of dilutive securities:			
Stock options and ESPP	517	641	282
Restricted stock units	116	63	
Denominator for diluted calculation	43,637	42,478	34,183
Net income per common share:			
Basic	$ 4.00	$ 2.27	$ 0.67
Diluted	$ 3.94	$ 2.24	$ 0.66

119

Table of Contents

SVB FINANCIAL GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The following table summarizes the common shares excluded from the diluted EPS calculation as they were deemed to be antidilutive for 2011, 2010 and 2009:

	Year ended December 31,		
(Shares in thousands)	**2011**	**2010**	**2009**
Stock options	274	9	2,267
Restricted stock units	94	30	226
Warrant associated with CPP (1)			446
Total	368	39	2,939

(1) In June 2010, we repurchased in its entirety the warrant issued to the U.S. Treasury in connection with our previous participation in the CPP.

Concurrent with the issuance of our 3.875% Convertible Notes, we entered into a convertible note hedge and warrant agreement. The warrants expired ratably over 60 business days beginning on July 15, 2011. The common shares under these warrants were excluded from the diluted EPS calculation for all periods presented as they were deemed to be anti-dilutive based on the conversion price of $64.43 per common share. For more information on our 3.875% Convertible Notes and the associated convertible note hedge and warrant agreement, see Note 11 Short-Term Borrowings and Long-Term Debt and Note 12 Derivative Financial Instruments .

Our $250 million 3.875% Convertible Notes matured on April 15, 2011. All of the notes were converted prior to maturity and we made an aggregate $260.4 million conversion settlement payment. We paid $250.0 million in cash (representing total principal) and $10.4 million through the issuance of 187,760 shares of our common stock (representing total conversion premium value). In addition, in connection with the conversion settlement, we received 186,736 shares of our common stock, valued at $10.3 million, from the associated convertible note hedge. Accordingly, there was not a significant impact on our total stockholders equity with respect to settling the conversion premium value.

4. Share-Based Compensation

Share-based compensation expense was recorded net of estimated forfeitures for 2011, 2010 and 2009, such that expense was recorded only for those share-based awards that are expected to vest. In 2011, 2010 and 2009, we recorded share-based compensation and related benefits as follows:

	Year ended December 31,		
(Dollars in thousands)	**2011**	**2010**	**2009**
Share-based compensation expense	$ 18,221	$ 13,761	$ 14,784
Income tax benefit related to share-based compensation expense	(4,833)	(3,400)	(3,289)
Capitalized compensation costs	1,466	996	895

Equity Incentive Plans

On May 11, 2006, our stockholders approved the 2006 Equity Incentive Plan (the 2006 Incentive Plan). Our previous 1997 Equity Incentive Plan expired in December 2006. The 2006 Incentive Plan provides for the grant of various types of incentive awards, of which the following have been granted: (i) stock options; (ii) restricted stock awards; (iii) restricted stock units; and (iv) other cash or stock settled equity awards.

Subject to the provisions of Section 14 of the 2006 Incentive Plan, the maximum aggregate number of shares that may be awarded and sold was initially 3,000,000 shares plus: (i) shares that have been reserved but not issued under our 1997 Equity Incentive Plan as of May 11, 2006; and (ii) shares subject to stock options or

Table of Contents

SVB FINANCIAL GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

similar awards granted under the 1997 Equity Incentive Plan that expire or otherwise terminate without having been exercised in full and shares issued pursuant to awards granted under the 1997 Equity Incentive Plan that are forfeited or repurchased by us. No further awards may be made under the 1997 Equity Incentive Plan, but it will continue to govern awards previously granted thereunder. In April 2011, our stockholders approved an increase of 425,000 shares to the plan reserve.

Restricted stock awards and restricted stock units will be counted against the numerical limits of the 2006 Incentive Plan as two shares for every one share awarded. Further, if shares acquired under any such award are forfeited or repurchased by us and would otherwise return to the 2006 Incentive Plan, two times the number of such forfeited or repurchased shares will return to the 2006 Incentive Plan and will again become available for issuance.

Eligible participants in the 2006 Incentive Plan include directors, employees, and consultants. Options granted under the 2006 Incentive Plan generally expire seven years after the grant date. Options generally become exercisable over various periods, typically four years, from the grant date based on continued employment, and typically vest annually. Restricted stock awards and units generally vest over the passage of time and require continued employment or other service through the vesting period. Performance-based restricted stock units generally vest upon meeting certain performance-based objectives or the passage of time, or a combination of both, and require continued employment or other service through the vesting period. The vesting period for restricted stock units cannot be less than three years unless they are subject to certain performance-based objectives, in which case the vesting period can be 12 months or longer.

Employee Stock Purchase Plan (ESPP)

We maintain an employee stock purchase plan under which participating employees may annually contribute up to 10 percent of their gross compensation (not to exceed $25,000) to purchase shares of our common stock at 85 percent of its fair market value at either the beginning or end of each six-month offering period, whichever price is less. To be eligible to participate in the ESPP, an employee must, among other requirements, be employed by the Company on both the date of offering and date of purchase, and be employed customarily for at least 20 hours per week and at least five months per calendar year. We issued 149,327 shares and received $6.6 million in cash under the ESPP in 2011. At December 31, 2011, a total of 1,075,421 shares of our common stock were still available for future issuance under the ESPP. The next purchase will be on June 30, 2012 at the end of the current six-month offering period.

Unrecognized Compensation Expense

As of December 31, 2011 unrecognized share-based compensation expense was as follows:

(Dollars in thousands)	Unrecognized Expense	Average Expected Recognition Period- in Years
Stock options	$ 13,102	2.67
Restricted stock units	17,170	2.74
Total unrecognized share-based compensation expense	$ 30,272	

Valuation Assumptions

The fair values of share-based awards for employee stock options and employee stock purchases made under our ESPP were estimated using the Black-Scholes option pricing model. The fair values of restricted stock

121

Table of Contents

SVB FINANCIAL GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

units were based on our closing stock price on the date of grant. The following weighted average assumptions and fair values were used for our employee stock options and restricted stock units:

	2011	2010	2009
Equity incentive plan awards			
Weighted average expected term of options in years	4.6	4.5	4.5
Weighted average expected volatility of the Company s underlying common stock	48.7%	45.1%	58.8%
Risk-free interest rate	2.00	2.23	2.00
Expected dividend yield			
Weighted average grant date fair value-stock options	$ 25.12	$ 19.15	$ 10.83
Weighted average grant date fair value-restricted stock units	59.69	46.96	24.61

The following weighted average assumptions and fair values were used for our ESPP:

	2011	2010	2009
ESPP			
Expected term in years	0.5	0.5	0.5
Weighted average expected volatility of the Company s underlying common stock	27.3%	36.7%	90.0%
Risk-free interest rate	0.15	0.22	0.30
Expected dividend yield			
Weighted average fair value	$ 13.02	$ 10.22	$ 10.53

The expected term is based on the implied term of the stock options using factors based on historical exercise behavior. The expected volatilities are based on a blended rate consisting of our historic volatility and our expected volatility over a five-year term which is an indicator of expected volatility and future stock price trends. For 2011, 2010 and 2009, expected volatilities for the ESPP were equal to the historical volatility for the previous six-month periods. The expected risk-free interest rates were based on the yields of Treasury Securities, as reported by the Federal Reserve Bank of New York, with maturities equal to the expected terms of the employee stock options.

Share-Based Payment Award Activity

The table below provides stock option information related to the 1997 Equity Incentive Plan and the 2006 Incentive Plan for the year ended December 31, 2011:

	Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life in Years	Aggregate Intrinsic Value of In-The-Money Options
Outstanding at December 31, 2010	3,112,253	$ 37.88		
Granted	385,645	59.17		
Exercised	(985,143)	33.96		
Forfeited	(68,444)	44.31		
Expired	(4,951)	38.31		
Outstanding at December 31, 2011	2,439,360	42.64	3.51	$ 18,838,493

Vested and expected to vest at December 31, 2011	2,332,192	42.31	3.41	18,412,929
Exercisable at December 31, 2011	1,404,132	40.09	2.17	12,326,931

122

Table of Contents

SVB FINANCIAL GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The aggregate intrinsic value of outstanding options shown in the table above represents the pretax intrinsic value based on our closing stock price of $47.69 as of December 31, 2011. The following table summarizes information regarding stock options outstanding as of December 31, 2011:

	Outstanding Options			Exercisable Options	
Range of Exercise Prices	Shares	Weighted Average Remaining Contractual Life in Years	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
$15.15-19.67	393,436	3.36	$ 18.91	225,606	$ 18.49
19.68-32.15	311,340	1.83	27.72	250,499	27.79
32.16-45.23	267,747	3.62	43.44	142,986	43.44
45.24-48.26	255,025	1.91	47.29	234,579	47.31
48.27-48.85	292,112	3.24	48.75	215,232	48.74
48.86-49.41	270,807	5.31	49.18	63,561	49.17
49.42-53.07	170,434	2.23	51.33	154,266	51.46
53.08-60.14	154,426	2.56	54.32	117,403	53.66
$60.15-60.65	324,033	6.32	60.37		
	2,439,360	3.51	42.64	1,404,132	40.09

We expect to satisfy the exercise of stock options by issuing new shares registered under the 1997 Equity Incentive Plan and the 2006 Incentive Plan, as applicable. All future awards of stock options and restricted stock will be issued from the 2006 Incentive Plan. At December 31, 2011, 1,386,360 shares were available for future issuance.

The table below provides information for restricted stock units under the 2006 Incentive Plan for the year ended December 31, 2011:

	Shares	Weighted Average Grant Date Fair Value
Nonvested at December 31, 2010	395,950	$ 43.49
Granted	325,447	59.69
Vested	(167,414)	43.24
Forfeited	(54,864)	56.36
Nonvested at December 31, 2011	499,119	52.72

The following table summarizes information regarding stock option and restricted stock activity during 2011, 2010 and 2009:

	Year ended December 31,		
(Dollars in thousands)	2011	2010	2009
Total intrinsic value of stock options exercised	$ 20,772	$ 11,871	$ 1,399

Total fair value of stock options vested	14,771	12,086	15,214
Total intrinsic value of restricted stock vested	9,142	6,313	5,160
Total fair value of restricted stock vested	7,240	5,522	8,721

Table of Contents

SVB FINANCIAL GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

5. Reserves on Deposit with the Federal Reserve Bank and Federal Bank Stock

The Bank is required to maintain reserves against customer deposits by keeping balances with the Federal Reserve. The cash balances at the Federal Reserve are classified as cash and cash equivalents. Additionally, as a member of the Federal Home Loan Bank (FHLB) and Federal Reserve Bank (FRB), we are required to hold shares of FHLB and FRB stock under the Bank s borrowing agreement. FHLB and FRB stock are recorded at cost as a component of other assets, and any cash dividends received are recorded as a component of other noninterest income.

The tables below provide information on the required reserve balances at the Federal Reserve, as well as shares held at the FHLB and FRB for the years ended and as of December 31, 2011 and 2010:

	Year ended December 31,	
(Dollars in thousands)	**2011**	**2010**
Average required reserve balances at FRB San Francisco	$ 91,046	$ 46,929

	December 31,	
(Dollars in thousands)	**2011**	**2010**
FHLB stock holdings	$ 25,000	$ 25,000
FRB stock holdings	14,189	13,618

6. Cash and Cash Equivalents

The following table details the cash and cash equivalents at December 31, 2011 and 2010:

	December 31,	
(Dollars in thousands)	**2011**	**2010**
Cash and due from banks (1)	$ 852,010	$ 2,672,725
Securities purchased under agreements to resell (2)	175,553	60,345
Short-term agency discount notes		330,370
Other short-term investment securities	87,385	12,992
Cash and cash equivalents	$ 1,114,948	$ 3,076,432

(1) At December 31, 2011 and 2010, $100.1 million and $2.2 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, and interest-earning deposits in other financial institutions were $371.5 million and $246.3 million, respectively.

(2) At December 31, 2011 and 2010, securities purchased under agreements to resell were collateralized by U.S. treasury securities and U.S. agency securities with aggregate fair values of $179.1 million and $61.6 million, respectively. None of these securities received as collateral were sold or repledged as of December 31, 2011 and 2010.

Additional information regarding our securities purchased under agreements to resell for 2011 and 2010 is as follows:

	Year ended December 31,	
(Dollars in thousands)	**2011**	**2010**

Average securities purchased under agreements to resell	$ 110,291	$ 41,113
Maximum amount outstanding at any month-end during the year	375,236	152,603

Table of Contents

SVB FINANCIAL GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

7. Investment Securities

The major components of our investment securities portfolio at December 31, 2011 and 2010 are as follows:

(Dollars in thousands)	December 31, 2011 Amortized Cost	Unrealized Gains	Unrealized Losses	Carrying Value	December 31, 2010 Amortized Cost	Unrealized Gains	Unrealized Losses	Carrying Value
Available-for-sale securities, at fair value:								
U.S. treasury securities	$ 25,233	$ 731	$	$ 25,964	$ 25,408	$ 1,002	$	$ 26,410
U.S. agency debentures	2,822,158	52,864	(90)	2,874,932	2,844,973	7,077	(16,957)	2,835,093
Residential mortgage-backed securities:								
Agency-issued mortgage-backed securities	1,529,466	34,926	(106)	1,564,286	1,234,120	15,487	(1,097)	1,248,510
Agency-issued collateralized mortgage obligations-fixed rate	3,317,285	56,546	(71)	3,373,760	806,032	24,435	(1)	830,466
Agency-issued collateralized mortgage obligations-variable rate	2,416,158	1,554	(4,334)	2,413,378	2,870,570	10,394	(1,439)	2,879,525
Agency-issued commercial mortgage-backed securities	176,646	2,047		178,693				
Municipal bonds and notes	92,241	8,257		100,498	96,381	2,164	(965)	97,580
Equity securities	5,554	180	(1,199)	4,535	358	34	(9)	383
Total available-for-sale securities	$ 10,384,741	$ 157,105	$ (5,800)	$ 10,536,046	$ 7,877,842	$ 60,593	$ (20,468)	$ 7,917,967
Non-marketable securities:								
Non-marketable securities (fair value accounting):								
Venture capital and private equity fund investments (1)				611,824				391,247
Other venture capital investments (2)				124,121				111,843
Other investments (3)				987				981
Non-marketable securities (equity method accounting):								
Other investments (4)				68,252				67,031
Low income housing tax credit funds				34,894				27,832
Non-marketable securities (cost method accounting):								
Venture capital and private equity fund investments (5)				145,007				110,466
Other investments				19,355				12,120
Total non-marketable securities				1,004,440				721,520
Total investment securities				$ 11,540,486				$ 8,639,487

Table of Contents

SVB FINANCIAL GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(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 December 31, 2011 and 2010:

	December 31, 2011		December 31, 2010	
(Dollars in thousands)	**Amount**	**Ownership %**	**Amount**	**Ownership %**
SVB Strategic Investors Fund, LP	$ 39,567	12.6%	$ 44,722	12.6%
SVB Strategic Investors Fund II, LP	122,619	8.6	94,694	8.6
SVB Strategic Investors Fund III, LP	218,429	5.9	146,613	5.9
SVB Strategic Investors Fund IV, LP	122,076	5.0	40,639	5.0
Strategic Investors Fund V, LP	8,838	0.3		
SVB Capital Preferred Return Fund, LP	42,580	20.0	23,071	20.0
SVB Capital NT Growth Partners, LP	43,958	33.0	28,624	33.0
SVB Capital Partners II, LP (i)	2,390	5.1	4,506	5.1
Other private equity fund (ii)	11,367	58.2	8,378	60.6
Total venture capital and private equity fund investments	$ 611,824		$ 391,247	

(i) At December 31, 2011, 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.

(ii) At December 31, 2011, we had a direct ownership interest of 41.5 percent and an indirect ownership interest of 12.6 percent and 4.1 percent in the fund through our ownership interests of SVB Capital NT Growth Partners, LP and SVB Capital Preferred Return Fund, LP, respectively.

(2) The following table shows the amount of other venture capital investments by the following consolidated funds and our ownership of each fund at December 31, 2011 and 2010:

	December 31, 2011		December 31, 2010	
(Dollars in thousands)	**Amount**	**Ownership %**	**Amount**	**Ownership %**
Silicon Valley BancVentures, LP	$ 17,878	10.7%	$ 21,371	10.7%
SVB Capital Partners II, LP (i)	61,099	5.1	51,545	5.1
SVB India Capital Partners I, LP	42,832	14.4	38,927	14.4
SVB Capital Shanghai Yangpu Venture Capital Fund	2,312	6.8		
Total other venture capital investments	$ 124,121		$ 111,843	

(i) At December 31, 2011, 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 December 31, 2011 we had a majority ownership interest of slightly more than 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.

(4) The following table shows the carrying value and our ownership percentage of each investment at December 31, 2011 and 2010:

	December 31, 2011		December 31, 2010	
(Dollars in thousands)	**Amount**	**Ownership %**	**Amount**	**Ownership %**
Gold Hill Venture Lending 03, LP (i)	$ 16,072	9.3%	$ 17,826	9.3%
Gold Hill Capital 2008, LP (ii)	19,328	15.5	12,101	15.5
Partners for Growth II, LP	3,785	24.2	10,465	24.2
Other investments	29,067	N/A	26,639	N/A
Total other investments	$ 68,252		$ 67,031	

(i) At December 31, 2011, we had a direct ownership interest of 4.8 percent in the fund and an indirect interest in the fund through our investment in GHLLC of 4.5 percent. Our aggregate direct and indirect ownership in the fund is 9.3 percent.

(ii) At December 31, 2011, 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.

Table of Contents

SVB FINANCIAL GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(5) Represents investments in 329 and 343 funds (primarily venture capital funds) at December 31, 2011 and 2010, 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 year ended December 31, 2011, we recognized other-than-temporary impairment (OTTI) losses of $1.0 million resulting from other-than-temporary declines in value for 41 of the 329 investments. The OTTI losses are included in net gains (losses) on investment securities, a component of noninterest income. For the remaining 288 investments at December 31, 2011, we concluded that declines in value, if any, were temporary and as such, no OTTI was required to be recognized. At December 31, 2011, the carrying value of these venture capital and private equity fund investments (cost method accounting) was $145.0 million, and the estimated fair value was $163.7 million.

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)	$ 1,681,127	$ (5,800)	$	$	$ 1,681,127	$ (5,800)

(1) As of December 31, 2011, we identified a total of 106 investments that were in unrealized loss positions, none of which have been in an impaired position for a period of time greater than 12 months. Based on the underlying credit quality of the investments, we do not intend to sell any of our securities prior to recovery of our adjusted cost basis and as of December 31, 2011, it is more likely than not that we will not be required to sell any of our debt securities prior to recovery of our adjusted cost basis. Based on our analysis as of December 31, 2011, we deem all impairments to be temporary and 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, 2010:

	December 31, 2010					
	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	$ 1,731,639	$ (16,957)	$	$	$ 1,731,639	$ (16,957)
Residential mortgage-backed securities:						
Agency-issued mortgage-backed securities	32,595	(1,097)			32,595	(1,097)
Agency-issued collateralized mortgage obligations fixed rate	322	(1)			322	(1)
	506,104	(1,439)			506,104	(1,439)

Agency-issued collateralized mortgage obligations variable rate						
Municipal bonds and notes	25,699	(893)	3,451	(72)	29,150	(965)
Equity securities	148	(9)			148	(9)
Total temporarily impaired securities	$ 2,296,507	$ (20,396)	$ 3,451	$ (72)	$ 2,299,958	$ (20,468)

127

Table of Contents

SVB FINANCIAL GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The following table summarizes the remaining contractual principal maturities and fully taxable equivalent yields on debt securities classified as available-for-sale as of December 31, 2011. 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 most 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.

	December 31, 2011									
	Total		One Year or Less		After One Year to Five Years		After Five Years to Ten Years		After Ten Years	
(Dollars in thousands)	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	$ 25,964	2.39%	$	%	$ 25,964	2.39%	$	%	$	%
U.S. agency debentures	2,874,932	1.60	38,183	2.19	2,659,334	1.55	177,415	2.16		
Residential mortgage-backed securities:										
Agency-issued mortgage-backed securities	1,564,286	2.59					1,434,122	2.50	130,164	3.53
Agency-issued collateralized mortgage obligations fixed rate	3,373,760	2.41							3,373,760	2.41
Agency-issued collateralized mortgage obligations variable rate	2,413,378	0.70							2,413,378	0.70
Agency-issued commercial mortgage-backed securities	178,693	2.11							178,693	2.11
Municipal bonds and notes	100,498	6.00	559	5.38	12,089	5.48	50,242	5.97	37,608	6.22
Total	$ 10,531,511	1.85	$ 38,742	2.24	$ 2,697,387	1.58	$ 1,661,779	2.57	$ 6,133,603	1.78

128

Table of Contents

SVB FINANCIAL GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Available-for-sale securities with a fair value of $1.6 billion and $1.1 billion at December 31, 2011 and 2010, respectively, were pledged to secure certain deposits, current and prospective FHLB borrowings, and to maintain the ability to borrow at the discount window at the Federal Reserve. For further information on our available lines of credit, refer to Note 11 Short-Term Borrowings and Long-Term Debt.

The following table presents the components of gains and losses (realized and unrealized) on investment securities in 2011, 2010 and 2009:

	Year ended December 31,		
(Dollars in thousands)	**2011**	**2010**	**2009**
Gross gains on investment securities:			
Available-for-sale securities, at fair value (1)	$ 37,387	$ 27,110	$ 246
Marketable securities (fair value accounting)	912	8,160	1,413
Non-marketable securities (fair value accounting):			
Venture capital and private equity fund investments	145,892	63,137	17,425
Other venture capital investments	36,506	29,455	15,970
Other investments	40	140	762
Non-marketable securities (equity method accounting):			
Other investments	12,445	8,551	6,528
Non-marketable securities (cost method accounting):			
Venture capital and private equity fund investments	2,517	1,739	449
Other investments	6,527	478	23
Total gross gains on investment securities	242,226	138,770	42,816
Gross losses on investment securities:			
Available-for-sale securities, at fair value (1)	(261)	(2,287)	(414)
Marketable securities (fair value accounting)	(8,103)	(9,855)	(431)
Non-marketable securities (fair value accounting):			
Venture capital and private equity fund investments	(26,591)	(19,497)	(46,318)
Other venture capital investments	(8,918)	(11,079)	(18,678)
Other investments	(16)	(158)	
Non-marketable securities (equity method accounting):			
Other investments	(2,241)	(616)	(3,337)
Non-marketable securities (cost method accounting):			
Venture capital and private equity fund investments	(1,028)	(1,793)	(4,439)
Other investments	(34)	(125)	(408)
Total gross losses on investment securities	(47,192)	(45,410)	(74,025)
Gains (losses) on investment securities, net	$ 195,034	$ 93,360	$ (31,209)
Gains (losses) attributable to noncontrolling interests, including carried interest	$ 125,042	$ 52,586	$ (26,638)

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

8. 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. Our

129

SVB FINANCIAL GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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 to targeted high-net-worth individuals through SVB Private Bank. 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 Employee Home Ownership Program (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 $60.2 million and $45.5 million at December 31, 2011 and 2010, respectively, is presented in the following table:

	December 31,	
(Dollars in thousands)	**2011**	**2010**
Commercial loans:		
Software	$ 2,492,849	$ 1,820,680
Hardware	952,303	641,052
Venture capital/private equity	1,117,419	1,036,201
Life science	863,737	575,944
Premium wine (1)	130,245	144,972
Other	342,147	375,928
Commercial loans	5,898,700	4,594,777
Real estate secured loans:		
Premium wine (1)	345,988	312,255
Consumer loans (2)	534,001	361,704
Real estate secured loans	879,989	673,959
Construction loans	30,256	60,178
Consumer loans	161,137	192,823
Total loans, net of unearned income (3)	$ 6,970,082	$ 5,521,737

(1) Included in our premium wine portfolio are gross construction loans of $110.8 million and $119.0 million at December 31, 2011 and 2010, respectively.

Table of Contents

SVB FINANCIAL GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(2) Consumer loans secured by real estate at December 31, 2011 and 2010 were comprised of the following:

	December 31,	
(Dollars in thousands)	**2011**	**2010**
Loans for personal residences	$ 350,359	$ 189,039
Loans to eligible employees	99,704	88,510
Home equity lines of credit	83,938	84,155
Consumer loans secured by real estate	$ 534,001	$ 361,704

(3) Included within our total loan portfolio are credit card loans of $49.7 million and $32.5 million at December 31, 2011 and 2010, respectively.

Credit Quality

The composition of loans, net of unearned income, broken out by portfolio segment and class of financing receivable as of December 31, 2011 and 2010 is as follows:

	December 31,	
(Dollars in thousands)	**2011**	**2010**
Commercial loans:		
Software	$ 2,492,849	$ 1,820,680
Hardware	952,303	641,052
Venture capital/private equity	1,117,419	1,036,201
Life science	863,737	575,944
Premium wine	476,233	457,227
Other	372,403	436,106
Total commercial loans	6,274,944	4,967,210
Consumer loans:		
Real estate secured loans	534,001	361,704
Other consumer loans	161,137	192,823
Total consumer loans	695,138	554,527
Total loans, net of unearned income	$ 6,970,082	$ 5,521,737

Table of Contents

SVB FINANCIAL GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The following table summarizes the aging of our gross loans, broken out by portfolio segment and class of financing receivable as of December 31, 2011 and 2010:

(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
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	
Consumer loans:						
Real estate secured loans					515,534	
Other consumer loans	590			590	157,389	
Total consumer loans	590			590	672,923	
Total gross loans excluding impaired loans	3,415	1,303		4,718	6,988,986	
Impaired loans	1,350	1,794	6,613	9,757	26,860	
Total gross loans	$ 4,765	$ 3,097	$ 6,613	$ 14,475	$ 7,015,846	$
December 31, 2010:						
Commercial loans:						
Software	$ 674	$ 239	$ 17	$ 930	$ 1,834,897	$ 17
Hardware	89	819	27	935	642,786	27
Venture capital/private equity					1,046,696	
Life science	157			157	578,208	
Premium wine					451,006	
Other					438,345	
Total commercial loans	920	1,058	44	2,022	4,991,938	44
Consumer loans:						
Real estate secured loans					341,048	
Other consumer loans					192,771	
Total consumer loans					533,819	

Total gross loans excluding impaired loans	920	1,058	44	2,022	5,525,757	44
Impaired loans	323	913	7,805	9,041	30,385	
Total gross loans	$ 1,243	$ 1,971	$ 7,849	$ 11,063	$ 5,556,142	$ 44

132

Table of Contents

SVB FINANCIAL GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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 December 31, 2011 and 2010:

(Dollars in thousands)	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
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
December 31, 2010:				
Commercial loans:				
Software	$ 2,958	$ 334	$ 3,292	$ 5,332
Hardware	3,517	307	3,824	3,931
Life science	2,050	1,362	3,412	4,369
Premium wine	2,995	3,167	6,162	7,129
Other	1,158	1,019	2,177	2,790
Total commercial loans	12,678	6,189	18,867	23,551
Consumer loans:				
Real estate secured loans	20,559		20,559	23,430
Total consumer loans	20,559		20,559	23,430
Total	$ 33,237	$ 6,189	$ 39,426	$ 46,981

Table of Contents

SVB FINANCIAL GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The following table summarizes our average impaired loans, broken out by portfolio segment and class of financing receivable during 2011 and 2010:

	Year ended December 31,	
(Dollars in thousands)	**2011**	**2010**
Average impaired loans:		
Commercial loans:		
Software	$ 2,575	$ 6,153
Hardware	5,854	9,485
Life science	1,228	5,772
Premium wine	2,566	1,461
Other	4,751	2,279
Total commercial loans	16,974	25,150
Consumer loans:		
Real estate secured loans	19,179	21,055
Other consumer loans	1,076	117
Total consumer loans	20,255	21,172
Total average impaired loans	$ 37,229	$ 46,322

The following table summarizes the activity in the allowance for loan losses during 2011 and 2010, broken out by portfolio segment and class of financing receivable:

Year ended December 31, 2011 (dollars in thousands)	**Beginning Balance**	**Charge-offs**	**Recoveries**	**Provision (Reduction of)**	**Ending Balance**
Commercial loans:					
Software	$ 29,288	$ (10,252)	$ 11,659	$ 7,568	$ 38,263
Hardware	14,688	(4,828)	455	6,495	16,810
Venture capital/private equity	8,241			(922)	7,319
Life science	9,077	(4,201)	6,644	(1,277)	10,243
Premium wine	5,492	(449)	1,223	(2,352)	3,914
Other	5,318	(3,954)	471	3,982	5,817
Total commercial loans	72,104	(23,684)	20,452	13,494	82,366
Consumer loans	10,523	(220)	4,671	(7,393)	7,581
Total allowance for loan losses	$ 82,627	$ (23,904)	$ 25,123	$ 6,101	$ 89,947

Year ended December 31, 2010 (dollars in thousands)	**Beginning Balance**	**Charge-offs**	**Recoveries**	**Provision**	**Ending Balance**
Commercial loans:					
Software	$ 24,209	$ (16,230)	$ 5,838	$ 15,471	$ 29,288
Hardware	16,194	(10,568)	5,715	3,347	14,688
Venture capital/private equity	5,664			2,577	8,241
Life science	9,651	(17,629)	3,738	13,317	9,077
Premium wine	4,652	(1,457)	222	2,075	5,492
Other	3,877	(4,866)	737	5,570	5,318
Total commercial loans	64,247	(50,750)	16,250	42,357	72,104
Consumer loans	8,203	(489)	538	2,271	10,523
Total allowance for loan losses	$ 72,450	$ (51,239)	$ 16,788	$ 44,628	$ 82,627

Table of Contents

SVB FINANCIAL GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The following table summarizes the allowance for loan losses individually and collectively evaluated for impairment as of December 31, 2011 and 2010, broken out by portfolio segment:

(Dollars in thousands)	December 31, 2011 Individually Evaluated for Impairment	December 31, 2011 Collectively Evaluated for Impairment	December 31, 2010 Individually Evaluated for Impairment	December 31, 2010 Collectively Evaluated for Impairment
Commercial loans:				
Software	$ 526	$ 37,737	$ 986	$ 28,302
Hardware	1,261	15,549	1,348	13,340
Venture capital/private equity		7,319		8,241
Life science		10,243	346	8,731
Premium wine		3,914	438	5,054
Other	1,180	4,637	122	5,196
Total commercial loans	2,967	79,399	3,240	68,864
Consumer loans	740	6,841	3,696	6,827
Total allowance for loan losses	$ 3,707	$ 86,240	$ 6,936	$ 75,691

Table of Contents

SVB FINANCIAL GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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 loans that 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.); 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 December 31, 2011 and 2010:

(Dollars in thousands)	**Pass**	**Performing (Criticized)**	**Impaired**	**Total**
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
December 31, 2010:				
Commercial loans:				
Software	$ 1,717,309	$ 118,518	$ 3,292	$ 1,839,119
Hardware	575,401	68,320	3,824	647,545
Venture capital/private equity	1,031,373	15,323		1,046,696
Life science	520,596	57,769	3,412	581,777
Premium wine	400,519	50,487	6,162	457,168
Other	415,381	22,964	2,177	440,522

Total commercial loans	4,660,579	333,381	18,867	5,012,827
Consumer loans:				
Real estate secured loans	337,087	3,961	20,559	361,607
Other consumer loans	181,561	11,210		192,771
Total consumer loans	518,648	15,171	20,559	554,378
Total gross loans	$ 5,179,227	$ 348,552	$ 39,426	$ 5,567,205

136

Table of Contents

SVB FINANCIAL GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Troubled Debt Restructurings

As of December 31, 2011, we had TDRs of $34.3 million where concessions have been granted to borrowers experiencing financial difficulties, in an attempt to maximize collection. Substantially all of these TDRs were included as part of our impaired loan balances. In order for these loan balances to return to accrual status, the borrower must demonstrate a sustained period of timely payments and the ultimate collectability of all amounts contractually due may not be in doubt. There were unfunded commitments available for funding of $1.1 million to the clients associated with these TDRs as of December 31, 2011. The following table summarizes our loans modified in TDRs, broken out by portfolio segment and class of financing receivables as of December 31, 2011:

(Dollars in thousands)	December 31, 2011
Loans modified in TDRs:	
Commercial loans:	
Software	$ 1,142
Hardware	5,183
Premium wine	1,949
Other	4,934
Total commercial loans	13,208
Consumer loans:	
Real estate secured loans	17,934
Other consumer loans	3,133
Total consumer loans	21,067
Total	$ 34,275

During 2011 all new TDRs were modified through payment deferrals granted to our clients, however no principal or interest was forgiven. 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 2011.

(Dollars in thousands)	Year ended December 31, 2011
Loans modified in TDRs during the period:	
Commercial loans:	
Software	$ 615
Hardware	4,018
Premium wine	1,949
Other	3,884
Total commercial loans (1)	10,466
Consumer loans:	
Other consumer loans	3,133

Total consumer loans		3,133
Total loans modified in TDR s during the period	$	13,599

(1) During 2011, we had partial charge-offs of $2.8 million on loans classified as TDRs.

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

137

Table of Contents

SVB FINANCIAL GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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 2011, broken out by portfolio segment and class of financing receivable:

(Dollars in thousands)	Year ended December 31, 2011
TDRs modified within the previous 12 months that defaulted during the period:	
Commercial loans:	
Hardware	$ 1,885
Premium wine	1,949
Total commercial loans	3,834
Consumer loans:	
Other consumer loans	3,133
Total consumer loans	3,133
Total TDRs modified within the previous 12 months that defaulted in the period	$ 6,967

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 December 31, 2011.

9. Premises and Equipment

Premises and equipment at December 31, 2011 and 2010 consisted of the following:

(Dollars in thousands)	December 31, 2011	December 31, 2010
Computer software	$ 90,632	$ 68,728
Computer hardware	37,717	32,158
Leasehold improvements	32,604	31,026
Furniture and equipment	14,088	11,940
Total	175,041	143,852
Accumulated depreciation and amortization	(118,570)	(99,307)
Premises and equipment, net	$ 56,471	$ 44,545

Depreciation and amortization expense for premises and equipment was $17.7 million, $14.1 million, and $14.2 million in 2011, 2010 and 2009, respectively.

138

Table of Contents

SVB FINANCIAL GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

10. Deposits

The following table presents the composition of our deposits at December 31, 2011 and 2010:

	December 31,	
(Dollars in thousands)	**2011**	**2010**
Noninterest-bearing demand	$ 11,861,888	$ 9,011,538
Negotiable order of withdrawal (NOW)	112,690	69,287
Money market	2,483,406	2,272,883
Money market deposits in foreign offices	117,638	98,937
Sweep deposits in foreign offices	1,978,165	2,501,466
Time	155,749	382,830
Total deposits	$ 16,709,536	$ 14,336,941

The aggregate amount of time deposit accounts individually equal to or greater than $100,000 totaled $126.0 million and $343.5 million at December 31, 2011 and 2010, respectively. Interest expense paid on time deposits individually equal to or greater than $100,000 totaled $0.9 million, $1.5 million and $2.1 million in 2011, 2010 and 2009, respectively. At December 31, 2011, time deposit accounts individually equal to or greater than $100,000 totaling $125.6 million were scheduled to mature within one year.

11. Short-Term Borrowings and Long-Term Debt

The following table represents outstanding short-term borrowings and long-term debt at December 31, 2011 and 2010:

		Principal value at	Carrying value	
(Dollars in thousands)	**Maturity**	**December 31, 2011**	**December 31, 2011**	**December 31, 2010**
Short-term borrowings:				
Other short-term borrowings	(1)	$	$	$ 37,245
Total short-term borrowings			$	$ 37,245
Long-term debt:				
5.375% Senior Notes	September 15, 2020	350,000	$ 347,793	$ 347,601
5.70% Senior Notes (2)	June 1, 2012	141,429	143,969	265,613
6.05% Subordinated Notes (3)	June 1, 2017	45,964	55,075	285,937
3.875% Convertible Notes	April 15, 2011			249,304
7.0% Junior Subordinated Debentures	October 15, 2033	50,000	55,372	55,548
Other long-term debt	(4)	1,439	1,439	5,257
Total long-term debt			$ 603,648	$ 1,209,260

(1)

Represents cash collateral received from counterparties for our interest rate swap agreements related to our 5.70% Senior Notes and 6.05% Subordinated Notes. Due to the repurchase of $312.6 million of these notes and termination of associated portions of interest rate swaps in May 2011, the notional value of our swaps fell below the $10 million threshold specified in the agreement, and, therefore, the full collateral was returned to the counterparties.

139

Table of Contents

SVB FINANCIAL GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(2) At December 31, 2011 and 2010, included in the carrying value of our 5.70% Senior Notes are $2.6 million and $15.7 million, respectively, related to the fair value of the interest rate swap associated with the notes.
(3) At December 31, 2011 and 2010, included in the carrying value of our 6.05% Subordinated Notes are $8.8 million and $36.3 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, and was payable beginning April 30, 2009 with the last payment due in April 2012.

The aggregate annual maturities of long-term debt obligations as of December 31, 2011 are as follows:

Year ended December 31, (dollars in thousands):	
2012	$ 145,408
2013	
2014	
2015	
2016	
2017 and thereafter	458,240
Total	$ 603,648

Interest expense related to short-term borrowings and long-term debt was $30.2 million, $28.8 million and $27.7 million in 2011, 2010 and 2009, respectively. Interest expense shown 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 December 31, 2010 was 0.13 percent.

5.375% Senior Notes

In September 2010, we issued $350 million of 5.375% Senior Notes due in September 2020 (5.375% Senior Notes). We received net proceeds of $344.5 million after deducting underwriting discounts and commissions and other expenses. We used approximately $250 million of the net proceeds from the sale of the notes to meet obligations due on our 3.875% Convertible Notes, which matured on April 15, 2011 (see 3.875% Convertible Notes section below for further details). The remaining net proceeds were used for general corporate purposes, including working capital.

Senior Notes and Subordinated Notes

On May 15, 2007, the Bank issued 5.70% Senior Notes, due June 1, 2012, in an aggregate principal amount of $250 million and 6.05% Subordinated Notes, due June 1, 2017, in an aggregate principal amount of $250 million (collectively, the Notes). The discount and issuance costs related to the Notes were $0.8 million and $4.2 million, respectively, and the net proceeds from the offering of the Notes were $495.0 million. The Notes are not redeemable prior to maturity and interest is payable semi-annually. Debt issuance costs of $2.0 million and $2.2 million related to the 5.70% Senior notes and 6.05% Subordinated notes, respectively, were deferred and are being amortized to interest expense over the term of the Notes, using the effective interest method. Concurrent with the issuance of the Notes, we entered into fixed-to-variable interest rate swap agreements related to both the senior notes and the subordinated notes (see Note 12 Derivative Financial Instruments).

Table of Contents

SVB FINANCIAL GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

We repurchased $108.6 million of our 5.70% Senior Notes and $204.0 million of our 6.05% Subordinated Notes through a tender offer transaction on May 2, 2011. These repurchases resulted in a gross loss from extinguishment of debt of $33.9 million, which included the payment of the repurchase premiums, transaction fees, and discount and origination fee accretion related to the notes. In connection with these repurchases, we terminated corresponding amounts of the interest rate swaps associated with these notes (see Note 12 Derivative Financial Instruments), resulting in a gross gain on swap termination of $37.0 million. The net gain from the note repurchases and the termination of corresponding portions of the interest rate swaps was $3.1 million (on a pre-tax basis), and was recognized during the second quarter of 2011 as a reduction in noninterest expense, which is included in the line item Other .

3.875% Convertible Notes

Our $250 million 3.875% Convertible Notes matured on April 15, 2011. All of the notes were converted prior to maturity and we made an aggregate $260.4 million conversion settlement payment. We paid $250.0 million in cash (representing total principal) and $10.4 million through the issuance of 187,760 shares of our common stock (representing total conversion premium value). In addition, in connection with the conversion settlement, we received 186,736 shares of our common stock, valued at $10.3 million, from the associated convertible note hedge. Accordingly, there was no significant net impact on our total stockholders equity with respect to settling the conversion premium value.

Concurrent with the issuance of our 3.875% Convertible Notes, we entered into a convertible note hedge and warrant agreement (see Note 12 Derivative Financial Instruments), which effectively increased the economic conversion price of our 3.875% Convertible Notes to $64.43 per share of common stock. The terms of the hedge and warrant agreement were not part of the terms of the notes and did not affect the rights of the holders of the notes. The warrants expired ratably over 60 business days beginning on July 15, 2011.

The effective interest rate for our 3.875% Convertible Notes in 2011 and 2010 was 5.92 percent and 5.70 percent, respectively, and interest expense was $4.2 million and $14.1 million, respectively.

7.0% Junior Subordinated Debentures

On October 30, 2003, we issued $51.5 million in 7.0% Junior Subordinated debentures to a special-purpose trust, SVB Capital II. Distributions to SVB Capital II are cumulative and are payable quarterly at a fixed rate of 7.0 percent per annum of the face value of the junior subordinated debentures. Distributions for each of 2011, 2010 and 2009 were $3.5 million. The junior subordinated debentures are mandatorily redeemable upon maturity on October 15, 2033, or may be redeemed prior to maturity in whole or in part, at our option, at any time on or after October 30, 2008. Issuance costs of $2.2 million related to the junior subordinated debentures were deferred and are being amortized over the period until mandatory redemption of the debentures in October 2033. We entered into a fixed-to-variable interest rate swap agreement related to these junior subordinated debentures (see Note 12 Derivative Financial Instruments).

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 December 31, 2011, we had not borrowed against any of our repurchase lines or any of our uncommitted federal funds lines. We also pledge

SVB FINANCIAL GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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 (comprised entirely of U.S. agency debentures) at December 31, 2011 totaled $1.5 billion, all of which was unused and available to support additional borrowings. The market value of collateral pledged at the discount window of the Federal Reserve Bank at December 31, 2011 totaled $100.5 million, all of which was unused and available to support additional borrowings.

12. Derivative Financial Instruments

We primarily use derivative financial instruments to manage interest rate risk, currency exchange rate risk, equity market price 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 London Interbank Offered Rates (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 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, 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 (losses) on derivative instruments, in noninterest income, a component of consolidated net income.

For more information on our 5.70% Senior Notes and 6.05% Subordinated Notes, see Note 11 Short-Term Borrowings and Long-Term Debt.

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

SVB FINANCIAL GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

loss positions in other liabilities, while net changes in fair value are recorded through net gains (losses) on derivative instruments, in noninterest income, a component of consolidated net income.

Equity Market Price Risk

Our 3.875% Convertible Notes, which matured in April 2011, contained conversion options that enabled holders to convert the notes, subject to certain conditions. Upon conversion of the notes, we paid the outstanding principal amount in cash as required by the terms of the notes, and to the extent that the conversion value exceeded the principal amount, we had the option to pay cash or shares of our common stock (or a combination of cash and shares) in respect of the excess amount. The conversion option represented an equity risk exposure for the excess conversion value and was an equity derivative classified in stockholders equity. We managed equity market price risk of our 3.875% Convertible Notes by entering 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, and decreased potential dilution to stockholders resulting from the conversion option. For 2011, 2010 and 2009, there were no conversions or exercises under the warrant agreement as the warrants were not convertible. The warrants expired ratably over 60 business days beginning on July 15, 2011.

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 (losses) 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 (losses) 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

SVB FINANCIAL GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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 (losses) on derivative instruments, in noninterest income, a component of consolidated net income.

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 (losses) 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 minimize counterparty credit risk through credit approvals, limits, monitoring procedures and obtaining collateral, as appropriate.

Table of Contents

SVB FINANCIAL GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The total notional or contractual amounts, fair value, collateral and net exposure of our derivative financial instruments at December 31, 2011 and 2010, were as follows:

		December 31, 2011				December 31, 2010			
(Dollars in thousands)	**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	$ 187,393	$ 11,441	$	$ 11,441	$ 500,000	$ 52,017	$ 37,245	$ 14,772
Derivatives not designated as hedging instruments:									
Currency exchange risks:									
Foreign exchange forwards	Other assets	68,518	514		514	33,046	459		459
Foreign exchange forwards	Other liabilities	6,822	(199)		(199)	26,764	(280)		(280)
Net exposure			315		315		179		179
Other derivative instruments:									
Equity warrant assets	Other assets	144,586	66,953		66,953	126,062	47,565		47,565
Other derivatives:									
Foreign exchange forwards	Other assets	387,714	17,541		17,541	291,243	9,408		9,408
Foreign exchange forwards	Other liabilities	366,835	(16,346)		(16,346)	267,218	(8,505)		(8,505)
Foreign currency options	Other assets	75,600	271		271	118,133	1,482		1,482
Foreign currency options	Other liabilities	75,600	(271)		(271)	118,133	(1,482)		(1,482)
Loan conversion options	Other assets	14,063	923		923	10,175	4,291		4,291
Client interest rate derivatives	Other assets	39,713	50		50				
Client interest rate derivatives	Other liabilities	39,713	(52)		(52)				
Net exposure			2,116		2,116		5,194		5,194
Net			$ 80,825	$	$ 80,825		$ 104,955	$ 37,245	$ 67,710

(1) Cash collateral received from counterparties for our interest rate swap agreements 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 December 31, 2011 remain at investment grade or higher and there were no material changes in their credit ratings for the year ended December 31, 2011.

145

Table of Contents

SVB FINANCIAL GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

A summary of our derivative activity and the related impact on our consolidated statements of income for 2011, 2010 and 2009 is as follows:

(Dollars in thousands)	Statement of Income Location	Year ended December 31, 2011	2010	2009
Derivatives designated as hedging instruments:				
Interest rate risks:				
Net cash benefit associated with interest rate swaps	Interest expense borrowings	$ 14,486	$ 24,682	$ 20,967
Changes in fair value of interest rate swap	Net gains (losses) on derivative instruments	(470)		(170)
Net gains associated with interest rate risk derivatives		$ 14,016	$ 24,682	$ 20,797
Derivatives not designated as hedging instruments:				
Currency exchange risks:				
(Losses) gains on revaluation of foreign currency loans, net	Other noninterest income	$ (1,821)	$ (427)	$ 1,945
Gains (losses) on internal foreign exchange forward contracts, net	Net gains (losses) on derivative instruments	1,973	710	(2,258)
Net gains (losses) associated with currency risk		$ 152	$ 283	$ (313)
Other derivative instruments:				
Gains (losses) on equity warrant assets	Net gains (losses) on derivative instruments	$ 37,439	$ 6,556	$ (55)
Gains on client foreign exchange forward contracts, net	Net gains (losses) on derivative instruments	$ 2,259	$ 1,914	$ 1,730
Net (losses) gains on other derivatives (1)	Net gains (losses) on derivative instruments	$ (2,520)	$ 342	$

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

13. Other Noninterest Income and Expense

A summary of other noninterest income for 2011, 2010 and 2009 is as follows:

(Dollars in thousands)	Year ended December 31, 2011	2010	2009
Fund management fees	$ 10,730	$ 10,753	$ 10,328
Service-based fee income	9,717	8,840	7,554
Unused commitment fees	7,095	6,833	3,534
Loan syndication fees	1,020	1,775	

(Losses) gains on revaluation of foreign currency loans, net	(1,821)	(427)	1,945
Currency revaluation (losses) gains	(4,275)	959	764
Other	7,689	6,909	5,836
Total other noninterest income	$ 30,155	$ 35,642	$ 29,961

146

Table of Contents

SVB FINANCIAL GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

A summary of other noninterest expense for 2011, 2010 and 2009 is as follows:

	Year ended December 31,		
(Dollars in thousands)	**2011**	**2010**	**2009**
Telephone	$ 5,835	$ 4,952	$ 4,202
Data processing services	4,811	4,060	3,025
Client services	4,594	2,716	1,923
Tax credit fund amortization	4,474	3,965	4,614
Postage and supplies	2,162	2,198	2,985
Dues and publications	1,570	1,519	1,872
Net gain from note repurchases and termination of corresponding interest rate swaps (1)	(3,123)		
Other	10,499	7,081	6,102
Total other noninterest expense	$ 30,822	$ 26,491	$ 24,723

(1) Represents 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. For more information, see Note 11 Short-Term Borrowings and Long-Term Debt.

14. 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 Internal Revenue Service. Our U.S. federal tax returns for 2006 and subsequent years remain open to examination. Our California and Massachusetts tax returns for the years 2006 and 2007, respectively, and subsequent years remain open to examination.

The Company is 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 the Company s results of operations.

Current taxes receivable were $1.0 million at December 31, 2011, compared to $0.2 million at December 31, 2010.

The components of our provision for income taxes for 2011, 2010 and 2009, consisted of the following:

	Year ended December 31,		
(Dollars in thousands)	**2011**	**2010**	**2009**
Current provision:			
Federal	$ 86,220	$ 47,794	$ 25,300
State	25,505	15,042	7,813
Deferred expense (benefit):			
Federal	5,756	(1,157)	1,445

State	1,606	(277)	649
Income tax expense	$ 119,087	$ 61,402	$ 35,207

147

Table of Contents

SVB FINANCIAL GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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. The reconciliation between the federal statutory income tax rate and our effective income tax rate for 2011, 2010 and 2009, is as follows:

	Year ended December 31,		
	2011	**2010**	**2009**
Federal statutory income tax rate	35.0%	35.0%	35.0%
State income taxes, net of the federal tax effect	6.0	6.2	6.6
Meals and entertainment	0.5	0.7	0.9
Share-based compensation expense on incentive stock options and ESPP	0.3	1.2	2.8
Disallowed officer s compensation	0.1	0.3	1.2
Goodwill impairment eProsper			1.7
Tax-exempt interest income	(0.4)	(0.9)	(1.7)
Low-income housing tax credit	(1.1)	(2.4)	(5.2)
Other, net	0.5	(0.8)	1.0
Effective income tax rate	40.9%	39.3%	42.3%

Deferred tax (liabilities) assets at December 31, 2011 and 2010, consisted of the following:

	December 31,	
(Dollars in thousands)	**2011**	**2010**
Deferred tax assets:		
Allowance for loan losses	$ 45,521	$ 40,633
Share-based compensation expense	9,786	8,062
Loan fee income	8,969	7,533
State income taxes	6,576	3,636
Net operating loss	6,089	3,992
Other accruals not currently deductible	6,010	2,601
Research and development credit	364	237
Premises and equipment and other intangibles		2,096
Derivative equity warrant assets		1,270
Original issuance discount on 2008 convertible notes		1,212
Other	16	18
Deferred tax assets	83,331	71,290
Valuation allowance	(6,453)	(4,229)
Net deferred tax assets after valuation allowance	76,878	67,061
Deferred tax liabilities:		
Net unrealized gains on available-for-sale securities	(59,180)	(16,696)
Nonmarketable securities	(14,478)	(6,965)
Derivative equity warrant assets	(5,428)	
Premises and equipment and other intangibles	(4,515)	
FHLB stock dividend	(1,252)	(1,251)

Other		(278)
Deferred tax liabilities	(84,853)	(25,190)
Net deferred tax (liabilities) assets	$(7,975)	$41,871

148

Table of Contents

SVB FINANCIAL GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

At December 31, 2011 and 2010, federal net operating loss carryforwards totaled $15.8 million and $10.4 million, respectively, and state net operating loss carryforwards totaled $7.8 million and $5.2 million, respectively. These net operating loss carryforwards expire at various dates beginning in 2013 and ending in 2030. A portion of our net operating loss carryforwards will be subject to provisions of the tax law that limits the use of losses that existed at the time there is a change in control of an enterprise. At December 31, 2011, the amount of our federal and state net operating loss carryforwards that would be subject to these limitations was $7.2 million and $2.2 million, respectively.

We believe that it is more likely than not that the benefit from these net operating loss carryforward and research and development credits associated with eProsper will not be realized due to the lack of future profitability in that business. In recognition of this risk, we have provided a valuation allowance of $6.5 million and $4.2 million on the deferred tax assets related to these net operating loss carryforward and research and development credits at December 31, 2011 and 2010, respectively. We believe it is more likely than not that the remaining deferred tax assets will be realized through recovery of taxes previously paid and/or future taxable income. Therefore, no valuation allowance was provided for the remaining deferred tax assets.

A summary of changes in our unrecognized tax benefit (including interest and penalties) in 2011 is as follows:

(Dollars in thousands)	**Reconciliation of Unrecognized Tax Benefit**	**Interest & Penalties**	**Total**
Balance at December 31, 2010	$ 296	$ 134	$ 430
Additions based on tax positions related to current year	272		272
Additions for tax positions for prior years	136	40	176
Reduction for tax positions for prior years	(6)	(2)	(8)
Reduction as a result of a lapse of the applicable statute of limitations	(58)	(32)	(90)
Balance at December 31, 2011	$ 640	$ 140	$ 780

At December 31, 2011, our unrecognized tax benefit was $0.8 million, the recognition of which would reduce our income tax expense by $0.6 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.

15. Employee Compensation and Benefit Plans

Our employee compensation and benefit plans include: (i) Incentive Compensation Plan; (ii) Direct Drive Incentive Compensation Plan; (iii) Long-Term Cash Incentive Plan; (iv) Retention Program; (v) Warrant Incentive Plan; (vi) SVB Financial Group 401(k) and Employee Stock Ownership Plan; (vii) Employee Home Ownership Plan; and (viii) Deferred Compensation Plan; (ix) Equity Incentive Plans; (x) Employee Stock Purchase Plan. The Equity Incentive Plans and the Employee Stock Purchase Plan are described in Note 4 Share-Based Compensation.

Table of Contents

SVB FINANCIAL GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

A summary of expenses incurred under certain employee compensation and benefit plans for 2011, 2010 and 2009 is as follows:

	Year ended December 31,		
(Dollars in thousands)	**2011**	**2010**	**2009**
Incentive Compensation Plans	$ 67,008	$ 38,794	$ 18,285
Direct Drive Incentive Compensation Plan	17,745	16,966	6,878
Long-Term Cash Incentive Plan	3,861	1,723	
Retention Program	2,430	222	977
Warrant Incentive Plan	2,473	829	578
SVBFG 401(k) Plan	8,164	6,058	6,010
SVBFG Employee Stock Ownership Plan	8,652	8,019	

Incentive Compensation Plan

Our Incentive Compensation Plan (ICP) is an annual cash incentive plan that rewards performance based on our financial results and other performance criteria. Awards are made based on company performance, the employee s target bonus level, and management s assessment of individual employee performance.

Direct Drive Incentive Compensation Plan

The Direct Drive Incentive Compensation Plan (Direct Drive) is an annual sales incentive program. Payments are based on sales teams performance to predetermined financial targets and other performance criteria. Actual awards for each sales team member under Direct Drive are based on: (i) the actual results and financial performance with respect to the incentive gross profit targets; (ii) the sales team payout targets; and (iii) the sales team member s sales position and team payout allocation. We define incentive gross profit targets as the revenue goals for total interest income after funds transfer pricing and noninterest income plus one percent of off-balance sheet funds. Income associated with equity warrant assets is not included in the incentive gross profit targets. Additionally, sales team members may receive a discretionary award based on management s assessment of such member s contributions and performance during the applicable fiscal year, regardless of achievement of team gross profit targets.

Long-Term Cash Incentive Plan

The Long-Term Cash Incentive Plan (LTI Plan) is a long-term performance-based cash incentive program. Awards are generally made based on company and individual performance over multi-year periods.

Retention Program

The Retention Program (RP) is a long-term incentive plan that allows designated employees to share directly in our investment success. Plan participants are granted an interest in the distributions of gains from certain designated investments made by us during the applicable year. Specifically, participants share in: (i) returns from designated investments made by us, including investments in certain venture capital and private equity funds, debt funds, and direct equity investments in companies; (ii) income realized from the exercise of, and the subsequent sale of shares obtained through the exercise of, warrants held by us; and (iii) other designated amounts as determined by us.

Table of Contents

SVB FINANCIAL GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Warrant Incentive Plan

The Warrant Incentive Plan provides individual and team awards to those employees who negotiate warrants on our behalf. Designated participants share in the cash received from the exercise of equity warrant assets.

SVB Financial Group 401(k) and Employee Stock Ownership Plan

The SVB Financial Group 401(k) (the 401(k) Plan) and Employee Stock Ownership Plan (ESOP), collectively referred to as the Plan , is a combined 401(k) tax-deferred savings plan and employee stock ownership plan in which all regular U.S. employees are eligible to participate.

Employees participating in the 401(k) Plan are allowed to contribute up to 75 percent of their pre-tax pay as defined in the Plan, up to the maximum amount allowable under federal income tax regulations of $16,500 annually for each year 2009 through 2011. We match the employee s contributions dollar-for-dollar, up to 5 percent of the employee s pre-tax pay as defined in the Plan. Our matching contributions vest immediately. The amount of salary deferred, up to the allowed maximum, is not subject to federal or state income taxes at the time of deferral.

Discretionary ESOP contributions, based on our consolidated net income, are made by us to all eligible individuals employed by us on the last day of the fiscal year. We may elect to contribute cash or our common stock (or a combination of cash and stock), in an amount not exceeding 10 percent of the employee s eligible pay earned in the fiscal year. The ESOP contributions vest in equal annual increments over five years during a participant s first five years of service (thereafter all subsequent ESOP contributions are fully vested).

Employee Home Ownership Plan

The Employee Home Ownership Plan (EHOP) is a benefit plan that provides for the issuance of mortgage loans at favorable interest rates to eligible employees. Eligible employees may apply for a fixed-rate mortgage for their primary residence, which is due and payable in either five or seven years and is based on amortization over a 30 year period. Applicants must qualify for a loan through the normal mortgage review and approval process, which is typical of industry standards. The maximum loan amount cannot be greater than 80 percent of the lesser of the purchase price or the appraised value. The interest rate on the loan is written at the then market rate for five year (5/1) or seven year (7/1) mortgage loans as determined by us. However, provided that the applicant continues to meet all the eligibility requirements, including employment, the actual rate charged to the borrower shall be up to 2 percent below the market rate. The loan rate shall not be less than the greater of either the five-year Treasury Note plus 25 basis points (for the five year loan) or the average of the five year and 10 year Treasury Note plus 25 basis points (for the seven year loan) or the monthly Applicable Federal Rate for medium-term loans as published by the Internal Revenue Service. The loan rate will be fixed at the time of approval and locked in for 30 days.

Deferred Compensation Plan

Under the Deferred Compensation Plan (the DC Plan), eligible employees may elect to defer up to 25 percent of their base salary and/or up to 100 percent of any eligible bonus payment to which they are entitled, for a period of 12 consecutive months, beginning January 1 and ending December 31. Executive officers and certain senior managers are eligible to participate in the DC Plan, and any amounts deferred under the DC Plan will be invested and administered by us (or such person we designate). We do not match employee deferrals to

Table of Contents

SVB FINANCIAL GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

the DC Plan, nor do we make any other contributions to the DC Plan. Deferrals under the DC Plan were $1.3 million, $0.4 million and $0.6 million in 2011, 2010 and 2009, respectively. The DC Plan investment had losses of $0.1 million in 2011, and gains of $0.4 million and $0.6 million in 2010 and 2009, respectively.

16. Related Parties

Loan Transactions

SVB Financial previously had a commitment under a partially-syndicated revolving line of credit facility to Gold Hill Venture Lending 03, LP, a venture debt fund, and its affiliated funds (Gold Hill 03 Funds), for which SVB Financial has ownership interests in each of the funds. In May 2011 this line of credit expired, and there was no outstanding balance under the facility as of December 31, 2011 and 2010.

During the second quarter of 2011, the Bank resolved a $0.7 million nonperforming loan made to a relative of one of the Bank s executive officers. The largest aggregate amount of principal outstanding during 2011 was $0.7 million. During 2011, the Bank recovered total payments of $0.2 million, which was applied towards principal. $0.5 million has been charged off.

Additionally, during 2011, 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 collectibility or present other unfavorable features.

17. Off-Balance Sheet Arrangements, Guarantees and Other Commitments

Operating Leases

We are obligated under a number of noncancelable operating leases for premises and equipment that expire at various dates, through 2021, and in most instances, include options to renew or extend at market rates and terms. Such leases may provide for periodic adjustments of rentals during the term of the lease based on changes in various economic indicators. The following table presents minimum future payments under noncancelable operating leases as of December 31, 2011:

Year ended December 31, (dollars in thousands):	
2012	$ 14,742
2013	13,223
2014	10,795
2015	7,312
2016	7,097
2017 and thereafter	25,708
Net minimum operating lease payments	$ 78,877

Rent expense for premises and equipment leased under operating leases totaled $11.9 million, $11.5 million and $10.7 million in 2011, 2010 and 2009, respectively.

152

Table of Contents

SVB FINANCIAL GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Commitments to Extend Credit

A commitment to extend credit is a formal agreement to lend funds to a client as long as there is no violation of any condition established in the agreement. Such commitments generally have fixed expiration dates, or other termination clauses, and usually require a fee paid by the client upon us issuing the commitment. The following table summarizes information related to our commitments to extend credit (excluding letters of credit) at December 31, 2011 and 2010, respectively:

	December 31,	
(Dollars in thousands)	**2011**	**2010**
Commitments available for funding: (1)		
Fixed interest rate commitments	$ 658,377	$ 386,055
Variable interest rate commitments	6,548,002	5,884,450
Total commitments available for funding	$ 7,206,379	$ 6,270,505
Commitments unavailable for funding (2)	$ 841,439	$ 963,847
Maximum lending limits for accounts receivable factoring arrangements (3)	747,392	697,702
Reserve for unfunded credit commitments (4)	21,811	17,414

(1) Represents commitments which are available for funding, due to clients meeting all collateral, compliance and financial covenants required under loan commitment agreements.
(2) Represents commitments which are currently unavailable 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.
(4) Our reserve for unfunded credit commitments includes an allowance for both our unfunded loan commitments and our letters of credit.

Our potential exposure to credit loss for commitments to extend credit, in the event of nonperformance by the other party to the financial instrument, is the contractual amount of the available unused loan commitment. We use the same credit approval and monitoring process in extending credit commitments as we do in making loans. The actual liquidity needs and the credit risk that we have experienced have historically been lower than the contractual amount of commitments to extend credit because a significant portion of these commitments expire without being drawn upon. We evaluate each potential borrower and the necessary collateral on an individual basis. The type of collateral varies, but may include real property, intellectual property, bank deposits, or business and personal assets. The potential credit risk associated with these commitments is considered in management s evaluation of the adequacy of the reserve for unfunded credit commitments.

Commercial and Standby Letters of Credit

Commercial and standby letters of credit represent conditional commitments issued by us on behalf of a client to guarantee the performance of the client to a third party when certain specified future events have occurred. Commercial letters of credit are issued primarily for inventory purchases by a client and are typically short-term in nature. We provide two types of standby letters of credit: performance and financial standby letters of credit. Performance standby letters of credit are issued to guarantee the performance of a client to a third party when certain specified future events have occurred and are primarily used to support performance instruments such as bid bonds, performance bonds, lease obligations, repayment of loans, and past due notices. Financial standby letters of credit are conditional commitments issued by us to guarantee the payment by a

Table of Contents

SVB FINANCIAL GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

client to a third party (beneficiary) and are primarily used to support many types of domestic and international payments. These standby letters of credit have fixed expiration dates and generally require a fee to be paid by the client at the time we issue the commitment. Fees generated from these standby letters of credit are recognized in noninterest income over the commitment period using the straight-line method.

The credit risk involved in issuing letters of credit is essentially the same as that involved with extending credit commitments to clients, and accordingly, we use a credit evaluation process and collateral requirements similar to those for credit commitments. Our standby letters of credit often are cash secured by our clients. The actual liquidity needs and the credit risk that we have experienced historically have been lower than the contractual amount of letters of credit issued because a significant portion of these conditional commitments expire without being drawn upon.

The table below summarizes our commercial and standby letters of credit at December 31, 2011. 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	$ 723,710	$ 82,346	$ 806,056	$ 806,056
Performance standby letters of credit	45,631	3,924	49,555	49,555
Commercial letters of credit	5,580		5,580	5,580
Total	$ 774,921	$ 86,270	$ 861,191	$ 861,191

At December 31, 2011 and 2010, deferred fees related to financial and performance standby letters of credit were $6.1 million and $5.2 million, respectively. At December 31, 2011, collateral in the form of cash of $271.7 million and available-for-sale securities of $15.4 million were available to us to reimburse losses, if any, under financial and performance standby letters of credit.

154

Table of Contents

SVB FINANCIAL GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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. 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 December 31, 2011:

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	222	5.1
SVB India Capital Partners I, LP	7,750	1,364	14.4
SVB Capital Shanghai Yangpu Venture Capital Fund	920	159	6.8
SVB Strategic Investors Fund, LP	15,300	688	12.6
SVB Strategic Investors Fund II, LP	15,000	1,950	8.6
SVB Strategic Investors Fund III, LP	15,000	3,000	5.9
SVB Strategic Investors Fund IV, LP	12,239	5,997	5.0
Strategic Investors Fund V, LP	500	460	0.3
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)	332,618	86,811	Various
Total	$ 513,222	$ 116,961	

(1) Our ownership includes 1.3 percent direct ownership through SVB Capital Partners II, LLC and SVB Financial Group, 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 interests 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 334 funds (primarily venture capital funds) where our ownership interest is generally less than 5% of the voting interests of each such fund.

Table of Contents

SVB FINANCIAL GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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 December 31, 2011:

Limited Partnership (Dollars in thousands)	**Unfunded Commitments**
SVB Strategic Investors Fund, LP	$ 2,311
SVB Strategic Investors Fund II, LP	12,145
SVB Strategic Investors Fund III, LP	60,040
SVB Strategic Investors Fund IV, LP	137,375
Strategic Investors Fund V, LP	43,628
SVB Capital Preferred Return Fund, LP	23,234
SVB Capital NT Growth Partners, LP	26,373
Other private equity fund	4,659
Total	$ 309,765

18. 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 consolidated financial statements.

During 2011 we had transfers of $3.9 million from Level 2 to Level 1. There were no transfers between Level 1 and Level 2 during 2010. Transfers from Level 3 to Level 2 in 2011 were due to the transfer of equity warrant assets from our private portfolio to our public portfolio. Transfers from Level 3 to Level 2 in 2010 included $10.8 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 in 2010 were due to the transfer of equity warrant assets from our private portfolio to our public portfolio. Our valuation processes include a number of key controls that are designed to ensure that fair value is calculated appropriately.

156

Table of Contents

SVB FINANCIAL GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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:

(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, 2011
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.

Table of Contents

SVB FINANCIAL GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The following fair value hierarchy table presents information about our assets and liabilities that are measured at fair value on a recurring basis as of December 31, 2010:

(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, 2010
Assets				
Available-for-sale securities:				
U.S. treasury securities	$	$ 26,410	$	$ 26,410
U.S. agency debentures		2,835,093		2,835,093
Residential mortgage-backed securities:				
Agency-issued mortgage-backed securities		1,248,510		1,248,510
Agency-issued collateralized mortgage obligations fixed rate		830,466		830,466
Agency-issued collateralized mortgage obligations variable rate		2,879,525		2,879,525
Municipal bonds and notes		97,580		97,580
Equity securities	383			383
Total available-for-sale securities	383	7,917,584		7,917,967
Non-marketable securities (fair value accounting):				
Venture capital and private equity fund investments			391,247	391,247
Other venture capital investments			111,843	111,843
Other investments			981	981
Total non-marketable securities (fair value accounting)			504,071	504,071
Other assets:				
Marketable securities	28	9,240		9,268
Interest rate swaps		52,017		52,017
Foreign exchange forward and option contracts		11,349		11,349
Equity warrant assets		4,028	43,537	47,565
Loan conversion options		4,291		4,291
Total assets (1)	$ 411	$ 7,998,509	$ 547,608	$ 8,546,528
Liabilities				
Foreign exchange forward and option contracts	$	$ 10,267	$	$ 10,267
Total liabilities	$	$ 10,267	$	$ 10,267

(1)

Included in Level 2 and Level 3 assets are $8.1 million and $423.5 million, respectively, attributable to noncontrolling interests calculated based on the ownership percentages of the noncontrolling interests.

Table of Contents

SVB FINANCIAL GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The following table presents additional information about Level 3 assets measured at fair value on a recurring basis for 2011, 2010 and 2009:

(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
Year ended December 31, 2011:									
Non-marketable securities (fair value accounting):									
Venture capital and private equity fund investments	$ 391,247	$ 119,164	$ 156,498	$	$	$ (55,085)	$	$	$ 611,824
Other venture capital investments	111,843	25,794	13,981	(27,513)		16			124,121
Other investments	981	24				(18)			987
Total non-marketable securities (fair value accounting) (1)	504,071	144,982	170,479	(27,513)		(55,087)			736,932
Other assets:									
Equity warrant assets (2)	43,537	31,958		(25,534)	13,849	(63)		(717)	63,030
Total assets	$ 547,608	$ 176,940	$ 170,479	$ (53,047)	$ 13,849	$ (55,150)	$	$ (717)	$ 799,962
Year ended December 31, 2010:									
Non-marketable securities (fair value accounting):									
Venture capital and private equity fund investments	$ 271,316	$ 43,645	$ 105,899	$	$	$ (29,613)	$	$	$ 391,247
Other venture capital investments	96,577	18,696	14,134	(6,773)				(10,791)	111,843
Other investments	1,143	(18)				(144)			981
Total non-marketable securities (fair value accounting) (1)	369,036	62,323	120,033	(6,773)		(29,757)		(10,791)	504,071
Other assets:									
Equity warrant assets (2)	40,119	4,922		(8,538)	7,781	(60)		(687)	43,537
Total assets	$ 409,155	$ 67,245	$ 120,033	$ (15,311)	$ 7,781	$ (29,817)	$	$ (11,478)	$ 547,608
Year ended December 31, 2009:									
Non-marketable securities (fair value accounting):									
Venture capital and private equity fund investments	$ 242,645	$ (28,893)	$ 70,699	$	$	$ (13,135)	$	$	$ 271,316

Other venture capital investments	82,444	(1,768)	17,514	(1,613)					96,577
Other investments	1,547	762				(1,166)			1,143
Total non-marketable securities (fair value accounting) (1)	326,636	(29,899)	88,213	(1,613)		(14,301)			369,036
Other assets:									
Equity warrant assets (2)	41,699	(2,115)		(4,193)	4,954	(15)		(211)	40,119
Total assets	$ 368,335	$ (32,014)	$ 88,213	$ (5,806)	$ 4,954	$ (14,316)	$	$ (211)	$ 409,155

(1) Realized and unrealized gains (losses) are recorded on the line items gains (losses) 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 (losses) on derivative instruments, net, a component of noninterest income.

159

Table of Contents

SVB FINANCIAL GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The following table presents the amount of unrealized gains included in earnings (which is inclusive of noncontrolling interest) attributable to Level 3 assets still held at December 31, 2011:

(Dollars in thousands)	Year ended December 31, 2011
Non-marketable securities (fair value accounting):	
Venture capital and private equity fund investments	$ 78,361
Other venture capital investments	17,406
Other investments	24
Total non-marketable securities (fair value accounting) (1)	95,791
Other assets:	
Equity warrant assets (2)	16,345
Total unrealized gains	$ 112,136
Unrealized gains attributable to noncontrolling interests	$ 89,436

(1) Unrealized gains 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.

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. Fair values are management s estimates of the values, and they are calculated based on indicator prices corroborated by observable market quotes or pricing models, the economic and competitive environment, the characteristics of the financial instruments, expected losses, and other such factors. These calculations are subjective in nature, involve uncertainties and matters of significant judgment, and do not include tax ramifications; therefore, the results cannot be determined with precision or substantiated by comparison to independent markets, and they may not be realized in an actual sale or immediate settlement of the instruments. There may be inherent weaknesses in any calculation technique, and changes in the underlying assumptions used, including discount rates and estimates of future cash flows, could significantly affect the results. For all of these reasons, 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.

Short-Term Financial Assets

Short-term financial assets 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

160

SVB FINANCIAL GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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 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 partner. 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 September 30th, for our December 31st consolidated financial statements, adjusted for any contributions paid, distributions received from the investment, and significant fund transactions or market events, if any, during the reporting period. The fair value of our low income housing tax credit funds (equity method accounting) is based on carrying value.

Loans

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

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 balances using our cost of borrowings and the forward yield curve over their remaining contractual term.

Short-Term Borrowings

Short-term borrowings at December 31, 2010 included cash collateral received from counterparties for our interest rate swap agreements related to our 5.70% Senior Notes and 6.05% Subordinated Notes. The carrying amount is a reasonable estimate of fair value. Due to our repurchase of $312.6 million of these notes and termination of associated portions of interest rate swaps (see Note 11 Short-Term Borrowings and Long-Term Debt) in May 2011, the notional value of our swaps fell below the $10 million threshold specified in the agreement, and therefore, the full collateral was returned to the counterparties.

Long-Term Debt

Long-term debt includes our 5.375% Senior Notes, 7.0% Junior Subordinated Debentures, 5.70% Senior Notes, 6.05% Subordinated Notes and other long-term debt (see Note 11- Short-Term Borrowings and Long-

Table of Contents

SVB FINANCIAL GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Term Debt). At December 31, 2010, long-term debt also included our 3.875% Convertible Notes, which matured in April 2011 (see Note 11 Short-Term Borrowings and Long-Term Debt). 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 5.70% Senior Notes and 6.05% Subordinated Notes are amounts related to the fair value of the interest rate swaps associated with the notes.

Off-Balance Sheet Financial Instruments

The fair value of unfunded commitments to extend credit is estimated based on the average amount we would receive or pay to execute a new agreement with identical terms, considering current interest rates and taking into account the remaining terms of the agreement and counterparties credit standing.

Letters of credit are carried at their fair value, which is equivalent to the residual premium or fee at December 31, 2011 and 2010. Commitments to extend credit and letters of credit typically result in loans with a market interest rate if funded.

The information presented herein is based on pertinent information available to us as of December 31, 2011 and 2010. The following table is a summary of the estimated fair values of our financial instruments that are not carried at fair value at December 31, 2011 and 2010:

	December 31, 2011		December 31, 2010	
(Dollars in thousands)	**Carrying Amount**	**Estimated Fair Value**	**Carrying Amount**	**Estimated Fair Value**
Financial assets:				
Non-marketable securities (cost and equity method accounting)	$ 267,508	$ 290,393	$ 217,449	$ 230,158
Net loans	6,880,135	6,964,438	5,439,110	5,466,252
Financial liabilities:				
Other short-term borrowings			37,245	37,245
Deposits	16,709,536	16,709,133	14,336,941	14,334,013
5.375% Senior Notes	347,793	362,786	347,601	344,498
5.70% Senior Notes (1)	143,969	145,184	265,613	277,301
6.05% Subordinated Notes (2)	55,075	57,746	285,937	298,101
3.875% Convertible Notes			249,304	276,825
7.0% Junior Subordinated Debentures	55,372	51,526	55,548	49,485
Other long-term debt	1,439	1,439	5,257	5,257
Off-balance sheet financial assets:				
Commitments to extend credit		21,232		19,264

(1) At December 31, 2011 and December 31, 2010, included in the carrying value and estimated fair value of our 5.70% Senior Notes are $2.6 million and $15.7 million, respectively, related to the fair value of the interest rate swaps associated with the notes.

(2) At December 31, 2011, and December 31, 2010, included in the carrying value and estimated fair value of our 6.05% Subordinated Notes, are $8.8 million and $36.3 million, respectively, related to the fair value of the interest rate swaps associated with the notes.

SVB FINANCIAL GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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.

Our investments in debt funds and venture capital and private equity fund investments generally cannot be redeemed. Alternatively, we expect distributions to be received through IPO s and merger and acquisition (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 September 30th, for our December 31st 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 December 31, 2011:

(Dollars in thousands)	Fair Value	Unfunded Commitments
Non-marketable securities (fair value accounting):		
Venture capital and private equity fund investments (1)	$ 611,824	$ 309,765
Non-marketable securities (equity method accounting):		
Other investments (2)	61,227	8,750
Non-marketable securities (cost method accounting):		
Venture capital and private equity fund investments (3)	163,674	80,010
Total	$ 836,725	$ 398,525

(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 $534.2 million and $296.4 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 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.

Table of Contents

SVB FINANCIAL GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

19. Regulatory Matters

The Company and the Bank are subject to various regulatory capital adequacy requirements administered by the Federal Reserve Board and the California Department of Financial Institutions (DFI). The Federal Deposit Insurance Corporation Improvement Act of 1991 (FDICIA) required that the federal regulatory agencies adopt regulations defining five capital tiers for banks: well capitalized, adequately capitalized, undercapitalized, significantly undercapitalized and critically undercapitalized. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on our consolidated financial statements.

Quantitative measures, established by the regulators to ensure capital adequacy, require that SVB Financial Group and the Bank maintain minimum ratios (set forth in the table below) of capital to risk-weighted assets. There are three categories of capital under the guidelines. Tier 1 capital includes common stockholders equity, qualifying preferred stock and trust preferred securities, less goodwill and certain other deductions (including the net unrealized gains and losses, after applicable taxes, on securities available-for-sale carried at fair value). Tier 1 capital must comprise at least half of total capital. Components of Tier 2 capital include preferred stock not qualifying as Tier 1 capital, subordinated debt, the allowance for credit losses and net unrealized gains and losses on available-for-sale securities (deducted from Tier 1 capital above), subject to limitations by the guidelines. Tier 3 capital includes certain qualifying unsecured subordinated debt. We did not have any Tier 3 capital as of December 31, 2011 and December 31, 2010.

The most recent joint notification from the DFI and the Federal Reserve Board categorized the Bank as well-capitalized under the FDICIA prompt corrective action provisions applicable to banks. There are no conditions or events since that notification that management believes have changed the Bank s category.

Table of Contents

SVB FINANCIAL GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The following table presents the capital ratios for the Company and the Bank under federal regulatory guidelines, compared to the minimum regulatory capital requirements for an adequately capitalized and a well capitalized depository institution, as of December 31, 2011 and 2010:

(Dollars in thousands)	Capital Ratios Actual	Capital Ratios Well Capitalized Minimum	Capital Ratios Adequately Capitalized Minimum	Capital Amounts Actual	Capital Amounts Well Capitalized Minimum	Capital Amounts Adequately Capitalized Minimum
December 31, 2011:						
Total risk-based capital:						
SVB Financial	13.95%	10.0%	8.0%	$ 1,651,545	$ 1,183,790	$ 947,032
Bank	12.33	10.0	8.0	1,414,138	1,146,740	917,392
Tier 1 risk-based capital:						
SVB Financial	12.62	6.0	4.0	1,493,823	710,274	473,516
Bank	10.96	6.0	4.0	1,257,030	688,044	458,696
Tier 1 leverage:						
SVB Financial	7.92	N/A	4.0	1,493,823	N/A	754,516
Bank	6.87	5.0	4.0	1,257,030	915,095	732,076
December 31, 2010:						
Total risk-based capital:						
SVB Financial	17.35%	10.0%	8.0%	$ 1,632,469	$ 940,668	$ 752,534
Bank	15.48	10.0	8.0	1,400,255	904,791	723,832
Tier 1 risk-based capital:						
SVB Financial	13.63	6.0	4.0	1,282,417	564,401	376,267
Bank	11.61	6.0	4.0	1,050,745	542,874	361,916
Tier 1 leverage:						
SVB Financial	7.96	N/A	4.0	1,282,417	N/A	644,041
Bank	6.82	5.0	4.0	1,050,745	769,990	615,992

20. Segment Reporting

Effective January 1, 2011, we changed the way we monitor performance and results of our business segments and as a result, we changed how our segments are presented. We have reclassified all prior period segment information to conform to the current presentation of our operating segments.

We have three operating 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.

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. FTP is calculated by applying a transfer rate to pooled, or aggregated, loan and deposit volumes.

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

165

Table of Contents

SVB FINANCIAL GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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 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 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. Effective January 1, 2011, Global Commercial Bank included the results of SVB Specialty Lending, SVB Analytics and our Debt Fund Investments. SVB Specialty Lending provides banking products and services to our premium wine industry clients, including vineyard development loans, as well as community development loans made as part of our responsibilities under the Community Reinvestment Act. Previously, the results of SVB Specialty Lending were included as part of our Relationship Management segment (no longer a separately reported operating segment effective January 1, 2011). SVB Analytics provides equity valuation and equity management services to private companies and venture capital/private equity firms. Previously, the results of SVB Analytics were included as part of our Other Business Services segment (no longer a separately reported operating segment effective January 1, 2011). Our Debt Fund Investments primarily include the Gold Hill Funds, which provide secured debt to private companies of all stages, and Partners for Growth Funds, which provide secured debt primarily to mid-stage and late-stage clients. Previously, the results of our Debt Fund Investments were included as part of our Other Business Services segment. As a result of these changes, our Global Commercial Bank segment s income before income tax expense for 2010 and 2009 was reduced by $39.7 million and $31.8 million, respectively, due to our reclassification of all prior periods to reflect the current segment composition.

SVB Private Bank provides banking products and 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 results of SVB Private Bank were included as part of our Relationship Management segment. Effective January 1, 2011, the results of SVB Private Bank are separately reported.

SVB Capital manages funds (primarily venture capital funds) on behalf of SVB Financial Group and other third party limited partners. The SVB Capital family of funds is comprised of funds of funds and direct venture funds. Effective January 1, 2011, SVB Capital included the results of our Strategic Investments, which includes certain strategic investments held by SVB Financial. Previously, the results of our Strategic Investments were included as part of our Other Business Services segment.

The summary financial results of our operating segments are presented along with a reconciliation to our consolidated 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. Net interest income (loss) in the Other Items column is primarily interest income recognized from our available-for-sale

166

Table of Contents

SVB FINANCIAL GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

securities portfolio, partially offset by interest income transferred to the segments as part of FTP. Noninterest income in the Other Items column is primarily attributable to noncontrolling interests and gains (losses) on equity warrant assets. For 2011 and 2010, noninterest income in the Other Items column also includes $37.3 million and $24.7 million, respectively, in gains from the sale of certain available-for-sale securities. 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 consist of cash and cash equivalents and our available-for-sale securities portfolio balances.

Our segment information for 2011, 2010 and 2009 is as follows:

(Dollars in thousands)	Global Commercial Bank (1)	SVB Private Bank	SVB Capital (1)	Other Items	Total
Year ended December 31, 2011					
Net interest income	$ 445,466	$ 20,466	$ 10	$ 60,335	$ 526,277
(Provision for) reduction of loan losses	(13,494)	7,393			(6,101)
Noninterest income	150,116	516	27,358	204,342	382,332
Noninterest expense (2)	(358,712)	(10,174)	(13,079)	(118,663)	(500,628)
Income before income tax expense (3)	$ 223,376	$ 18,201	$ 14,289	$ 146,014	$ 401,880
Total average loans	$ 5,099,516	$ 658,175	$	$ 57,380	$ 5,815,071
Total average assets	5,603,935	658,797	226,423	12,181,344	18,670,499
Total average deposits	15,364,804	186,604		17,393	15,568,801
Year ended December 31, 2010					
Net interest income	$ 367,927	$ 13,015	$	$ 37,193	$ 418,135
Provision for loan losses	(42,357)	(2,271)			(44,628)
Noninterest income	136,531	496	19,491	91,012	247,530
Noninterest expense (2)	(307,508)	(4,405)	(15,652)	(95,253)	(422,818)
Income before income tax expense (3)	$ 154,593	$ 6,835	$ 3,839	$ 32,952	$ 198,219
Total average loans	$ 3,948,872	$ 461,620	$	$ 25,419	$ 4,435,911
Total average assets	4,281,745	461,697	157,461	9,957,333	14,858,236
Total average deposits	11,911,639	129,536		(12,848)	12,028,327
Year ended December 31, 2009					
Net interest income (loss)	$ 380,668	$ 14,176	$ (16)	$ (12,678)	$ 382,150
Provision for loan losses	(79,867)	(10,313)			(90,180)
Noninterest income (loss)	119,834	371	2,365	(24,827)	97,743
Noninterest expense, excluding impairment of goodwill (2)	(237,475)	(2,989)	(15,140)	(84,170)	(339,774)
Impairment of goodwill	(4,092)				(4,092)
Income (loss) before income tax expense (3)	$ 179,068	$ 1,245	$ (12,791)	$ (121,675)	$ 45,847
Total average loans	$ 4,188,908	$ 487,825	$	$ 22,963	$ 4,699,696
Total average assets	4,370,702	487,990	136,176	6,331,473	11,326,341
Total average deposits	8,679,761	107,602		6,736	8,794,099

(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 $12.2 million, $9.7 million and $9.9 million in 2011, 2010 and 2009, respectively.
(3) The internal reporting model used by management to assess segment performance does not calculate tax expense by segment. Our effective tax rate is a reasonable approximation of the segment rates.

167

Table of Contents

SVB FINANCIAL GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

21. Parent Company Only Condensed Financial Information

The condensed balance sheets of SVB Financial at December 31, 2011 and 2010, and the related condensed statements of income and cash flows for 2011, 2010 and 2009, are presented below.

Condensed Balance Sheets

	December 31,	
(Dollars in thousands)	**2011**	**2010**
Assets:		
Cash and cash equivalents	$ 137,185	$ 433,661
Investment securities	235,822	183,929
Net loans	10,903	6,692
Other assets	108,712	101,118
Investment in subsidiaries:		
Bank subsidiary	1,346,854	1,074,561
Nonbank subsidiaries	156,577	150,870
Total assets	$ 1,996,053	$ 1,950,831
Liabilities and SVBFG stockholders equity:		
5.375% Senior Notes	$ 347,793	$ 347,601
3.875% Convertible Notes		249,304
7.0% Junior Subordinated Debentures	55,372	55,548
Other long-term debt	1,439	5,257
Other liabilities	22,057	18,771
Total liabilities	426,661	676,481
SVBFG stockholders equity	1,569,392	1,274,350
Total liabilities and SVBFG stockholders equity	$ 1,996,053	$ 1,950,831

Condensed Statements of Income

	Year ended December 31,		
(Dollars in thousands)	**2011**	**2010**	**2009**
Interest income	$ 2,819	$ 1,603	$ 3,179
Interest expense	(27,252)	(22,816)	(17,679)
Gains (losses) on derivative instruments, net	34,654	6,570	(200)
Gains (losses) on investment securities, net	16,432	6,923	(1,319)
General and administrative expenses	(71,355)	(66,489)	(65,400)
Income tax benefit	7,468	24,918	30,398
Loss before net income of subsidiaries	(37,234)	(49,291)	(51,021)
Equity in undistributed net income of nonbank subsidiaries	22,081	17,536	1,261

Equity in undistributed net income of bank subsidiary	187,055	126,706	97,770
Net income attributable to SVBFG	$ 171,902	$ 94,951	$ 48,010
Preferred stock dividend and discount accretion			(25,336)
Net income available to common stockholders	$ 171,902	$ 94,951	$ 22,674

168

Table of Contents

SVB FINANCIAL GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Condensed Statements of Cash Flows

	Year ended December 31,		
(Dollars in thousands)	**2011**	**2010**	**2009**
Cash flows from operating activities:			
Net income attributable to SVBFG	$ 171,902	$ 94,951	$ 48,010
Adjustments to reconcile net income to net cash used for operating activities:			
(Gains) losses on derivative instruments, net	(34,654)	(6,570)	200
(Gains) losses on investment securities, net	(16,432)	(6,923)	1,319
Net income of bank subsidiary	(187,055)	(126,706)	(97,770)
Net income on nonbank subsidiaries	(22,081)	(17,536)	(1,261)
Amortization of share-based compensation	18,221	13,761	14,784
Decrease (increase) in other assets	21,926	24,283	(21,494)
Increase (decrease) in other liabilities	2,936	10,682	(2,578)
Other, net	2,510	1,465	12,373
Net cash used for operating activities	(42,727)	(12,593)	(46,417)
Cash flows from investing activities:			
Net increase in investment securities from purchases, sales and maturities	(22,821)	(26,773)	(11,455)
Net (increase) decrease in loans	(4,211)	2,041	25,304
Increase in investment in bank subsidiaries	(18,698)	(15,553)	(110,326)
Decrease (increase) in investment in nonbank subsidiaries	2,945	(45,410)	(25,658)
Net cash used for investing activities	(42,785)	(85,695)	(122,135)
Cash flows from financing activities:			
Principal payments of other long-term debt	(4,179)	(1,961)	
Payments for settlement of 3.875% Convertible Notes	(250,000)		
Proceeds from issuance of 5.375% Senior Notes, net of discount and issuance cost		344,476	
Tax benefit from stock exercises	6,342	4,151	458
Dividends paid on preferred stock			(12,110)
Proceeds from issuance of common stock and ESPP	36,873	24,019	5,873
Proceeds from the issuance of common stock under our public equity offering, net of issuance costs			292,107
Redemption of preferred stock under the CPP			(235,000)
Repurchase of warrant under CPP		(6,820)	
Net cash (used for) provided by financing activities	(210,964)	363,865	51,328
Net (decrease) increase in cash and cash equivalents	(296,476)	265,577	(117,224)
Cash and cash equivalents at beginning of year	433,661	168,084	285,308
Cash and cash equivalents at end of year	$ 137,185	$ 433,661	$ 168,084

Table of Contents

SVB FINANCIAL GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

22. Unaudited Quarterly Financial Data

Our supplemental consolidated financial information for each three month period in 2011 and 2010 are as follows:

	Three months ended			
(Dollars in thousands, except per share amounts)	**March 31,**	**June 30,**	**September 30,**	**December 31,**
2011:				
Interest income	$ 134,101	$ 140,161	$ 143,324	$ 147,802
Interest expense	(13,802)	(9,708)	(7,869)	(7,732)
Net interest income	120,299	130,453	135,455	140,070
Reduction of (provision for) loan losses	3,047	(134)	(769)	(8,245)
Noninterest income	89,954	123,708	95,611	73,059
Noninterest expense	(117,435)	(121,032)	(127,451)	(134,710)
Income before income tax expense	95,865	132,995	102,846	70,174
Income tax expense	22,770	43,263	26,770	26,284
Net income before noncontrolling interests	73,095	89,732	76,076	43,890
Net income attributable to noncontrolling interests	(40,088)	(23,982)	(38,505)	(8,316)
Net income available to common stockholders	**$ 33,007**	**$ 65,750**	**$ 37,571**	**$ 35,574**
Earnings per common share basic	$ 0.78	$ 1.53	$ 0.87	$ 0.82
Earnings per common share diluted	0.76	1.50	0.86	0.81
2010:				
Interest income	$ 110,019	$ 116,245	$ 116,758	$ 118,709
Interest expense	(9,179)	(9,809)	(10,417)	(14,191)
Net interest income	100,840	106,436	106,341	104,518
Provision for loan losses	(10,745)	(7,408)	(10,971)	(15,504)
Noninterest income	49,273	40,157	86,236	71,864
Noninterest expense	(98,576)	(104,180)	(104,171)	(115,891)
Income before income tax expense	40,792	35,005	77,435	44,987
Income tax expense	11,582	13,819	24,996	11,005
Net income before noncontrolling interests	29,210	21,186	52,439	33,982
Net income attributable to noncontrolling interests	(10,653)	(66)	(14,652)	(16,495)
Net income available to common stockholders	**$ 18,557**	**$ 21,120**	**$ 37,787**	**$ 17,487**
Earnings per common share basic	$ 0.45	$ 0.51	$ 0.90	$ 0.42
Earnings per common share diluted	0.44	0.50	0.89	0.41

23. 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 and claims 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

Table of Contents

SVB FINANCIAL GROUP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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.

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.

24. Subsequent Events

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

Table of Contents

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

(a) ***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 the Company files or submits under the Securities Exchange Act of 1934, as amended (the Exchange Act) is recorded, processed, summarized, and reported within the time periods specified in the 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 the Company files or submits 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.

The Company 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 December 31, 2011 pursuant to Exchange Act Rule 13a-15b. Based on this evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that the Company s disclosure controls and procedures were effective as of December 31, 2011.

(b) ***Internal Control Over Financial Reporting***

Management is responsible for establishing and maintaining adequate internal control over financial reporting at the Company. Our internal control over financial reporting is a process designed under the supervision of the Chief Executive Officer and the Chief Financial Officer to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the Company s financial statements for external reporting purposes in accordance with GAAP. A company s internal control over financial reporting includes policies and procedures that (1) pertain to the maintenance of records that accurately and fairly reflect, in reasonable detail, transactions and dispositions of the company s assets, (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP and that receipts and expenditures are being made only in accordance with authorization of management and the directors of the company, and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company s assets that could have a material effect on the Company s financial statements.

Because of its inherent limitations, internal control over financial reporting cannot provide absolute assurance of achieving financial reporting objectives. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

As of December 31, 2011, the Company carried out an assessment, under the supervision and with the participation of the Company s management, including the Company s Chief Executive Officer and Chief Financial Officer, of the effectiveness of the Company s internal control over financial reporting pursuant to Rule 13a-15(c), as adopted by the SEC under the Exchange Act. In evaluating the effectiveness of the Company s internal control over financial reporting, management used the framework established in Internal Control Integrated Framework, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this assessment, management has concluded that, as of December 31, 2011, the Company s internal control over financial reporting was effective.

Table of Contents

KPMG LLP, the independent registered public accounting firm that audited and reported on the consolidated financial statements of the Company, has issued an unqualified opinion on the effectiveness of the Company s internal control over financial reporting as of December 31, 2011.

(c) *Changes in Internal Control Over Financial Reporting*

There were no changes in our internal control over financial reporting identified in management s evaluation during the fourth quarter of the period covered by this Annual Report on Form 10-K that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information

None.

PART III.

Item 10. Directors, Executive Officers and Corporate Governance

The information set forth under the sections titled Proposal No. 1 Election of Directors, Information on Executive Officers, Board Committees and Meeting Attendance, Section 16(a) Beneficial Ownership Reporting Compliance and Corporate Governance Principles and Board Matters contained in the definitive proxy statement for SVB Financial s 2012 Annual Meeting of Stockholders is incorporated herein by reference.

Item 11. Executive Compensation

The information set forth under the sections titled Information on Executive Officers, Compensation Discussion and Analysis, Compensation for Named Executive Officers, Director Compensation, Compensation Committee Interlocks and Insider Participation and Compensation Committee Report contained in the definitive proxy statement for SVB Financial s 2012 Annual Meeting of Stockholders is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management, and Related Stockholder Matters

The information set forth under the sections titled Security Ownership of Directors and Executive Officers and Security Ownership of Principal Stockholders contained in the definitive proxy statement for SVB Financial s 2012 Annual Meeting of Stockholders is incorporated herein by reference.

Our stockholders have approved each of our active equity compensation plans. The following table provides certain information as of December 31, 2011 with respect to our equity compensation plans:

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (1)	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (2)
Equity compensation plans approved by stockholders	2,439,360	$ 42.64	2,461,781
	n/a	n/a	n/a

Equity compensation plans not approved by stockholders			
Total	2,439,360	$ 42.64	2,461,781

(1) Represents options granted under our 2006 Equity Incentive Plan and Amended and Restated 1997 Equity Incentive Plan. This number does not include securities to be issued for unvested restricted stock units of 499,119 shares.

(2) Includes shares available for issuance under our 2006 Equity Incentive Plan and 1,075,421 shares available for issuance under the 1999 Employee Stock Purchase Plan. This amount excludes securities already granted under our 2006 Equity Incentive Plan and Amended and Restated 1997 Equity Incentive Plan (as discussed above).

173

Table of Contents

For additional information concerning our equity compensation plans, refer to Note 4 Share-Based Compensation of the Notes to the Consolidated Financial Statements under Part II, Item 8 in this report.

Item 13. Certain Relationships and Related Transactions, and Director Independence

The information set forth under the sections titled Certain Relationships and Related Transactions and Corporate Governance Principles and Board Matters Board Independence in the definitive proxy statement for SVB Financial s 2012 Annual Meeting of Stockholders is incorporated herein by reference.

Item 14. Principal Accounting Fees and Services

The information set forth under the section titled Principal Audit Fees and Services contained in the definitive proxy statement for SVB Financial s 2012 Annual Meeting of Stockholders is incorporated herein by reference.

Table of Contents

PART IV.

Item 15. Exhibits and Financial Statement Schedules

(a) Financial Statements and Exhibits:

175

Table of Contents

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

SVB Financial Group

/s/ Greg W. Becker
Greg W. Becker
President and Chief Executive Officer
Dated: February 28, 2012

176

Table of Contents

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated:

Signature	Title	Date
/s/ ALEX W. HART **Alex W. Hart**	Chairman of the Board of Directors and Director	February 28, 2012
/s/ GREG W. BECKER **Greg Becker**	President and Chief Executive Officer (Principal Executive Officer)	February 28, 2012
/s/ MICHAEL R. DESCHENEAUX **Michael R. Descheneaux**	Chief Financial Officer (Principal Financial Officer)	February 28, 2012
/s/ KAMRAN F. HUSAIN Kamran F. Husain	Chief Accounting Officer (Principal Accounting Officer)	February 28, 2012
/s/ ERIC A. BENHAMOU **Eric A. Benhamou**	Director	February 28, 2012
/s/ DAVID M. CLAPPER **David M. Clapper**	Director	February 28, 2012
/s/ ROGER F. DUNBAR **Roger F. Dunbar**	Director	February 28, 2012
/s/ JOEL P. FRIEDMAN **Joel P. Friedman**	Director	February 28, 2012
/s/ G. FELDA HARDYMON **G. Felda Hardymon**	Director	February 28, 2012
/s/ C. RICHARD KRAMLICH **C. Richard Kramlich**	Director	February 28, 2012
/s/ LATA KRISHNAN **Lata Krishnan**	Director	February 28, 2012
/s/ KATE D. MITCHELL **Kate D. Mitchell**	Director	February 28, 2012

/s/ John F. Robinson	Director	February 28, 2012
John F. Robinson		
/s/ Garen Staglin	Director	February 28, 2012
Garen Staglin		
/s/ Kyung H. Yoon	Director	February 28, 2012
Kyung H. Yoon		

177

Table of Contents

INDEX TO EXHIBITS

Exhibit		Incorporated by Reference				
Number	Exhibit Description	Form	File No.	Exhibit	Filing Date	Filed Herewith
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 for 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 20, 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-A/A	000-15637	4.20	February 27, 2004	
4.10	Amendment No. 1 to Amended and Restated Preferred Stock Rights Agreement, dated as of August 2, 2004, by and between SVB Financial and Wells Fargo Bank, N.A.	8-A/A	000-15637	4.13	August 3, 2004	
4.11	Amendment No. 2 to Amended and Restated Preferred Stock Rights Agreement, dated as of August 2, 2004, 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	
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 and Trust Company, LLC	8-A/A	000-15637	4.22	January 19, 2010	
4.14	Indenture for 3.875% Convertible Senior Notes Due 2011, dated as of April 7, 2008, by and between Wells Fargo Bank, N.A., as Trustee, and SVB Financial	8-K	000-15637	4.1	April 7, 2008	

Table of Contents

Exhibit		Incorporated by Reference				
Number	Exhibit Description	Form	File No.	Exhibit	Filing Date	Filed Herewith
4.15	Letter Agreement re Call Option Transaction, dated as of April 1, 2008, by and between SVB Financial and JPMorgan Chase Bank, National Association	8-K	000-15637	4.2	April 7, 2008	
4.16	Letter Agreement re Call Option Transaction, dated as of April 1, 2008, by and between SVB Financial and Bank of America, N.A.	8-K	000-15637	4.3	April 7, 2008	
4.17	Letter Agreement re Warrants, dated as of April 1, 2008 by and between SVB Financial and JPMorgan Chase Bank, National Association	8-K	000-15637	4.4	April 7, 2008	
4.18	Letter Agreement re Warrants, dated as of April 1, 2008, by and between SVB Financial and Bank of America, N.A.	8-K	000-15637	4.5	April 7, 2008	
4.19	Warrant, dated December 12, 2008 to purchase shares of Common Stock of SVB Financial	8-K	000-15637	4.21	December 15, 2008	
4.20	Indenture, dated September 20, 2010, by and between SVB Financial and U.S. Bank National Association, as trustee	8-K	000-15637	4.1	September 20, 2010	
4.21	Form of 5.375% Senior Note due 2020	8-K	000-15637	4.2	September 20, 2010	
10.1	Office Lease Agreement, dated as of September 15, 2004, between CA-Lake Marriott Business Park Limited Partnership and Silicon Valley Bank: 3001, 3003 and 3101 Tasman Drive, Santa Clara, CA 95054	8-K	000-15637	10.28	September 20, 2004	
*10.2	401(k) and Employee Stock Ownership Plan	10-K	000-15637	10.3	March 1, 2010	
*10.3	Amended and Restated Retention Program Plan (RP Years 1999 2007)*	10-Q	000-15637	10.4	August 7, 2008	
*10.4	1999 Employee Stock Purchase Plan	DEF 14A	000-15637	A	March 10, 2010	
*10.5	1997 Equity Incentive Plan, as amended	DEF 14A	000-15637	B-1	March 16, 2005	
*10.6	Form of Indemnification Agreement	10-Q	000-15637	10.7	November 6, 2009	
*10.7	Senior Management Incentive Compensation Plan	10-K	000-15637	10.18	March 27, 2006	
*10.8	Deferred Compensation Plan	10-Q	000-15637	10.21	November 9, 2007	
*10.9	Form of Restricted Stock Unit Agreement under 1997 Equity Incentive Plan	8-K	000-15637	10.30	November 5, 2004	
*10.10	Form of Incentive Stock Option Agreement under 1997 Equity Incentive Plan	10-Q	000-15637	10.31	November 9, 2004	
*10.11	Form of Nonstatutory Stock Option Agreement under 1997 Equity Incentive Plan	10-Q	000-15637	10.32	November 9, 2004	
*10.12	Form of Restricted Stock Bonus Agreement under 1997 Equity Incentive Plan	10-Q	000-15637	10.33	November 9, 2004	
*10.13	Change in Control Severance Plan	10-Q	000-15637	10.14	August 7, 2008	
*10.14	2006 Equity Incentive Plan	DEF 14A	000-15637	A	March 8, 2011	
*10.15	Form of Incentive Stock Option Agreement under 2006 Equity Incentive Plan	10-Q	000-15637	10.16	August 7, 2009	
*10.16	Form of Nonqualified Stock Option Agreement under 2006 Equity Incentive Plan	10-Q	000-15637	10.17	August 7, 2009	
*10.17	Form of Restricted Stock Unit Agreement under 2006 Equity Incentive Plan (for Executives)	10-Q	000-15637	10.18	August 7, 2009	
*10.18	Form of Restricted Stock Unit Agreement for Employees under 2006 Equity Incentive Plan	10-Q	000-15637	10.19	August 7, 2009	
*10.19	Form of Restricted Stock Award Agreement under 2006 Equity Incentive Plan	10-Q	000-15637	10.20	August 7, 2009	
*10.20	Offer Letter dated November 2, 2006, for Michael Descheneaux	8-K	000-15637	10.31	April 17, 2007	
*10.21	Offer Letter dated April 25, 2007, for Michael Descheneaux	8-K/A	000-15637	10.32	May 2, 2007	
*10.22	Form of Restricted Stock Unit Agreement under 2006 Equity Incentive Plan (for Directors)	10-Q	000-15637	10.23	August 7, 2009	

179

Table of Contents

Exhibit		Incorporated by Reference				
Number	**Exhibit Description**	**Form**	**File No.**	**Exhibit**	**Filing Date**	**Filed Herewith**
*10.23	Form of Restricted Stock Unit Election to Defer Settlement under 2006 Equity Incentive Plan (for Directors)	10-Q	000-15637	10.24	November 10, 2008	
*10.24	Form of Restricted Stock Unit Election to Defer Settlement under 2006 Equity Incentive Plan (for Executives)	10-Q	000-15637	10.27	November 10, 2008	
*10.25	Retention Program Plan (RP Years Beginning 2008)	10-Q	000-15637	10.26	August 7, 2008	
*10.26	SVB Capital Carried Interest Plan	10-K	000-15637	10.29	March 2, 2009	
*10.27	Global Amendment to Benefit Plans to Comply with EESA	10-Q	000-15637	10.30	August 7, 2009	
*10.28	Form of Letter Agreement with Michael Descheneaux re: Salary Changes	8-K	000-15637	10.31	May 14, 2009	
*10.29	Form of Stock Appreciation Right Agreement under 2006 Equity Incentive Plan	10-Q	000-15637	10.32	August 7, 2009	
*10.30	Form of Restricted Stock Unit Agreement for Cash Settlement for Employees under 2006 Equity Incentive Plan	10-Q	000-15637	10.33	August 7, 2009	
*10.31	Form of Restricted Stock Unit Agreement for Cash Settlement for Directors under 2006 Equity Incentive Plan	10-Q	000-15637	10.34	August 7, 2009	
*10.32	SVB Financial Group Long-Term Cash Incentive Plan	8-K	000-15637	10.35	July 27, 2010	
*10.33	Letter Agreement, dated June 1, 2011, relating to Ken Wilcox s employment and secondment arrangement	8-K	000-15637	10.36	June 3, 2011	
14.1	Code of Ethics	10-K	000-15637	14.1	March 11, 2004	
21.1	Subsidiaries of SVB Financial					X
23.1	Consent of KPMG LLP, independent registered public accounting firm.					X
31.1	Rule 13a-14(a) / 15d-14(a) Certification of Principal Executive Officer					X
31.2	Rule 13a-14(a) / 15d-14(a) Certification of Principal Financial Officer					X
32.1	Section 1350 Certifications					**
101.INS	XBRL Instance Document					***
101.SCH	XBRL Taxonomy Extension Schema Document					***
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document					***
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document					***
101.LAB	XBRL Taxonomy Extension Label Linkbase Document					***
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document					***

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

** Furnished herewith

*** Pursuant to Rule 406T of Regulation S-T, XBRL (Extensible Business Reporting Language) information is submitted and not filed or a part of a registration statement or prospectus for purposes of sections 11 or 12 of the Securities Act of 1933, is deemed not filed for purposes of section 18 of the Securities Exchange Act of 1934, and otherwise is not subject to liability under these sections.