GOODRICH PETROLEUM CORP
Form 10-K
March 02, 2018

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

FORM 10-K

ý ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2017
OR
¨ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
Commission file number: 001-12719

GOODRICH PETROLEUM CORPORATION
(Exact name of registrant as specified in its charter)

Delaware	76-0466193
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
801 Louisiana, Suite 700 Houston, Texas	77002
(Address of principal executive offices)	(Zip Code)

(Registrant's telephone number, including area code) (713) 780-9494
Securities Registered Pursuant to Section 12(b) of the Act:

Common Stock, par value $0.01 per share	NYSE American
(Title of Each Class)	(Name of Each Exchange)

Securities Registered Pursuant to Section 12(g) of the Act:

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ¨ No ý
Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ¨ No ý
Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ý No ¨
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ý No ¨

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ¨

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

Large accelerated filer	¨	Accelerated filer	o
Non-accelerated filer	¨	Smaller reporting company	x
Emerging growth company	¨		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ¨

Indicate by check mark whether the Registrant is a shell company (as defined in Exchange Act Rule 12b-2). Yes ¨ No ý

The aggregate market value of the Common Stock, par value $0.01 per share, held by non-affiliates (based upon the closing sales price on the NYSE American on June 30, 2017, the last business day of the Registrant's most recently completed second fiscal quarter) was approximately $46.6 million. The number of shares of the Registrant's common stock par value $0.01 per share, outstanding as of March 1, 2018 was 11,359,887.

Indicate by check mark whether the Registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes ý No

Documents Incorporated By Reference:

Certain information called for in Items 10, 11, 12, 13 and 14 of Part III is incorporated by reference to the registrant's definitive proxy statement for its annual meeting of stockholders, or will be included in an amendment to this Annual Report on Form 10-K.

GOODRICH PETROLEUM CORPORATION
ANNUAL REPORT ON FORM 10-K
FOR THE FISCAL YEAR ENDED
December 31, 2017

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PART I

Items 1. and 2. Business and Properties
General

Goodrich Petroleum Corporation, a Delaware corporation (together with its subsidiary, “we,” “our,” or “the Company”) formed in 1995, is an independent oil and natural gas company engaged in the exploration, development and production of oil and natural gas on properties primarily in (i) Northwest Louisiana and East Texas, which includes the Haynesville Shale Trend, (ii) Southwest Mississippi and Southeast Louisiana which includes the Tuscaloosa Marine Shale Trend (“TMS”), and (iii) South Texas, which includes the Eagle Ford Shale Trend. We own interests in 165 producing oil and natural gas wells located in 38 fields in seven states. At December 31, 2017, we had estimated proved reserves of approximately 428 Bcfe, comprised of 415 Bcf of natural gas and 2.1 MMBbls of oil and condensate.

We operate as one segment as each of our operating areas have similar economic characteristics and each meet the criteria for aggregation as defined by accounting standards related to disclosures about segments of an enterprise.

Emergence from Voluntary Reorganization under Chapter 11 of the Bankruptcy Code

On April 15, 2016, we and our subsidiary Goodrich Petroleum Company, L.L.C. (the “Subsidiary”, and together with us, the “Debtors”) filed voluntary petitions (the “Bankruptcy Petitions”) and, the cases commenced thereby, the (“Chapter 11 Cases”) seeking relief under Chapter 11 of Title 11 of the United States Bankruptcy Code in the United States Bankruptcy Court for the Southern District of Texas, Houston Division (the “Bankruptcy Court”), to pursue a Chapter 11 plan of reorganization. The Debtors received Bankruptcy Court confirmation of their joint plan of reorganization on September 28, 2016 and subsequently emerged from bankruptcy on October 12, 2016 (the “Effective Date”).

The Company accounted for the bankruptcy in accordance with Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) 852, “Reorganizations”.

All references made to “Successor” or “Successor Company” relate to Goodrich on and subsequent to the Effective Date. References to the “Successor 2016 Period” relate to the period from October 13, 2016 to December 31, 2016. References to “Predecessor” or “Predecessor Company” refer to Goodrich prior to the Effective Date. References to the “Predecessor 2016 Period” relate to the period from January 1, 2016 to October 12, 2016.

Available Information

Our principal executive offices are located at 801 Louisiana Street, Suite 700, Houston, Texas 77002.

Our website address is http://www.goodrichpetroleum.com. We make available, free of charge through the Investor Relations portion of our website, our annual reports on Form 10-K, proxy statement, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports, as filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”) as soon as reasonably practicable after we electronically file such material with, or furnish it to, the Securities and Exchange Commission (“SEC”). Reports of beneficial ownership filed pursuant to Section 16(a) of the Exchange Act are also available on our website. Information contained on our website is not part of this report.

We file or furnish annual, quarterly and current reports, proxy statements and other documents with the SEC under the Exchange Act. The public may read and copy any materials that we file with the SEC at the SEC’s Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. Also, the SEC maintains a website that contains reports, proxy and information statements, and other information regarding issuers, including us, that file electronically with the SEC. The public can obtain any documents that we file with the SEC at http://www.sec.gov.

GLOSSARY OF CERTAIN OIL AND NATURAL GAS TERMS

As used herein, the following terms have specific meanings as set forth below:

Bbls	Barrels of crude oil or other liquid hydrocarbons
Bcf	Billion cubic feet
Bcfe	Billion cubic feet equivalent
Boe	Barrel of crude oil or other liquid hydrocarbons equivalent
MBbls	Thousand barrels of crude oil or other liquid hydrocarbons
Mboe	Thousand barrels of crude oil equivalent
Mcf	Thousand cubic feet of natural gas
Mcfe	Thousand cubic feet equivalent
MMBbls	Million barrels of crude oil or other liquid hydrocarbons
MMBtu	Million British thermal units
Mmcf	Million cubic feet of natural gas
Mmcfe	Million cubic feet equivalent
MMBoe	Million barrels of crude oil or other liquid hydrocarbons equivalent
NGL	Natural gas liquids
U.S.	United States

Crude oil and other liquid hydrocarbons are converted into cubic feet of natural gas equivalent based on six Mcf of natural gas to one barrel of crude oil or other liquid hydrocarbons.

Developed oil and natural gas reserves are proved reserves that can be expected to be recovered through existing wells with existing equipment and operating methods or in which the cost of the required equipment is relatively minor compared with the cost of a new well or through installed extraction equipment and infrastructure operational at the time of the reserves estimates if the extraction is by means not involving a well.

Development well is a well drilled within the proved area of an oil or natural gas field to the depth of a stratigraphic horizon known to be productive.

Dry hole is an exploratory, development or extension well that proves to be incapable of producing either oil or natural gas in sufficient quantities to justify completion as an oil or natural gas well.

Economically producible as it relates to a resource, means a resource that generates revenue that exceeds, or is reasonably expected to exceed, the costs of the operation. The value of the products that generate revenue shall be determined at the terminal point of oil-and-natural gas producing activities.

Estimated ultimate recovery is the sum of reserves remaining as of a given date and cumulative production as of that date.

Exploratory well is a well drilled to find a new field or to find a new reservoir in a field previously found to be productive of oil or natural gas in another reservoir. Generally, an exploratory well is any well that is not a development well, a service well or a stratigraphic test well.

Farm-in or farm-out is an agreement whereby the owner of a working interest in an oil and natural gas lease or license assigns the working interest or a portion thereof to another party who desires to drill on the leased or licensed acreage. Generally, the assignee is required to drill one or more wells to earn its interest in the acreage. The assignor (the “farmor”) usually retains a royalty or reversionary interest in the lease. The interest received by an assignee is a “farm-in”, while the interest transferred by the assignor is a “farm-out”.

Field is an area consisting of a single reservoir or multiple reservoirs all grouped on or related to the same individual geological structural feature or stratigraphic condition. The SEC provides a complete definition of field in Rule 4-10 (a) (15).

Gross well or acre is a well or acre in which the registrant owns a working interest. The number of gross wells is the total number of wells in which the registrant owns a working interest.

Net well or acre is deemed to exist when the sum of fractional ownership working interests in gross wells or acres equals one. The number of net wells or acres is the sum of the fractional working interests owned in gross wells or acres expressed as whole numbers and fractions of whole numbers.
PV-10 is the pre-tax present value, discounted at 10% per year, of estimated future net revenues from the production of proved reserves, computed by applying the 12-month average price for the year and holding that price constant throughout the productive life of the reserves (except for consideration of price changes to the extent provided by contractual arrangements), and deducting the estimated future costs to be incurred in developing, producing and abandoning the proved reserves (computed based on current costs and assuming continuation of existing economic conditions). PV-10 is not a financial measure that is calculated in accordance with United States Generally Accepted Accounting Principles ("US GAAP"). The SEC methodology for computing the 12-month average price is discussed in the definition of "Proved reserves" below.
Productive well is an exploratory, development or extension well that is not a dry well.
Proved reserves are those quantities of oil and natural gas which, by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be economically producible—from a given date forward, from known reservoirs, and under existing economic conditions, operating methods, and government regulations—prior to the time at which contracts providing the right to operate expire, unless evidence indicates that renewal is reasonably certain, regardless of whether deterministic or probabilistic methods are used for the estimation. The project to extract the hydrocarbons must have commenced or the operator must be reasonably certain that it will commence the project within a reasonable time. As used in this definition, "existing economic conditions" include prices and costs at which economic producibility from a reservoir is to be determined. The prices shall be the average price during the 12-month period prior to the ending date of the period covered by the report, determined as an unweighted arithmetic average of the first-day-of-the-month price for each month within such period, unless prices are defined by contractual arrangements, excluding escalations based on future conditions. The SEC provides a complete definition of proved reserves in Rule 4-10 (a) (22) of Regulation S-X.
Reasonable certainty means a high degree of confidence that the quantities will be recovered, if deterministic methods are used. If probabilistic methods are used, there should be at least a 90 percent probability that the quantities actually recovered will equal or exceed the estimate. A high degree of confidence exists if the quantity is much more likely to be achieved than not, and, as changes due to increased availability of geoscience (geological, geophysical, and geochemical), engineering, and economic data are made to estimated ultimate recovery with time, reasonably certain estimated ultimate recovery is much more likely to increase or remain constant than to decrease. The deterministic method of estimating reserves or resources uses a single value for each parameter (from the geoscience, engineering, or economic data) in the reserves calculation. The probabilistic method of estimation of reserves or resources uses the full range of values that could reasonably occur for each unknown parameter (from the geoscience and engineering data) to generate a full range of possible outcomes and their associated probabilities of occurrence.
Reserves are estimated remaining quantities of oil and natural gas and related substances anticipated to be economically producible, as of a given date, by application of development projects to known accumulations. In addition, there must exist, the legal right to produce or a revenue interest in the production, installed means of delivering oil and natural gas or related substances to market, and all permits and financing required to implement the project.
Undeveloped reserves are proved reserves that are expected to be recovered from new wells on undrilled acreage, or from existing wells where a relatively major expenditure is required for recompletion. Reserves on undrilled acreage shall be limited to those directly offsetting development spacing areas that are reasonably certain of production when drilled, unless evidence using reliable technology exists that establishes reasonable certainty of economic producibility at greater distances. Undrilled locations can be classified as having undeveloped reserves only if a development plan has been adopted indicating that they are scheduled to be drilled within five years, unless the specific circumstances, justify a longer time. Under no circumstances shall estimates for undeveloped reserves be attributable to any acreage for which an application of fluid injection or other improved recovery technique is contemplated, unless such techniques have been proved effective by actual projects in the same reservoir or an analogous reservoir, or by other evidence using reliable technology establishing reasonable certainty.

Working interest is the operating interest that gives the owner the right to drill, produce and conduct operating activities on the property and a share of production.
Workover is a series of operations on a producing well to restore or increase production.

Oil and Natural Gas Operations and Properties

As of December 31, 2017, nearly all of our proved oil and natural gas reserves were located in Louisiana, Texas and Mississippi. We spent substantially all of our 2017 capital expenditures of $41.8 million in the Haynesville Shale Trend of Northwest Louisiana. Our total capital expenditures, including accrued costs for services performed during 2017, consisted of $41.2 million for drilling and completion costs, $0.5 million for leasehold acquisitions and extensions, and $0.1 million for furniture and fixtures.

We are currently focused on developing our Haynesville Shale Trend assets. The Haynesville Shale Trend is one of the top natural gas plays in the U.S., particularly when factoring in its geographic location, pipeline and infrastructure capacity and deliverability of gas to the gulf coast industrial complex and liquified natural gas export facilities. As a result, substantially all of our 2018 capital expenditure budget is planned for Haynesville Shale Trend development.

The table below details our acreage positions, average working interest and producing wells as of December 31, 2017.

Field or Area	Acreage As of December 31, 2017 Gross	Net	Average Producing Well Working Interest		Producing wells at December 31, 2017
Tuscaloosa Marine Shale Trend	87,635	64,945	65	%	40
Haynesville Shale Trend	50,097	25,855	33	%	91
Eagle Ford Shale Trend	32,430	14,148	—		—
Other	33,125	7,323	23	%	34

Haynesville Shale Trend

As of December 31, 2017, we have acquired or farmed-in leases totaling approximately 50,100 gross (25,900 net) acres in the Haynesville Shale Trend. During 2017, we added 5 gross (1.5 net) wells to production on our acreage. Our Haynesville Shale Trend drilling activities are currently located in leasehold areas in Caddo, DeSoto and Red River parishes, Louisiana. As of December 31, 2017, we had 6 gross wells in the drilling phase and 5 additional gross wells waiting on completion operations in the Haynesville Shale Trend.

On February 28, 2018, we closed, in two separate transactions, the sale of working interests in certain oil and gas leases, wells, units and facilities (the “Disposition”) and certain net leasehold interests in a portion of our undeveloped acreage in the Angelina River Trend in Angelina and Nacogdoches Counties, Texas to BP America Production Company for total consideration of approximately $23 million, with an effective date of January 1, 2018. The Disposition is subject to customary post-closing adjustments.

Tuscaloosa Marine Shale Trend

As of December 31, 2017, we have acquired approximately 87,600 gross (64,900 net) lease acres in the TMS, an oil shale play in Southwest Mississippi and Southeast Louisiana. Approximately 60,400 gross (41,900 net) acres are currently held by production. During 2017, we did not conduct any drilling operations and did not add any wells to production. As of December 31, 2017, we had 2 gross (1.7 net) wells waiting on completion operations in the TMS.

Eagle Ford Shale Trend

As of December 31, 2017, we have acquired or farmed-in leases totaling approximately 32,400 gross (14,100 net) lease acres in the Eagle Ford Shale Trend. We sold our Eagle Ford Shale Trend proved reserves and a portion of the associated leasehold on September 4, 2015 but retained approximately 14,100 net acres of undeveloped leasehold in Frio County, Texas for future development or sale.

Other

As of December 31, 2017, we maintained ownership interests in acreage and/or wells in several additional fields.

See “Item 7—Management’s Discussion and Analysis of Financial Condition and Results of Operations” in this Annual Report on Form 10-K for additional information on our recent operations in the Haynesville Shale Trend, TMS and Eagle Ford Shale Trend.

Oil and Natural Gas Reserves

The following tables set forth summary information with respect to our proved reserves as of December 31, 2017 and 2016, as estimated by Netherland, Sewell & Associates, Inc. (“NSAI”) and by Ryder Scott Company (“RSC”) our independent reserve engineers. All of our proved reserves estimates are independently prepared by NSAI and RSC. NSAI prepared the estimates on all our proved reserves as of December 31, 2017 on properties other than those located in the TMS. RSC prepared the estimate of proved reserves as of December 31, 2017 for our TMS properties. Copies of the summary reserve reports of NSAI and RSC as of December 31, 2017 are included as exhibits to this Annual Report on Form 10-K. For additional information see Supplemental Information “Oil and Natural Gas Producing Activities (Unaudited)” to our consolidated financial statements in “Item 8—Financial Statements and Supplementary Data” of this Annual Report on Form 10-K.

Net proved reserves and the PV10 estimates at December 31, 2017 below, were calculated using flat, twelve month average commodity index prices of $51.34 per barrel and $2.98 per Mmbtu.

	Proved Reserves at December 31, 2017			
	Developed Producing	Developed Non-Producing	Undeveloped	Total
	(dollars in thousands)			
Net Proved Reserves:				
Oil (MBbls) (1)	1,414	716	—	2,130
Natural Gas (Mmcf)	40,841	12,020	362,363	415,224
Mcf Natural Gas Equivalent (Mmcfe) (2)	49,326	16,313	362,363	428,002
Estimated Future Net Cash Flows				$500,504
PV-10 (3)				$264,159
Discounted Future Income Taxes				(3,849)
Standardized Measure of Discounted Net Cash Flows (3)				$260,310

	Proved Reserves at December 31, 2016			
	Developed Producing	Developed Non-Producing	Undeveloped	Total
	(dollars in thousands)			
Net Proved Reserves:				
Oil (MBbls) (1)	1,988	827	—	2,815
Natural Gas (Mmcf)	23,277	4,266	258,495	286,038
Mcf Natural Gas Equivalent (Mmcfe) (2)	35,207	9,225	258,495	302,927
Estimated Future Net Cash Flows				$159,824
PV-10 (3)				$57,086
Discounted Future Income Taxes				(164)
Standardized Measure of Discounted Net Cash Flows (3)				$56,922

(1) Includes condensate.

(2) Based on ratio of six Mcf of natural gas per Bbl of oil and per Bbl of NGLs.

(3) PV-10 represents the discounted future net cash flows attributable to our proved oil and natural gas reserves before income tax, discounted at 10%. PV-10 of our total year-end proved reserves is considered a non-US GAAP financial measure as defined by the SEC. We believe that the presentation of the PV-10 is relevant and useful to our investors because it presents the discounted future net cash flows attributable to our proved reserves before taking into account future corporate income taxes and our current tax structure. We further believe investors and creditors use our PV-10 as a basis for comparison of the relative size and value of our reserves to other companies. See the reconciliation of our PV-10 to the standardized measure of discounted future net cash flows in the table above.

The following table presents our reserves by targeted geologic formation in Mmcfe:

	December 31, 2017			
Area	Proved Developed	Proved Undeveloped	Proved Reserves	% of Total
Tuscaloosa Marine Shale Trend	12,704	—	12,704	3 %
Haynesville Shale Trend	48,960	362,363	411,323	96 %
Other	3,975	—	3,975	1 %
Total	65,639	362,363	428,002	100 %

Reserve engineering is a subjective process of estimating underground accumulations of crude oil, condensate and natural gas that cannot be measured in an exact manner, and the accuracy of any reserve estimate is a function of the quality of

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available data and of engineering and geological interpretation and judgment. The quantities of oil and natural gas that are ultimately recovered, production and operating costs, the amount and timing of future development expenditures and future oil and natural gas sales prices may differ from those assumed in these estimates. Therefore, the PV-10 amounts shown above should not be construed as the current market value of the oil and natural gas reserves attributable to our properties.

In accordance with the guidelines of the SEC, our independent reserve engineers' estimates of future net revenues from our estimated proved reserves, and the PV-10 and standardized measure thereof, were determined to be economically producible under existing economic conditions, which requires the use of the 12-month average price for each product, calculated as the unweighted arithmetic average of the first-day-of-the-month price for the period of January 2017 through December 2017, except where such guidelines permit alternate treatment, including the use of fixed and determinable contractual price escalations. For reserves at December 31, 2017, the average twelve month prices used were $2.98 per MMBtu of natural gas and $51.34 per Bbl of crude. These prices do not include the impact of hedging transactions, nor do they include the adjustments that are made for applicable transportation and quality differentials, and price differentials between natural gas liquids and oil, which are deducted from or added to the index prices on a well by well basis in estimating our proved reserves and related future net revenues.

Our proved reserve information as of December 31, 2017 included in this Annual Report on Form 10-K was estimated by our independent petroleum engineers, NSAI and RSC, in accordance with petroleum engineering and evaluation principles and definitions and guidelines set forth in the Standards Pertaining to the Estimating and Auditing of Oil and Natural Gas Reserve Information promulgated by the Society of Petroleum Engineers. The technical persons responsible for preparing the reserves estimates presented herein meet the requirements regarding qualifications, independence, objectivity and confidentiality set forth in the Standards Pertaining to the Estimating and Auditing of Oil and Natural Gas Reserves Information promulgated by the Society of Petroleum Engineers.

Our principal engineer has over 30 years of experience in the oil and natural gas industry, including over 25 years as a reserve evaluator, trainer or manager. Further professional qualifications of our principal engineer include a degree in petroleum engineering, extensive internal and external reserve training, and experience in asset evaluation and management. In addition, the principal engineer is an active participant in professional industry groups and has been a member of the Society of Petroleum Engineers for over 30 years.

Our internal professional staff works closely with our external engineers to ensure the integrity, accuracy and timeliness of data that is furnished to them for their reserve estimation process. In addition, other pertinent data such as seismic information, geologic maps, well logs, production tests, material balance calculations, well performance data, operating procedures and relevant economic criteria is provided to them. We make available all information requested, including our pertinent personnel, to the external engineers as part of their evaluation of our reserves.

We consider providing independent fully engineered third-party estimates of reserves from nationally reputable petroleum engineering firms, such as NSAI and RSC, to be the best control in ensuring compliance with Rule 4-10 of Regulation S-X for reserve estimates.

While we have no formal committee specifically designated to review reserves reporting and the reserves estimation process, a preliminary copy of the NSAI and RSC reserve reports are reviewed by our senior management with representatives of NSAI and RSC and our internal technical staff. Additionally, our senior management reviews and approves any internally estimated significant changes to our proved reserves semi-annually.

Proved reserves are those quantities of oil and natural gas, which, by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be economically producible from a given date forward, from known reservoirs, and under existing economic conditions, operating methods, and government regulations. The term "reasonable certainty" implies a high degree of confidence that the quantities of oil and/or natural gas actually recovered will equal or exceed the estimate. To achieve reasonable certainty, NSAI and RSC employed technologies that have been demonstrated to yield results with consistency and repeatability. The technologies and economic data used in the estimation of our proved reserves include, but are not limited to, well logs, geologic maps, available downhole and production data, seismic data and well test data.

Our total proved reserves at December 31, 2017, as estimated by NSAI and RSC, were 428 Bcfe, consisting of 415 Bcf of natural gas and 2.1 MMBbls of oil and condensate. In 2017 we added approximately 33 Bcfe related to our drilling activities in the Haynesville Shale Trend. We had positive revisions of approximately 105 Bcfe and produced 12 Bcfe in 2017. We are employing new completion techniques on our Haynesville Shale Trend wells which have been proven on the successful producing wells we drilled in 2017 and 2016. These well results in conjunction with our acreage position and our new financial ability to develop our Haynesville Shale Trend properties allowed us to add the Haynesville Shale Trend reserves as of December 31, 2017.

Our proved undeveloped ("PUD") reserves at December 31, 2017, all in our Haynesville Shale Trend, were 362 Bcfe, or 85% of our total proved reserves. In 2017, we had net positive revisions of previous estimates of 84 Bcfe and new additions of 33 Bcfe. We developed approximately 13 Bcfe, or 5% of our total proved undeveloped reserves booked as of December 31, 2016, through the drilling of 4 gross (2.3 net) development wells. Of the proved undeveloped reserves in our December 31, 2017 reserve report, the oldest was initially booked on December 31, 2016. Consequently, none have remained undeveloped for more than five years since the date of initial booking as proved undeveloped reserves, and none are scheduled for commencement of development on a date more than five years from the date the reserves were initially booked as proved undeveloped.

The positive PUD revision of previous estimates attributable to ever improving well completion technology and techniques was 47 Bcf. We increased our ownership in the well locations by negotiating acreage swaps with offset operators which added 22 Bcf and commodity price increases added 15 Bcf to PUD reserves.

We suffered a delay in our development well program in the second half of 2017 primarily related to the prolific hurricane events in our operating area. We had 13 gross (5.9 net) development wells waiting to be completed.

Productive Wells

The following table sets forth the number of productive wells in which we maintain ownership interests as of December 31, 2017:

	Oil		Natural Gas		Total	
	Gross (1)	Net (2)	Gross (1)	Net (2)	Gross (1)	Net (2)
Tuscaloosa Marine Shale Trend:						
Southeast Louisiana	17	12	—	—	17	12
Southwest Mississippi	23	14	—	—	23	14
Haynesville Shale Trend:						
East Texas	—	—	6	5	6	5
Northwest Louisiana	—	—	91	30	91	30
Other	9	1	19	5	28	6
Total Productive Wells	49	27	116	40	165	67

(1) Royalty and overriding interest wells that have immaterial values are excluded from the above table. As of December 31, 2017, only two wells with royalty-only and overriding interests-only are included.
(2) Net working interest.

Productive wells consist of producing wells and wells capable of production, including wells awaiting pipeline connections. A gross well is a well in which we maintain an ownership interest, while a net well is deemed to exist when the sum of the fractional working interests owned by us equals one. Wells that are completed in more than one producing horizon are counted as one well.

Acreage

The following table summarizes our gross and net developed and undeveloped acreage under lease as of December 31, 2017. Acreage in which our interest is limited to a royalty or overriding royalty interest is excluded from the table.

	Developed		Undeveloped		Total	
	Gross	Net	Gross	Net	Gross	Net
Tuscaloosa Marine Shale Trend:						
Southwest Mississippi	28,369	19,981	9,560	5,459	37,928	25,440
Southeast Louisiana	32,053	21,919	17,653	17,586	49,706	39,505
Haynesville Shale Trend:						
East Texas	12,553	7,181	212	371	12,765	7,553
Northwest Louisiana	36,665	18,362	1,961	573	38,626	18,935
Eagle Ford Shale Trend:			**389,852**	**$ 1,626,955**		

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

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SVB FINANCIAL GROUP AND SUBSIDIARIES

INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

(Dollars in thousands)	Six months ended June 30, 2010	2009
Cash flows from operating activities:		
Net income (loss) before noncontrolling interests	$ 50,396	$ (39,851)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Impairment of goodwill		4,092
Provision for loan losses	18,153	64,859
Provision for (reduction of) unfunded credit commitments	869	(3,431)
Changes in fair values of derivatives, net	2,926	555
(Gains) losses on investment securities, net	(20,809)	41,795
Depreciation and amortization	9,131	10,040
Amortization of premiums on investment securities, net	12,396	5,330
Tax benefit of original issue discount		10,745
Tax expense from stock exercises	(330)	(1,436)
Amortization of share-based compensation	6,296	7,743
Amortization of deferred warrant-related loan fees	(3,192)	(4,375)
Deferred income tax expense (benefit)	2,732	(6,647)
Losses on sale of and valuation adjustments to other real estate owned property	24	107
Changes in other assets and liabilities:		
Accrued interest, net	(1,349)	(4,021)
Accounts receivable	(667)	(3,840)
Income tax receivable, net	(886)	(24,458)
Accrued compensation	7,545	(11,003)
Foreign exchange spot contracts, net	13,215	33,914
Other, net	19,444	6,484
Net cash provided by operating activities	115,894	86,602
Cash flows from investing activities:		
Purchases of available-for-sale securities	(2,371,038)	(1,071,073)
Proceeds from sales of available-for-sale securities	160,350	189
Proceeds from maturities and pay downs of available-for-sale securities	892,588	244,141
Purchases of nonmarketable securities (cost and equity method accounting)	(20,103)	(22,650)
Proceeds from sales of nonmarketable securities (cost and equity method accounting)	6,691	2,120
Purchases of nonmarketable securities (investment fair value accounting)	(44,939)	(31,067)
Proceeds from sales of nonmarketable securities (investment fair value accounting)	15,874	5,307
Net decrease in loans	69,077	597,309
Proceeds from recoveries of charged-off loans	9,499	2,129
Proceeds from sale of other real estate owned	196	693
Payment for acquisition of intangibles, net of cash acquired	(360)	
Purchases of premises and equipment	(13,220)	(6,811)
Net cash used for investing activities	(1,295,385)	(279,713)
Cash flows from financing activities:		
Net increase in deposits	1,808,476	1,521,111
Principal payments of other long-term debt		(50,885)
Increase (decrease) in short-term borrowings	5,980	(30,780)
Capital contributions from noncontrolling interests, net of distributions	33,366	28,589
Tax benefit from stock exercises	2,775	61
Dividends paid on preferred stock		(4,994)

Proceeds from issuance of common stock	13,204	2,654
Repurchase of warrant under Capital Purchase Program	(6,820)	
Net cash provided by financing activities	1,856,981	1,465,756
Net increase in cash and cash equivalents	677,490	1,272,645
Cash and cash equivalents at beginning of period	3,512,853	2,436,725
Cash and cash equivalents at end of period	**$ 4,190,343**	**$ 3,709,370**
Supplemental disclosures:		
Cash paid during the period for:		
Interest	$ 18,991	$ 28,569
Income taxes	20,876	27,312
Noncash items during the period:		
Preferred stock dividends accrued, not yet paid	$	$ 1,469
Unrealized gains on available-for-sale securities, net of tax	54,133	10,589
Net change in fair value of interest rate swaps	13,276	(44,403)

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

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SVB FINANCIAL GROUP AND SUBSIDIARIES

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

1. Basis of Presentation

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

The accompanying interim consolidated financial statements reflect all adjustments of a normal and recurring nature that are, in the opinion of management, necessary to fairly present our financial position, results of operations and cash flows in accordance with accounting principles generally accepted in the United States of America (GAAP). Such interim consolidated financial statements have been prepared in accordance with the instructions to Form 10-Q pursuant to the rules and regulations of the Securities and Exchange Commission (SEC). Certain information and footnote disclosures normally included in financial statements prepared in accordance with GAAP have been condensed or omitted pursuant to such rules and regulations. The results of operations for the three and six months ended June 30, 2010 are not necessarily indicative of results to be expected for any future periods. These interim consolidated financial statements should be read in conjunction with our Annual Report on Form 10-K for the year ended December 31, 2009 (2009 Form 10-K).

The accompanying unaudited interim consolidated financial statements have been prepared on a consistent basis with the accounting policies described in Consolidated Financial Statements and Supplementary Data-Note 2- Summary of Significant Accounting Policies under Part II, Item 8 of our 2009 Form 10-K, and with the accounting pronouncements adopted during the six months ended June 30, 2010, as discussed below.

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

Principles of Consolidation and Presentation

Our consolidated financial statements include the accounts of SVB Financial Group and our majority-owned subsidiaries and variable interest entities (VIEs) for which we are the primary beneficiary and our investments in which we have a majority owned voting interest. All significant intercompany accounts and transactions have been eliminated.

We determine whether we have a controlling financial interest in an entity by evaluating whether the entity is a VIE for which we are the primary beneficiary. We consider the following factors in evaluating whether our involvement with the VIE is significant and designates us as the primary beneficiary:

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

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.

We reassess our initial evaluation of whether an entity is a VIE upon the occurrence of certain events, such as changes in an entity s capital structure or in its activities, known as reconsideration events. Our evaluation of whether we are the primary beneficiary of a VIE is not limited to the occurrence of certain reconsideration events but is instead reassessed on an ongoing basis. 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.

Current Accounting Developments

In the first quarter of 2010, we adopted new guidance related to the following topics:

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ASU No. 2009-16, *Accounting for Transfers of Financial Assets*

ASU No. 2009-17, *Improvements to Financial Reporting by Enterprises Involved with Variable Interest Entities*

ASU No. 2010-06, *Improving Disclosures about Fair Value Measurements*

No new accounting guidance was adopted during the second quarter of 2010.

Information about these pronouncements is described in more detail below.

Impact of Adopting ASU No. 2009-16

In June 2009, the Financial Accounting Standards Board (FASB) issued a new accounting standard which defines the term participating interest to establish specific conditions for reporting a transfer of a portion of a financial asset as a sale. This standard also removes the concept of a qualifying special-purpose entity (QSPE) for accounting purposes. Our adoption of this standard as of January 1, 2010 did not have a material impact on our financial position, results of operations or stockholders equity as we have not historically made sales or transfers of assets to QSPE s. However, we do engage from time to time in selling our loans. Historically, our participating interests in those sales have the same priority and are not subordinated to the other participating interest holders interest. Therefore, the change in the standard of removing the QSPE concept and the new definition of participating interest did not have an impact on our sales treatment.

Impact of Adopting ASU No. 2009-17

In June 2009, the FASB issued a new accounting standard which replaces the quantitative-based risks and rewards calculation for determining which enterprise has a controlling interest in a VIE, with an approach focused on which enterprise has both the power to direct the activities of a VIE that most significantly impact the VIE s economic performance and the obligation to absorb losses or the right to receive benefits of the VIE that could potentially be significant to the VIE. Our adoption of this standard as of January 1, 2010 required us to de-consolidate Gold Hill Venture Lending Partners 03, LLC (GHLLC), which resulted in a reduction of total assets and total equity of $1.1 million. The identification of VIE s or changes in our consolidation of entities did not have a material impact on our financial position, results of operations or stockholder s equity.

Impact of Adopting ASU No. 2010-06

In January 2010, the FASB issued a new accounting standard which requires the addition of new disclosures and clarifies existing disclosure requirements already included in the guidance for fair value measurements. The new disclosures related to significant transfers in and out of Level 1, Level 2 and Level 3 fair value measurements and the reasons for the transfers, as well as the clarifications of existing disclosures were effective for interim or annual reporting periods beginning after December 15, 2009 and were therefore adopted as of January 1, 2010. The new disclosures about purchases, sales, issuances and settlements in the roll forward of activity in Level 3 fair value measurements are effective for interim or annual reporting periods beginning after December 15, 2010. This standard clarified and increased the disclosure requirements for fair value measurements and did not have an impact on our financial position, results of operations or stockholders equity. See Note 14- Fair Value of Financial Instruments for further details.

Recent Accounting Pronouncements

In July 2010, the FASB issued a new accounting standard (ASU No. 2010-20), which requires the addition of new disclosures and enhances existing disclosure requirements already included in the guidance for credit quality and the allowance for credit losses. The statement requires enhancements to disclosures for the allowance for credit losses on a disaggregated basis. The statement defines two levels of disaggregation: 1) portfolio segment and 2) class of financing receivable. Additionally, the statement requires multiple new disclosures regarding an entity s financing receivables, such as credit quality indicators, aging of past due receivables, troubled debt restructurings, and significant purchases and sales. The new disclosures and amendments to existing disclosures are effective for interim and annual reporting periods ending on or after December 15, 2010. This standard enhances and increases the disclosure requirements for credit quality and the allowance for credit losses and does not have an impact on our financial position, results of operations or stockholders equity.

Reclassifications

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

2. Stockholders Equity and Earnings Per Share (EPS)

Common Stock

On June 16, 2010, we repurchased in its entirety the warrant previously issued to the U.S. Treasury in connection with our previous participation in the U.S. Treasury s Capital Purchase Program (CPP). The total cash repurchase price paid to the U.S.

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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 for the three or six months ended June 30, 2010.

Earnings Per Share

Basic earnings per share is the amount of earnings available to each share of common stock outstanding during the reporting period. Diluted earnings per share is the amount of earnings available to each share of common stock outstanding during the reporting period adjusted to include the effect of potentially dilutive common shares. Potentially dilutive common shares include incremental shares issued pursuant to stock options and restricted stock units under our equity incentive plan, stock purchases under our employee stock purchase plan, our 3.875% convertible senior notes (2008 Convertible Notes) and related warrants and note hedge. Potentially dilutive common shares are excluded from the computation of dilutive earnings per share in periods in which the effect would be antidilutive. The following is a reconciliation of basic EPS to diluted EPS for the three and six months ended June 30, 2010 and 2009, respectively:

(Dollars and shares in thousands, except per share amounts)	Three months ended June 30, 2010	Three months ended June 30, 2009	Six months ended June 30, 2010	Six months ended June 30, 2009
Numerator:				
Net income attributable to SVBFG	$ 21,120	$ 11,338	$ 39,677	$ 3,103
Preferred stock dividend and discount accretion		(3,545)		(7,081)
Net income (loss) available to common stockholders	$ 21,120	$ 7,793	$ 39,677	$ (3,978)
Denominator:				
Weighted average common shares outstanding-basic	41,720	32,952	41,558	32,960
Weighted average effect of dilutive securities:				
Stock options	694	126	712	
Restricted stock units	62		70	
Denominator for diluted calculation	42,476	33,078	42,340	32,960
Net income (loss) per common share:				
Basic	$ 0.51	$ 0.24	$ 0.95	$ (0.12)
Diluted	$ 0.50	$ 0.24	$ 0.94	$ (0.12)

Due to the loss applicable to common stockholders for the six months ended June 30, 2009, no potentially dilutive shares were included in the loss per share calculation as including such shares would be anti-dilutive and reduce the reported loss per share.

Any dilutive effect of our 2008 Convertible Notes are included in the calculation of diluted EPS using the treasury stock method. The 2008 Convertible Notes did not impact our weighted average diluted common shares total as the applicable conversion price was higher than the average daily closing price for the three and six month periods. Our warrant associated with the 2008 Convertible Notes did not impact our weighted average diluted common shares total as the applicable conversion price was higher than the average daily closing price for the three and six month periods.

The following table summarizes the common shares excluded from the diluted EPS calculation as they were deemed to be anti-dilutive for the three and six months ended June 30, 2010 and 2009, respectively:

(Shares in thousands)	Three months ended June 30, 2010	Three months ended June 30, 2009	Six months ended June 30, 2010	Six months ended June 30, 2009

Stock options	7	2,893	8	3,031
Restricted stock units	1	583	7	714
Warrant associated with Capital Purchase Program (1)		707		862
Total	8	4,183	15	4,607

(1) On June 16, 2010, we repurchased in its entirety the warrant previously issued to the U.S. Treasury in connection with our previous participation in the CPP.

In addition to the above, at June 30, 2010, 4.7 million shares of our 2008 Convertible Notes and associated warrants were outstanding but also excluded from the diluted EPS calculation as they were deemed to be anti-dilutive. Concurrent with the issuance of our 2008 Convertible Notes, we entered into a convertible note hedge and warrant agreement. For information on our 2008 Convertible Notes and associated convertible note hedge and warrant agreement, see our Consolidated Financial Statements and

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Supplementary Data- Note 12- Short-Term Borrowings and Long-Term Debt and Note 13- Derivative Financial Instruments and under Part II, Item 8 of our 2009 Form 10-K.

3. Share-Based Compensation

For the three and six months ended June 30, 2010, we recorded share-based compensation expense of $3.0 million and $6.3 million, respectively, resulting in the recognition of $0.7 million and $1.4 million, respectively, in related tax benefits. For the three and six months ended June 30, 2009, we recorded share-based compensation expense of $3.9 million and $7.8 million, respectively, resulting in the recognition of $0.9 million and $1.9 million, respectively, in related tax benefits.

Unrecognized Compensation Expense

At June 30, 2010, unrecognized share-based compensation expense was as follows:

(Dollars in thousands)	Unrecognized Expense	Average Expected Recognition Period - in Years
Stock options	$ 11,128	2.98
Restricted stock units	12,289	2.53
Total unrecognized share-based compensation expense	$ 23,417	

Share-Based Payment Award Activity

The table below provides stock option information related to the 1997 Equity Incentive Plan and the 2006 Equity Incentive Plan for the six months ended June 30, 2010:

	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life in Years	Aggregate Intrinsic Value of In-The-Money Options
Outstanding at December 31, 2009	3,500,723	$ 35.31		
Granted	337,316	48.99		
Exercised	(395,189)	28.97		
Forfeited	(65,895)	38.35		
Expired	(7,925)	51.06		
Outstanding at June 30, 2010	3,369,030	37.30	3.32	$ 24,823,826
Vested and expected to vest at June 30, 2010	3,213,388	37.22	3.18	23,717,064
Exercisable at June 30, 2010	2,361,808	36.84	2.24	17,312,199

The aggregate intrinsic value of outstanding options shown in the table above represents the pretax intrinsic value based on our closing stock price of $41.23 as of June 30, 2010. The total intrinsic value of options exercised during the three and six months ended June 30, 2010 was $4.0 million and $7.2 million, respectively, compared to $32 thousand and $0.2 million for the comparable 2009 periods.

The table below provides information for restricted stock units under the 1997 Equity Incentive Plan and the 2006 Equity Incentive Plan for the six months ended June 30, 2010:

	Shares	Weighted Average Grant Date Fair Value
Nonvested at December 31, 2009	336,806	$ 39.55
Granted	156,343	47.92
Vested	(92,622)	39.42
Forfeited	(32,642)	32.63
Nonvested at June 30, 2010	367,885	43.81

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

The following table details the securities purchased under agreements to resell and other short-term investment securities at June 30, 2010 and December 31, 2009, respectively:

(Dollars in thousands)	June 30, 2010	December 31, 2009
Securities purchased under agreements to resell	$ 25,537	$ 58,242
Other short-term investment securities	18,069	
Total securities purchased under agreements to resell and other short-term investment securities	$ 43,606	$ 58,242

In addition, as of June 30, 2010 and December 31, 2009, $3.7 billion and $3.1 billion, respectively, of our cash and due from banks was deposited at the Federal Reserve Bank and was earning interest at the Federal Funds target rate, and interest-earning deposits in other financial institutions were $234.6 million and $171.6 million, respectively.

5. Investment Securities

The major components of our investment securities portfolio at June 30, 2010 and December 31, 2009 are as follows:

	June 30, 2010				December 31, 2009			
(Dollars in thousands)	Amortized Cost	Unrealized Gains	Unrealized Losses	Carrying Value	Amortized Cost	Unrealized Gains	Unrealized Losses	Carrying Value
Available-for-sale securities, at fair value:								
U.S. treasury securities	$ 25,496	$ 1,082	$	$ 26,578	$ 25,583	$ 464	$	$ 26,047
U.S. agency debentures	1,267,370	12,666		1,280,036	887,008	5,188	(443)	891,753
Residential mortgage-backed securities:								
Agency-issued mortgage-backed securities	1,519,265	48,410		1,567,675	1,413,817	14,050	(17,237)	1,410,630
Agency-issued collateralized mortgage obligations - fixed rate	1,263,073	34,587	(193)	1,297,467	1,360,790	17,142	(5,557)	1,372,375
Agency-issued collateralized mortgage obligations - variable rate	1,063,043	2,909	(288)	1,065,664				
Non-agency mortgage-backed securities (1)					89,155	48	(5,507)	83,696
Commercial mortgage-backed securities (1)					48,440	468	(107)	48,801
Municipal bonds and notes	96,997	3,484	(50)	100,431	100,504	2,429	(56)	102,877
Marketable equity securities	445	5	(68)	382	1,795	219	(5)	2,009
Total available-for-sale securities	$ 5,235,689	$ 103,143	$ (599)	$ 5,338,233	$ 3,927,092	$ 40,008	$ (28,912)	$ 3,938,188
Non-marketable securities:								
Non-marketable securities (investment company fair value accounting):								
Private equity fund investments (2)				322,159				271,316
Other private equity investments (3)				94,980				96,577
Other investments (4)				960				1,143
Non-marketable securities (equity method accounting):								

Other investments (5)	59,655	59,660
Low income housing tax credit funds	24,740	26,797
Non-marketable securities (cost method accounting):		
Private equity fund investments (6)	101,488	86,019
Other private equity investments	12,357	12,019
Total non-marketable securities	616,339	553,531
Total investment securities	$ 5,954,572	$ 4,491,719

(1) During the three months ended June 30, 2010, we sold all of our remaining non-agency residential and commercial mortgage-backed securities of $123.3 million. In addition, we sold all of our remaining agency-issued collateralized mortgage obligations of $34.6 million. The sales of these securities resulted in net gains of $1.1 million.

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(2) The following table shows the amount of private equity fund investments by the following consolidated funds and our ownership of each fund at June 30, 2010 and December 31, 2009:

	June 30, 2010		December 31, 2009	
(Dollars in thousands)	**Amount**	**Ownership %**	**Amount**	**Ownership %**
SVB Strategic Investors Fund, LP	$ 49,226	12.6%	$ 50,508	12.6%
SVB Strategic Investors Fund II, LP	92,141	8.6	85,820	8.6
SVB Strategic Investors Fund III, LP	125,388	5.9	102,568	5.9
SVB Strategic Investors Fund IV, LP	23,986	5.0	13,677	5.0
SVB Capital Preferred Return Fund, LP	13,622	20.0	8,330	20.0
SVB Capital NT Growth Partners, LP	15,121	33.0	10,413	33.0
SVB Capital Partners II, LP (i)	2,675	5.1		N/A
Total private equity fund investments	$ 322,159		$ 271,316	

(i) At June 30, 2010, we had a direct ownership interest of 1.3% and an indirect ownership interest of 3.8% in the fund through our ownership interest of SVB Strategic Investors Fund II, LP.

(3) The following table shows the amount of private equity investments by the following consolidated funds and our ownership of each fund at June 30, 2010 and December 31, 2009:

	June 30, 2010		December 31, 2009	
(Dollars in thousands)	**Amount**	**Ownership %**	**Amount**	**Ownership %**
Silicon Valley BancVentures, LP	$ 20,058	10.7%	$ 24,023	10.7%
SVB Capital Partners II, LP	38,317	5.1	36,847	5.1
SVB India Capital Partners I, LP	36,605	14.4	35,707	14.4
Total other private equity investments	$ 94,980		$ 96,577	

(4) Other investments within non-marketable securities (investment company fair value accounting) include our ownership in Partners for Growth, LP, a consolidated sponsored debt fund. At June 30, 2010 and December 31, 2009 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.

(5) The following table shows the amount of investments and our ownership of each fund at June 30, 2010 and December 31, 2009:

	June 30, 2010		December 31, 2009	
(Dollars in thousands)	**Amount**	**Ownership %**	**Amount**	**Ownership %**
Gold Hill Venture Lending 03, LP (i)	$ 18,527	9.3%	$ 16,134	9.3%
Partners for Growth II, LP	10,459	24.2	13,059	24.2
Other investments	30,669	N/A	30,467	N/A
Total other investments	$ 59,655		$ 59,660	

(i) At June 30, 2010, we had a direct ownership interest of 4.8% in the fund and an indirect interest in the fund through our investment in GHLLC of 4.5%. Our aggregate direct and indirect ownership in the fund is 9.3%.

(6) Represents investments in 343 and 349 venture capital/private equity funds at June 30, 2010 and December 31, 2009, respectively, where our ownership interest is less than 5% of the voting interests of each such fund. For the three months ended June 30, 2010, we recognized other-than-temporary impairment (OTTI) losses of $0.6 million resulting from other-than-temporary declines in value for 24 of the 343 investments. For the six months ended June 30, 2010, we recognized OTTI losses of $0.9 million resulting from other-than-temporary declines in value for 38 of the 343 investments. The OTTI losses are included in net gains (losses) on investment securities, a component of noninterest income. For the remaining 305 investments at June 30, 2010, we concluded that declines in value, if any, were temporary and as such, no OTTI was required to be recognized. At June 30, 2010, the carrying value of these venture capital/private equity fund investments (cost method accounting) was $101.5 million, and the estimated fair value was $101.0 million.

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The following table summarizes our unrealized losses on our available-for-sale investment securities into categories of less than 12 months, or 12 months or longer, at June 30, 2010:

	June 30, 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
Residential mortgage-backed securities:						
Agency-issued collateralized mortgage obligations fixed rate	$ 29,229	$ (193)	$	$	$ 29,229	$ (193)
Agency-issued collateralized mortgage obligations variable rate	143,367	(288)			143,367	(288)
Municipal bonds and notes	10,962	(50)			10,962	(50)
Marketable equity securities	301	(68)			301	(68)
Total temporarily impaired securities (1)	$ 183,859	$ (599)	$	$	$ 183,859	$ (599)

(1) As of June 30, 2010, we identified a total of 28 investments that were in unrealized loss positions. There were no investments with unrealized losses that have been in an impaired position for a period of time greater than 12 months. Unrealized losses are due primarily to increases in market spreads relative to spreads at the time of purchase. 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 June 30, 2010, it is more likely than not that we will not be required to sell any securities prior to recovery of our adjusted cost basis. Based on our analysis we deem all impairments to be temporary and changes in value for our temporarily impaired securities as of June 30, 2010 are included in other comprehensive income. Market valuations and impairment analyses on assets in the investment securities portfolio are reviewed and monitored on a quarterly basis.

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

	December 31, 2009					
	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	$ 287,621	$ (443)	$	$	$ 287,621	$ (443)
Residential mortgage-backed securities:						
Agency-issued mortgage-backed securities	1,034,781	(17,237)			1,034,781	(17,237)
Agency-issued collateralized mortgage obligations fixed rate	321,388	(5,535)	1,392	(22)	322,780	(5,557)
Non-agency mortgage-backed securities	23,966	(195)	51,276	(5,312)	75,242	(5,507)
Commercial mortgage-backed securities	14,968	(107)			14,968	(107)
Municipal bonds and notes	11,908	(56)			11,908	(56)
Marketable equity securities	3	(5)			3	(5)
Total temporarily impaired securities	$ 1,694,635	$ (23,578)	$ 52,668	$ (5,334)	$ 1,747,303	$ (28,912)

The following table summarizes the remaining contractual principal maturities and fully taxable equivalent yields on debt securities classified as available-for-sale as of June 30, 2010. 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. Expected remaining maturities of U.S. treasury securities, U.S. agency debentures and mortgage-backed securities may differ significantly from their contractual maturities because borrowers have the right to prepay obligations with or without penalties. This is most apparent in mortgage-backed securities as contractual maturities are typically 15 to 30 years, whereas expected average lives of these securities tend to be significantly shorter and vary based upon structure.

	June 30, 2010									
	Total		One Year or Less		After One Year to Five Years		After Five Years to 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	$ 26,578	2.39%	$	%	$ 26,578	2.39%	$	%	$	%
U.S. agency debentures	1,280,036	2.18	30,415	3.08	1,219,574	2.12	30,047	3.48		
Residential mortgage-backed securities:										
Agency-issued mortgage-backed securities	1,567,675	3.92	136	6.15	1,204	6.46	116,767	4.40	1,449,568	3.88
Agency-issued collateralized mortgage obligations fixed rate	1,297,467	3.61			11,502	5.06	55,128	4.38	1,230,837	3.56
Agency-issued collateralized mortgage obligations variable rate	1,065,664	0.76							1,065,664	0.76
Municipal bonds and notes	100,431	6.03	1,150	6.50	6,385	5.40	32,996	5.83	59,900	6.18
Total	$ 5,337,851	2.83	$ 31,701	3.22	$ 1,265,243	2.17	$ 234,938	4.48	$ 3,805,969	2.94

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The cost of investment securities is determined on a specific identification basis. The following table presents the components of gains and losses on investment securities for the three and six months ended June 30, 2010 and 2009:

(Dollars in thousands)	Three months ended June 30, 2010	Three months ended June 30, 2009	Six months ended June 30, 2010	Six months ended June 30, 2009
Gross gains on investment securities:				
Available-for-sale securities, at fair value	$ 3,101	$	$ 3,132	$ 7
Marketable securities (investment company fair value accounting)		691	51	1,179
Non-marketable securities (investment company fair value accounting):				
Private equity fund investments	8,853	654	28,645	1,269
Other private equity investments	4,453	141	4,937	193
Other investments		249	27	613
Non-marketable securities (equity method accounting):				
Other investments	598	2,245	2,141	2,809
Non-marketable securities (cost method accounting):				
Private equity fund investments	243	235	558	301
Other private equity investments				22
Other investments	102		102	
Total gross gains on investment securities	17,350	4,215	39,593	6,393
Gross losses on investment securities:				
Available-for-sale securities, at fair value	(2,260)	(41)	(2,264)	(41)
Marketable securities (investment company fair value accounting)	(57)	(197)	(57)	(393)
Non-marketable securities (investment company fair value accounting):				
Private equity fund investments	(4,784)	(5,950)	(9,120)	(36,760)
Other private equity investments	(4,151)	(2,883)	(5,712)	(8,032)
Other investments	(79)		(79)	
Non-marketable securities (equity method accounting):				
Other investments	(612)	(1,163)	(613)	(1,283)
Non-marketable securities (cost method accounting):				
Private equity fund investments	(602)	(701)	(939)	(1,649)
Other private equity investments		(30)		(30)
Total gross losses on investment securities	(12,545)	(10,965)	(18,784)	(48,188)
Gains (losses) on investment securities, net	$ 4,805	$ (6,750)	$ 20,809	$ (41,795)
Gains (losses) attributable to noncontrolling interests, including carried interest	$ 3,564	$ (6,933)	$ 16,342	$ (37,371)

6. Loans and Allowance for Loan Losses

The composition of loans, net of unearned income of $35.4 million and $34.9 million at June 30, 2010 and December 31, 2009, respectively, is presented in the following table:

(Dollars in thousands)	June 30, 2010	December 31, 2009
Commercial loans (1)	$ 3,496,695	$ 3,603,639
Premium wine (2)	448,854	441,901
Community development loans (3)	59,802	59,926
Consumer and other (4)	444,838	442,628

Total loans, net of unearned income	$ 4,450,189	$ 4,548,094

(1) Included within our commercial loans portfolio are business credit card loans to commercial clients. At June 30, 2010 and December 31, 2009, our business credit card loans portfolio totaled $29.5 million and $24.6 million, respectively.

(2) Premium wine consists of loans for vineyard development, as well as working capital and equipment term loans to meet the needs of our clients premium wineries and vineyards. At June 30, 2010 and December 31, 2009, $310.5 million and $298.9 million, respectively, of such loans were secured by real estate.

(3) Community development loans consist of low income housing loans made as part of our responsibilities under the Community Reinvestment Act and are primarily secured by real estate.

(4) Consumer and other loans consist primarily of loans to targeted high-net-worth individuals. These products and services include home equity lines of credit, loans for personal residences, secured lines of credit, restricted stock purchase loans and capital call lines of credit. This category also includes loans made to eligible employees through our Employee Home Ownership Plan (EHOP). Loans secured by real estate at June 30, 2010, and December 31, 2009 were comprised of the following:

(Dollars in thousands)	June 30, 2010	December 31, 2009
Loans for personal residence (i)	$ 88,912	$ 64,678
Home equity lines of credit (ii)	87,226	90,459
Loans to eligible employees (iii)	82,693	86,147
Consumer loans secured by real estate	$ 258,831	$ 241,284

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

The activity in the allowance for loan losses for the three and six months ended June 30, 2010 and 2009 was as follows:

	Three months ended June 30,		Six months ended June 30,	
(Dollars in thousands)	2010	2009	2010	2009
Allowance for loan losses, beginning balance	$ 68,271	$ 110,010	$ 72,450	$ 107,396
Provision for loan losses	7,408	21,393	18,153	64,859
Gross loan charge-offs	(7,133)	(21,898)	(28,313)	(63,911)
Loan recoveries	3,243	968	9,499	2,129
Allowance for loan losses, ending balance	$ 71,789	$ 110,473	$ 71,789	$ 110,473

Impaired Loans and Troubled Debt Restructurings

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 contractual terms of the agreement. The recorded investment in impaired loans totaled $50.9 million and $50.2 million at June 30, 2010 and December 31, 2009, respectively. The recorded investment in impaired loans for which there was a related allowance for loan losses was $47.9 million and $47.0 million at June 30, 2010 and December 31, 2009, respectively, with related allowance for loan losses of $8.3 million and $8.9 million, respectively. The recorded investment in impaired loans for which there was no related allowance for loan losses was $3.0 million and $3.2 million at June 30, 2010 and December 31, 2009, respectively. Average impaired loans for the three and six months ended June 30, 2010 totaled $50.9 million and $50.6 million, respectively. Cash payments received related to these loans totaled $0.5 million and $0.9 million for the three and six months ended June 30, 2010, respectively. Average impaired loans for the three and six months ended June 30, 2009 totaled $105.8 million and $100.4 million, respectively. Cash payments received related to these loans totaled $0.5 million and $0.7 million for the three and six months ended June 30, 2009, respectively. These payments were applied against the outstanding principal balance of the loans. We did not recognize any interest income related to impaired loans in either of the three and six months ended June 30, 2010 or 2009 during the time period that the loans were impaired. Loans past due 90 days or more still accruing interest were $0.3 million and $2.5 million at June 30, 2010 and December 31, 2009, respectively.

Included in the $50.9 million of impaired loans at June 30, 2010 are loans modified in troubled debt restructurings (TDR s), where concessions have been granted to borrowers experiencing financial difficulties, in an attempt to maximize collection. As of June 30, 2010, we had TDR s of $28.5 million, which were comprised of $20.3 million in our consumer and other category, $7.1 million in our commercial loans category and $1.1 million in our community development loans category. In order for these loan balances to return to accrual status, the borrower must demonstrate a sustained period of timely payments. There were no commitments available for funding to the clients associated with these TDR s as of June 30, 2010.

7. Goodwill

During the first quarter of 2009, we conducted an assessment of goodwill of eProsper, a data management services company in which we own a 65% interest, based on eProsper s revised forecast of discounted net cash flows for that reporting unit. We concluded that we had an impairment of goodwill resulting from changes in our outlook for eProsper s future financial performance. As a result, $4.1 million of goodwill was expensed as a noncash non tax-deductible charge to continuing operations during the first quarter of 2009. There was no remaining goodwill on our balance sheet as of June 30, 2010 or December 31, 2009.

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8. Short-Term Borrowings and Long-Term Debt

The following table represents outstanding short-term borrowings and long-term debt at June 30, 2010 and December 31, 2009:

(Dollars in thousands)	Maturity	June 30, 2010	December 31, 2009
Short-term borrowings:			
Other short-term borrowings	(1)	$ 44,735	$ 38,755
Total short-term borrowings		$ 44,735	$ 38,755
Long-term debt:			
5.70% senior notes (2)	June 1, 2012	$ 269,168	$ 269,793
6.05% subordinated notes (3)	June 1, 2017	290,487	276,541
3.875% convertible senior notes	April 15, 2011	248,134	246,991
7.0% junior subordinated debentures	October 15, 2033	55,636	55,986
4.99% long-term notes payable	(4)	6,385	7,339
Total long-term debt		$ 869,810	$ 856,650

(1) Represents cash collateral received from counterparties for our interest rate swap agreements related to our senior and subordinated notes.
(2) At June 30, 2010 and December 31, 2009, included in the carrying value of our 5.70% senior notes are $19.3 million and $19.9 million, respectively, related to the fair value of the interest rate swap associated with the notes.
(3) At June 30, 2010 and December 31, 2009, included in the carrying value of our 6.05% subordinated notes are $40.9 million and $27.0 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 beginning April 30, 2009 with the last payment due in April 2012.

Interest expense related to short-term borrowings and long-term debt was $5.9 million and $11.5 million for the three and six months ended June 30, 2010, respectively, and $7.3 million and $15.5 million for the three and six months ended June 30, 2009, respectively. Interest expense shown is net of the cash flow impact from our interest rate swap agreements. The weighted average interest rates associated with our short-term borrowings as of June 30, 2010 and December 31, 2009 were 0.09 percent and 0.05 percent, respectively.

2008 Convertible Notes

In April 2008, we issued our 2008 Convertible Notes, due April 15, 2011, in the aggregate principal amount of $250 million to qualified institutional buyers pursuant to Rule 144A under the Securities Act of 1933. The issuance costs related to the 2008 Convertible Notes were $6.8 million, and the net proceeds from the offering were $243.2 million. The 2008 Convertible Notes are initially convertible, subject to certain conditions, into cash up to the principal amount of notes and, into shares of our common stock or cash or any combination thereof for any excess conversion value, at our option. Holders may convert their 2008 Convertible Notes beginning any fiscal quarter commencing after June 30, 2008, if: (i) the price of our common stock issuable upon conversion of the note reaches a specific threshold, (ii) specified corporate transactions occur, or (iii) the trading price for the note falls below certain thresholds. The notes have an initial conversion rate of 18.8525 shares of common stock per $1,000 principal amount of notes, which represents an initial effective conversion price of $53.04 per share. Upon conversion of a note, we will pay the outstanding principal amount in cash as required by the terms of the notes, and to the extent that the conversion value exceeds the principal amount, we have the option to pay cash or shares of our common stock (or a combination of cash and shares) in respect of the excess amount.

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

For the three and six months ended June 30, 2010, the effective interest rate for our 2008 Convertible Notes was 5.72 percent and 5.75 percent, respectively, and interest expense was $3.5 million and $7.1 million, respectively. For the three and six months ended June 30, 2009, the effective interest rate for our 2008 Convertible Notes was 5.73 percent and 5.77 percent, respectively, and interest expense was $3.5 million and $7.0 million, respectively. At June 30, 2010, the unamortized debt discount totaled $1.8 million, and will be amortized over the remaining contractual term of the debt.

Available Lines of Credit

We have certain facilities in place to enable us to access short-term borrowings on a secured (using available-for-sale securities as collateral) and an unsecured basis. These include repurchase agreements and uncommitted federal funds lines with various financial institutions. As of June 30, 2010, we had not borrowed against our repurchase lines or any of our uncommitted federal funds lines. We also pledge securities to the Federal Home Loan Bank of San Francisco and the discount window at the Federal Reserve Bank. The market value of collateral pledged to the Federal Home Loan Bank of San Francisco (comprised entirely of agency-issued mortgage securities) at June 30, 2010 totaled $908.6 million, 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 June 30, 2010 totaled $86.6 million, all of which was unused and available to support additional borrowings.

9. 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 frequently obtain equity warrant assets giving us the right to acquire stock in certain client companies.

Interest Rate Risk

Interest rate risk is our primary market risk and can result from timing and volume differences in the repricing of our interest rate-sensitive assets and liabilities and changes in market interest rates. To manage interest rate risk for our 5.70% senior notes and our 6.05% subordinated notes, we entered into fixed-for-floating interest rate swap agreements at the time of debt issuance based upon London Interbank Offered Rates (LIBOR) with matched-terms. We use the shortcut method to assess hedge effectiveness and evaluate the hedging relationships for qualification under the shortcut method requirements for each reporting period.

For more information on our 5.70% senior notes and our 6.05% subordinated notes, see our Consolidated Financial Statements and Supplementary Data-Note 12- Short-Term Borrowings and Long-Term Debt under Part II, Item 8 of our 2009 Form 10-K.

Net cash benefits associated with our interest rate swaps are recorded in Interest Expense: Borrowings , a component of net interest income. The fair value of our interest rate swaps is calculated using a discounted cash flow method and adjusted for credit valuation associated with counterparty risk. Increases from changes in fair value are included in Other Assets and decreases from changes in fair value are included in Other Liabilities . Any differences associated with our interest rate swaps that arise as a result of hedge ineffectiveness are recorded through net gains (losses) on derivative instruments, in noninterest income, a component of consolidated net income.

Currency Exchange Risk

We enter into foreign exchange forward contracts to hedge against exposures of our loans that are denominated in foreign currencies to our clients, primarily in Pound Sterling, Euro, and Japanese Yen. We do not designate any foreign exchange forward contracts as derivative instruments that qualify for hedge accounting. Changes in currency rates on the loans are included in other noninterest income, a component of noninterest income. We may experience ineffectiveness in the economic hedging relationship, because the loans are revalued based upon changes in the currency s spot rate on the principal value, while the forwards are revalued on a discounted cash flow basis. We record forward agreements in gain positions in Other Assets and loss positions in Other Liabilities , while net changes in fair value are recorded through net gains (losses) on derivative instruments, in noninterest income, a component of consolidated net income.

Equity Market Price Risk

We have convertible debt instruments that contain conversion options that enable the holders to convert the instruments, subject to certain conditions. Specifically, we currently have outstanding our 2008 Convertible Notes. Upon conversion of a note, we will pay the outstanding principal amount in cash as required by the terms of the notes, and to the extent that the conversion value exceeds the principal amount, we have 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 represents an equity risk exposure for the excess conversion value and is an equity derivative classified in stockholders equity. We manage equity market price risk of our convertible debt instruments by entering into convertible note hedge and warrant agreements to increase the economic conversion price of our convertible debt instruments and to decrease potential dilution to stockholders resulting from the conversion option.

Concurrent with the issuance of our 2008 Convertible Notes, we entered into a convertible note hedge and warrant agreement at a net cost of $20.6 million, which effectively increased the economic conversion price from $53.04 per common share to $64.43. Similar to the conversion option of the excess value of the note, the hedge and warrant agreements are equity derivatives classified in stockholders equity. For the three and six months ended June 30, 2010 and 2009, there were no note conversions or exercises under the warrant agreement as the notes were not convertible.

For more information on the 2008 Convertible Notes, see our Consolidated Financial Statements and Supplementary Data-Note 12- Short-Term Borrowings and Long-Term Debt under Part II, Item 8 of our 2009 Form 10-K.

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Other Derivative Instruments

Equity Warrant Assets

Our equity warrant assets are concentrated in private, venture-backed companies in the technology and life science industries. 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). Because we can net settle our warrant agreements, our equity warrant assets qualify as derivative instruments. We value our equity warrant assets using a modified Black-Scholes option pricing model, which incorporates assumptions about the underlying asset value, volatility, and the risk-free rate. We make valuation adjustments for estimated remaining life and marketability for warrants issued by private companies. Equity warrant assets are recorded at fair value in Other Assets , while changes in their fair value are recorded through net gains (losses) on derivative instruments, in noninterest income, a component of consolidated net income.

Other Derivatives

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

The total notional or contractual amounts, fair value, collateral and net exposure of our derivative financial instruments at June 30, 2010 and December 31, 2009, respectively, were as follows:

		June 30, 2010				December 31, 2009			
(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	$ 500,000	$ 60,171	$ 44,735	$ 15,436	$ 500,000	$ 46,895	$ 38,755	$ 8,140
Derivatives not designated as hedging instruments:									
Currency Exchange Risks:									
Foreign exchange forwards	Other assets	34,178	1,570		1,570	48,276	1,472		1,472
Foreign exchange forwards	Other liabilities	45,816	(885)		(885)	9,828	(85)		(85)
Net exposure			685		685		1,387		1,387
Other Derivative Instruments:									
Equity warrant assets	Other assets	116,354	40,597		40,597	120,192	41,292		41,292
Other derivatives:									
Foreign exchange forwards	Other assets	344,158	8,859		8,859	316,759	16,772		16,772
Foreign exchange forwards	Other liabilities	327,107	(9,004)		(9,004)	326,116	(15,593)		(15,593)

Foreign currency options	Other assets	161,594	1,945		1,945	1,819	192		192
Foreign currency options	Other liabilities	161,594	(1,945)		(1,945)	1,819	(192)		(192)
Net exposure			(145)		(145)		1,179		1,179
Net			$ 101,308	$ 44,735	$ 56,573		$ 90,753	$ 38,755	$ 51,998

(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 June 30, 2010 remain at A or higher and there were no material changes in their credit ratings during the six months ended June 30, 2010.

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A summary of our derivative activity and the related impact on our consolidated statements of income for the three and six months ended June 30, 2010 and 2009, respectively, is as follows:

(Dollars in thousands)	Statement of income location	Three months ended June 30, 2010	Three months ended June 30, 2009	Six months ended June 30, 2010	Six months ended June 30, 2009
Derivatives designated as hedging instruments:					
Interest Rate Risks:					
Net cash benefit associated with interest rate swaps	Interest expense -borrowings	$ 6,087	$ 4,929	$ 12,588	$ 9,133
Changes in fair value of interest rate swap	Net gains (losses) on derivative instruments				(170)
Net gains associated with interest rate risk derivatives		$ 6,087	$ 4,929	$ 12,588	$ 8,963
Derivatives not designated as hedging instruments:					
Currency Exchange Risks:					
(Losses) gains on foreign currency loan revaluations, net	Other noninterest income	$ (916)	$ 4,657	$ (2,946)	$ 1,980
Gains (losses) on foreign exchange forward contracts, net	Net gains (losses) on derivative instruments	1,332	(4,479)	3,378	(2,536)
Net gains (losses) associated with currency risk		$ 416	$ 178	$ 432	$ (556)
Other Derivative Instruments:					
(Losses) gains on equity warrant assets	Net gains (losses) on derivative instruments	$ (333)	$ 1,184	$ (689)	$ 729
Gains on client foreign exchange forward contracts, net	Net gains (losses) on derivative instruments	$ 327	$ 448	$ 619	$ 944

10. Other Noninterest Income and Other Noninterest Expense

A summary of other noninterest income for the three and six months ended June 30, 2010 and 2009, respectively, is as follows:

(Dollars in thousands)	Three months ended June 30, 2010	Three months ended June 30, 2009	Six months ended June 30, 2010	Six months ended June 30, 2009
Fund management fees	$ 2,698	$ 2,471	$ 5,396	$ 5,188
Service-based fee income (1)	2,622	2,116	4,618	3,945
Currency revaluation (losses) gains	(692)	1,068	326	108
(Losses) gains on foreign currency loans revaluation, net	(916)	4,657	(2,946)	1,980
Other	3,751	2,487	6,132	4,360
Total other noninterest income	$ 7,463	$ 12,799	$ 13,526	$ 15,581

(1) Includes income from SVB Analytics and its subsidiary, eProsper.

A summary of other noninterest expense for the three and six months ended June 30, 2010 and 2009, respectively, is as follows:

(Dollars in thousands)	Three months ended June 30, 2010	2009	Six months ended June 30, 2010	2009
Telephone	$ 1,090	$ 1,337	$ 2,230	$ 2,717
Tax credit fund amortization	1,005	1,164	2,057	2,293
Data processing services	925	1,118	1,902	2,130
Postage and supplies	603	905	1,074	2,163
Other	2,932	2,933	5,692	5,553
Total other noninterest expense	$ 6,555	$ 7,457	$ 12,955	$ 14,856

11. Segment Reporting

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

Our 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 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

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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.

With respect to our operating segments, only Global Commercial Bank, Relationship Management and SVB Capital were determined to be separate reportable segments as of June 30, 2010.

Changes to Segment Reporting Effective January 1, 2010

Effective January 1, 2010, we changed the way we monitor performance and results for certain of our business lines. We made certain changes to the items reported under our Global Commercial Bank, Relationship Management and Other Business Services segments. These changes do not change the four operating segments we currently report. As a result of these changes, our Global Commercial Bank segment s income before income tax expense for 2009 was reduced by $41.0 million. Changes to other operating segments were not significant. We have reclassified all prior period segment information to conform to the current presentation of our reportable segments. The following is a description of the services that our four operating segments provide:

Global Commercial Bank provides solutions to the financial needs of commercial clients through lending, deposit products, cash management services, and global banking and trade products and services. It also serves 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, 2010, Global Commercial Bank also includes the results of certain other business units that were previously reported as part of Relationship Management and Reconciling Items.

Relationship Management 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.

SVB Capital manages venture capital and private equity funds on behalf of SVB Financial Group and other third party limited partners. The SVB Capital family of funds is comprised of funds of funds and co-investment funds.

Other Business Services includes the results of our Sponsored Debt Funds & Strategic Investments segment, which is comprised of (i) our sponsored debt funds: 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, and (ii) certain strategic investments held by SVB Financial. Other Business Services also includes the results of SVB Analytics, which provides equity valuation and equity management services to private companies and venture capital firms. Effective January 1, 2010, SVB Analytics also includes the results of certain other business units that were previously reported as part of Reconciling Items.

The summary financial results of our operating segments are presented along with a reconciliation to our consolidated interim results. The Reconciling Items column reflects the adjustments necessary to reconcile the results of the operating segments to the consolidated financial statements prepared in conformity with GAAP. Net interest income (loss) in the Reconciling Items column is primarily interest income recognized from our available-for-sale securities portfolio, partially offset by interest income transferred to the segments as part of FTP. Noninterest income in the Reconciling Items column is primarily attributable to noncontrolling interests and gains (losses) on equity warrant assets. Noninterest expense in the Reconciling Items column primarily consists of expenses associated with corporate support functions such as information technology, finance, human resources, loan and deposit operations, and legal, as well as certain corporate wide adjustments related to compensation expenses. Additionally, average assets in the Reconciling Items column primarily consist of cash and cash equivalents and our available-for-sale securities portfolio balances.

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Our segment information for the three and six months ended June 30, 2010 and 2009 is as follows:

(Dollars in thousands)	Global Commercial Banking	Relationship Management	SVB Capital (1)	Other Business Services (1)	Reconciling Items	Total
Three months ended June 30, 2010						
Net interest income (loss)	$ 85,873	$ 8,247	$	$ (17)	$ 12,333	$ 106,436
Provision for loan losses	(6,729)	(549)			(130)	(7,408)
Noninterest income	30,083	374	3,272	2,221	4,207	40,157
Noninterest expense (2)	(56,954)	(5,214)	(3,498)	(3,935)	(34,579)	(104,180)
Income (loss) before income tax expense (3)	$ 52,273	$ 2,858	$ (226)	$ (1,731)	$ (18,169)	$ 35,005
Total average loans, net of unearned income	$ 3,183,912	$ 920,859	$	$	$ 7,269	$ 4,112,040
Total average assets	3,455,741	922,143	100,159	92,332	9,983,887	14,554,262
Total average deposits	11,706,549	214,446			(15,554)	11,905,441
Three months ended June 30, 2009						
Net interest income (loss)	$ 91,105	$ 8,428	$ (1)	$ (54)	$ (7,797)	$ 91,681
Provision for loan losses	(14,894)	(6,475)			(24)	(21,393)
Noninterest income (loss)	27,207	308	2,359	2,761	(4,360)	28,275
Noninterest expense	(46,948)	(3,384)	(3,290)	(3,045)	(32,345)	(89,012)
Income (loss) before income tax expense (3)	$ 56,470	$ (1,123)	$ (932)	$ (338)	$ (44,526)	$ 9,551
Total average loans, net of unearned income	$ 3,779,983	$ 965,767	$	$	$ 34,216	$ 4,779,966
Total average assets	3,887,478	967,229	92,621	75,723	5,904,915	10,927,966
Total average deposits	8,277,402	148,296			6,899	8,432,597
Six months ended June 30, 2010						
Net interest income (loss)	$ 168,269	$ 16,474	$ (1)	$ (92)	$ 22,626	$ 207,276
Provision for loan losses	(17,480)	(567)			(106)	(18,153)
Noninterest income	57,724	687	7,852	5,648	17,519	89,430
Noninterest expense (2)	(112,331)	(9,667)	(6,902)	(7,294)	(66,562)	(202,756)
Income (loss) before income tax expense (3)	$ 96,182	$ 6,927	$ 949	$ (1,738)	$ (26,523)	$ 75,797
Total average loans, net of unearned income	$ 3,176,085	$ 924,326	$	$	$ 13,378	$ 4,113,789
Total average assets	3,450,157	925,782	103,018	92,557	9,491,067	14,062,581
Total average deposits	11,246,793	201,313			(9,182)	11,438,924
Six months ended June 30, 2009						
Net interest income (loss)	$ 185,361	$ 17,315	$ (3)	$ (80)	$ (19,401)	$ 183,192
Provision for loan losses	(57,709)	(7,124)			(26)	(64,859)
Noninterest income (loss)	53,661	611	1	4,358	(35,937)	22,694
Noninterest expense, excluding impairment of goodwill (2)	(88,921)	(6,886)	(6,636)	(6,157)	(63,460)	(172,060)
Impairment of goodwill				(4,092)		(4,092)
Income (loss) before income tax expense (3)	$ 92,392	$ 3,916	$ (6,638)	$ (5,971)	$ (118,824)	$ (35,125)
Total average loans, net of unearned income	$ 3,946,846	$ 977,738	$	$	$ 22,596	$ 4,947,180
Total average assets	4,052,566	979,350	89,112	75,013	5,497,448	10,693,489
Total average deposits	8,015,374	160,412			5,760	8,181,546

(1) SVB Capital s and Other Business Services components of net interest income (loss), noninterest income (loss), 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 $1.0 million and $0.8 million for the three months ended June 30, 2010 and 2009, respectively, and $2.1 million and $1.6 million for the six months ended June 30, 2010 and 2009, respectively.
(3) The internal reporting model used by management to assess segment performance does not calculate income tax expense by segment. Our effective tax rate is a reasonable approximation of the segment rates.

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

In the normal course of business, we use financial instruments with off-balance sheet risk to meet the financing needs of our customers. These financial instruments include commitments to extend credit, commercial and standby letters of credit and commitments to invest in venture capital/private equity fund investments. These instruments involve, to varying degrees, elements of

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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.

Commitments to Extend Credit

The following table summarizes information related to our commitments to extend credit at June 30, 2010 and December 31, 2009, respectively:

(Dollars in thousands)	June 30, 2010	December 31, 2009
Commitments available for funding: (1)		
Fixed interest rate commitments	$ 501,296	$ 539,986
Variable interest rate commitments	4,778,068	4,798,740
Total commitments available for funding	$ 5,279,364	$ 5,338,726
Commitments unavailable for funding (2)	$ 1,275,232	$ 1,103,489
Maximum lending limits for accounts receivable factoring arrangements (3)	$ 627,749	$ 535,257
Reserve for unfunded credit commitments	14,200	13,331

(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 required 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.

Commercial and Standby Letters of Credit

The table below summarizes our commercial and standby letters of credit at June 30, 2010. The maximum potential amount of future payments represents the amount that could be remitted under letters of credit if there was 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	$ 554,891	$ 38,157	$ 593,048	$ 593,048
Performance standby letters of credit	28,767	7,641	36,408	36,408
Commercial letters of credit	5,764		5,764	5,764
Total	$ 589,422	$ 45,798	$ 635,220	$ 635,220

At June 30, 2010 and December 31, 2009, deferred fees related to financial and performance standby letters of credit were $4.5 million and $3.9 million, respectively. At June 30, 2010, collateral in the form of cash of $220.3 million and investment securities of $17.5 million were available to us to reimburse losses, if any, under financial and performance standby letters of credit.

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Commitments to Invest in Venture Capital/Private Equity Funds

We make commitments to invest in venture capital and private equity funds, which in turn make investments generally in, or in some cases make loans to, privately-held companies. Commitments to invest in these funds are generally made for a ten-year period from the inception of the fund. Although the limited partnership agreements governing these investments typically do not restrict the general partners from calling 100% of committed capital in one year, it is customary for these funds to generally call most of the capital commitments over 5 to 7 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 June 30, 2010:

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	396	5.1
SVB India Capital Partners I, LP	7,750	2,852	14.4
SVB Capital Shanghai Yangpu Venture Capital Fund, LP	853	853	6.8
SVB Strategic Investors Fund, LP	15,300	1,530	12.6
SVB Strategic Investors Fund II, LP	15,000	3,750	8.6
SVB Strategic Investors Fund III, LP	15,000	6,450	5.9
SVB Strategic Investors Fund IV, LP	12,239	10,526	5.0
SVB Capital Preferred Return Fund, LP	10,688		20.0
SVB Capital NT Growth Partners, LP	24,670	5,256	33.0
Partners for Growth, LP	25,000	9,750	50.0
Partners for Growth II, LP	15,000	4,950	24.2
Gold Hill Venture Lending 03, LP (2)	20,000		9.3
Other Fund Investments (3)	148,811	44,009	N/A
New Fund Commitments (4)	210,871	142,684	N/A
Total	$ 528,382	$ 233,276	

(1) Our ownership includes 1.3% direct ownership through SVB Capital Partners II, LLC and SVB Financial Group, and 3.8% indirect ownership through our investment in SVB Strategic Investors Fund II, LP.
(2) Our ownership includes 4.8% direct ownership and 4.5% indirect ownership interest through GHLLC.
(3) Represents commitments to 329 venture capital/private equity funds where our ownership interest is generally less than 5% of the voting interests of each such fund.
(4) Represents the investment commitments made by SVB Financial on behalf of certain new managed funds of funds that we have formed or plan to form in the future.

The following table details the remaining unfunded commitments to venture capital/private equity funds by our consolidated managed funds of funds at June 30, 2010, which includes SVBFG s unfunded commitments detailed above:

Limited Partnership (Dollars in thousands)	Unfunded Commitments
SVB Strategic Investors Fund, LP	$ 3,397
SVB Strategic Investors Fund II, LP	20,984
SVB Strategic Investors Fund III, LP	111,289
SVB Strategic Investors Fund IV, LP	170,845
SVB Capital Preferred Return Fund, LP	49,889
SVB Capital NT Growth Partners, LP	38,502
Total	$ 394,906

13. Income Taxes

At June 30, 2010, our unrecognized tax benefit was $0.4 million, the recognition of which would reduce our income tax expense by $0.3 million. Total accrued interest and penalties at June 30, 2010 were $0.1 million. We expect that our unrecognized tax benefit will change in the next 12 months, however, we do not expect the change to have a material impact on our financial position or our results of operations.

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We are subject to income tax in the U.S. federal jurisdiction and various state and foreign jurisdictions and have identified our federal tax return and tax returns in California and Massachusetts as major tax filings. U.S. federal tax examinations through 1998 have been concluded. The U.S. federal tax return for 2006 and subsequent years remain open to examination by the Internal Revenue Service. Our California and Massachusetts tax returns for the years 2005 and 2006, respectively, and subsequent years remain open to examination.

14. Fair Value of Financial Instruments

Fair Value Measurements

We use fair value measurements to record fair value adjustments to certain financial instruments and to determine fair value disclosures. Our available-for-sale securities, derivative instruments and certain non-marketable investment securities are financial instruments recorded at fair value on a recurring basis.

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. Observable inputs reflect market-derived or market-based information obtained from independent sources, while unobservable inputs reflect our estimates about market data. The three levels for measuring fair value are based on the reliability of inputs and are as follows:

Level 1 Valuations 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.

Level 2 Valuations 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:** Valuations 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. Valuations of these securities are based on observable price adjustments relative to benchmark market interest rates taking into consideration estimated loan prepayment speeds.

- **Agency-issued collateralized mortgage obligations:** Agency-issued collateralized mortgage obligations are structured into classes or tranches with defined cash flow characteristics and are collateralized by U.S. agency-issued mortgage pass-through securities. Valuations 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. Valuations incorporate observable market spreads over an estimated average life after considering the inputs listed above.

- **Non-agency mortgage-backed securities:** Valuations incorporate observable market spreads over an estimated average life after considering inputs such as coupon rate, tenor, geographic location, loan size and origination vintage, and estimated prepayment speeds. In the second quarter of 2010, we sold all of our remaining non-agency mortgage-backed securities.

- **Commercial mortgage-backed securities:** Valuations 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. In the second quarter of 2010, we sold all of our remaining commercial mortgage-backed securities.

- **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. Valuations of these

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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:** Valuations 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.

- **Foreign exchange forward and option contract assets and liabilities**: Valuations of these assets and liabilities are priced based on spot and forward foreign currency rates and option volatility assumptions.

- **Equity warrant assets (public portfolio):** Valuations 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 Valuation is generated from model-based techniques that use significant assumptions not observable in the market. These unobservable assumptions reflect our own estimates of assumptions market participants would use in pricing the asset or liability. Below is a summary of the valuation techniques used for each class of Level 3 assets:

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

- **Other private equity investments:** Valuations 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:** Valuations are based on pricing models 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):** Valuations 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.

For the three and six months ended June 30, 2010 and 2009, there were no transfers between Level 1 and Level 2. Transfers from Level 3 to Level 2 during the three and six months ended June 30, 2010 and 2009 were due to the transfer of equity warrant assets from our private portfolio to our public portfolio.

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 models 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, collectively Level 1 and Level 2 measurements, to determine fair value adjustments recorded to our financial statements. However, in certain cases, when market observable inputs for model based valuation techniques may not be readily available, we are required to make judgments about assumptions market participants would use in estimating the fair value of the financial instrument.

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.

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The following fair value hierarchy tables present information about our assets and liabilities that are measured at fair value on a recurring basis as of June 30, 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 June 30, 2010
Assets				
Available-for-sale securities:				
U.S. treasury securities	$	$ 26,578	$	$ 26,578
U.S. agency debentures		1,280,036		1,280,036
Residential mortgage-backed securities:				
Agency-issued mortgage-backed securities		1,567,675		1,567,675
Agency-issued collateralized mortgage obligations (fixed)		1,297,467		1,297,467
Agency-issued collateralized mortgage obligations (variable)		1,065,664		1,065,664
Municipal bonds and notes		100,431		100,431
Marketable equity securities	382			382
Total available-for-sale securities	382	5,337,851		5,338,233
Non-marketable securities (investment company fair value accounting):				
Private equity fund investments			322,159	322,159
Other private equity investments			94,980	94,980
Other investments			960	960
Total non-marketable securities (investment company fair value accounting)			418,099	418,099
Other assets:				
Marketable securities (investment company fair value accounting)	26			26
Interest rate swaps		60,171		60,171
Foreign exchange forward and option contracts		12,374		12,374
Equity warrant assets		1,964	38,633	40,597
Total assets (1)	$ 408	$ 5,412,360	$ 456,732	$ 5,869,500
Liabilities				
Foreign exchange forward and option contracts	$	$ 11,834	$	$ 11,834
Total liabilities	$	$ 11,834	$	$ 11,834

(1) Included in Level 2 and Level 3 assets are $0.1 million and $362.2 million, respectively, attributable to noncontrolling interests calculated based on the ownership percentages of the noncontrolling interests.

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The following fair value hierarchy tables present information about our assets and liabilities that are measured at fair value on a recurring basis as of December 31, 2009:

(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, 2009
Assets				
Available-for-sale securities:				
U.S. treasury securities	$	$ 26,047	$	$ 26,047
U.S. agency debentures		891,753		891,753
Residential mortgage-backed securities:				
Agency-issued mortgage-backed securities		1,410,630		1,410,630
Agency-issued collateralized mortgage obligations (fixed)		1,372,375		1,372,375
Non-agency mortgage-backed securities		83,696		83,696
Commercial mortgage-backed securities		48,801		48,801
Municipal bonds and notes		102,877		102,877
Marketable equity securities	2,009			2,009
Total available-for-sale securities	2,009	3,936,179		3,938,188
Non-marketable securities (investment company fair value accounting):				
Private equity fund investments			271,316	271,316
Other private equity investments			96,577	96,577
Other investments			1,143	1,143
Total non-marketable securities (investment company fair value accounting)			369,036	369,036
Other assets:				
Marketable securities (investment company fair value accounting)	33			33
Interest rate swaps		46,895		46,895
Foreign exchange forward and option contracts		18,436		18,436
Equity warrant assets		1,173	40,119	41,292
Total assets (1)	$ 2,042	$ 4,002,683	$ 409,155	$ 4,413,880
Liabilities				
Foreign exchange forward and option contracts	$	$ 15,870	$	$ 15,870
Total liabilities	$	$ 15,870	$	$ 15,870

(1) Included in Level 3 assets are $319.9 million attributable to noncontrolling interests calculated based on the ownership percentages of the noncontrolling interests.

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The following table presents additional information about Level 3 assets measured at fair value on a recurring basis for the three and six months ended June 30, 2010 and 2009, respectively:

		Total Realized and Unrealized Gains (Losses) Included in Income						
(Dollars in thousands)	Beginning Balance	Realized Gains (Losses) Included in Income	Unrealized Gains (Losses) Included in Income	Total Realized and Unrealized Gains (Losses) Included in Income	Purchases, Sales, Other Settlements and Issuances, net	Transfers Into Level 3	Transfers Out of Level 3 (1)	Ending Balance
Three months ended June 30, 2010:								
Non-marketable securities (investment company fair value accounting):								
Private equity fund investments	$ 301,445	$ 4,829	$ (886)	$ 3,943	$ 16,771	$	$	$ 322,159
Other private equity investments	96,517	1,406	(1,995)	(589)	(948)			94,980
Other investments	996		(79)	(79)	43			960
Total non-marketable securities (investment company fair value accounting) (2)	398,958	6,235	(2,960)	3,275	15,866			418,099
Other assets:								
Equity warrant assets (3)	38,759	788	(200)	588	(477)		(237)	38,633
Total assets	$ 437,717	$ 7,023	$ (3,160)	$ 3,863	$ 15,389	$	$ (237)	$ 456,732
Three months ended June 30, 2009:								
Non-marketable securities (investment company fair value accounting):								
Private equity fund investments	$ 218,366	$ 1,174	$ (6,469)	$ (5,295)	$ 12,821	$	$	$ 225,892
Other private equity investments	82,473	(907)	(1,124)	(2,031)	4,171			84,613
Other investments	1,276		249	249	(177)			1,348
Total non-marketable securities (investment company fair value accounting) (2)	302,115	267	(7,344)	(7,077)	16,815			311,853
Other assets:								
Equity warrant assets (3)	43,012	(41)	(2,774)	(2,815)	928		(112)	41,013
Total assets	$ 345,127	$ 226	$ (10,118)	$ (9,892)	$ 17,743	$	$ (112)	$ 352,866
Six months ended June 30, 2010:								
Non-marketable securities (investment company fair value accounting):								
Private equity fund investments	$ 271,316	$ 7,831	$ 11,567	$ 19,398	$ 31,445	$	$	$ 322,159
Other private equity investments	96,577	(560)	(214)	(774)	(823)			94,980
Other investments	1,143		(52)	(52)	(131)			960
Total non-marketable securities (investment company fair value accounting) (2)	369,036	7,271	11,301	18,572	30,491			418,099
Other assets:								
Equity warrant assets (3)	40,119	1,637	(2,179)	(542)	(568)		(376)	38,633

Total assets	$ 409,155	$ 8,908	$ 9,122	$ 18,030	$ 29,923	$	$ (376)	$ 456,732
Six months ended June 30, 2009:								
Non-marketable securities (investment company fair value accounting):								
Private equity fund investments	$ 242,645	$ 2,057	$ (37,548)	$ (35,491)	$ 18,738	$	$	$ 225,892
Other private equity investments	82,444	(1,430)	(6,133)	(7,563)	9,732			84,613
Other investments	1,547		616	616	(815)			1,348
Total non-marketable securities (investment company fair value accounting) (2)	326,636	627	(43,065)	(42,438)	27,655			311,853
Other assets:								
Equity warrant assets (3)	41,699	169	(3,175)	(3,006)	2,531		(211)	41,013
Total assets	$ 368,335	$ 796	$ (46,240)	$ (45,444)	$ 30,186	$	$ (211)	$ 352,866

(1) Transfers from Level 3 assets to Level 2 assets during the three and six months ended June 30, 2010 and 2009 were due to the transfer of equity warrant assets from our private portfolio to our public portfolio.

(2) 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.

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

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The following table presents the amount of unrealized (losses) gains included in earnings attributable to Level 3 assets still held at June 30, 2010:

	Three months ended June 30, 2010	Six months ended June 30, 2010
Non-marketable securities (investment company fair value accounting):		
Private equity fund investments	$ (886)	$ 11,567
Other private equity investments	(832)	(1,066)
Other investments	(79)	(52)
Total non-marketable securities (investment company fair value accounting) (1)	(1,797)	10,449
Other assets:		
Equity warrant assets (2)	569	492
Total unrealized (losses) gains	$ (1,228)	$ 10,941

(1) Unrealized (losses) gains are recorded on the line items gains (losses) on investment securities, net and other noninterest income , components of noninterest income.

(2) Unrealized gains are recorded on the line item gains (losses) on derivative instruments, net a component of noninterest income.

Financial Instruments not Carried at Fair Value

FASB issued guidance over financial instruments (ASC 825-10-65) 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 the requirements of ASC 825.

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 valuations 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 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), private equity fund investments (cost method accounting), and other private equity investments (cost method accounting). The fair value of other investments (equity method accounting), private equity fund investments (cost method accounting), and other private equity investments (cost method accounting) is based on financial information obtained as the investor 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 private equity fund investments and debt fund investments, we utilize the net asset value per share as obtained from the general partners of the fund 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

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from the investee general partner, for example March 31st, for our June 30th interim consolidated financial statements, adjusted for any contributions paid during the second quarter, distributions received from the investment during the second quarter, or significant fund transactions or market events, if any. 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.

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 June 30, 2010 and December 31, 2009 include cash collateral received from counterparties for our interest rate swap agreements related to our senior and subordinated notes. The carrying amount is a reasonable estimate of fair value.

Long-Term Debt

Long-term debt includes our 2008 Convertible Notes, junior subordinated debentures, senior and subordinated notes, and other long-term debt (see Note 8- 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.

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 June 30, 2010 and December 31, 2009. 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 June 30, 2010 and December 31, 2009. The following table is a summary of the estimated fair values of our financial instruments that are not carried at fair value at June 30, 2010 and December 31, 2009.

	June 30, 2010		**December 31, 2009**	
(Dollars in thousands)	**Carrying Amount**	**Estimated Fair Value**	**Carrying Amount**	**Estimated Fair Value**
Financial assets:				
Non-marketable securities (cost and equity method accounting)	$ 198,240	$ 206,327	$ 184,495	$ 186,065
Net loans	4,378,400	4,382,539	4,475,644	4,499,058
Financial liabilities:				
Other short-term borrowings	44,735	44,735	38,755	38,755
Deposits	12,140,413	12,139,269	10,331,937	10,331,381
5.70% senior notes (1) (2)	269,168	279,961	269,793	273,843
6.05% subordinated notes (1) (2)	290,487	295,770	276,541	259,598
3.875% convertible senior notes	248,134	254,903	246,991	264,595

7.0% junior subordinated debentures (2)	55,636	45,175	55,986	42,082
Other long-term debt	6,385	6,385	7,339	7,339
Off-balance sheet financial assets:				
Commitments to extend credit		15,649		15,398

(1) At June 30, 2010, included in the carrying value and estimated fair value of our 5.70% senior notes and 6.05% subordinated notes, are $19.3 million and $40.9 million, respectively related to the fair value of the interest rate swaps associated with the notes.

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(2) At December 31, 2009, included in the carrying value and estimated fair value of our 5.70% senior notes and 6.05% subordinated notes, are $19.9 million and $27.0 million, respectively related to the fair value of the interest rate swaps associated with the notes.

Investments in Entities that Calculate Net Asset Value Per Share

FASB issued guidance over certain fund investments (FASB Accounting Standards Update No. 2009-12, *Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)*) 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 private equity fund investments generally cannot be redeemed. Alternatively, we expect distributions to be received through initial public offerings (IPOs) 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 March 31st, for our June 30th interim consolidated financial statements, adjusted for any contributions paid during the second quarter, distributions received from the investment during the second quarter, or significant fund transactions or market events.

The following table is a summary of the estimated fair values of these investments and remaining unfunded commitments for each major category of these investments as of June 30, 2010:

(Dollars in thousands)	Fair Value	Unfunded Commitments
Non-marketable securities (investment company fair value accounting):		
Private equity fund investments (1)	$ 322,159	$ 394,906
Non-marketable securities (equity method accounting):		
Other investments (2)	55,382	23,083
Non-marketable securities (cost method accounting):		
Private equity fund investments (3)	101,026	168,560
Total	$ 478,567	$ 586,549

(1) Private equity fund investments within non-marketable securities (investment company fair value accounting) include investments made by our managed funds of funds including SVB Strategic Investors Fund, LP, SVB Strategic Investors Fund II, LP, SVB Strategic Investors Fund III, LP, SVB Strategic Investors Fund IV, LP, SVB Capital NT Growth Partners, LP, and SVB Capital Preferred Return Fund, LP and one of our co-investment funds, SVB Capital Partners II, LP. These investments represent investments in private equity and venture capital 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 investment company fair value accounting are $276.0 million and $374.1 million, respectively, attributable to noncontrolling interests. It is estimated that we will receive distributions from the fund investments over the next 12 years, depending on the age of the funds.

(2) Other investments within non-marketable securities (equity method accounting) include investments in debt funds and private equity and venture capital 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) Private equity fund investments within non-marketable securities (cost method accounting) include investments in private equity and venture capital fund investments that invest primarily in U.S. and global technology and life sciences companies. Included in the $168.6 million is $142.7 million of unfunded commitments made by SVB Financial on behalf of certain new managed funds of funds that we have formed or plan to form in the future, which have not been funded or called. It is estimated that we will receive distributions from the fund investments over the next 10 years, depending on the age of the funds.

15. Legal Matters

Certain lawsuits and claims arising in the ordinary course of business have been filed or are pending against us or our affiliates. Based upon information available to us, our review of such claims to date and consultation with our outside legal counsel, management believes the liability relating to these actions, if any, will not have a material adverse effect on our liquidity, consolidated financial position, and/or results of operations. Where appropriate, as we determine, we establish reserves in accordance with FASB guidance over contingencies. The outcome of litigation and other legal and regulatory matters is inherently uncertain, however, and it is possible that one or more of the legal or regulatory matters currently pending or threatened could have a material adverse effect on our liquidity, consolidated financial position, and/or results of operation.

16. Related Parties

SVB Financial has a commitment under a partially-syndicated revolving line of credit facility to Gold Hill Venture Lending 03, LP, a venture debt fund (Gold Hill), and its affiliated funds. SVB Financial has a 9.3% effective ownership interest in Gold Hill, as well as a 90.7% majority interest in its general partner, Gold Hill Venture Lending Partners 03, LLC. The line of credit is secured and bears an interest rate of prime plus one percent. In April 2010, SVB Financial decreased the revolving line of credit facility to Gold Hill from a total commitment amount of $75.0 million to $15.0 million. Of the $15.0 million, $6.2 million or 41.2% is syndicated to another lender. The highest outstanding balance under SVB Financial s portion of the facility for the six months ended June 30, 2010 and 2009 was $9.7 million and $37.6 million, respectively. At June 30, 2010 and December 31, 2009, SVB Financial s portion of Gold Hill s outstanding balance totaled $1.0 million and $8.8 million, respectively. The line of credit matures in May 2011.

During the six months ended June 30, 2010, the Bank made loans to related parties, including companies with which certain of our directors are affiliated. Such loans: (a) were made in the ordinary course of business, (b) were made on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with other persons, and (c) did not involve more than the normal risk of collectability or present other unfavorable features.

17. Subsequent Events

We have evaluated all subsequent events and determined there are no events other than those discussed above that require disclosure.

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ITEM 2. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
Forward-Looking Statements

This Quarterly Report on Form 10-Q, including in particular Management s Discussion and Analysis of Financial Condition and Results of Operations under Part 1, Item 2 of this report, contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Management has in the past and might in the future make forward-looking statements orally to analysts, investors, the media and others. Forward-looking statements are statements that are not historical facts. Broadly speaking, forward-looking statements include, but are not limited to, the following:

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

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

Forecasts of venture capital/private equity funding and investment levels

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

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

Descriptions of assumptions underlying or relating to any of the foregoing

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

Market and economic conditions (including levels of public offering, mergers/acquisitions and venture capital financing activities) and the associated impact on us

The sufficiency of our capital, including sources of capital (such as funds generated through retained earnings) and the extent of which capital may be used or required

The adequacy of our liquidity position, including sources of liquidity (such as funds generated through retained earnings)

Our overall investment plans, strategies and activities, including venture capital/private equity funding and investments, and our investment of excess cash/liquidity

The realization, timing, valuation and performance of equity or other investments

Our intention to sell our investment securities prior to recovery of our cost basis, or the likelihood of such

Expected cash requirements of unfunded commitments to certain investments, including capital calls

Our overall management of interest rate risk, including managing the sensitivity of our interest-earning assets and interest-bearing liabilities to interest rates, and the impact to earnings from a change in interest rates

The credit quality of our loan portfolio, including levels and trends of nonperforming loans, impaired loans and troubled debt restructurings

The adequacy of reserves (including allowance for loan and lease losses) and the appropriateness of our methodology for calculating such reserves

The level of loan balances

The level of deposit balances

The level of client investment fees and associated margins

The profitability of our products and services

Our strategic initiatives, including the expansion of operations in China, India, Israel, the United Kingdom and elsewhere

The expansion and growth of our noninterest income sources

The financial impact of continued growth of our funds management business

Our plans to form new managed investment funds and our intention to transfer certain existing investment commitments to new funds; the subsequent reduction in our total unfunded investment commitments upon such transfer and the associated accounting treatment

Distributions of private equity or debt fund investment proceeds; intentions to sell such fund investments

The changes in, or adequacy of, our unrecognized tax benefits and any associated impact

Payment upon conversion of convertible debt instruments

The extent to which counterparties, including those to our forward and option contracts, will perform their contractual obligations

The effect of application of certain accounting pronouncements

The effect of lawsuits and claims

Meeting internal performance targets for 2010 with respect to incentive compensation expenses

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

For information with respect to factors that could cause actual results to differ from the expectations stated in the forward-looking statements, see Risk Factors under Part II, Item 1A of this report. We urge investors to consider all of these factors carefully in evaluating the forward-looking statements contained in this report. All subsequent written or oral forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by these cautionary statements. The forward-looking statements included in this filing are made only as of the date of this filing. We assume no obligation and do not intend to revise or update any forward-looking statements contained in this Quarterly Report on Form 10-Q.

The following discussion and analysis of financial condition and results of operations should be read in conjunction with our interim unaudited consolidated financial statements and accompanying notes as presented in Part I, Item 1 of this report and in conjunction with our Annual Report on Form 10-K for the year ended December 31, 2009 (2009 Form 10-K), as filed with the Securities and Exchange Commission (SEC).

Reclassifications

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

Management s Overview of Second Quarter 2010 Performance

We recorded net income available to common stockholders for the three months ended June 30, 2010 of $21.1 million, or $0.50 per diluted common share. For the second quarter of 2010, we saw period-end loan growth for the first time in the past six quarters, increasing by $244.9 million to $4.5 billion at June 30, 2010, compared to $4.2 billion at March 31, 2010. We also saw higher overall credit quality and a strong increase in our net interest income due to increased interest income from investment securities, which was supported by the continued growth in deposits. Our deposit growth is reflective of our clients desire to maintain short-term liquidity and a lack of attractive market investment opportunities. Our deposit growth significantly raised our cash levels, and we continued to increase our available-for-sale securities portfolio, investing in agency-issued collateralized mortgage obligations.

Highlights of our second quarter 2010 financial results (compared to the second quarter of 2009, where applicable) included the following:

- Growth in average deposit balances of $3.5 billion, or 41.2 percent, of which $2.1 billion was from noninterest-bearing demand deposits.

- Growth of $3.4 billion in average interest-earning investment securities to $5.2 billion, which have increased as a result of our continued deposit growth. Period-end interest-earning investment securities were $5.3 billion.

- An increase in net interest income (fully taxable equivalent basis) of $14.7 million, primarily due to an increase in our average interest-earning investment portfolio, as well as lower interest expense on deposits and long-term debt due to the low interest rate environment. This increase was partially offset by a decrease in interest income from loans due to a decrease in average loan balances.

- A lower provision for loan losses of $7.4 million, a decrease of $14.0 million compared to the second quarter of 2009. Net charge-offs were $3.9 million, a decrease of $17.0 million compared to the second quarter of 2009. Please refer to Results of Operations Provision for Loan Losses below for further details on our provision for loan losses.

Period-end loans were $4.5 billion, which included the addition of 375 new loan clients during the second quarter of 2010, resulting in $271.1 million in new funded loans. Average loan balances for the second quarter of 2010 decreased by $667.9 million, or 14.0 percent, as compared to the second quarter of 2009.

A decrease of 51 basis points in our net interest margin to 3.20 percent, primarily due to significant growth of our deposits, the majority of which were invested in interest-earning investment securities. These declines in our net interest margin were partially offset by a decrease in interest expense from deposits and borrowings due to low market rates.

An increase of $11.9 million in noninterest income to $40.2 million, primarily due to net gains on investment securities of $4.8 million for the three months ended June 30, 2010, compared to net losses of $6.8 million for the comparable 2009 period.

An increase of $15.2 million in noninterest expense to $104.2 million, primarily due to an increase of $10.5 million in incentive compensation and Employee Stock Ownership Plan (ESOP) expenses. Incentive compensation and ESOP expenses for the second quarter 2010 reflect our current expectation that we will meet our internal performance targets for 2010 as compared to our 2009 incentive compensation levels, which were at half of target levels as we did not meet our internal performance targets.

On June 16, 2010, we repurchased the warrant issued to the U.S. Treasury in connection with our previous participation in the Capital Purchase Program (CPP). The total cash repurchase price was $6.8 million, which reduced our stockholders equity by $6.8 million. The repurchase did not have any impact on our net income available to common stockholders or diluted earnings per share.

The key highlights of our performance for the three and six months ended June 30, 2010 and 2009, respectively, were as follows:

(Dollars in thousands, except per share data and ratios)	Three months ended June 30, 2010	2009	% Change	Six months ended June 30, 2010	2009	% Change
Income Statement:						
Diluted earnings (loss) per share	$ 0.50	$ 0.24	108.3%	$ 0.94	$ (0.12)	NM%
Net income attributable to SVBFG	21,120	11,338	86.3	39,677	3,103	NM
Net income (loss) available to common stockholders	21,120	7,793	171.0	39,677	(3,978)	NM
Net interest income	106,436	91,681	16.1	207,276	183,192	13.1
Net interest margin	3.20%	3.71%	(51) bps	3.25%	3.83%	(58) bps
Provision for loan losses	$ 7,408	$ 21,393	(65.4)%	$ 18,153	$ 64,859	(72.0)%
Noninterest income (1)	40,157	28,275	42.0	89,430	22,694	NM
Noninterest expense (2)	104,180	89,012	17.0	202,756	176,152	15.1
Balance Sheet:						
Average loans, net of unearned income	$ 4,112,040	$ 4,779,966	(14.0)%	$ 4,113,789	$ 4,947,180	(16.8)%
Average noninterest-bearing demand deposits	7,204,744	5,132,849	40.4	6,959,200	4,886,071	42.4
Average interest-bearing deposits	4,700,697	3,299,748	42.5	4,479,724	3,295,475	35.9
Average total deposits	11,905,441	8,432,597	41.2	11,438,924	8,181,546	39.8
Ratios:						
Return on average common SVBFG stockholders equity (annualized) (3)	7.06%	3.95%	78.7%	6.77%	(1.02)%	NM%
Return on average assets (annualized) (4)	0.58	0.42	38.1	0.57	0.06	NM
Book value per common share (5)	29.53	24.04	22.8	29.53	24.04	22.8
Operating efficiency ratio (6)	70.82	73.86	(4.1)	68.10	85.09	(20.0)
Allowance for loan losses as a percentage of total period-end gross loans	1.60	2.26	(66) bps	1.60	2.26	(66) bps
Gross loan charge-offs as a percentage of average total gross loans (annualized)	0.69	1.82	(113) bps	1.38	2.58	(120) bps
Net loan charge-offs as a percentage of average total gross loans (annualized)	0.38	1.74	(136) bps	0.91	2.50	(159) bps
Other Statistics:						
Average SVB prime lending rate	4.00%	4.00%	bps	4.00%	4.00%	bps
Average full-time equivalent employees	1,277	1,258	1.5%	1,274	1,258	1.3%
Period end full-time equivalent employees	1,289	1,260	2.3	1,289	1,260	2.3
Non-GAAP measures:						
Non-GAAP net income available to common stockholders (7)	$ 21,120	$ 7,793	171.0%	$ 39,677	$ 114	NM%
Non-GAAP diluted earnings per common share (7)	0.50	0.24	108.3	0.94		
Non-GAAP operating efficiency ratio (8)	70.27%	68.05%	3.3	70.00%	68.04%	2.9

Non-GAAP noninterest income, net of noncontrolling interest (9)	$ 37,236	$ 34,372	8.3	$ 72,618	$ 59,383	22.3
Non-GAAP noninterest expense, net of noncontrolling interest (8)	101,300	86,164	17.6	196,645	165,825	18.6
Tangible common equity to tangible assets (10)	8.29%	6.94%	19.5	8.29%	6.94%	19.5
Tangible common equity to risk-weighted assets (10)	15.95	10.54	51.3	15.95	10.54	51.3

(1) Noninterest income included net gains of $2.9 million and $16.8 million attributable to noncontrolling interests for the three and six months ended June 30, 2010, respectively, compared to net losses of $6.1 million and $36.7 million for the comparable 2009 periods. See Results of Operations Noninterest Income for a description of noninterest income (loss) attributable to noncontrolling interests.

(2) Noninterest expense included $2.9 million and $6.1 million attributable to noncontrolling interests for the three and six months ended June 30, 2010, respectively, compared to $2.8 million and $6.2 million for the comparable 2009 periods. See Results of Operations Noninterest Expense for a description of noninterest expense attributable to noncontrolling interests.

(3) Ratio represents annualized consolidated net income (loss) available to common stockholders divided by quarterly average SVB Financial Group (SVBFG) stockholders equity (excluding preferred equity) and year-to-date average SVBFG stockholders equity (excluding preferred equity).

(4) Ratio represents annualized consolidated net income attributable to SVBFG divided by quarterly average assets and year-to-date average assets.

(5) Book value per common share is calculated by dividing total SVBFG stockholders equity (excluding preferred equity) by total outstanding common shares.

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

(7) To supplement our unaudited condensed consolidated financial statements presented in accordance with generally accepted accounting principles in the United States (GAAP), we use certain non-GAAP measures. See below for a reconciliation of non-GAAP net income and non-GAAP diluted earnings per common share.

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(8) See Results of Operations Noninterest Expense for a description and reconciliation of the non-GAAP operating efficiency ratio and non-GAAP noninterest expense.
(9) See Results of Operations Noninterest Income for a description and reconciliation of non-GAAP noninterest income.
(10) See Capital Resources Capital Ratios for a reconciliation of non-GAAP tangible common equity to tangible assets and tangible common equity to risk-weighted assets.

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

We use and report non-GAAP net income and non-GAAP diluted earnings per common share, which excludes non-cash charges relating to impairment of goodwill. We believe these non-GAAP financial measures, when taken together with the corresponding GAAP financial measures, provide meaningful supplemental information regarding our performance by excluding certain items that do not occur every reporting period. Our management uses, and believes that investors benefit from referring to, these non-GAAP financial measures in assessing our operating results and related trends, and when planning, forecasting and analyzing future periods. However, these non-GAAP financial measures should be considered in addition to, not as a substitute for or preferable to, financial measures prepared in accordance with GAAP.

A reconciliation of GAAP to non-GAAP net income and non-GAAP diluted earnings per common share for the three and six months ended June 30, 2010 and 2009, respectively, is as follows:

(Dollars in thousands, except share amounts)	Three months ended June 30, 2010	Three months ended June 30, 2009	Six months ended June 30, 2010	Six months ended June 30, 2009
Net income (loss) available to common stockholders	$ 21,120	$ 7,793	$ 39,677	$ (3,978)
Impairment of goodwill (1)				4,092
Non-GAAP net income available to common stockholders	$ 21,120	$ 7,793	$ 39,677	$ 114
GAAP earnings (loss) per common share diluted	$ 0.50	$ 0.24	$ 0.94	$ (0.12)
Impact of impairment of goodwill (1)				0.12
Non-GAAP earnings per common share diluted	$ 0.50	$ 0.24	$ 0.94	$
Weighted average diluted common shares outstanding	42,475,959	33,078,367	42,339,867	32,960,239

(1) Non-tax deductible goodwill impairment charge for eProsper recognized in the first quarter of 2009.

Critical Accounting Policies and Estimates

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

There have been no significant changes during the six months ended June 30, 2010 to the items that we disclosed as our critical accounting policies and estimates in Management s Discussion and Analysis of Financial Condition and Results of Operations under Part II, Item 7 of our 2009 Form 10-K.

Results of Operations

Net Interest Income and Margin (Fully Taxable Equivalent Basis)

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

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

Net interest income is affected by changes in the amount and mix of interest-earning assets and interest-bearing liabilities, referred to as volume change. Net interest income is also affected by changes in yields earned on interest-earning assets and rates paid on interest-bearing liabilities, referred to as rate change. The following table sets forth changes in interest income for each major category of interest-earning assets and interest expense for each major category of interest-bearing liabilities. The table also

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reflects the amount of simultaneous changes attributable to both volume and rate changes for the periods indicated. For this table, changes that are not solely due to either volume or rate are allocated in proportion to the percentage changes in average volume and average rate.

	2010 Compared to 2009 Three months ended June 30, Increase (decrease) due to change in			**2010 Compared to 2009 Six months ended June 30, Increase (decrease) due to change in**		
(Dollars in thousands)	**Volume**	**Rate**	**Total**	**Volume**	**Rate**	**Total**
Interest income:						
Federal funds sold, securities purchased under agreements to resell and other short-term investment securities	$ 515	$ (115)	$ 400	$ 1,567	$ (703)	$ 864
Investment securities (taxable)	25,303	(5,246)	20,057	47,188	(9,715)	37,473
Investment securities (non-taxable)	(84)	(36)	(120)	(197)	(64)	(261)
Loans, net of unearned income	(12,156)	3,466	(8,690)	(30,040)	7,041	(22,999)
Increase (decrease) in interest income, net	13,578	(1,931)	11,647	18,518	(3,441)	15,077
Interest expense:						
NOW deposits		2	2	9	8	17
Regular money market deposits	(12)	(66)	(78)	(53)	(226)	(279)
Bonus money market deposits	623	(773)	(150)	1,031	(1,989)	(958)
Money market deposits in foreign offices	38	(50)	(12)	56	(189)	(133)
Time deposits	(23)	(124)	(147)	(115)	(269)	(384)
Sweep deposits	1,132	(2,485)	(1,353)	2,476	(5,659)	(3,183)
Total increase (decrease) in deposits expense	1,758	(3,496)	(1,738)	3,404	(8,324)	(4,920)
Short-term borrowings		4	4	(1)	(1)	(2)
3.875% convertible senior notes	32	(4)	28	66	(17)	49
Junior subordinated debentures	(4)	(58)	(62)	(3)	(276)	(279)
Senior and subordinated notes	(44)	(1,041)	(1,085)	(135)	(3,021)	(3,156)
Other long-term debt	(399)	186	(213)	(1,038)	431	(607)
Total decrease in borrowings expense	(415)	(913)	(1,328)	(1,111)	(2,884)	(3,995)
Increase (decrease) in interest expense, net	1,343	(4,409)	(3,066)	2,293	(11,208)	(8,915)
Increase (decrease) in net interest income	$ 12,235	$ 2,478	$ 14,713	$ 16,225	$ 7,767	$ 23,992

Net Interest Income (Fully Taxable Equivalent Basis)

Three months ended June 30, 2010 and 2009

Net interest income increased by $14.7 million to $106.9 million for the three months ended June 30, 2010, compared to $92.2 million for the comparable 2009 period. Overall, we saw an increase in our net interest income primarily due to growth in our interest-earning investment portfolio, which has increased as a result of our continued growth in deposits. In addition, we saw an increase in net interest income due to the low interest rate environment, which lowered our costs on deposits and London Interbank Offered Rates (LIBOR) rates underlying our long-term debt. Although our cost of funding benefited from the low interest rate environment, higher deposit balances and lower loan balances offset the overall increase in our net interest income.

The main factors affecting interest income and interest expense for the three months ended June 30, 2010, compared to the comparable 2009 period are discussed below:

Interest income for the three months ended June 30, 2010 increased by $11.6 million primarily due to:

¡ A $19.9 million increase in interest income on interest-earning investment securities, primarily related to the growth in average balances of $3.4 billion due to new investments, which were purchased as a result of our continued deposit growth. The increase in interest income from growth in average balances was partially offset by the fact that these new purchases were primarily in lower yielding securities due to the current low interest rate environment. Purchases of new investments in the second quarter of 2010 included $1.1 billion in variable rate agency-issued collateralized mortgage obligations.

¡ This increase was partially offset by an $8.7 million decrease in interest income on loans driven principally by a $667.9 million decrease in average loan balances for the three months ended June 30, 2010, compared to the comparable 2009 period, reflecting efforts by some clients to deleverage their businesses, as well as from decreases in loans to venture capital/private equity clients for capital calls.

Interest expense for the three months ended June 30, 2010 decreased by $3.1 million primarily due to:

¡ A decrease in interest expense from interest-bearing deposits of $1.7 million, primarily related to a decrease in deposit interest rates due to declining market rates and our decision to lower rates throughout 2009 and in the first quarter of

2010. This decrease was partially offset by an increase in interest expense due to a $1.4 billion increase in average interest-bearing deposit balances.

- A decrease in interest expense of $1.3 million related to our long-term debt, primarily due to lower LIBOR rates associated with interest rate swap agreements on our senior and subordinated notes.

Six months ended June 30, 2010 and 2009

Net interest income increased by $24.0 million to $208.3 million for the six months ended June 30, 2010, compared to $184.3 million for the comparable 2009 period. Overall, we saw an increase in our net interest income primarily due to growth in our interest-earning investment portfolio, which has increased as a result of our continued growth in deposits. In addition, we saw an increase in net interest income due to the low interest rate environment, which lowered our costs on deposits and LIBOR rates underlying our long-term debt. Although our cost of funding benefited from the low interest rate environment, higher deposit balances and lower loan balances decreased our net interest income.

The main factors affecting interest income and interest expense for the six months ended June 30, 2010, compared to the comparable 2009 period are discussed below:

Interest income for the six months ended June 30, 2010 increased by $15.1 million primarily due to:

- A $37.2 million increase in interest income on interest-earning investment securities, primarily related to the growth in average balances of $3.0 billion due to new investments, which were purchased as a result of our continued deposit growth. The increase in interest income from growth in average balances was partially offset by the fact that these new purchases were primarily in lower yielding securities due to the current low interest rate environment.

- This increase was partially offset by a $23.0 million decrease in interest income on loans driven principally by a $833.4 million decrease in average loan balances for the six months ended June 30, 2010, compared to the comparable 2009 period, reflecting efforts by some clients to deleverage their businesses.

Interest expense for the six months ended June 30, 2010 decreased by $8.9 million primarily due to:

- A decrease in interest expense from interest-bearing deposits of $4.9 million, primarily related to a decrease in deposit interest rates due to declining market rates and our decision to lower rates throughout 2009 and in the first quarter of 2010. This decrease was partially offset by a $1.2 billion increase in average interest-bearing deposits.

- A decrease in interest expense of $4.0 million related to our long-term debt, primarily due to lower LIBOR rates associated with interest rate swap agreements on our senior and subordinated notes.

Net Interest Margin (Fully Taxable-Equivalent Basis)

Our net interest margin was 3.20 percent and 3.25 percent for the three and six months ended June 30, 2010, compared to 3.71 percent and 3.83 percent for the comparable 2009 periods. The decreases in net interest margin were primarily due to significant growth of our deposits, the majority of which were invested in interest-earning investment securities, as well as decreases in average loan balances. These declines in our net interest margin were partially offset by a decrease in rates paid on our deposits and borrowings due to a decrease in market rates.

Average Balances, Yields and Rates Paid (Fully Taxable Equivalent Basis)

The average yield earned on interest-earning assets is the amount of annualized fully taxable-equivalent interest income expressed as a percentage of average interest-earning assets. The average rate paid on funding sources is the amount of annualized interest expense expressed as a percentage of average funding sources. The following tables set forth average assets, liabilities, noncontrolling interests and SVBFG stockholders equity, interest income, interest expense, annualized yields and rates, and the composition of our annualized net interest margin for the three and six months ended June 30, 2010 and 2009 respectively.

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Average Balances, Rates and Yields for the Three Months Ended June 30, 2010 and 2009

	Three months ended June 30,					
	2010			2009		
(Dollars in thousands)	Average Balance	Interest Income/ Expense	Yield/ Rate	Average Balance	Interest Income/ Expense	Yield/ Rate
Interest-earning assets:						
Federal funds sold, securities purchased under agreements to resell and other short-term investment securities (1)	$ 4,093,873	$ 2,885	0.28%	$ 3,369,317	$ 2,485	0.30%
Investment securities: (2)						
Taxable	5,093,883	36,851	2.90	1,729,648	16,794	3.89
Non-taxable (3)	97,462	1,463	6.02	103,017	1,583	6.16
Total loans, net of unearned income (4)	4,112,040	75,558	7.37	4,779,966	84,248	7.07
Total interest-earning assets	13,397,258	116,757	3.50	9,981,948	105,110	4.23
Cash and due from banks	227,595			198,361		
Allowance for loan losses	(75,637)			(112,647)		
Other assets (5)	1,005,046			860,304		
Total assets	$ 14,554,262			$ 10,927,966		
Funding sources:						
Interest-bearing liabilities:						
NOW deposits	$ 41,070	$ 39	0.38%	$ 40,775	$ 37	0.36%
Regular money market deposits	141,471	97	0.28	152,894	175	0.46
Bonus money market deposits	1,508,090	1,150	0.31	908,884	1,300	0.57
Money market deposits in foreign offices	82,451	66	0.32	49,181	78	0.64
Time deposits	354,078	474	0.54	368,856	621	0.68
Sweep deposits	2,573,537	2,041	0.32	1,779,158	3,394	0.77
Total interest-bearing deposits	4,700,697	3,867	0.33	3,299,748	5,605	0.68
Short-term borrowings	45,712	24	0.21	45,846	20	0.17
3.875% convertible senior notes	247,756	3,534	5.72	245,522	3,506	5.73
Junior subordinated debentures	55,665	831	5.99	55,938	893	6.40
Senior and subordinated notes	553,169	1,490	1.08	562,990	2,575	1.83
Other long-term debt	6,974	63	3.62	80,945	276	1.37
Total interest-bearing liabilities	5,609,973	9,809	0.70	4,290,989	12,875	1.20
Portion of noninterest-bearing funding sources	7,787,285			5,690,959		
Total funding sources	13,397,258	9,809	0.30	9,981,948	12,875	0.52
Noninterest-bearing funding sources:						
Demand deposits	7,204,744			5,132,849		
Other liabilities	156,182			181,421		
SVBFG stockholders equity	1,200,213			1,014,192		
Noncontrolling interests	383,150			308,515		
Portion used to fund interest-earning assets	(7,787,285)			(5,690,959)		
Total liabilities, noncontrolling interest, and SVBFG stockholders equity	$ 14,554,262			$ 10,927,966		

Net interest income and margin		$ 106,948	3.20%		$ 92,235	3.71%
Total deposits	$ 11,905,441			$ 8,432,597		
Average SVBFG stockholders equity as a percentage of average assets			8.25%			9.28%
Reconciliation to reported net interest income:						
Adjustments for taxable equivalent basis		(512)			(554)	
Net interest income, as reported		$ 106,436			$ 91,681	

(1) Includes average interest-bearing deposits in other financial institutions of $215.4 million and $174.2 million for the three months ended June 30, 2010 and 2009, respectively. For the three months ended June 30, 2010 and 2009, balances also include $3.8 billion and $3.1 billion, respectively, deposited at the Federal Reserve Bank, earning interest at the Federal Funds target rate.

(2) Yields on interest-earning investment securities do not give effect to changes in fair value that are reflected in other comprehensive income.

(3) Interest income on non-taxable investments is presented on a fully taxable-equivalent basis using the federal statutory income tax rate of 35.0 percent for all periods presented.

(4) Nonaccrual loans are reflected in the average balances of loans.

(5) Average investment securities of $657.2 million and $470.4 million for the three months ended June 30, 2010 and 2009, respectively, were classified as other assets as they were noninterest-earning assets. These investments primarily consisted of non-marketable securities.

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Average Balances, Rates and Yields for the Six Months Ended June 30, 2010 and 2009

	Six months ended June 30,					
	2010			2009		
(Dollars in thousands)	**Average Balance**	**Interest Income/ Expense**	**Yield/ Rate**	**Average Balance**	**Interest Income/ Expense**	**Yield/ Rate**
Interest-earning assets:						
Federal funds sold, securities purchased under agreements to resell and other short-term investment securities (1)	$ 4,204,475	$ 5,725	0.27%	$ 3,099,153	$ 4,861	0.32%
Investment securities: (2)						
Taxable	4,505,800	69,118	3.09	1,544,728	31,645	4.13
Non-taxable (3)	98,206	2,955	6.07	104,701	3,216	6.19
Total loans, net of unearned income (4)	4,113,789	149,500	7.33	4,947,180	172,499	7.03
Total interest-earning assets	12,922,270	227,298	3.55	9,695,762	212,221	4.41
Cash and due from banks	232,615			259,482		
Allowance for loan losses	(76,837)			(112,090)		
Goodwill				2,013		
Other assets (5)	984,533			848,322		
Total assets	$ 14,062,581			$ 10,693,489		
Funding sources:						
Interest-bearing liabilities:						
NOW deposits	$ 51,382	$ 103	0.40%	$ 46,496	$ 86	0.37%
Regular money market deposits	145,412	201	0.28	165,924	480	0.58
Bonus money market deposits	1,371,961	2,080	0.31	947,246	3,038	0.65
Money market deposits in foreign offices	72,300	119	0.33	56,791	252	0.89
Time deposits	338,862	967	0.58	372,823	1,351	0.73
Sweep deposits	2,499,807	4,062	0.33	1,706,195	7,245	0.86
Total interest-bearing deposits	4,479,724	7,532	0.34	3,295,475	12,452	0.76
Short-term borrowings	45,193	39	0.17	46,442	41	0.18
3.875% convertible senior notes	247,477	7,060	5.75	245,157	7,011	5.77
Junior subordinated debentures	55,815	1,400	5.06	55,930	1,679	6.05
Senior and subordinated notes	552,554	2,826	1.03	565,583	5,982	2.13
Other long-term debt	7,154	131	3.69	91,050	738	1.63
Total interest-bearing liabilities	5,387,917	18,988	0.71	4,299,637	27,903	1.31
Portion of noninterest-bearing funding sources	7,534,353			5,396,125		
Total funding sources	12,922,270	18,988	0.30	9,695,762	27,903	0.58
Noninterest-bearing funding sources:						
Demand deposits	6,959,200			4,886,071		
Other liabilities	166,177			183,124		
SVBFG stockholders equity	1,181,674			1,011,164		
Noncontrolling interests	367,613			313,493		
Portion used to fund interest-earning assets	(7,534,353)			(5,396,125)		
Total liabilities, noncontrolling interest, and SVBFG stockholders equity	$ 14,062,581			$ 10,693,489		

Net interest income and margin		$ 208,310	3.25%		$ 184,318	3.83%
Total deposits	$ 11,438,924			$ 8,181,546		
Average SVBFG stockholders equity as a percentage of average assets			8.40%			9.46%
Reconciliation to reported net interest income:						
Adjustments for taxable equivalent basis		(1,034)			(1,126)	
Net interest income, as reported		$ 207,276			$ 183,192	

(1) Includes average interest-bearing deposits in other financial institutions of $192.8 million and $177.1 million for the six months ended June 30, 2010 and 2009, respectively. For the six months ended June 30, 2010 and 2009, balances also include $4.0 billion and $2.8 billion, respectively, deposited at the Federal Reserve Bank, earning interest at the Federal Funds target rate.

(2) Yields on interest-earning investment securities do not give effect to changes in fair value that are reflected in other comprehensive income.

(3) Interest income on non-taxable investments is presented on a fully taxable-equivalent basis using the federal statutory income tax rate of 35.0 percent for all periods presented.

(4) Nonaccrual loans are reflected in the average balances of loans.

(5) Average investment securities of $628.5 million and $468.7 million for the six months ended June 30, 2010 and 2009, respectively, were classified as other assets as they were noninterest-earning assets. These investments primarily consisted of non-marketable securities.

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Provision for Loan Losses

Our provision for loan losses is based on our evaluation of the adequacy of the existing allowance for loan losses in relation to total gross loans and on our periodic assessment of the inherent and identified risk dynamics of the loan portfolio resulting from reviews of selected individual loans. The following table summarizes our allowance for loan losses for the three and six months ended June 30, 2010 and 2009, respectively:

(Dollars in thousands)	Three months ended June 30, 2010	Three months ended June 30, 2009	Six months ended June 30, 2010	Six months ended June 30, 2009
Allowance for loan losses, beginning balance	$ 68,271	$ 110,010	$ 72,450	$ 107,396
Provision for loan losses	7,408	21,393	18,153	64,859
Gross loan charge-offs	(7,133)	(21,898)	(28,313)	(63,911)
Loan recoveries	3,243	968	9,499	2,129
Allowance for loan losses, ending balance	$ 71,789	$ 110,473	$ 71,789	$ 110,473
Provision as a percentage of total gross loans (annualized)	0.66%	1.76%	0.82%	2.68%
Gross loan charge-offs as a percentage of average total gross loans (annualized)	0.69	1.82	1.38	2.58
Net loan charge-offs as a percentage of average total gross loans (annualized)	0.38	1.74	0.91	2.50
Allowance for loan losses as a percentage of period-end total gross loans	1.60	2.26	1.60	2.26
Period-end total gross loans	$ 4,485,562	$ 4,886,040	$ 4,485,562	$ 4,886,040
Average total gross loans	4,144,210	4,820,855	4,146,683	4,989,385

Our provision for loan losses was $7.4 million for the three months ended June 30, 2010, a decrease of $14.0 million compared to the comparable 2009 period. The decrease was primarily due to a decrease in net charge-offs of $17.0 million, a decrease in loan balances and continuing improvement in credit quality. Gross loan charge-offs of $7.1 million for the three months ended June 30, 2010 were primarily from our hardware and software client portfolios. Gross loan charge-offs included $2.7 million of loans that were previously included as nonperforming loans. Loan recoveries of $3.2 million for the three months ended June 30, 2010 were primarily from our life science and software client portfolios.

Our provision for loan losses was $18.2 million for the six months ended June 30, 2010, a decrease of $46.7 million compared to the comparable 2009 period. Gross loan charge-offs of $28.3 million for the six months ended June 30, 2010 were primarily from our life science, hardware and software client portfolios. Gross loan charge-offs included $6.8 million of loans that were previously included as nonperforming loans. Loan recoveries of $9.5 million for the six months ended June 30, 2010 were primarily from our software and life science client portfolios.

Overall, our allowance for loan losses of $71.8 million at June 30, 2010 has decreased significantly since the peak of $110.5 million at June 30, 2009. The decrease reflects both a decrease in our loan balances, as well as continuing improvement in credit quality trends in our loan portfolio as reflected by the charge-off of certain large nonperforming loans (which had been specifically reserved for) and an overall reduction of 54.0 percent in nonperforming loans and 39.8 percent in classified loans since the second quarter of 2009. As such, we believe our current allowance for loan losses of $71.8 million (1.60 percent of total gross loans) is adequate.

Noninterest Income

A summary of noninterest income for the three and six months ended June 30, 2010 and 2009, respectively, is as follows:

(Dollars in thousands)	Three months ended June 30, 2010	2009	% Change	Six months ended June 30, 2010	2009	% Change
Gains (losses) on investment securities, net	$ 4,805	$ (6,750)	(171.2)%	$ 20,809	$ (41,795)	(149.8)%
Foreign exchange fees	8,255	7,617	8.4	17,116	15,083	13.5
Deposit service charges	7,734	6,590	17.4	14,959	13,413	11.5
Client investment fees	4,941	5,580	(11.5)	8,881	11,828	(24.9)

Credit card fees	3,027	2,957	2.4	5,714	4,396	30.0
Letters of credit and standby letters of credit income	2,606	2,329	11.9	5,117	5,221	(2.0)
Gains (losses) on derivative instruments, net	1,326	(2,847)	(146.6)	3,308	(1,033)	NM
Other	7,463	12,799	(41.7)	13,526	15,581	(13.2)
Total noninterest income	$ 40,157	$ 28,275	42.0	$ 89,430	$ 22,694	NM

NM- Not meaningful

Included in net income is income and expense attributable to noncontrolling interests. We recognize, as part of our investment funds management business through SVB Capital and Sponsored Debt Funds & Strategic Investments, the entire income or loss from funds where we own significantly less than 100%. We also recognize, as part of our equity valuation business through SVB Analytics, the results of eProsper, of which we own 65%. We are required under GAAP to consolidate 100% of the results of entities that we are deemed to control, even though we may own less than 100% of such entities. The relevant amounts attributable to investors other than

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us are reflected under Net (Income) Loss Attributable to Noncontrolling Interests on our statements of income. The non-GAAP tables presented below, for noninterest income and net gains (losses) on investment securities, all exclude noncontrolling interests. We believe these non-GAAP financial measures, when taken together with the corresponding GAAP financial measures, provide meaningful supplemental information regarding our performance by excluding certain items that represent income attributable to investors other than us and our subsidiaries. Our management uses, and believes that investors benefit from referring to, these non-GAAP financial measures in assessing our operating results and when planning, forecasting and analyzing future periods. However, these non-GAAP financial measures should be considered in addition to, not as a substitute for or preferable to, financial measures prepared in accordance with GAAP.

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

Non-GAAP noninterest income, net of noncontrolling interests (Dollars in thousands)	**Three months ended June 30, 2010**	**2009**	**% Change**	**Six months ended June 30, 2010**	**2009**	**% Change**
GAAP noninterest income	$ 40,157	$ 28,275	42.0%	$ 89,430	$ 22,694	NM%
Less: income (losses) attributable to noncontrolling interests, including carried interest	2,921	(6,097)	(147.9)	16,812	(36,689)	(145.8)
Non-GAAP noninterest income, net of noncontrolling interests	$ 37,236	$ 34,372	8.3	$ 72,618	$ 59,383	22.3

NM- Not meaningful

Gains (Losses) on Investment Securities, Net

We experience variability in the performance of our private equity and venture capital investments from quarter to quarter due to a number of factors, including changes in the values of our investments, changes in the amount of distributions or liquidity events and general economic and market conditions. Such variability may lead to volatility in the gains (losses) from investment securities and cause our results for a particular period not to be indicative of our performance in a future period. Throughout 2009, as a result of the economic downturn, the valuations of our investments were affected by a more challenging venture capital environment and a significant slowdown of merger and acquisition (M&A) activities and initial public offerings (IPOs) among our portfolio companies. In the first half of 2010, we began to see improving venture capital investment levels and increased M&A and IPO activity among these portfolio companies.

The net gains of $4.8 million for the three months ended June 30, 2010 were primarily due to the following:

- Net gains of $3.7 million from our non-marketable securities, primarily due to realized gains of $4.8 million from distributions from our managed funds of funds and realized gains of $1.4 million primarily from the acquisition of a portfolio company held by one of our managed co-investment funds. In addition, we recorded $3.6 million of unrealized gains from valuation adjustments primarily from two of our managed funds of funds and one of our co-investment funds. These gains were partially offset by $5.5 million in reclassifications of previously recorded unrealized gains to realized gains related to the above mentioned distributions and portfolio company acquisition.

- Net gains of $1.1 million from the sale of $157.9 million of securities in our available-for-sale securities portfolio. These securities included all of our remaining non-agency residential and commercial mortgage-backed securities of $123.3 million, as well as agency-issued collateralized mortgage obligations of $34.6 million.

The net gains of $20.8 million for the six months ended June 30, 2010 were primarily due to unrealized gains of $10.5 million from our managed funds of funds primarily as a result of higher valuations and realized gains of $7.8 million from distributions to our managed funds of funds.

The following tables provide a summary of non-GAAP net gains (losses) on investment securities, net of noncontrolling interests, for the three and six months ended June 30, 2010 and 2009:

	Three months ended June 30, 2010				
(Dollars in thousands)	**Managed Co-Investment Funds**	**Managed Funds Of Funds**	**Debt Funds**	**Other (1)**	**Total**
Unrealized gains (losses)	$ 71	$ (1,935)	$ (918)	$ 51	$ (2,731)
Realized gains	1,406	4,829	507	794	7,536
Total gains (losses) on investment securities, net	$ 1,477	$ 2,894	$ (411)	$ 845	$ 4,805
Less: income (losses) attributable to noncontrolling interests, including carried interest	1,510	2,141	(87)		3,564
Non-GAAP net (losses) gains on investment securities, net of noncontrolling interests	$ (33)	$ 753	$ (324)	$ 845	$ 1,241

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(1) Included in realized gains from our Other investments are net gains of $1.1 million from the sale of $157.9 million of securities in our available-for-sale securities portfolio.

	Three months ended June 30, 2009				
(Dollars in thousands)	**Managed Co-Investment Funds**	**Managed Funds Of Funds**	**Debt Funds**	**Other**	**Total**
Unrealized (losses) gains	$ (1,691)	$ (6,469)	$ 798	$	$ (7,362)
Realized (losses) gains	(907)	1,174	883	(538)	612
Total (losses) gains on investment securities, net	$ (2,598)	$ (5,295)	$ 1,681	$ (538)	$ (6,750)
Less: (losses) income attributable to noncontrolling interests, including carried interest	(2,414)	(4,831)	312		(6,933)
Non-GAAP net (losses) gains on investment securities, net of noncontrolling interests	$ (184)	$ (464)	$ 1,369	$ (538)	$ 183

	Six months ended June 30, 2010				
(Dollars in thousands)	**Managed Co-Investment Funds**	**Managed Funds Of Funds**	**Debt Funds**	**Other (1)**	**Total**
Unrealized gains (losses)	$ 960	$ 10,519	$ (105)	$ 425	$ 11,799
Realized (losses) gains	(560)	7,831	954	785	9,010
Total gains on investment securities, net	$ 400	$ 18,350	$ 849	$ 1,210	$ 20,809
Less: income (losses) attributable to noncontrolling interests, including carried interest	108	16,261	(27)		16,342
Non-GAAP net gains on investment securities, net of noncontrolling interests	$ 292	$ 2,089	$ 876	$ 1,210	$ 4,467

(1) Included in realized gains from our Other investments are net gains of $1.1 million from the sale of $157.9 million of securities in our available-for-sale securities portfolio.

	Six months ended June 30, 2009				
(Dollars in thousands)	**Managed Co-Investment Funds**	**Managed Funds Of Funds**	**Debt Funds**	**Other**	**Total**
Unrealized (losses) gains	$ (6,388)	$ (37,548)	$ 1,782	$	$ (42,154)
Realized (losses) gains	(1,430)	2,057	1,123	(1,391)	359
Total (losses) gains on investment securities, net	$ (7,818)	$ (35,491)	$ 2,905	$ (1,391)	$ (41,795)
Less: (losses) income attributable to noncontrolling interests, including carried interest	(7,191)	(30,936)	756		(37,371)

Non-GAAP net (losses) gains on investment securities, net of noncontrolling interests	$ (627)	$ (4,555)	$ 2,149	$ (1,391)	$ (4,424)

Foreign Exchange Fees

Foreign exchange fees were $8.3 million and $17.1 million for the three and six months ended June 30, 2010, respectively, compared to $7.6 million and $15.1 million for the comparable 2009 periods. The increases were primarily due to higher commissioned notional volumes, which increased to $1.3 billion and $2.8 billion for the three and six months ended June 30, 2010, respectively, compared to $1.1 billion and $2.1 billion for the comparable 2009 periods.

Deposit Service Charges

Deposit service charges were $7.7 million and $15.0 million for the three and six months ended June 30, 2010, respectively, compared to $6.6 million and $13.4 million for the comparable 2009 periods. The increases were primarily due to a decrease in the earnings credit received by clients due to decreases in short-term market interest rates.

Client Investment Fees

Client investment fees were $4.9 million and $8.9 million for the three and six months ended June 30, 2010, respectively, compared to $5.6 million and $11.8 million for the comparable 2009 periods. The decreases were primarily attributable to lower margins earned on certain products owing to historically low rates in the short-term fixed income markets, as well as a decrease in average client investment funds. The decreases in average client investment funds were primarily due to our clients desire to maintain short term liquidity provided by on balance sheet deposit accounts rather than invest in other options available in the current low

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interest rate environment. The following table summarizes average client investment funds for the three and six months ended June 30, 2010 and 2009, respectively:

	Three months ended June 30,			Six months ended June 30,		
(Dollars in millions)	**2010**	**2009**	**% Change**	**2010**	**2009**	**% Change**
Client directed investment assets (1)	$ 9,340	$ 11,039	(15.4)%	$ 9,364	$ 11,341	(17.4)%
Client investment assets under management	6,164	5,412	13.9	5,922	5,623	5.3
Sweep money market funds					112	(100.0)
Total average client investment funds (2)	$ 15,504	$ 16,451	(5.8)	$ 15,286	$ 17,076	(10.5)

(1) Mutual funds and Repurchase Agreement Program assets.
(2) Client investment funds are maintained at third-party financial institutions.

Period-end total client investment funds were $16.0 billion at June 30, 2010, compared to $15.6 billion at December 31, 2009. The increase was primarily due to an increase in client investments assets under management, mainly attributable to our focus on attracting a higher percentage of technology and life science IPO proceeds, secondary public offerings and private company financing rounds in a financing environment that is showing early signs of strengthening.

Credit Card Fees

Credit card fees were $3.0 million and $5.7 million for the three and six months ended June 30, 2010, respectively, compared to $3.0 million and $4.4 million for the comparable 2009 periods. The increase for the six month period was primarily due to the transfer of management and processing of our credit card portfolio in-house from a third-party servicer towards the end of the first quarter of 2009.

Gains on Derivative Instruments, Net

A summary of gains (losses) on derivative instruments, net, for the three and six months ended June 30, 2010 and 2009, respectively, is as follows:

	Three months ended June 30,			Six months ended June 30,		
(Dollars in thousands)	**2010**	**2009**	**% Change**	**2010**	**2009**	**% Change**
Gains (losses) on foreign exchange forward contracts, net:						
Gains on client foreign exchange forward contracts, net (1)	$ 327	$ 448	(27.0)%	$ 619	$ 944	(34.4)%
Gains (losses) on internal foreign exchange forward contracts, net (2)	1,332	(4,479)	(129.7)	3,378	(2,536)	NM
Total gains (losses) on foreign exchange forward contracts, net	1,659	(4,031)	(141.2)	3,997	(1,592)	NM
Change in fair value of interest rate swap (3)					(170)	(100.0)
Equity warrant assets: (4)						
Gains (losses) on exercise, net	788	(42)	NM	1,637	168	NM
Change in fair value:						
Cancellations and expirations	(744)	(1,276)	(41.7)	(2,526)	(2,474)	2.1
Other changes in fair value	(377)	2,502	(115.1)	200	3,035	(93.4)
Total net (losses) gains on equity warrant assets (5)	(333)	1,184	(128.1)	(689)	729	(194.5)
Total gains (losses) on derivative instruments, net	$ 1,326	$ (2,847)	(146.6)	$ 3,308	$ (1,033)	NM

NM- Not meaningful

(1) Represents the net gains for foreign exchange forward contracts executed on behalf of clients.

(2) Represents the change in the fair value of foreign exchange forward contracts used to economically reduce our foreign exchange exposure risk related to certain foreign currency denominated loans. Revaluations of foreign currency denominated loans are recorded in the line item Other as part of noninterest income, a component of consolidated net income.

(3) Represents the change in the fair value hedge of the junior subordinated debentures. In December 2008, our counterparty called this swap for settlement in January 2009. As a result, the swap was terminated and no longer designated as a hedging instrument.

(4) At June 30, 2010, we held warrants in 1,146 companies, compared to 1,285 companies at June 30, 2009.

(5) Includes net gains on equity warrant assets held by consolidated investment affiliates. Relevant amounts attributable to noncontrolling interests are reflected in the interim consolidated statements of income under the caption Net (Income) Loss Attributable to Noncontrolling Interests .

Net gains on derivative instruments were $1.3 million for the three months ended June 30, 2010, compared to net losses of $2.8 million for the comparable 2009 period. The increase of $4.1 million was primarily attributable to the following:

Net gains from foreign exchange forward contracts hedging our foreign currency denominated loans of $1.3 million for the three months ended June 30, 2010, compared to net losses of $4.5 million for the comparable 2009 period. The net gains

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of $1.3 million for the three months ended June 30, 2010 were primarily due to the strengthening of the U.S. dollar against the Euro. These gains were offset by net losses of $0.9 million from revaluation of foreign currency denominated loans that are included in the line item Other as part of noninterest income.

Partially offset by a net losses on equity warrant assets of $0.3 million for the three months ended June 30, 2010, compared to net gains of $1.2 million for the comparable 2009 period. The net losses of $0.3 million for the three months ended June 30, 2010 were primarily driven by $0.7 million from warrant cancellations and expirations and net losses of $0.4 million from valuation decreases in our warrant portfolio, partially offset by net gains of $0.8 million from the exercise of certain warrant positions.

Net gains on derivative instruments were $3.3 million for the six months ended June 30, 2010, compared to net losses of $1.0 million for the comparable 2009 period. The increase of $4.3 million was primarily attributable to the following:

Net gains from foreign exchange forward contracts hedging our foreign currency denominated loans of $3.4 million, compared to net losses of $2.5 million for the comparable 2009 period. The net gains of $3.4 million for the six months ended June 30, 2010 were primarily due to the strengthening of the U.S. dollar against the Pound Sterling and Euro. These gains were offset by net losses of $2.9 million from revaluation of foreign currency denominated loans that are included in the line item Other as part of noninterest income.

Partially offset by net losses on equity warrant assets of $0.7 million for the six months ended June 30, 2010, compared to net gains of $0.7 million for the comparable 2009 period. The net losses of $0.7 million for the six months ended June 30, 2010 were primarily driven by $2.5 million from warrant cancellations and expirations, partially offset by net gains of $1.6 million from the exercise of certain warrant positions.

Other Noninterest Income

A summary of other noninterest income for the three and six months ended June 30, 2010 and 2009, respectively, is as follows:

	Three months ended June 30,			Six months ended June 30,		
(Dollars in thousands)	**2010**	**2009**	**% Change**	**2010**	**2009**	**% Change**
Fund management fees	$ 2,698	$ 2,471	9.2	$ 5,396	$ 5,188	4.0%
Service-based fee income (1)	2,622	2,116	23.9	4,618	3,945	17.1
Currency revaluation (losses) gains	(692)	1,068	(164.8)	326	108	NM
(Losses) gains on foreign currency loans revaluation, net	(916)	4,657	(119.7)	(2,946)	1,980	NM
Other	3,751	2,487	50.8	6,132	4,360	40.6
Total other noninterest income	$ 7,463	$ 12,799	(41.7)	$ 13,526	$ 15,581	(13.2)

NM- Not meaningful

(1) Includes income from SVB Analytics and its subsidiary, eProsper.

Other noninterest income was $7.5 million and $13.5 million for the three and six months ended June 30, 2010, respectively, compared to $12.8 million and $15.6 million for the comparable 2009 periods. The decrease of $5.3 million for the three months ended June 30, 2010, compared to the comparable 2009 period was primarily due to revaluations of foreign currency denominated loans. Net losses from revaluation of foreign currency denominated loans of $0.9 million for the three months ended June 30, 2010 were primarily due to the strengthening of the U.S. dollar against the Euro and were partially offset by net gains of $1.3 million from foreign exchange forward contracts, which are included in net gains (losses) on derivative instruments.

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Noninterest Expense

A summary of noninterest expense for the three and six months ended June 30, 2010 and 2009, respectively, is as follows:

	Three months ended June 30,			Six months ended June 30,		
(Dollars in thousands)	**2010**	**2009**	**% Change**	**2010**	**2009**	**% Change**
Compensation and benefits	$ 59,993	$ 46,947	27.8%	$ 119,823	$ 95,227	25.8%
Professional services	12,642	11,263	12.2	24,740	23,343	6.0
Premises and equipment	5,319	5,694	(6.6)	11,103	11,101	0.0
FDIC assessments	5,587	8,589	(35.0)	10,636	11,264	(5.6)
Business development and travel	5,103	3,403	50.0	9,389	6,676	40.6
Net occupancy	4,649	4,843	(4.0)	9,337	9,148	2.1
Correspondent bank fees	1,956	1,963	(0.4)	3,904	3,876	0.7
Provision for (reduction of) unfunded credit commitments	2,376	(1,147)	NM	869	(3,431)	(125.3)
Impairment of goodwill					4,092	(100.0)
Other	6,555	7,457	(12.1)	12,955	14,856	(12.8)
Total noninterest expense	$ 104,180	$ 89,012	17.0	$ 202,756	$ 176,152	15.1

NM- Not meaningful

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

Non-GAAP operating efficiency ratio, net of noncontrolling interests	Three months ended June 30,			Six months ended June 30,		
(Dollars in thousands, except ratios)	**2010**	**2009**	**% Change**	**2010**	**2009**	**% Change**
GAAP noninterest expense	$ 104,180	$ 89,012	17.0%	$ 202,756	$ 176,152	15.1%
Less: amounts attributable to noncontrolling interests	2,880	2,848	1.1	6,111	6,235	(2.0)
Less: impairment of goodwill					4,092	(100.0)
Non-GAAP noninterest expense, net of noncontrolling interests	$ 101,300	$ 86,164	17.6	$ 196,645	$ 165,825	18.6
GAAP taxable equivalent net interest income	$ 106,948	$ 92,235	16.0	$ 208,310	$ 184,318	13.0
Less: (losses) attributable to noncontrolling interests	25	(16)	NM	18	(30)	(160.0)
Non-GAAP taxable equivalent net interest income, net of noncontrolling interests	106,923	92,251	15.9	208,292	184,348	13.0
Non-GAAP noninterest income, net of noncontrolling interests	37,236	34,372	8.3	72,618	59,383	22.3
Non-GAAP taxable equivalent revenue, net of noncontrolling interests	$ 144,159	$ 126,623	13.8	$ 280,910	$ 243,731	15.3

Non-GAAP operating efficiency ratio	70.27%	68.05%	3.3	70.00%	68.04%	2.9

NM- Not meaningful

Compensation and Benefits

Compensation and benefits expense was $60.0 million for the three months ended June 30, 2010, compared to $46.9 million for the comparable 2009 period. The increase of $13.1 million was primarily due to an increase of $10.5 million in incentive compensation and ESOP expenses and an increase of $1.7 million in salaries and wages expense.

Compensation and benefits expense was $119.8 million for the six months ended June 30, 2010, compared to $95.2 million for the comparable 2009 period. The increase of $24.6 million was primarily due to an increase of $18.7 million in incentive compensation and ESOP expenses and an increase of $1.9 million in salaries and wages expense.

Incentive compensation and ESOP expenses for the first half of 2010 reflect our current expectation that we will meet our internal performance targets for 2010 as compared to our 2009 incentive compensation levels, which were at half of target levels as we did not meet our internal performance targets. In addition to lower incentive compensation levels, no ESOP expenses or company-wide merit increases were recorded in 2009. The increases in salaries and wages expense were primarily due to an increase in the average number of full-time equivalent (FTE) employees, as well as from merit increases in the first quarter of 2010. Average FTE s increased to 1,277 and 1,274 for the three and six months ended June 30, 2010, respectively, compared to 1,258 for both of the comparable 2009 periods.

Our variable compensation plans primarily consist of the Incentive Compensation Plan, Direct Drive Incentive Compensation Plan, 401(k) and ESOP Plan, Retention Program and Warrant Incentive Plan. Total costs incurred under these plans were $17.7 million and $34.2 million for the three and six months ended June 30, 2010, respectively, compared to $7.1 million and $14.5 million for the comparable 2009 periods.

Federal Deposit Insurance Corporation (FDIC) Assessments

FDIC assessments were $5.6 million and $10.6 million for the three and six months ended June 30, 2010, respectively, compared to $8.6 million and $11.3 million for the comparable 2009 periods. The decreases were primarily due to a special assessment fee of $5.0 million in the second quarter of 2009. The special assessment fee was based on deposit balances and was mandated for all banks by the FDIC. The decreases were partially offset by an increase in average deposit balances and an increase in FDIC assessment rates.

Business Development and Travel

Business development and travel expense was $5.1 million and $9.4 million for the three and six months ended June 30, 2010, respectively, compared to $3.4 million and $6.7 million for the comparable 2009 periods. The increases were primarily due to our increased focus on global initiatives.

Provision for (Reduction of) Unfunded Credit Commitments

We calculate changes to our provision for unfunded credit commitments based on the credit commitments outstanding, as well as the credit quality of our loan commitments. We recorded a provision for unfunded credit commitments of $2.4 million for the three months ended June 30, 2010, compared to a reduction of provision of $1.1 million for the comparable 2009 period. The provision for unfunded credit commitments of $2.4 million for the three months ended June 30, 2010 was a function of the composition of commitments and the application of the reserve methodology to our unfunded loan portfolio.

We recorded a provision for unfunded credit commitments of $0.9 million for the six months ended June 30, 2010, compared to a reduction of provision of $3.4 million for the comparable 2009 period. The provision for unfunded credit commitments of $0.9 million for the six months ended June 30, 2010 was a function of the composition of commitments and the application of the reserve methodology to our unfunded loan portfolio.

Impairment of Goodwill

We review goodwill, if any, for possible impairment on an annual basis, and we also monitor for any impairment triggering events quarterly. As such, as part of our quarterly review of goodwill during the three months ended March 31, 2009, we noted an impairment resulting from a change in our outlook for eProsper s future financial performance. As a result, we recognized a non-cash non-tax deductible charge of $4.1 million relating to the impairment of goodwill in the first quarter of 2009. There was no remaining goodwill on our balance sheet as of June 30, 2010.

Other Noninterest Expense

A summary of other noninterest expense for the three and six months ended June 30, 2010 and 2009, respectively, is as follows:

	Three months ended June 30,			Six months ended June 30,		
(Dollars in thousands)	**2010**	**2009**	**% Change**	**2010**	**2009**	**% Change**
Telephone	$ 1,090	$ 1,337	(18.5)%	$ 2,230	$ 2,717	(17.9)%
Tax credit fund amortization	1,005	1,164	(13.7)	2,057	2,293	(10.3)
Data processing services	925	1,118	(17.3)	1,902	2,130	(10.7)
Postage and supplies	603	905	(33.4)	1,074	2,163	(50.3)
Other	2,932	2,933	(0.0)	5,692	5,553	2.5
Total other noninterest expense	$ 6,555	$ 7,457	(12.1)	$ 12,955	$ 14,856	(12.8)

Net (Income) Loss Attributable to Noncontrolling Interests

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

In the table below, net interest loss represents interest earned on loans held by one of our sponsored debt funds. Noninterest (income) loss consists of investment gains and losses from our consolidated funds, currency revaluation gains (losses) from our managed funds and gains or losses recognized from the exercise of warrants held by one of our sponsored debt funds. Noninterest expense is primarily related to management fees paid by our managed funds to the Company as the general partner and one of our

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consolidated sponsored debt funds for funds management. A summary of net (income) loss attributable to noncontrolling interests for the three and six months ended June 30, 2010 and 2009, respectively, is as follows:

	Three months ended June 30,			Six months ended June 30,		
(Dollars in thousands)	**2010**	**2009**	**% Change**	**2010**	**2009**	**% Change**
Net interest (income) loss (1)	$ (25)	$ 16	NM%	$ (18)	$ 30	(160.0)%
Noninterest (income) loss (1)	(3,463)	6,153	(156.3)	(17,746)	38,060	(146.6)
Noninterest expense (1)	2,880	2,848	1.1	6,111	6,235	(2.0)
Carried interest (2)	542	(56)	NM	934	(1,371)	(168.1)
Net (income) loss attributable to noncontrolling interests	$ (66)	$ 8,961	(100.7)	$ (10,719)	$ 42,954	(125.0)

NM- Not meaningful
(1) Represents noncontrolling interests share in net interest income, noninterest income and noninterest expense.
(2) Represents the change in the preferred allocation of income we earn as general partners managing our managed funds and the preferred allocation earned by the general partner entity managing one of our consolidated sponsored debt funds.

Income Taxes

Our effective tax expense rate was 39.6 percent for the three months ended June 30, 2010, compared to 38.8 percent for the comparable 2009 period. The increase in the tax rate was primarily due to the lower benefit from tax advantaged investments as a percentage of pre-tax income in the second quarter of 2010.

Our effective tax expense rate was 39.0 percent for the six months ended June 30, 2010, compared to an effective tax expense of 60.4 percent for the comparable 2009 period. The decrease in the tax rate was primarily attributable to the effect of non-deductible expenses as a percentage of pre-tax income in the second quarter of 2010, and the effect of the $4.1 million goodwill impairment charge associated with eProsper in the first quarter of 2009.

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

Operating Segment Results

We have four operating segments in which we report our financial information: Global Commercial Bank, Relationship Management, SVB Capital and Other Business Services.

In accordance with ASC 280, we report segment information based on the management approach. The management approach designates the internal reporting used by management for making decisions and assessing performance as the source of our reporting segments. Please refer to Note 11- Segment Reporting of the Notes to Interim Consolidated Financial Statements (unaudited) under Part I, Item 1 of this report for additional details.

Our primary source of revenue is from net interest income, which is primarily the difference between interest earned on loans, net of 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 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.

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The following is our segment information for the three and six months ended June 30, 2010 and 2009, respectively.

Global Commercial Bank

(Dollars in thousands)	Three months ended June 30, 2010	2009	% Change	Six months ended June 30, 2010	2009	% Change
Net interest income	$ 85,873	$ 91,105	(5.7)%	$ 168,269	$ 185,361	(9.2)%
Provision for loan losses	(6,729)	(14,894)	(54.8)	(17,480)	(57,709)	(69.7)
Noninterest income	30,083	27,207	10.6	57,724	53,661	7.6
Noninterest expense	(56,954)	(46,948)	21.3	(112,331)	(88,921)	26.3
Income before income tax expense	$ 52,273	$ 56,470	(7.4)	$ 96,182	$ 92,392	4.1
Total average loans, net of unearned income	$ 3,183,912	$ 3,779,983	(15.8)	$ 3,176,085	$ 3,946,846	(19.5)
Total average assets	3,455,741	3,887,478	(11.1)	3,450,157	4,052,566	(14.9)
Total average deposits	11,706,549	8,277,402	41.4	11,246,793	8,015,374	40.3

Three months ended June 30, 2010 compared to the three months ended June 30, 2009

Net interest income from our Global Commercial Bank (GCB) decreased by $5.2 million for the three months ended June 30, 2010, primarily due to a decrease in interest income resulting from a decrease in average loan balances, which decreased by $596.1 million to $3.2 billion, and a decrease in the FTP earned for deposits due to decreases in market interest rates. These decreases were partially offset by an increase in the FTP earned for deposits due to significant deposit growth.

The provision for loan losses for GCB was $6.7 million for the three months ended June 30, 2010, a decrease of $8.2 million compared to the comparable 2009 period. The provision for loan losses of $6.7 million for the three months ended June 30, 2010 was primarily attributable to gross charge-offs from our hardware and software client portfolios.

Noninterest income increased by $2.9 million for the three months ended June 30, 2010, primarily due to an increase in deposit service charges and foreign exchange fees. The increase in deposit service charges was primarily due to a decrease in the earnings credit received by clients due to decreases in short-term market interest rates. The increase in foreign exchange fees was primarily due to higher commissioned notional volumes, which increased to $1.3 billion for the three months ended June 30, 2010, compared to $1.1 billion for the comparable 2009 period.

Noninterest expense increased by $10.0 million for the three months ended June 30, 2010, primarily due to an increase in compensation and benefits expense of $10.7 million. The increase in compensation and benefits expense was attributable to an increase in incentive compensation, ESOP, and salaries and wages expenses. Incentive compensation and ESOP expenses for the second quarter 2010 reflect our current expectation that we will meet our internal performance targets for 2010 as compared to our 2009 incentive compensation levels, which were at half of target levels as we did not meet our internal performance targets. The increase in salaries and wages was primarily due to the increase in the average number of FTE employees at GCB, which increased to 833 for the three months of June 30, 2010, compared to 805 for the comparable 2009 period, as well as from merit increases in the first quarter of 2010. The increase in average FTE s was attributable to increases in product development and operational positions, sales and advisory positions, and positions to support our global commercial banking operations.

Six months ended June 30, 2010 compared to the six months ended June 30, 2009

Net interest income from our Global Commercial Bank (GCB) decreased by $17.1 million for the six months ended June 30, 2010, primarily due to a decrease in interest income resulting from a decrease in average loan balances, which decreased by $770.8 million to $3.2 billion, and a decrease in the FTP earned for deposits due to decreases in market interest rates. These decreases were partially offset by an increase in the FTP earned for deposits due to significant deposit growth.

The provision for loan losses for GCB was $17.5 million for the six months ended June 30, 2010, a decrease of $40.2 million compared to the comparable 2009 period. The provision for loan losses of $17.5 million for the six months ended June 30, 2010 was primarily attributable to gross charge-offs from our life science, hardware and software client portfolios, partially offset by loan recoveries primarily from our software and life science client portfolios.

Noninterest income increased by $4.1 million for the six months ended June 30, 2010, primarily due to an increase in credit card fees, foreign exchange fees and deposit service charges, partially offset by a decrease in client investment fees. The increase in credit card fees was primarily due to the transfer of management and processing of our credit card portfolio in-house from a third party servicer towards the end of the first quarter of 2009, as we began to process our credit card business in-house. The increase in foreign exchange fees was primarily due to higher commissioned notional volumes, which increased to $2.8 billion for the six months ended June 30, 2010, compared to $2.1 billion for the comparable 2009 period. The increase in deposit service charges was primarily due to a decrease in the earnings credit received by clients due to decreases in short-term market interest rates. The decrease in client investment fees was primarily attributable to lower margins earned on certain products owing to historically low rates in the short-term fixed income markets, as well as a decrease in average balances of client investment funds.

Noninterest expense increased by $23.4 million for the six months ended June 30, 2010, primarily due to an increase in compensation and benefits expense of $20.4 million. The increase in compensation and benefits expense was attributable to an increase in incentive compensation, ESOP, and salaries and wages expenses. The increase in salaries and wages was primarily due to the increase in the average number of FTE employees at GCB, which increased to 827 for the six months of June 30, 2010, compared to 800 for the comparable 2009 period, as well as from merit increases in the first quarter of 2010.

Relationship Management

	Three months ended June 30,			Six months ended June 30,		
(Dollars in thousands)	**2010**	**2009**	**% Change**	**2010**	**2009**	**% Change**
Net interest income	$ 8,247	$ 8,428	(2.1)%	$ 16,474	$ 17,315	(4.9)%
Provision for loan losses	(549)	(6,475)	(91.5)	(567)	(7,124)	(92.0)
Noninterest income	374	308	21.4	687	611	12.4
Noninterest expense	(5,214)	(3,384)	54.1	(9,667)	(6,886)	40.4
Income before income tax expense	$ 2,858	$ (1,123)	NM	$ 6,927	$ 3,916	76.9
Total average loans, net of unearned income	$ 920,859	$ 965,767	(4.6)	$ 924,326	$ 977,738	(5.5)
Total average assets	922,143	967,229	(4.7)	925,782	979,350	(5.5)
Total average deposits	214,446	148,296	44.6	201,313	160,412	25.5

NM- Not meaningful

Three months ended June 30, 2010 compared to the three months ended June 30, 2009

Net interest income decreased by $0.2 million for the three months ended June 30, 2010, primarily due to a decrease in interest income resulting from a decrease in average loan balances, particularly loans to targeted high-net-worth individuals, and a decrease in the FTP earned for deposits due to decreases in market interest rates. These decreases were partially offset by an increase in the FTP earned for deposits due to deposit growth.

The provision for loan losses for Relationship Management was $0.5 million for the three months ended June 30, 2010, a decrease of $5.9 million compared to the comparable 2009 period. The decrease was primarily due to a decrease in gross charge-offs from high-net-worth individuals.

Noninterest expense increased by $1.8 million for the three months ended June 30, 2010, primarily due to an increase in compensation and benefits expense of $1.5 million attributable to an increase in incentive compensation and ESOP expenses.

Six months ended June 30, 2010 compared to the six months ended June 30, 2009

Net interest income decreased by $0.8 million for the six months ended June 30, 2010, primarily due to a decrease in interest income resulting from a decrease in average loan balances, particularly loans to targeted high-net-worth individuals, and a decrease in the FTP earned for deposits due to decreases in market interest rates. These decreases were partially offset by an increase in the FTP earned for deposits due to deposit growth.

The provision for loan losses for Relationship Management was $0.6 million for the six months ended June 30, 2010, a decrease of $6.6 million compared to the comparable 2009 period. The decrease was primarily due to a decrease in gross charge-offs from high-net-worth individuals.

Noninterest expense increased by $2.8 million for the six months ended June 30, 2010, primarily due to an increase in compensation and benefits expense of $2.4 million attributable to an increase in incentive compensation and ESOP expenses.

SVB Capital

(Dollars in thousands)	Three months ended June 30, 2010	2009	% Change	Six months ended June 30, 2010	2009	% Change
Net interest loss	$	$ (1)	(100.0)%	$ (1)	$ (3)	(66.7)%
Noninterest income	3,272	2,359	38.7	7,852	1	NM
Noninterest expense	(3,498)	(3,290)	6.3	(6,902)	(6,636)	4.0
(Loss) income before income tax expense	$ (226)	$ (932)	(75.8)	$ 949	$ (6,638)	(114.3)
Total average assets	$ 100,159	$ 92,621	8.1	$ 103,018	$ 89,112	15.6

NM- Not meaningful

SVB Capital s components of noninterest income primarily include net gains and losses on investment securities and fund management fees, all net of noncontrolling interests and carried interest. When we refer to net gains and losses on investment

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securities in the discussion below, we are referring to net gains and losses from investment securities, net of noncontrolling interests and carried interest.

We experience variability in the performance of SVB Capital from quarter to quarter due to a number of factors, including changes in the values of our funds investments, changes in the amount of distributions and general economic and market conditions. Such variability may lead to volatility in the gains and losses from investment securities and cause our results to differ from period to period. Results for a particular period may not to be indicative of future performance. In 2009, the valuation of our consolidated investment funds was affected by a more challenging venture capital environment and a significant slowdown of M&A activities and IPOs. The net gains for the three and six months ended June 30, 2010 were primarily due to an increase in valuations for private companies and increased IPO and M&A activities. As a result, we saw higher unrealized gains in the three and six months ended June 30, 2010, compared to the comparable 2009 periods.

Three months ended June 30, 2010 compared to the three months ended June 30, 2009

Noninterest income increased by $0.9 million to $3.3 million for the three months ended June 30, 2010, compared to $2.4 million for the comparable 2009 period, primarily due to net gains on investment securities for the three months ended June 30, 2010. SVB Capital s components of noninterest income primarily include the following:

Net gains on investment securities of $0.7 million for the three months ended June 30, 2010, compared to net losses of $0.5 million for the comparable 2009 period. The net gains on investment securities of $0.7 million for the three months ended June 30, 2010 were primarily related to $0.6 million in carried interest from one of our managed funds of funds.

We received fund management fees of $2.7 million for the three months ended June 30, 2010, compared to $2.5 million for the comparable 2009 period. The increase in fund management fees was primarily due to the closings of two funds in the SVB Preferred Return Funds family in the third quarter of 2009. Typically, a fund of funds is formed through multiple closing transactions in which limited partners enter into investment commitments.

Six months ended June 30, 2010 compared to the six months ended June 30, 2009

Noninterest income increased by $7.9 million to $7.9 million for the six months ended June 30, 2010, primarily due to net gains on investment securities for the six months ended June 30, 2010. SVB Capital s components of noninterest income primarily include the following:

Net gains on investment securities of $2.4 million for the six months ended June 30, 2010, compared to net losses of $5.1 million for the comparable 2009 period. The net gains on investment securities of $2.4 million for the six months ended June 30, 2010 were primarily related to net gains of $1.3 million from two of our managed funds of funds mainly attributable to unrealized valuation gains and $0.9 million in carried interest from one of our managed funds of funds and one of our managed co-investment funds.

We received fund management fees of $5.4 million for the three months ended June 30, 2010, compared to $5.2 million for the comparable 2009 period.

Other Business Services

Our Other Business Services group is comprised of SVB Analytics as well as our Sponsored Debt Funds & Strategic Investments.

	Three months ended June 30,			Six months ended June 30,		
(Dollars in thousands)	**2010**	**2009**	**% Change**	**2010**	**2009**	**% Change**
Net interest loss	$ (17)	$ (54)	(68.5)%	$ (92)	$ (80)	15.0%
Noninterest income	2,221	2,761	(19.6)	5,648	4,358	29.6
Noninterest expense	(3,935)	(3,045)	29.2	(7,294)	(10,249)	(28.8)

Loss before income tax expense	$ (1,731)	$ (338)	NM	$ (1,738)	$ (5,971)	(70.9)
Total average assets	$ 92,332	$ 75,723	21.9	$ 92,557	$ 75,013	23.4

NM- Not meaningful

Included in noninterest income are net gains and losses on investment securities, net of noncontrolling interests and carried interest, from our sponsored debt funds and strategic investments. When we refer to net gains and losses on investment securities in the discussion below, we are referring to net gains and losses from investment securities, net of noncontrolling interests and carried interest.

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

A summary of noninterest income for SVB Analytics and Sponsored Debt Funds & Strategic Investments is as follows:

	Three months ended June 30,			Six months ended June 30,		
(Dollars in thousands)	**2010**	**2009**	**% Change**	**2010**	**2009**	**% Change**
SVB Analytics	$ 2,382	$ 1,909	24.8%	$ 4,134	$ 3,542	16.7%
Sponsored Debt Funds & Strategic Investments	(161)	852	(118.9)	1,514	816	85.5
Total noninterest income	$ 2,221	$ 2,761	(19.6)	$ 5,648	$ 4,358	29.6

Three months ended June 30, 2010 compared to the three months ended June 30, 2009

Noninterest income decreased by $0.5 million, primarily due to net losses on investment securities from our Sponsored Debt Funds & Strategic Investments. Other Business Services components of noninterest income primarily include the following:

Net losses on investment securities of $0.6 million for the three months ended June 30, 2010, compared to net gains of $0.8 million for the comparable 2009 period. Net losses on investment securities of $0.6 million for the three months ended June 30, 2010 were primarily due to other-than-temporary impairment of certain strategic venture capital investments.

Net gains from currency revaluation adjustments of $0.3 million for the three months ended June 30, 2010 related to one of our debt funds.

An increase in SVB Analytics revenues to $2.4 million for the three months ended June 30, 2010, compared to $1.9 million for the comparable 2009 period, primarily as a result of an increase in the number of valuations performed, partially offset by a reduction in the average fee earned per valuation.

Noninterest expense increased by $0.9 million for the three months ended June 30, 2010, primarily due to an increase in compensation and benefits expense, attributable to an increase in incentive compensation and ESOP expenses, as well as an increase in salaries and wages expense as a result of merit increases in the first quarter of 2010.

Six months ended June 30, 2010 compared to the six months ended June 30, 2009

Noninterest income increased by $1.3 million, primarily due to an increase in net gains from currency revaluation adjustments and net gains on investment securities from our Sponsored Debt Funds & Strategic Investments, as well as an increase in SVB Analytics revenues. Other Business Services components of noninterest income primarily include the following:

Net gains on investment securities of $0.9 million for the six months ended June 30, 2010, compared to net gains of $0.7 million for the comparable 2009 period. The net gains on investment securities of $0.9 million for the six months ended June 30, 2010 were primarily related to net gains of $1.4 million from three of our debt funds mainly attributable to net increases in the fair value of fund investments and gains of $0.4 million from one of our direct equity investments in a privately held company. These gains were partially offset by net losses of $0.9 million due to other-than-temporary impairment of certain strategic venture capital investments.

Net gains from currency revaluation adjustments of $0.4 million for the six months ended June 30, 2010 related to one of our debt funds.

An increase in SVB Analytics revenues to $4.1 million for the six months ended June 30, 2010, compared to $3.5 million for the comparable 2009 period, primarily as a result of an increase in the number of valuations performed, partially offset by a reduction in the average fee earned per valuation.

Noninterest expense decreased by $3.0 million for the six months ended June 30, 2010, primarily due to a non-tax deductible charge of $4.1 million related to impairment of goodwill recognized in the first quarter of 2009 resulting from changes in our outlook for eProsper s future financial performance. This decrease was partially offset by an increase in compensation and benefits expense, attributable to an increase in incentive compensation and ESOP expenses, as well as an increase in salaries and wages expense as a result of merit increases in the first quarter of 2010.

Consolidated Financial Condition

Our total assets were $14.9 billion at June 30, 2010, an increase of $2.1 billion, or 16.1 percent, compared to $12.8 billion at December 31, 2009. The increase was primarily due to increases in cash and investment securities due to our deposit growth.

Cash and Due from Banks

Cash and due from banks totaled $4.2 billion at June 30, 2010, an increase of $692.1 million, or 20.0 percent, compared to $3.5 billion at December 31, 2009. The increase was primarily due to the increase in our deposit balances from December 31, 2009 to June 30, 2010. As of June 30, 2010 and December 31, 2009, $3.7 billion and $3.1 billion, respectively, of our cash and due from banks was deposited at the Federal Reserve Bank and was earning interest at the Federal Funds target rate, and interest-earning deposits in other financial institutions were $234.6 million and $171.6 million, respectively.

Federal Funds Sold, Securities Purchased Under Agreements to Resell and Other Short-Term Investments

Federal funds sold, securities purchased under agreements to resell and other short-term investments were $43.6 million at June 30, 2010, a decrease of $14.6 million, or 25.1 percent, compared to $58.2 million at December 31, 2009. The decrease was primarily due to cash management strategies.

Investment Securities

Investment securities totaled $6.0 billion at June 30, 2010, an increase of $1.5 billion, or 32.6 percent, compared to $4.5 billion at December 31, 2009. The increase was primarily related to purchases of variable rate agency-issued collateralized mortgage obligations and U.S. agency debentures, which were purchased with excess cash from our continued deposit growth.

Available-for-Sale Securities

Our available-for-sale securities portfolio is managed to maximize portfolio yield over the long-term in a manner consistent with our liquidity, credit diversification, and asset/liability strategies. Available-for-sale securities were $5.3 billion at June 30, 2010, an increase of $1.4 billion, or 35.6 percent, compared to $3.9 billion at December 31, 2009. The increase was primarily due to a $1.1 billion increase in variable rate agency-issued collateralized mortgage obligations and a $388.3 million increase in U.S. agency debentures.

Portfolio duration is a standard measure used to approximate changes in the market value of fixed income instruments due to a change in market interest rates. The measure is an estimate based on the level of current market interest rates, expectations for changes in the path of forward rates and the effect of forward rates on mortgage prepayment speed assumptions and will fluctuate with changes in market interest rates. Changes in portfolio duration are also impacted by changes in the mix of longer versus shorter term-to-maturity securities. At June 30, 2010, estimated portfolio duration was 0.7 years, compared to 2.3 years at December 31, 2009. The decrease is due, in part to the addition of $1.1 billion in variable-rate agency issued collateralized mortgage obligations during the second quarter of 2010. The decrease in long-term market rates through the second quarter of 2010 also had a substantial impact on the duration of fixed-rate mortgage securities and callable notes. A general decrease in market interest rates increases the likelihood that mortgage prepayments will increase and that callable notes will, in fact, be called. The result of the interest rate effect is a contraction in portfolio duration.

Non-Marketable Securities

Non-marketable securities primarily represent investments managed by SVB Capital and investments in Sponsored Debt Funds & Strategic Investments as part of our investment funds management business and include funds of funds, co-investment funds and debt funds, as well as direct equity investments in portfolio companies and fund investments. Included in our non-marketable securities carried under investment company fair value accounting are amounts that are attributable to noncontrolling interests. We are required under GAAP to consolidate 100% of these investments that we are deemed to control, even though we may own less than 100% of such entities. Non-marketable securities of $616.3 million ($254.3 million net of noncontrolling interests) as of June 30, 2010, increased by $62.8 million or 11.3 percent, from $553.5 million ($233.0 million net of noncontrolling interests) as of December 31, 2009. The increase was primarily attributable to additional capital calls for fund investments, as well as from unrealized gains from our non-marketable securities.

Loans

Loans, net of unearned income were $4.5 billion at June 30, 2010, a decrease of $97.9 million, or 2.2 percent, compared to $4.5 billion at December 31, 2009. Unearned income was $35.4 million at June 30, 2010, compared to $34.9 million at December 31, 2009. The majority of our loans are commercial in nature. Total gross loans were $4.5 billion at June 30, 2010, a decrease of $97.4 million, or 2.1 percent, compared to $4.6 billion at December 31, 2009. The decrease was primarily due to decreases in loans to venture capital/private equity clients for capital calls. The breakdown of total gross loans and total loans as a percentage of gross loans by industry sector is as follows:

(Dollars in thousands)	June 30, 2010 Amount	Percentage	December 31, 2009 Amount	Percentage
Technology	$ 1,976,051	44.1%	$ 2,023,887	44.2%
Venture capital/private equity	807,347	18.0	936,693	20.4
Life sciences	595,827	13.3	519,791	11.3
Premium wine	448,976	10.0	442,061	9.7
Private client services	432,591	9.6	440,018	9.6
All other sectors	224,770	5.0	220,516	4.8
Total gross loans	$ 4,485,562	100.0%	$ 4,582,966	100.0%

The following table provides a summary of concentration in our loan portfolio by industry sector and size of loan as of June 30, 2010:

	June 30, 2010					
(Dollars in thousands)	Less than Five Million	Five to Ten Million	Ten to Twenty Million	Twenty to Thirty Million	Thirty Million or More	Total
Technology	$ 926,701	$ 300,332	$ 351,130	$ 258,866	$ 139,022	$ 1,976,051
Venture capital/private equity	244,945	152,573	222,575	91,127	96,127	807,347
Life sciences	259,868	64,458	93,957	21,000	156,544	595,827
Premium wine	159,590	102,115	112,401	74,870		448,976
Private client services	264,730	78,440	29,113	20,308	40,000	432,591
All other sectors	108,244	42,268	74,258			224,770
Total gross loans	$ 1,964,078	$ 740,186	$ 883,434	$ 466,171	$ 431,693	$ 4,485,562

At June 30, 2010, gross loans totaling $897.9 million, or 20.0 percent of our portfolio, were individually equal to or greater than $20 million. These loans represented 29 clients, and of these loans, $20.3 million were on nonaccrual status as of June 30, 2010.

The following table provides a summary of concentration in our loan portfolio by industry sector and size of loan as of December 31, 2009:

	December 31, 2009					
(Dollars in thousands)	Less than Five Million	Five to Ten Million	Ten to Twenty Million	Twenty to Thirty Million	Thirty Million or More	Total
Technology	$ 997,990	$ 258,034	$ 391,791	$ 265,592	$ 110,480	$ 2,023,887
Venture capital/private equity	238,869	149,289	176,807	136,305	235,423	936,693
Life sciences	285,646	84,781	103,697	45,667		519,791
Premium wine	169,053	100,931	95,291	76,786		442,061
Private client services	261,049	81,790	10,000	20,207	66,972	440,018
All other sectors	94,760	36,977	68,654	20,125		220,516
Total gross loans	$ 2,047,367	$ 711,802	$ 846,240	$ 564,682	$ 412,875	$ 4,582,966

At December 31, 2009, gross loans totaling $977.6 million, or 21.3 percent of our portfolio, were individually equal to or greater than $20 million. These loans represented 33 clients, and of these loans $20.4 million were on nonaccrual status as of December 31, 2009.

The credit profile of our clients varies across our loan portfolio, based on the nature of the lending we do for different market segments. Clients across all industry segments and loan categories have been affected by the weakened economic environment in recent periods. Our technology and life sciences loan portfolio includes loans to clients of all life cycles, beginning with the emerging, start-up stage. Loans provided to early-stage, venture-backed company clients represent a relatively small percentage of our portfolio at approximately 11 percent of total gross loans at both June 30, 2010 and December 31, 2009. Typically these loans are made to companies with modest or negative cash flows and no established record of profitable operations. Repayment of these loans may be dependent upon receipt by borrowers of additional equity financing from venture capitalists or others, or in some cases, a successful sale to a third party or a public offering. Although we began to see signs of improvement in the second quarter of 2010, venture capital financing activity as well as IPOs and M&A activities had slowed significantly in recent periods, owing to a weakened economic environment. Venture capital firms may provide financing at lower levels, more selectively or on less favorable terms, which may have an adverse effect on our borrowers that are otherwise dependent on such financing to repay their loans to us. When repayment is dependent upon the next round of venture investment and there is an indication that further investment is unlikely or will not occur, it is often likely the company would need to be sold to repay debt in full. If reasonable efforts have not yielded a likely buyer willing to repay all debt at the close of the sale or on commercially viable terms, the account will most likely be deemed to be impaired.

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At June 30, 2010, our lending to private equity firms and venture capital companies represented 18.0 percent of total gross loans, compared to 20.4 percent of total gross loans at December 31, 2009. Many of these clients have capital call lines of credit, the repayment of which is dependent on the payment of capital calls by the underlying limited partner investors in the funds managed by these firms.

At June 30, 2010, our asset-based lending, which consists primarily of working capital lines, and our accounts receivable factoring represented 7.8 percent and 6.9 percent, respectively, of total gross loans, compared to 7.8 percent and 6.5 percent, respectively at December 31, 2009. The repayment of these arrangements is dependent on the financial condition, and payment ability, of third parties with whom our clients do business which could be impacted.

Approximately 46.7 percent and 7.7 percent of our outstanding total gross loan balances as of June 30, 2010 were to entities based in the states of California and Massachusetts, respectively, compared to 44.9 percent and 9.0 percent, respectively, as of December 31, 2009. There are no other states with balances greater than 10 percent.

See generally Risk Factors Credit Risks below in Item 1A of Part II.

Credit Quality and Allowance for Loan Losses

Nonperforming assets consist of loans past due 90 days or more that are still accruing interest, loans on impaired status and foreclosed property classified as Other Real Estate Owned (OREO). We measure all loans placed on impaired status for impairment based on the fair value of the underlying collateral or the net present value of the expected cash flows in accordance with ASC 310. The table below sets forth certain data and ratios between nonperforming loans, nonperforming assets and the allowance for loan losses:

(Dollars in thousands)	**June 30, 2010**	**December 31, 2009**
Gross nonperforming loans:		
Loans past due 90 days or more still accruing interest	$ 324	$ 2,456
Impaired loans	50,909	50,227
Total gross nonperforming loans	51,233	52,683
OREO		220
Total nonperforming assets	$ 51,233	$ 52,903
Nonperforming loans as a percentage of total gross loans	1.14%	1.15%
Nonperforming assets as a percentage of total assets	0.34	0.41
Allowance for loan losses	$ 71,789	$ 72,450
As a percentage of total gross loans	1.60%	1.58%
As a percentage of gross nonperforming loans	140.12	137.52
Allowance for loan losses for impaired loans	$ 8,329	$ 8,868
As a percentage of total gross loans	0.19%	0.19%
As a percentage of gross nonperforming loans	16.26	16.83
Allowance for loan losses for total gross performing loans	$ 63,460	$ 63,582
As a percentage of total gross loans	1.41%	1.39%
As a percentage of gross performing loans	1.43	1.40
Reserve for unfunded credit commitments (1)	$ 14,200	$ 13,331
Total gross loans	4,485,562	4,582,966
Total gross performing loans	4,434,329	4,530,283
Total unfunded credit commitments	5,279,364	5,338,726

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

Impaired Loans

Included in the $50.9 million of impaired loans at June 30, 2010 are $28.5 million of loans modified in troubled debt restructurings (TDR s), where concessions have been granted to borrowers experiencing financial difficulties. These concessions could include a reduction in the interest rate on the loan, payment extensions, forgiveness of principal, or other actions intended to maximize collection. Refer to Note 6 Loans and Allowance for Loan Losses of the Notes to Interim Consolidated Financial Statements (unaudited) under Part I, Item 1 of this report for further details.

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Average impaired loans for the three and six months ended June 30, 2010 were $50.9 million and $50.6 million, respectively, compared to $105.8 million and $100.4 million for the comparable 2009 periods. If the impaired loans had not been impaired, $0.8 million and $1.7 million in interest income would have been recorded for the three and six months ended June 30, 2010, respectively, compared to $2.0 million and $3.7 million for the comparable 2009 periods. Subsequent to June 30, 2010, we received cash payments totaling $5.8 million relating to loans included in our impaired loan balance as of June 30, 2010.

Accrued Interest Receivable and Other Assets

A summary of accrued interest receivable and other assets at June 30, 2010 and December 31, 2009 is as follows:

(Dollars in thousands)	June 30, 2010	December 31, 2009	% Change
Derivative assets, gross (1)	$ 113,142	$ 106,623	6.1%
Deferred tax assets and income tax receivable, net	30,848	69,945	(55.9)
Accrued interest receivable	45,610	44,265	3.0
FHLB and FRB stock	38,312	38,888	(1.5)
Prepaid FDIC assessments	23,061	28,178	(18.2)
Foreign exchange spot contract assets, gross	59,774	13,653	NM
OREO		220	(100.0)
Other assets	31,801	27,675	14.9
Total accrued interest receivable and other assets	$ 342,548	$ 329,447	4.0

NM- Not meaningful

(1) See Derivatives, Net section below.

Deferred Tax Assets and Income Tax Receivable, Net

Our deferred tax assets balance was $13.1 million at June 30, 2010, compared to $53.0 million at December 31, 2009. The decrease was primarily due to the tax effect of an increase in the fair value of our investment securities portfolio. We pay quarterly estimated taxes to the Internal Revenue Service and certain state and foreign taxing authorities. At June 30, 2010 and December 31, 2009, we had $17.8 million and $16.9 million, respectively, as income taxes receivable from these authorities.

Foreign Exchange Spot Contract Assets

Foreign exchange spot contract assets represent unsettled client trades at the end of the period. The increase of $46.1 million was primarily due to increased client trade activity at period-end, and is largely offset by an increase in foreign exchange spot contract liabilities. (See Other Liabilities section below).

Derivatives, Net

Derivative instruments are recorded as a component of other assets and other liabilities on the balance sheet. The following table provides a summary of derivative assets (liabilities), net at June 30, 2010 and December 31, 2009:

(Dollars in thousands)	June 30, 2010	December 31, 2009	% Change
Assets (liabilities):			
Equity warrant assets	$ 40,597	$ 41,292	(1.7)%
Interest rate swaps assets	60,171	46,895	28.3
Foreign exchange forward and option contracts assets	12,374	18,436	(32.9)

Foreign exchange forward and option contracts liabilities	(11,834)	(15,870)	(25.4)
Total derivatives, net	$ 101,308	$ 90,753	11.6

Equity Warrant Assets

In connection with negotiating credit facilities and certain other services, we frequently obtain rights to acquire stock in the form of equity warrant assets in certain client companies. At June 30, 2010, we held warrants in 1,146 companies, compared to 1,225 companies at December 31, 2009. The change in fair value of equity warrant assets is recorded in gains on derivatives instruments, net, in noninterest income, a component of consolidated net income. The following table provides a summary of transactions and valuation changes for equity warrant assets for the three and six months ended June 30, 2010 and 2009, respectively:

	Three months ended June 30,		**Six months ended June 30,**	
(Dollars in thousands)	**2010**	**2009**	**2010**	**2009**
Balance, beginning of period	$ 40,845	$ 44,933	$ 41,292	$ 43,659
New equity warrant assets	1,866	1,692	3,213	3,766
Non-cash (decreases) increases in fair value	(377)	2,502	200	3,035
Exercised equity warrant assets	(993)	(147)	(1,582)	(369)
Terminated equity warrant assets	(744)	(1,276)	(2,526)	(2,387)
Balance, end of period	$ 40,597	$ 47,704	$ 40,597	$ 47,704

Interest Rate Swaps

For information on our interest rate swaps, see Note 9- Derivative Financial Instruments of the Notes to Interim Consolidated Financial Statements (unaudited) under Part I, Item 1 of this report.

Foreign Exchange Forward and Foreign Currency Option Contracts

We enter into foreign exchange forward contracts and foreign currency option contracts with clients involved in international activities, either as the purchaser or seller, depending upon the clients need. For each forward or option contract entered into with our clients, we enter into an opposite way forward or option contract with a correspondent bank, which mitigates the risk of fluctuations in currency rates. We enter into forward contracts with correspondent banks to economically hedge currency exposure risk related to certain foreign currency denominated loans. Revaluations of foreign currency denominated loans are recorded on the line item Other as part of noninterest income, a component of consolidated net income. We have not experienced nonperformance by a counterparty and therefore have not incurred related losses. Further, we anticipate performance by all counterparties.

At June 30, 2010 and December 31, 2009, the aggregate notional amounts of foreign exchange forward and foreign currency option contracts totaled $1.1 billion and $704.6 million, respectively. Our net exposure for foreign exchange forward and foreign currency option contracts at June 30, 2010 and December 31, 2009 amounted to $0.5 million and $2.6 million, respectively.

Deposits

Deposits were $12.1 billion at June 30, 2010, an increase of $1.8 billion, or 17.5 percent, compared to $10.3 billion at December 31, 2009. The increase in our deposit balance was primarily from increases in our noninterest-bearing demand deposits of $907.1 million, interest-bearing money market deposits of $479.8 million and interest-bearing sweep deposits of $357.5 million. The overall increase in average deposit balances was primarily due to our clients desire to maintain short-term liquidity, as well as the lack of attractive market investment opportunities. Additionally, we saw growth in our interest-bearing sweep deposits primarily due to our clients desire to take advantage of the convenience of the daily sweep product combined with the competitive rates we pay on the product. At June 30, 2010, 40.6 percent of our total deposits were interest-bearing deposits, compared to 39.0 percent at December 31, 2009.

At June 30, 2010, the aggregate balance of time deposit accounts individually exceeding $100,000 totaled $360.4 million, compared to $273.0 million at December 31, 2009. At June 30, 2010, substantially all time deposit accounts exceeding $100,000 in balances 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.

We opted out of the extended unlimited insurance coverage provided by the FDIC s Temporary Liquidity Guarantee Program owing to our strong capital and liquidity position. As a result, our unlimited insurance coverage for noninterest-bearing transaction accounts expired on June 30, 2010 under the current program.

Long-Term Debt

At June 30, 2010 and December 31, 2009, we had long-term debt of $869.8 million and $856.7 million, respectively. At June 30, 2010, long-term debt included 5.70% senior notes and 6.05% subordinated notes, 2008 Convertible Notes, junior subordinated debentures and 4.99% notes payable related to one of our debt fund investments.

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Other Liabilities

A summary of other liabilities at June 30, 2010 and December 31, 2009, respectively, is as follows:

(Dollars in thousands)	June 30, 2010	December 31, 2009	% Change
Foreign exchange spot contract liabilities, gross	$ 78,973	$ 19,638	NM%
Accrued compensation	45,419	37,873	19.9
Derivative liabilities, gross (1)	11,834	15,870	(25.4)
Reserve for unfunded credit commitments	14,200	13,331	6.5
Other	71,647	53,235	34.6
Total other liabilities	$ 222,073	$ 139,947	58.7

NM- Not meaningful

(1) See Derivatives, Net section above.

Foreign Exchange Spot Contract Liabilities

Foreign exchange spot contract liabilities represent unsettled client trades at the end of the period. The increase of $59.3 million was primarily due to increased client trade activity at period-end, and is largely 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 our Incentive Compensation Plan, vacation, Direct Drive Incentive Compensation Plan, Retention Program, Warrant Incentive Plan and ESOP. The increase of $7.5 million reflects our current expectation that we will meet our internal performance targets for 2010 as compared to our 2009 incentive compensation accruals, which were at half of target levels as we did not meet our internal performance targets. In addition to lower incentive compensation accruals, no ESOP accruals were recorded in 2009.

Noncontrolling Interests

Noncontrolling interests totaled $389.9 million and $345.8 million at June 30, 2010 and December 31, 2009, respectively. The increase of $44.1 million was primarily due to equity transactions, which included $35.4 million of contributed capital from investors in three of our managed funds of funds for investing in limited partnerships, as well as net income attributable to noncontrolling interests of $10.7 million for the six months ended June 30, 2010, primarily from two of our managed funds of funds.

Fair Value Measurements

At June 30, 2010, approximately 39.4 percent of our total assets, or $5.9 billion, consisted of financial assets recorded at fair value on a recurring basis, compared to 34.4 percent of our total assets, or $4.4 billion as of December 31, 2009. Of these assets as of June 30, 2010, 92.2 percent used valuation methodologies involving market-based or market-derived information, collectively Level 1 and 2 measurements, to measure fair value, and 7.8 percent of these financial assets were measured using model-based techniques, or Level 3 measurements. This compares to 90.7 percent and 9.3 percent, respectively, as of December 31, 2009. Almost all of our financial assets valued using Level 3 measurements at June 30, 2010 and December 31, 2009 represented non-marketable securities. At June 30, 2010, 0.1 percent of total liabilities, or $11.8 million, consisted of financial liabilities recorded at fair value on a recurring basis, which were valued using market-observable inputs, compared to 0.1 percent, or $15.9 million as of December 31, 2009. There were no transfers between Level 1 and Level 2 and no material transfers in or out of Level 3 during the six months ended June 30, 2010 and 2009. Our valuation processes include a number of key controls that are designed to ensure that fair value is calculated appropriately.

As of June 30, 2010, our available-for-sale investment portfolio, consisting of agency-issued mortgage-backed securities, agency-issued collateralized mortgage obligations and U.S. agency debentures, represented $5.3 billion, or 90.9 percent of our portfolio of assets measured at fair value on a recurring basis, compared to $3.9 billion, or 89.2 percent, as of December 31, 2009. These instruments were primarily classified as Level 2 because their valuations were based on indicative prices corroborated by observable market quotes or pricing models with all significant inputs derived from or corroborated by observable market data. The fair value of our available-for-sale fixed-income investment securities portfolio is sensitive to changes in levels of market interest rates and market perceptions of credit quality of the underlying securities. Market valuations and impairment analyses on assets in the fixed-income investment portfolio are reviewed and monitored on a quarterly basis.

To the extent available-for-sale investment securities are used to secure borrowings, changes in the fair value of those securities could have an impact on the total amount of secured financing available. We pledge securities to the Federal Home Loan Bank of San Francisco and the discount window at the Federal Reserve Bank. The market value of collateral pledged to the Federal Home Loan

Bank of San Francisco (primarily comprised of agency-issued mortgage-backed securities) at June 30, 2010 totaled $908.6 million, 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 in accordance with our risk management practices at June 30, 2010 totaled $86.6 million, all of which was unused and available to support additional borrowings. We have repurchase agreements in place with multiple securities dealers, which allow us to access short-term borrowings by using available-for-sale securities as collateral. At June 30, 2010, we had not utilized our repurchase lines to secure borrowed funds.

Financial assets valued using Level 3 measurements consist primarily of our investments in venture capital and private equity funds, direct equity investments in privately held companies and certain investments made by our consolidated sponsored debt fund. Our managed funds and sponsored debt fund that hold these investments 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. Assets valued using Level 3 measurements also include equity warrant assets in shares of private company capital stock.

During the three and six months ended June 30, 2010, the Level 3 assets that are measured at fair value on a recurring basis experienced net unrealized fair value decreases totaling $3.2 million and increases totaling $9.1 million, respectively. The unrealized loss for the three months ended June 30, 2010 was primarily due to the reclassification of previously recorded unrealized gains to realized gains as a result of distributions to our managed funds of funds and the acquisition of a portfolio company held by one of our managed co-investment funds, partially offset by valuation increases in underlying investments in two of our managed funds of funds and one of our co-investment funds. The unrealized gain for the six months ended June 30, 2010 was primarily due to valuation increases in underlying fund investments in our managed funds of funds. During the three and six months ended June 30, 2009, the Level 3 assets that are measured at fair value on a recurring basis experienced net unrealized fair value decreases totaling $10.1 million and $46.2 million, respectively, primarily due to valuation decreases in underlying fund investments in our managed funds of funds. Realized gains related to the Level 3 assets for the three and six months ended June 30, 2010 of $7.0 million and $8.9 million, respectively, related primarily to gains from distributions from underlying fund investments in our managed funds of funds. Realized gains related to the Level 3 assets for the three and six months ended June 30, 2009 of $0.2 million and $0.8 million, respectively, related primarily to gains from distributions from underlying fund investments in our managed funds of funds.

The valuation of non-marketable securities and equity warrant assets in shares of private company capital stock is subject to significant judgment. The inherent uncertainty in the process of valuing securities for which a ready market does not exist may cause our estimated values of these securities to differ significantly from the values that would have been derived had a ready market for the securities existed, and those differences could be material. The timing and amount of changes in fair value, if any, of these financial instruments depend upon factors beyond our control, including the performance of the underlying companies, fluctuations in the market prices of the preferred or common stock of the underlying companies, general volatility and interest rate market factors, and legal and contractual restrictions. The timing and amount of actual net proceeds, if any, from the disposition of these financial instruments depend upon factors beyond our control, including investor demand for initial public offerings, levels of merger and acquisition activity, legal and contractual restrictions on our ability to sell, and the perceived and actual performance of portfolio companies. All of these factors are difficult to predict. (See Risk Factors under Item 1A of Part II below.)

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 a regular capital planning process in an effort to make effective use of the capital available to us. 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 unexpected credit losses, investment activity, potential product and business expansions, acquisitions and strategic or infrastructure investments.

On June 16, 2010, we repurchased in its entirety the warrant issued to the U.S. Treasury in connection with our previous participation in the U.S. Treasury s Capital Purchase Program (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 for the three or six months ended June 30, 2010.

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Common Stock

For information on our common stock, see Note 2- Stockholders Equity and Earnings Per Share of the Notes to Interim Consolidated Financial Statements (unaudited) under Part I, Item 1 of this report.

SVBFG Stockholders Equity

SVBFG stockholders equity totaled $1.2 billion at June 30, 2010, an increase of $108.8 million, or 9.6 percent compared to $1.1 billion at December 31, 2009. This increase was primarily the result of an increase in accumulated other comprehensive income due to an increase in the fair value of our investment securities portfolio, as well from net income for the six months ended June 30, 2010.

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

Capital Ratios

Both SVB Financial and the Bank are subject to capital adequacy guidelines issued by the Federal Reserve Board. Under these capital guidelines, the minimum total risk-based capital ratio and Tier 1 risk-based capital ratio requirements for bank holding companies and banks to be well capitalized are 10.0% and 6.0%, respectively. Under the same capital adequacy guidelines, a well-capitalized state member bank must maintain a minimum Tier 1 leverage ratio of 5.0%. There is no Tier 1 leverage requirement for a holding company to be deemed well-capitalized.

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.

Both the capital ratios of SVB Financial and the Bank were in excess of regulatory guidelines to be well-capitalized at June 30, 2010 and December 31, 2009. Capital ratios for SVB Financial and the Bank are set forth below:

	June 30, 2010	December 31, 2009
SVB Financial:		
Total risk-based capital ratio	19.98%	19.94%
Tier 1 risk-based capital ratio	15.65	15.45
Tier 1 leverage ratio	8.56	9.53
Tangible common equity to tangible assets ratio (1)	8.29	8.78
Tangible common equity to risk-weighted assets ratio (1)	15.95	15.05
Bank:		
Total risk-based capital ratio	17.46%	17.05%
Tier 1 risk-based capital ratio	13.00	12.45
Tier 1 leverage ratio	7.04	7.67
Tangible common equity to tangible assets ratio (1)	7.31	7.50
Tangible common equity to risk-weighted assets ratio (1)	13.80	12.53

(1) See below for a reconciliation of non-GAAP tangible common equity to tangible assets and tangible common equity to risk-weighted assets.

The increases in the total risk-based and Tier 1 capital ratios for both SVB Financial and the Bank at June 30, 2010, compared to December 31, 2009 were primarily due to a shift in the mix of assets to a lower overall risk-weighting driven by an increase in funds held at the Federal Reserve, increases in investment balances and a decrease in loan balances. Increases in cumulative retained earnings also positively impacted the ratios. For both SVB Financial and the Bank, decreases in the Tier 1 leverage ratio were reflective of our continued increase in deposit balances. This resulted in substantial increases in cash balances and deposit liabilities, and thereby, significant growth in the balance sheet.

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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 stockholder s equity, by total 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	**SVB Financial**		**Bank**	
(Dollars in thousands, except ratios)	**June 30, 2010**	**December 31, 2009**	**June 30, 2010**	**December 31, 2009**
GAAP SVBFG stockholders equity	$ 1,237,103	$ 1,128,343	$ 1,035,983	$ 914,068
Less:				
Intangible assets	935	665		
Tangible common equity	$ 1,236,168	$ 1,127,678	$ 1,035,983	$ 914,068
GAAP Total assets	$ 14,903,986	$ 12,841,399	$ 14,177,355	$ 12,186,203
Less:				
Intangible assets	935	665		
Tangible assets	$ 14,903,051	$ 12,840,734	$ 14,177,355	$ 12,186,203
Risk-weighted assets	$ 7,751,856	$ 7,494,498	$ 7,509,088	$ 7,293,332
Tangible common equity to tangible assets	8.29%	8.78%	7.31%	7.50%
Tangible common equity to risk-weighted assets	15.95	15.05	13.80	12.53

For both SVB Financial and the Bank, the tangible common equity to tangible assets ratio decreased due primarily to an increase in tangible assets which primarily 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 increase in tangible common equity to risk-weighted asset ratio is reflective of a higher proportion of cash and investment securities relative to loans.

Off-Balance Sheet Arrangements

In the normal course of business, we use financial instruments with off-balance sheet risk to meet the financing needs of our customers. These financial instruments include commitments to extend credit, commercial and standby letters of credit, and commitments to invest in private equity fund investments. These instruments involve, to varying degrees, elements of credit risk. Credit risk is defined as the possibility of sustaining a loss because other parties to the financial instrument fail to perform in accordance with the terms of the contract. For details of our commitments to extend credit, and commercial and standby letters of credit, please refer to Note 12- Off-Balance Sheet Arrangements, Guarantees, and Other Commitments of the Notes to Interim Consolidated Financial Statements (unaudited) under Part I, Item 1 of this report.

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Commitments to Invest in Venture Capital/Private Equity Funds

We make commitments to invest in venture capital and private equity funds, which in turn make investments generally in, or in some cases make loans to, privately held companies. Commitments to invest in these funds are generally made for a ten-year period from the inception of the fund. Although the limited partnership agreements governing these investments typically do not restrict the general partners from calling 100% of committed capital in one year, it is customary for these funds to generally call most of the capital commitment over 5 to 7 years. The actual timing of future cash requirements to fund such commitments is generally dependent upon the investment cycle, overall market conditions, and the nature and type of industry in which the privately held companies operate.

At June 30, 2010, we had $528.4 million in total capital commitments in venture capital/private equity funds, of which $233.3 million was unfunded or uncalled. Included in the $233.3 million unfunded commitments are commitments of $142.7 million made by SVB Financial on behalf of certain new managed funds of funds that we have formed or plan to form (New Fund Commitments). While we cannot provide any assurances that we will be successful, we intend to form additional new managed fund of funds, such as our SVB Preferred Return Funds, to which we expect to transfer most of these New Fund Commitments. Upon transfer of these investments to the new funds, these investments are expected to be accounted for on an investment company fair value basis and any underlying gains or losses would be recognized in earnings according to the ownership interests of all participants in the fund, including SVB Financial. As of June 30, 2010, the carrying value of these investments exceeded the estimated fair value by $3.1 million. While the actual cash requirements of these New Fund Commitments are dependent on various factors, we currently expect capital calls of approximately $31 million for the next 12 months.

For further details on our commitments to invest in private equity funds, refer to Note 12- Off-Balance Sheet Arrangements, Guarantees, and Other Commitments of the Notes to Interim Consolidated Financial Statements (unaudited) under Part I, Item 1 of this report.

Liquidity

The objective of liquidity management is to ensure that funds are available in a timely manner to meet our financial needs, including paying creditors, meeting depositors needs, accommodating loan demand and growth, funding investments, repurchasing shares and other 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.

Historically, we have attracted a stable, low-cost deposit base, which has been our primary source of liquidity. From time to time, depending on market conditions, prevailing interest rates or our introduction of additional interest-bearing deposit products, our deposit levels and cost of deposits may fluctuate. We introduced an interest-bearing sweep deposit product in 2007, which increased by $357.5 million to $2.7 billion at June 30, 2010, compared to $2.3 billion at December 31, 2009. Additionally, we grew our noninterest-bearing demand deposits by $907.1 million to $7.2 billion at June 30, 2010, compared to $6.3 billion as of December 31, 2009. The overall increase in deposit balances was primarily due to our clients desire to maintain short-term liquidity, as well as the lack of attractive market investment opportunities. Additionally, we saw growth in our interest-bearing sweep deposits due to our clients desire to take advantage of the convenience of the daily sweep product combined with the competitive rates we pay on the product. Furthermore, our deposits increased in 2009 in part due to clients preference for the security provided by unlimited FDIC insurance for noninterest-bearing transaction accounts. Although the FDIC had extended such insurance coverage for participating financial institutions from its prior expiration date of June 30, 2010 to December 31, 2010, we opted out of such extended coverage and our unlimited insurance coverage for noninterest-bearing transaction accounts expired on June 30, 2010. As of July 1, 2010, such insurance coverage was subject to a $250,000 maximum pursuant to FDIC rules. Our election to opt out was based primarily on our assessment of our liquidity position and the associated costs of maintaining such extended coverage. Subsequent to our decision, the Dodd-Frank Wall Street Reform Act and Consumer Protection Act (the Financial Reform Act) was enacted on July 23, 2010, which extended such unlimited insurance coverage until January 1, 2013. The extent unlimited insurance coverage is available for our deposits may impact our deposit levels. Additionally, changes in the deposit behavior of our clients, which include a number of single large depositors, may also impact our deposit levels. Nevertheless, despite any fluctuations in our deposit levels or cost of deposits, the level of which we cannot predict, we continue to expand on opportunities to increase our liquidity and take steps to carefully manage our liquidity.

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, investment securities maturing within nine months, investment securities eligible and available for financing or pledging purposes with a maturity in excess of nine months and anticipated near-term cash flows from investments. During the three months ended June 30, 2010, we sold all of our remaining non-agency residential and commercial mortgage-backed securities of $123.3 million, as well as agency-issued collateralized mortgage obligations of $34.6 million.

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On a stand-alone basis, SVB Financial s primary liquidity channels include dividends from the Bank, its investment portfolio assets, and its ability to raise debt and capital. The ability of the Bank to pay dividends is subject to certain regulations described in Business Supervision and Regulation Restriction on Dividends under Part I, Item 1 of our 2009 Form 10-K.

Consolidated Summary of Cash Flows

Below is a summary of our average cash position and statement of cash flows for the six months ended June 30, 2010 and 2009, respectively. Please refer to our Interim Statements of Cash Flows for the six months ended June 30, 2010, and 2009 under Part I, Item 1 of this report.

	Six months ended June 30,	
(Dollars in thousands)	**2010**	**2009**
Average cash and due from banks	$ 232,615	$ 259,482
Average federal funds sold, securities purchased under agreements to resell and other short-term investment securities	4,204,475	3,099,153
Average cash and cash equivalents	$ 4,437,090	$ 3,358,635
Percentage of total average assets	31.6%	31.4%
Net cash provided by operating activities	$ 115,894	$ 86,602
Net cash (used for) provided by investing activities	(1,295,385)	(279,713)
Net cash provided by financing activities	1,856,981	1,465,756
Net increase in cash and cash equivalents	$ 677,490	$ 1,272,645

Average cash and cash equivalents increased by $1.0 billion to $4.4 billion for the six months ended June 30, 2010, compared to $3.4 billion for the comparable 2009 period, primarily due to the increase in deposit balances. The increase in deposit balances was primarily due to our clients desire to maintain short-term liquidity, as well as the lack of attractive market investment opportunities due to the current low interest rate environment.

Cash provided by operating activities was $115.9 million for the six months ended June 30, 2010, which included net income before noncontrolling interests of $50.4 million. Significant adjustments for noncash items that increased cash provided by operating activities included $18.2 million of provision for loan losses, net changes of $13.2 million in foreign exchange spot contracts, $12.4 million of amortization of premiums on investment securities, $9.1 million of depreciation and amortization, a $7.5 million increase in accrued compensation and $6.3 million of share-based compensation expense. Significant adjustments for noncash items that decreased cash provided by operating activities included $20.8 million of net gains on investment securities and $3.2 million of deferred warrant-related loan fee amortization.

Cash used for investing activities was $1.3 billion for the six months ended June 30, 2010. Net cash outflows included purchases of available-for-sale securities of $2.4 billion, purchases of non-marketable securities of $65.0 million and purchases of premises and equipment of $13.2 million. Net cash inflows included proceeds from the sales, maturities and pay downs of available-for-sale securities of $1.1 billion, a net decrease in loans of $69.1 million, sales of non-marketable securities of $22.6 million, and the recovery of $9.5 million from loans previously charged-off.

Cash provided by financing activities was $1.9 billion for the six months ended June 30, 2010. Net cash inflows included increases in deposits of $1.8 billion, net capital contributions from noncontrolling interests of $33.4 million, $13.2 million of proceeds from issuance of common stock and a $6.0 million net increase in short-term borrowings. Net cash outflows included $6.8 million from the repurchase of a warrant under the Capital Purchase Program.

Cash and cash equivalents at June 30, 2010 were $4.2 billion, compared to $3.7 billion at June 30, 2009.

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ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK
Interest Rate Risk Management

Market risk is defined as the risk of adverse fluctuations in the market value of financial instruments due to changes in market interest rates. Interest rate risk is our primary market risk and can result from timing and volume differences in the repricing of our rate-sensitive assets and liabilities, widening or tightening of credit spreads and changes in the shape and level of the 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 Asset/Liability Committee (ALCO), which is a management committee. ALCO reviews sensitivities 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 investment securities and funding portfolios. In addition, our policies permit off-balance sheet derivative instruments to manage 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 potential volatility in forecasted results relating to changes in market interest rates over time. We review our interest rate risk position at a minimum, on a quarterly basis.

Market Value of Portfolio Equity and Net Interest Income

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).

The following table presents our MVPE and NII sensitivity exposure at June 30, 2010 and December 31, 2009, related to an instantaneous and sustained parallel shift in market interest rates of 100 and 200 basis points, respectively.

Change in interest rates (basis points)	Estimated MVPE	Estimated Increase/ (Decrease) In MVPE Amount	Percent	Estimated NII	Estimated Increase/ (Decrease) In NII Amount	Percent
			(Dollars in thousands)			
June 30, 2010:						
+200	$ 1,614,639	$ 80,724	5.3%	$ 542,743	$ 98,963	22.3%
+100	1,573,397	39,482	2.6	484,808	41,028	9.2
-	1,533,915			443,780		
-100	1,635,903	101,988	6.6	408,592	(35,188)	(7.9)
-200	1,629,518	95,603	6.2	387,551	(56,229)	(12.7)
December 31, 2009:						
+200	$ 1,491,262	$ (37,645)	(2.5)%	$ 515,333	$ 75,569	17.2%
+100	1,510,211	(18,696)	(1.2)	470,398	30,634	7.0
-	1,528,907			439,764		
-100	1,567,122	38,215	2.5	424,444	(15,320)	(3.5)
-200	1,626,056	97,149	6.4	406,626	(33,138)	(7.5)

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The estimated MVPE in the preceding table is based on a discounted cash flow analysis using market interest rates provided by publicly available sources that we deem reliable. These estimates 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 changes we may make to reduce our MVPE exposure in response to a change in market interest rates. We expect to continue to manage our interest rate risk utilizing on and off-balance sheet strategies, as appropriate.

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 June 30, 2010 increased from December 31, 2009 by $5.0 million primarily due to a change in the overall balance sheet mix as available-for-sale securities and interest-earning cash equivalents grew by $1.4 billion and $696.5 million, respectively, from December 31, 2009 to June 30, 2010. MVPE rose in both the simulated upward and downward interest rate movements due to our significant growth in floating rate available-for-sale securities, interest-earning cash equivalents and noninterest-bearing deposits. Additionally, with the historically low level of interest rates, our deposit rates are also at or near their absolute floors thus decreasing the downward rate shock effects.

Our expected 12-month NII at June 30, 2010 increased from December 31, 2009 by $4.0 million due primarily to growth in our available-for-sale securities portfolio. Our overall balance sheet grew by $2.1 billion from December 31, 2009 to June 30, 2010. The growth was principally attributed to large increases in our cash equivalents, available-for-sale securities portfolio, and deposits. NII sensitivity increased in both the simulated upward and downward interest rate movements due primarily to the large growth in the rate sensitive cash equivalents, floating rate available-for-sale securities, and noninterest-bearing deposits. In addition to these changes, other general contributing factors include changes in balance sheet mix, changes in deposit repricing assumptions, and a lower projected forward rate curve.

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

ITEM 4. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

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

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

Changes in Internal Control

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

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PART II OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Please refer to Note 15- Legal Matters of the Notes to Interim Consolidated Financial Statements (unaudited) under Part I, Item 1 of this report.

ITEM 1A. RISK FACTORS

Our business faces significant risks, including market and economic environment, credit, market/liquidity, operational, legal/regulatory and strategic/reputation risks. The factors described below may not be the only risks we face and are not intended to serve as a comprehensive listing or be applicable only to the category of risk under which they are disclosed. The risks described below are generally applicable to more than one of the following categories of risks. Additional risks that we do not yet know of or that we currently think are immaterial may also impair our business operations. If any of the events or circumstances described in the following factors actually occurs, our business, financial condition and/or results of operations could suffer.

There are no material changes from the risk factors set forth in our 2009 Form 10-K, as updated in our Quarterly Report on Form 10-Q for the quarter ended March 31, 2010 (as filed with the SEC on May 7, 2010). We have noted recent financial reform legislation under the risk factor Additional requirements under our regulatory framework intended to strengthen the U.S. financial system could adversely affect us under Legal/Regulatory Risks below.

Risks Relating to Market and Economic Environment

The continuation or worsening of recent market and economic conditions may adversely affect our industry, business, results of operations and ability to access capital.

Overall deterioration in domestic or global economic conditions, especially in the technology, life science, venture capital/private equity and premium wine industry niches or overall financial capital markets may adversely affect our business, growth, results of operations and ability to access capital. A global, domestic or significant regional economic slowdown or recession, could harm us by adversely affecting our clients and prospective clients access to capital to fund their businesses, their ability to sustain and grow their businesses, the level of funds they have available to maintain deposits, their demand for loans, their ability to repay loans and otherwise.

The United States has been in a serious economic downturn, as have economies around the world. Financial markets have been volatile, business and consumer spending has declined, and overall business activities have slowed, including a general slowdown in mergers and acquisitions (M&A) and initial public offerings (IPOs) of companies events upon which the venture capital and private equity community relies to exit their investments. Overall venture capital financing activity has also slowed in recent periods. There have been limited signs of economic recovery recently, such as a modest increase in the number of IPOs and M&A activity levels, yet economic conditions continue to be challenging. If recent market and economic conditions persist, our clients will continue to be adversely impacted, as will our investment returns, valuations of companies, and overall levels of venture capital and private equity investments, which may have a material and adverse effect on our business, financial condition and results of operations. A worsening of these conditions could likely exacerbate the adverse effect on us.

As a result of recent economic conditions, the capital and credit markets have experienced extreme volatility and disruption. SVB Financial depends on access to equity and debt markets as one of its primary sources to raise capital. There has been some improvement to market conditions, particularly access to equity and debt markets; however, if recent levels of market disruption and volatility continue or worsen, there can be no assurance that we will not experience an adverse effect, which may be material, on our ability to access capital and on our business, financial condition and results of operations.

Credit Risks

If our clients fail to perform under their loans, our business, results of operations and financial condition could be adversely affected.

As a lender, we face the risk that our client borrowers will fail to pay their loans when due. If borrower defaults cause large aggregate losses, it could have a material adverse effect on our business, results of operations and financial condition. We reserve for such losses by establishing an allowance for loan losses, the increase of which results in a charge to our earnings as a provision for loan losses. We have established an evaluation process designed to determine the adequacy of our allowance for loan losses. While this evaluation process uses historical and other objective information, the classification of loans and the forecasts and establishment of loan losses are dependent to a great extent on our subjective assessment based upon our experience and judgment. Actual losses are difficult to forecast, especially if such losses stem from factors beyond our historical experience or are otherwise inconsistent or out of pattern with regards to our credit quality assessments. There can be no assurance that our allowance for loan losses will be sufficient to absorb future loan losses or prevent a material adverse effect on our business, financial condition and results of operations.

Because of the credit profile of our loan portfolio, our levels of nonperforming assets and charge-offs can be volatile. We may need to make material provisions for loan losses in any period, which could reduce net income or increase net losses in that period.

Our loan portfolio has a credit profile different from that of most other banking companies. In addition, the credit profile of our clients varies across our loan portfolio, based on the nature of the lending we do for different market segments. In our portfolios for emerging, early-stage and mid-stage companies, many of our loans are made to companies with modest or negative cash flows and no established record of profitable operations. Repayment of these loans may be dependent upon receipt by borrowers of additional equity financing from venture capitalists or others, or in some cases, a successful sale to a third party or a public offering. In recent periods, due to the overall weakening of the economic environment, venture capital financing activity has slowed, and IPOs and M&A activities have slowed significantly. If economic conditions worsen or do not continue to improve, such activities may slow down even further. Venture capital firms may provide financing at lower levels, more selectively or on less favorable terms, which may have an adverse effect on our borrowers that are otherwise dependent on such financing to repay their loans to us. Moreover, collateral for many of our loans often includes intellectual property, which is difficult to value and may not be readily salable in the case of default. Because of the intense competition and rapid technological change that characterizes the companies in the technology and life science industry sectors, a borrower s financial position can deteriorate rapidly.

Additionally, we may enter into accounts receivable financing arrangements with our company clients. The repayment of these arrangements is dependent on the financial condition, and payment ability, of third parties with whom our clients do business. Such third parties may be unable to meet their financial obligations to our clients, especially in a weakened economic environment.

In our portfolio of venture capital and private equity firm clients, many of our clients have capital call lines of credit, the repayment of which is dependent on the payment of capital calls by the underlying limited partner investors in the funds managed by these firms. These limited partner investors may face liquidity issues or have difficulties meeting their financial commitments, especially during unstable economic times, which may lead to our clients inability to meet their repayment obligations to us.

We have been increasing our efforts to lend to corporate technology and large corporate clients, including some companies with greater levels of debt relative to their equity, and have increased the average size of our loans over time. Increasing our larger loan commitments could increase the impact on us of any single borrower default.

We lend to targeted high net-worth individual clients through our Private Client Services (PCS) group. These individual clients may face difficulties meeting their financial commitments, especially during a challenging economic environment, and may be unable to repay their loans. We also lend to premium wineries and vineyards through our SVB Wine group. Repayment of loans made to these clients may be dependent on overall grape supply (which may be adversely affected by poor weather or other natural conditions) and overall wine demand and sales, or other sources of financing or income (which may be adversely affected by a challenging economic environment). See Loans under Management s Discussion and Analysis of Financial Condition and Results of Operations Consolidated Financial Condition under Item 2 of Part I of this report.

For all of these reasons, our level of nonperforming loans, loan charge-offs and allowance for loan losses can be volatile and can vary materially from period to period. Increases in our level of nonperforming loans or loan charge-offs may require us to increase our provision for loan losses in any period, which could reduce our net income or cause net losses in that period. Additionally, such increases in our level of nonperforming loans or loan charge-offs may also have an adverse effect on our credit ratings and market perceptions of us.

The borrowing needs of our clients may be volatile, especially during a challenging economic environment. We may not be able to meet our unfunded credit commitments, or adequately reserve for losses associated with our unfunded credit commitments, which could have a material effect on our business, financial condition, results of operations and reputation.

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 under the agreement. The actual borrowing needs of our clients under these credit commitments have historically been lower than the contractual amount of the commitments. A significant portion of these commitments expire without being drawn upon. Because of the credit profile of our clients, we typically have a substantial amount of total unfunded credit commitments, which is reflected off our balance sheet. At June 30, 2010, we had $5.3 billion in total unfunded credit commitments. Actual borrowing needs of our clients may exceed our expected funding requirements, especially during a challenging economic environment when our client companies may be more dependent on our credit commitments due to the lack of available credit elsewhere, the increasing costs of credit, or the limited availability of financings from more discerning and selective venture capital/private equity firms. In addition, limited partner investors of our venture capital/private equity fund clients may fail to meet their underlying investment commitments due to liquidity or other financing issues, which may impact our clients borrowing needs. Any failure to meet our unfunded credit commitments in accordance with the actual borrowing needs of our clients may have a material adverse effect on our business, financial condition, results of operations and reputation.

Additionally, we establish a reserve for losses associated with our unfunded credit commitments. The level of the reserve for unfunded credit commitments is determined by following a methodology similar to that used to establish our allowance for loan losses in our funded loan portfolio. The reserve is based on credit commitments outstanding, credit quality of the loan commitments, and management s estimates and judgment, and is susceptible to significant changes. There can be no assurance that our reserve for unfunded credit commitments will be adequate to provide for actual losses associated with our unfunded credit commitments. An increase in the reserve for unfunded credit commitments in any period may result in a charge to our earnings, which could reduce our net income or increase net losses in that period.

Market/Liquidity Risks

Our current level of interest rate spread may decline in the future. Any material reduction in our interest rate spread, or a sustained period of low market interest rates, could have a material adverse effect on our business, results of operations or financial condition.

A major portion of our net income comes from our interest rate spread, which is the difference between the interest rates paid by us on amounts used to fund assets and the interest rates and fees we receive on our interest-earning assets. We fund assets using deposits and other borrowings. While we are increasingly offering more interest-bearing deposit products, a majority of our deposit balances are from our noninterest bearing products. Our interest-earning assets include outstanding loans extended to our clients and securities held in our investment portfolio. Overall, the interest rates we pay on our interest-bearing liabilities and receive on our interest-earning assets, and our level of interest rate spread, could be affected by a variety of factors, including changes in market interest rates, competition, and a change over time in the mix of loans, investment securities, deposits and other liabilities on our balance sheet.

Changes in market interest rates, such as the Federal Funds rate, generally impact our interest rate spread. While changes in interest rates do not produce equivalent changes in the revenues earned from our interest-earning assets and the expenses associated with our interest-bearing liabilities, increases in market interest rates will nevertheless likely cause our interest rate spread to increase. Conversely, if interest rates decline, our interest rate spread will likely decline. Decreases in market interest rates, especially during 2008 and 2009, have caused our interest rate spread to decline significantly, which has reduced our net income. Sustained low levels of market interest rates will likely continue to put pressure on our results of operations. Unexpected interest rate declines may also adversely affect our business forecasts and expectations. Interest rates are highly sensitive to many factors beyond our control, such as inflation, recession, global economic disruptions, unemployment and the fiscal and monetary policies of the federal government and its agencies.

Any material reduction in our interest rate spread or the continuation of sustained low levels of market interest rates could have a material adverse effect on our business, results of operations and financial condition.

Liquidity risk could impair our ability to fund operations and jeopardize our financial condition.

Liquidity is essential to our business. We require sufficient liquidity to meet our expected, as well as unexpected, financial obligations and requirements. An inability to raise funds through deposits, borrowings, equity/debt offerings and other sources could have a substantial negative effect on our liquidity. Our access to funding sources in amounts adequate to finance our activities, or on terms attractive to us, could be impaired by factors that affect us specifically or the financial services industry in general. Factors that could detrimentally impact our access to liquidity sources include a reduction in our credit ratings, an increase in costs of capital in financial capital markets, a decrease in the level of our business activity due to a market downturn or adverse regulatory action against us, or a decrease in depositor or investor confidence in us. Our ability to borrow could also be impaired by factors that are not specific to us, such as a severe disruption of the financial markets or negative views and expectations about the prospects for the financial services industry as a whole.

Additionally, our credit ratings are important to our liquidity and our business. A reduction in our credit ratings could adversely affect our liquidity and competitive position, increase our borrowing costs, and limit our access to the capital markets. Moreover, a reduction in our credit ratings could increase the interest rates we pay on deposits, or adversely affect perceptions about our creditworthiness or our overall reputation.

Equity warrant asset, venture capital and private equity funds and direct equity investment portfolio gains or losses depend upon the performance of the portfolio investments and the general condition of the public equity markets, which are uncertain and may vary materially by period.

In connection with negotiated credit facilities and certain other services, we frequently obtain equity warrant assets giving us the right to acquire stock in certain client companies. We also make investments through our SVB Capital family of funds in venture capital and private equity funds and direct investments in companies, which are required to be carried at fair value. The fair value of these warrants and investments are reflected in our financial statements and are adjusted on a quarterly basis. Fair value changes are generally recorded as unrealized gains or losses through consolidated net income. The timing and amount of changes in fair value, if

any, of these financial instruments depend upon factors beyond our control, including the performance of the underlying companies, fluctuations in the market prices of the preferred or common stock of the underlying companies, the timing of our receipt of relevant financial information, general volatility and interest rate market factors, and legal and contractual restrictions. The timing and amount of our realization of actual net proceeds, if any, from the disposition of these financial instruments depend upon factors beyond our control, including investor demand for IPOs, levels of M&A activity, legal and contractual restrictions on our ability to sell, and the perceived and actual performance and future value of portfolio companies. Because of the inherent variability of these financial instruments and the markets in which they are bought and sold, the fair market value of these financial instruments might increase or decrease materially, and the net proceeds realized upon disposition might be less than the then-current recorded fair market value.

We cannot predict future realized or unrealized gains or losses, and any such gains or losses are likely to vary materially from period to period. Additionally, the value of our equity warrant asset portfolio depends on the number of warrants we obtain, and in future periods, we may not be able to continue to obtain such equity warrant assets to the same extent we have historically achieved.

Public equity offerings and mergers and acquisitions involving our clients or a slowdown in venture capital investment levels may reduce the borrowing needs of our clients, which could adversely affect our business, results of operations and financial condition.

While an active market for public equity offerings and mergers and acquisitions generally has positive implications for our business, one negative consequence is that our clients may pay off or reduce their loans with us if they complete a public equity offering, are acquired by or merge with another entity or otherwise receive a significant equity investment. The recent economic conditions reflect a slowdown in such transactions, however if the levels of such transactions were to increase, our total outstanding loans may decline. Moreover, our capital call lines of credit are typically utilized by our venture capital fund clients to make investments prior to receipt of capital called from their respective limited partners. A slowdown in overall venture capital investment levels may reduce the need for our clients to borrow from our capital call lines of credit. Any significant reduction in the outstanding amounts of our loans or under our lines of credit could have a material adverse effect on our business, results of operations and financial condition.

Failure to raise additional funds from third-party investors for our funds managed by SVB Capital may require us to use capital to fund commitments to other funds, which may have a material adverse effect on our business, financial condition and reputation.

From time to time, we form new investment funds through our funds management division, SVB Capital. These funds include funds that invest in other venture capital and private equity funds (which we refer to as funds of funds) and portfolio companies (which we refer to as direct equity funds). Our managed funds are typically structured as limited partnerships, heavily funded by third party limited partners and ultimately managed by us through our SVB Capital division. SVB Financial typically will also make a significant capital commitment to each of these funds as a limited partner.

Prior to forming a new fund of funds, SVB Financial has made and may make investment commitments intended for the new fund, in order to show potential investors the types of funds in which the new fund will invest. Until these investments are transferred to the new fund, which typically will occur upon the acceptance of binding commitments from third-party limited partners (the closing), these investments are obligations of SVB Financial. If we fail to attract sufficient capital from third-party investors to conduct the closing of a fund, we may be required to permanently allocate capital to these investments when we otherwise had intended them to be temporary obligations. If, under such circumstances, we decide to sell these investments or fail to meet our obligations, we may lose some or all of the capital that has already been deployed and may be subject to legal claims. Any unexpected permanent allocation of capital toward these investments, loss of capital contributed to these investments or legal claims against us could have a material adverse effect on our business and financial condition, as well as our reputation.

The soundness of other financial institutions could adversely affect us.

Financial services institutions are interrelated as a result of trading, clearing, counterparty, or other relationships. We routinely execute transactions with counterparties in the financial services industry, including brokers and dealers, commercial banks, investment banks, and other institutional clients, which may result in payment obligations to us or to our clients due to products arranged by us. Many of these transactions expose us to credit and market risk that may cause our counterparty or client to default. In addition, we are exposed to market risk when the collateral we hold cannot be realized or is liquidated at prices not sufficient to recover the full amount of the secured obligation. There is no assurance that any such losses would not materially and adversely affect our business, results of operations and financial condition.

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Operational Risks

If we fail to retain our key employees or recruit new employees, our growth and results of operations could be adversely affected.

We rely on key personnel, including a substantial number of employees who have technical expertise in their subject matter area and/or a strong network of relationships with individuals and institutions in the markets we serve. If we were to have less success in recruiting and retaining these employees than our competitors, for reasons including regulatory restrictions on compensation practices or the availability of more attractive opportunities elsewhere, our growth and results of operations could be adversely affected.

The manner in which we structure our employee compensation could adversely affect our results of operations and cash flows, as well as our ability to attract, recruit and retain key employees.

In May 2006, in an effort to align our equity grant rate to that of other financial institutions similar to us, we committed to restrict the total number of shares of our common stock issued under stock options, restricted stock awards, restricted stock unit awards, stock bonus awards and any other equity awards granted during a fiscal year as a percentage of the total number of shares outstanding on a prospective basis. In light of this restriction, we may in the future consider taking other actions to modify employee compensation structures, such as granting cash compensation or other cash-settled forms of equity compensation, which may result in an additional charge to our earnings.

How we structure our equity compensation may also have an adverse effect on our ability to attract, recruit and retain key employees. Our decision in May 2006 to reduce equity awards to be granted on a prospective basis, and any other similar changes limiting our equity awards that we may adopt in the future, could negatively impact our hiring and retention strategies. Moreover, recent economic conditions have reduced our share price, causing existing employee options and equity awards to have exercise prices higher in some cases, meaningfully higher than our actual share price. These factors could adversely affect our ability to attract, recruit and retain certain key employees.

The occurrence of fraudulent activity or breaches of our information security could have a material adverse effect on our business, financial condition and results of operations.

As a financial institution, we are susceptible to fraudulent activity that may be committed against us or our clients, which may result in financial losses to us or our clients, privacy breaches against our clients, or damage to our reputation. Such fraudulent activity may take many forms, including check fraud, electronic fraud, wire fraud, phishing, social engineering and other dishonest acts. In recent periods, there has been a rise in electronic fraudulent activity within the financial services industry, especially in the commercial banking sector due to cyber criminals targeting commercial bank accounts. Consistent with industry trends, we have also experienced an increase in attempted electronic fraudulent activity in recent periods.

Information pertaining to us and our clients are maintained, and transactions are executed, on our internal networks and Internet-based systems, such as our online banking system. The secure maintenance and transmission of confidential information, as well as execution of transactions over these systems, are essential to protect us and our clients against fraud and to maintain our clients confidence. Increases in criminal activity levels and sophistication, advances in computer capabilities, new discoveries, vulnerabilities in third-party technologies (including browsers and operating systems) or other developments could result in a compromise or breach of the technology, processes and controls that we use to prevent fraudulent transactions and to protect data about us, our clients and underlying transactions, as well as the technology used by our clients to access our systems. Although we have developed systems and processes that are designed to detect and prevent security breaches and periodically test our security, failure to mitigate breaches of security could result in losses to us or our clients, result in a loss of business and/or clients, cause us to incur additional expenses, affect our ability to grow our online services or other businesses, subject us to additional regulatory scrutiny, or expose us to civil litigation and possible financial liability, any of which could have a material adverse effect on our business, financial condition and results of operations.

More generally, publicized information concerning security problems could inhibit the use or growth of the Internet as a means of conducting commercial transactions. Our ability to provide financial services over the Internet would be severely impeded if clients became unwilling to transmit confidential information online. As a result, our business, financial condition and results of operations could be adversely affected.

We face risks associated with the ability of our information technology systems and our people and processes to support our operations and future growth effectively.

In order to serve our target clients effectively, we have developed a comprehensive array of banking and other products and services. In order to support these products and services, we have developed and purchased or licensed information technology and other systems and processes. As our business continues to grow, we will continue to invest in and enhance these systems, and our people and processes. These investments and enhancements may affect our future profitability and overall effectiveness. From time to time, we may change, consolidate, replace, add or upgrade existing systems or processes, which if not implemented properly to allow for an effective transition, may have an adverse effect on our operations, including business interruptions which may result in inefficiencies, revenue losses, client losses, exposure to fraudulent activities, or damage to our reputation. For example, we are in the process of implementing a new universal banking system that will replace our current platform. Or, we may outsource certain operational functions to consultants or other third parties to enhance our overall efficiencies, which if not performed properly, could also have an adverse effect on us. There can be no assurance that we will be able to effectively maintain or improve our systems and processes, or utilize outsourced talent, to meet our business needs efficiently. Any failure of such could adversely affect our operations, financial condition, results of operations, future growth and reputation.

Business disruptions and interruptions due to natural disasters and other external events beyond our control can adversely affect our business, financial condition and results of operations.

Our operations can be subject to natural disasters and other external events beyond our control, such as earthquakes, fires, severe weather, public health issues, power failures, telecommunication loss, major accidents, terrorist attacks, acts of war, and other natural and man-made events. Our corporate headquarters and a portion of our critical business offices are located in California near major earthquake faults. Such events of disaster, whether natural or attributable to human beings, could cause severe destruction, disruption or interruption to our operations or property. Financial institutions, such as us, generally must resume operations promptly following any interruption. If we were to suffer a disruption or interruption and were not able to resume normal operations within a period consistent with industry standards, our business could suffer serious harm. In addition, depending on the nature and duration of the disruption or interruption, we might be vulnerable to fraud, additional expense or other losses, or to a loss of business and/or clients. We have implemented a business continuity management program and we continue to enhance it on an ongoing basis. There is no assurance that our business continuity management program can adequately mitigate the risks of such business disruptions and interruptions.

Additionally, natural disasters and external events could affect the business and operations of our clients, which could impair their ability to pay their loans or fees when due, impair the value of collateral securing their loans, cause our clients to reduce their deposits with us, or otherwise adversely affect their business dealings with us, any of which could have a material adverse effect on our business, financial condition and results of operations.

We face reputation and business risks due to our interactions with business partners, service providers and other third parties.

We rely on third parties, both in the United States and internationally in countries such as India, in a variety of ways, including to provide key components of our business infrastructure or to further our business objectives. These third parties may provide services to us and our clients or serve as partners in business activities. We rely on these third parties to fulfill their obligations to us, to accurately inform us of relevant information and to conduct their activities professionally and in a manner that reflects positively on us. Any failure of our business partners, service providers or other third parties to meet their commitments to us or to perform in accordance with our expectations could result in operational issues, increased expenditures, damage to our reputation or loss of clients, which could harm our business and operations, financial performance, strategic growth or reputation.

We depend on the accuracy and completeness of information about customers and counterparties.

In deciding whether to extend credit or enter into other transactions with customers and counterparties, we may rely on information furnished to us by or on behalf of customers and counterparties, including financial statements and other financial information. We also may rely on representations of customers and counterparties as to the accuracy and completeness of that information and, with respect to financial statements, on reports of independent auditors. For example, under our accounts receivable financing arrangements, we rely on information, such as invoices, contracts and other supporting documentation, provided by our clients and their account debtors to determine the amount of credit to extend. Similarly, in deciding whether to extend credit, we may rely upon our customers representations that their financial statements conform to U.S.GAAP and present fairly, in all material respects, the financial condition, results of operations and cash flows of the customer. We also may rely on customer representations and certifications, or other audit or accountants reports, with respect to the business and financial condition of our clients. Our financial condition, results of operations, financial reporting and reputation could be negatively affected if we rely on materially misleading, false, inaccurate or fraudulent information.

Our accounting policies and methods are key to how we report our financial condition and results of operations. They require management to make judgments and estimates about matters that are uncertain.

Our accounting policies and methods are fundamental to how we record and report our financial condition and results of operations. Our management must exercise judgment in selecting and applying many of these accounting policies and methods so they comply with GAAP and reflect management s judgment of the most appropriate manner to report our financial condition and results. In some cases, management must select the accounting policy or method to apply from two or more alternatives, any of which might be reasonable under the circumstances yet might result in our reporting materially different amounts than would have been reported under a different alternative.

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Changes in accounting standards could materially impact our financial statements.

From time to time, the FASB or the SEC may change the financial accounting and reporting standards that govern the preparation of our financial statements. In addition, the bodies that interpret the accounting standards (such as banking regulators or outside auditors) may change their interpretations or positions on how these standards should be applied. These changes may be beyond our control, can be hard to predict and can materially impact how we record and report our financial condition and results of operations. In some cases, we could be required to apply a new or revised standard retrospectively, or apply an existing standard differently, also retrospectively, in each case resulting in our revising or restating prior period financial statements.

If we fail to maintain an effective system of internal control over financial reporting, we may not be able to accurately report our financial results. As a result, current and potential stockholders could lose confidence in our financial reporting, which would harm our business and the trading price of our stock.

If we identify material weaknesses in our internal control over financial reporting or are otherwise required to restate our financial statements, we could be required to implement expensive and time-consuming remedial measures and could lose investor confidence in the accuracy and completeness of our financial reports. We may also face regulatory enforcement or other actions, including the potential delisting of our securities from NASDAQ. This could have an adverse effect on our business, financial condition and results of operations, including our stock price, and could potentially subject us to litigation.

Legal/Regulatory Risks

We are subject to extensive regulation that could limit or restrict our activities and impose financial requirements or limitations on the conduct of our business.

SVB Financial Group, including the Bank, is extensively regulated under federal and state laws and regulations governing financial institutions, including those imposed by the FDIC, the Federal Reserve and the California Department of Financial Institutions. Federal and state laws and regulations govern, limit or otherwise affect the activities in which we may engage and may affect our ability to expand our business over time. In addition, a change in the applicable statutes, regulations or regulatory policy could have a material effect on our business, including limiting the types of financial services and products we may offer or increasing the ability of nonbanks to offer competing financial services and products. These laws and regulations also require financial institutions, including SVB Financial and the Bank, to maintain certain minimum levels of capital, which may require us to raise additional capital in the future or affect our ability to use our capital resources for other business purposes. In addition, increased regulatory requirements (and the associated compliance costs), whether due to the adoption of new laws and regulations, changes in existing laws and regulations, or more expansive or aggressive interpretations of existing laws and regulations, may have a material adverse effect on our business, financial condition and results of operations.

Additional requirements under our regulatory framework intended to strengthen the U.S. financial system could adversely affect us.

Recent government efforts to strengthen the U.S. financial system have resulted in the imposition of additional regulatory requirements, including expansive financial services regulatory reform legislation. On July 23, 2010, the Dodd-Frank Wall Street Reform and Consumer Protection Act (the Financial Reform Act) was enacted. This legislation sets out sweeping regulatory changes. The requirements include, among others: (i) new requirements on banking, derivative and investment activities, including modified capital requirements, the repeal of the prohibition on the payment of interest on business demand accounts, debit card interchange fee requirements, and the Volcker Rule, which restricts the sponsorship, or the acquisition or retention of ownership interests, in private equity funds; (ii) corporate governance and executive compensation requirements; (iii) enhanced financial institution safety and soundness regulations, including increases in assessment fees and deposit insurance coverage; and (iv) the establishment of new regulatory bodies, such as the Bureau of Consumer Financial Protection. Certain provisions are effective immediately; however, much of the Financial Reform Act is subject to further rulemaking (at least 200 implementation rulemakings) and/or studies (at least 60 further studies or reports). As such, while we are subject to the legislation, we cannot fully assess the impact of the Financial Reform Act until final rules are implemented, which depending on the rule, could be within six to 24 months from the enactment of the Financial Reform Act, or later.

Current and future legal and regulatory requirements, restrictions and regulations, including those imposed under the Financial Reform Act, may have a material and adverse effect on our business, financial condition, and results of operations and may make it more difficult for us to attract and retain qualified executive officers and employees.

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If we were to violate international, federal or state laws or regulations governing financial institutions, we could be subject to disciplinary action that could have a material adverse effect on our business, financial condition, results of operations and reputation.

International, federal and state banking regulators possess broad powers to take supervisory or enforcement action with respect to financial institutions. Other regulatory bodies, including the SEC, NASDAQ, the Financial Industry Regulatory Authority (FINRA) and state securities regulators, regulate broker-dealers, including our subsidiary, SVB Securities. If SVB Financial Group were to violate, even if unintentionally or inadvertently, the laws governing public companies, financial institutions and broker-dealers, the regulatory authorities could take various actions against us, depending on the severity of the violation, such as revoking necessary licenses or authorizations, imposing censures, civil money penalties or fines, issuing cease and desist or other supervisory orders, and suspending or expelling from the securities business a firm, its officers or employees. Supervisory actions could result in higher capital requirements, higher insurance premiums, higher levels of liquidity available to meet the Bank s financial needs and limitations on the activities of SVB Financial Group. These remedies and supervisory actions could have a material adverse effect on our business, financial condition, results of operations and reputation.

SVB Financial relies on dividends from its subsidiaries for most of its cash revenues.

SVB Financial is a holding company and is a separate and distinct legal entity from its subsidiaries. It receives substantially all of its cash revenues from dividends from its subsidiaries, primarily the Bank. These dividends are a principal source of funds to pay operating costs, borrowings, if any, and dividends, should SVB Financial elect to pay any. Various federal and state laws and regulations limit the amount of dividends that the Bank and certain of our nonbank subsidiaries may pay to SVB Financial. Also, SVB Financial s right to participate in a distribution of assets upon a subsidiary s liquidation or reorganization is subject to the prior claims of the subsidiary s creditors.

Strategic/Reputation Risks

Concentration of risk increases the potential for significant losses.

Concentration of risk increases the potential for significant losses in our business. Our clients are concentrated by industry niches: technology, life science, venture capital/private equity and premium wine. Many of our client companies are concentrated by certain stages within their life cycles, such as early-stage or mid-stage, and many of these companies are venture capital-backed. Our loan concentrations are derived from our borrowers engaging in similar activities or types of loans extended to a diverse group of borrowers that could cause those borrowers to be similarly impacted by economic or other conditions. Any adverse effect on any of our areas of concentration could have a material impact on our business, results of operations and financial condition. Due to our concentrations, we may suffer losses even when economic and market conditions are generally favorable for our competitors.

Decreases in the amount of equity capital available to our portfolio companies could adversely affect our business, growth and profitability.

Our core strategy is focused on providing banking products and services to companies, including in particular to emerging stage to mid-stage companies, that receive financial support from sophisticated investors, including venture capital or private equity firms, angels, and corporate investors. We derive a meaningful share of our deposits from these companies and provide them with loans as well as other banking products and services. In some cases, our lending credit decision is based on our analysis of the likelihood that our venture capital or angel-backed client will receive additional rounds of equity capital from investors. If the amount of capital available to such companies decreases, it is likely that the number of new clients and investor financial support to our existing borrowers could decrease, which could have an adverse effect on our business, profitability and growth prospects.

Among the factors that have affected and could in the future affect the amount of capital available to our portfolio companies are the receptivity of the capital markets, the prevalence of IPO s or M&A activity of companies within our technology and life science industry sectors, the availability and return on alternative investments and general economic conditions in the technology, life science and venture capital/private equity industries. Reduced capital markets valuations could reduce the amount of capital available to our client companies, including companies within our technology and life science industry sectors.

Because our business and strategy are largely based on this venture capital/private equity financing framework focused on our particular client niches, any material changes in the framework, including adverse trends in investment or fundraising levels, may have a materially adverse effect on our business, strategy and overall profitability.

We face competitive pressures that could adversely affect our business, results of operations, financial condition and future growth.

Other banks and specialty and diversified financial services companies and debt funds, many of which are larger than we are, offer lending, leasing, other financial products and advisory services to our client base. In addition, we compete with hedge funds and private equity funds. In some cases, our competitors focus their marketing on our industry sectors and seek to increase their lending and other financial relationships with technology companies or special industries such as wineries. In other cases, our competitors may offer a broader range of financial products to our clients. When new competitors seek to enter one of our markets, or when existing market participants seek to increase their market share, they sometimes undercut the pricing and credit terms prevalent in that market, which could adversely affect our market share or ability to exploit new market opportunities. Our pricing and credit terms could deteriorate if we act to meet these competitive challenges, which could adversely affect our business, results of operations, financial condition and future growth. Similarly, competitive pressures could adversely affect the business, results of operations, financial condition and future growth of our non-banking services, including our access to capital and attractive investment opportunities for our funds business.

Our ability to maintain or increase our market share depends on our ability to meet the needs of existing and future clients.

Our success depends, in part, upon our ability to adapt our products and services to evolving industry standards and to meet the needs of existing and potential future clients. A failure to achieve market acceptance for any new products we introduce, a failure to introduce products that the market may demand, or the costs associated with developing, introducing and providing new products and services could have an adverse effect on our business, results of operations, growth prospects and financial condition.

We face risks in connection with our strategic undertakings.

If appropriate opportunities present themselves, we may engage in strategic activities, which could include acquisitions, joint ventures, partnerships, investments or other business growth initiatives or undertakings. There can be no assurance that we will successfully identify appropriate opportunities, that we will be able to negotiate or finance such activities or that such activities, if undertaken, will be successful.

In order to finance future strategic undertakings, we might obtain additional equity or debt financing. Such financing might not be available on terms favorable to us, or at all. If obtained, equity financing could be dilutive and the incurrence of debt and contingent liabilities could have a material adverse effect on our business, results of operations and financial condition.

Our ability to execute strategic activities successfully will depend on a variety of factors. These factors likely will vary based on the nature of the activity but may include our success in integrating the operations, services, products, personnel and systems of an acquired company into our business, operating effectively with any partner with whom we elect to do business, retaining key employees, achieving anticipated synergies, meeting management s expectations and otherwise realizing the undertaking s anticipated benefits. Our ability to address these matters successfully cannot be assured. In addition, our strategic efforts may divert resources or management s attention from ongoing business operations and may subject us to additional regulatory scrutiny. If we do not successfully execute a strategic undertaking, it could adversely affect our business, financial condition, results of operations, reputation and growth prospects. In addition, if we were to conclude that the value of an acquired business had decreased and that the related goodwill had been impaired, that conclusion would result in an impairment of goodwill charge to us, which would adversely affect our results of operations.

We face risks associated with international operations.

One component of our strategy is to expand internationally. To date, we have opened offices in China, India, Israel and the United Kingdom. We plan to expand our operations in those locations and may expand beyond these countries. Our efforts to expand our business internationally carry with them certain risks, including risks arising from the uncertainty regarding our ability to generate revenues from foreign operations. In addition, there are certain risks inherent in doing business on an international basis, including, among others, legal, regulatory and tax requirements and restrictions, uncertainties regarding liability, tariffs and other trade barriers, difficulties in staffing and managing foreign operations, incremental requirement of management s attention and resources, differing technology standards or customer requirements, cultural differences, political and economic risks and financial risks, including currency and payment risks. These risks could adversely affect the success of our international operations and could have a material adverse effect on our overall business, results of operations and financial condition. In addition, we face risks that our employees may fail to comply with applicable laws and regulations governing our international operations, including the U.S. Foreign Corrupt Practices Act and foreign laws and regulations, which could have a material adverse effect on us.

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Our business reputation is important and any damage to it could have a material adverse effect on our business.

Our reputation is very important to sustain our business, as we rely on our relationships with our current, former and potential clients and stockholders, the venture capital and private equity communities, and the industries that we serve. Any damage to our reputation, whether arising from regulatory, supervisory or enforcement actions, matters affecting our financial reporting or compliance with SEC and exchange listing requirements, negative publicity, or our conduct of our business or otherwise could have a material adverse effect on our business.

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

Recent Sales of Unregistered Securities

None.

Issuer Purchases of Equity Securities

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs
June 16, 2010	354,058*	$ 19.26 *	N/A	N/A
Total	354,058*	$ 19.26 *	N/A	N/A

* On June 16, 2010, we repurchased in its entirety the warrant previously issued to the U.S. Treasury in connection with our previous participation in the U.S. Treasury s Capital Purchase Program. The total cash repurchase price paid by the Company to the U.S. Treasury was $6.8 million for the aggregate warrant. The warrant was previously exercisable for 354,058 shares of our common stock at an exercise price of $49.78 per share.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. (REMOVED AND RESERVED)

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

See Index to Exhibits at end of report.

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SIGNATURES

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

	SVB Financial Group
Date: August 6, 2010	/s/ MICHAEL DESCHENEAUX Michael Descheneaux Chief Financial Officer (Principal Financial Officer)
	SVB Financial Group
Date: August 6, 2010	/s/ KAMRAN HUSAIN Kamran Husain Chief Accounting Officer (Principal Accounting Officer)

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INDEX TO EXHIBITS

Exhibit Number	Exhibit Description	Incorporated by Reference 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	Indenture dated as of May 20, 2003 between SVB Financial and Wells Fargo Bank Minnesota, National Association	S-3	333-107994	4.1	August 14, 2003	
4.2	Form of Note	S-3	333-107994	4.1	August 14, 2003	
4.3	Registration Rights Agreement dated as of May 20, 2003, between SVB Financial and the initial purchasers named therein	S-3	333-107994	4.3	August 14, 2003	
4.4	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	
4.5	7.0% Junior Subordinated Deferrable Interest Debenture due October 15, 2033 of SVB Financial	8-K	000-15637	4.13	November 19, 2003	
4.6	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	
4.7	Certificate Evidencing 7% Cumulative Trust Preferred Securities of SVB Capital II, dated October 30, 2003	8-K	000-15637	4.15	November 19, 2003	
4.8	Guarantee Agreement, dated October 30, 2003, between SVB Financial and Wilmington Trust Company, as trustee	8-K	000-15637	4.16	November 19, 2003	
4.9	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	
4.10	Certificate Evidencing 7% Common Securities of SVB Capital II, dated October 30, 2003	8-K	000-15637	4.18	November 19, 2003	
4.11	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	
4.12	Amended and Restated Preferred Stock Rights Agreement, dated as of January 29, 2004, between SVB Financial and Wells Fargo Bank Minnesota, N.A.	8-A12G/A	000-15637	4.20	February 27, 2004	
4.13	Amendment No. 1 to Amended & Restated Preferred Stock Rights Agreement, dated as of August 2, 2004, by and between SVB Financial and Wells Fargo Bank, N.A.	8-A12G/A	000-15637	4.13	August 3, 2004	
4.14	Amendment No. 2 to Amended & Restated Preferred Stock Rights Agreement, dated as of January 29, 2008, by and between SVB Financial and Wells Fargo Bank, N.A.	8-A/A	000-15637	4.14	January 29, 2008	

4.15	Amendment No. 3 to Amended and Restated Preferred Stock Rights Agreement, dated as of April 30, 2008, by and between SVB Financial and Wells Fargo Bank, N.A	8-A/A	000-15637	4.20	April 30, 2008

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Exhibit Number	Exhibit Description	Incorporated by Reference Form	File No.	Exhibit	Filing Date	Filed Herewith
4.16	Amendment No. 4 to Amended and Restated Preferred Stock Rights Agreement, dated as of January 15, 2010, by and between SVB Financial, Wells Fargo Bank, N.A. and American Stock Transfer & Trust Company, LLC	8-A/A	000-15637	4.22	January 19, 2010	
4.17	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	
4.18	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	
4.19	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	
4.20	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	
4.21	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	
4.22	Warrant, dated December 12, 2008 to purchase shares of Common Stock of SVB Financial Group	8-K	000-15637	4.21	December 15, 2008	
*10.5	1999 Employee Stock Purchase Plan	DEF 14A	000-15637	A	March 10, 2010	
*10.35	SVB Financial Group Long-Term Cash Incentive Plan	8-K	000-15637	10.35	July 27, 2010	
31.1	Rule 13a-14(a) / 15(d)-14(a) Certification of Principal Executive Officer					X
31.2	Rule 13a-14(a) / 15(d)-14(a) Certification of Principal Financial Officer					X
32.1	Section 1350 Certifications					**
101	The following financial information from the Company s Quarterly Report on Form 10-Q for the period ended June 30, 2010, is formatted in XBRL interactive data files: (i) Consolidated Balance Sheets at June 30, 2010, and December 31, 2009; (ii) Consolidated Statements of Income for the three and six months ended June 30, 2010 and 2009; (iii) Consolidated Statements of Comprehensive Income for the three and six months ended June 30, 2010 and 2009; (iv) Consolidated Statements of Stockholders Equity for the six months ended June 30, 2010 and 2009; (v) Consolidated Statements of Cash Flows for the six months ended June 30, 2010 and 2009; and (vi) Notes to Financial Statements, tagged as blocks of text.					***

* Denotes management contract or any compensatory plan, contract or arrangement.
** Furnished herewith
*** Pursuant to Rule 406T of Regulation S-T, XBRL 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.