

SVB FINANCIAL GROUP
Form 10-K/A
December 30, 2005

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K/A

(Amendment No. 1 to Form 10-K)

(Mark One)

☒

Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the fiscal year ended December 31, 2004

OR

☐

Transition Report under Section 13 or 15(d) of the Securities Exchange Act of 1934

For the transition period from _____ to _____

Commission File Number: 000-15637

SVB FINANCIAL GROUP

(formerly Silicon Valley Bancshares)

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

91-1962278

(I.R.S. Employer Identification No.)

3003 Tasman Drive, Santa Clara, California 95054-1191

(Address of principal executive offices including zip code)

http://www.svb.com/company/investor_fs.asp

(Registrant's URL)

Registrant's telephone number, including area code: **(408) 654-7400**

Securities registered pursuant to Section 12(b) of the Act: **None**

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Securities registered pursuant to Section 12(g) of the Act:

Title of Class: Common Stock, par value \$0.001 per share

Title of Class: Junior subordinated debentures issued by SVB Capital II and the guarantee with respect thereto

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

Indicate by check mark 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 an accelerated filer (as defined in Exchange Act Rule 12b-2). Yes ☒ No ☐

The aggregate market value of the voting stock held by non-affiliates of the registrant as of June 30, 2004, the last business day of the registrant's most recently completed second fiscal quarter, based upon the closing price of its common stock on such date, on the NASDAQ National Market was \$1,410,622,539.

At February 28, 2005, 35,901,144 shares of the registrant's common stock (\$0.001 par value) were outstanding.

Documents Incorporated

Definitive proxy statement for the Company's 2005 Annual Meeting of Stockholders to be filed within 120 days of the end of the fiscal year ended December 31, 2004

**Parts of Form 10-K
Into Which
Incorporated**

Part III

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Explanatory Note

SVB Financial Group (formerly known as Silicon Valley Bancshares) (the Company) has restated its interim consolidated financial statements as of and for the three-month period ended March 31, 2005, the consolidated annual financial statements for the years 2004, 2003 and 2002, interim consolidated financial information for each of the quarters within fiscal 2004 and 2003, and selected financial data for fiscal years 2004, 2003, 2002, 2001 and 2000 (the Restatement). As previously disclosed, the Board of Directors decided on July 18, 2005 that the Company should restate these financial statements after concluding that the Company's accounting for its warrant portfolio should conform to certain accounting pronouncements for derivative instruments interpreting Statement of Financial Accounting Standard No. 133, as amended. The restated financial statements reflect changes in the Company's derivative equity warrant accounting and other related changes. Additionally, in connection with the Restatement process, the Company reviewed, corrected and modified, where appropriate, certain of its accounting policies and practices which were not in accordance with generally accepted accounting principles in the U.S. (GAAP). Changes made as a result of such corrections are also included in the restated financial statements and the selected financial data as applicable. For a description of the changes made in connection with the Restatement, see Item 7 of Part II, Management's Discussion and Analysis of Financial Condition and Results of Operations --- Restatement of Financial Statements below, and Note 3, Restatement of Financial Statements, to the accompanying consolidated financial statements contained in this report.

Additionally, effective as of May 31, 2005, the Company changed its name from Silicon Valley Bancshares to SVB Financial Group. The Company's new name is reflected in this document.

This Amendment No. 1 on Form 10-K/A (the Form 10-K/A) to the Company's Annual Report on Form 10-K for the year ended December 31, 2004, initially filed with the Securities and Exchange Commission (the SEC) on March 16, 2005 (the Original Form 10-K), is being filed to reflect restatements of the Company's Consolidated Balance Sheets as of December 31, 2004 and 2003, the related Consolidated Statements of Income, Comprehensive Income and Stockholders' Equity and Cash Flows for each of the years in the three year period ended December 31, 2004, and the notes related thereto. For a more detailed description of these restatements, see Note 3, Restatement of Financial Statements, to the accompanying consolidated financial statements, and the section entitled Restatement of Financial Statements under Item 7 of Part II, Management's Discussion and Analysis of Financial Condition and Results of Operations, contained in this Form 10-K/A.

For the convenience of the reader, this Form 10-K/A sets forth the Original Form 10-K in its entirety. However, this Form 10-K/A only amends and restates Items 6, 7, 7A, 8 and 9A of Part II, in each case as a result of, and to reflect, the Restatement. No other information in the Original Form 10-K is amended hereby, except for the Company's name change and certain updated risk factors and related party transactions in Items 7A and Item 8 of Part II, respectively. The foregoing items have not been updated to reflect other events occurring after the filing of the Original Form 10-K or to modify or update those disclosures affected by subsequent events. In addition, pursuant to the rules of the SEC, Item 15 of Part IV of the Original Form 10-K has been amended to contain the consent of the Company's independent registered public accounting firm and currently dated certifications from the Company's Chief Executive Officer and Chief Financial Officer, as required by Sections 302 and 906 of the Sarbanes-Oxley Act of 2002. Except for the foregoing amended information, this Form 10-K/A continues to speak as of the date of the Original Form 10-K and the Company has not updated the disclosure contained herein to reflect events that occurred at a later date. Other events occurring after the filing of the original filing or other disclosures necessary to reflect subsequent events have been or will be addressed in the Company's Amendment No. 1 on Form 10-Q/A to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2005, the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2005, and/or the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2005, all of which will be filed after the filing of this Form 10-K/A, and any reports filed with the SEC subsequent to the date of this filing.

With the exception of this Form 10-K/A, the Company has not amended and does not intend to amend its previously filed Annual Reports on Form 10-K or its Quarterly Reports on Form 10-Q for the periods affected by the Restatement that ended prior to December 31, 2004. For this reason, the consolidated financial statements, report of independent registered public accounting firm and related financial information for the affected periods contained in such reports should no longer be relied upon.

Primary Financial Impact of Restatement

The accounting changes primarily had the following financial impact on the Company's consolidated results of operations for the following years:

(Dollars in thousands)	Years Ended December 31,				
	2004	2003	2002	2001	2000
Interest Income	\$ (4,459)	\$ (5,184)	\$ (2,441)	\$ (6,725)	\$ (7,310)
Non-Interest Income	929	5,771	3,568	10,197	8,845
Net Income	\$ (1,510)	\$ 1,065	\$ 1,142	\$ 9,829	\$ 1,195

	Years Ended December 31,				
	2004	2003	2002	2001	2000
Earnings per common share, after cumulative effect of change in accounting principle, net of tax					
Earnings per Common Share -Basic, as reported	\$ 1.86	\$ 0.33	\$ 1.21	\$ 1.85	\$ 3.41
Adjustment	(0.05)	0.03	0.03	0.20	0.02
Earnings per Common Share -Basic, as restated	\$ 1.81	\$ 0.36	\$ 1.24	\$ 2.05	\$ 3.43
Earnings per Common Share -Diluted, as reported	\$ 1.74	\$ 0.32	\$ 1.18	\$ 1.79	\$ 3.23
Adjustment	(0.04)	0.03	0.03	0.20	0.03
Earnings per Common Share -Diluted, as restated	\$ 1.70	\$ 0.35	\$ 1.21	\$ 1.99	\$ 3.26

PART I.

ITEM 1. BUSINESS

General

SVB Financial Group (formerly known as Silicon Valley Bancshares) is a bank holding company and a financial holding company that was incorporated in the state of Delaware in March 1999. Our principal subsidiary, Silicon Valley Bank, is a California state-chartered bank and a member of the Federal Reserve System. Silicon Valley Bank's deposits are insured by the Federal Deposit Insurance Corporation. Our corporate headquarters is located at 3003 Tasman Drive, Santa Clara, California 95054 and our telephone number is 408.654.7400. When we refer to "SVB Financial Group" or "we" or use similar words, we intend to include SVB Financial Group and all of its subsidiaries collectively, including Silicon Valley Bank. When we refer to "SVB Financial," we are referring only to the parent company, SVB Financial Group.

For over 20 years, we have been dedicated to helping entrepreneurs succeed, specifically focusing on industries where we have deep knowledge and relationships. Our focus is on the technology, life science, private equity, and premium wine industries. We continue to diversify our products and services to support our clients throughout their life cycles, regardless of their age or size. We offer a range of financial services that generate three distinct sources of income.

In part, our income is generated from interest rate differentials. The difference between the interest rates paid by us on interest-bearing liabilities, such as deposits and other borrowings, and the interest rates received on interest-earning assets, such as loans extended to clients and securities held in our investment portfolio, accounts for the major portion of our earnings. Our deposits are largely obtained from commercial clients within our technology, life science, private equity, and premium wine industry sectors, and, to a lesser extent, from individuals served by our Private Client Services group. We do not obtain deposits from conventional retail sources and have no brokered deposits. As part of negotiated credit facilities and certain other services, we frequently obtain rights to acquire stock in the form of equity warrants in certain client companies.

Fee-based services also generate income for our business. We market our full range of financial services to all of our commercial and private equity firm clients. In addition to commercial banking and private client services, we offer fee-based merger and acquisition services, private placements, and investment and advisory services. Our ability to integrate and cross-sell our diverse financial services to our clients is a strength of our business model.

In addition, we seek to obtain equity returns through investments in direct equity and venture capital fund investments. We manage three limited partnerships: a venture capital fund that invests directly in privately-held companies and two funds that invest in other venture capital funds.

We are able to offer our clients financial products and services through four lines of banking and financial services, as discussed in further detail below: Commercial Banking, SVB Capital, SVB Alliant, and Private Client Services and Other Services. These operating segments are strategic units that offer different services to different clients. They are managed separately because each segment appeals to different markets and, accordingly, require different strategies.

Business Overview

SVB Financial Group is organized into groups, which manage the diverse financial services we offer:

Commercial Banking

We provide solutions to the needs of our commercial clients in the technology, life science, private equity and premium wine industries through our lending, deposit account and cash management, and global banking and trade products and services.

Through our lending products and services, we extend loans and other credit facilities to our commercial clients, most often secured by the assets of our clients. Lending products and services include traditional term loans, equipment loans, revolving lines of credit, accounts-receivable based lines of credit, asset-based loans, real estate loans, vineyard development loans, and financing of affordable housing projects. We often obtain warrants

to purchase an equity position in a client company's stock in consideration for providing credit facilities or for providing other services.

Our deposit account and cash management products and services provide commercial clients with short and long-term cash management solutions. Deposit account products and services include traditional deposit and checking accounts, certificates of deposit, and money market accounts. In connection with deposit accounts, we also provide lockbox and merchant services that facilitate quicker depositing of checks and other payments to clients' accounts. Cash management products and services include wire transfer and Automated Clearing House (ACH) payment services to enable clients to transfer funds quickly from their deposit accounts. Additionally, the cash management services unit provides collection services, disbursement services, electronic funds transfers, and online banking through SVBeConnect.

Our global banking and trade products and services facilitate our clients' global finance and business needs. These products and services include foreign exchange services that allow commercial clients to manage their foreign currency risks through the purchase and sale of currencies on the global inter-bank market. To facilitate our clients' international trade, we offer a variety of loans and credit facilities guaranteed by the Export-Import Bank of the United States. We also offer letters of credit, including export, import, and standby letters of credit, to enable clients to ship and receive goods globally.

In 2004, Silicon Valley Bank established SVB Europe Advisors, Limited, a subsidiary in the United Kingdom that provides consulting and business services and access to financial services of Silicon Valley Bank to Europe based clients and prospects in the niches Silicon Valley Bank serves. In 2004, Silicon Valley Bank also established SVB India Advisors Pvt. Ltd., a subsidiary in Bangalore, India that provides consulting and business services to facilitate U.S.-based and Indian technology companies and private equity firms pursuing international business. SVB India Advisors provides services such as educational information, introductions to recommended service providers (lawyers, accountants, real estate brokers, etc.), networking events, and technical and consulting services for commercial and venture fund clients visiting India.

The Commercial Banking group also provides investment and advisory services to our clients through our broker-dealer subsidiary, SVB Securities (formerly known as SVB Securities, Inc.). These services, which include mutual funds, fixed income securities and repurchase agreements enable our clients to better manage their assets. We also offer investment advisory services through SVB Asset Management, one of our registered investment advisor subsidiaries. SVB Asset Management specializes in outsourced treasury management, customized cash portfolio management and reporting and monitoring for corporations.

SVB Capital

SVB Capital (formerly referred to as our Merchant Banking group) focuses on the business needs of our venture capital and private equity clients, establishing and maintaining relationships with those firms domestically and internationally. Through this segment, we provide banking services and financial solutions, including traditional deposit and checking accounts, loans, letters of credit, and cash management services.

SVB Capital also makes investments in venture capital and other private equity firms and in companies in the niches we serve. The segment also manages three venture funds that are consolidated into our financial statements: SVB Strategic Investors Fund, LP and SVB Strategic Investors Fund II, LP, which are funds of funds that invest in other venture funds, and Silicon Valley BancVentures, LP, a direct equity venture fund that invests in privately held technology and life-science companies. This segment also includes 2004 investments in Gold Hill Venture Lending Partners 03, LP and its parallel funds (collectively known as Gold Hill Venture Lending Partners 03. LP), which provide secured debt to emerging growth clients in their earliest stages, and Partners for Growth, LP, a fund that provides secured debt to higher risk, emerging growth clients in their later stages. We define emerging-growth clients as companies in the start-up or early stages of their lifecycle. These companies tend to be privately held and backed by venture capital; they generally have few employees, have brought relatively few products or services to

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market, and have no or little revenue. By contrast, middle market companies tend to be more mature; they may be publicly traded and more established in the markets in which they participate, although not necessarily the leading players in their industries.

SVB Capital, through Private Equities Services (a division of SVB Securities), also assists private equity firms, and the partners of such firms, with liquidating securities following initial public offerings and mergers

and acquisitions, including in-kind stock transactions, restricted stock sales, block trading, and special situations trading such as liquidation of foreign securities.

SVB Alliant

Through SVB Alliant (formerly known as Alliant Partners), our investment banking subsidiary, we provide merger and acquisition advisory services (M&A), strategic alliance services, and specialized financial studies such as valuations and fairness opinions. In October 2003, we enhanced our investment banking product set by launching a Private Capital Group that provides advisory services for the private placement of securities. SVB Alliant is a broker-dealer registered with the National Association of Securities Dealers, Inc. (NASD).

Private Client Services and Other

Our Private Client Services and Other group is principally comprised of our Private Client Services group and other business services units. Private Client Services (formerly Private Banking) provides a wide range of credit services to high-net-worth individuals using both long-term secured and short-term unsecured lines of credit. Those products and services include home equity lines of credit, secured lines of credit, restricted stock purchase loans, airplane loans, and capital call lines of credit. We also help our clients meet their cash management needs by providing deposit account products and services, including checking accounts, deposit accounts, money market accounts, and certificates of deposit. Through our subsidiary, Woodside Asset Management, Inc., we provide individual clients with personal investment advisory services, assisting clients in establishing and implementing investment strategies to meet their individual needs and goals.

Industry Niches

In each of the industry niches we serve, we have developed services to meet the needs of our clients throughout their life cycles, from early stage through maturity.

Technology and Life Science

We serve a variety of clients in the technology and life science industries. A key component of our technology and life science business strategy is to develop relationships with clients at an early stage and offer them banking services that will continue to meet their needs as they mature and expand.

Our early stage clients generally keep large cash balances in their deposit accounts and usually do not borrow large amounts under their credit facilities. The primary source of funding for most early stage clients is equity from venture capitalists and public markets. Lending to this market typically involves working capital lines of credit, equipment financing, asset acquisition loans, and bridge financing between funding rounds.

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With an extended suite of financial services, we have expanded our business to more mature companies. Our corporate technology practice is a network of senior lenders focused primarily on the specific financial needs of more mature private and public clients. When we refer to corporate technology, we are referring to companies that tend to be more mature, better capitalized, possibly publicly traded and more established in the markets in which they participate. Today, we can comfortably address the financial needs of all companies in our niches, whether they are entrepreneurs with innovative ideas or multinational corporations with hundreds of millions of dollars in sales.

Our technology and life science clients generally fall into the following industries:

Hardware: Semiconductors, Communications, and Electronics

Software: Software and Services

Biotechnology

Drug Discovery

Medical Devices

Specialty Pharmaceuticals

Private Equity

Through our SVB Capital group, we have cultivated strong relationships with venture capital firms worldwide, many of which are also clients. SVB Capital provides financial services to a significant portion of the venture capital firms in the United States as well as to other private equity firms, facilitating deal flow to and from these private equity firms and participating in direct investments in their portfolio companies.

Premium Wine

Our premium wine practice has become one of the leading providers of financial services to the U.S. premium wine industry. We focus on vineyards and wineries that produce grapes and wines of the highest quality.

Industry Niches Exited

In keeping with our strategic focus on the technology, life science, private equity, and premium wine industries, we exited three niches in late 2002: real estate, media, and religious lending. While we will continue to service our existing real estate, media, and religious niche loans until they are paid-off, we expect our refined strategic focus on more profitable aspects of our core business will help improve overall profitability.

For further information on our business segments, see Item 8. Consolidated Financial Statements and Supplementary Data Note 25 Segment Reporting.

Business Combinations

On October 1, 2002, we acquired substantially all of the assets of Woodside Asset Management, Inc., an investment advisor firm, which had approximately \$200 million under management for 70 clients. We offer Woodside Asset Management's services as part of our Private Client Services. Additionally, as part of this acquisition, SVB Financial Group obtained the general partner interests in two limited partnerships: Taurus Growth Partners, LP and Libra Partners, LP. Both of these funds were liquidated and funds were fully disbursed to the limited partners by December 31, 2004. We had less than a 1% ownership interest in each of these funds. The remaining ownership interest represented limited partners' funds invested on their behalf by the general partner in certain fixed income and marketable equity securities. However, due to our ability to control the investing activities of these limited partnerships, we were required to consolidate the related results of operations and financial condition into our consolidated financial statements for all periods presented.

On September 28, 2001, SVB Securities, a subsidiary of Silicon Valley Bank, completed the acquisition of SVB Alliant, an investment banking firm providing merger and acquisition and corporate partnering services. Our investment banking business continues to do business under the name SVB Alliant. See Item 8. Consolidated Financial Statements and Supplementary Data Note 4 Business Combinations. On October 1, 2002, SVB Alliant was sold from our Silicon Valley Bank subsidiary to the SVB Financial Group.

Competition

The banking and financial services industry is highly competitive, and evolves as a result of changes in regulation, technology, product delivery systems, and the general market and economic climate. Our current competitors include other banks and specialty and diversified financial services companies that offer lending, leasing, other financial products, and advisory services to our target client base. The principal competitive factors in our markets include product offerings, service, and pricing. Given our established market position with the client segments that we serve, we believe we compete favorably in all our markets in these areas.

Employees

As of December 31, 2004, we employed approximately 1,028 full-time equivalent employees. To our knowledge, none of our employees are represented by a labor union. Competition for qualified personnel in our industry is significant, particularly for client relationship manager positions, officers, and employees with strong relationships with the venture capital community. Our future success will depend in part on our continued ability to attract, hire, and retain qualified personnel.

Supervision and Regulation

General

Our operations are subject to extensive regulation by federal and state regulatory agencies. As a bank holding company, SVB Financial is subject to the Federal Reserve Board's supervision, regulation, examination and reporting requirements under the Bank Holding Company Act of 1956 (BHC Act). SVB Financial has also qualified and elected to be treated as a financial holding company under the BHC Act. Silicon Valley Bank, as a California-chartered bank and a member of the Federal Reserve System, is subject to primary supervision and examination by the Federal Reserve Bank of San Francisco and the California Department of Financial Institutions. Both SVB Financial and Silicon Valley Bank are required to file periodic reports with these regulators and provide any additional information that they may require. The following summary describes some of the more significant laws, regulations, and policies that affect our operations and is not intended to be a complete listing of all laws that apply to us. Any change in the statutes, regulations, or policies that apply to our operations may have a material effect on our business.

Regulation of Holding Company

The Federal Reserve Board requires SVB Financial to maintain minimum capital ratios, as discussed below in Regulatory Capital. Under Federal Reserve Board policy, a bank holding company is also required to serve as a source of financial and managerial strength to its subsidiary banks and may not conduct its operations in an unsafe or unsound manner. In addition, it is the Federal Reserve Board's policy that in serving as a source of strength to its subsidiary banks, a bank holding company should stand ready to use available resources to provide adequate capital funds to its subsidiary banks during periods of financial stress or adversity and should maintain the financial flexibility and capital-raising capacity to obtain additional resources for assisting its subsidiary banks. A bank holding company's failure to meet its obligations to serve as a source of strength to its subsidiary banks or to observe established guidelines with respect to the payment of dividends by bank holding companies will generally be considered by the Federal Reserve Board to be an unsafe and unsound banking practice, a violation of the Federal Reserve Board's regulations, or both.

Prior to becoming a financial holding company, SVB Financial was required under the BHC Act to seek the prior approval of the Federal Reserve Board before acquiring direct or indirect ownership or control of more than 5% of the outstanding shares of any class of voting securities, or substantially all of the assets, of any bank, bank holding company, or nonbank company. In addition, prior to becoming a financial holding company, SVB Financial was generally limited under the BHC Act to engaging, directly or indirectly, only in the business of banking or managing or controlling banks and other activities that were deemed by the Federal Reserve Board to be so closely related to banking as to be a proper incident thereto.

The Gramm-Leach-Bliley Act of 1999 (GLB Act) amended the BHC Act to permit a qualifying bank holding company, called a financial holding company, to engage in a broader range of activities than those traditionally permissible for bank holding companies. A financial holding company may conduct activities that are financial in nature, including insurance, securities underwriting and dealing and market-making, and merchant banking activities, as well as additional activities that the Federal Reserve Board determines (in the case of incidental activities, in conjunction with the Treasury Department) are incidental or complementary to financial activities, without the prior approval of the Federal Reserve Board. The GLB Act also permits financial holding companies to acquire companies engaged in activities that are financial in nature or that are incidental or complementary to financial activities without the prior approval of the Federal Reserve Board. The GLB Act also repealed the provisions of the Glass-Steagall Act that restricted banks and securities firms from affiliating. On November 14, 2000, SVB Financial became a financial holding company. As a financial holding company, SVB Financial no longer requires the prior approval of the Federal Reserve Board to conduct, or to acquire ownership or control of entities engaged in, activities that are financial in nature or activities that are determined to be incidental or complementary to financial activities, although the requirement in the BHC Act for prior Federal Reserve Board approval for the acquisition by a bank holding company of more than 5% of any class of the voting shares of a bank or savings association (or

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the holding company of either) is still applicable. Additionally, under the merchant banking authority added by the GLB Act, SVB Financial may invest in companies that engage in activities that are not otherwise permissible, subject to certain limitations, including that SVB Financial

make the investment with the intention of limiting the investment in duration and does not manage the company on a day-to-day basis.

To qualify as a financial holding company, a bank holding company's subsidiary depository institutions must be well capitalized (as discussed below in Regulatory Capital) and have at least satisfactory composite, managerial and Community Reinvestment Act (CRA) examination ratings. A bank holding company that does not satisfy the criteria for financial holding company status is limited to activities that were permissible under the BHC Act prior to the enactment of the GLB Act. A financial holding company that does not continue to meet all of the requirements for financial holding company status will, depending upon which requirements it fails to meet, lose the ability to undertake new activities or acquisitions that are not generally permissible for bank holding companies or to continue such activities.

SVB Financial is also treated as a bank holding company under the California Financial Code. As such, SVB Financial and its subsidiaries are subject to periodic examination by, and may be required to file reports with, the California Department of Financial Institutions.

Regulatory Capital

The federal banking agencies have adopted minimum risk-based capital guidelines for bank holding companies and banks intended to provide a measure of capital that reflects the degree of risk associated with a banking organization's operations for both transactions reported on the balance sheet as assets and those recorded as off-balance sheet items. These off-balance sheet items include transactions such as commitments, letters of credit, and recourse arrangements. Under these guidelines, dollar amounts of assets and credit-equivalent amounts of off-balance sheet items are adjusted by one of several conversion factors and/or risk adjustment percentages. The Federal Reserve Board requires bank holding companies and state member banks generally to maintain a minimum ratio of qualifying total capital to risk-adjusted assets of 8% (10% to be well capitalized). At least half of total capital must consist of items such as common stock, retained earnings, noncumulative perpetual preferred stock, minority interests (including trust preferred securities) and, for bank holding companies, a limited amount of qualifying cumulative perpetual preferred stock, less most intangibles including goodwill (Tier 1 capital). The remainder (Tier 2 capital) may consist of other preferred stock, certain other instruments, and limited amounts of subordinated debt and the loan and lease allowance. Not more than 25% of qualifying Tier 1 capital may consist of trust preferred securities. In order to be well capitalized, a bank holding company must have a minimum ratio of Tier 1 capital to risk-adjusted assets of 6%. The Federal Reserve Board also requires SVB Financial and Silicon Valley Bank to maintain a minimum amount of Tier 1 capital to total average assets, referred to as the Tier 1 leverage ratio. For a bank holding company or a bank that meets certain specified criteria, including those in the highest of the five categories used by regulators to rate banking organizations, the minimum Tier 1 leverage ratio is 3%. All other institutions are required to maintain a Tier 1 leverage ratio of at least 3% plus an additional cushion of 100 to 200 basis points (or at least 5% to be well capitalized). In addition to these requirements, the Federal Reserve Board may set individual minimum capital requirements for specific institutions at rates substantially above the minimum guidelines and ratios. Under certain circumstances, SVB Financial must file written notice with, and obtain approval from, the Federal Reserve Board prior to purchasing or redeeming its equity securities. See Item 1. Business Supervision and Regulation Prompt Corrective Action and Other Enforcement Mechanisms for additional discussion of capital ratios.

The ability of SVB Financial, like other bank holding companies, to continue to include its outstanding trust preferred securities in Tier 1 capital has been made the subject of some doubt due to the issuance by the Financial Accounting Standards Board (FASB) in January 2003 of Interpretation No. 46 Consolidation of Variable Interest Entities (VIE), (FIN 46) and in May 2003 of Statement of Financial Accounting Standards (SFAS) No. 150, Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity, although the Federal Reserve Board announced in July 2003 that qualifying trust preferred securities will continue to be treated as Tier 1 capital until notice is given to the contrary. See Item 8 Consolidated Financial Statements and Supplementary Data Note 28. Variable Interest Entities-Adoption of FIN 46R.

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SVB Financial and Silicon Valley Bank are also subject to rules that govern the regulatory capital treatment of equity investments in nonfinancial companies made on or after March 13, 2000 and held under certain specified legal authorities by a bank or bank holding company. Silicon Valley Bank does not currently hold any

such equity investments. Under the rules, these equity investments will be subject to a separate capital charge that will reduce a bank holding company's Tier 1 capital and, correspondingly, will remove these assets from being taken into consideration in establishing a bank holding company's required capital ratios discussed above.

The rules provide for the following incremental Tier 1 capital charges: 8% of the adjusted carrying value of the portion of such aggregate investments that are up to 15% of Tier 1 capital; 12% of the adjusted carrying value of the portion of such aggregate investments that are between 15% and 25% of Tier 1 capital; and 25% of the adjusted carrying value of the portion of such aggregate investments that exceed 25% of Tier 1 capital. The rules normally do not apply to equity warrants acquired by a bank for making a loan or to equity securities that are acquired in satisfaction of a debt previously contracted and that are held and divested in accordance with applicable law.

The federal banking agencies have also adopted a joint agency policy statement which provides that the adequacy and effectiveness of a bank's interest rate risk management process and the level of its interest rate exposures are critical factors in the evaluation of the bank's capital adequacy. A bank with material weaknesses in its interest rate risk management process or high levels of interest rate exposure relative to its capital will be directed by the federal banking agencies to take corrective actions. Financial institutions that have substantial amounts of their assets concentrated in high-risk loans or nontraditional banking activities and who fail to adequately manage these risks may be required to set aside capital in excess of the regulatory minimums.

The capital ratios of SVB Financial and Silicon Valley Bank, respectively, exceeded the well-capitalized requirements, as defined above, at December 31, 2004. See Item 8. Consolidated Financial Statements and Supplementary Data Note 23. Regulatory Matters for the capital ratios of SVB Financial and Silicon Valley Bank as of December 31, 2004.

Regulation of Silicon Valley Bank

Silicon Valley Bank is a California-chartered bank and a member of the Federal Reserve System. Silicon Valley Bank is subject to primary supervision, periodic examination and regulation by the California Department of Financial Institutions and the Federal Reserve Board. If, as a result of an examination of Silicon Valley Bank, the Federal Reserve Board should determine that the financial condition, capital resources, asset quality, earnings prospects, management, liquidity, or other aspects of Silicon Valley Bank's operations are unsatisfactory or that Silicon Valley Bank or its management is violating or has violated any law or regulation, various remedies are available to the Federal Reserve Board. Such remedies include the power to enjoin unsafe or unsound practices, to require affirmative action to correct any conditions resulting from any violation or practice, to issue an administrative order that can be judicially enforced, to direct an increase in capital, to restrict the growth of Silicon Valley Bank, to assess civil monetary penalties, to remove officers and directors, and ultimately to terminate Silicon Valley Bank's deposit insurance, which for a California-chartered bank would result in a revocation of Silicon Valley Bank's charter. The California Department of Financial Institutions has many of the same remedial powers. Various requirements and restrictions under the laws of the State of California and the United States affect the operations of Silicon Valley Bank. State and federal statutes and regulations relate to many aspects of Silicon Valley Bank's operations, including reserves against deposits, ownership of deposit accounts, interest rates payable on deposits, loans, investments, mergers and acquisitions, borrowings, dividends, locations of branch offices, and capital requirements. Further, Silicon Valley Bank is required to maintain certain levels of capital. See Regulatory Capital above. The GLB Act changed the powers of national banks and their subsidiaries, and made similar changes in the powers of state bank subsidiaries. The GLB Act permits a national bank to underwrite, deal in, and purchase state and local revenue bonds. It also allows a subsidiary of a national bank to engage in financial activities that the bank cannot, except for general insurance underwriting and real estate development and investment. In order for a subsidiary to engage in new financial activities, the national bank and its depository institution affiliates must be well capitalized; have at least satisfactory general, managerial, and CRA examination ratings; and meet other qualification requirements relating to total assets, subordinated debt, capital, risk management, and affiliate transactions. Subsidiaries of state banks can exercise the same powers as national bank subsidiaries if they satisfy the same qualifying rules that apply to national banks. For state banks that are members of the Federal Reserve System like Silicon Valley Bank, prior approval of the Federal Reserve Board is required before a bank can create a subsidiary to capitalize on the additional financial activities empowered by the GLB Act.

Restrictions on Dividends

SVB Financial's ability to pay cash dividends is limited by generally applicable Delaware corporation law limits. In addition, SVB Financial is a legal entity separate and distinct from Silicon Valley Bank, and there are statutory and regulatory limitations on the amount of dividends that may be paid to SVB Financial by Silicon Valley Bank. During 2004, 2003, and 2002, Silicon Valley Bank paid dividends of \$25.0 million, \$51.0 million, and \$80.0 million, respectively, to SVB Financial. However, a part of the dividend paid in 2003 and the dividend paid in 2004 were in excess of the amount permitted under the California State Department of Financial Institutions (DFI) guidelines. Therefore SVB Financial has been required by the DFI to return to Silicon Valley Bank a portion the 2003 dividend and the 2004 dividend the total amount returned totaled \$28.4 million. At this time, Silicon Valley Bank must obtain prior approval from the DFI before paying any further dividends to SVB Financial. The Federal Reserve Board and the California Commissioner of Financial Institutions (the Commissioner) have the authority to prohibit Silicon Valley Bank from engaging in activities that, in their opinion, constitute unsafe or unsound practices in conducting its business. Depending upon the financial condition of Silicon Valley Bank and other factors, the regulators could assert that the payment of dividends or other payments might, under some circumstances, be an unsafe or unsound practice. If Silicon Valley Bank fails to comply with its minimum capital requirements, its regulators could restrict its ability to pay dividends using prompt corrective action or other enforcement powers. The Commissioner may impose similar limitations on the conduct of California-chartered banks. See Item 8. Consolidated Financial Statements and Supplementary Data Note 23. Regulatory Matters for further discussion on dividend restrictions.

Transactions with Affiliates

Transactions between Silicon Valley Bank and its operating subsidiaries, on the one hand, and their affiliates, on the other, are subject to restrictions imposed by federal and state law. These restrictions prevent SVB Financial and other affiliates from borrowing from, or entering into other credit transactions with, Silicon Valley Bank or its operating subsidiaries unless the loans or other credit transactions are secured by specified amounts of collateral. All such loans and credit transactions and other covered transactions by Silicon Valley Bank and its operating subsidiaries with any one affiliate are limited, in the aggregate, to 10% of Silicon Valley Bank's capital and surplus; and all such loans and credit transactions and other covered transactions by Silicon Valley Bank and its operating subsidiaries with all affiliates are limited, in the aggregate, to 20% of Silicon Valley Bank's capital and surplus. For this purpose, a covered transaction generally includes, among other things, a loan or extension of credit to an affiliate, a purchase of or investment in securities issued by an affiliate, a purchase of assets from an affiliate, the acceptance of a security issued by an affiliate as collateral for an extension of credit to any borrower, and the issuance of a guarantee, acceptance, or letter of credit on behalf of an affiliate. A company that is a direct or indirect subsidiary of Silicon Valley Bank would not be considered to be an affiliate of Silicon Valley Bank or its operating subsidiaries unless it fell into one of certain categories, such as a financial subsidiary authorized under the GLB Act. In addition, Silicon Valley Bank and its operating subsidiaries generally may not purchase a low-quality asset from an affiliate, and covered transactions and other specified transactions by Silicon Valley Bank and its operating subsidiaries with an affiliate must be on terms and conditions that are consistent with safe and sound banking practices. Also, Silicon Valley Bank and its operating subsidiaries generally may engage in transactions with affiliates only on terms and under circumstances, including credit standards, that are substantially the same, or at least as favorable to the Bank or its subsidiaries, as those prevailing at the time for comparable transactions with nonaffiliated companies.

Prompt Corrective Action and Other Enforcement Mechanisms

Federal banking agencies possess broad powers to take corrective and other supervisory action on an insured bank and its holding company. Federal laws require each federal banking agency to take prompt corrective action to resolve the problems of insured banks. Each federal banking agency has issued regulations defining five categories in which an insured depository institution will be placed, based on the level of its capital ratios: well capitalized, adequately capitalized, undercapitalized, significantly undercapitalized, and critically undercapitalized.

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Based upon its capital levels, a bank that is classified as well capitalized, adequately capitalized, or undercapitalized may be treated as though it were in the next lower capital category if the appropriate federal banking agency, after notice and opportunity for hearing, determines that an unsafe or unsound condition, or an

unsafe or unsound practice, warrants such treatment. At each successive lower-capital category, an insured bank is subject to more restrictions, including restrictions on the bank's activities, operational practices or the ability to pay dividends. However, the federal banking agencies may not treat an institution as critically undercapitalized unless its capital ratios actually warrant such treatment.

In addition to measures taken under the prompt corrective action provisions, bank holding companies and insured banks may be subject to potential enforcement actions by the federal regulators for unsafe or unsound practices in conducting their business, or for violation of any law, rule, regulation, condition imposed in writing by the agency or term of a written agreement with the agency. Enforcement actions may include the appointment of a conservator or receiver for the bank; the issuance of a cease and desist order that can be judicially enforced; the termination of the bank's deposit insurance; the imposition of civil monetary penalties; the issuance of directives to increase capital; the issuance of formal and informal agreements; the issuance of removal and prohibition orders against officers, directors, and other institution-affiliated parties; and the enforcement of such actions through injunctions or restraining orders based upon a judicial determination that the agency would be harmed if such equitable relief was not granted.

Safety and Soundness Guidelines

The federal banking agencies have adopted guidelines to assist in identifying and addressing potential safety and soundness concerns before capital becomes impaired. The guidelines establish operational and managerial standards relating to: (1) internal controls, information systems, and internal audit systems; (2) loan documentation; (3) credit underwriting; (4) interest-rate exposure; (5) asset growth and asset quality; and (6) compensation, fees, and benefits. In addition, the federal banking agencies have adopted safety and soundness guidelines for asset quality and for evaluating and monitoring earnings to ensure that earnings are sufficient for the maintenance of adequate capital and reserves.

Premiums for Deposit Insurance

Silicon Valley Bank's deposit accounts are insured by the Bank Insurance Fund, as administered by the Federal Deposit Insurance Corporation, up to the maximum permitted by law. The FDIC may assess premiums to maintain a sufficient fund balance. The amount charged is based on the capital level of an institution and on a supervisory assessment based upon the results of examination findings by the institution's primary federal regulator and other information deemed relevant by the FDIC to the institution's financial condition and the risk posed to the Bank Insurance Fund. As of December 31, 2004, the FDIC's semi-annual assessment for the insurance of BIF deposits ranged from zero (0) to twenty seven (27) cents per \$100 of insured deposits. The FDIC may increase or decrease the premium rate on a semi-annual basis. As of December 31, 2004, Silicon Valley Bank's assessment rate was zero.

Silicon Valley Bank is also required to pay an annual assessment of approximately six (6) cents per \$100 of insured deposits toward the retirement of U.S. government-issued financing corporation bonds.

Community Reinvestment Act and Fair Lending

Silicon Valley Bank is subject to a variety of fair lending laws and reporting obligations, including the CRA. The CRA generally requires the federal banking agencies to evaluate the record of a bank in meeting the credit needs of its local communities, including low- to moderate-income neighborhoods. In November 2003, the Federal Reserve Board rated Silicon Valley Bank "satisfactory" in complying with its

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CRA obligations. A bank can become subject to substantial penalties and corrective measures for any violation of fair lending laws. When regulating and supervising other activities or assessing whether to approve certain applications, the federal banking agencies may consider a bank's record of compliance with such laws and CRA obligations.

Privacy

The GLB Act imposed customer privacy requirements on any company engaged in financial activities. Under these requirements, a financial company is required to protect the security and confidentiality of customer nonpublic personal information. Also, for customers who obtain a financial product such as a loan for personal, family, or household purposes, a financial company is required to disclose its privacy policy to the customer at

the time the relationship is established and annually thereafter. The financial company must also disclose its policies concerning the sharing of the customer's nonpublic personal information with affiliates and third parties. If an exemption is not available, a financial company must provide consumers with a notice of its information-sharing practices that allows the consumer to reject the disclosure of its nonpublic personal information to third parties. Third parties that receive such information are subject to the same restrictions as the financial company on the re-use of the information. Finally, a financial company is prohibited from disclosing an account number or similar item to a third party for use in telemarketing, direct mail marketing, or marketing through electronic mail. Financial companies were required to be in compliance with these consumer privacy requirements no later than July 1, 2001.

The California Financial Information Privacy Act (SB1) became effective on July 1, 2004, and applies to financial institutions doing business in the State of California. SB1 tightens existing federal restrictions on the sharing of consumer nonpublic personal information with affiliates and nonaffiliated third parties.

Silicon Valley Bank has written policies with regard to the sharing of consumer nonpublic personal information. Our policies comply with both federal and California rules applicable to the security and confidentiality of consumer nonpublic personal information.

USA Patriot Act of 2001

As part of the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (the USA Patriot Act), Congress adopted the International Money Laundering Abatement and Financial Anti-Terrorism Act of 2001 (IMLAFATA). IMLAFATA amended the Bank Secrecy Act and adopted certain additional measures that established or increased already existing obligations of financial institutions, including Silicon Valley Bank, to identify their customers, watch for and report upon suspicious transactions, respond to requests for information by federal banking regulatory authorities and law enforcement agencies, and share information with other financial institutions. The Secretary of the Treasury has adopted several regulations to implement these provisions. Pursuant to certain of these regulations, Silicon Valley Bank may not establish, maintain, administer, or manage a correspondent account in the United States for, or on behalf of, a foreign shell bank. In addition, IMLAFATA expands the circumstances under which funds in a bank account may be forfeited. IMLAFATA also amended the BHC Act and the Bank Merger Act to require the federal banking regulatory authorities to consider the effectiveness of a financial institution's anti-money laundering activities when reviewing an application to expand operations. Silicon Valley Bank has in place a Bank Secrecy Act compliance program.

Regulation of Certain Subsidiaries

Two of our subsidiaries, SVB Alliant and SVB Securities, are registered as broker-dealers with the National Association of Securities Dealers, Inc. (NASD) and as such are subject to regulation by the NASD and the US Securities and Exchange Commission (SEC). Our investment advisory subsidiaries, Woodside Asset Management, Inc., and SVB Asset Management, are registered with the SEC under the Investment Advisers Act of 1940, as amended, and are subject to that act and the rules and regulations promulgated thereunder.

Our broker-dealer subsidiaries are subject to Rule 15c3-1 under the Securities Exchange Act of 1934 (the Exchange Act), which is designed to measure the general financial condition and liquidity of a broker-dealer. Under this rule, our broker-dealer subsidiaries are required to maintain the minimum net capital deemed necessary to meet broker-dealers' continuing commitments to customers and others. Under certain circumstances, this rule could limit the ability of SVB Financial to withdraw capital from SVB Alliant and limit the ability of Silicon Valley Bank to withdraw capital from SVB Securities.

As broker-dealers, SVB Alliant and SVB Securities are also subject to other regulations covering the operations of their respective businesses, including sales and trading practices; use of client funds and securities; and conduct of directors, officers, and employees. Broker-dealers are also subject to regulation by state securities administrators in the states where they do business. Violations of the stringent regulations governing the actions of a broker-dealer can result in the revocation of broker-dealer licenses; the imposition of censures or fines; the issuance of cease and desist orders; and the suspension or expulsion from the securities business of a firm, its officers, or its employees. The SEC and the NASD, in particular, emphasize the need for supervision and control by broker-dealers of their employees.

Available Information

We make available free of charge through our Internet website, <http://www.svb.com>, our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act as soon as reasonably practicable after such material is electronically filed with or furnished to the SEC. (Our website address is provided solely for informational purposes and is not intended to be part of this Annual Report.)

Item 2. Properties

Our corporate headquarters facility consists of three buildings and is located at 3003 Tasman Drive, Santa Clara, California. On September 15, 2004, we renegotiated the lease related to our corporate headquarters facility, which replaced the original lease, dated March 8, 1995. The new lease covers two buildings, comprising approximately 157,000 square feet of space, which we occupied under the previous lease, as well as a third building, comprising approximately 56,500 square feet of space, within the same facility complex. The total square footage of the premises leased under the new lease arrangement is approximately 213,500 square feet, which is approximately the same square footage of our corporate headquarters under its previous leases. The term of the new corporate headquarters lease began retroactively on August 1, 2004, and will end on September 30, 2014, unless terminated earlier.

In 2002, we exited leased premises, located in Santa Clara, California, totaling approximately 18,000 square feet. The lease on that building will expire in August 2005. Our management determined that the premises would have no future economic value to our operations, except for any potential future sublease arrangement. Therefore, during 2002, we incurred charge-offs of approximately \$2.5 million related to the exit of these premises.

We currently operate 25 regional offices. We operate throughout the Silicon Valley with offices in Fremont, Santa Clara, Palo Alto and on Sand Hill Road in Menlo Park. Other regional offices in California include Irvine, Los Angeles, Napa Valley, San Diego, San Francisco, and Sonoma. Office locations outside of California include: Phoenix, Arizona; Boulder, Colorado; Atlanta, Georgia; Chicago, Illinois; Boston, Massachusetts; Minneapolis, Minnesota; New York, New York; Durham, North Carolina; Portland, Oregon; Philadelphia, Pennsylvania; Austin, Texas; Dallas, Texas; Vienna, Northern Virginia; and Seattle, Washington. All of our properties are occupied under leases, which expire at various dates through 2014, and in most instances include options to renew or extend at market rates and terms. We also own leasehold improvements, equipment, furniture, and fixtures at our offices, all of which are used in our business activities.

Item 3. Legal Proceedings

From time to time, we are subject to legal claims and proceedings that are in the normal course of our business. While the outcome of these matters is currently not determinable, based on information available to the Company, its review of such claims to date and consultation with its outside counsel, we do not currently expect that the ultimate costs to resolve these matters, if any, will have a material adverse effect on our liquidity, consolidated financial position or results of operations.

Item 4. Submission of Matters to a Vote of Security Holders

None.

PART II**Item 5. Market for the Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities****Market Information**

Our common stock is traded over the counter on the National Association of Securities Dealers Automated Quotation (NASDAQ) national market under the symbol SIVB. The per share range of high and low sale prices for our common stock as reported on the NASDAQ national market, as applicable, for each three month period over the years ended December 31, 2004 and 2003, are as follows:

	2004		2003	
	Low	High	Low	High
<u>Three Months Ended:</u>				
March 31	\$ 31.02	\$ 39.96	\$ 15.71	\$ 19.63
June 30	31.20	39.65	18.11	27.00
September 30	32.38	39.90	22.66	31.00
December 31	37.15	45.15	27.46	37.25

Stockholders

There were 689 registered holders of our stock as of December 31, 2004. Additionally, we believe there were approximately 7,027 beneficial holders of common stock whose shares are held in the name of brokerage firms or other financial institutions. We are not provided with the number or identities of all of these stockholders, but we have estimated the number of such stockholders from the number of stockholder documents requested by these brokerage firms for distribution to their customers.

Dividends

We have not paid cash dividends on our common stock since 1992. Currently, we have no plan to pay cash dividends on our common stock. Periodically, we evaluate the decision of paying cash dividends in the context of our performance, general economic performance, and relevant tax and financial parameters. Our ability to pay cash dividends is limited by generally applicable corporate and banking laws and regulations. See Item 1. Business-Supervision and Regulation-Restrictions on Dividends, and Item 8. Consolidated Financial Statements and Supplementary Data-Note 23. Regulatory Matters for additional discussion on restrictions and limitations on the payment of dividends imposed on us by government regulations.

The information required by this Item regarding equity compensation plans is incorporated by reference to the information set forth in Item 12 of this Annual Report on Form 10-K.

Stock Repurchases

Period		(a) Total Number of Shares Purchased	(b) Average Price Paid per Share	(c) Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs(1)	(d) Maximum Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs(1)
January 1, 2004	March 31, 2004		\$		\$ 46,800,000
April 1, 2004	June 30, 2004				46,800,000
July 1, 2004	September 30, 2004				46,800,000
October 1, 2004	December 31, 2004	300,000	41.93	300,000	34,200,000
2004 Total		300,000	\$ 41.93	300,000	\$ 34,200,000

(1) On May 7, 2003, the Company announced that its Board of Directors authorized a stock repurchase program of up to \$160.0 million, with no specified expiration date. This program became effective immediately and replaced previously announced stock repurchase programs. Stock repurchases under this program may be made from time to time. Under this program, the Company repurchased in aggregate 4.8 million

shares of common stock totaling \$125.8 million as of 2004. The approximate dollar value of shares that may still be repurchased under this program totaled \$34.2 million as of December 31, 2004.

Recent Sales of Unregistered Securities

None

Item 6. Selected Consolidated Financial Data

The selected consolidated financial data set forth in this Item 6 has been restated to reflect adjustments to our consolidated financial statements and other financial information contained in our Annual Report on Form 10-K for the year ended December 31, 2004, originally filed with the U.S. Securities and Exchange Commission on March 16, 2005. The following selected consolidated financial data should be read in conjunction with our consolidated financial statements and supplementary data as presented in Item 8 of this amended Annual Report on Form 10-K/A (Form 10-K/A). See Note 3 of the Notes to the Consolidated Financial Statements included in Part II Item 8 of this Form 10-K/A. Certain reclassifications have been made to our prior years' results to conform to 2004 presentations. Such reclassifications had no effect on the results of operations or stockholders' equity. In addition, the common stock summary information has been restated to reflect a two-for-one stock split on May 15, 2000. Information for the years ended December 31, 2004, 2003 and 2002 is derived from audited financial statements presented separately herein while information for the years ended December 31, 2001 and 2000 is derived from unaudited financial statements not presented separately herein, respectively.

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	(As Restated)					
	Years Ended December 31,					
2004	2003	2002	2001	2000		
(Dollars and shares in thousands, except per share amounts)						
Income Statement Summary:						
Net interest income	\$ 230,289	\$ 183,700	\$ 192,267	\$ 256,260	\$ 322,538	
(Recovery of) provision for loan and lease losses	(10,289)	(9,892)	5,873	15,845	54,090	
Noninterest income	106,962	80,831	71,426	81,030	198,475	
Noninterest expense	241,830	264,896	183,326	182,551	198,383	
Minority interest in net (income) losses of consolidated affiliates and income tax expense	(3,090)	7,689	7,767	7,546	460	
Income before income tax expense	102,620	17,216	82,261	146,440	269,000	
Income tax expense	38,754	4,174	27,761	55,171	108,737	
Net income before cumulative effect of change in accounting principle(1)	63,866	13,042	54,500	91,269	160,263	
Cumulative effect of change in accounting principle, net of tax				6,714		
Net income	\$ 63,866	\$ 13,042	\$ 54,500	\$ 97,983	\$ 160,263	
Common Share Summary:						
Earnings per common share-basic before cumulative effect of change in accounting principle	\$ 1.81	\$ 0.36	\$ 1.24	\$ 1.91	\$ 3.43	
Earnings per common share-diluted basic before cumulative effect of change in accounting principle	1.70	0.35	1.21	1.86	3.26	
Earnings per common share-basic	1.81	0.36	1.24	2.05	3.43	
Earnings per common share-diluted	1.70	0.35	1.21	1.99	3.26	
Book value per share	\$ 15.07	\$ 13.07	\$ 14.83	\$ 14.03	\$ 12.58	
Weighted average shares outstanding-basic	35,215	36,109	44,000	47,728	46,656	
Weighted average shares outstanding-diluted	37,512	37,231	45,053	49,138	49,199	
Year-End Balance Sheet Summary:						
Investment securities	\$ 2,074,967	\$ 1,530,411	\$ 1,157,434	\$ 1,340,383	\$ 1,915,625	
Loans, net of unearned income	2,308,588	1,987,146	2,084,099	1,765,706	1,723,005	
Goodwill	35,639	37,549	100,549	96,380		
Assets	5,145,679	4,468,410	4,212,031	4,202,484	5,650,890	
Deposits	4,219,514	3,666,841	3,436,050	3,380,777	4,862,238	
Contingently convertible debt	146,740	145,797				
Junior subordinated debentures	49,470	49,118				
Trust preferred securities(2)			39,472	38,641	38,589	
Stockholders' equity	\$ 541,948	\$ 457,953	\$ 601,938	\$ 637,048	\$ 616,001	
Average Balance Sheet Summary:						
Investment securities	\$ 1,771,779	\$ 1,135,195	\$ 1,064,416	\$ 1,468,509	\$ 1,752,796	
Loans, net of unearned income	1,951,655	1,797,990	1,760,639	1,659,520	1,583,404	
Goodwill	37,066	91,992	98,252	24,955		
Assets	4,772,909	4,056,468	3,895,870	4,399,262	5,200,483	
Deposits	3,905,408	3,277,566	3,063,456	3,581,581	4,572,201	
Contingently convertible debt	146,255	73,791				
Junior subordinated debentures	49,366	23,823				
Trust preferred securities(3)		19,193	38,267	38,611	38,559	
Stockholders' equity	\$ 495,203	\$ 504,632	\$ 641,402	\$ 657,404	\$ 478,958	
Capital Ratios:						
Total risk-based capital ratio	16.09%	16.83%	16.31%	17.34%	17.15%	
Tier 1 risk-based capital ratio	12.75%	12.23%	15.00%	16.08%	15.90%	
Tier 1 leverage ratio	11.17%	10.62%	14.15%	14.97%	11.69%	
Average stockholders' equity to average assets	10.38%	12.44%	16.46%	14.94%	9.21%	
Selected Financial Ratios:						
Return on average assets	1.34%	0.32%	1.40%	2.23%	3.08%	
Return on average stockholders' equity	12.90%	2.58%	8.50%	14.90%	33.46%	
Net interest margin(1)	5.38%	5.16%	5.64%	6.57%	6.76%	
	(0.10)%	0.08%	(0.25)%	(1.02)%	(3.32)%	

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Net recoveries (charge-offs) to average total loans					
Nonperforming assets as a percentage of total assets	0.29%	0.28%	0.48%	0.44%	0.33%
Allowances for loan and lease losses as a percent of total gross loans(2)	1.62%	2.49%	2.78%	3.20%	3.36%

Other Data:

Client investment funds:

Private label client investment funds	\$	7,260,320	\$	7,615,307	\$	7,642,090	\$	8,572,910	\$	10,069,607
Client investment assets under management		2,678,042		591,610						
Sweep funds		1,351,244		1,139,211		853,231		710,458		736,087
Total client investment funds	\$	11,289,606	\$	9,346,128	\$	8,495,321	\$	9,283,368	\$	10,805,694

(1) Effective July 1, 2001, the Company changed its method of accounting for equity warrant assets in companies with net share settlement provisions. Under SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities, as amended, these equity warrant assets are accounted for as derivative instruments. The restatement for initial accounting change for equity warrant assets pursuant to SFAS No. 133, as amended is reflected in the above table for fiscal year 2001 as a cumulative change in accounting principle net of tax. See Item 8. Consolidated Financial Statements and Supplementary Data Note 3. Restatement of Financial Statements for further discussion.

(2) Adoption of FIN 46R in December 2003 and SFAS No. 150 in May 2003 resulted in a change of classification of trust preferred securities distribution expense from noninterest expense to interest expense on a prospective basis. Additionally, the adoption of FIN 46R and SFAS No. 150 resulted in a change of classification of trust preferred securities from noninterest bearing funding sources to interest-bearing liabilities on a prospective basis. Prior to adoption of FIN 46R and SFAS No. 150, in accordance with accounting rules in effect at that time, we recorded trust preferred securities distribution expense as noninterest expense. On October 30, 2003, \$50.0 million in cumulative 7.0% trust preferred securities were issued through a newly formed special purpose trust, SVB Capital II. We received \$51.5 million in proceeds from the issuance of 7.0% junior subordinated debentures to SVB Capital II. A portion of the net proceeds were used to redeem the existing \$40.0 million of 8.25% trust preferred securities. Approximately \$1.3 million of deferred issuance costs related to redemption of the \$40.0 million 8.25% trust preferred securities were included in interest expense in the fourth quarter of 2003.

(3) Historically, we aggregated our allowance for loan losses and allowance for unfunded credit commitments and reflected the aggregate allowance in our allowance for loan and lease losses (ALLL) balance. Commencing in the fourth quarter of 2004, we reflected our allowance for loan and lease losses in our ALLL balance and allowance for unfunded credit commitments in other liabilities. These reclassifications were also made to prior periods' balance sheets to conform to current periods' presentations. Additionally, we reclassified expense from the provision for loan losses related to changes in the allowance for unfunded credit commitments into noninterest expense for all periods presented. Such reclassifications had no effect on our results of operations or stockholders' equity but have had the effect of lowering our ALLL to total gross loan ratios. See Credit Quality table included under Credit Quality and the Allowance for Loan and Lease Losses under Item 7. Management Discussion and Analysis of Financial Condition and Results of Operations Financial Condition.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

Management's discussion and analysis below contain forward-looking statements. These statements are based on current expectations and assumptions that are subject to risks and uncertainties. Actual results could differ materially because of factors discussed in Item 7A. Quantitative and Qualitative Disclosures about Market Risk Factors That May Affect Future Results.

The following discussion and analysis of financial condition and results of operations should be read in conjunction with our consolidated financial statements and supplementary data as presented in Item 8 of this amended Annual Report on Form 10-K/A. Certain reclassifications have been made to our prior years' results to conform to 2004 presentations. Such reclassifications had no effect on our results of operations or stockholders' equity. All applicable disclosures in the following discussion in this Item 7 have been modified to reflect the

Restatement as described below.

All of the numbers impacted by the Restatement in this section are as restated.

Restatement of Financial Statements

We have restated certain prior year amounts reported in our Annual Report on Form 10-K for the year ended December 31, 2004, originally filed with the Securities and Exchange Commission on March 16, 2005, for purposes of correcting misapplications of generally accepted accounting principles in the U.S. (GAAP). The cumulative adjustments increased our opening retained earnings by \$11.7 million at January 1, 2002. Our net income for 2003, 2002 and 2001 increased by \$1.1 million, \$1.1 million and \$9.8 million, respectively, and decreased in 2004 by \$1.5 million. The primary restatement adjustments recorded due to the misapplications of GAAP are described below.

Derivative equity warrant assets with net share settlement provisions were not reported as derivatives in accordance with the provisions of SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities, as amended (SFAS No. 133).

Derivative equity warrant assets with net share settlement provisions were not reported as derivatives in accordance with the provisions of SFAS No. 133. This misapplication of GAAP resulted in a change to our interest income, provision for loan and lease losses, noninterest income and net income for the years ended December 31, 2004, 2003, 2002 and 2001 and for all quarterly periods during the years ended December 31, 2004 and 2003. The total impact, including all adjustments, increased (decreased) income before income tax expense by \$(1.2) million, \$6.1 million, \$5.0 million and \$3.1 million for the years ended December 31, 2004, 2003, 2002 and 2001, respectively.

As described in Item 1 of Part I, Business Commercial Banking, we often obtain derivative equity warrant assets to purchase an interest in a client company's stock in connection with providing credit facilities and, less frequently, for providing other services. In general, the derivative equity warrant assets that we hold entitle us to buy a specific number of shares of stock, at a specific price over a specific time period. Certain warrants obtained by us include contingent provisions which set the underlying number of shares or strike price based upon certain future events. For example, the number of shares exercisable for some warrants is contingent upon the related lending facility, such as the extent of utilization of the facility, including draw frequency or amount. Or, in some cases, the underlying strike price of some warrants may be contingent upon the share price of a subsequent future round of equity financing of the issuer.

Previously, we recorded these equity warrant assets on our balance sheet at a nominal value until the date they became marketable, the date of expiration, or the date the issuer was acquired or completed an initial public offering. However, we determined that our accounting treatment of equity warrant assets in our private and public client companies should conform to a 2001 interpretation of SFAS No. 133, as amended. In April 2001, the FASB issued Statement 133 Derivative Implementation Group Issue No. A17, Contracts That Provide for Net Share Settlement, as revised (DIG A17), which was effective with the first financial quarter after the cleared guidance was posted to the FASB website and remains effective for all subsequent periods.

As a result, our accounting for equity warrant assets with net share settlement provisions has been revised beginning as of the third quarter of 2001. The net share settlement provision contained in each of our warrant agreements allow us to realize value without a capital investment. Under such a provision, the client company delivers to us, upon our exercise of the warrant, the amount of shares with a current fair value equal to the net gain of the warrant agreement (sometimes described as a cashless exercise). Because our warrant agreements contain such net share settlement provisions, our equity warrant assets are required to be accounted for as derivative instruments under SFAS No. 133, as amended.

Under the revised accounting treatment, equity warrant assets in our private and public client companies, which include net share settlement provisions are recorded at fair value and are classified as derivative assets, a component of other assets on our balance sheet at the time they are obtained. The grant date fair values of these equity warrant assets are deemed to be loan fees and, as such, are required to be recognized as an adjustment of loan yield through interest income, as prescribed by SFAS No. 91, Accounting for Nonrefundable Fees and Costs Associated with Originating or Acquiring Loans and Initial Direct Costs of Leases (SFAS No. 91). Similar to other loan fees, the yield adjustment related to the grant date fair value of equity warrant assets, received directly in connection with the issuance of a credit facility, is recognized over the life of the related credit facility in interest income. Any changes in value of the warrant derivative assets subsequent to the grant date fair value are recognized in gains (losses) on derivative instruments, net, in our consolidated statements of income. If the warrant is in the money, we exercise these equity warrants for shares when a portfolio company completes an initial public offering on a publicly reported market or is acquired by a publicly traded company. On the date a warrant is exercised and exchanged for equity securities, it is marked to market as a derivative asset with the resulting change in value recognized as gains (losses) on derivative instruments in noninterest income, a component of consolidated net income. As of the exercise date, the basis or value in the equity securities is reclassified from Other Assets to the Investment Securities line item on the balance sheet. The equity securities are classified as available-for-sale securities under SFAS No. 115, Accounting for Certain Investments in Debt and Equity Instruments (SFAS No. 115). In accordance with the provisions of SFAS No. 115, changes in fair value of securities designated as available for sale are excluded from net income and reported in accumulated other comprehensive income after applicable taxes, which is a separate component of stockholders' equity.

The initial implementation of the 2001 interpretation of SFAS No. 133, as amended, caused us to recognize the fair value of the equity warrant assets on our consolidated balance sheet as of the beginning of the third quarter of 2001. We recorded as unearned loan fees the estimated grant date fair value of the equity warrant assets that, as of July 1, 2001, would not yet have been amortized to interest income had this accounting policy been in place since the warrants were first received. The unearned loan fees recorded as of July 1, 2001 were amortized, as a loan yield adjustment, over the remaining life of the related credit facilities. In accordance with the implementation provisions of SFAS No. 133, as amended, the fair value of the

warrant portfolio, less the amount recorded as unearned loan fees at December 31, 2001 is reported as a restatement adjustment to the balance at December 31, 2001. Refer to Note 3. Restatement of Financial Statements to the financial statements contained in this report.

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The effect of the misapplication of GAAP related to derivative warrant equity assets for the years ended December 31, 2004, 2003, 2002 and 2001 is described below.

(Dollars in thousands)	As Restated Years Ended December 31,			
	2004	2003	2002	2001
Effects on statements of income:				
Interest income (1)	\$ 5,656	\$ 6,621	\$ 9,228	\$ 4,255
(Recovery of) provision for loan and lease losses (2)	104	108	75	82
Gains (losses) on derivative instruments, net (3)	2,749	8,208	(2,670)	932
Gains (losses) on investment securities, net (4)	(535)	(1,300)	30	(148)
Total impact on income statement	7,974	13,637	6,663	5,121
Less: Income previously recognized (5)	(9,191)	(7,528)	(1,661)	(1,995)
Net impact on pre-tax income statement	(1,217)	6,109	5,002	3,126
Effects on balance sheets:				
Other assets (6)	28,928	29,537	23,465	22,500
Unearned warrant fees (7)	\$ 5,351	\$ 4,612	\$ 6,360	8,543
Retained earnings - cumulative effect of change in accounting principle (8)				\$ 6,714

(1) Similar to other loan fees, amount represents the yield adjustment as prescribed by SFAS No. 91 related to equity warrant assets received directly in connection with the issuance of a credit facility.

(2) Reversal of provision for loan and lease losses previously recorded due to the effect of reducing the net carrying amount of impaired loans resulting from the higher balances of unearned fees due to the recognition of the initial grant date fair value of the derivative assets net of related amortization.

(3) Recognition of changes in value of warrant derivative assets subsequent to the grant date fair value.

(4) Represents recognition of gains (losses) from the sale of shares associated with exercised equity warrant assets. Upon exercise of an equity warrant asset, the fair value of the equity warrant asset plus the exercise price paid becomes the adjusted basis of the asset reclassified to investment securities. The investment security is then accounted for under SFAS No. 115.

(5) Represents reversal of income previously recognized by the Company in prior years under previous warrant income recognition methodology.

(6) Adjustment to recognize the fair value of equity warrant assets on the balance sheet in accordance with SFAS No. 133.

(7) Represents the unearned loan fees to be amortized over the remaining life of the credit facility associated with the respective warrants.

(8) In accordance with the implementation provisions of SFAS No. 133, the fair value of the warrant portfolio less the amount recorded as unearned loan fees at July 1, 2001, is reported as a cumulative effect of a change in accounting principle.

Initial non-refundable corporate finance fees were not reported in accordance with the provisions of Staff Accounting Bulletin No. 104, Revenue Recognition (SAB No. 104).

Initial non-refundable corporate finance fees were not reported in accordance with the provisions of SAB No. 104. This misapplication of GAAP resulted in a change to the Company's consolidated noninterest income and net income for the years ended December 31, 2004, 2003, 2002 and 2001 and for all quarterly periods during the years ended December 31, 2004 and 2003.

The Company is engaged by clients to provide merger and acquisition advisory services. The income from these engagements is typically comprised of an initial non-refundable fee due upon execution of the engagement letter and a contingent fee due upon a merger or acquisition event, if any. The engagement letters generally do not include a termination date. Corporate finance fees on mergers and acquisitions advisory services, a component of noninterest income, have been restated to defer the recognition of the initial upfront non-refundable retainer until the completion of all contractual obligations pursuant to the terms of the engagement letters or upon receipt or notification of an engagement termination letter. Therefore, the change in accounting resulted in a net increase (decrease) in corporate finance fees of \$0.1 million, \$(0.9) million, \$(1.2) million and \$(0.6) million for the years ended December 31, 2004, 2003, 2002 and 2001, respectively, and a corresponding increase in deferred revenue for the same periods which has been or will be recognized in future periods.

Non-refundable loan fees and costs associated with our lending products and fees associated with letters of credit were not reported in accordance with the provisions of SFAS No. 91 - Accounting for Non Refundable Fees and Costs Associated with Originating or Acquiring Loans and Initial Direct Costs of Leases (SFAS No. 91).

Non-refundable loan fees and costs associated with our lending products and fees associated with letters of credit were not reported in accordance with the provisions of SFAS No. 91. This misapplication of GAAP resulted in a change to our interest income and net income for the years ended December 31, 2004, 2003, 2002, 2001 and 2000 and for all quarterly periods during the years ended December 31, 2004 and 2003.

Through our lending products and services, we extend loans and other credit facilities to our commercial clients, most often secured by the assets of our clients. We often obtain loan fees and incur capitalizable costs in relation to the extension of these credit facilities to our clients. Net loan fee income, a component of interest income, has been restated to revise revenue recognition in accordance with the appropriate straight-line or interest method, as prescribed by SFAS No. 91. In addition, the Company inappropriately recognized non-refundable loan fees it receives for factoring loans immediately rather than deferring and amortizing fees over the term of the facility granted. In addition, we reclassified certain letters of credit fee income from loan interest income to noninterest income, as the probability of the commitment being exercised was deemed to be remote. The Company did not properly defer direct loan origination costs associated with originating certain loan products. Therefore, we restated our recognition of net loan fee income by increasing(decreasing) loan interest income by \$(2.5) million, \$(4.7) million, \$(3.0) million, \$1.2 million and \$(0.2) million for the years ended December 31, 2004, 2003, 2002, 2001, and 2000 respectively. These amounts were deferred and are recognized into income using the appropriate loan fee recognition methodology over the lives of the corresponding loans. In addition, we reclassified certain letters of credit fee income of \$7.6 million, \$7.0 million, \$8.4 million, \$11.9 million and \$7.1 million for the years ended December 31, 2004, 2003, 2002, 2001 and 2000, respectively, from loan interest income to noninterest income, as the probability of the commitment being exercised was deemed to be remote.

Certain investment securities that were readily convertible to known amounts of cash and present insignificant risk of changes in

value with original or purchased maturity dates of 90 days or less, were not reported as cash equivalents in accordance with the provisions of SFAS No. 95, Statement of Cash Flows (SFAS No. 95).

Certain investment securities that were readily convertible to known amounts of cash and present insignificant risk of changes in value with original or purchased maturity dates of 90 days or less, were not reported as cash equivalents in accordance with the provisions of SFAS No. 95. This reclassification did not result in any change to our revenue or net income for the years ended December 31, 2004, 2003, 2002, 2001 and 2000 or for any quarterly period during the years ended December 31, 2004 and 2003.

A reclassification has been made to our consolidated balance sheets of money market mutual fund investments and commercial paper investments from the Investment securities line item to Federal funds sold, securities purchased under agreement to resell and other short-term investment securities line item. These investment securities were deemed to meet the definition of cash equivalents as they are readily convertible to known amounts of cash and present insignificant risk of changes in value with original or purchased maturity dates of 90 days or less. Cash equivalents are required to be reflected separately from Investment securities pursuant to SFAS No. 95. Therefore, we reclassified these Investment securities to Federal funds, and securities purchased under agreement to resell and other short-term investment securities in the amounts of \$181.3 million, \$40.3 million, \$381.8 million, \$494.2 million and \$195.2 million as of December 31, 2004, 2003, 2002, 2001 and 2000, respectively.

Current federal income taxes receivable and current federal income taxes payable were not reflected net on our balances sheets in accordance with the provisions of FASB Interpretation No. 39, Offsetting of Amounts Related to Certain Contracts (FIN No. 39).

Current federal income taxes receivable and current federal income taxes payable were not reflected net on our balance sheets. This misapplication of GAAP resulted in a change to our other assets and other liabilities as of December 31, 2004 and 2003. Current federal income taxes receivable and current federal income taxes payable should be netted as the Company has the legal right of offset, as defined by FIN No.

39. Therefore, other assets and other liabilities have been restated to reflect the net current federal income taxes receivable or net current federal income taxes payable at each of these period ends. This correction of accounting resulted in a decrease to both other assets and other liabilities of \$22.5 million and \$24.6 million as of December 31, 2004 and 2003, respectively.

We also recorded various other adjusting entries as part of the Restatement.

Overview of Company Operations

See Item I of Part I above, **Business** **General** for an overview of Company operations.

Critical Accounting Policies

The accompanying management's discussion and analysis of results of operations and financial condition are based upon our consolidated financial statements, which have, as restated, been prepared in accordance with GAAP. The preparation of these financial statements requires management to make estimates and judgments that affect the reported amounts of assets, liabilities, income, and expenses and related disclosure of contingent assets and liabilities. Management evaluates estimates 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, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ materially from these estimates under different assumptions or conditions. The financial impact of each estimate, to the extent significant to financial results, is discussed in the applicable sections of the management's discussion and analysis.

Our critical accounting policies are described below. Our senior management has discussed the development, selection, and disclosure of these critical accounting policies with our Audit Committee.

Non-Marketable Equity Securities

Our accounting for investments in non-marketable equity securities depends on several factors, including our level of ownership/control and the legal structure of our subsidiary making the investment. As further described below, we base our accounting for such securities on: (i) investment company fair value accounting, (ii) equity method accounting, or (iii) cost method accounting.

Investment Company Fair Value

Our non-marketable equity securities recorded pursuant to investment company fair value accounting consists of our investments in the following funds:

Direct equity venture fund, Silicon Valley BancVentures, LP, which makes equity investments in privately held companies;

Fund of funds, SVB Strategic Investors Fund, LP and SVB Strategic Investors Fund II, LP, which make investments in venture capital funds; and

Venture debt fund, Partners for Growth, LP, which provides financing to companies in the form of structured loans and equity investments.

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

Company Ownership in General Partner	Company Ownership %
Silicon Valley BancVentures Inc.(1)	100%*
SVB Strategic Investors, LLC(2)	100%*
SVB Strategic Investors II, LLC(2)	100%*
Partners for Growth, LLC(3)	
Company Ownership in Limited Partner	Company Ownership %
Silicon Valley BancVentures , LP(1)	10.7%*
SVB Strategic Investors Fund, LP(2)	11.1%*
SVB Strategic Investors Fund II, LP(2)	14.4%*
Partners for Growth, LP(3)	53.2%*

Note * Entity's results of operations and financial condition are included in the consolidated financial statements of SVB Financial Group, net of minority interest.

(1) The general partner, Silicon Valley BancVentures, Inc. is owned and controlled by SVB Financial and has an ownership interest of 10.7% in Silicon Valley BancVentures, LP. The limited partners do not have substantive participating or kick-out rights. Therefore, Silicon Valley BancVentures, LP is consolidated and any gains or losses resulting from changes in the estimated fair value of the investments are recorded as investment gains or losses in the Company's consolidated net income.

(2) The general partner of SVB Strategic Investors Fund, LP (SIF I), SVB Strategic Investors, LLC, is owned and controlled by SVB Financial and has an ownership interest of 11.1%. The general partner of SVB Strategic Investors Fund II (SIF II), LP, SVB Strategic Investors II, LLC, is owned and controlled by SVB Financial and has an ownership interest of 14.4%. The limited partners of these funds do not have substantive participating or kick-out rights. Therefore, SIF I and II are consolidated and any gains or losses resulting from changes in the estimated fair value of the venture capital fund investments are recorded as investment gains or losses in the Company's consolidated net income.

(3) The general partner of Partners for Growth, LP, Partners for Growth, LLC, is not owned or controlled by SVB Financial. The limited partners of this fund have substantive kick-out rights by which the general partner may be removed without cause by simple majority vote of the limited partners. SVB Financial has an ownership interest of 53.2% in Partners for Growth, LP. Accordingly, the fund is consolidated and any gains or losses resulting from changes in the estimated fair value of the investments are recorded as investment gains or losses in the Company's consolidated net income.

Under investment company accounting, the investments are carried at estimated fair value as determined by the fund's respective general partner. The valuation generally remains at cost until such time that there is significant evidence of a change in value based upon consideration of the relevant market conditions, offering prices, operating results, financial conditions, exit strategies, and other pertinent information. Thus, any

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gains or losses resulting from changes in the estimated fair value of the investments are recorded as investment gains or losses in our consolidated net income. The portion of any gains or losses attributable to the limited partners is reflected as minority interest in net income (loss) of consolidated affiliates and adjusts SVB Financial Group's consolidated net income to reflect its percentage ownership.

Equity Method

Our equity method non-marketable equity securities consist of an investment in a venture debt fund and several qualified affordable housing tax credit funds.

The venture debt fund investment is in Gold Hill Venture Lending 03, LP, which provides financing to privately-held companies in the form of loans and equity investments. SVB Financial Group has a direct and indirect interests totaling 9.8% in Gold Hill Venture Lending 03, LP. Our total interest in Gold Hill Venture Lending 03, LP exceeds the 5% ownership interest threshold established by EITF Topic D-46 for cost method accounting. Accordingly, this limited partnership investment is accounted for under the equity method. Thus, the Company recognizes its proportionate share of the results of operations of each equity method investee in its results of operations.

We invest in several qualified affordable housing projects which provide benefits in the form of tax credits. Our limited partnership investments in qualified affordable housing projects do not qualify for the effective yield method under EITF 94-1, *Accounting for Tax Benefits Resulting From Investments in Affordable Housing Projects* (EITF 94-1). Accordingly, we account for such investments under the equity method in accordance with the provisions of the AICPA Statement of Position (SOP) 78-9, *Accounting for Investments in Real Estate Ventures*.

We review these investments at least quarterly for possible other than temporary impairment. Our review typically includes an analysis of facts and circumstances for each investment, the expectations of the investment's future cash flows and capital needs, variability of its business and our exit strategy. We reduce the investment value when we consider declines in value to be other than temporary. We recognize the estimated loss as a loss on investment securities, a component of noninterest income.

Cost Method

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

In accordance with the provisions of Accounting Principles Board Opinion No. 18 (APB No. 18), equity securities, such as preferred or common stock in privately-held companies in which we hold an ownership interest of less than 20% and in which we do not have the ability to exercise significant influence over the investees' operating and financial policies, are accounted for under the cost method. These non-marketable equity securities also include certain investments made for various other purposes, such as shares purchased pursuant to regulatory requirements (for example, Federal Reserve Bank and Federal Home Loan Bank stock).

In accordance with the provisions of EITF Topic D-46, *Accounting for Limited Partnership Investments* (EITF Topic D-46) investments in limited partnerships in which we hold a voting ownership interest of less than 5% and in which we do not have the ability to exercise significant influence over the investees' operating and financial policies, are accounted for under the cost method. These non-marketable equity securities include investments in venture capital funds.

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

We review these assets at least quarterly for possible other than temporary impairment. Our review typically includes an analysis of facts and circumstances for each investment, the expectations of the investment's future cash flows and capital needs, variability of its business and our exit strategy. We reduce the investment value when we consider declines in value to be other than temporary. We recognize the estimated loss as a loss on investment securities, a component of noninterest income.

Gains or losses on cost method investment securities that result from a portfolio company being acquired by a publicly traded company are marked to market when the acquisition occurs. The resulting gains or losses are recognized into consolidated net income on that date in accordance with EITF Issue No. 91-5, *Nonmonetary Exchange of Cost-Method Investments* (EITF 91-5). Further fluctuations in the market value of these equity securities are excluded from consolidated net income and are reported in accumulated other comprehensive income net of applicable taxes, a component of stockholders' equity. Upon the sale of these equity securities to a third party, gains and losses, which are measured from the acquisition value, are recognized in the Company's consolidated net income.

We consider our non-marketable equity securities accounting policies to be critical because the valuation of non-marketable equity securities is subject to management judgment. The inherent uncertainty in the process of valuing equity securities for which a ready market is unavailable 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. Future adverse changes in market conditions or poor operating results of underlying investments could result in losses or an inability to recover the carrying value of the investments that may not be reflected in an investment's carrying value, thereby possibly requiring an impairment charge in the future. For further information related to non-marketable equity securities for the years ended December 31, 2004, 2003, and 2002, please refer to the table under Part II Item 8. Consolidated Financial Statements and Supplementary Data Note 7 - Investment Securities.

Derivative Assets - Derivative Equity Warrants for Shares of Privately- and Publicly-held Companies

Derivative equity warrant assets for shares of private and public companies are recorded at fair value on the grant date and adjusted to fair value on a quarterly basis through consolidated net income.

We implemented a 2001 interpretation of SFAS No. 133, as amended, as it applies to derivative equity warrant assets with net settlement terms in certain private and public client companies. In general, derivative equity warrant assets that we hold entitle us to buy a specific number of shares of stock at a specific price over a specific time period. Certain warrants obtained by us include contingent provisions which set the underlying number of shares or strike price

based upon certain future events. For example, the number of shares exercisable for some warrants is contingent upon the related lending facility, such as the extent of utilization of the facility, including draw frequency or amount. Or, in some cases, the underlying strike price of some warrants may be contingent upon the share price of a subsequent future round of equity financing of the issuer. Our warrant agreements contain net share settlement provisions, which permit the issuing company to deliver to us, upon our exercise of the warrant, the amount of shares with a current fair value equal to the net gain of the warrant agreement (sometimes described as a "cashless exercise"). Because our warrant agreements contain such net share settlement provisions, our equity warrant assets are required to be accounted for as derivative instruments under SFAS No. 133 as of the third quarter of 2001.

Under the accounting treatment required by SFAS No. 133, equity warrant assets in private and public companies which include net share settlement provisions held by SVB Financial Group, are recorded at fair value and are classified as derivative assets, a component of Other assets, on SVB Financial Group's balance sheet at the time they are obtained.

The grant date fair values of these equity warrant assets are deemed to be loan fees and are required to be recognized as an adjustment of loan yield through loan interest income, as prescribed by SFAS No. 91. Similar to other loan fees, the yield adjustment related to grant date fair value of equity warrant assets, received directly in connection with the issuance of a credit facility, is recognized over the life of that credit facility.

Any changes from the grant date fair value of derivative equity warrant assets will be recognized as increases or decreases to derivative assets on our balance sheet and as gains or losses on derivative investments, net, in noninterest income, a component of consolidated net income. If the warrants are in the money, we exercise these equity warrant assets for shares, when a portfolio company completes an initial public offering on a publicly reported market or is acquired by a publicly traded company. On the date a warrant is exercised into equity securities, it is marked to market as a derivative asset with the resulting change in value recognized as a gain or loss on investments in noninterest income, a component of consolidated net income.

As of the exercise date, the basis or value in the equity securities is reclassified from Other assets to Investment securities on the balance sheet. The equity securities are classified as available-for-sale securities under SFAS No. 115, "Accounting for Certain Investments in Debt and Equity Instruments" (SFAS No. 115). In accordance with the provisions of SFAS No. 115, changes in fair value of securities designated as available for sale, after applicable taxes, are excluded from net income and reported in accumulated other comprehensive income, which is a separate component of stockholders' equity.

The initial implementation of the 2001 interpretation SFAS No. 133, as amended, as of the beginning of the third quarter of 2001, as it applies to derivative equity warrant assets, caused SVB Financial Group to recognize the fair value of the equity warrant assets on the Company's consolidated balance sheet. The Company recorded, as unearned loan fees, the estimated grant date fair value of the equity warrant assets that, as of July 1, 2001, would not yet have been amortized to interest income had this accounting policy been in place since the equity warrant assets were first received. The unearned loan fees recorded as of July 1, 2001 were amortized, as a loan yield adjustment, over the remaining life of the related credit facilities. In accordance with the implementation provisions of SFAS No. 133, the fair value of the warrant portfolio at July 1, 2001 less the amount recorded as unearned loan fees is reported as a cumulative effect of a change in accounting principle.

The derivative equity warrant portfolio is comprised of warrants in companies from industries served by SVB Financial Group, as described in Item 1. Business. The fair value of the derivative equity warrant portfolio is reviewed quarterly. We value the equity warrant assets using an option pricing model approach, based on the standard Black-Scholes pricing model utilizing the following five material assumptions:

Underlying stock value was estimated based on information available, including any information regarding subsequent rounds of funding and a review of related customer credit files.

Volatility, or the quantification of the risk associated with the warrants over time, was based on guideline publicly traded companies or indices similar in nature to the underlying client

companies issuing the warrant. A total of ten such indices were used. The volatility assumption for each warrant was calculated based on the average of the annualized daily volatility of a basket of comparable public companies over each of the fiscal quarters from July 1, 2001 to December 31, 2004. The weighted average quarterly median volatility assumption used for the warrant valuation at December 31, 2004 was 50.6%.

Actual data on cancellations, expirations and exercises of our warrants was utilized as the basis for determining the expected remaining life of the warrants in each financial reporting period. Warrants may be exercised in the event of acquisitions, mergers or initial public offerings (IPO), and cancelled due to events such as bankruptcies, restructuring activities or additional financings.

The risk-free interest rates were derived from the appropriate Treasury yield curve. Risk-free interest rates reflect the rates of return available on long-term high-quality fixed-income debt instruments. Subsequent to issuance, the risk-free rate was calculated based on a weighted average of the risk-free rates that correspond closest to the expected remaining life of the warrant.

Other adjustments were estimated based on management's judgment about the general industry environment combined with specific information about the issuing company, when available.

At December 31, 2004, the fair value of our derivative equity warrant assets was recorded on our balance sheet at \$28.9 million, which represents our best estimate of the fair value of these instruments within the framework of existing accounting standards and guidance provided by the Securities and Exchange Commission on fair value accounting. Changes in the above material assumptions will result in significantly different valuations. For example, the following table demonstrates the effect of changes in the expected life and volatility assumptions:

Valuation of Equity Warrant Assets Active at December 31, 2004

(dollars in millions)

	10% Lower	Volatility Factor Average 50.6%	10% Higher
Expected Life in Years			
Average minus approximately 9 months	\$ 16.9	\$ 18.9	\$ 20.9
Average 3.0 years	\$ 25.1	\$ 28.9	\$ 32.6
Average plus approximately 10 months	\$ 29.0	\$ 33.5	\$ 37.8

The timing and value realized from the disposition of warrant related equity securities to third parties, depend upon factors beyond our control, including the performance of the underlying portfolio companies, investor demand for initial public offerings, fluctuations in the market prices of the underlying common stock of these companies, levels of mergers and acquisitions activity, and legal and contractual restrictions on our ability to sell the underlying securities. In addition, our equity warrant assets could lose value or become worthless, which would impact our consolidated net income. All of these factors are difficult to predict. Due to the composition of our portfolio of equity warrants, it is likely that

many of the equity warrant assets will become impaired. However, we are not in a position to know at the present time which specific equity warrant assets, are likely to be impaired or the extent or timing of individual impairments. Therefore, we cannot predict future gains or losses with any degree of accuracy, and any gains or losses could vary materially from period to period.

We consider accounting policies related to derivative equity warrant assets to be critical because the valuation of these assets is complex and is subject to a certain degree of management judgment. Management has the ability to select from several valuation methodologies and has latitude in the calculation of material assumptions in the current methodology. The selection of an alternative valuation methodology or alternative approaches used to calculate material assumptions in the current methodology may cause our estimated values of these assets to differ significantly from the values recorded. Additionally, the inherent uncertainty in the process of valuing these assets for which a ready market is unavailable may cause our estimated values of these assets to differ significantly from the values that would have been derived had a ready market for the assets existed, and those differences could be material.

Allowance for Loan and Lease Losses

We consider our accounting policy relating to the estimation of the allowance for loan and lease losses to be critical as estimation of the allowance involves material estimates by our management and is particularly susceptible to significant changes in the near term. Our loan and lease loss reserve methodology is applied to our funded and unfunded loan commitments. The reserve associated with the funded debt is recorded as a contra asset while the reserve associated with the unfunded loan commitments is recorded as Other Liabilities (collectively referred to as Allowance for Loan and Lease Losses). Except as described herein, the methodology for the determination of an appropriate reserve for funded and unfunded loan commitments is the same. The allowance for loan and lease losses and reserve for unfunded credit commitments is management's estimate of credit losses inherent in the loan portfolio at a balance sheet date.

We define credit risk as the probability of sustaining a loss because other parties to the financial instrument fail to perform in accordance with the terms of the contract. Through the administration of loan policies and monitoring of the loan portfolio, our management seeks to reduce such credit risk. While we follow underwriting and credit monitoring procedures, which we believe are appropriate in growing and managing the loan portfolio, in the event of nonperformance by these other parties, our potential exposure to credit losses could significantly affect our consolidated results of operations and financial condition. The allowance for loan and lease losses is established through a provision for loan losses charged to expense to provide for credit risk. Our allowance for loan and lease losses is established for loan losses that are probable but not yet realized. The process of anticipating loan losses is imprecise. Our management applies an evaluation process, as described below, to our loan portfolio to estimate the required allowance for loan and lease losses:

We maintain a systematic process for the evaluation of individual loans and pools of loans for inherent risk of loan losses. On a quarterly basis, each loan in our portfolio is assigned a credit risk rating. Credit risk-ratings are assigned on a scale of 1 to 10, with 1 representing loans with a low risk of nonpayment, 9 representing loans with the highest risk of nonpayment, and 10 representing loans, which have been charged-off. This credit risk-rating evaluation process includes, but is not limited to, consideration of such factors as payment status, the financial condition of the borrower, borrower compliance with loan covenants, underlying collateral values, potential loan concentrations, and general economic conditions. Our policies require a committee of senior management to review, at least quarterly, credit relationships that exceed specific dollar values. Our review process evaluates the appropriateness of the credit risk rating and allocation of the allowance for loan and lease losses, as well as other account management functions. Our Enterprise Risk Management department through a co-sourced relationship, reviews a selection of credit relationships. In addition, our management receives and approves an analysis for all impaired loans, as defined by SFAS No. 114, Accounting by Creditors for Impairment of a Loan (SFAS No. 114). The allowance for loan and lease losses is allocated based on a formula allocation for similarly risk-rated loans, or for specific risk issues, which suggest a probable loss factor exceeding the formula allocation for a specific loan, or for individually impaired loans as determined by SFAS No. 114.

Our evaluation process was designed to determine the adequacy of the allowance for loan and lease losses. We assess the risk of losses inherent in the loan portfolio by utilizing modeling techniques. For this purpose, we have developed a statistical model based on historical loan loss migration to estimate an appropriate allowance for outstanding loan balances. In addition, we apply a macro allocation to the results of the aforementioned model to ascertain the total allowance for loan and lease losses. While this evaluation process uses historical and other

objective information, the classification of loans and the establishment of the allowance for loan and lease losses relies, to a great extent, on the judgment and experience of our management.

Historical Loan Loss Migration Model

We use the historical loan loss migration model as a basis for determining expected loan loss factors by credit risk-rating category. The effectiveness of the historical loan loss migration model is predicated on the theory that historical trends are predictive of future experience. Specifically, the model calculates the likelihood of a loan in one risk-rating category moving one category lower using loan data from our portfolio.

We analyze the historical loan loss migration trend by compiling gross loan loss data and by credit risk rating for the rolling twelve-month periods as of the end of each quarter. Each of the loans charged-off over the twelve-month period is assigned a credit risk rating at the period end of each of the preceding four quarters. On an annual basis, the model calculates charged-off loans as a percentage of current period end loans by credit risk-rating category. The percentages are averaged and aggregated to estimate our loan loss factors. The annual periods are reviewed and averaged to form the loan loss factors for several quarters of history. The current period-end client loan balances are aggregated by risk-rating category. Loan loss factors for each risk-rating category are ultimately applied to the respective period-end client loan balances for each corresponding risk-rating category to provide an estimation of the allowance for loan and lease losses.

Macro Allocations

A macro allocation is calculated each quarter based upon an assessment of the risks. Such calculations may lead to a loan loss experience different from our historical results due to the inherent uncertainty of estimates. These risks are aggregated to become our macro allocation. Based on management's prediction or estimate of changing risks in the lending environment, the macro allocation may vary significantly from period to period and includes, but is not limited to, consideration of the following factors:

Changes in lending policies and procedures, including underwriting standards and collections, and charge-off and recovery practices.

Changes in national and local economic business conditions, including the market and economic condition of our clients' industry sectors.

Changes in the nature of our loan portfolio.

Changes in experience, ability, and depth of lending management and staff.

Changes in the trend of the volume and severity of past due and classified loans.

Changes in the trend of the volume of nonaccrual loans, troubled debt restructurings, and other loan modifications.

Finally, we compute several modified versions of the model, which provide additional assurance that the statistical results of the historical loan loss migration model are reasonable. Our Chief Credit Officer and Chief Financial Officer evaluate the adequacy of the allowance for loan and lease losses based on the results of our analysis.

Allowance for Unfunded Credit Commitments

We reserve for the possibility of an unfunded loan commitment being funded and subsequently being charged-off. Each quarter, every unfunded client credit commitment is allocated to a credit risk-rating category in accordance with each client's credit risk rating. We use the historical loan loss factors described above to calculate the possible loan loss experience if unfunded credit commitments are funded. Separately, we use historical trends to calculate the probability of an unfunded credit commitment being funded by us. We apply the loan funding probability factor to risk-factor adjusted unfunded commitments by credit risk-rating to derive the reserve for unfunded loan commitments. The unfunded credit commitments reserve may also include certain macro allocations as deemed appropriate by our management.

Goodwill

Please see Note 2. Summary of Significant Accounting Policies, for a description of our process for evaluating goodwill. Goodwill, which arises from the purchase price exceeding the assigned value of the net assets of an acquired business, represents the value attributable to unidentifiable intangible elements being acquired. Our goodwill at December 31, 2004, related to the acquisition of SVB Alliant (Alliant Partners), a mergers and acquisitions firm. The value of this goodwill is supported by the free cash flows from the acquired businesses. A decline in earnings as a result of a decline in mergers and acquisitions transaction volume or a decline in the valuations of mergers and acquisitions clients could lead to impairment, which would be recorded as a write-down in our consolidated net income.

On an annual basis or as circumstances dictate, our management reviews goodwill and evaluates events or other developments that may indicate impairment in the carrying amount. We consider our accounting policy on goodwill to be critical because the evaluation methodology for potential impairments is inherently complex and involves significant management judgment in the use of estimates and assumptions. We evaluate impairment using a two-step process. First, we compare the aggregate fair value of the reporting unit to its carrying amount, including goodwill. If the fair value exceeds the carrying amount, no impairment exists. If the carrying amount of the reporting unit exceeds the fair value, then we compare the implied fair value, defined below, of the reporting unit's goodwill with its carrying amount. If the carrying amount of the goodwill exceeds the implied fair value, then goodwill impairment is recognized by writing goodwill down to the implied fair value.

We primarily use a discounted cash flow approach to value the reporting unit being evaluated for goodwill impairment. These estimates involve many assumptions, including expected results of operations, assumed discount rates, and assumed growth rates for the reporting unit. The discount rate used is based on standard industry practice, taking into account the expected equity risk premium, the size of the business, and the probability of the reporting unit achieving its financial forecasts. The implied fair value is determined by allocating the fair value of the reporting unit to all of the assets and liabilities of that unit, as if the unit had been acquired in a business combination and the fair value of the unit was the purchase price.

Events that may indicate goodwill impairment include significant or adverse changes in results of operations of the business, economic or political climate, an adverse action or assessment by a regulator, unanticipated competition, and a more-likely-than-not expectation that a reporting unit will be sold or disposed of. More information about goodwill is included in Item 8-Consolidated Financial Statements and Supplementary Data-Note 11. Goodwill and Item 7A. Quantitative and Qualitative Disclosures about Market Risk Factors That May Affect Future Results.

Results of Operations

Earnings Summary

We reported consolidated net income of \$63.9 million in 2004, as compared to consolidated net income of \$13.0 million in 2003 and \$54.5 million in 2002. Diluted earnings per common share totaled \$1.70 for 2004, as compared to \$0.35 for 2003 and \$1.21 for 2002.

Dilutive Effect of Contingently Convertible Debt on our Diluted Earnings per Share Calculation

We included the dilutive effect of the \$150.0 million zero-coupon, convertible subordinated notes due June 15, 2008 in our fully diluted earnings per share (EPS) calculation using the treasury stock method, in accordance with the provisions of EITF 90-19, Convertible Bonds With Issuer Option to Settle in Cash Upon Conversion (EITF 90-19) and SFAS No. 128, Earnings Per Share (SFAS No. 128). The exposure draft of SFAS No. 128R, if adopted in its proposed form, will require us to change our accounting for the calculation of EPS on our contingently convertible debt to the if converted method. The if converted treatment of the contingently convertible debt would have decreased EPS by \$0.17 per diluted common share, or 10.0 percent for 2004.

2004 Compared to 2003

Increase in Consolidated Net Income Increase in Net Interest Income, Decrease in Impairment of Goodwill Expense

Consolidated net income increased by \$50.8 million between 2004 and 2003:

Impairment of goodwill expense decreased by \$61.1 million. In 2003, we incurred charges aggregating \$63.0 million related to our investment banking business unit, SVB Alliant;

Net interest income increased by \$46.6 million, primarily due to increased interest income from both investment securities and loans; and

Noninterest income increased by \$26.1 million, primarily due to an increase of \$14.8 million in returns on investments securities. In addition, corporate finance fees increased \$9.8 million, an increase in letter of credit and standby letter of credit income of \$1.1 million and an increase in client investment fees of \$2.9 million, offset by reduced gains on derivative instruments of \$3.5 million.

These improvements to consolidated net income were partially offset by increases in certain noninterest expense categories, particularly compensation and benefits expense, which was higher in 2004 primarily due to variable compensation, attributable to our improved financial performance. Additionally, we experienced an increase in professional services expense primarily due to expenses associated with Sarbanes-Oxley compliance. Finally, our effective tax rate increased to 37.8% in 2004 from 24.2% in 2003.

2003 Compared to 2002

Decrease in Consolidated Net Income Decrease in Net Interest Income, Impairment of Goodwill Expense

Consolidated net income decreased by \$41.5 million between 2003 and 2002.

The decrease in consolidated net income between 2003 and 2002 primarily resulted from an increase of \$81.6 million in noninterest expense. The increase in noninterest expense was principally due to the following factors:

Impairment of goodwill charges aggregating \$63.0 million related to SVB Alliant, and

Increase in expense associated with our incentive compensation program, which we believe was necessary to retain our professional talent in an improving economic environment.

Additionally, due to a decrease in the weighted-average prime rate of 4.1% for the year ended December 31, 2003, from 4.7% for the year ended December 31, 2002, we earned lower interest income from our loan portfolios, which resulted in a decline in net interest income. However, our provision for loan loss expense decreased by \$15.8 million for 2003, as compared to 2002, largely due to a significant loan loss recovery, and our improved credit quality.

The major components of net income and changes in these components are summarized in the following table for the years ended December 31, 2004, 2003 and 2002, and are discussed in more detail on the following pages.

(Dollars in thousands)	(As Restated) Years Ended December 31,				
	2004	2003	% Change 2004/2003	2002	% Change 2003/2002
Net interest income	\$ 230,289	\$ 183,700	25.4%	\$ 192,267	(4.5)%
(Recovery of) provision for loan and lease losses	(10,289)	(9,892)	4.0	5,873	(268.4)
Noninterest income	106,962	80,831	32.3	71,426	13.2
Noninterest expense	241,830	264,896	(8.7)	183,326	44.5
Minority interest in net (income) losses of consolidated affiliates	(3,090)	7,689	(140.2)	7,767	(1.0)
Income before income tax expense	102,620	17,216	496.1	82,261	(79.1)
Income tax expense	38,754	4,174	828.5	27,761	(85.0)
Net income	\$ 63,866	\$ 13,042	389.7	\$ 54,500	(76.1)
Return on average assets	1.34%	0.32%		1.40%	
Return on average stockholders' equity	12.90	2.58		8.50	
Average stockholders' equity to average assets	10.38	12.44		16.46	

Net Interest Income and Margin

Net interest income is defined as the difference between interest earned (primarily on loans, investment securities and federal funds sold, securities purchased under agreement to resell and other short-term investments) and interest paid on funding sources (such as deposits and borrowings). Net interest income is our principal source of revenue. Net interest margin is defined as the amount of net interest income, on a fully taxable-equivalent basis, expressed as a percentage of average interest-earning assets. The average yield earned on interest-earning assets is the amount of taxable-equivalent interest income expressed as a percentage of average interest-earning assets. The average rate paid on funding sources is defined as interest expense as a percentage of average funding sources.

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The following table sets forth average assets, liabilities, minority interest and stockholders' equity, interest income and interest expense, average yields and rates, and the composition of our net interest margin for the years ended December 31, 2004, 2003, and 2002.

(As Restated)									
Years Ended December 31,									
	2004			2003			2002		
(Dollars in thousands)	Average Balance	Interest Income/ Expense	Yield/ Rate	Average Balance	Interest Income/ Expense	Yield/ Rate	Average Balance	Interest Income/ Expense	Yield/ Rate
Interest-earning assets:									
Federal funds sold, securities purchased under agreement to resell and other short-term investments(1)	\$ 607,460	\$ 8,421	1.39%	\$ 689,899	\$ 8,024	1.16%	\$ 645,290	\$ 11,517	1.78%
Investment securities(2):									
Taxable	1,648,536	70,651	4.29	992,598	39,295	3.96	887,358	37,933	4.27
Non-taxable(3)	123,243	7,698	6.25	142,597	9,613	6.74	177,058	10,606	5.99
Loans(4)(5)(6):									
Commercial	1,613,689	141,179	8.75	1,506,929	129,405	8.59	1,506,547	139,256	9.24
Real estate construction and term	120,568	6,511	5.40	98,720	5,989	6.07	102,479	7,245	7.07
Consumer and other	217,398	9,914	4.56	192,341	8,192	4.26	151,613	7,298	4.81
Total loans	1,951,655	157,604	8.08	1,797,990	143,586	7.99	1,760,639	153,799	8.74
Total interest-earning assets	4,330,894	244,374	5.64	3,623,084	200,518	5.53	3,470,345	213,855	6.16
Cash and due from banks	213,213			192,591			182,400		
Allowance for loan and lease losses	(48,249)			(58,658)			(61,042)		
Goodwill	37,066			91,992			98,252		
Other assets(2)	239,985			207,459			205,915		
Total assets	\$ 4,772,909			\$ 4,056,468			\$ 3,895,870		
Funding sources:									
Interest-bearing liabilities:									
NOW deposits	\$ 25,986	114	0.44	\$ 23,447	105	0.45	\$ 33,567	220	0.66
Regular money market deposits	513,699	2,587	0.50	332,632	1,824	0.55	288,238	2,751	0.95
Bonus money market deposits	739,976	3,721	0.50	673,982	3,686	0.55	614,378	5,855	0.95
Time deposits	329,336	2,001	0.61	485,199	3,468	0.71	610,996	7,403	1.21
Contingently convertible debt	146,255	943	0.64	73,791	572	0.78			0.00
Junior subordinated debentures	49,366	1,505	3.05	23,823	3,026	12.70			0.00
Other borrowings	16,605	520	3.13	40,903	772	1.89	57,593	1,647	2.86
Total interest-bearing liabilities	1,821,223	11,391	0.63	1,653,777	13,453	0.81	1,604,772	17,876	1.11
Portion of noninterest-bearing funding sources									
Total funding sources	4,330,894	11,391	0.26	3,623,084	13,453	0.37	3,470,345	17,876	0.52
Noninterest-bearing funding sources:									
Demand deposits	2,296,411			1,762,306			1,516,277		
Other liabilities	100,920			79,079			64,007		
Trust preferred securities(7)				19,193			38,267		
Minority interest	59,152			37,481			31,145		
Stockholders equity	495,203			504,632			641,402		

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Portion used to fund interest-earning assets	(2,509,671)		(1,969,307)		(1,865,573)			
Total liabilities, minority interest and stockholders' equity	\$ 4,772,909		\$ 4,056,468		\$ 3,895,870			
Net interest income and margin		\$ 232,983	5.38%		\$ 187,065	5.16%	\$ 195,979	5.64%
Total deposits	\$ 3,905,408		\$ 3,277,566		\$ 3,063,456			

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- (1) Includes average interest-yielding deposits in other financial institutions of \$10,559, \$783, and \$609 in 2004, 2003 and 2002, respectively.
- (2) Average noninterest-earning investment securities, primarily marketable and non-marketable equity securities, are excluded from the totals of investment securities and are included in other assets. Average noninterest-earning investment securities amounted to \$137,475, \$130,030 and \$120,126 for the years ended December 31, 2004, 2003 and 2002, respectively. The calculation of yield on available-for-sale securities is based on average historical cost and does not give effect to changes in fair value that are reflected in stockholders' equity.
- (3) Interest income on nontaxable investments is presented on a fully taxable-equivalent basis using the federal statutory tax rate of 35% for all years presented. These adjustments were \$2,694, \$3,365, and \$3,712 for the years ended December 31, 2004, 2003, and 2002, respectively.
- (4) Average loans include average nonaccrual loans of \$14,533, \$16,089, and \$19,602 in 2004, 2003, and 2002, respectively.
- (5) Average loans are net of average unearned income of \$10,407, \$10,541 and \$9,994 in 2004, 2003, and 2002, respectively.
- (6) Loan interest income includes loan fees of \$31,940, \$31,164, and \$34,260 in 2004, 2003 and 2002, respectively.

(7) Adoption of FIN 46R in December 2003 and SFAS No. 150 in May 2003 resulted in a change of classification of trust preferred securities distribution expense from noninterest expense to interest expense on a prospective basis. Additionally, the adoption of FIN 46R and SFAS No. 150 resulted in a change of classification of trust preferred securities from noninterest-bearing funding sources to interest-bearing liabilities on a prospective basis. Prior to adoption of FIN 46R and SFAS No. 150, in accordance with accounting rules in effect at that time, the Company recorded trust preferred securities distribution expense as noninterest expense. On October 30, 2003, \$50.0 million in cumulative 7.0% trust preferred securities were issued through a newly formed special purpose trust, SVB Capital II. We received \$51.5 million in proceeds from the issuance of 7.0% junior subordinated debentures to SVB Capital II. A portion of the net proceeds were used to redeem the existing \$40.0 million of 8.25% trust preferred securities. Approximately \$1.3 million of unamortized issuance costs related to redemption of the \$40.0 million 8.25% trust preferred securities were included in interest expense in the fourth quarter of 2003.

Net interest income is affected by changes in the amount and mix of interest-earning assets and interest-bearing liabilities, referred to as volume change. Net interest income is also affected by changes in yields earned on interest-earning assets and rates paid on interest-bearing liabilities, referred to as rate change. The following table sets forth changes in interest income for each major category of interest-earning assets and interest expense for each major category of interest-bearing liabilities. The table also reflects the amount of simultaneous changes attributable to both volume and rate changes for the years indicated. For this table, changes that are not solely due to either volume or rate are allocated in proportion to the percentage changes in average volume and average rate. Changes relating to investments in non-taxable municipal securities are presented on a fully taxable-equivalent basis using the federal statutory tax rate of 35% for all years presented.

(Dollars in thousands)	(As Restated) 2004 Compared to 2003 Increase (Decrease) Due to Changes in			(As Restated) 2003 Compared to 2002 Increase (Decrease) Due to Changes in		
	Volume	Rate	Total	Volume	Rate	Total
Interest income:						
Federal funds sold, securities purchased under agreement to resell and other short-term investments	\$ (1,029)	\$ 1,426	\$ 397	\$ 750	\$ (4,243)	\$ (3,493)
Investment securities	26,631	2,810	29,441	2,072	(1,703)	369
Loans	12,393	1,625	14,018	3,207	(13,420)	(10,213)
Increase (decrease) in interest income	37,995	5,861	43,856	6,029	(19,366)	(13,337)
Interest expense:						
NOW deposits	11	(2)	9	(56)	(59)	(115)
Regular money market deposits	922	(159)	763	376	(1,303)	(927)
Bonus money market deposits	345	(310)	35	523	(2,692)	(2,169)
Time deposits	(1,000)	(467)	(1,467)	(1,315)	(2,620)	(3,935)
Contingently convertible debt	481	(110)	371	572		572
Junior subordinated debentures	1,802	(3,323)	(1,521)	3,026		3,026
Other borrowings	(602)	350	(252)	(403)	(472)	(875)
Increase (decrease) in interest expense	1,959	(4,021)	(2,062)	2,723	(7,146)	(4,423)
Increase (decrease) in net interest income	\$ 36,036	\$ 9,882	\$ 45,918	\$ 3,306	\$ (12,220)	\$ (8,914)

2004 Compared to 2003

Net Interest Income

Net interest income, on a fully taxable-equivalent basis, totaled \$233.0 million for 2004, an increase of \$45.9 million, or 24.5%, from 2003. The increase in net interest income was the result of a \$43.9 million increase in interest income and a \$2.1 million decrease in interest expense.

Interest Income Net Increase in Interest-Earning Assets (Volume Variance)

The \$43.9 million increase in interest income for 2004, as compared to 2003, was primarily the result of a \$38.0 million favorable volume variance. The favorable volume variance resulted from a \$707.8 million, or 19.5% increase, in average interest-earning assets. We believe increases in our sources of funding, largely deposits, were the main contributors to the increase in average interest-earning assets. We believe deposits increased due to an improved venture capital funding environment and general improvements in business conditions for many of our clients. This increase in average interest-earning assets was primarily centered in investment securities, which increased \$636.6 million, and loans, which increased \$153.7 million.

Average investment securities increased by \$636.6 million, resulting in a \$26.6 million favorable volume variance. Throughout 2004, we continued our investment strategy of changing the investment portfolio mix by increasing the portion of the portfolio invested in relatively higher-yielding mortgage-backed securities and collateralized mortgage obligations. Our average investments in mortgage-backed securities and collateralized mortgage obligations collectively increased by \$564.8 million for 2004 as compared to 2003, largely funded by increases in client deposits. We estimated the duration of our investment portfolio increased to 2.1 years at December 31, 2004, from 1.7 years at December 31, 2003. The increase in duration was primarily due to the increase in mortgage-backed securities and collateralized mortgage obligations whose average duration is typically in the 2 to 5 year range.

In addition, average loans increased by \$153.7 million, or 8.5% in 2004 as compared to 2003, resulting in a \$12.4 million favorable volume variance. The volume variance is largely driven by growth in our commercial loan category, which increased by \$106.8 million. In particular, the average balances of higher-yielding loan products such as asset-based loans and accounts receivable factoring increased by \$39.4 million and \$68.6 million, respectively. In addition, we also grew our average real estate and consumer loan portfolios. The increase in average loans reflects an improvement in economic activity and in the markets served by us. These new loans continue to be subject to our existing underwriting practices. Our strategy is to grow average loans modestly during 2005 as our corporate technology efforts continue to develop. Our loan yield in 2004 included \$5.7 million from accretion of warrant loan fees as compared to \$6.6 million in 2003.

Average federal funds sold, securities purchased under agreement to resell and other short-term investments for 2004 decreased by \$82.4 million, or 11.9%, resulting in a \$1.0 million unfavorable volume variance.

Interest Income Shift in the Composition of Average Interest-Earning Assets (Rate Variance)

Favorable rate variances associated with each component of interest-earning assets caused a \$5.9 million increase in interest income in 2004 as compared to 2003. Although the yields on federal funds sold, securities purchased under agreement to resell and other short-term investment securities increased and the yield on loans remained unchanged, the yield on total average interest-earning assets remained relatively unchanged. The overall yield remained unchanged due to a change in the mix of our total average interest-earning assets. In 2004, investment securities represented 40.9% of our total average interest-earning assets and loans represented 45.1% of our total average interest-earning assets. In 2003, investment securities represented 31.3% of our total average interest-earning assets, and loans represented 49.6% of our total average interest-earning assets. Thus, the increase in yields on federal funds sold, securities purchased under agreement to resell and other short-term investment securities in 2004 as compared to 2003 was offset by the change in overall composition of our interest-earning assets.

We increased our prime lending rate by 25 basis points on each of five occasions in the latter half of 2004, increasing it from 4.00% to 5.25%. As of December 31, 2004, approximately 81.3%, or \$1.9 billion, of our outstanding loans were variable rate loans, which would re-price with any further increase or any decrease in our prime lending rate, unless restricted by the terms of any such loans.

The yield on investment securities increased by 11 basis points to 4.42% in 2004 from 4.31% for 2003, causing a \$2.8 million favorable rate variance. This was primarily due to a shift in the composition of a portion of the investment portfolio to relatively higher-yielding mortgage-backed securities and collateralized mortgage obligations.

We also realized a \$1.4 million favorable rate variance associated with our federal funds sold, securities purchased under agreement to resell and other short-term investments, which is largely driven by higher short-term market interest rates in 2004 as compared to 2003. We expect to continue the trend of managing federal funds sold, securities purchased under agreement to resell and other short-term investments at appropriate levels for our liquidity needs.

Interest Expense

Total interest expense for 2004 decreased by \$2.1 million from 2003, despite a \$167.4 million, or 10.1% increase in our interest-bearing liabilities. The decrease in interest expense was primarily the result of a \$4.0 million favorable rate variance, partially offset by a \$1.9 million unfavorable volume variance.

We experienced a favorable rate variance of \$4.0 million primarily due to lower interest expense related to borrowing. In the fourth quarter of 2003, we recognized \$1.3 million in unamortized issuance costs associated with the early redemption of the \$40.0 million, 8.25% trust preferred securities.

Also, in the fourth quarter of 2003, we issued \$51.5 million in 7.0% junior subordinated debentures and simultaneously entered into an interest rate swap agreement with a notional amount of \$50.0 million. This interest rate swap agreement hedges against the risk of changes in fair value associated with our 7.0% junior subordinated debentures. The terms of this fair value hedge agreement provide for a swap of our 7.0% fixed rate payment for a variable rate based on LIBOR plus a spread. For 2004, we paid interest expense of \$3.5 million on the 7.0% junior subordinated debentures. However, the fair value hedge agreement provided income of \$2.2 million, resulting in net interest expense of \$1.3 million for 2004.

There were significant fluctuations in several line items of the total interest expense volume variance, which largely offset each other. In particular, the implementation SFAS No. 150 and FIN 46 in mid-2003 required us to reclassify our trust preferred securities to the long-term debt category during 2003. Additionally, these accounting pronouncements also required us to classify the trust preferred securities distribution expense as interest expense, on a prospective basis. The trust preferred distribution expense had previously been classified as noninterest expense.

Increases in regular money market and bonus money market deposits contributed a \$1.3 million unfavorable variance to the total interest expense volume variance. This unfavorable volume variance was largely offset by lower time deposits, which provided a \$1.0 million favorable volume variance. Due to the general improvement in the venture capital funding environment, highly-liquid money market deposits increased by \$247.1 million, while longer-term time deposits have decreased by \$155.9 million. Our clients may use time deposits as collateral for letters of credit issued by Silicon Valley Bank on their behalf, to certain third parties such as real estate lessors. We believe time deposits have decreased partly because of a softer real estate market, which generally reduces the frequency of these types of arrangements. Moreover, due to the general improvement in the economic environment, borrowings secured by time deposits have decreased.

A shift of client funds from time deposits to more liquid money market deposits also contributed to the favorable rate variance.

The average cost of funds of 0.26% for 2004 represented a decrease from 0.37% in 2003. The decrease was largely attributable to a decrease in the cost of borrowings and to a relative increase in noninterest-bearing funding sources as a percentage of total funding sources.

2003 Compared to 2002

Net Interest Income

Net interest income on a fully taxable-equivalent basis totaled \$187.1 million in 2003, a decrease of \$8.9 million, or 4.5%, from \$196.0 million in 2002. The decrease in net interest income was due to a \$13.3 million, or 6.2%, decline in interest income, offset by a \$4.4 million, or 24.7%, decrease in interest expense over the comparable prior-year period. Interest expense in 2003 included \$3.0 million related to the SFAS No. 150 and FIN 46 mandated classification of trust preferred securities distribution expense as interest expense for the latter half of 2003. For periods prior to June 30, 2003, trust preferred securities distribution expense was classified as noninterest expense and therefore did not impact the net interest margin.

Interest Income Impact of Declining Market Interest Rates on Interest-Earning Assets (Rate Variance)

Throughout the decreasing market interest rate environment, we implemented numerous measures to minimize the impact to our net interest margin. These measures included diversifying the product mix in the investment portfolio to higher yielding, high-quality assets and reducing rates paid on interest-bearing deposits. Additionally, we increased the duration of our investment securities portfolio by replacing certain short-term, lower yielding securities with longer-term, higher-yielding securities such as collateralized mortgage obligations, thereby taking advantage of a steeper interest rate curve. Overall, the duration of our investment securities portfolio increased to approximately 1.7 years in 2003, from approximately 1.5 years in 2002.

The \$13.3 million decrease in interest income for 2003, as compared to 2002, was the result of a \$19.4 million unfavorable rate variance associated with each component of interest-earning assets, partially offset by a \$6.0 million favorable volume variance. Market interest rates decreased slightly during 2003, which caused the weighted average prime rate to decline by 56 basis points to 4.12% from 4.68% in 2002. Consequently, the yield on loans decreased by 75 basis points in 2003 to 7.99% from 8.74% in 2002. In 2003, we incurred a \$13.4 million unfavorable rate variance associated with our loan portfolio. Floating rate loans, which represent approximately 81.2% of our total loan portfolio, produced lower interest income due to a lower average prime rate in 2003 compared to 2002. The average yield on federal funds sold, securities purchased under agreement to resell and other short-term investments also decreased due to the decline in market interest rates from 1.78% in 2002 to 1.16% in 2003, which caused a \$4.2 million unfavorable rate variance.

Interest Income Net Increase in Interest-Earning Assets (Volume Variance)

Total average interest-earning assets in 2003 increased \$152.7 million, or 4.4% as compared to the prior year. The increase in total average interest-earning assets was principally funded by an increase in average noninterest-bearing deposits of \$246.0 million, or 16.2%, and an increase in average long-term debt of \$80.9 million, or 140.5%, offset by a decrease in average stockholders' equity of \$136.8 million, or 21.3%. The increase in average long-term debt was principally due to the issuance of \$150.0 million of zero coupon convertible debt in May 2003. The net proceeds from the issuance of the convertible debt were largely used to repurchase our common stock, which resulted in the aforementioned decrease in average stockholders' equity.

Average loans increased \$37.4 million, or 2.1%, in 2003, as compared to 2002, resulting in a \$3.2 million favorable volume variance. Our loan yield in 2003 included \$6.6 million from accretion of warrant loan fees as compared to \$9.0 million in 2002. In 2003, we grew our average loan portfolio to a record level by continuing to focus on attracting corporate technology clients, which we believed were under-served by our competitors. We experienced loan growth across most of the industry sectors we serve.

Average investment securities for 2003 increased \$70.8 million, or 6.6%, as compared to 2002, resulting in a \$2.1 million favorable volume variance. The increase in average investment securities was primarily an increase in longer-term collateralized mortgage obligations.

Average federal funds sold, securities purchased under agreement to resell and other short-term investments increased \$44.6 million, or 6.9%, in 2003, as compared to the prior year, resulting in a \$0.8 million favorable volume variance. This increase was primarily due to a change in the investment portfolio mix.

The yield on average interest-earning assets decreased 63 basis points in 2003 from the prior year. This decrease primarily resulted from a decline in short-term market interest rates; thus, we earned lower yields on each component of our interest-earning assets.

Interest Expense

Total interest expense in 2003 decreased \$4.4 million from 2002. This decrease was due to a favorable rate variance of \$7.1 million, partially offset by an unfavorable volume variance of \$2.7 million. The favorable rate variance between 2003 and 2002 primarily resulted from a reduction in the average rates paid on all of our interest-bearing deposits, particularly those rates paid on our time deposit and bonus money market deposit products.

The unfavorable volume variance was due in large part to the SFAS No. 150 mandated classification of trust preferred securities distribution expense of \$3.0 million as interest expense for the latter half of 2003. Trust preferred securities distribution expense was previously classified as noninterest expense. Of the \$3.0 million in trust preferred securities distribution expense, approximately \$1.3 million related to the recognition of deferred issuance costs in the fourth quarter of 2003, due to the early redemption of our 8.25% trust preferred securities. We entered into an interest rate swap agreement to swap our 7.0% fixed payment on junior subordinated debentures for a variable rate based on the London Inter-Bank Offer Rate (LIBOR) plus a spread.

Additionally, we experienced an unfavorable volume variance of \$3.2 million related to borrowings. In the second quarter of 2003, we issued \$150.0 million of zero-coupon, convertible subordinated notes, with a maturity of June 15, 2008. Although no interest was paid on the notes, we experienced an increase in interest expense due

to amortization of the contingently convertible debt issuance costs. The overall unfavorable volume variance caused primarily by long-term debt and trust preferred securities was partially offset by average time deposits, which decreased from \$611.0 million in 2002 to \$485.2 million in 2003, causing a \$1.3 million favorable volume variance.

The average cost of funds paid on average interest-bearing liabilities in 2003 was 0.81% down from 1.11% in 2002. This decrease in the average cost of funds was largely due to a decrease of 50 basis points on the average rates paid on both our money market deposit and time deposit products.

Provision for Loan Losses

The provision for loan losses is based on our evaluation of the adequacy of the existing allowance for loan and lease losses in relation to total loans and on our periodic assessment of the inherent and identified risk dynamics of the loan portfolio resulting from reviews of selected individual loans and loan commitments. For a more detailed discussion of credit quality and the allowance for loan and lease losses, see Item 7. Critical Accounting Policies and Item 7. Financial Condition Credit Quality and the Allowance for Loan and Lease Losses.

2004 Compared to 2003 Continued Improved Credit Quality Prompts Further Recovery of Provision for Loan Losses

We realized a recovery of provision for loan losses of \$10.3 million in 2004 compared to a recovery of provision for loan losses of \$9.9 million in 2003. In 2003, our loan loss recoveries exceeded loan charge offs by \$1.4 million. We incurred net charge-offs of approximately \$2.0 million in 2004 and credit quality remained strong with nonperforming loans at 0.64% of gross loans. We believe the improvement in the recovery of loan losses was primarily attributable to our improved credit risk management and to improved economic conditions.

2003 Compared to 2002 Improved Credit Quality Leads to Recovery of Provision for Loan Losses

We realized a recovery of provision for loan losses of \$9.9 million in 2003, as compared to provision for loan losses of \$5.9 million in 2002. We realized a slight net recovery of loan losses in 2003, compared to net charge-offs of \$4.4 million in 2002. The change in provision for loan losses for 2003, as compared to 2002, resulted from the improvement in our loan portfolio's credit quality position.

A large part of the loan recoveries in 2003 related to a settlement in August 2003 of litigation commenced by us relating to a charged-off film loan. This was reflected in the provision for loan losses for both the third quarter and nine months ended September 30, 2003. In October 2000, we filed a civil lawsuit for approximately \$8.3 million (plus attorneys' fees and interest) in the United States District Court for the Central District of California, against certain insurance companies for various causes of action, including breach of contract, breach of the duty of good faith, and fair dealing and fraud. The lawsuit concerned our claim for insurance coverage under an insurance policy issued to us by these insurance companies related to a loan made by us to finance production of a film. In the third quarter of 2003, the parties entered into a confidential and mutually agreeable settlement agreement, after which we dismissed the lawsuit. As a result of the settlement, we recorded significant recovery related to a previously charged-off film loan.

Noninterest Income

The following table summarizes the components of noninterest income and the percent change from year to year:

(Dollars in thousands)	(As Restated) Years Ended December 31,					% Change 2003/2002
	2004	2003	% Change 2004/2003	2002		
Client investment fees	\$ 26,919	\$ 23,991	12.2%	\$ 30,344		(20.9)%
Corporate finance fees	22,024	12,204	80.5	10,872		12.3
Letter of credit and standby letter of credit income	9,994	8,912	12.1	10,258		(13.1)
Deposit service charges	13,538	13,202	2.5	9,072		45.5
Gains (losses) on investment, securities net	5,198	(9,614)	(154.1)	(10,679)		(10.0)
Credit card fees	2,817	3,431	(17.9)	955		259.3
Gains (losses) on derivative instruments, net	16,746	20,200	(17.1)	11,815		71.0
Other	9,726	8,505	14.4	8,789		(3.2)
Total noninterest income	\$ 106,962	\$ 80,831	32.3%	\$ 71,426		13.2%

	At December 31,			At December 31,	At December 31,
	2004	2003	2002	2003	2002
(Dollars in millions)					
Client investment funds(1):					
Private label client investment funds	\$ 7,261	\$ 7,615	\$ 7,642		
Client investment assets under management	2,678	592			
Sweep funds	1,351	1,139	853		
Total client investment funds	\$ 11,290	\$ 9,346	\$ 8,495		

(1) Client funds invested through SVB Financial Group, maintained at third party financial institutions.

We offer investment products and services that include mutual funds and other investments, sweep products, and asset management services to our clients.

Our fees, calculated on clients' average balances, ranged from 9 to 70 basis points (fixed income securities and Federated Sweep, respectively) as of December 31, 2004, compared to a range of 10 to 100 basis points as of December 31, 2003.

Total client investment funds were \$11.3 billion at December 31, 2004, compared to \$9.3 billion at December 31, 2003, an increase of \$2.0 billion, or 20.8%. As of December 31, 2004, client investment assets under management accounted for \$2.7 billion, or 23.7%, of total client investment funds. Mutual fund products were \$6.2 billion at December 31, 2004, and \$6.4 billion at December 31, 2003.

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Client investment fee income increased by \$2.9 million from 2003 to 2004. Client investment fees for 2004 were \$26.9 million. The increased income was largely attributable to the growth in client investment funds.

The increase in corporate finance fees in 2004 over 2003 was in large part due to a single large investment banking transaction, which generated \$6.1 million in fees. SVB Alliant's business is highly variable so we expect to see significant changes in corporate finance fees from year to year.

The increase in letter of credit and standby letter of credit income was primarily due to a higher volume of transactions, which resulted from increased global economic activity associated with our clients' markets.

We recognized net investment gains in 2004, as compared to net investment losses in 2003.

	(As Restated) Years Ended December 31,		% Change
(Dollars in thousands)	2004	2003	2004/2003
Gross gains on investment securities:			
Available-for-sale securities, at fair value	\$ 2,738	\$	
Non-marketable securities (investment company fair value accounting):			
Venture capital fund investments	5,568	1,541	261.3%
Other private equity investments	3,163	2,324	36.1%
Other investments	7	12	(41.7)%
Non-marketable securities (cost method accounting):			
Venture capital fund investments	1,282	154	732.5%
Other private equity investments	1,035	2,113	(51.0)%
Total gross gains on investment securities	13,793	6,144	124.5%
Gross losses on investment securities:			
Available-for-sale securities, at fair value	(535)	(1,447)	(63.0)%
Non-marketable securities (investment company fair value accounting):			
Venture capital fund investments	(3,655)	(5,966)	(38.7)%
Other private equity investments	(977)	(4,063)	(76.0)%
Other investments	(48)	(40)	20.0%
Non-marketable securities (cost method accounting):			
Venture capital fund investments	(3,063)	(2,802)	9.3%
Other private equity investments	(317)	(1,440)	(78.0)%
Total gross losses on investment securities	(8,595)	(15,758)	(45.5)%
Net gains (losses) on investment securities	\$ 5,198	\$ (9,614)	(154.1)%

Investment gains in 2004 were principally derived from the changes in fair value and realized sales of marketable and non-marketable equity securities from private equity securities, our managed funds of funds, our managed venture capital fund, and direct equity investments. Losses on our equity investments, excluding the impact of minority interest, were \$1.3 million for 2004 compared to \$4.0 million for 2003. We expect continued variability in the performance of our equity portfolio.

Credit card fees declined slightly in 2004. As a result of our increased efforts to market a full range of fee-based financial services to our clients, client usage of this product increased in 2003 as compared to 2002, as did the fees charged for this line of service.

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The following table summarizes the components of gains (losses) on derivative instruments for the years ended December 31, 2004 and 2003, and the percent changes from period to period:

(Dollars in thousands)	(As Restated) Years Ended December 31,			% Change 2004/2003
	2004		2003	
Foreign exchange forwards	\$ 13,997	\$	10,991	27.3%
Interest rate swap			1,001	
Equity warrant assets change in fair value:				
Cancellations and expirations	(2,424)		(2,970)	(18.4)%
Other changes in equity warrant asset fair value	5,173		11,178	(53.7)%
Total gains on derivative instruments, net	\$ 16,746	\$	20,200	(17.1)%

The change in fair value of equity warrant assets is primarily attributed to the changes in the value of the underlying assumptions used to value the equity warrants including: changes in the risk-free interest rate, changes in the underlying value of the client companies' stock, changes in the volatility of market comparable public companies and changes in the expected life.

2003 Compared to 2002 Decreases in Client Investment Fees and Letter of Credit and Standby Letter of Credit Fee Income, Partially Offset by an Increase in Deposit Service Charges

Client investment fees decreased in 2003 from 2002. Fees on clients' average balances ranged from 10 to 100 basis points in 2003 and 12.5 to 107 basis points in 2002. At December 31, 2003, \$9.3 billion in client funds were invested in these products, compared to \$8.5 billion in 2002. Of these funds, \$6.4 billion and \$8.5 billion were invested in mutual fund products as of December 31, 2003 and 2002, respectively. Total invested client funds have increased between 2003 and 2002, however the decrease in client investment fees from year to year was due to a shift in client investment mix. The sustained low interest rate environment has caused lower priced investment products to become a more attractive investment strategy for many of our clients.

In the first quarter of 2003, we established a registered investment advisor (SVB Asset Management) to meet the demand for active management of client investment portfolios. This action will allow us to provide a more expansive and competitive array of investment products and services to our clients. While the fees earned per dollar managed has been reduced, our strategy is to make up for the lower fees through greater volume. At December 31, 2003, SVB Asset Management had \$591.6 million of assets under management.

Deposit service charges increased in 2003 over 2002 as we have expanded and enhanced our suite of fee-based financial (depository) services and client usage has increased overall. Clients compensate us for depository services, either through earnings credits computed on their demand deposit balances or via explicit payments that we recognize as deposit service charges income. Earnings credits are calculated using client average daily deposit balances less a reserve requirement and a discounted U.S. Treasury bill interest rate. Clients received lower earnings credits in 2003 compared to 2002 due to lower short-term market interest rates, resulting in fewer earnings credits to offset deposit service charges.

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Corporate finance fees increased slightly in 2003 from 2002. Corporate finance fees totaled \$10.9 million in 2002. In 2002, SVB Alliant, our investment-banking subsidiary, generated the entire balance of \$10.9 million. SVB Alliant's revenues are typically a function of the valuation of its clients' mergers and acquisitions transactions. Economic events depressed valuations of high technology and life science corporations in 2003 and 2002. Thus, SVB Alliant has not achieved its merger and acquisition revenue goals. Consequently, we incurred aggregate impairment of goodwill charges of \$63.0 million in 2003; see the discussion under the heading Noninterest Expense contained later in this Management Discussion and Analysis of Financial Condition and Results of Operations section.

Letter of credit and standby letter of credit fee income decreased between 2002 and 2003 as a result of increased competition and increased availability of these product types from other financial institutions.

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(Dollars in thousands)	(As Restated) Years Ended December 31,		% Change 2003/2002
	2003	2002	
Gross gains on investment securities:			
Available-for-sale securities, at fair value	\$	\$ 30	
Non-marketable securities (investment company fair value accounting):			
Venture capital fund investments	1,541	44	
Other private equity investments	2,324	581	300.0%
Other investments	12		
Non-marketable securities (cost method accounting):			
Venture capital fund investments	154	275	(44.0)%
Other private equity investments	2,113	142	
Total gross gains on investment securities	6,144	1,072	473.1%
Gross losses on investment securities:			
Available-for-sale securities, at fair value	(1,447)		
Non-marketable securities (investment company fair value accounting):			
Venture capital fund investments	(5,966)	(5,761)	3.6%
Other private equity investments	(4,063)	(1,315)	209.0%
Other investments	(40)	(40)	0.0%
Non-marketable securities (cost method accounting):			
Venture capital fund investments	(2,802)	(2,510)	11.6%
Other private equity investments	(1,440)	(2,125)	(32.2)%
Total gross losses on investment securities	(15,758)	(11,751)	34.1%
Net losses on investment securities	\$ (9,614)	\$ (10,679)	(10.0)%

The 2003 and 2002 losses were primarily related to the write-downs of certain managed venture capital fund and direct equity investments. Excluding the impact of minority interest, the net write-downs of our equity securities totaled approximately \$4.1 million in both 2003 and 2002.

Net losses on investment securities in 2003 decreased as compared to 2002. The decreases were principally derived from the changes in fair value and realized sales of marketable and non-marketable equity securities from private equity securities, our managed funds of funds, and direct equity investments. Losses on our equity investments, excluding the impact of minority interest, were \$4.0 million for 2003 compared to \$4.9 million for 2002. We expect continued variability in the performance of our equity portfolio.

The following table summarizes the components of gains (losses) on derivative instruments for the years ended December 31, 2003 and 2002, and the percent changes from period to period:

(Dollars in thousands)	(As Restated) Years Ended December 31,		% Change 2003/2002
	2003	2002	
Foreign exchange forwards	\$ 10,991	\$ 13,415	(18.1)%
Interest rate swap	1,001	1,070	(6.4)%
Equity warrant assets change in fair value:			
Cancellations and expirations	(2,970)	(2,430)	22.2%
Other changes in equity warrant asset fair value	11,178	(240)	

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Total gains on derivative instruments	\$	20,200	\$	11,815	71.0%
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The change in fair value of equity warrant assets is primarily attributed to the changes in the value of the underlying assumptions used to value the equity warrants including: changes in the risk-free interest rate, changes

in the underlying value of the client companies stock, changes in the volatility of market comparable public companies and changes in the expected life.

Other noninterest income largely consisted of service-based fee income associated with our deposit and loan services as well as fund management fees.

Noninterest Expense

The following table presents the detail of noninterest expense and the percent change, year over year:

(Dollars in thousands)	(As Restated) Year Ended December 31,				
	2004	2003	% Change 2004/2003	2002	% Change 2003/2002
Compensation and benefits	\$ 153,897	\$ 121,653	26.5%	\$ 103,505	17.5%
Net occupancy	18,134	17,638	2.8	20,391	(13.5)
Professional services	17,068	13,677	24.8	18,385	(25.6)
Furniture and equipment	12,403	11,289	9.9	9,562	18.1
Business development and travel	9,718	8,692	11.8	8,426	3.2
Correspondent bank fees	5,340	4,343	23.0	2,835	53.2
Data processing services	3,647	4,288	(14.9)	4,360	(1.7)
Telephone	3,367	3,187	5.6	3,123	2.0
Postage and supplies	3,255	2,601	25.1	3,190	(18.5)
Tax credit funds amortization	2,480	2,704	(8.3)	2,963	(8.7)
Impairment of goodwill	1,910	63,000	(97.0)		
Provision for unfunded credit commitments	1,549	2,504	(38.1)	(3,338)	(175.0)
Trust preferred securities distributions		1,595	(100.0)	3,300	(51.7)
Other	9,062	7,725	17.3	6,624	16.6
Total noninterest expense	\$ 241,830	\$ 264,896	(8.7)%	\$ 183,326	44.5%

2004 Compared to 2003 Decrease in Impairment of Goodwill, Increases in Compensation and Benefits and Professional Services Expense

The increase in compensation and benefits expense of \$32.2 million was primarily due to an increase in incentive compensation expense of \$18.3 million, or 112.7 %, to \$34.5 million during 2004, compared to \$16.2 million during 2003. Incentive compensation at SVB Alliant increased \$6.9 million and was driven by a 80.5% increase in investment banking revenues from \$12.2 million to \$22.0 million. The remaining increase in incentive compensation is largely attributable to improved financial performance of Silicon Valley Bank.

The remainder of the increase in compensation and benefits expense during 2004 was largely due to increases in salaries and wages expense, employee stock ownership plan expense, and equity-based compensation expense. Salaries and wages expense increased by \$4.1 million, or 5.1%, to \$84.3 million during 2004, compared to \$80.2 million during 2003. The increase was primarily attributable to higher rates of employee salaries and wages. Average full-time equivalent (FTE) personnel was 999 during 2004, a slight increase from 994 FTE personnel during 2003.

Employee stock ownership plan expense increased by \$3.0 million, or 78.7%, to \$6.8 million during 2004, compared to \$3.8 million during 2003. The increase was attributable to our improved consolidated financial performance. See Item 8. Consolidated Financial Statements and Supplementary Data Note 19. Employee Benefit Plans for further discussion of the employee stock ownership plan.

Lastly, equity-based compensation increased by \$2.4 million, or 237.0%, to \$3.4 million in 2004, compared to \$1.0 million in 2003. This increase reflects our increased use of restricted stock and restricted stock units, in lieu of stock options, as components of our employee compensation structure, as we transition our equity-based compensation programs.

Net occupancy expense remained relatively unchanged between 2004 and 2003. However, on September 15, 2004, we renegotiated the lease related to our corporate headquarters facility in Santa Clara, California, which replaced the original lease, dated as of March 8, 1995. The new lease covers two buildings, comprising approximately 157,000 square feet of space, which we occupied under the previous lease, as well as a third building, comprising approximately 56,500 square feet of space, within the same facility complex. The total square feet of the premises leased under the new lease arrangement is approximately 213,500 square feet, which is approximately the same square footage of our corporate headquarters under its previous leases. The term of the new corporate headquarters lease began retroactively on August 1, 2004, and will end on September 30, 2014, unless terminated on an earlier date. Based on the new lease terms, our corporate headquarters lease expense will be lower under the new lease arrangement. The landlord for these premises is contributing approximately \$7.0 million towards the cost of these renovations, improvements, and alterations. We expect to incur renovation, improvement, and alteration costs in excess of this amount.

Professional services expenses consist of costs associated with corporate legal services, litigation settlements, accounting and auditing services, information technology and other consulting, and our board of directors. The increase in professional services was primarily due to three significant factors:

Firstly, in 2003, we settled the remaining aspects of a film loan litigation and were able to recover significant legal expenses pertaining to those proceedings. The recovery of legal costs was recorded, upon receipt of the funds, as a reduction of legal expense in 2003.

Secondly, in 2004 we incurred an increase in professional services fees associated with commitment of resources to document and enhance controls required by the Sarbanes-Oxley Act of 2002 and the independent audit thereof. In particular, these costs were substantially higher in the fourth quarter of 2004.

Lastly, we incurred approximately \$1.4 million in professional fees related to fund raising activities associated with Gold Hill Venture Lending 03, LP which are venture debt fund entities. These venture debt funds raised approximately \$214.1 million in capital commitments. SVB Financial Group initiated the formation of these funds and agreed to pay a portion of the related fund raising fees.

Over the past few years, we have continued to emphasize stringent controls over the use of external consulting services.

The increase in furniture and equipment expense is primarily due to the consolidation of two of our offices in southern California and the cost of furnishings for a newly opened Silicon Valley office.

The increase in business development and travel was primarily due to costs related to our sponsorship of the inaugural SVB Tech Investors Forum in September 2004. At this event, which was held in San Francisco, California, 76 public and private technology companies presented to over 500 investors. There were also incremental travel expenses associated with the opening of our international subsidiaries in London, England, and Bangalore, India in September 2004.

Correspondent bank fees increased from year to year. Many of our correspondent banks provide earnings credits to offset bank fees we incur when using their services. Earnings credits are generally calculated using average daily deposit balances less a reserve requirement and a short-term market interest rate. We received lower earnings credits in 2004 as compared to 2003 due to our maintaining lower average balances with our correspondent banks and lower average short-term market interest rates. As such, we had fewer earnings credits to offset bank fees

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charges incurred by us. Thus, we incurred higher recognizable bank fees in 2004 as compared to 2003. Management made the decision to lower the average balances with correspondent banks because we were able to earn more on our funds by investing them than we would have benefited from lower correspondent bank fees by maintaining larger balances with our correspondent banks.

The decrease in data processing expense was primarily due to the renegotiation, in late 2003, of the terms of an agreement with one of our more significant outsourced data processing providers from a data processing arrangement to a short-term software licensing arrangement. The change in the agreement was executed to facilitate the transition of this data processing from the external provider to our internal resources. Hence the expenses associated with this vendor, which were classified as data processing in the first six months of 2003, were classified as expensed software under the caption furniture and equipment through August 2004. We commenced the in-sourcing of this data processing application in late 2004.

The decrease in impairment of goodwill expense can be attributed to charges of \$63.0 million incurred in 2003 related to our investment banking business unit, SVB Alliant (see further discussion below under the *2003 Compared to 2002* analysis). In 2004, we recognized an impairment charge in the third quarter related to our private client services business unit Woodside Asset Management (see further discussion under Financial Condition Goodwill below).

2003 Compared to 2002 Goodwill Impairment Charges, Increase in Variable Compensation, Decrease in Professional Services Expense

The increase in compensation and benefits expense of \$18.1 million was primarily due to an increase in incentive compensation expense of \$10.1 million, or 164.1%, to \$16.2 million during 2003, compared to \$6.1 million during 2002. We believed the increase in incentive compensation was necessary to retain our professional talent in an improving economic environment.

The remainder of the increase in compensation and benefit expense during 2003 was due to an increase in salaries and wages expense, an increase in 401(k) benefits expense, and a residual net increase in other employee benefits.

Salaries and wages expense increased by \$4.4 million, or 5.8%, to \$79.0 million during 2003, compared to \$74.6 million during 2002. The increase was primarily attributable to higher rates of employee salaries and wages. Average full-time equivalent (FTE) personnel of 994 during 2003 was slightly lower from 1,000 during 2002.

401(k) benefit expense increased by \$2.1 million, or 238.7%, to \$3.0 million during 2003, compared to \$0.9 million during 2002. The increase was attributable to additional matching contributions made by us to this plan during 2003 resulting from changes to the 401(k) plan, which became effective as of January 1, 2003. See Item 8. Consolidated Financial Statements and Supplementary Data Note 19. Employee Benefit Plans for further discussion of the changes to the 401(k) plan.

In 2003, we incurred aggregate impairment of goodwill charges related to the SVB Alliant (formerly Alliant Partners) reporting unit of \$63.0 million (\$38.7 million net of tax, or \$1.04 per diluted common share in 2003). We acquired SVB Alliant on September 28, 2001. In recent times, economic events depressed valuations of technology and life science corporations. Thus, SVB Alliant did not achieve its originally forecasted results of operations. Consequently, we incurred these aggregate impairment charges; see Item 8. Consolidated Financial Statements and Supplementary Data Note 11. Goodwill for further information. For a discussion of our goodwill accounting policies, see Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations Critical Accounting Policies Goodwill.

Occupancy expense decreased by \$2.8 million between 2003 and 2002. In 2002, we exited leased premises in Santa Clara, California, approximating 18,000 square feet. The lease on the building expires in August 2005. Our management determined that the premises would have no future economic value to our operations, except for any potential future sub-lease arrangement. Therefore, during 2002, we incurred charge-offs of approximately \$2.5 million related to the exit of these premises. We incurred no such charge-offs in 2003.

Professional services expenses, which consist of costs associated with corporate legal services, litigation settlements, accounting and auditing services, consulting, and our board of directors, has decreased year to year. In 2003, we settled the remaining aspects of a film loan litigation and were able to recover significant legal expenses pertaining to those proceedings. Additionally, over the past few years, we implemented stringent measures to control the use of external consulting services.

Furniture and equipment expenses increased in 2003 compared to 2002, mainly due to an increase in information technology maintenance costs related to new business initiatives.

Correspondent bank fees increased from year to year. Many of our correspondent banks provide earnings credits to offset bank fees we incur when using their services. Earnings credits are generally calculated using average daily deposit balances less a reserve requirement and a short-term market interest rate. We received lower earnings credits in 2003 as compared to 2002, due to our maintaining lower average balances with our correspondent banks and lower market interest rates. As such, we had fewer earnings credits to offset bank fees charges incurred by us. Thus, we incurred higher recognizable bank fees in 2003 as compared to 2002.

Management made the decision to lower the average balances with correspondent banks because we were able to earn more on our funds by investing them than we would have benefited from lower correspondent bank fees by maintaining larger balances with our correspondent banks.

Beginning July 1, 2003, trust preferred securities distribution expense was required to be classified as interest expense on a prospective basis, pursuant to adoption of SFAS No. 150. Therefore, noninterest expense does not reflect trust preferred securities distribution expense for the latter half of 2003. The 8.25% trust preferred securities, originally issued during the second quarter of 1998, paid a fixed-rate quarterly distribution and had a maximum maturity of 30 years. We completed the early redemptions of the \$40.0 million of 8.25% trust preferred securities in the fourth quarter of 2003.

On June 3, 2002, we entered into a derivative agreement with a notional amount of \$40.0 million. The agreement provided an economic hedge against the risk of changes in fair value associated with our \$40.0 million of 8.25% trust preferred securities. The derivative agreement provided a \$1.0 million and \$1.1 million decrease in trust preferred security distribution expense for 2003 and 2002, respectively. This interest rate swap was terminated effective June 23, 2003.

Other noninterest expense increased by \$1.1 million, or 16.6%, to \$7.7 million during 2003, compared to \$6.6 million during 2002. This increase was substantially attributable to increase in operational losses, client services expense, advertising and promotion expense, and insurance and protection expense.

Operational losses increased by \$0.9 million, or 116.3%, to \$1.6 million during 2003, compared to \$0.7 million during 2002, primarily due to bad debt expense at SVB Alliant.

Client services expense related to loans and deposits increased overall by \$0.5 million, or 24.5%, to \$2.7 million during 2003, compared to \$2.2 million during 2002.

Advertising and promotion expense increased by \$0.4 million, or 32.3%, to \$1.4 million during 2003, compared to \$1.0 million during 2002, primarily due to additional marketing collateral related to new business initiatives.

Insurance and protection expense increased by \$0.3 million, or 42.5%, to \$1.2 million during 2003, compared to \$0.9 million during 2002, primarily due to higher market premiums for the Company's insurance coverage.

Minority Interest in Net Gains (Losses) of Consolidated Affiliates

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Investment gains or losses related to our managed funds (see Part II, Item 8, Consolidated Financial Statements and Supplementary Data Note 8. Investment Securities) are included in our consolidated noninterest income. Minority interest in the net gains or losses of these consolidated managed funds primarily represent net investment gains or losses and management fees expense attributable to the minority interest holders in these managed funds.

The change from net minority interest losses in 2003 to net minority gains in 2004 is primarily attributable to the improved investment returns from two of our managed funds SVB Strategic Investors Fund, LP and Silicon Valley BancVentures, LP.

	(As Restated) Years Ended December 31, % Change 2004/2003 (Dollars in thousands)				% Change 2003/2002
	2004	2003		2002	
Minority interest in net (gains) losses of consolidated affiliates	\$ (3,090)	\$ 7,689	(140.2)%	\$ 7,767	(1.0)%

Income Taxes

2004 Compared to 2003

Our effective income tax rate was 37.8% in 2004, compared to 24.2% in 2003. The increase in our effective tax rate between 2004 and 2003 was primarily attributable to higher pre-tax income. The lower tax rate in 2003

was primarily attributable to a higher impact of our federally tax-exempt municipal bond and tax credit funds on overall pre-tax income.

2003 Compared to 2002

Our effective income tax rate was 24.2% in 2003, compared to 33.7% in 2002. The decrease in our effective tax rate from 2002 to 2003 was primarily due to a higher impact of our tax-advantaged investments on our lower overall earnings, partially offset by the exclusion of REIT tax benefits.

In the third quarter of 2002, we implemented California Real Estate Investment Trust (REIT) to serve as a future-funding vehicle. In 2002 we obtained \$0.8 million in tax benefits from the REIT structure. In 2003, we did not take any REIT tax benefits in response to a California Franchise Tax Board (FTB) announcement on December 31, 2003, which related to new tax shelter regulations. We believe we are appropriately reserved for prior year benefits that were previously recognized. We will not reflect REIT tax benefits prospectively in our future financial statements until this matter has been resolved with the California FTB. We believe that our position with regard to the REIT has merit, and we plan to pursue our tax claims and defend our use of this entity. For further information on our effective tax rate, see Item 8. Consolidated Financial Statements and Supplementary Data Note 17. Income Taxes.

On September 11, 2002, California enacted a law requiring large banks (those with average assets in excess of \$500 million) to conform to federal law with respect to accounting for bad debts. Prior to the law change, all banks, regardless of size, were eligible to use the reserve method of accounting for bad debts which enabled them to take deductions for anticipated bad debt losses prior to the losses being incurred for California tax purposes. With the change, large banks may now only deduct actual charge-offs net of recoveries in determining their California taxable income. Banks that are required to conform to the new law must include in taxable income 50 percent of their existing bad debt reserves as of the end of the prior tax year. As a concession for requiring large banks to comply with the new law, recapture of the remaining 50 percent of the reserve is waived thereby creating a permanent tax benefit. Our one-time tax benefit resulting from the law change was \$0.8 million and was reflected in our income tax expense for 2002. This change, while reducing income tax expense, also resulted in accelerated tax payments.

Operating Segment Results

In accordance with SFAS No. 131, Disclosures about Segments of an Enterprise and Related Information, 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 reportable segments. Please refer to the discussion of our segment organization in the Business Overview in Item 1.

Our primary source of revenue is from net interest income. Accordingly, our segments are reported using net interest income. We also evaluate performance based on noninterest income and noninterest expense, which are presented as components of segment operating profit or loss. We do not allocate income taxes to our segments. Additionally, our management reporting model is predicated on average asset balances therefore, it is not possible to provide period end asset balances for segment reporting purposes. Our segment information at and for the years ended December 31, 2004, 2003 and 2002, are as follows:

Commercial Banking

Year Ended December 31, 2004 Compared to Year Ended December 31, 2003

Net Income (Loss) Before Taxes

Commercial Banking's income before income taxes for 2004 of \$67.9 million represented an increase of \$1.0 million, or 1.5%, from \$66.9 million for 2003. This increase was the net result of higher revenues of \$28.6 million, comprised of higher net interest income of \$18.3 million and higher noninterest income of \$10.3 million, offset by higher noninterest expenses of \$24.9 million.

Net interest income of \$170.1 million for 2004 increased \$18.3 million, or 12.0%, from \$151.8 million for 2003. Higher loans and deposit volumes along with higher interest rates drove this increase.

Recovery of provision for loan losses of \$2.4 million for 2004 represented a net change of approximately \$2.7 million from \$(0.4) million for 2003.

Noninterest income of \$66.1 million for 2004 increased \$10.3 million, or 18.5%, from \$55.8 million for 2003. The increase was primarily driven by letter of credit and foreign exchange income, which increased \$4.6 million; collateral monitoring fees of \$2.3 million, which in 2003 was not reported as part of Commercial Banking; and cash management sweep fees, which increased \$2.2 million. Higher volume of client exchange transactions resulted from increased global economic activity associated with our clients' markets.

Noninterest expense of \$166.0 million for 2004 increased \$24.9 million, or 17.6%, from \$141.1 million for 2003. The increase in noninterest expense was primarily driven by expense related to compensation and benefits and business development. Specifically, incentive compensation increased \$4.1 million, base compensation increased \$2.1 million, and other employee-related expenses increased \$2.1 million. Business development and travel expense increased by \$1.2 million related to strategic initiatives such as the sponsorship of the SVB Tech Forum in San Francisco in the third quarter of 2004 and the global expansion initiatives. Noninterest expenses related to units supporting Commercial Banking activities were also allocated to Commercial Banking. Increases in incentive compensation expenses related to the support units also contributed to the expense increase.

Financial Condition

Commercial Banking had an increase in average deposits of \$622.8 million, or 23.9%, and an increase in average loans of \$128.3 million, or 8.5%, during 2004 compared to 2003. The loan products with the largest growth were accounts receivable factoring, which increased by \$68.1 million, and asset-based lending, which grew by \$41.4 million. The increase in average deposits and average loans reflect an improved funding environment for our venture capital-backed commercial clients and other market factors. Additionally, we are engaged in various marketing initiatives to attract and retain commercial clients at all stages of growth.

Year Ended December 31, 2003 Compared to Year Ended December 31, 2002

Net Income (Loss) Before Taxes

Commercial Banking's income before income taxes for 2003 of \$66.9 million represented a decrease of \$3.6 million, or 5.1%, from \$70.5 million for 2002. This decrease was the result of lower revenues of \$6.7 million and higher expenses of \$2.8 million, partially offset by lower charge-offs of loan and lease losses of \$5.9 million. The lower revenues were comprised of lower net interest income of \$2.1 million and lower noninterest income of \$4.6 million.

Net interest income of \$151.8 million for 2003 decreased \$2.1 million, or 1.4%, from \$154.0 million for 2002. The transfer rates on deposits drove the decrease in net interest income, partially offset by an increase in deposit balances.

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Recovery of provision for loan losses of \$0.4 million for 2003 represented a net change of approximately \$5.9 million, from \$5.6 million of charge-offs for 2002. Commercial Banking benefited from a large recovery related to entertainment loan litigation settlements in the third quarter of 2003.

Noninterest income of \$55.8 million for 2003 decreased \$4.6 million, or 7.6%, from \$60.4 million for 2002. Client investment fees, which decreased \$6.2 million, and letter of credit and foreign exchange income, which decreased \$4.4 million, primarily drove the decrease. These decreases were offset by cash management account fees, which increased by \$3.6 million, and other noninterest income, which increased by \$2.1 million.

Noninterest expense of \$141.1 million for 2003 increased \$2.8 million, or 2.0%, from \$138.3 million for 2002. The increase in noninterest expense was primarily driven by compensation and benefits expense. Incentive compensation expense increased as did the cost of the support units supporting growing business activities within Commercial Banking.

Financial Condition

Commercial Banking had an increase in average deposits of \$162.1 million, or 6.6%. The increase in average deposits reflected an improved funding environment for our venture capital-backed commercial clients

and other market factors. Additionally, we engaged in various marketing initiatives to attract and retain commercial clients at all stages of growth.

SVB Capital

Year Ended December 31, 2004 Compared to Year Ended December 31, 2003

Net Income (Loss) Before Taxes

SVB Capital's income before taxes for 2004 of \$6.4 million represented a \$0.3 million, or 4.9% increase, compared to \$6.1 million for 2003. This increase was primarily attributable to increases in interest income and noninterest income, partially offset by an increase in noninterest expense.

Net interest income for 2004 of \$12.5 million represented a \$0.7 million increase, or 5.6%, from \$11.8 million for 2003. The increase was primarily attributable to a favorable \$1.3 million volume variance related to loans and deposit balances. The increase was partially offset by an unfavorable rate variance of \$0.6 million. The rate variance represents the impact of the interest rate on loans and deposits, net of the transfer pricing.

Noninterest income for 2004 of \$14.8 million represented a \$5.1 million, or 52.7% increase, from \$9.7 million for 2003. Investment gains or losses related to our managed funds, (see Part II, Item 8, Consolidated Financial Statements and Supplementary Data, Note 8. Investment Securities), are included in our consolidated noninterest income. Minority interest in the net gains or losses of these consolidated managed funds primarily represent net investment gains or losses and management fees expense attributable to the minority interest holders in these managed funds.

The change from net minority interest losses in 2003 to net minority gains in 2004 is primarily attributable to the improved investment returns from two of our managed funds SVB Strategic Investors Fund, LP and Silicon Valley BancVentures, LP.

Noninterest expense for 2004 of \$23.4 million represented a \$6.0 million, or 34.5% increase from \$17.4 million for 2003. The increase in noninterest expense is primarily attributed to professional fees and compensation and benefits. Professional fees, primarily related to fund management, increased by \$2.3 million. Compensation and benefits expense increased by \$2.8 million resulting from higher salary expense and stock based compensation. We also incurred approximately \$1.4 million in professional fees related to fund raising activities associated with the Gold Hill Venture Lending 03, LP venture debt fund entities.

Financial Condition

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SVB Capital had an increase in average deposits of \$46.8 million, or 9.1%, and average loans of \$10.4 million, or 15.5%, during 2004 compared to 2003. The growth in average deposits and average loans was due to various market factors, including an improved funds flow environment for SVB Capital's client base, venture capital, and private equity firms, as well as our initiatives to serve clients at all states of growth.

Year Ended December 31, 2003 Compared to Year Ended December 31, 2002

Net Income (Loss) Before Taxes

SVB Capital's income before income taxes of \$6.1 million for 2003 represented an increase of \$4.5 million, or 284.1%, from \$1.6 million for 2002. This increase was the net result of higher revenues of \$21.5 million, comprised of higher net interest income of \$11.8 million and higher noninterest income of \$9.7 million, offset by higher noninterest expenses of \$17.4 million.

Net interest income of \$11.8 million for 2003 increased \$1.2 million, or 10.9%, from \$10.6 million for 2002. The increase was primarily attributable to a favorable \$0.9 million favorable volume variance related to loans and deposit balances, and \$0.3 million favorable rate variance. The rate variance represents the impact of the interest rate on loans and deposits, net of the transfer pricing.

Noninterest income of \$9.7 million for 2003 increased \$7.0 million, or 256.9%, from \$2.7 million for 2002. The increase primarily related to derivative warrant income gains of \$7.5 million compared to a loss of \$1.7 million for the same period in 2002 on a cash basis.

Noninterest expense of \$17.4 million for 2003 increased \$3.6 million, or 26.0%, from \$13.8 million for 2002. The increase in noninterest expense was primarily driven by allocated expense from units supporting business expansion within SVB Capital. Higher incentive compensation expenses at the support units were a prime contributor to the increased allocated costs.

Financial Condition

SVB Capital had an increase in average deposits of \$53.5 million, or 11.6%, and an increase in average loans of \$4.5 million, or 7.2%, during 2003 compared to 2002. The growth in average deposits and average loans was due to various market factors, including an improved funds flow environment for SVB Capital's client base, venture capital, and private equity firms, as well as our initiatives to serve clients at all states of growth.

SVB Alliant

Year Ended December 31, 2004 Compared to Year Ended December 31, 2003

Net Income (Loss) Before Taxes

SVB Alliant's loss before income taxes of \$2.9 million for 2004 represented a \$60.7 million improvement, compared to a \$63.6 million loss for 2003. The increase was primarily a result of goodwill impairment charges of \$63.0 million in 2003.

Noninterest income of \$22.0 million in 2004 represented an increase of \$9.8 million, or 80.5%, compared to \$12.2 million in 2003. The increase was primarily attributable to one single large transaction, which generated \$6.1 million in fees in the second quarter of 2004.

Noninterest expense of \$24.9 million in 2004 represented a decrease of \$50.8 million, compared to \$75.8 million for 2003. The decrease was primarily due to impairment of goodwill charges of \$17.0 million and \$46.0 million incurred during the second and fourth quarters of 2003, respectively. This was partially offset by increases in compensation and benefits expense of \$10.9 million. Of this increase, \$6.9 million was attributable to increased incentive compensation, \$1.6 million was attributable to increased base compensation, \$1.2 million was attributable to increased employee benefits, and \$0.9 million was attributable to increased stock-based compensation expense.

Financial Condition

SVB Alliant's average total assets were lower for 2004 due to impairment charges of goodwill of \$17.0 million and \$46.0 million recorded in the second and fourth quarters of 2003, respectively. Please see Item 8 Consolidated Financial Statements and Supplementary Data Note 7. Goodwill for further discussion.

Year Ended December 31, 2003 Compared to Year Ended December 31, 2002

Net Income (Loss) Before Taxes

SVB Alliant's loss before tax of \$63.6 million for 2003 represented a decrease of \$64.8 million, from pre-tax income of \$1.2 million for 2002.

Noninterest income of \$12.2 million for 2003 increased \$1.3 million, or 12.2%, from \$10.9 million for 2002.

Noninterest expense of \$75.8 million for 2003 represented an increase of \$66.1 million, compared to \$9.7 million for 2002. The increase in noninterest expense was primarily driven by expenses related to charges for impairment of goodwill of \$17.0 million and \$46.0 million incurred during the second and fourth quarters of 2003, respectively. In addition, compensation and benefits expense also increased by \$2.0 million in 2003.

Balance Sheet Analysis

SVB Alliant's average total assets were lower for 2003 due to the reduction in goodwill resulting from the \$17.0 million and \$46.0 million impairment of goodwill charges recorded in the second and fourth quarters of 2003, respectively. Please see Item 8 Consolidated Financial Statements and Supplementary Data Note 11. Goodwill for further discussion.

Private Client Services and Other

The Private Client Services and Other segment, principally consists of our Private Client Services Group, and other business service units that are not part of Commercial Banking, SVB Capital or SVB Alliant segments. The Private Client Services Group does not meet the separate reporting thresholds as defined by SFAS No. 131 and as such has been combined with other business service units for segment reporting purposes. The Private Client Services Group provides a wide range of credit services to high-net-worth individuals using both long-term secured and short-term unsecured lines of credit. Those products and services include home equity lines of credit, secured lines of credit, restricted stock purchase loans, airplane loans, and capital call lines of credit. We also provide our clients with deposit account products and services to meet cash management needs, including checking accounts, deposit accounts, money market accounts, and certificates of deposit. Through our subsidiary, Woodside Asset Management, Inc., we provide individual clients with personal investment advisory services, assisting clients in establishing and implementing investment strategies to meet their individual needs and goals. Woodside Asset Management, Inc. incurred a \$1.9 million goodwill impairment charge in the third quarter ended September 30, 2004. The Private Client Services Group was known as the Private Banking Group until its name change in January 2004.

The other business services units provide various products and services. The Private Client Services and Other segment also reflects those adjustments necessary to reconcile the results of operating segments based on the Company's internal profitability reporting process to the interim unaudited consolidated financial statements prepared in conformity with U.S generally accepted accounting principles applicable to consolidated financial statements.

Net interest income of \$47.7 million for 2004 increased \$20.0 million, or 72.5%, from \$27.7 million for 2003. The increase in net interest income is primarily attributed to an increase of \$25.0 million related to an increased gap between the funds transfer rates utilized for profitability reporting and the realized earnings on the investment portfolio.

Financial Condition

Our total assets were \$5.1 billion at December 31, 2004, an increase of \$677.3 million, or 15.2%, compared to \$4.5 billion at December 31, 2003.

The growth in our total assets was primarily funded by an increase in client deposits, which increased by \$552.7 million, or 15.1% over the period. The increase in total assets was largely concentrated in investment securities and loans.

Federal Funds Sold, Securities Purchased under Agreement to Resell, and Other Investment Securities

Federal funds sold, securities purchased under agreement to resell and other short-term investments totaled a combined \$343.0 million at December 31, 2004, a decrease of \$239.8 million, or 41.1% as compared to \$582.8 million outstanding at the prior year end. The lower levels of federal funds sold, securities purchased under agreement to resell and other short-term investments at December 31, 2004, as compared to the prior year end reflect our current strategy of investing available funds in high quality, fixed income investment securities while maintaining adequate sources of liquidity. Our plan is to continue the trend of managing federal funds sold and overnight repurchase agreements at appropriate levels.

Investment Securities

Investment securities totaled \$2.1 billion at December 31, 2004, an increase of \$544.6 million, or 35.6%, from December 31, 2003. The increase was largely attributable to collateralized-mortgage obligations and mortgage-backed securities, which collectively increased by \$500.5 million and asset-backed securities, which increased by \$63.3 million. See Item 8. Consolidated Financial Statements and Supplementary Data Note 8 - Investment Securities.

For a description of the accounting policies related to Investment Securities, see Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations Critical Accounting Policies and

Item 8. Consolidated Financial Statements and Supplementary Data Note 2. Significant Accounting Policies Investment Securities.

The following table details the composition of investment securities at December 31, 2004, 2003, and 2002:

(Dollars in thousands)	2004	(As Restated) At December 31,		2002
		2003		
Available-for-sale securities:				
U.S. Treasury securities	\$ 29,766	\$ 31,153	\$	20,578
U.S. agencies and corporations:				
Collateralized mortgage obligations	813,919	611,385		420,161
Mortgage-backed securities	594,442	296,494		158,936
Discount notes and bonds	278,331	285,429		197,545
Asset-backed securities	100,996	37,695		38,508
Obligations of states and political subdivisions	98,037	150,871		210,517
Other debt securities	9,851	9,753		8,300
Marketable equity securities	1,343	793		2,266
Venture capital fund investments		8		11
Other equity investments(1)		8,602		7,055
Total available-for-sale securities	1,926,685	1,432,183		1,063,877
Marketable equity securities (investment company fair value accounting)(2)	480			
Non-marketable securities (investment company fair value accounting):				
Venture capital fund investments(3)	52,547	30,149		22,082
Other private equity investments(4)	15,720	10,097		9,986
Other investments(5)	11,247			
Non-marketable securities (equity method accounting):				
Other investments(6)	2,388			
Low income housing tax credit funds	14,070	16,551		18,255
Non-marketable securities (cost method accounting):				
Venture capital funds investments	27,409	27,205		26,750
Federal Home Loan Bank stock(7)	12,798	3,009		2,172
Federal Reserve Bank stock(7)	7,967	7,467		7,394
Other private equity investments	3,656	3,750		6,918
Total investment securities	\$ 2,074,967	\$ 1,530,411	\$	1,157,434

(1) Includes \$0 million, \$8.6 million, and \$7.1 million related to investments owned by two consolidated limited partnerships, Taurus Growth Partners, LP and Libra Partners, LP as of December 31, 2004, 2003, and 2002, respectively. The Taurus Growth Partners, LP and Libra Partners, LP funds were liquidated and the funds were fully distributed as of December 2004. We had a controlling interest of less than 1% in the funds.

(2) Includes \$0.5 million related to Silicon Valley BancVentures, LP at December 31, 2004. The Company has a controlling interest of 10.7% in the fund.

(3) Includes \$45.3 million, \$30.1 million, and \$22.1 million related to our fund of funds, SVB Strategic Investors Fund, LP, as of December 31, 2004, 2003, and 2002, respectively. We had a controlling ownership interest of 11.1%

in the fund. It also includes \$7.3 million related to SVB Strategic Investors Fund II, LP, at December 31, 2004. We had a controlling ownership interest of 14.4% in the fund.

(4) Includes \$15.7 million, \$10.1 million, and \$10.0 million related to our venture capital fund, Silicon Valley BancVentures, LP, as of December 31, 2004, 2003, and 2002, respectively. We had a controlling ownership interest of 10.7% in the fund.

(5) Includes \$9.0 million related to Partners for Growth, LP at December 31, 2004. We had a majority ownership interest of 53.2% in the fund. It also included \$2.3 million related to Gold Hill Venture Lending Partners 03, LP, as of December 31, 2004. The Company has a direct ownership interest of 4.8% in the fund.

(6) Includes \$2.4 million related to Gold Hill Venture Lending Partners 03, LLC, the general partner of Gold Hill Venture Lending Partners 03, LP, at December, 31, 2004. We had a majority interest of 90.7% in Gold Hill Venture Lending Partners 03, LLC. Gold Hill Venture Lending Partners 03, LLC has ownership interest of 5.0% in the fund.

(7) Federal Home Loan Bank (FHLB) and Federal Reserve Bank (FRB) stock are restricted, as we are required to hold shares of FHLB and FRB stock under the Bank's borrowing agreement.

2004 Compared to 2003

Available-for-Sale Investments

Available-for-sale investment securities totaled \$1.9 billion at December 31, 2004, an increase of \$494.5 million, or 34.5%, from the December 31, 2003 balance of \$1.4 billion. This increase primarily resulted from a shift of funds from federal funds sold, securities purchased under agreement to resell and other short-term investments to the available-for-sale investment securities portfolio. Furthermore, excess liquidity generated by

growth in deposits in excess of loan growth was invested in the available-for-sale investment portfolio. The increase in available-for-sale securities was concentrated in higher-yielding mortgage-backed securities and collateralized mortgage obligations. During 2004, we increased the duration of the fixed income investment portfolio to 2.1 years at December 31, 2004 from 1.7 years at December 31, 2003, in conjunction with our active interest rate risk management program. Commercial paper, money market mutual funds and asset-backed securities also increased, which was partially offset by a decrease in obligations of states and political subdivisions.

Non-Marketable Securities (Investment Company Fair Value Accounting)

The increase in the other investments category of non-marketable securities was related to investments in two venture debt funds. Additionally, venture capital funds and other private equity investments increased due to increases in the market value of certain investments in our managed funds SVB Strategic Investors Fund, LP and Silicon Valley BancVentures, LP, and further investments made into our managed funds.

Non-Marketable Securities (Cost Method Accounting)

The carrying value of one of our cost basis investments at December 31, 2004 does not reflect an unrealized gain of approximately \$2.1 million based on the market valuation of that specific fund investment.

We are typically contractually precluded from taking steps to hedge any current unrealized gains associated with many of these equity instruments. Hence, the amount of income realized by us from these equity instruments in future periods might vary materially from the current unrealized amount due to fluctuations in the market prices of the underlying common stock of these companies.

Investment Concentration

At December 31, 2004, except for securities issued by the U.S. Government or by U.S. government agencies and corporations, we held no investment securities that were issued by a single party that exceeded 10.0% of our stockholders' equity.

2003 Compared to 2002

Available-for-Sale Investments

Available-for-sale investment securities totaled \$1.4 billion at December 31, 2003, an increase of \$368.3 million, or 34.6%, from the December 31, 2002, balance of \$1.1 billion. The increase in available-for-sale securities resulted from growth in average client deposits in excess of loan growth. The change in the composition of investments was the result of our continuing efforts to diversify the product mix in our investment portfolio to higher yielding, high-quality assets. Short-term money market mutual funds were reallocated to higher yielding

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mortgage-backed securities and collateralized mortgage obligations. We added some duration to the portfolio due to active interest rate risk management and increased the average life to 1.7 years in 2003 from 1.5 years in 2002. Other notable changes included the reduction of short-term municipal bonds and an increase in agency discount notes and debentures.

Non-Marketable Securities (Investment Company Fair Value Accounting)

The increase in non-marketable securities related to an increase in venture capital fund investments of \$8.1 million between 2002 and 2003, primarily due to additional investments made by our managed fund, SVB Strategic Investors Fund, LP during the year.

Investment Securities Remaining Contractual Principal Maturities

The following table provides the remaining contractual principal maturities and fully taxable-equivalent yields on investment securities as of December 31, 2004, except for auction rate securities that use the next reset date as the maturity date. The weighted-average yield is computed using the amortized cost of available-for-sale securities, which are reported at fair value. Expected remaining maturities of callable U.S. agency securities, mortgage-backed securities, and collateralized mortgage obligations 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 and collateralized mortgage obligations as contractual maturities are typically 15 to 30 years whereas expected average lives of these securities are significantly shorter. Venture capital fund investments, other private equity investments, Federal Reserve Bank stock, Federal Home Loan Bank stock, and tax credit funds were included in the table below as maturing after 10 years.

(Dollars in thousands)	(As Restated) December 31, 2004									
	Total Carrying Value	Weighted- Average Yield	One Year or Less Carrying Value	Weighted- Average Yield	After One Year to Five Years Carrying Value	Weighted- Average Yield	After Five Years to Ten Years Carrying Value	Weighted- Average Yield	After Ten Years Carrying Value	Weighted- Average Yield
U.S. Treasury securities	\$ 29,766	2.76%	\$ 19,860	2.66%	\$ 9,906	2.97%	\$	%		%
U.S. agencies and corporations:										
Collateralized mortgage obligations	813,919	4.54			619	6.33			813,300	4.54
Mortgage-backed securities	594,442	4.89			1,009	5.70			593,433	4.89
Discount notes and bonds	278,331	3.90	9,962	2.93	208,194	3.71	60,175	4.70		
Asset-backed securities	100,996	3.13			49,691	3.07	51,305	3.18		
Obligations of states and political subdivisions	98,037	4.25	11,669	3.31	77,016	4.24	9,352	5.60		
Other debt securities	9,851	3.08	9,851	3.08						
Federal Reserve Bank Stock, Federal Home Loan Bank Stock, and tax credit funds	34,835								34,835	
Marketable securities(1)	480								480	
Marketable equity securities(2)	1,343		1,343							
Venture capital fund investments	79,956								79,956	
Other private equity investments	19,376								19,376	
Other investments	13,635								13,635	
Total	\$ 2,074,967	4.12%	\$ 52,685	2.94%	\$ 346,435	3.73%	\$ 120,832	4.13%	\$ 1,555,015	4.69%

(1) Investment company fair value accounting.

(2) Available for sale.

Callable U.S. agency securities, mortgage-backed securities, and collateralized mortgage obligations pose risks not associated with fixed maturity bonds, primarily related to the ability of the borrower to call or prepay the debt with or without penalty. This risk, known as call risk and prepayment risk, may result in these securities having longer or shorter average lives than anticipated at the time of purchase. As interest rates decline, prepayments generally tend to increase; causing the average expected remaining maturity to shorten. Conversely, as interest rates rise, prepayments tend to decrease causing the average expected remaining maturity to extend.

Loans

The following table details the composition of the loan portfolio, net of unearned income for each year ended December 31:

(Dollars in thousands)	(As Restated)				
	2004	2003	December 31, 2002	2001	2000
Commercial loans	\$ 1,927,271	\$ 1,701,903	\$ 1,754,201	\$ 1,535,513	\$ 1,537,924
Real estate construction:					
Vineyard development	80,960	50,118	30,465	27,512	12,328
Commercial real estate	18,562	12,204	12,713	24,576	49,925
Total real estate construction	99,522	62,322	43,178	52,088	62,253
Real estate term:					
Real estate term consumer	27,124	19,213	25,850	20,310	986
Real estate term commercial	16,720	12,902	30,340	30,625	37,394
Total real estate term	43,844	32,115	56,190	50,935	38,380
Consumer and other	237,951	190,806	230,530	127,170	84,448
Total loans, net of unearned income(1)	\$ 2,308,588	\$ 1,987,146	\$ 2,084,099	\$ 1,765,706	\$ 1,723,005

(1) Unearned income was \$18.4 million, \$14.4 million, \$13.8 million, \$13.3 million and \$13.3 million for the years ended December 31, 2004, 2003, 2002, 2001 and 2000, respectively.

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The following table sets forth the remaining contractual maturity distribution of our gross loans at December 31, 2004, for fixed and variable rate loans:

		(As Restated)			
	One Year or Less	After One Year and Through Five Years	After Five Years	Total	
(Dollars in thousands)					
Fixed-rate loans:					
Commercial loans	\$ 75,801	\$ 266,952	\$ 30,951	\$ 373,704	
Real estate construction:					
Vineyard development		5,739	15,721	21,460	
Commercial real estate	101	7,289		7,390	
Total real estate construction	101	13,028	15,721	28,850	
Real estate term:					
Real estate term consumer		14,854	9,951	24,805	
Real estate term commercial		7,623	75	7,698	
Total real estate term		22,477	10,026	32,503	
Consumer and other	600	100		700	
Total fixed-rate loans	\$ 76,502	\$ 302,557	\$ 56,698	\$ 435,757	
Variable-rate loans:					
Commercial loans	\$ 878,230	\$ 680,579	\$ 12,575	\$ 1,571,384	
Real estate construction:					
Vineyard development	3,455	36,704	19,764	59,923	
Commercial real estate	10,382	809		11,191	
Total real estate construction	13,837	37,513	19,764	71,114	
Real estate term:					
Real estate term consumer		1,622	764	2,386	
Real estate term commercial		6,905	2,083	8,988	
Total real estate term		8,527	2,847	11,374	
Consumer and other	131,234	21,721	84,374	237,329	
Total variable-rate loans	\$ 1,023,301	\$ 748,340	\$ 119,560	\$ 1,891,201	

Upon maturity, loans satisfying our credit quality standards may be eligible for renewal. Such renewals are subject to the normal underwriting and credit administration practices associated with new loans. We do not grant loans with unconditional extension terms.

A substantial percentage of our loans are commercial in nature, and such loans are generally made to emerging-growth or corporate technology companies in a variety of industries. As of December 31, 2004, our software tools and applications industry subsector represented 16.1% of total gross loans, our premium wine industry sector represented 14.2% of total gross loans, our venture capital industry subsector represented 13.2% of total gross loans, and our private client services sector represented 11.2% of total gross loans. No other industry sector represented more than 10.0% of total gross loans at December 31, 2004. Approximately 50% of our outstanding gross loans balances are in the State of California. There are no other states with balances greater than 10%.

Loan Administration

Authority over our loan policies resides with our board of directors. This authority is managed through the approval and periodic review of our loan policies. The board of directors delegates authority to the directors' loan committee to supervise our loan underwriting, approval, and monitoring activities. The directors' loan committee consists of outside board of director members and our chief executive officer, who serves as an alternate.

Subject to the oversight of the directors' loan committee, lending authority is delegated to the chief credit officer and our management loan committee, which consists of the chief executive officer, chief credit officer, chief banking officer, chief strategy officer, and other senior members of our lending management. Requests for new and existing credits that meet certain size and underwriting criteria may be approved outside of our internal loan committee by designated senior lenders or jointly with a senior credit officer.

Credit Quality and the Allowance for Loan and Lease Losses

For a description of the accounting policies related to the allowance for loan and lease losses, see Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations' Critical Accounting Policies and Item 8. Consolidated Financial Statements and Supplementary Data' Note 2. Significant Accounting Policies' Allowance for Loan and Lease Losses.

The following table presents an analysis of the allowance for loan and lease losses for each year ended December 31:

(Dollars in thousands)	(As Restated) Years Ended December 31,				
	2004	2003	2002	2001	2000
Balance beginning of year	\$ 49,862	\$ 58,366	\$ 56,903	\$ 58,024	\$ 56,451
Charge-offs:					
Commercial	(16,196)	(17,723)	(26,061)	(36,488)	(63,092)
Real estate		(1,252)		(690)	
Consumer and other			(524)	(424)	(203)
Total charge-offs	(16,196)	(18,975)	(26,585)	(37,602)	(63,295)
Recoveries:					
Commercial	13,845	19,965	22,175	20,408	10,507
Real estate	391	331		209	47
Consumer and other		67		19	224
Total recoveries	14,236	20,363	22,175	20,636	10,778
Net (charge-offs) recoveries	(1,960)	1,388	(4,410)	(16,966)	(52,517)
Provision for loan losses	(10,289)	(9,892)	5,873	15,845	54,090
Balance end of year	\$ 37,613	\$ 49,862	\$ 58,366	\$ 56,903	\$ 58,024
Net recoveries (charge-offs) to average total loans	(0.10)%	0.08%	(0.25)%	(1.02)%	(3.32)%

The following table displays the allocation of the allowance for loan and lease losses among specific classes of loans:

(Dollars in thousands)	(As Restated) December 31,				
	2004	2003	2002	2001	2000
	Amount	Amount	Amount	Amount	Amount
	Percent of Total Loans(1)	Percent of Total Loans(1)	Percent of Total Loans(1)	Percent of Total Loans(1)	Percent of Total Loans(1)

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Commercial	\$ 29,183	83.5%	\$ 41,802	85.7%	\$ 48,750	84.1%	\$ 50,478	87.0%	\$ 51,473	89.3%
Real estate construction	1,516	4.3	1,663	3.1	924	2.1	1,292	2.9	1,317	3.6
Real estate term	1,673	1.9	2,395	1.6	5,237	2.7	2,353	2.9	2,399	2.2
Consumer and other	4,928	10.3	4,002	9.6	3,455	11.1	2,780	7.2	2,835	4.9
Unallocated	313	N/A		N/A		N/A		N/A		N/A
Total	\$ 37,613	100.0%	\$ 49,862	100.0%	\$ 58,366	100.0%	\$ 56,903	100.0%	\$ 58,024	100.0%

(1) Represents loan type as a percentage of total loans as of year end.

The allowance for loan and lease losses totaled \$37.6 million at December 31, 2004, a decrease of \$12.2 million, or 24.6%, as compared to \$49.9 million at December 31, 2003. Our strong credit quality necessitated a decrease in the allowance for loan and lease losses. This decrease was due to net charge-offs of

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\$2.0 million and a provision for loan and lease losses of \$(10.3) million. The 2004 net charge-off amount was composed of \$16.2 million in gross charge-offs and \$14.2 million in gross recoveries.

The allowance for loan and lease losses totaled \$49.9 million at December 31, 2003, a decrease of \$8.5 million, or 14.6%, as compared to \$58.4 million at December 31, 2002. Our improved credit quality necessitated a decrease in the allowance for loan and lease losses. This decrease was due to net recoveries of \$1.4 million and a provision for loan losses of \$(9.9) million. Our loan recoveries in 2003 included settlement of the remaining recovery of film loan litigation. The 2003 net recovery amount was composed of \$19.0 million in gross charge-offs and \$20.4 million in gross recoveries.

The allowance for loan and lease losses totaled \$58.4 million at December 31, 2002, an increase of \$1.5 million, or 2.6%, as compared to \$56.9 million at December 31, 2001. This decrease was due to net charge-offs of \$4.4 million and a provision for loan losses of \$5.9 million. Our loan recoveries in 2002 primarily related to film loans, which were charge off in 2000. The 2002 net charge-off amount was composed of \$26.6 million in gross charge-offs and \$22.2 million in gross recoveries.

The allowance for loan and lease losses totaled \$56.9 million at December 31, 2001, a decrease of \$1.1 million, or 1.9%, compared to \$58.0 million at December 31, 2000. This decrease was due to net charge-offs of \$17.0 million offset by additional provisions to the allowance for loan and lease losses of \$15.8 million. The 2001 gross charge-offs included one entertainment credit totaling \$3.8 million. Of the total 2001 gross charge-offs, \$4.9 million were classified as nonperforming loans at the end of 2000. The 2001 gross recoveries included three credits, one from our technology industry sector and two from our discontinued entertainment and healthcare niches, totaling \$12.0 million.

The allowance for loan and lease losses totaled \$58.0 million at December 31, 2000. Gross charge-offs in 2000 included three entertainment credits totaling \$23.1 million and two commercial credits totaling \$12.0 million in 2000 in our healthcare services industry sector. Of the total 2000 gross charge-offs, \$13.4 million were classified as nonperforming loans at the end of 1999.

Nonperforming Assets

Nonperforming assets consist of loans that are past due 90 days or more that are still accruing interest, loans on nonaccrual status, other real estate owned (OREO), and other foreclosed assets. We held no OREO or other foreclosed assets at December 31, 2004, 2003, 2002, 2001, or 2000. The table below sets forth certain data and ratios between nonperforming loans, nonperforming assets, and the allowance for loan and lease losses. At December 31, 2003 and 2002, our nonaccrual loans represented all impaired loans. We measure all loans placed on nonaccrual status for impairment based on the fair value of the underlying collateral or the net present value of the expected cash flows in accordance with SFAS No. 114, Accounting by Creditors for Impairment of a Loan. For all periods presented, nonperforming loans equaled nonperforming assets.

(Dollars in thousands)	At December 31,				
	2004	2003	2002	2001	2000
Nonperforming assets:					
Loans past due 90 days or more	\$ 616	\$	\$	\$ 1,000	\$ 98
Nonaccrual loans	14,322	12,350	20,411	17,307	18,287
Total nonperforming assets	\$ 14,938	\$ 12,350	\$ 20,411	\$ 18,307	\$ 18,385
	0.64%	0.62%	0.97%	1.03%	1.07%

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Nonperforming assets as a percent of total gross loans

Nonperforming assets as a percent of total assets (as restated)

		0.29%		0.27%		0.48%		0.44%		0.33%
Allowance for loan and lease losses	\$	37,613	\$	49,862	\$	58,366	\$	56,903	\$	58,024
As a percent of total gross loans		1.62%		2.49%		2.78%		3.20%		3.36%
As a percent of nonaccrual loans		262.62%		403.74%		285.95%		328.79%		317.30%
As a percent of nonperforming assets		251.79%		403.74%		285.95%		310.83%		315.61%

Nonaccrual Loans

The detailed composition of nonaccrual loans is presented in the following table.

(Dollars in thousands)	At December 31,	
	2004	2003
Commercial	\$ 6,652	\$ 8,330
Real estate term commercial	3,171	3,560
Consumer and other	4,499	460
Total nonaccrual loans	\$ 14,322	\$ 12,350

Nonperforming Loans

Nonperforming loans totaled \$14.9 million at December 31, 2004, an increase of \$2.6 million, or 21.0%, from the \$12.4 million total at December 31, 2003, however, nonperforming loans remained at 0.64% of total gross loans. The relatively low levels of nonperforming loans at December 31, 2004 and 2003 reflect an improved economic environment experienced by our clients as well as our ability to effectively manage client credit risk through our strategic focus on the technology, life science, premium wine, and private equity industries. Of the total nonperforming loans at year end 2003, \$1.1 million were charged off, \$5.9 million remained on nonperforming status, and \$5.4 million were returned to accrual status or repaid during 2004. Additionally, \$9.0 million in loans were placed on nonperforming status during 2004 and were still classified as nonperforming loans at December 31, 2004.

Nonperforming loans totaled \$12.4 million at December 31, 2003, a decrease of \$8.1 million, 39.5%, from the \$20.4 million total at December 31, 2002. The reduction in nonperforming loans reflected the improved economic conditions experienced by our clients as well as our ability to manage client credit risk through our strategic focus on the technology, life science, premium wine, and private equity industries. Of the total nonperforming loans at year end 2002, \$2.3 million were charged off, \$1.2 million remained on nonperforming status, and \$16.9 million were repaid during 2003. Additionally, \$11.2 million in loans were placed on nonperforming status during 2003 and were still classified as nonperforming loans at December 31, 2003.

Nonperforming loans totaled \$20.4 million at December 31, 2002, an increase of \$2.1 million, or 11.5%, from the \$18.3 million total at December 31, 2001. Of the total nonperforming loans at year end 2001, \$8.4 million were charged off, \$1.6 million remained on nonperforming status, \$8.0 million were repaid during 2002, and \$0.3 million were upgraded to performing status. Additionally, \$15.8 million in loans were placed on nonperforming status during 2002 and were still classified as nonperforming loans at the end of 2002.

If the impaired loans for 2004, 2003 and 2002 had not been impaired, \$1.1 million, \$1.0 million and \$1.3 million in interest income would have been realized during the years ended December 31, 2004, 2003 and 2002, respectively.

In addition to the loans disclosed in the foregoing analysis as of December 31, 2004, we have identified three loans with principal amounts aggregating approximately \$6.6 million, that, on the basis of information known to us, were judged to have a higher than normal risk of becoming nonperforming. We are not aware of any other loans where known information about possible problems of the borrower casts serious doubts about the borrower's ability to comply with the loan repayment terms.

Goodwill

Goodwill totaled \$35.6 million at December 31, 2004 compared to \$37.5 million at December 31, 2003. The decrease in goodwill was due to an impairment of goodwill charge incurred pertaining to the entire goodwill balance of Woodside Asset Management, Inc. All of the Company's goodwill at December 31, 2004 pertains to the acquisition of SVB Alliant.

SVB Alliant

During the second and fourth quarters of 2004, we used a consulting firm to conduct an impairment review of SVB Alliant in accordance with the provisions of SFAS No. 142, based primarily on forecasted discounted cash flow analyses. The valuation analysis of SVB Alliant for each review indicated no further impairment beyond that already identified and recorded.

During the second quarter of 2003, we conducted an annual impairment review of SVB Alliant, which elicited an indication of possible impairment. Despite an increase in revenues during the second quarter of 2003 compared to the first quarter of 2003, SVB Alliant failed to achieve the revenues projected by the financial model used to value it in connection with its original acquisition by us. In response to these indications, we engaged an internationally reputable business consulting firm to assist us in a valuation of SVB Alliant, in compliance with the requirements of SFAS No. 142. Based on this valuation, we recorded an impairment charge of \$17.0 million during the second quarter of 2003.

During the fourth quarter of 2003, it became apparent that the operating results of SVB Alliant during the second half of 2003 were substantially below the performance forecasted in connection with the second quarter analysis, primarily due to decreased fees associated with weak initial public offering (IPO) and mergers and acquisitions environments. We engaged the same business-consulting firm that assisted us with the annual impairment review during the second quarter of 2003 to assist us in conducting a valuation of SVB Alliant, in compliance with the requirements of SFAS No. 142. Based on this valuation, we recorded an impairment charge of \$46.0 million during the fourth quarter of 2003. The total impairment charge for 2003 was \$63.0 million.

Woodside Asset Management, Inc.

During the third quarter of 2004, we conducted an annual impairment review of Woodside Asset Management, Inc., which indicated possible impairment. Based primarily on an internal analysis of forecasted discounted cash flows, we recorded an impairment charge for the entire goodwill amount of \$1.9 million during the third quarter of 2004. Woodside Asset Management, Inc. failed to achieve or exceed the projected operating results used as the basis of its valuation in connection with our original acquisition of the business.

Derivatives

2004 compared to 2003

The gross positive fair values of derivative assets are recorded as a component of the other assets line item on the balance sheets. The gross negative fair values of derivative liabilities are recorded as a component of the other liabilities line item on the balance sheets. Derivatives are comprised of the following:

	As of December 31, 2004	(As Restated) As of December 31, 2003	% change 2004/2003
(Dollars in thousands)			

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Assets (Liabilities):				
Foreign exchange forward and option contracts	\$	(431)	\$	15
Equity warrant assets		28,928		29,537 (2.1)%
Total	\$	28,497	\$	29,552 (3.6)%

The fair value of derivative equity warrant assets decreased by \$0.6 million. The fair value related to exercise of derivative equity warrant assets into equity securities caused a decrease of \$6.3 million as of the dates of exercise, while \$7.2 million in aggregate grant date fair value of new equity warrant assets was added to the portfolio. Additionally, the decrease in fair value of our equity warrant assets attributable to cancellations and expirations was \$2.4 million. The remaining \$0.9 million decrease was related to an increase in the fair value of

derivative equity warrant assets attributable to changes in the underlying assumptions used to value the equity warrant assets including changes in the risk-free interest rate, changes in the underlying value of our clients' company stock, changes in the volatility of market comparable public companies, and changes in the expected life.

The fair value of foreign exchange forward and option contracts decreased by \$0.4 million.

We enter into foreign exchange forward contracts with clients involved in international trade finance activities, either as the purchaser or seller of foreign currency at a future date, depending upon the clients' need. We enter into an opposite way foreign exchange forward contract with a correspondent bank to hedge these contracts, which mitigates the risk of fluctuations in foreign currency exchange rates, for each of the foreign exchange forward contracts entered into with our clients. These contracts are short-term in nature, typically expiring within one year. We also enter into foreign exchange forward contracts with correspondent banks to economically hedge foreign exchange risk related to certain foreign currency denominated loans. At December 31, 2004 and 2003, the aggregate notional amounts of these contracts totaled \$525.4 million and \$155.8 million, respectively. The maximum credit exposure for counterparty nonperformance for foreign exchange forward contracts with both clients and correspondent banks amounted to \$10.0 million at December 31, 2004 and \$3.5 million at December 31, 2003. We have not experienced nonperformance by a counterparty and therefore have not incurred related losses. Further, we anticipate performance by all counterparties to such foreign exchange forward contracts.

Foreign Currency Option Contracts

We enter into foreign currency option contracts with clients involved in international trade finance activities, either as the purchaser or seller of foreign currency options, depending upon the clients' need. We enter into an opposite way foreign currency option contract with a correspondent bank, which mitigates the risk of fluctuations in foreign currency exchange rates, for each of the currency option contracts entered into with our clients. These contracts typically expire in less than one year. At December 31, 2004 and 2003, the notional amounts of these contracts totaled \$13.5 million and \$21.1 million, respectively. We have not experienced nonperformance by a counterparty and therefore have not incurred related losses. Further, we anticipate performance by all counterparties.

2003 compared to 2002

(Dollars in thousands)	As of December 31, 2003	(As Restated) As of December 31, 2002	% change 2003/2002
Assets (Liabilities):			
Foreign exchange forward and option contracts	\$ 15	\$ (135)	(111.1)%
Equity warrant assets	29,537	23,465	25.9%
Total	\$ 29,552	\$ 23,330	26.7%

The change in derivative equity warrant assets was related to the change in the fair value of the equity warrant assets at the respective periods. The change in fair value is primarily attributed to the following:

The fair value of derivative equity warrant assets increased by \$6.1 million. The fair value related to exercise of derivative equity warrant assets into equity securities caused a decrease of \$2.8 million, while \$4.9 million in aggregate grant date fair value of new equity warrant assets was added to the portfolio. Additionally, the decrease in fair value of our equity warrant assets attributable to cancellations and expirations was \$3.0 million. The remaining \$7.0 million increase was related to an increase in the fair values of derivative equity warrant assets attributable to changes in the underlying assumptions used to value the equity warrant assets including changes in the risk-free interest rate, changes in the underlying value of our clients' company stock, changes in the volatility of share prices for comparable public companies, and changes in the expected life.

The fair value of foreign exchange forward and option contracts increased by \$0.1 million.

Deposits

Our deposits are largely obtained from clients within our technology, life science, private equity, and premium wine industry sectors and, to a lesser extent, from individuals served by private client services. We do not obtain deposits from conventional retail sources and have no brokered deposits. The following table presents the composition of our deposits for the last five years ended December 31:

	2004	2003	At December 31, 2002 (Dollars in thousands)	2001	2000
Noninterest-bearing demand	\$ 2,649,853	\$ 2,186,317	\$ 1,892,048	\$ 1,737,463	\$ 2,448,737
Negotiable Order of Withdrawal (NOW)	32,009	20,897	21,531	25,401	57,857
Regular money market	520,368	372,877	285,640	264,858	354,939
Bonus money market	685,710	707,682	647,615	630,091	1,164,624
Time	331,574	379,068	589,216	722,964	836,081
Total deposits	\$ 4,219,514	\$ 3,666,841	\$ 3,436,050	\$ 3,380,777	\$ 4,862,238

Total deposits were \$4.2 billion at December 31, 2004, an increase of \$552.7 million, or 15.1%, from the prior year end total of \$3.7 billion. The increase in client deposits was concentrated in noninterest bearing demand deposits and reflects our efforts to penetrate the corporate technology industry sector, an improved venture capital funding environment, and our various initiatives to drive business.

Noninterest-bearing demand deposits increased as a percentage of total deposits to 62.8% at December 31, 2004 from 59.6% at December 31, 2003. At December 31, 2004, we held overdraft balances of \$8.5 million, which were included in commercial loans.

Total deposits were \$3.7 billion at December 31, 2003, an increase of \$230.8 million, or 6.7%, from the prior year-end total of \$3.4 billion. The increase in deposits reflected an improved funding environment, increased venture capital fund activity, and our various initiatives to drive business. Our noninterest-bearing demand deposits increased \$294.3 million, or 15.6%, and money market deposits increased \$147.3 million or 15.8%. These increases were partially offset by a decrease in time deposits of \$210.1 million, or 35.7% from the prior year end.

Total deposits were \$3.4 billion at December 31, 2002, an increase of \$55.3 million, or 1.6%, from the prior year end total of \$3.4 billion. Although our total period-end client deposit balances remained fairly consistent between 2002 and 2001, we experienced a shift in the

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composition of deposit balances. Our noninterest bearing demand deposits increased \$154.6 million, or 8.9%, and money market deposits increased \$38.3 million or 4.3%. These increases were largely offset by a decrease in time deposits of \$133.7 million, or 18.5% from the prior year end.

Total deposits were \$3.4 billion at December 31, 2001, a decrease of \$1.5 billion, or 30.5%, from the prior year end total of \$4.9 billion. A substantial portion of the decrease in deposits during 2001 was concentrated in our noninterest-bearing demand deposits, which decreased \$711.3 million, or 29.0%, and bonus money market deposits, which decreased \$534.5 million or 45.9%, from the prior year end. This decrease was explained by a slowdown in our clients' capital markets and venture capital funding that reduced our clients' liquidity levels at December 31, 2001.

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The aggregate amount of time deposit accounts individually exceeding \$100,000 totaled \$286.7 million at December 31, 2004, and \$333.6 million at December 31, 2003. At December 31, 2004, substantially all time deposit accounts exceeding \$100,000 were scheduled to mature within one year. No material portion of our deposits has been obtained from a single depositor and the loss of any one depositor would not materially affect our business.

	At December 31, 2004					
	Three months or less	Four to six months	More than six months to twelve months (Dollars in thousands)	More than twelve months	Total	
Time deposits, \$100,000 and over	\$ 202,592	\$ 54,815	\$ 24,402	\$ 4,849	\$ 286,658	
Other time deposits	37,941	3,182	3,768	25	44,916	
Total time deposits	\$ 240,533	\$ 57,997	\$ 28,170	\$ 4,874	\$ 331,574	

Borrowings

Contingently Convertible Debt

On May 20, 2003, we issued \$150.0 million of zero-coupon, convertible subordinated notes at face value, due June 15, 2008, to qualified institutional buyers pursuant to Rule 144A under the Securities Act of 1933 and outside the United States to non-US persons pursuant to Regulation S under the Securities Act. The notes are convertible into our common stock at a conversion price of \$33.6277 per share and are subordinated to all our present and future senior debt. Holders of the notes may convert their notes only under certain conditions. Please see Item 8. Consolidated Financial Statements and Supplementary Data Note 13. Borrowings for additional discussion.

On May 15, 2003, the Company entered into a convertible note hedge agreement (purchased call option) with a counterparty with respect to its common stock, to limit its exposure to potential dilution from conversion of the Company's \$150.0 million principal amount of zero coupon convertible notes. For information on the Company's \$150.0 million principal amount of zero coupon convertible notes, see Note 13. Borrowings. Upon the occurrence of conversion events, the Company has the right to purchase up to approximately 4,460,610 shares of its common stock from the counterparty at a price of \$33.6277 per common share. The convertible note hedge agreement will expire on June 15, 2008. The Company has the option to settle any amounts due under the convertible hedge either in cash or net shares of its common stock. The cost of the convertible note hedge is included in stockholders' equity in accordance with the guidance in EITF No. 00-19, Accounting for Derivative Financial Instruments Indexed to, and Potentially Settled in, a Company's Own Stock. Please see Item 8. Consolidated Financial Statements and Supplementary Data Note 16. Derivative Financial Instruments for additional discussion.

Junior Subordinated Debentures

On October 30, 2003, we issued \$51.5 million in 7.0% junior subordinated debentures. A portion of the proceeds were used to complete an early redemption of the existing \$40.0 million of 8.25% trust preferred securities. The remainder of the proceeds are being used for general corporate purposes. For further information, see Item 8. Consolidated Financial Statements and Supplementary Data Note 13. Borrowings.

Trust Preferred Securities

In May 1998, we issued \$40.0 million in cumulative trust preferred securities through a newly formed special-purpose trust, SVB Capital I. We completed the early redemption of these trust preferred securities effective December 1, 2003. At the time of redemption, the remaining unamortized issuance costs of \$1.3 million related to the trust preferred securities were expensed.

The trust was a wholly-owned consolidated subsidiary of SVB Financial and its sole assets were the junior subordinated deferrable interest debentures. Distributions were cumulative and were payable quarterly at a rate of 8.25% per annum of the stated liquidation amount of \$25 per preferred security. We fully and unconditionally guaranteed the obligations of the trust on a subordinated basis.

On June 3, 2002, we entered into an interest rate swap, which provided an economic hedge against the risk of changes in fair value associated with our \$40.0 million, 8.25% fixed rate trust preferred securities. This agreement provided a benefit of \$1.0 million and \$1.1 million in 2003 and 2002, respectively. The swap was terminated on June 23, 2003. The change in fair value of this contract is recorded in noninterest income, a component of consolidated net income.

Please see the section under Item 8. Consolidated Financial Statements and Supplementary Data Note 2. Summary of Significant Accounting Policies Financial Instruments with Characteristics of Both Liabilities and Equity for the impact of adoption of SFAS No. 150, Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity.

Available Lines of Credit

As of December 31, 2004, we had available \$304.0 million in federal funds and lines of credit, all of which were unused. In addition to the available federal funds lines, Silicon Valley Bank has reverse repurchase agreement lines available with multiple securities dealers. Reverse repurchase lines allow Silicon Valley Bank to finance short-term borrowings using various fixed income securities as collateral. At December 31, 2004, Silicon Valley Bank had not borrowed against any of its reverse repurchase lines.

Capital Resources

Our management seeks to maintain adequate capital to support anticipated asset growth and credit risks, and to ensure that SVB Financial and Silicon Valley Bank are in compliance with all regulatory capital guidelines. Our primary sources of new capital include the issuance of common stock, as well as retained earnings.

Common Stock

\$160.0 million share repurchase program authorized by our board of directors, effective May 7, 2003

On May 7, 2003, we announced that our board of directors authorized a stock repurchase program of up to \$160.0 million. This program became effective immediately and replaced previously announced stock repurchase programs. Under this program, we repurchased in aggregate 0.3 million shares of common stock totaling \$12.6 million in 2004. In 2003, we repurchased in aggregate 4.5 million shares of common stock totaling \$113.2 million. On May 20, 2003, we purchased 1.3 million shares of common stock for approximately \$33.4 million in conjunction with our convertible note offering. Additionally, during the second quarter of 2003, we entered into an accelerated stock repurchase (ASR) agreement for approximately 3.2 million shares at an initial price of \$79.9 million. We completed our settlement obligations under this ASR agreement in the third quarter of 2003. See below for terms of this agreement, which are substantially the same as ASR agreements we entered into in January 2003 and November 2002.

\$100.0 million share repurchase program authorized by our board of directors on September 16, 2002

From its inception through its termination on May 7, 2003, we repurchased 5.2 million shares of common stock totaling \$94.3 million in conjunction with the \$100.0 million share repurchase program. Under this program, we repurchased 3.3 million shares of common stock totaling \$59.7 million during 2002. A portion of the share repurchases under this program was completed under an ASR agreement; see below for terms of the agreement.

\$50.0 million share repurchase program authorized by our board of directors on March 21, 2002

During 2002, we repurchased 2.3 million shares of common stock totaling \$50.2 million in conjunction with this program.

Accelerated Stock Repurchase Agreements

In May 2003, January 2003, and November 2002, we entered into ASR agreements to facilitate the repurchase of shares of our common stock. As of December 31, 2003, we had completed all of our settlement obligations under these ASRs. We repurchased 3.2 million, 1.7 million, and 2.3 million shares of our common

stock from the counterparties for \$79.9 million, \$29.9 million, and \$40.0 million under the ASR agreements of May 2003, January 2003, and November 2002, respectively. Each of these agreements had a five-year term. During the term of the agreements, we had an obligation to sell shares to the counterparty equal to the number of shares we purchased from it at the outset of the agreement. We had the option to fulfill our obligation either by buying shares in the open market and selling those shares to the counterparty at forward prices specified in the agreements or by issuing new shares and remitting them to the counterparty in exchange for the forward price. The forward price was based on a formula that began with the price of the initial purchase and was adjusted for fees and commissions and the length of time from the initial purchase to when shares were sold or delivered to the counterparty. We had complete discretion as to the timing and number of shares that we sold to the counterparty subject to a cumulative minimum of 20.0% by the end of each year of the agreements. Under the ASRs, if we were required to pay the counterparty and elected to settle our obligation in shares, the number of shares to be issued by us was capped.

We accounted for initial payment under the ASR agreements as a purchase of treasury stock, and we subsequently retired those shares. Prior to June 15, 2003, the effective date of SFAS No. 150, *Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity*, we accounted for ASRs under the EITF No. 99-7, *Accounting for an Accelerated Share Repurchase Program*. EITF No. 99-7 provided that an entity should account for an accelerated stock repurchase program as two separate transactions: (a) as shares of common stock acquired in a treasury stock transaction recorded on the acquisition date and (b) as a forward contract indexed to its own common stock. The forward contract was to be accounted for in accordance with the provisions of EITF No. 00-19, *Accounting for Derivative Financial Instruments Indexed to, and Potentially Settled in, a Company's Own Stock*. As of December 31, 2003, we had fulfilled all obligations under the ASR agreements in accordance with the provisions of SFAS No. 150.

Stockholders' Equity

Stockholders' equity totaled \$541.9 million at December 31, 2004, an increase of \$84.0 million, or 18.3%, from the \$458.0 million balance at December 31, 2003. This increase in 2004, as compared to 2003, was primarily due to the net income of \$63.9 million and stock issuances under employee stock purchase and option program, partially offset by the repurchase of 0.3 million shares of common stock for an aggregate purchase price of \$12.6 million. We have not paid a cash dividend on our common stock since 1992, and we do not have any material commitments for capital expenditures as of December 31, 2004. As of December 31, 2004, there are no plans for payment of dividends.

Funds generated through retained earnings are a significant source of capital and liquidity and are expected to continue to be so in the future. Our management engages in ongoing 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 business activities and expected future business activities. Expected future activities for which capital is set aside include potential product expansions and acquisitions of new business lines.

Credit Rating

Standard & Poor's Rating Services assigned SVB Financial its BBB- long-term counterparty credit rating in December 2003, and there has been no change to that rating. Standard & Poor's assigned its BBB counterparty credit rating to Silicon Valley Bank. An issuer rated BBB is defined as having an adequate capacity to meet its financial commitments, however, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of the obligor to meet its financial commitments. According to Standard & Poor's, the outlook for both SVB Financial and Silicon Valley Bank is stable.

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SVB Financial's credit rating by Moody's Investor Service (Moody's) at December 31, 2004 was Baa1 for issuer rating. According to Moody's, issuers rated Baa offer adequate financial security. However, certain protective elements may be lacking or may be unreliable over any great period of time. Silicon Valley Bank's credit rating by Moody's at December 31, 2003 was A3 for issuer rating, A3 for long-term deposits, P-2 for short-term deposits, and C for financial strength. Moody's bank deposit ratings are opinions of a bank's ability to repay punctually its foreign and/or domestic currency deposit obligations. According to Moody's an A rating for deposits represents good credit quality, however, elements may be present that suggest a susceptibility to

impairment over the long-term. Banks rated P-2 by Moody's for short-term deposits offer strong credit quality and a strong capacity for timely payment of short-term deposit obligations. Financial strength ratings represent Moody's opinion of a bank's intrinsic safety and soundness and, as such, exclude certain external credit risks and credit support elements that are addressed by Moody's bank deposit ratings. Banks rated C possess adequate intrinsic financial strength and are typically institutions with more limited but still valuable business franchises, good financial fundamentals, and a predictable and stable operating environment. According to Moody's, the outlook for both SVB Financial and Silicon Valley Bank is stable.

Liquidity

An important objective of the asset/liability management committee (ALCO) is to manage liquidity. The objective of liquidity management is to ensure that funds are available in a timely manner to meet loan demand, to meet depositors' needs, and to service other liabilities as they become due without causing an undue amount of cost or risk and without 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 ALCO provides oversight to the liquidity management process and recommends policy guidelines, subject to our board of directors' approval, and courses of action to address our actual and projected liquidity needs.

The ability to attract a stable, low-cost base of deposits is our primary source of liquidity. We continue to expand on opportunities to increase our liquidity. In the third quarter of 2002, we became a member of the Federal Home Loan Bank of San Francisco adding to our liquidity channels. Other sources of liquidity available to us include federal funds purchased, repurchase agreements, and other short-term borrowing arrangements. 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, federal funds sold, securities purchased under resale agreements, investment securities maturing within six months, investment securities eligible and available for financing or pledging purposes with a maturity in excess of six months, and anticipated near-term cash flows from investments.

Our policy guidelines provide that liquid assets as a percentage of total deposits should not fall below 20.0%. Our ratio of liquid assets to total deposits was 47.6% and 48.6% at December 31, 2004 and 2003, respectively, both well in excess of our minimum policy guidelines. In addition to monitoring the level of liquid assets relative to total deposits, we also utilize other policy measures in our liquidity management activities. As of December 31, 2004 and 2003, we were in compliance with all of these policy measures.

On a stand-alone basis, SVB Financial's primary liquidity channels include dividends from Silicon Valley Bank, its investment portfolio assets, and its ability to raise debt and capital. The ability of Silicon Valley Bank to pay dividends is subject to certain regulations; see Item 1. Business - Supervision and Regulation - Restriction on Dividends.

In analyzing our liquidity for 2004, 2003 and 2002, reference is made to our consolidated statement of cash flows for the years ended December 31, 2004, 2003 and 2002; see Item 8. Consolidated Financial Statements and Supplemental Data. The statement of cash flows includes separate categories for operating, investing, and financing activities.

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Cash provided by operating activities for 2004 was \$94.3 million, which included net income of \$63.9 million. Adjustments for noncash items included \$9.9 million in tax benefits primarily related to stock compensation, depreciation and amortization of \$8.8 million, and deferred income tax expense of \$5.6 million, offset by a net recovery of loan and lease losses of \$10.3 million, amortization of deferred warrant related loan fees of \$5.7 million and net investment gains of \$5.2 million. Sources of cash from changes in other assets and liabilities included increases in accrued retention, incentive plans and other compensation benefits payable of \$17.3 million and a decrease in income tax receivable of \$4.6 million. These sources of cash were offset by a \$7.3 million increase in accounts receivable and an increase in accrued interest receivable of \$3.4 million.

Cash used for investing activities was \$876.3 million for the year ended December 31, 2004. Net cash outflow was primarily driven by purchases of investment securities of \$1.4 billion, partially offset by \$162.0 million

in proceeds from the sale of investment securities and \$729.2 million in proceeds from maturities and pay-downs of investment securities. A net increase in loans of \$341.7 million also contributed to the net cash outflow.

Cash provided by financing activities was \$573.9 million for the year ended December 31, 2004, largely, driven by net increases in deposits of \$552.7 million. Proceeds from the issuance of common stock and capital contributions from minority interest participants also contributed \$25.1 million and \$16.9 million, respectively. These sources of cash were offset by repurchases of our common stock of \$12.6 million during 2004 and a decrease in other borrowings of \$8.1 million.

Cash and cash equivalents were \$627.2 million at December 31, 2004.

Operating activities for 2003 included net income of \$13.0 million, which was adjusted for certain non-cash items including impairment of goodwill, recoveries of loan and lease losses, depreciation and amortization, amortization of deferred warrant related loan fees, deferred income tax benefit, net losses on investment securities, changes in fair values of derivatives and an assortment of other miscellaneous items. Investing activities consisted of transactions in investment securities resulting in a net cash outflow of \$392.5 million and the net change in total loans, which resulted in a net cash inflow of \$77.4 million in 2003. The net cash inflow associated with loans relate to principal collections offset by loan originations. The net cash outflow from securities transactions was the net result of purchases of investment securities, offset by securities maturities and sales. Financing activities reflected cash inflows of \$234.2 million primarily resulting from a large increase in deposits and inflows from the issuance of zero-coupon convertible notes and 7.0% junior subordinated debentures. Financing cash outflows resulted from repurchases of common stock and redemption of our 8.25% trust preferred securities. In total, the transactions noted above resulted in a net cash inflow of \$10.9 million for 2003 and total cash and cash equivalents, as defined in our consolidated statement of cash flows, of \$835.3 million at December 31, 2003.

Operating activities for 2002 included net income of \$54.5 million, which was adjusted for certain non-cash items including the provision for loan and lease losses, depreciation and amortization, amortization of deferred warrant related loan fees, deferred income tax expense, and an assortment of other miscellaneous items. Investing activities consisted of transactions in investment securities resulting in a net cash inflow of \$182.4 million and the net increase in total loans, which resulted in a net cash outflow of \$345.5 million in 2002. The net cash inflow from securities transactions were the net result of investment securities maturities and sales, offset by purchases of securities. The net cash outflow associated with loans relates to loan originations offset by principal collections. Financing activities reflected cash outflows of \$63.7 million primarily due to the repurchase of common stock of \$109.4 million. Additionally, our total deposits increased by \$55.3 million during 2002, and we received net cash proceeds from issuance of common stock totaling \$9.8 million under the provisions of our employee benefit plans. In total, the transactions resulted in a net cash outflow of \$110.4 million for 2002 and total cash and cash equivalents, as defined in our consolidated statement of cash flows, were \$824.4 million at December 31, 2002.

Financial Ratios

The table below presents the relationship between the following significant financial ratios:

	(As Restated) Years Ended December 31,		
	2004	2003	2002
Return on average assets	1.34%	0.32%	1.40%

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Divided by

Average equity as a percentage of average assets	10.38%	12.44%	16.46%
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Equals

Return on average equity	12.90%	2.58%	8.50%
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Times

Earnings retained	100%	86.8%	100%
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Equals

Internal capital growth	12.90%	2.24%	8.50%
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Both the capital ratios of SVB Financial and Silicon Valley Bank were in excess of regulatory guidelines for a well-capitalized depository institution as of December 31, 2004, 2003, and 2002. See Item 8. Consolidated Financial Statements and Supplementary Data Note 23. Regulatory Matters. Capital ratios for SVB Financial are set forth below:

	2004	(As Restated) December 31, 2003	2002
Total risk-based capital ratio	16.09%	16.83%	16.31%
Tier 1 risk-based capital ratio	12.75%	12.23%	15.06%
Tier 1 leverage ratio	11.17%	10.62%	14.15%

SVB Financial's and Silicon Valley Bank's capital ratios remained well above the regulatory requirements in 2004. The decrease in total capital from 2003 to 2004 was due to the declining eligibility of our convertible bond as it approaches maturity. Both Tier 1 and Tier 1 leverage ratios increased due to the earnings generated by us and Silicon Valley Bank and the nominal amount of share repurchases executed over the course of the year.

The increases in our Tier 1 risk-based capital and Tier 1 leverage ratios from 2003 to 2004 have been caused in large part to increase in additional paid-in capital and retained earnings due to higher net income in 2004 as compared to 2003.

The decreases in our Tier 1 risk-based capital and Tier 1 leverage ratios from 2002 to 2003 have been caused in large part to reductions in additional paid in capital and retained earnings due to our stock repurchases in 2003 and 2002.

Off-Balance Sheet Arrangements and Aggregate Contractual Obligations

In the normal course of business, we use financial instruments with off-balance sheet risk to meet the financing needs of our customers. These financial instruments include commitments to extend credit, commercial and standby letters of credit, foreign exchange options, and foreign exchange forward contracts. 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.

Commitments to Extend Credit

A commitment to extend credit is a formal agreement to lend funds to a client as long as there is no violation of any condition established in the agreement. Such commitments generally have fixed expiration dates, or other termination clauses, and usually require a fee paid by the client upon us issuing the commitment. Commitments which are available for funding, due to clients meeting all collateral, compliance, and financial covenants required under loan commitment agreements, totaled \$2.7 billion at December 31, 2004, and \$1.7 billion at December 31, 2003. Out of these available commitments balances, the fixed rate commitments were \$257.2 million at December 31, 2004, and \$167.9 million at December 31, 2003. Our exposure arising from interest rate risk associated with fixed rate loan commitments is not considered material. Commitments which are unavailable for funding, due to clients not meeting all collateral, compliance, and financial covenants required under loan commitment agreements, totaled \$0.7 billion at December 31, 2004, and \$1.2 billion at December 31, 2003. Our potential exposure to credit loss, in the event of nonperformance by the other party to the financial instrument, is the contractual amount of the available unused loan

commitment. We use the same credit approval and monitoring process in extending loan commitments as we do in making loans. The actual liquidity needs or the credit risk that we have experienced have historically been lower than the contractual amount of commitments to extend credit because a significant portions of these commitments expire without being drawn upon. We evaluate each potential borrower and the necessary collateral on an individual basis. The type of collateral varies but may include intellectual property, real property, bank deposits or business and personal assets. The potential credit risk associated with these commitments is considered in our evaluation of the liability for unfunded commitments. Additionally, we have aggregate maximum lending limits of \$478.7 million as of December 31, 2004 related to our accounts receivable factoring arrangements. We extend credit under accounts receivable

factoring arrangements when our clients' sales invoices are deemed credit worthy under existing underwriting practices.

Commercial and Standby Letters of Credits

Commercial and standby letters of credit represent conditional commitments issued by us on behalf of a client to support the performance of a client to a third party when certain specified future events have yet to occur. Commercial letters of credit are issued primarily for inventory purchases by clients and are typically short-term in nature. We provide two types of standby letters of credit, performance and financial standby letters of credit. Performance standby letters of credit are issued in connection with the performance of a client to a third party when certain specified future events have yet to occur. Performance standby letters of credit are primarily used to support performance instruments such as bid bonds, performance bonds, lease obligations, repayment of loans, and past due notices. Financial standby letters of credit are conditional undertakings issued by us in connection with the payment by a client to a third party (beneficiary). Financial standby letters of credit are primarily used to support many types of domestic and international payments. These standby letters of credit have fixed expiration dates and generally require a fee paid by a client at the time we issue the commitment. Fees generated from these standby letters of credit are recognized in noninterest income over the commitment period.

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

Obligation Under Guarantees

The table below summarizes our standby letter of credits at December 31, 2004. The maximum potential amount of future payments represents the amount that could be lost under the standby letters of credit if there were a total default by the guaranteed parties, without consideration of possible recoveries under recourse provisions or from the collateral held or pledged.

	(Dollars in thousands)			
	Expires In One Year Or Less	Expires After One Year	Total Amount Outstanding	Maximum Amount Of Future Payments
Financial standby	\$ 561,994	\$ 56,990	\$ 618,984	\$ 618,984
Commercial standby	10,289		10,289	10,289
Performance standby	7,423	2,870	10,293	10,293
Total	\$ 579,706	\$ 59,860	\$ 639,566	\$ 639,566

At December 31, 2004, the carrying amount of the liabilities related to financial and performance standby letters of credit was approximately \$3.4 million. At December 31, 2004, cash and investment securities collateral available to us to reimburse losses under financial and performance standby letters of credits was \$284.8 million.

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In addition to standby letter of credit guarantees, the Company issues additional guarantees as off-balance sheet arrangements. As of December 31, 2004, those guarantees include the following:

The Bank, as a financial provider, routinely guarantees credit cards for some of its customers which have been provided by an unaffiliated financial institution. The Bank has recourse against the customer for any amount it is required to pay to a third party in the event of default under these arrangements. These guarantees are subject to the same credit policies, underwriting standards and approval process as loans made by the Bank. Certain of these amounts are secured by certificates of deposit and other assets which the Bank has rights to in the event of nonperformance by the customers. The total amount of this guarantee was \$44.5 million at December 31, 2004. It is considered improbable that material losses would be incurred by the Bank as a result of these arrangements.

The Company may be required to make contingent payments to the former owners of Woodside Asset Management based on their future revenue growth. During 2004, the Company paid one earn-out payment of

\$338,000 to the former owners of Woodside Asset Management. As of December 31, 2004, under the acquisition agreement, the maximum future gross earn-out payments to Woodside Asset Management's former owners are \$1.6 million.

Commitments to Invest in Venture Capital Funds

We make commitments to venture capital fund investments, which in turn make investments in privately held companies. Commitments to invest in these funds are generally made up to a ten-year period from the inception of the venture capital fund. The timing of future cash requirements to fund such commitments is generally dependent upon the venture capital investment cycle, the overall market conditions, and the nature and type of industry in which the privately held companies operate. As of December 31, 2004, we had remaining unfunded commitments of \$15.9 million to wholly owned venture capital fund investments and \$39.6 million and \$55.2 million to venture capital fund investments through the funds of funds, SVB Strategic Investors Fund, LP and SVB Strategic Investors Fund II, LP, respectively. We have committed capital of \$13.5 million to SVB Strategic Investors Fund, LP, representing an ownership interest of 11.1%. As of December 31, 2004, the remaining unfunded commitment to the fund was \$5.7 million. We also have committed capital of \$15.0 million to SVB Strategic Investors Fund II, LP, representing an ownership interest of 14.4%. As of December 31, 2004, the remaining unfunded commitment to the fund was \$13.5 million. We made a capital commitment of \$6.0 million to our venture capital fund, Silicon Valley BancVentures, LP in which we have an ownership interest of 10.7%. The remaining unfunded commitment to the fund was \$2.9 million as of December 31, 2004. We made a capital commitment of \$25.0 million to the venture debt fund, Partners for Growth, LP in which we have an ownership interest of 53.2%. As of December 31, 2004, the remaining unfunded commitment to the fund was \$20.3 million. In addition, we have committed capital of \$20.0 million to Gold Hill Venture Lending 03, LP in which we have an ownership interest of 9.3%. The remaining unfunded commitment to the fund was \$15.4 million.

SVB Capital II Trust Preferred Securities

In October, 2003, SVB Capital II issued trust preferred securities that SVB Financial has fully and unconditionally guaranteed, based on its combined obligations under a guarantee agreement, a trust agreement, an expense agreement, and a junior subordinated indenture and the debentures issued under the junior subordinated indenture. SVB Capital II will redeem the trust preferred securities on October 15, 2033, and may redeem them earlier, subject to prior approval by the Board of Governors of the Federal Reserve System, if then required by the capital rules of the Federal Reserve Board.

SVB Financial entered into the guarantee agreement concurrently with the issuance of the trust preferred securities for the benefit of the holders of the trust preferred securities. Wilmington Trust Company acts as guarantee trustee under the guarantee agreement for the purposes of compliance with the Trust Indenture Act, and the guarantee is qualified as an indenture under the Trust Indenture Act. The guarantee trustee will hold the guarantee for the benefit of the holders of the trust preferred securities.

We account for variable interest entities according to the provisions of FASB Interpretation No. 46R (revised December 2003), Consolidation of Variable Interest Entities (VIE) or FIN 46R. A VIE is to be consolidated by a company if that company is subject to the majority of the risk of loss from the VIE's activities, is entitled to receive the majority of the entity's residual returns, or both. As we do not bear the majority of the risk of loss from the trust preferred securities, they were not consolidated into our financial statements at December 31, 2004, or December 31, 2003.

For a description of certain off balance-sheet arrangements, see Item 8. Consolidated Financial Statements and Supplementary Data-Note 21. Off-Balance Sheet Arrangements, Guarantees, and Other Commitments.

Contractual Obligations and Commercial Commitments

As of December 31, 2004, we had the following contractual obligations and commercial commitments:

Contractual obligations	Total	Payments Due By Period			
		Less than 1 year	1-3 years	4-5 years	After 5 years
		(Dollars in thousands)			
Borrowings(1)	\$ 210,830	\$ 9,333	\$ 150,000	\$	\$ 51,497
Operating leases, net of income from subleases(2)	56,541	10,317	17,353	12,619	16,252
Remaining unfunded commitments to wholly owned venture capital funds(3)	15,894	15,894			
Remaining unfunded commitments to venture capital funds by SVB Strategic Investors Fund, LP(3)(4)	39,597	39,597			
Remaining unfunded commitments to venture capital funds by SVB Strategic Investors Fund II, LP(3)(7)	55,158	55,158			
Remaining unfunded commitments to SVB Strategic Investors Fund, LP(3)(4)	5,670	5,670			
Remaining unfunded commitments to SVB Strategic Investors Fund II, LP(3)(7)	13,500	13,500			
Remaining unfunded commitments to Silicon Valley BancVentures, LP(3)(5)	2,940	2,940			
Remaining unfunded commitments by Partner for Growth, LP	20,250	20,250			
Remaining unfunded commitments by Gold Hill Venture Lending 03, LP	15,400	15,400			
Other commercial commitments		Amount of Commitment Expiring Per Period			
Commitments to extend credit(6)	\$ 3,398,915	\$ 2,474,889	\$ 850,343	\$ 55,977	\$ 17,706
Standby letters of credit(6)	629,277	569,417	48,192	3,348	8,320
Commercial letters of credit(6)	10,289	10,289			
Foreign exchange contracts(6)	42,666	42,666			

(1) See Item 8. Consolidated Financial Statements and Supplementary Data Note 13. Borrowings for further disclosure related to borrowings.

(2) See Item 8. Consolidated Financial Statements and Supplementary Data Note 10. Premises and Equipment for further disclosure related to premises and equipment.

(3) See Item 8. Consolidated Financial Statements and Supplementary Data Note 8. Investment Securities for further disclosure related to investment securities. We make commitments to venture capital fund investments. Commitments to invest in these funds are generally made up to a ten-year period from the inception of the venture capital fund. The timing of future cash requirements to fund such commitments is generally dependent upon the venture capital investment cycle, the overall market conditions, and the nature and type of industry in which the privately held companies operate.

- (4) See Item 8. Consolidated Financial Statements and Supplementary Data Note 8. Investment Securities for further disclosure related to investment securities. SVB Financial Group has committed capital of \$13.5 million to SVB Strategic Investors Fund, LP, representing an ownership interest of 11.1%.
- (5) See Item 8. Consolidated Financial Statements and Supplementary Data Note 8. Investment Securities for further disclosure related to investment securities. SVB Financial Group made a capital commitment of \$6.0 million to our venture capital fund, Silicon Valley BancVentures, LP in which we have an ownership interest of 10.7%.
- (6) See Item 8. Consolidated Financial Statements and Supplementary Data Note 21. Off-Balance Sheet Arrangements, Guarantees, and Other Commitments for further disclosure related to financial instruments with off-balance sheet risk.
- (7) See Item 8. Consolidated Financial Statements and Supplementary Data Note 8. Investment Securities for further disclosure related to investment securities. SVB Financial Group has committed capital of \$15.0 million to SVB Strategic Investors Fund II, LP, representing an ownership interest of 14.4%.

Forward-Looking Statements

The foregoing discussion and analysis contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Our 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, without limitation:

Projections of our revenues, income, earnings per share, cash flows, balance sheet, capital expenditures, capital structure or other financial items

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

Forecasts of future economic performance

Descriptions of assumptions underlying or relating to any of the foregoing

In this amended Annual Report on Form 10-K/A, we make forward-looking statements discussing our management's expectations about:

Sensitivity of our interest-earning assets to interest rates, and impact to earnings from an increase in interest rates

Realization, timing and performance of investments in equity securities

Management of federal funds sold and overnight repurchase agreements at appropriate levels

Development of our later-stage corporate technology lending efforts

Growth in loan balances

Credit quality of our loan portfolio

Levels of nonperforming loans

Liquidity provided by funds generated through retained earnings

Activities for which capital will be required

Ability to meet our liquidity requirements through our portfolio of liquid assets

Ability to expand on opportunities to increase our liquidity

Use of excess capital

Volatility of performance of our equity portfolio

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. Although we 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 the subsection below Factors that May Affect Future Results. We urge investors to consider all of these factors carefully in evaluating the forward-looking statements contained in this discussion and analysis. 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 do not intend, and undertake no obligation, to update these forward-looking statements.

Item 7a. Quantitative and Qualitative Disclosures about Market Risk

Interest Rate Risk Management

A key objective of asset/liability management is to manage interest rate risk associated with changing asset and liability cash flows and market interest rate movements. Interest rate risk occurs when interest rate sensitive assets and liabilities do not re-price simultaneously either in timing, volume or both. Our ALCO provides oversight to our interest rate risk management process and recommends policy guidelines regarding exposure to interest rates for approval by our board of directors. Adherence to these policies is monitored on an ongoing basis, and decisions related to the management of interest rate exposure are made when appropriate.

We manage interest rate risk principally through strategies involving our investment securities portfolio. Our policies permit the use of off-balance sheet derivative instruments in managing interest rate risk. Derivative instruments that the Company uses as a part of its interest risk management strategy may include interest rate swaps, caps and floors, and forward contracts.

We had a fair value hedge in effect at December 31, 2004. This hedge is a \$50.0 million fixed-for-variable swap of our 7% junior subordinated debentures, described in Item 8 Consolidated Financial Statements and Supplementary Data Note 13. Borrowings and under Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations Financial Condition 7% Junior Subordinated Debentures. For 2004, we paid interest expense of \$3.5 million on the 7.0% junior subordinated debentures. However, the fair value hedge agreement provided a benefit of \$2.2 million, resulting in net interest expense of \$1.3 million for 2004.

Our monitoring activities related to managing interest rate risk include both interest rate sensitivity gap analysis and the use of a simulation model. While traditional gap analysis provides a simple picture of the interest rate risk embedded in the balance sheet, it provides only a static view of interest rate sensitivity at a specific point in time and does not measure the potential volatility in forecasted results relating to changes in market interest rates over time. Accordingly, we combine the use of gap analysis with use of a simulation model that provides a dynamic assessment of interest rate sensitivity.

Interest Rate Sensitivity Analysis

The interest rate sensitivity gap is defined as the difference between the amount of interest-earning assets and interest-sensitive liabilities that are anticipated to re-price within a specific time period. A gap is considered positive when the amount of interest rate sensitive assets exceeds the amount of interest-sensitive liabilities re-pricing within that same time period. Positive cumulative gaps in early time periods suggest that earnings will increase when interest rates rise. Negative cumulative gaps suggest that earnings will increase when interest rates fall. The gap analysis as of December 31, 2004 indicates that the cumulative one-year gap as a percentage of interest-earning assets was a positive 37.8%.

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The following table illustrates our interest rate sensitivity gap positions at December 31, 2004:

(As Restated)									
Assets and liabilities which mature or reprice									
(Dollars in thousands)	Immediately	1 Day to 1 Month	After 1 Month to 3 Months	After 3 Months to 6 Months	After 6 Months to 1 Year	After 1 Year to 5 Years	After 5 Years	Not Stated	Total
Assets:									
Cash and due from bank (1)	\$	\$	\$	\$	\$	\$	\$	\$ 284,208	\$ 284,208
Federal funds sold, securities purchased under agreement to resell and other short-term investments		343,010							343,010
Investment securities:									
U.S. Treasury and agencies obligations(2)		611			27,486	220,000	60,000		308,097
Collateralized mortgage obligations, mortgage-backed and asset-backed securities(2)		30,425	31,613	48,244	91,535	634,453	673,086		1,509,356
Other debt, marketable equity and non-marketable securities		9,851	1,715	2,475	7,380	77,832	8,635	149,626	257,514
Total investment securities		40,887	33,328	50,719	126,401	932,285	741,721	149,626	2,074,967
Loans, net of unearned income(3)(4)	1,629,413	136,025	95,083	78,754	101,547	247,051	20,715		2,308,588
Allowance for loan losses								(37,613)	(37,613)
Other assets								172,519	172,519
Total assets	\$ 1,629,413	\$ 519,922	\$ 128,411	\$ 129,473	\$ 227,948	\$ 1,179,336	\$ 762,436	\$ 568,740	\$ 5,145,679
Liabilities, Minority Interest and Stockholders Equity:									
Noninterest-bearing demand	\$	\$	\$	\$	\$	\$	\$	\$ 2,649,853	\$ 2,649,853
NOW and money market		28,982	55,887	78,888	141,522	624,064	308,744		1,238,087
Time		185,860	54,674	57,997	28,170	4,873			331,574
Total deposits		214,842	110,561	136,885	169,692	628,937	308,744	2,649,853	4,219,514
Contingently convertible debt						146,740			146,740
Junior subordinated debentures							49,470		49,470
Other borrowings				9,820					9,820
Other liabilities								107,502	107,502
Minority interest in capital of consolidated affiliates								70,685	70,685
Stockholders equity								541,948	541,948
Total liabilities, minority interest, and stockholders equity	\$	\$ 214,842	\$ 110,561	\$ 146,705	\$ 169,692	\$ 775,677	\$ 358,214	\$ 3,369,988	\$ 5,145,679
Off-Balance Sheet Items:									
Interest rate swap	\$	\$ (50,000)	\$	\$	\$	\$ 50,000	\$	\$	\$
Gap	1,629,413	255,080	17,850	(17,232)	58,256	453,659	404,222	(2,801,248)	
Cumulative gap	1,629,413	1,884,493	1,902,343	1,885,111	1,943,367	2,397,026	2,801,248		

- (1) Includes interest-bearing deposits in other financial institutions of \$15.9 million as of December 31, 2004.
- (2) Principal cash flows are based on estimated principal payments as of December 31, 2004.
- (3) Not stated column consists of nonaccrual loans of \$14.3 million offset by unearned income of \$18.4 million as of December 31, 2004.
- (4) Maturity/repricing columns for fixed rate loans are based upon the amount and timing of related principal payments as of December 31, 2004.

Market Value of Portfolio Equity (MVPE)

One application of the aforementioned simulation model involves measurement of the impact of market interest rate changes on the net present value of estimated cash flows from our assets, liabilities, and off-balance sheet items, defined as our market value of portfolio equity (MVPE).

The following table presents our MVPE exposure at December 31, 2004 and 2003, related to an instantaneous and sustained increase or decrease in market interest rates of 100 and 200 basis points, respectively.

Change in interest rates (basis points)	Estimated MVPE	(As Restated)					
		Estimated Increase/ (Decrease) in MVPE		Estimated Net Interest Income		Estimated Increase/ (Decrease) in Net Interest Income	
		Amount	Percent			Amount	Percent
		(Dollars in thousands)					
December 31, 2004:							
+200	\$ 1,019,622	\$ 20,290	2.0%	\$ 326,744	\$ 41,285	14.5%	
+100	1,014,190	14,858	1.5	306,492	21,033	7.4	
-	999,332			285,459			
-100	936,599	(62,733)	(6.3)	257,295	(28,164)	(9.9)	
-200	876,445	(122,887)	(12.3)	230,514	(54,945)	(19.2)	
December 31, 2003:							
+200	\$ 801,630	\$ 38,377	5.0%	\$ 236,305	\$ 17,244	7.9%	
+100	796,232	32,979	4.3	226,153	7,092	3.2	
-	763,253			219,061			
-100	791,797	28,544	3.7	214,233	(4,828)	(2.2)	
-200	735,833	(27,420)	(3.6)	210,769	(8,292)	(3.8)	

The preceding table indicates that at December 31, 2004, in the event of an instantaneous and sustained increase or decrease in market interest rates, our MVPE would be expected to increase or decrease accordingly.

The market value calculations supporting the results in the preceding table are based on the present value of estimated cash flows using both market interest rates provided by independent broker/dealers and other publicly available sources that we deem reliable. These calculations do not contemplate any changes that we could make to reduce our MVPE exposure in response to a change in market interest rates.

As with any method of measuring interest rate risk, certain shortcomings are inherent in the method of analysis presented in the preceding table. For example, although certain of our assets and liabilities may have similar maturity or re-pricing profiles, they may react to changes in market interest rates with different magnitudes. Also, actual prepayment rates on loans and investments could vary substantially from the assumptions utilized in the model to derive the results as presented in the preceding table. Further, a change in the shape of the forward yield curve could result in different MVPE estimations from those presented herein. Accordingly, the results in the preceding table should not be relied upon as indicative of actual results in the event of changing market interest rates. Additionally, the resulting MVPE estimates are not intended to represent, and should not be construed to represent the underlying value.

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Our MVPE exposure at December 31, 2004, increased slightly from December 31, 2003, primarily due to changes in the investment portfolio while staying well within our policy guidelines. In addition, our net interest income at risk remains well within policy limits. These estimates are highly assumption dependent and will change regularly as the Company's asset-liability structure changes and as different interest rate environments evolve. We expect to continue to manage our interest rate risk actively utilizing on and off-balance sheet strategies as appropriate.

The simulation model also gives us the ability to simulate our net interest income using an interest rate forecast (simple simulation). In order to measure the sensitivity of our forecasted net interest income to changing interest rates utilizing the simple simulation methodology, both a rising and falling interest rate scenario are projected and compared to a base market interest rate forecast derived from the current yield curve. For the rising

and falling interest rate scenarios, the base market interest rate forecast is increased or decreased, as applicable, by 200 basis points in 12 equal increments over a one-year period.

We perform net interest income and net income simulations in an interest rate environment whereby we shock the base rate immediately both up and down 300 basis points in 100 basis point increments. The combination of the ramp and shock scenarios provides us with additional information with respect to our sensitivity to interest rates and the impact on our net income under varied interest rate scenarios.

Our policy guidelines provide that the difference between a base market interest rate forecast scenario over the succeeding one-year period compared with the aforementioned rising and falling interest rate scenarios over the same time period should not result in net interest income degradation exceeding 25.0%. Simulations as of December 31, 2004, indicated that we were well within these policy guidelines.

Interest rate risk is the most significant market risk impacting us. Other types of market risk affecting us in the normal course of our business activities include foreign currency exchange risk, equity price risk, and basis risk. The impact resulting from these market risks is not considered significant, and no separate quantitative information concerning market rate and price exposure is presented herein.

Factors That May Affect Future Results

Our business faces significant risks. The factors described below may not be the only risks we face, and are not intended to serve as a comprehensive listing. 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 occur, our business, financial condition and/or results of operations could suffer.

If a significant number of clients fail to perform under their loans, our business, profitability, and financial condition would be adversely affected.

As a lender, the largest risk we face is the possibility that a significant number of our client borrowers will fail to pay their loans when due. If borrower defaults cause losses in excess of our allowance for loan and lease losses, it could have an adverse effect on our business, profitability, and financial condition. We have established an evaluation process designed to determine the adequacy of the allowance for loan and lease losses. While this evaluation process uses historical and other objective information, the classification of loans and the establishment of loan losses are dependent to a great extent on our experience and judgment. We cannot assure you that our allowance for loan and lease losses will be sufficient to absorb future loan losses or prevent a material adverse effect on our business, profitability, or financial condition.

Because of the credit profile of our loan portfolio, our levels of nonperforming assets and charge-offs can be volatile, and 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. Many of our loans are made to companies in the early stages of development with negative cash flow and no established record of profitable operations. In many cases, repayment of the loan is dependent upon receipt of additional equity financing from venture capitalists or others. Collateral for many of the 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 our technology and life science industry sectors, a borrower's financial position can deteriorate rapidly. We also make loans that are larger, relative to the revenues of the borrower, than those made by traditional small business lenders, so the impact of any single borrower default may be more significant to us. Because of these characteristics, our level of nonperforming loans and loan charge-offs can be volatile and can vary materially from period to period. Changes in our level of nonperforming loans may require us to make material provisions for loan losses in any period, which could reduce our net income or cause net losses in that period.

Our current level of interest rate spread may decline in the future. Any material reduction in our interest spread could have a material impact on our business and profitability.

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 interest-bearing liabilities, such as deposits and other borrowings, and the interest rates and fees we receive on interest-earning assets, such as loans extended to our clients and interest rates we receive on securities held in our investment portfolio. Interest rates are highly sensitive to many factors beyond our control, such as inflation, recession, global economic disruptions, and unemployment. In addition, legislative changes could affect the manner in which we pay interest on deposits or other liabilities. For example, Congress has for many years debated repealing a law that prohibits banks from paying interest rates on checking accounts. If this law were to be repealed, we would be subject to competitive pressure to pay interest on our clients' checking accounts, which would negatively affect our interest rate spread. Any material decline in our interest rate spread would have a material adverse effect on our business and profitability. Additionally, a portion of our loan fee income, a

component of loan interest income, is predicated on the receipt of warrant assets. If we fail to continue to receive warrant assets our future interest margin may decline.

Decreases in the amount of equity capital available to start-up and emerging-growth companies could adversely affect our business, profitability, and growth prospects.

Our strategy has focused on providing banking products and services to emerging-growth and corporate technology companies receiving financial support from sophisticated investors, including venture capitalists, angels, and corporate investors. 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 a second or third round of equity infusion 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 would have an adverse effect on our business, profitability and growth prospects.

Among the factors that have and could in the future affect the amount of capital available to startup and emerging-growth companies are the receptivity of the capital markets to initial public offerings or mergers and acquisitions of companies within our technology and life science industry sectors, the availability and return on alternative investments, and general economic conditions in the technology and life science industries. Reduced capital markets valuations could reduce the amount of capital available to startup and emerging-growth companies, including companies within our technology and life science industry sectors.

Our business is dependent upon access to funds on attractive terms.

We derive our net interest income through lending or investing capital on terms that provide returns in excess of our costs for obtaining that capital. As a result, our credit ratings are important to our business. A reduction in our credit ratings could adversely affect our liquidity and competitive position, increase our borrowing costs (or trigger obligations under certain existing borrowings and other contracts), or increase the interest rates we pay our depositors. Further, our credit ratings and the terms upon which we have access to capital may be influenced by circumstances beyond our control, such as overall trends in the general market environment, perceptions about our creditworthiness or market conditions in the industries in which we focus.

Changes to our employee compensation structure could adversely affect our results of operations and cash flows, as well as our ability to attract, recruit, and retain certain key employees.

We account for our employee stock options in accordance with Accounting Principles Board Opinion No. 25 and related interpretations, which provide that any compensation expense relative to employee stock options be measured based on the intrinsic value of the stock options. As a result, when options are granted at fair market value of the underlying stock on the date of grant, as is our practice, we incur no compensation expense. In December 2004, the FASB issued SFAS No. 123 (revised 2004), Share-Based Payment, which is a revision of SFAS No. 123 and supersedes APB No. 25. SFAS No. 123R requires us to record compensation expense for all employee stock grants. Such expense will have a material impact on our results of operations. In October 2004, in an effort to align our option grant rate to that of other financial institutions similar to us, we significantly decreased the number of shares subject to options granted to our employees on a prospective basis. We may in the future consider taking other actions to modify employee compensation structures, such as granting cash compensation or other forms of equity compensation. Our decision to reduce the number of option shares to be granted on a prospective basis, and any other future changes we may adopt in our employee compensation structures, could adversely affect our results of operations and cash flows, as well as our ability to attract, recruit, and retain certain key employees.

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.

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SVB Financial, Silicon Valley Bank, and their subsidiaries are extensively regulated under federal and state law. These regulations are intended primarily for the protection of depositors, other clients, and the deposit insurance fund not for the benefit of stockholders or security holders. Federal and state laws and regulations limit or otherwise affect the activities in which SVB Financial, Silicon Valley Bank, and their subsidiaries may engage. A change in the applicable statutes, regulations, or regulatory policy may have a material effect on our business and that of our subsidiaries. In addition, SVB Financial, Silicon Valley Bank, and their subsidiaries are required to maintain certain minimum levels of capital. Federal and state banking regulators possess broad powers to take supervisory action, as they deem appropriate, with respect to SVB Financial and Silicon Valley Bank. SVB Alliant and SVB Securities, both broker-dealer subsidiaries, are regulated by the SEC and the National Association of Securities Dealers, Inc. (NASD). Violations of the stringent regulations governing the actions of a broker-dealer can result in the revocation of broker-dealer licenses, the imposition of censures or

finances, the issuance of cease and desist orders, and the suspension or expulsion from the securities business of a firm, its officers or employees. Supervisory actions can result in higher capital requirements, higher insurance premiums, and limitations on the activities of SVB Financial, Silicon Valley Bank or their subsidiaries. These supervisory actions could have a material adverse effect on our business and profitability.

Warrant, venture capital fund, 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 is uncertain.

We have historically obtained rights to acquire stock, in the form of equity warrants, in certain clients as part of negotiated credit facilities and for other services. In future periods we may not be able to ultimately realize gains from the sale of securities to third parties related to the exercise of warrants, or our realized gains may be materially less than the current level of fair value of derivative equity warrant assets and unrealized gains disclosed in this filing. We also have made investments in venture capital funds as well as direct equity investments in companies. The timing and amount of income, if any, from the disposition of client warrants, venture capital funds, and direct equity investments typically depend upon factors beyond our control, including the performance of the underlying portfolio companies, investor demand for initial public offerings, fluctuations in the market prices of the underlying common stock of these companies, levels of mergers and acquisitions activity, and legal and contractual restrictions on our ability to sell the underlying securities. In addition, our investments in venture capital funds and direct equity investments have lost value and could continue to lose value or become worthless, which would reduce our net income or could cause a net loss in any period. All of these factors are difficult to predict, particularly in the current economic environment. Additionally, due to the nature of investing in private equity venture-backed technology and life science companies, it is likely that additional investments within our existing portfolio will become impaired. However, we are not in a position to know at the present time which specific investments, if any, are likely to be impaired or the extent or timing of individual impairments. Therefore, we cannot predict future investment gains or losses with any degree of accuracy, and any gains or losses are likely to vary materially from period to period.

Public equity offerings and mergers and acquisitions involving our clients can cause loans to be paid off early, which could adversely affect our business and profitability.

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 or are acquired or merge with another company. Any significant reduction in our outstanding loans could have a material adverse effect on our business and profitability.

Adverse changes in domestic or global economic conditions, especially in the technology sector and particularly in California, could have a material adverse effect on our business, growth, and profitability.

If conditions deteriorate in the domestic or global economy, especially in the technology, life science, private equity, and premium wine industry niches, our business, growth, and profitability are likely to be materially adversely affected. A worsening of the global or U.S. economic slowdown would harm many of our clients. Our clients may be particularly sensitive to disruptions in the growth of the technology sector of the U.S. economy. In addition, a substantial number of our clients are geographically concentrated in California, and adverse economic conditions in California could harm the businesses of a disproportionate number of our clients. To the extent that our clients' underlying businesses are harmed, they are more likely to default on their loans.

If we fail to retain our key employees, our growth and profitability could be adversely affected.

We rely on experienced client relationship managers and on officers and employees with strong relationships with the venture capital community to generate new business. If a significant number of these employees were to leave us, our growth and profitability could be adversely affected. We believe that our employees frequently have opportunities for alternative employment with competing financial institutions and with our clients.

We cannot assure that we will be able to maintain our historical levels of profitability in the face of sustained competitive pressures.

Other banks and specialty and diversified financial services companies, many of which are larger and have more capital than we do, offer lending, leasing, other financial products and advisory services to our client base. 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, early stage growth 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/or credit terms prevalent in that market. Our pricing and credit terms could deteriorate if we act to meet these competitive challenges.

We face risks in connection with completed or potential acquisitions.

We completed one acquisition in each of 2002 and 2001 and, if appropriate opportunities present themselves, we intend to acquire businesses, technologies, services or products that we believe are strategic. There can be no assurance that we will be able to identify, negotiate or finance future acquisitions successfully or integrate such acquisitions with our current business.

Future acquisitions could result in potentially dilutive issuances of equity securities, the incurrence of debt, and/or contingent liabilities, which could have a material adverse effect on our business, results of operations, and/or financial condition. Any such future acquisitions of other businesses, technologies, services, or products might require us to obtain additional equity or debt financing, which might not be available on terms favorable to us, or at all; and such financing, if available, might be dilutive.

Upon completion of an acquisition, we are faced with the challenges of integrating the operations, services, products, personnel, and systems of acquired companies into our business, which may divert management's attention from ongoing business operations. In addition, acquisitions of new businesses may subject us to regulatory scrutiny. We cannot assure that we will be successful in integrating any acquired business effectively into the operations of our business. Moreover, there can be no assurance that the anticipated benefits of any acquisition will be realized.

The success of our acquisitions is dependent on the continued employment of several key employees. If acquired businesses do not meet projected revenue targets, or if certain key employees were to leave the businesses, we could conclude that the value of the businesses has decreased and that the related goodwill has been impaired. If we were to conclude that goodwill has been impaired that conclusion would result in an impairment of goodwill charge to us, which would adversely affect our results of operations.

We could be liable for breaches of security in our online banking services. Fear of security breaches could limit the growth of our online services.

We offer various Internet-based services to our clients, including online banking services. The secure transmission of confidential information over the Internet is essential to maintain our clients' confidence in our online services. Advances in computer capabilities, new discoveries, or other developments could result in a compromise or breach of the technology we use to protect client transaction data. Although we have developed systems and processes that are designed to prevent security breaches and periodically test our security, failure to mitigate breaches of

security could adversely affect our ability to offer and grow our online services and could harm our business.

People generally are concerned with security and privacy on the Internet and any publicized security problems could inhibit the 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 operations and financial condition could be adversely affected.

We face risks associated with international operations.

A component of our strategy is to expand internationally on a limited basis. Expansion into international markets, albeit on a limited basis, requires management's attention and resources. We have limited experience in

internationalizing our service, and we believe that many of our competitors are also undertaking expansion into foreign markets. There can be no assurance that we will be successful in expanding into international markets. In addition to the uncertainty regarding our ability to generate revenues from foreign operations and to expand our international presence, there are certain risks inherent in doing business on an international basis, including, among others, regulatory requirements, legal uncertainty regarding liability, tariffs, and other trade barriers, difficulties in staffing and managing foreign operations, longer payment cycles, different accounting practices, problems in collecting loan or other types of payments, political instability, seasonal reductions in business activity, and potentially adverse tax consequences, any of which could adversely affect the success of our international operations. To the extent we continue to expand our international operations and have additional portions of our international revenues denominated in foreign currencies, we could become subject to increased risks relating to foreign currency exchange rate fluctuations. There can be no assurance that one or more of the factors discussed above will not have a material adverse effect on our business, results of operations, and/or financial condition.

Maintaining or increasing our market share depends on market acceptance and regulatory approval of new products and services.

Our success depends, in part, upon our ability to adapt our products and services to evolving industry standards and client demands. There is increasing pressure on financial services companies to provide products and services at lower prices. In addition, the widespread adoption of new technologies, including Internet-based services, could require us to make substantial expenditures to modify or adapt our existing products or services. A failure to achieve market acceptance of any new products we introduce, or a failure to introduce products that the market may demand, could have an adverse effect on our business, profitability, or growth prospects.

Business interruptions due to natural disasters and other events beyond our control can adversely affect our business.

Our operations can be subject to natural disasters and other events beyond our control, such as earthquakes, fires, power failures, telecommunication loss, terrorist attacks, and acts of war. 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 manmade, could cause severe destruction or interruption to our operations and as a result, our business could suffer serious harm. To mitigate these risks we have begun a phased business continuity program, with initial capabilities scheduled to become available during 2005 and additional work continuing throughout 2006.

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.

Our management has determined that as of December 31, 2004, the Company did not maintain effective internal controls over financial reporting based on criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in Internal Control-Integrated Framework as a result of identified material weaknesses in the Company's internal control over financial reporting. Specifically, the Company did not have adequately designed internal controls in its financial reporting process related to the selection and application of generally accepted accounting principles in that (a) accounting policies, procedures and practices were not consistently developed, maintained or updated in a manner ensuring that financial statements were prepared in accordance with U.S. generally accepted accounting principles, (b) these policies and procedures were not designed to consistently ensure the preparation and retention of adequate documentation to support key judgments made in connection with the selection and application of significant accounting policies within the Company's financial reporting process and (c) the Company's policies and procedures did not consistently provide for effective analysis, implementation, and documentation of new accounting pronouncements. In addition, the Company did not maintain sufficient levels of appropriately qualified and trained personnel in its financial reporting processes resulting in management's inability to consistently follow its internal control over financial reporting related to (x) the timely preparation of comprehensive documentation supporting management's analysis of the appropriate accounting treatment for warrant derivatives or other non-routine or complex transactions, and (y) the review of such documentation by qualified internal staff, assisted by external

advisors as deemed necessary, to determine its completeness and the propriety of our conclusions. For a detailed description of these material weaknesses and the Company's remediation efforts and plans, see Part II, Items 9A and 9B. These control deficiencies resulted in material errors in the Company's financial reporting which resulted in a restatement of the Company's financial statements for the years 2002, 2003 and 2004, as discussed elsewhere in this Annual Report on Form 10-K/A. We have not yet fully remediated these material weaknesses.

In response to these material weaknesses in our internal control over financial reporting, we are implementing additional controls and procedures and are incurring additional related expenses. We cannot be certain that the measures we have taken and are planning to take will sufficiently and satisfactorily remediate the identified material weaknesses in full. Furthermore, we intend to continue improving our internal control over financial reporting and the implementation and testing of these efforts could result in increased cost and could divert management attention away from operating our business.

If we are unable to remediate the identified material weaknesses discussed above, or if additional material weaknesses are identified in our internal control over financial reporting, our management will be unable to report favorably as to the effectiveness of our internal control over financial reporting and/or our disclosure controls and procedures, and we could be required to further implement expensive and time-consuming remedial measures and potentially lose investor confidence in the accuracy and completeness of our financial reports which could have an adverse effect on our stock price and potentially subject us to litigation.

We have received two delisting notices from Nasdaq. Our common stock and 7% cumulative trust preferred securities may become delisted from the Nasdaq National Market, which may have a material adverse effect on us, including an adverse impact on the liquidity of our common stock and on our ability to attract, recruit or retain key employees.

On August 16, 2005 and November 15, 2005, we received notices from the staff of the Nasdaq Stock Market stating that the Company's securities are subject to delisting because it was not in compliance with Nasdaq's Marketplace Rule 4310(c)(14) due to the delayed filing of its Quarterly Reports on Form 10-Q for the quarters ended June 30, 2005 and September 30, 2005. Currently, both the Company's common stock and 7% cumulative trust preferred securities are traded on the Nasdaq National Market, under the symbols SIVBE and SIVOE, respectively.

At an appeal hearing before a Nasdaq Listing Qualifications Panel on September 29, 2005, we submitted a plan to Nasdaq that would bring us back in compliance with Marketplace Rule 4310(c)(14). The plan, which was subsequently approved by the Nasdaq panel in November 2005, requires us to file our restated financials and our Quarterly Reports on Form 10-Q for the quarters ended June 30, 2005 and September 30, 2005 on or before December 28, 2005. We did not file either of these Quarterly Reports by the SEC filing deadline on that date. Once these reports have been filed, the Company expects that it will be back in compliance with Nasdaq marketplace rules, so long as it has not actually been delisted by Nasdaq.

While the Company intends to continue its plan to achieve and sustain compliance as requested by Nasdaq, there can be no guarantee that we will be successful in implementing our plan as intended, or that our common stock will not be delisted by Nasdaq. If our common stock is delisted, the only public market for our common stock is likely to be the pink sheets or the OTC Bulletin Board. Being delisted will likely significantly and adversely impact the liquidity of our common stock and significantly depress its value.

Additionally, if we are delisted, the reduced marketability of our common stock may have a material adverse effect on our ability to attract, recruit and retain key employees, especially since our employee compensation structure includes equity compensation.

Report Of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders
SVB Financial Group (formerly known as Silicon Valley Bancshares):

We have audited management's restated assessment, included in the accompanying Management's Report of Internal Control over Financial Reporting (as Restated) (Item 9A(b)), that SVB Financial Group (formerly known as Silicon Valley Bancshares) and subsidiaries (the Company) did not maintain effective internal control over financial reporting as of December 31, 2004, because of the effect of the material weaknesses identified in management's restated assessment, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on management's assessment and an opinion on the effectiveness of the Company's internal control over financial reporting based on our audit.

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

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

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. A material weakness is a control deficiency, or combination of control deficiencies, that results in more than a remote likelihood that a material misstatement of the annual or interim financial statements will not be prevented or detected. Management identified and included in its restated assessment the following material weaknesses as of December 31, 2004:

The Company did not have adequately designed internal controls in its financial reporting process related to the selection and application of generally accepted accounting principles (GAAP). Specifically, accounting policies, procedures and practices were not consistently developed, maintained or updated in a manner ensuring that financial statements were prepared in accordance with U.S. generally accepted accounting principles. Also, policies and procedures were not designed to consistently ensure the preparation and retention of adequate documentation to support key judgments made in connection with the selection and application of significant accounting policies

within the Company's financial reporting process. Finally, the Company's policies and procedures did not consistently provide for effective analysis, implementation, and documentation of new accounting pronouncements.

The Company did not maintain sufficient levels of appropriately qualified and trained personnel in its financial reporting processes. As a result, the Company did not establish internal control over financial reporting policies and procedures related to (a) the timely preparation of comprehensive documentation supporting management's analysis of the appropriate accounting treatment for warrant derivative assets or other non-routine or complex transactions, and (b) the review of such documentation by qualified internal staff, assisted by external advisors as deemed necessary, to determine its completeness and the propriety of the Company's conclusions.

These material weaknesses resulted in the restatement of the Company's previously issued consolidated financial statements as of December 31, 2004 and 2003, and for each of the years in the three-year period ended December 31, 2004, and the interim consolidated financial information for each of the quarterly periods in 2004 and 2003. Specifically, the aforementioned material weaknesses in internal control over financial reporting as of December 31, 2004 resulted in the following accounting errors:

- 1) Derivative equity warrant assets with net share settlement provisions were not reported as derivatives in accordance with the provisions of Statement of Financial Accounting Standards (SFAS) No. 133, *Accounting for Derivative Instruments and Hedging Activities*, as amended. Specifically, the Company failed to properly reflect the fair value of equity warrant assets with net settlement terms received during lending activity in its consolidated balance sheet, the change in fair value of the equity warrant assets in the income statement and the accretion of the grant date fair value of equity warrant assets to interest income as a yield adjustment. This misapplication of GAAP resulted in a change to the Company's interest income, provision for loan and lease losses, non-interest income and net income for the years ended December 31, 2004, 2003 and 2002 and for all quarterly periods during the years ended December 31, 2004 and 2003.
- 2) Initial non-refundable corporate finance fees were not reported in accordance with the provisions of Staff Accounting Bulletin No. 104, *Revenue Recognition*. Specifically, the Company failed to defer recognition of initial upfront non-refundable retainers received upon execution of engagement letters to provide mergers and acquisitions advisory services until the completion of all contractual obligations pursuant to the terms of the engagement letters or upon receipt or notification of an engagement termination letter. This misapplication of GAAP resulted in a change to the Company's noninterest income and net income for the years ended December 31, 2004, 2003, and 2002 and for all quarterly periods during the years ended December 31, 2004 and 2003.
- 3) Non-refundable loan fees and costs associated with the Company's lending products and fees associated with letters of credit were not reported in accordance with the provisions of SFAS No. 91, *Accounting for Nonrefundable Fees and Costs Associated with Originating or Acquiring Loans and Initial Direct Costs of Leases*. Specifically, the Company failed to recognize net fee revenue in accordance with the appropriate straight-line or interest method, as prescribed by SFAS No. 91, for net loan fee income obtained in connection with the extension of lending products. In addition, the Company inappropriately recognized non-refundable loan fees it receives for factoring loans immediately rather than deferring and amortizing fees over the term of the facility granted. The

Company did not properly defer direct loan origination costs associated with originating certain loan products. In addition, the Company misclassified fees on certain letters of credit as interest income rather than noninterest income on commitments where the probability of exercise was deemed remote. These misapplications of GAAP resulted in a change to the Company's interest income, noninterest income and net income for the years ended December 31, 2004, 2003, and 2002 and for all quarterly periods during the years ended December 31, 2004 and 2003.

4) Certain investment securities that were readily convertible to known amounts of cash and present insignificant risk of changes in value with original or purchased maturity dates of 90 days or less, were not reported as cash equivalents in accordance with the provisions of SFAS No. 95, *Statement of Cash Flows*. This misapplication of GAAP resulted in a reclassification in the Company's consolidated balance sheets of money market mutual fund investments and commercial paper investments from Investment securities to Federal funds sold and securities purchased under agreement to resell and other short-term investment securities. This reclassification did not result in any change to the Company's revenue or net income for the years ended December 31, 2004, 2003 and 2002 or for any quarterly period during the years ended December 31, 2004 and 2003.

5) Current federal income taxes receivable and current federal income taxes payable were not reflected net on the Company's balance sheets. This misapplication of GAAP resulted in a change to the Company's other assets and other liabilities as of December 31, 2004 and 2003. Current federal income taxes receivable and current federal income taxes payable should be netted as the Company has the legal right of offset, as defined by FIN No. 39, *Offsetting of Amounts Related to Certain Contracts*. Therefore, other assets and other liabilities have been restated to reflect the net current federal income taxes receivable or net current federal income taxes payable at each of these period ends. This correction of accounting resulted in a decrease to both other assets and other liabilities as of December 31, 2004 and 2003.

As stated in the fourth to the seventh paragraphs of Management's Report on Internal Control Over Financial reporting (as Restated) (Item 9A(b)), management's assessment of the effectiveness of the Company's internal control over financial reporting as of December 31, 2004 has been restated to reflect the impact of the aforementioned material weaknesses in internal control over financial reporting.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the restated consolidated balance sheets of SVB Financial Group and subsidiaries as of December 31, 2004 and 2003, and the related consolidated statements of income, comprehensive income, stockholders' equity and cash flows for each of years in the three-year period ended December 31, 2004. The aforementioned material weaknesses were considered in determining the nature, timing and extent of audit tests applied in our audit of the restated 2004 consolidated financial statements, and this report does not affect our report dated March 14, 2005, except as to the restatement discussed in Note 3, which is as of December 28, 2005, which expressed an unqualified opinion on those consolidated financial statements.

In our opinion, management's restated assessment that the Company did not maintain effective internal control over financial reporting as of December 31, 2004, is fairly stated, in all material respects, based on criteria established in Internal Control - Integrated Framework issued by COSO. Also, in our opinion, because of the effect of the material weaknesses described above on the achievement of the objectives of the control criteria, the Company did not maintain effective internal control over financial reporting as of December 31, 2004, based on criteria established in Internal Control - Integrated Framework issued by COSO.

San Francisco, California

March 14, 2005, except as to the fourth to the seventh paragraphs of Management's Report on Internal Control Over Financial Reporting (as Restated), which are as of December 28, 2005

Item 8. Consolidated Financial Statements and Supplementary Data

Report of Independent Registered Public Accounting Firm

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The Board of Directors and Stockholders
SVB Financial Group (formerly known as Silicon Valley Bancshares):

We have audited the accompanying consolidated balance sheets of SVB Financial Group (formerly known as Silicon Valley Bancshares) and subsidiaries (the Company) as of December 31, 2004 and 2003, and the related consolidated statements of income, comprehensive income, stockholders' equity and cash flows for each of the years in the three-year period ended December 31, 2004. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2004 and 2003, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2004, in conformity with U.S. generally accepted accounting principles.

As described in Note 3, the Company has restated the accompanying consolidated financial statements as of December 31, 2004 and 2003, and for each of the years in the three-year period ended December 31, 2004.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of the Company's internal control over financial reporting as of December 31, 2004, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated March 14, 2005, except as to the fourth to seventh paragraphs of Management's Report on Internal Control Over Financial Reporting (as restated), which are as of December 28, 2005, expressed an unqualified opinion on management's assessment of, and an adverse opinion on the effective operation of, internal control over financial reporting as of December 31, 2004.

San Francisco, California
March 14, 2005, except for Note 3, which is as of December 28, 2005

SVB FINANCIAL GROUP AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

(Dollars in thousands, except par value)	(As Restated) December 31,	
	2004	2003
Assets		
Cash and due from banks	\$ 284,208	\$ 252,521
Federal funds sold, securities purchased under agreement to resell and other short-term investment securities	343,010	582,792
Investment securities	2,074,967	1,530,411
Loans, net of unearned income	2,308,588	1,987,146
Allowance for loan and lease losses	(37,613)	(49,862)
Loans, net	2,270,975	1,937,284
Premises and equipment, net of accumulated depreciation and amortization	14,641	14,999
Goodwill	35,639	37,549
Accrued interest receivable and other assets	122,239	112,854
Total assets	\$ 5,145,679	\$ 4,468,410
Liabilities, Minority Interest, and Stockholders' Equity		
Liabilities:		
Deposits:		
Noninterest-bearing demand	\$ 2,649,853	\$ 2,186,317
NOW	32,009	20,897
Money market	1,206,078	1,080,559
Time	331,574	379,068
Total deposits	4,219,514	3,666,841
Contingently convertible debt	146,740	145,797
Junior subordinated debentures	49,470	49,118
Other borrowings	9,820	17,961
Other liabilities	107,502	79,996
Total liabilities	4,533,046	3,959,713
Commitments and contingencies		
Minority interest in capital of consolidated affiliates	70,685	50,744
Stockholders' equity:		
Preferred stock, \$0.001 par value, 20,000,000 shares authorized; no shares issued and outstanding		
Common stock, \$0.001 par value, 150,000,000 shares authorized; 35,970,095 and 35,028,470 shares outstanding, respectively	36	35
Additional paid-in capital	45,226	17,508
Retained earnings	499,911	436,047
Unearned compensation	(4,512)	(1,232)
Accumulated other comprehensive income	1,287	5,595
Total stockholders' equity	541,948	457,953
Total liabilities, minority interest, and stockholders' equity	\$ 5,145,679	\$ 4,468,410

See accompanying notes to consolidated financial statements.

SVB FINANCIAL GROUP AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME

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(Dollars in thousands, except per share amounts)	(As Restated) Years Ended December 31,		
	2004	2003	2002
Interest income:			
Loans	\$ 157,604	\$ 143,586	\$ 153,799
Investment securities:			
Taxable	70,651	39,295	37,933
Non-taxable	5,004	6,248	6,894
Federal funds sold, securities purchased under agreement to resell and other short-term investments	8,421	8,024	11,517
Total interest income	241,680	197,153	210,143
Interest expense:			
Deposits	8,423	9,083	16,229
Other borrowings	2,968	4,370	1,647
Total interest expense	11,391	13,453	17,876
Net interest income	230,289	183,700	192,267
(Recovery of) provision for loan and lease losses	(10,289)	(9,892)	5,873
Net interest income after (recovery of) provision for loan and lease losses	240,578	193,592	186,394
Noninterest income:			
Client investment fees	26,919	23,991	30,344
Corporate finance fees	22,024	12,204	10,872
Letter of credit and standby letter of credit income	9,994	8,912	10,258
Deposit service charges	13,538	13,202	9,072
Gains (losses) on derivative instruments, net	16,746	20,200	11,815
Gains (losses) on investment securities, net	5,198	(9,614)	(10,679)
Credit card fees	2,817	3,431	955
Other	9,726	8,505	8,789
Total noninterest income	106,962	80,831	71,426
Noninterest expense:			
Compensation and benefits	153,897	121,653	103,505
Net occupancy	18,134	17,638	20,391
Professional services	17,068	13,677	18,385
Furniture and equipment	12,403	11,289	9,562
Business development and travel	9,718	8,692	8,426
Correspondent bank fees	5,340	4,343	2,835
Data processing services	3,647	4,288	4,360
Telephone	3,367	3,187	3,123
Postage and supplies	3,255	2,601	3,190
Tax credit fund amortization	2,480	2,704	2,963
Impairment of goodwill	1,910	63,000	
Provision for (reduction of) unfunded credit commitments	1,549	2,504	(3,338)
Trust preferred securities distributions		1,595	3,300
Other	9,062	7,725	6,624
Total noninterest expense	241,830	264,896	183,326
Income before minority interest in net (income) losses of consolidated affiliates and income tax expense	105,710	9,527	74,494
Minority interest in net (income) losses of consolidated affiliates	(3,090)	7,689	7,767
Income before income tax expense	102,620	17,216	82,261
Income tax expense	38,754	4,174	27,761
Net income	\$ 63,866	\$ 13,042	\$ 54,500
Earnings per common share-basic	\$ 1.81	\$ 0.36	\$ 1.24
Earnings per common share-diluted	\$ 1.70	\$ 0.35	\$ 1.21

See accompanying notes to consolidated financial statements.

SVB FINANCIAL GROUP AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

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(Dollars in thousands)	(As Restated)		
	Years Ended December 31,		
	2004	2003	2002
Net income	\$ 63,866	\$ 13,042	\$ 54,500
Other comprehensive (loss) income, net of tax:			
Change in unrealized gains (losses) on available-for-sale investment securities:			
Unrealized holding gains (losses)	(9,600)	(11,347)	9,507
Related tax effect	4,010	4,683	(3,915)
Reclassification adjustment for (gains) losses included in net income	2,202	(1,447)	30
Related tax effect	(920)	597	(12)
Other comprehensive (loss) income, net of tax	(4,308)	(7,514)	5,610
Comprehensive income	\$ 59,558	\$ 5,528	\$ 60,110

See accompanying notes to consolidated financial statements.

SVB FINANCIAL GROUP AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

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(Dollars in thousands)	Common Stock		(As Restated)					Accumulated Other Comprehensive Income		Total
			Shares	Amount	Additional Paid-in Capital	Retained Earnings	Unearned Compensation			
Balance at December 31, 2001, As previously reported	45,390,007	\$ 45	\$	196,143	\$	423,252	\$	(1,600)	\$ 9,675	\$ 627,515
Restatement adjustments (Note 3)						11,709			(2,176)	9,533
Balance at December 31, 2001, As restated	45,390,007	45		196,143		434,961	(1,600)		7,499	637,048
Common stock issued under employee benefit plans, net of restricted stock cancellations	722,464	1		9,112			151			9,264
Income tax benefit from stock options exercised and vesting of restricted stock				4,113						4,113
Net income						54,500				54,500
Amortization of unearned compensation							797			797
Net change in unrealized gains on available-for-sale investment securities									5,610	5,610
Common stock repurchases	(5,534,378)	(5)		(109,389)						(109,394)
Balance at December 31, 2002, As restated	40,578,093	41		99,979		489,461	(652)		13,109	601,938
Common stock issued under employee benefit plans, net of restricted stock cancellations	931,684	1		14,307			(1,712)			12,596
Income tax benefit from stock options exercised and vesting of restricted stock				6,736						6,736
Net income						13,042				13,042
Amortization of unearned compensation							1,132			1,132
Net change in unrealized losses on available-for-sale investment securities									(7,514)	(7,514)
Warrant issuance proceeds				17,412						17,412
Cost of convertible debt note hedge				(39,297)						(39,297)
Real estate investment trust dividend						(2)				(2)
Common stock repurchases	(6,481,307)	(7)		(81,629)		(66,454)				(148,090)
Balance at December 31, 2003, As restated	35,028,470	35		17,508		436,047	(1,232)		5,595	457,953
Common stock issued under employee benefit plans, net of restricted stock cancellations	1,241,625	1		30,433			(5,650)			24,784
Income tax benefit from stock options exercised and vesting of restricted stock				9,863						9,863
Net income						63,866				63,866
Amortization of unearned compensation							2,370			2,370
Net change in unrealized losses on available-for-sale investment securities									(4,308)	(4,308)
Real estate investment trust dividend						(2)				(2)
Common stock repurchases	(300,000)			(12,578)						(12,578)
Balance at December 31, 2004, As restated	35,970,095	\$ 36	\$	45,226	\$	499,911	\$	(4,512)	\$ 1,287	\$ 541,948

See accompanying notes to consolidated financial statements.

SVB FINANCIAL GROUP AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

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(Dollars in thousands)	(As Restated)		
	Years Ended December 31,		
	2004	2003	2002
Cash flows from operating activities:			
Net income	\$ 63,866	\$ 13,042	\$ 54,500
Adjustments to reconcile net income to net cash provided by operating activities:			
(Recovery of) provision for loan and lease losses	(10,289)	(9,892)	5,873
Changes in fair values of derivatives	1,939	(4,135)	5,507
(Gains) losses on investment securities, net	(5,198)	9,614	10,679
Depreciation and amortization	8,779	7,610	7,964
Impairment of goodwill	1,910	63,000	
Minority interest	3,090	(7,689)	(7,767)
Tax benefits of stock compensation	9,863	6,736	4,113
Stock-based compensation	3,563	1,132	797
Amortization of deferred warrant related loan fees	(5,656)	(6,621)	(9,228)
Deferred income tax expense (benefit)	5,572	(15,804)	2,680
Changes in other assets and liabilities:			
(Increase) decrease in accrued interest receivable	(3,370)	(211)	6,095
(Increase) in accounts receivable	(7,317)	(2,258)	(930)
(Increase) decrease in income tax receivable	4,646	(4,746)	17,141
Increase in accrued retention, incentive plans and other compensation benefits payable	17,338	15,021	2,774
Provision for (Reduction of) unfunded credit commitments	1,549	2,504	(3,338)
Other, net	4,051	8,982	5,665
Net cash provided by operating activities	94,336	76,285	102,525
Cash flows from investing activities:			
Purchases of investment securities	(1,431,653)	(1,724,347)	(1,419,801)
Proceeds from sales of investment securities	162,011	106,747	57,087
Proceeds from maturities and pay downs of investment securities	729,159	1,225,052	1,545,101
Net decrease (increase) in loans	(341,652)	77,380	(345,477)
Proceeds from recoveries of charged-off loans	14,236	20,363	22,175
Purchases of premises and equipment	(8,421)	(4,723)	(4,131)
Payment for acquisitions, net of cash acquired			(4,169)
Net cash used by investing activities	(876,320)	(299,528)	(149,215)
Cash flows from financing activities:			
Net increase in deposits	552,673	230,791	55,273
Decrease in other borrowings, net	(8,141)	(9,333)	(42,000)
Capital contributions from minority interest participants, net of distributions	16,851	15,275	22,650
Proceeds from issuance of common stock	25,084	14,364	9,769
Repurchase of common stock	(12,578)	(148,090)	(109,394)
Redemption of 8.25% trust preferred securities		(40,000)	
Proceeds from issuance of 7.0% junior subordinated debentures, net of issuance costs		47,839	
Proceeds from issuance of convertible notes and warrants, net of issuance costs of convertible note hedge		123,340	
Net cash (used) provided by financing activities	573,889	234,186	(63,702)
Net (decrease) increase in cash and cash equivalents	(208,095)	10,943	(110,392)
Cash and cash equivalents at beginning of year	835,313	824,370	934,762
Cash and cash equivalents at end of year	\$ 627,218	\$ 835,313	\$ 824,370
Supplemental disclosures:			
Cash paid during the period for:			
Interest paid	\$ 11,305	\$ 13,084	\$ 18,487
Income taxes paid	\$ 25,307	\$ 17,802	\$ 6,812
Noncash items during the period:			
	\$ 6,992	\$	\$

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Increase in deferred rent liability and accounts receivable related
to landlord non-cash incentives

Increase in deferred rent liability and deferred rent asset related
to rent abatement regarding the renewal of the lease of the
headquarters property

2,255

See accompanying notes to consolidated financial statements.

1. Nature of Business

Nature of Business

SVB Financial Group (formerly known as Silicon Valley Bancshares) (individually referred to herein as SVB Financial) and its subsidiaries (collectively referred to as the Company or SVB Financial Group) offer clients financial products and services through four lines of banking and financial services (see Note 25 - Segment Reporting). SVB Financial is a bank holding company and a financial holding company whose principal subsidiary is Silicon Valley Bank (the Bank), a California-chartered bank, founded in 1983, and headquartered in Santa Clara, California. The Bank serves more than 10,000 clients across the country, through its 25 regional offices in the United States, a subsidiary in England and one in India. The Bank has 12 offices throughout California and operates regional offices across the country in Arizona, Colorado, Georgia, Illinois, Massachusetts, Minnesota, New York, North Carolina, Oregon, Pennsylvania, Texas, Virginia, and Washington. The Bank serves clients in all stages of maturity ranging from emerging-growth companies to established corporate companies in the technology and life science markets and the premium wine industry. The Company defines emerging-growth clients as companies in the start-up or early stages of their lifecycle; these companies tend to be privately held and backed by venture capital; they generally have few employees, are primarily engaged in research and development, have brought relatively few products or services to market, and have no or little revenue. By contrast, the Company defines established corporate clients as companies that tend to be more mature; these companies may be publicly traded, and more established in the markets in which they participate. Additionally, merger, acquisition, private placement, and corporate partnering services are provided through the Company's wholly-owned investment banking subsidiary, SVB Alliant, whose offices are in California and Massachusetts.

2. Summary of Significant Accounting Policies

Use of Estimates and Assumptions

The preparation of consolidated financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and 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. A material estimate that is particularly susceptible to possible change in the near term relates to the determination of the allowance for loan and lease losses. An estimate of possible changes or a range of possible changes cannot be made.

Principles of Consolidation and Presentation

The consolidated financial statements include the accounts of SVB Financial Group and its majority-owned subsidiaries that are not considered variable interest entities (VIEs) and all VIEs for which the Company is the primary beneficiary. All significant intercompany accounts and transactions have been eliminated. The effects of eliminations of revenues and expenses due to intercompany transactions between majority-owned subsidiaries and consolidated VIEs are not attributed to noncontrolling interests in the VIEs.

If the Company owns at least 20%, but less than 50% voting interest and has the ability to exert significant influence over the financial operations and policies, of an affiliate corporation, it accounts for the investment using the equity method. If the Company owns less than 20% voting interest of a company, it generally carries the investment at cost, except marketable equity securities classified as available-for-sale securities, which the Company carries at fair value with changes in fair value included in other comprehensive income, net of applicable taxes.

If the Company owns 5%, but less than 50%, in a limited partnership, it generally accounts for the investment using the equity method. If the Company owns less than 5% in a limited partnership, it carries the investment at cost. Assets accounted for under the equity and cost method are included in investment securities.

In January 2003, the Financial Accounting Standards Board (FASB) issued Interpretation No. 46, Consolidation of Variable Interest Entities (FIN 46) and, in December 2003, issued Revised Interpretation No. 46, Consolidation of Variable Interest Entities (FIN 46R), which replaced FIN 46. This set forth the rules of consolidation for a certain type of entity, a VIE, used to conduct activities or hold assets that either (1) has an insufficient amount of equity to carry out its principal activities without additional subordinated financial support, (2) has a group of equity owners that are unable to make significant decisions about its activities, or (3) has a group of equity owners that do not have the obligation to absorb expected losses or the right to receive returns generated by its operations. An enterprise's variable interest arises from contractual, ownership or other monetary interests in the entity, which change with fluctuations in the entity's net asset value. Effective for VIEs formed after January 31, 2003, and effective for all existing VIEs on December 31, 2003, the Company consolidates a VIE if it is the primary beneficiary because it will absorb a majority of the entity's expected losses, receive a majority of the entity's expected residual returns, or both. See Note 28 Variable Interest Entities Adoption of FIN 46R.

Historically, the Company aggregated its allowance for loan and lease losses and its allowance for unfunded credit commitments and reflected the aggregate allowance in its allowance for loan and lease losses (ALLL) balance. Commencing in the fourth quarter of 2004, the Company reflected its allowance for loan and lease losses in its ALLL balance and its allowance for unfunded credit commitments in other liabilities. These reclassifications were also made to prior periods' balance sheets to conform to current periods' presentations. Additionally, the Company reclassified expense related to the ALLL to provision for loan losses and expense related to changes in the allowance for unfunded credit commitments into noninterest expense for all periods presented. Such reclassifications had no effect on the Company's results of operations or stockholders' equity.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand, cash balances due from banks, federal funds sold, and securities purchased under agreement to resell. For purposes of the consolidated statements of cash flows, the Company considers cash equivalents to be highly liquid investments that are readily convertible to known amounts of cash with original maturity or purchased maturity dates of 90 days or less.

Federal Funds Sold, Securities Purchased under Agreement to Resell and Other Short-Term Investment Securities

Federal funds sold, securities purchased under agreement to resell and other short-term investments as reported in the consolidated balance sheet include interest-bearing deposits in other financial institutions of \$11.4 million and \$1.8 million at December 31, 2004 and 2003, respectively.

Reverse repurchase agreements are collateralized by government and government agency securities, mortgage-backed securities rated single A or better, and A1 rated commercial paper. Company policy allows segregated customer safekeeping of assets due to the overnight tenor of the aforementioned transactions and the Company regularly monitors the suitability and market value of collateral underlying the transactions.

Investment Securities

Fixed Income Securities

Fixed income investment securities are classified as held-to-maturity, available-for-sale, trading, or non-marketable upon purchase or acquisition.

Securities purchased with the ability and positive intent to hold to maturity are classified as held-to-maturity and are accounted for at historical cost, adjusted for the amortization of premiums or the accretion of discounts to maturity, where appropriate. Unrealized losses on held-to-maturity securities become realized and are charged against earnings when it is determined that an other-than-temporary decline in value has occurred. The Company did not have any investments in the held-to-maturity portfolio at December 31, 2004 or 2003.

Securities acquired and held principally for the purpose of sale in the near term are classified as trading and are accounted for at fair value. Unrealized gains and losses resulting from fair value adjustments on trading securities, as well as gains and losses realized upon the sale of investment securities, are included in noninterest income. The Company did not have a trading portfolio at December 31, 2004 or 2003.

Securities that are held to meet investment objectives such as interest rate risk and liquidity management, and which may be sold by the Company as needed to implement management strategies are classified as available-for-sale and are accounted for at fair value. Unrealized gains and losses on available-for-sale securities, after applicable taxes, are reported in accumulated other comprehensive income, which is a separate component of stockholders' equity, until realized.

The Company considers a number of factors in determining other-than-temporary impairment. An initial indicator of impairment for both marketable equity and debt securities is a sustained decline in market price below the amount recorded for that investment. The Company also considers the following factors:

The length of time and the extent to which market value has been less than cost;

The reasons for the decline in market price, whether industry-wide or issuer-specific;

Changes in the regulatory, economic or technological environment of the issuer's industry;

Changes in the general market condition of either the geographic area or the issuer's industry;

The issuer's financial condition, capital strength and near-term prospects, as well as its ability to make timely future payments;

Any changes in agencies' ratings and any potential actions; and

The Company's investment horizon.

Market valuations represent the current fair value of a security at a specified point in time and do not represent the risk of repayment of the principal if a security is held to maturity. Gains and losses on securities are only realized upon the sale of the security prior to maturity, whereas a credit downgrade represents an increased level of risk of other-than-temporary impairment, and will only be recognized if the Company assesses the downgrade to challenge the issuer's ability to service the debt and to repay the principal at contractual maturity.

Amortization of premiums and accretion of discounts on debt securities are included in interest income over the contractual terms of the underlying investment securities replicating the effective interest method.

Non-Marketable Equity Securities

The Company's accounting for investments in non-marketable equity securities depends on several factors, including its level of ownership/control and the legal structure of its subsidiary making the investment. As further described below, the Company bases its accounting for such securities on: (i) investment company fair value accounting, (ii) equity method accounting, or (iii) cost method accounting.

Investment Company Fair Value

The Company's non-marketable equity securities recorded pursuant to investment company fair value accounting consist of its investments in the following funds:

Direct equity venture fund, Silicon Valley BancVentures, LP, which makes equity investments in privately held companies;

Funds of funds, SVB Strategic Investors Fund, LP and SVB Strategic Investors Fund II, LP, which make investments in venture capital funds; and

Venture debt fund, Partners for Growth, LP, which provides financing to companies in the form of structured loans and equity investments.

A summary of the Company's ownership interests in the investments held under investment company fair value accounting is presented in the following table:

Company Ownership in General Partner	Company Ownership%
Silicon Valley BancVentures Inc.(1)	100%
SVB Strategic Investors, LLC(2)	100%
SVB Strategic Investors II, LLC(2)	100%
Partners for Growth, LLC(3)	

Company Ownership in Limited Partner	Company Ownership%
Silicon Valley BancVentures, LP(1)	10.7%
SVB Strategic Investors Fund, LP(2)	11.1%
SVB Strategic Investors Fund II, LP(2)	14.4%
Partners for Growth, LP(3)	53.2%

Note: Entity's results of operations and financial condition are included in the consolidated financial statements of SVB Financial Group net of minority interest.

(1) The general partner, Silicon Valley BancVentures, Inc. is owned and controlled by SVB Financial and has an ownership interest of 10.7% in Silicon Valley BancVentures, LP. The limited partners do not have substantive participating or kick-out rights. Therefore, Silicon Valley BancVentures, LP is consolidated and any gains or losses resulting from changes in the estimated fair value of the investments are recorded as investment gains or losses in the Company's consolidated net income.

(2) The general partner of SVB Strategic Investors Fund, LP (SIF I), SVB Strategic Investors, LLC, is owned and controlled by SVB Financial and has an ownership interest of 11.1%. The general partner of SVB Strategic Investors Fund II, LP (SIF II), SVB Strategic Investors II, LLC, is owned and controlled by SVB Financial and has an ownership interest of 14.4%. The limited partners of these funds do not have substantive participating or kick-out rights. Therefore, SIF I and II are consolidated and any gains or losses resulting from changes in the estimated fair value of the venture capital fund investments are recorded as investment gains or losses in the Company's consolidated net income.

(3) The general partner of Partners for Growth, LP Partners for Growth, LLC, is not owned or controlled by SVB Financial. The limited partners of this fund have substantive kick-out rights by which the general partner may be removed without cause by simple majority vote of the limited partners. SVB Financial has an ownership interest of 53.2% in Partners for Growth, LP. Accordingly, the fund is consolidated and any gains or losses resulting from changes in the estimated fair value of the investments are recorded as investment gains or losses in the Company's consolidated net income.

Under investment company accounting, the investments are carried at estimated fair value as determined by the fund's respective general partner. The valuation generally remains at cost until such time that there is significant evidence of a change in value based upon consideration of the relevant market conditions, offering prices, operating results, financial conditions, exit strategies, and other pertinent information. Thus, any gains or losses resulting from changes in the estimated fair value of the investments are recorded as investment gains or losses in the Company's consolidated net income. The portion of any gains or losses attributable to the limited partners is reflected as minority interest in net income (loss) of consolidated affiliates and adjusts SVB Financial Group's consolidated net income to reflect its percentage ownership.

Equity Method

The Company's equity method non-marketable equity securities consist of an investment in a venture debt fund and several qualified affordable housing tax credit funds.

The venture debt fund investment is in Gold Hill Venture Lending 03, LP, which provides financing to privately-held companies in the form of loans and equity investments. SVB Financial Group has direct and indirect interests totaling 9.8% in Gold Hill Venture Lending 03, LP. The Company's total interest in Gold Hill Venture Lending 03, LP exceeds the 5% ownership interest threshold established by EITF Topic D-46 for cost method accounting. Accordingly, this limited partnership investment is accounted for under the equity method. Thus, the Company recognizes its proportionate share of the results of operations of each equity method investee in its results of operations.

The Company invests in several qualified affordable housing projects, which provide it benefits in the form of tax credits. Since its limited partnership investments in qualified affordable housing projects do not qualify for the effective yield method, under EITF 94-1, *Accounting for Tax Benefits Resulting From Investments in Affordable Housing Projects* (EITF 94-1) the Company accounts for such investments under the equity method in accordance with the provisions of the AICPA Statement of Position (SOP) 78-9, *Accounting for Investments in Real Estate Ventures*.

The Company reviews these investments at least quarterly for possible other than temporary impairment. The Company's review typically includes an analysis of facts and circumstances for each investment, the expectations of the investment's future cash flows and capital needs, variability of its business and the Company's exit strategy. It reduces the investment value when it considers declines in value to be other than temporary. It recognizes the estimated loss as a loss on investment securities, a component of noninterest income.

Cost Method

The Company's cost method non-marketable equity securities and related accounting policies are described as follows:

In accordance with the provisions of Accounting Principles Board Opinion No. 18 *The Equity Method of Accounting for Investments in Common Stock* (APB No. 18), equity securities, such as preferred or common stock in privately-held companies in which the Company holds an ownership interest of less than 20% and in which it does not have the ability to exercise significant influence over the investees' operating and financial policies, are accounted for under the cost method. These non-marketable equity securities also include certain investments made for various other purposes, such as shares purchased pursuant to regulatory requirements (for example, Federal Reserve Bank and Federal Home Loan Bank stock).

In accordance with the provisions of Emerging Issue Task Force (EITF) Topic D-46, *Accounting for Limited Partnership Investments* (EITF Topic D-46), investments in limited partnerships in which the Company holds an ownership interest of less than 5% and in which it does not have the ability to exercise significant influence over the investees' operating and financial policies, are accounted for under the cost method. These non-marketable equity securities include investments in venture capital funds.

As stated above, the Company records these investments at cost and recognizes as income, distributions or returns received from net accumulated earnings of the investee since the date of acquisition. The Company's share of net accumulated earnings of the investee after the date of investment are recognized in consolidated net income only to the extent distributed by the investee. Distributions or returns received in excess of accumulated earnings are considered a return of investment and are recorded as reductions in the cost basis of the investment.

The Company reviews these assets at least quarterly for possible other than temporary impairment. The Company's review typically includes an analysis of facts and circumstances of each investment, the expectations of the investment's future cash flows and capital needs, variability of its business and the Company's exit strategy. It reduces the investment value when it considers declines in value to be other than temporary. It recognizes the estimated loss as a loss on investment securities, a component of noninterest income.

Gains or losses on cost method investment securities that result from a portfolio company being acquired by a publicly traded company are marked to market when the acquisition occurs. The resulting gains or losses are recognized into consolidated net income on that date in accordance with EITF No. 91-5, *Nonmonetary Exchange of Cost-Method Investments* (EITF 91-5). Further fluctuations in the market value of these equity securities are excluded from consolidated net income and are reported in accumulated other comprehensive income, net of applicable taxes, (OCI), a component of stockholders' equity. Upon the sale of these equity securities to a third party, gains and losses, which are measured from the acquisition value, are recognized in the Company's consolidated net income.

Loans

Loans are reported at the principal amount outstanding, net of unearned loan fees. Unearned loan fees reflect deferred loan origination and commitment fees net of deferred loan origination costs. The Company often obtains equity warrants to purchase a position in a client company's stock in consideration for providing credit facilities. The grant date fair value of these equity warrant assets is required to be deferred as unearned income and recognized as an interest income adjustment of loan yield as prescribed by Statement of Financial Accounting Standards (SFAS) No. 91, Accounting for Nonrefundable Fees and Costs Associated with Originating or Acquiring Loans and Initial Direct Costs of Leases (SFAS No. 91). The net amount of unearned loan fees is amortized into loan interest income over the contractual terms of the underlying loans and commitments using the interest method, adjusted for actual loan prepayment experience, or the straight-line method, as applicable.

Allowance for Loan and Lease Losses

The allowance for loan and lease losses is established through a provision for loan losses charged to expense to provide for credit risk. The Company's allowance for loan and lease losses is established for loan losses that are probable but not yet realized. The process of anticipating loan losses is imprecise. The Company applies the following evaluation process to its loan portfolio to estimate the required allowance for loan and lease losses:

The Company maintains a systematic process for the evaluation of individual loans and pools of loans for inherent risk of loan losses. On a quarterly basis, each loan in the Company's portfolio is assigned a credit risk rating. Credit risk-ratings are assigned on a scale of 1 to 10, with 1 representing loans with a low risk of nonpayment, 9 representing loans with the highest risk of nonpayment, and 10 representing loans, which have been charged-off. This credit risk-rating evaluation process includes, but is not limited to, consideration of such factors as payment status, the financial condition of the borrower, borrower compliance with loan covenants, underlying collateral values, potential loan concentrations, and general economic conditions. The Company's policies require a committee of senior management to review, at least quarterly, credit relationships that exceed specific dollar values. The Company's review process evaluates the appropriateness of the credit risk rating and allocation of the allowance for loan and lease losses, as well as other account management functions. In addition, the Company's management receives and approves an analysis for all impaired loans, as defined by SFAS No. 114, "Accounting by Creditors for Impairment of a Loan" (SFAS No. 114). The allowance for loan and lease losses is allocated based on a formula allocation for similarly risk-rated loans, or for specific risk issues, which suggest a probable loss factor exceeding the formula allocation for a specific loan or for individually impaired loans as determined by SFAS No. 114.

The Company's evaluation process is designed to determine the adequacy of the allowance for loan and lease losses. The Company assesses the risk of losses inherent in the loan portfolio by utilizing modeling techniques. For this purpose the Company has developed a statistical model based on historical loan loss migration to estimate an appropriate allowance for outstanding loan balances. In addition, the Company applies a macro allocation to the results of the aforementioned model to ascertain the total allowance for loan and lease losses. While this evaluation process uses historical and other objective information, the classification of loans and the establishment of the allowance for loan and lease losses relies, to a great extent, on the judgment and experience of the Company's management.

Allowance for Unfunded Credit Commitments

The Company reserves for the possibility of an unfunded loan commitment being funded and subsequently being charged off. Each quarter, every unfunded client credit commitment is allocated to a credit risk-rating category in accordance with each client's credit risk rating. The Company uses the historical loan loss factors described above to calculate the possible loan loss experience if unfunded credit commitments are funded. Separately, the Company uses historical trends to calculate a probability of an unfunded credit commitment being funded. The Company applies the loan funding probability factor to risk-factor adjusted unfunded commitments by credit risk-rating to derive the reserve for unfunded loan commitments. The unfunded credit commitments reserve may also include certain macro allocations as deemed appropriate by the Company's management.

Nonaccrual Loans

SFAS No. 114 and SFAS No. 118, *Accounting by Creditors for Impairment of a Loan* Income Recognition and Disclosures require the Company to measure impairment of a loan based upon the present value of expected future cash flows discounted at the loan's effective interest rate, except that as a practical expedient, the Company may measure impairment based on the loan's observable market price or the fair value of the collateral if the loan is collateral dependent. A loan is considered impaired when, based upon currently known information, it is deemed probable that the Company will be unable to collect all amounts due according to the contractual terms of the agreement.

Loans are placed on nonaccrual status when they become 90 days past due as to principal or interest payments (unless the principal and interest are well secured and in the process of collection); or when the Company has determined, based upon currently known information, that the timely collection of principal or interest is doubtful; or when the loans otherwise become impaired under the provisions of SFAS No. 114.

When a loan is placed on nonaccrual status, the accrued interest is reversed against interest income and the loan is accounted for on the cash or cost recovery method thereafter until qualifying for return to accrual status. Generally, a loan will be returned to accrual status when all delinquent principal and interest become current in accordance with the terms of the loan agreement and full collection of the principal and interest appears probable.

Standby Letters of Credit

In November 2002, FASB issued FASB Interpretation No. 45, *Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others* (FIN 45), which requires that, for guarantees within the scope of FIN 45 issued or amended after December 31, 2002, a liability for the fair values of the obligation undertaken in issuing the guarantee is to be recognized. The liability recognized at the inception of the guarantee is equivalent to the premium or fee received. Among the types of guarantee contracts to which the provisions of FIN 45 apply are financial standby letters of credit and performance standby letters of credit. Effective January 1, 2003, the Company adopted the recognition and measurement provisions of FIN 45.

Premises and Equipment

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

Leasehold improvements	10 years
Furniture and equipment	3 years
Computer software	3 years
Computer hardware	3 years
Vehicles	3 years

The Company capitalizes the costs of computer software developed or obtained for internal use in accordance to SOP 98-1, Accounting for Costs of Computer Software Developed or Obtained for Internal Use. Capitalized computer software costs consist of developed software, purchased software licenses and implementation costs. Costs capitalized at December 31, 2004 and 2003, amounted to \$4.4 million and \$2.8 million, respectively. Depreciation expense for computer software developed or obtained for internal use was \$3.9 million, \$3.2 million and \$3.5 million for the years ended December 31, 2004, 2003, and 2002, respectively.

For property and equipment that is retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts and the resulting gain or loss is included in noninterest expense in consolidated net income. The Company had no capitalized lease obligations at December 31, 2004 and 2003.

Business Combinations

The Company accounts for business combinations in accordance with the provisions of SFAS No. 141, Business Combinations, which requires that the purchase method of accounting be used for all business combinations. SFAS No. 141 also specifies the criteria that intangible assets acquired in a purchase method business combination must meet to be recognized and reported apart from goodwill.

Goodwill

Goodwill, which arises from the purchase price exceeding the assigned value of the net assets of an acquired business, represents the value attributable to unidentifiable intangible elements being acquired. The value of goodwill is supported by the free cash flows from the acquired businesses. A decline in earnings as a result of a decline in mergers and acquisitions transaction volume or a decline in the valuations of mergers and acquisitions clients could lead to impairment, which would be recorded as a write-down in the Company's consolidated net income.

On an annual basis or as circumstances dictate, the Company's management reviews goodwill and evaluates events or other developments that may indicate impairment in the carrying amount. The Company conducts its reviews of goodwill in accordance with the provisions of SFAS No. 142, which is based primarily on forecasted discounted cash flow analyses. The evaluation methodology for potential impairments is inherently complex and involves significant management judgment in the use of estimates and assumptions. The Company evaluates impairment using a two-step process. First, the Company compares the aggregate fair value of the reporting unit to its carrying amount, including goodwill. If the fair value exceeds the carrying amount, no impairment exists. If the carrying amount of the reporting unit exceeds the fair value, then the Company compares the implied fair value, defined below, of the reporting unit's goodwill with its carrying amount. If the carrying amount of the goodwill exceeds the implied fair value, then goodwill impairment is recognized by writing goodwill down to the implied fair value.

The Company primarily uses a discounted cash flow approach to value the reporting unit being evaluated for goodwill impairment. These estimates involve many assumptions, including expected results of operations, assumed discounts rates, and assumed growth rates for the reporting units. The discount rate used is based on standard industry practice, taking into account the expected equity risk premium, the size of the business, and the probability of the reporting unit achieving its financial forecasts. The implied fair value is determined by allocating the fair value of the reporting unit to all of the assets and liabilities of that unit, as if the unit had been acquired in a business combination and the fair value of the unit was the purchase price.

Events that may indicate goodwill impairment include significant or adverse changes in results of operations of the business, economic or political climate, an adverse action or assessment by a regulator, unanticipated competition, and a more likely-than-not expectation that a reporting unit will be sold or disposed of.

Fee-based Services Revenue Recognition

Investment Banking Income

Contingent fees earned for mergers and acquisitions advisory services are recognized, in accordance with the United States Securities and Exchange Commission's Staff Accounting Bulletin (SAB) No. 104 Revenue Recognition (SAB No. 104), when the Company has fully completed its contractual and regulatory obligations related to its client service engagements.

The Company recognizes initial non-refundable retainer fees over the term of the contract if a term is specified, otherwise, the fee is recognized at the same time as the related contingent advisory fee, or when either the Company or its client terminates the contract.

Client Investment Income

Revenues related to client investment management fees are recognized as earned.

Reimbursement of Out of Pocket Expenses

The Company receives reimbursement of out of pocket expenses related to lending and other products offered. The reimbursements of these expenses are included in noninterest income.

Income Taxes

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. The Company's federal and state income tax provisions are based upon taxes payable for the current year as well as current year changes in deferred taxes related to temporary differences between the tax basis and financial statement balances of assets and liabilities. Deferred tax assets and liabilities are included in the consolidated financial statements at currently enacted income tax rates applicable to the period in which the deferred tax assets and liabilities are expected to be realized. As changes in tax laws or rates are enacted, deferred tax assets and liabilities are adjusted through the provision for income taxes. The Company files a consolidated federal income tax return, and consolidated, combined, or separate state income tax returns as appropriate.

Stock-Based Compensation

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The Company has elected to follow APB Opinion No. 25, Accounting for Stock Issued to Employees (APB No. 25), and related interpretations, to account for its employee stock options rather than the alternative fair value accounting allowed by SFAS No. 123, Accounting for Stock-Based Compensation (SFAS No. 123) as amended by SFAS No. 148, Accounting for Stock-Based Compensation Transition and Disclosure (SFAS No. 148). APB No. 25 provides that the compensation expense relative to the Company's employee stock options be measured based on the intrinsic value of the stock option. SFAS No. 123 as amended by SFAS No. 148 requires those companies that continue to follow APB No. 25 to provide pro forma disclosure of the impact of applying the fair value method of SFAS No. 123.

The Company accounts for stock issued to non-employees in accordance with the provisions of SFAS No. 123 and FASB Interpretation No. 44, Accounting for Certain Transactions Involving Stock Compensation (FIN 44).

The Company records compensation expense for the cost of restricted stock and restricted stock units by amortizing the grant date fair value of such grants over their vesting period.

Compensation expense related to the Employee Stock Purchase Plan (ESPP), used in determining the pro forma net income and basic and diluted earnings per share amounts, is calculated in accordance with the provisions of FASB Technical Bulletin No.97-1, Accounting under Statement 123 for certain Employee Stock Purchase Plans with a Look-back Option.

If compensation cost related to both the Company's stock option awards to employees and directors and to the ESPP had been determined under the fair value method prescribed under SFAS No. 123, the Company's net income, basic earnings per share, and diluted earnings per share would have been the pro forma amounts shown below for the years ended December 31, 2004, 2003 and 2002:

(Dollars in thousands, except per share amounts)	(As Restated) Years Ended December 31,		
	2004	2003	2002
Net income as reported	\$ 63,866	\$ 13,042	\$ 54,500
Add: Stock-based compensation expense included in reported net income, net of tax	1,620	772	647
Less: Total stock-based employee compensation expense determined under fair value based method, net of tax	(21,388)	(19,780)	(18,672)
Pro forma net income	\$ 44,098	\$ (5,966)	\$ 36,475
Earnings per common share - basic:			
As reported	\$ 1.81	\$ 0.36	\$ 1.24
Pro forma	\$ 1.25	\$ (0.17)	\$ 0.83
Earnings per common share - diluted:			
As reported	\$ 1.70	\$ 0.35	\$ 1.21
Pro forma	\$ 1.22	\$ (0.17)	\$ 0.85

Earnings Per Share

The Company calculates earnings (loss) per common share in accordance to SFAS No. 128, Earnings Per Share (SFAS No. 128). SFAS No. 128 requires the presentation of basic earnings per share and diluted earnings per share for companies with potential common shares, such as warrants and options. Accordingly, basic earnings (loss) per common share is computed

using the weighted average number of common stock shares outstanding during the period. Diluted earnings (loss) per common share is computed using the weighted average number of common stock shares and potential common shares outstanding during the period. Potential common shares consist of contingently convertible debt (using the treasury stock method), and stock options. Common stock equivalent shares are excluded from the computation if the effect is antidilutive. The dilutive effect of the Company's contingently convertible debt is included in earnings per share in accordance with the provisions of EITF 04-8 The Effect of Contingently Convertible Instruments on Diluted Earnings per Share (EITF 04-8). Additionally, all prior period earnings per share calculations were revised to conform to the provisions of EITF 04-8. (See Note 5 - Earnings Per Share).

Segment Reporting

The Company is organized into four lines of banking and financial services for management reporting: Commercial Banking, SVB Capital, SVB Alliant, and Private Client Services and Other. These operating segments are strategic units that offer different services to different clients. They are managed separately because each segment appeals to different markets and, accordingly, requires different strategies. The results of operating segments are based on the Company's internal profitability reporting process (see Note 25. Segment Reporting).

Derivative Financial Instruments

The Company accounts for derivative instruments in accordance with the provisions of SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities, as amended (SFAS No. 133). SFAS No. 133 establishes accounting and reporting standards for derivative instruments, and requires that all derivative instruments be recorded on the balance sheet at fair value. SFAS No. 133 was amended by SFAS No. 138,

Accounting for Certain Derivative Instruments and Hedging Activities (SFAS No. 138) and SFAS No. 149, Amendment of Statement 133 on Derivative Instruments and Hedging Activities (SFAS No. 149). SFAS No. 138 and SFAS No. 149 amended and provided clarification on the accounting for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities under SFAS No. 133. SFAS No. 149 has been applied prospectively and was effective for contracts entered into or modified after June 30, 2003. SFAS No. 149 was applicable to existing contracts and new contracts entered into after June 30, 2003, if those contracts relate to forward purchases or sales of when-issued securities or other securities that do not yet exist. The adoption of SFAS No. 149 did not have a material impact on the Company's results of operations or financial condition.

The accounting for changes in fair value of a derivative depends on whether the derivative instrument is designated and qualifies as part of a hedging relationship and, if so, the nature of the hedging activity.

Fair Value Hedges

For derivative instruments that are designated and qualify as a fair value hedge and if the fair value hedge is fully effective, the gain or loss on the hedging instrument would offset the loss or gain on the hedged item attributable to the hedged risk. Any difference that does arise would be the effect of hedge ineffectiveness, which is recognized in earnings. If the derivative instrument meets the qualification for the short-cut treatment, as defined by SFAS No. 133, in which case the period ended gross positive fair values are recorded in other assets and gross negative fair values are recorded in other liabilities and an offsetting amount is recorded to the asset or liability being hedged (see Note 16. Derivative Financial Instruments).

Cash Flow Hedges

For derivative instruments that are designated and qualify as a cash flow hedge, or for foreign exchange forward contracts that are designated and qualify as a cash flow hedge, changes in the fair value of the effective portion of the derivative instrument are recognized in OCI. These amounts are reclassified from OCI and recognized in earnings when either the forecasted transaction occurs or it becomes probable that the forecasted transaction will not occur. The result of any hedge ineffectiveness is recognized immediately in earnings. The Company has not designated any derivatives as cash flow hedges in 2004, 2003 or 2002.

Derivatives

The Company defines derivatives as derivatives that do not qualify for hedge accounting treatment as defined by SFAS No. 133, or derivatives that have not been designated in a hedging relationship. Changes in the fair value of derivatives that do not qualify for hedge treatment or are not designated in a hedging relationship, are recognized immediately in earnings.

Derivative equity warrant assets for shares of private and public companies are recorded at fair value on the grant date and adjusted to fair value on a quarterly basis through consolidated net income.

The Company implemented a 2001 interpretation of the SFAS No. 133, as it applies to derivative equity warrants with net settlement terms in private and public client companies. In general, derivative equity warrants that the Company holds entitle it to buy a specific number of shares of stock at a specific price over a specific time period. Certain warrants obtained by the Company include contingent provisions which set the underlying number of shares or strike price based upon certain future events. For example, the number of shares exercisable for some warrants is contingent upon the related lending facility, such as the extent of utilization of the facility, including draw frequency or amount. Or, in some cases, the underlying strike price of some warrants may be contingent upon the share price of a subsequent future round of equity financing of the issuer. The Company's warrant agreements contain net share settlement provisions, which permit the issuing company to deliver to the Company, upon the Company's exercise of the warrant, the amount of shares with a current fair value equal to the net gain of the warrant agreement (sometimes described as a "cashless" exercise). Because the Company's warrant agreements contain such net share settlement provisions, its equity warrant assets are required to be accounted for as derivative instruments under SFAS No. 133 as of the third quarter of 2001.

Under this accounting treatment required by SFAS No. 133, equity warrant assets in private and public companies which include net share settlement provisions, held by SVB Financial Group, are recorded at fair value and are classified as derivative assets, a component of other assets, on SVB Financial Group's balance sheet at the time they are obtained.

The grant date fair values of these equity warrant assets are deemed to be loan fees and are required to be recognized as an adjustment of loan yield through loan interest income, as prescribed by SFAS No. 91. Similar to other loan fees, the yield adjustment related to grant date fair value of equity warrant assets, received directly in connection with the issuance of a credit facility, is recognized over the life of that credit facility.

Any changes from the grant date fair value of a derivative equity warrant will be recognized as increases or decreases to derivative assets on the Company's balance sheet and as gains or losses on derivative investments, net, in noninterest income, a component of consolidated net income. If the warrants are in the money, the Company exercises these equity warrants for shares, when a portfolio company completes an initial public offering on a publicly reported market or is acquired by a publicly traded company. On the date a warrant is exercised into equity securities, it is marked to market as a derivative with the resulting change in value recognized as a gain or loss on derivative instruments in noninterest income, a component of consolidated net income.

As of the exercise date, the basis or value in the equity securities is reclassified from Other Assets to Investment Securities line item on the balance sheet. The equity securities are classified as available-for-sale securities under SFAS No. 115, "Accounting for Certain Investments in Debt and Equity Instruments" (SFAS No. 115). In accordance with the provisions of SFAS No. 115, changes in fair value of securities designated as available for sale are excluded from net income and reported in accumulated other comprehensive income after applicable taxes, which is a separate component of stockholders' equity.

The derivative equity warrant asset portfolio is comprised of warrants in companies from industries served by SVB Financial Group, as described in Note 1 "Nature of Business." The fair value of the derivative equity warrant asset portfolio is reviewed quarterly. The Company values the warrants using an option pricing model approach, based on the standard Black-Scholes pricing model utilizing the following five material assumptions:

Underlying stock value was estimated based on information available, including any information regarding subsequent rounds of funding and a review of related customer credit files.

Volatility, or the quantification of the risk associated with the warrants over time, was based on guideline publicly traded companies or indices similar in nature to the underlying client companies issuing the warrant. A total of ten such indices were used. The volatility assumption for each warrant was calculated based on the average of the annualized daily volatility of a basket of comparable public companies over each of the fiscal quarters from July 1, 2001 to December 31, 2004.

Actual data on cancellations, expirations and exercises of the Company's warrants was utilized as the basis for determining the expected remaining life of warrants in each financial reporting period. Warrants may be exercised in the event of acquisitions, mergers or initial public offerings (IPO), and cancelled due to events such as bankruptcies, cancellations, restructuring activities or additional financings.

The risk-free interest rates were derived from the appropriate Treasury yield curve. Risk free interest rates reflect the rates of return available on long-term high-quality fixed-income debt instruments. Subsequent to issuance, the risk free rate was calculated based on a weighted average of the risk free rates that correspond closest to the expected remaining life of the warrant.

Other adjustments were estimated based on management's judgment about the general industry environment, combined with specific information about the issuing company, when available.

The Company enters into foreign exchange contracts with clients involved in international trade finance activities. The Company also enters into an opposite-way foreign exchange contract with a correspondent bank, which mitigates the risk of fluctuations in foreign currency exchange rates, for each of the contracts entered into with its clients. However, settlement, credit, and operational risks remain. The Company also enters into foreign exchange forward contracts with correspondent banks to economically hedge foreign exchange exposure risk related to certain foreign currency denominated loans. These contracts are not designated as hedging instruments and are recorded at fair value in the Company's consolidated balance sheets. Changes in the fair value of these contracts are recognized immediately in consolidated net income under gains (losses) on derivative instruments, net, a component of noninterest income. Period ended gross positive fair values are recorded in other assets and gross negative fair values are recorded in other liabilities.

The Company enters into foreign currency option contracts with clients involved in international trade finance activities, either as the purchaser or seller of foreign currency options, depending upon the client's need. For each of the currency option contracts entered into with its clients, the Company enters into an opposite way foreign currency option contract with a correspondent bank, which mitigates the risk of fluctuations in foreign currency exchange rates. Changes in the fair value of these contracts are recognized immediately in consolidated net income under gains (losses) on derivative instruments, net, a component of noninterest income. Period ended gross positive fair values are recorded in other assets and gross negative fair values are recorded in other liabilities.

Derivative Financial Instruments Indexed to, and Potentially Settled in, a Company's Own Stock

The Company accounts for non-hedging contracts that are indexed to, and potentially settled in, a company's own stock in accordance with the provisions of EITF 00-19, Accounting for Derivative Financial Instruments Indexed to, and Potentially Settled in, a Company's Own Stock (EITF 00-19). EITF 00-19 provides for specific treatment of derivative financial instruments indexed to, and potentially settled in, a company's own stock, depending on the settlement method. The settlement methods are:

Physical settlement the party designated in the contract as the buyer delivers the full stated amount of cash to the seller, and the seller delivers the full stated number of shares to the buyer

Net-share settlement the party with a loss delivers to the party with a gain, shares with a current fair value equal to the gain

Net-cash settlement the party with a loss delivers to the party with a gain, a cash payment equal to the gain, and no shares are exchanged.

EITF 00-19 specifies how a derivative financial instrument indexed to, and potentially settled in, a company's own stock should be recorded as one of permanent equity, temporary equity, an asset or a liability depending on the settlement method. EITF 00-19 also includes provisions governing whether a derivative embedded into a Financial Instruments Indexed to, and Potentially Settled in, a Company's Own Stock may be exempt from the provisions of SFAS No. 133, as amended.

Financial Instruments with Characteristics of Both Liabilities and Equity

The Company accounts for financial instruments with characteristics of both liability and equity according to the provisions of SFAS No. 150, Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity (SFAS No. 150). SFAS No. 150, issued by the FASB in May 2003, established standards for how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity. It requires that an issuer classify a financial instrument that is within the Statement's scope as a liability (or an asset in some circumstances). Many of those instruments were previously classified as equity or between the liabilities and equity sections of the statement of financial position. SFAS No. 150 requires financial instruments issued in the form of shares that are mandatorily redeemable (or embody an unconditional obligation requiring the issuer to redeem them by transferring their assets at a specified or determinable date or upon an event that is certain to occur) to be classified as liabilities. The statement was effective for financial instruments entered into or modified after May 31, 2003, and was effective at the beginning of the first interim

period beginning after June 15, 2003. It required the reporting of the cumulative effect of a change in accounting principle for financial instruments created before the issuance date of the Statement and still existing at the beginning of the interim period of adoption. Restatement was not permitted.

The Company's \$40.0 million of Company Mandatorily Redeemable Trust Preferred Securities of Subsidiary Trust Holding Solely Junior Subordinated Debentures, or 8.25% trust preferred securities, were redeemed on December 1, 2003. Beginning July 1, 2003, under SFAS No. 150, the 8.25% trust preferred securities were classified under the liabilities section of the Consolidated Balance Sheet and the 8.25% trust preferred securities distribution expense was classified under interest expense on the Consolidated Statements of Income. Prior to adoption of SFAS No. 150, these securities were classified between the liability and equity sections of the Company's Consolidated Balance Sheets, and their related expense was classified as noninterest expense on the Company's Consolidated Statements of Income, under the heading trust preferred securities distributions.

Recent Accounting Pronouncements

In December 2004, the FASB issued SFAS No. 123 (revised 2004), Share-Based Payment (SFAS No. 123(R)) which is a revision of SFAS No. 123 and supersedes APB No. 25. SFAS No. 123(R) requires the Company to measure the cost of employee services received in exchange for an award of equity instruments using a fair value method, and record such expense in its consolidated financial statements for interim or annual reporting periods beginning after June 15, 2005. In addition, the adoption of SFAS No. 123(R) will require additional accounting related to the income tax effects and additional disclosure regarding the cash flow effects resulting from share-based payment arrangements. The adoption of SFAS No. 123(R) will have a material impact on the Company's consolidated results of operations, financial position, and statement of cash flows as such expense will then be reported in the Company's consolidated financial statements rather than on a pro forma basis. The Company expects that the pro forma expense calculated under SFAS No. 123 (above) will approximate the expense to be recognized under SFAS No. 123(R). This disclosure does not reflect any further guidance issued subsequent to the Company's filing on Form 10-K filed with the Securities and Exchange Commission on March 16, 2005.

3. Restatement of Financial Statements

The Company has restated its Consolidated Balance Sheets as of December 31, 2004 and 2003 and the related Consolidated Statements of Income, Comprehensive Income, Stockholders' Equity and Cash Flows for each of the years in the three year period ended December 31, 2004 and the related Notes to the Consolidated Financial Statements, for purposes of correcting misapplications of generally accepted accounting principles in the U.S. (GAAP). The primary restatement adjustments recorded due to the misapplications of GAAP are described below.

Derivative equity warrant assets with net share settlement provisions were not accounted for as derivatives in accordance with the provisions of SFAS No. 133.

Derivative equity warrant assets with net share settlement provisions were not accounted for as derivatives in accordance with the provisions of SFAS No. 133, as amended. This misapplication of GAAP resulted in a change to the Company's interest income, provision for loan and lease losses, noninterest income and net income for the years ended December 31, 2004, 2003 and 2002 and for all quarterly periods during the years ended December 31, 2004 and 2003. The total impact, including all adjustments, increased (decreased) income before income tax expense by \$(1.2) million, \$6.1 million and \$5.0 million for the years ended December 31, 2004, 2003 and 2002, respectively.

The Company often obtains derivative equity warrant assets to purchase an interest in a client's stock in connection with providing credit facilities and, less frequently, for providing other services. In general, the derivative equity warrant assets that it holds entitle the Company to buy a specific number of shares of stock at a specific price over a specific time period. Certain warrants obtained by the Company include contingent provisions, which set the underlying number of shares or strike price based upon certain future events. For example, the number of shares exercisable for some warrants is contingent upon the related lending facility, such as the extent of utilization of the facility, including draw frequency or amount. Or, in some cases, the underlying strike price of some warrants may be contingent upon resolution of an event such as the share price of a subsequent future round of equity financing of the issuer.

Previously, the Company recorded these equity warrant assets on its balance sheet at a nominal value until the date they became marketable, the date of expiration, or the date the issuer was acquired or completed an initial public offering. However, the Company determined that its accounting treatment of equity warrant assets in its private and public client companies should conform to a 2001 interpretation of SFAS No. 133 as amended. In April 2001, the FASB issued Statement 133 Derivative Implementation Group Issue No. A17, "Contracts That Provide for Net Share Settlement," as revised (DIG A17), which was effective with the first financial quarter, after the cleared guidance was posted to the FASB website and remains effective for all subsequent periods.

As a result, the Company's accounting for equity warrant assets with net share settlement provisions has been revised beginning as of the third quarter of 2001. The net share settlement provision contained in each of the Company's warrant agreements allows it to realize value without a capital investment. Under such a provision, the client company delivers to the Company, upon its exercise of the warrant, the amount of shares with a current fair value equal to the net gain of the warrant agreement (sometimes described as a "cashless exercise"). Because the Company's warrant agreements contain such net share settlement provisions, its warrants are required to be accounted for as derivative instruments under SFAS No. 133, as amended.

Under the revised accounting treatment, equity warrant assets in the Company's private and public client companies, which include net share settlement provisions are recorded at fair value and are classified as derivative assets, a component of other assets on the Company's balance sheet at the time they are obtained. The grant date fair values of these equity warrant assets are deemed to be loan fees and, as such, are required to be recognized as an adjustment of loan yield through interest income, as prescribed by SFAS No. 91. Similar to other loan fees, the yield adjustment related to the grant date fair value of equity warrant assets, received directly in connection with the issuance of a credit facility, is recognized over the life of the related credit facility in interest income. Any changes in value of the warrant derivative assets subsequent to the grant date fair value are recognized in gains (losses) on derivative instruments, net in the Company's consolidated statements of income. If the warrant is in the money, the Company exercises these equity warrants for shares when a portfolio company completes an initial public offering

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on a publicly reported market or is acquired by a publicly traded company. On the date a warrant is exercised and exchanged for equity securities, it is marked to market as a derivative asset with the resulting change in value recognized in gains (losses) on derivative instruments, net, in noninterest income, a component of consolidated net income. As of the exercise date, the basis or value in the equity securities is reclassified from Other Assets to the Investment Securities line item on the balance sheet. The equity securities are classified as available-for-sale securities under SFAS No. 115. In accordance with the provisions of SFAS No. 115, changes in fair value of securities designated as available for sale are excluded from net income and reported in accumulated other comprehensive income after applicable taxes, which is a separate component of stockholders' equity.

The initial implementation of the 2001 interpretation of SFAS No. 133, as amended, caused us to recognize the fair value of the equity warrant assets on the Company's consolidated balance sheet as of the beginning of the third quarter of 2001. The Company recorded as unearned loan fees the estimated grant date fair value of the equity warrant assets that, as of July 1, 2001, would not yet have been amortized to interest income had this accounting policy been in place since the equity warrant assets were first received. The unearned loan fees recorded as of July 1, 2001 were amortized, as a loan yield adjustment, over the remaining life of the related credit facilities. In accordance with the implementation provisions of SFAS No. 133 as amended, the fair value of the equity warrant asset portfolio, less the amount recorded as unearned loan fees at July 1, 2001, is reported as a cumulative effect of a change in accounting principle.

The effect of the misapplication of GAAP related to derivative warrant equity assets for the years ended December 31, 2004, 2003 and 2002 is described below.

(Dollars in thousands)	As Restated Years Ended December 31,		
	2004	2003	2002
Effects on statements of income :			
Interest income (1)	\$ 5,656	\$ 6,621	\$ 9,228
Recovery of loan and lease losses (2)	104	108	75
Gains (losses) on derivative instruments, net (3)	2,749	8,208	(2,670)
Gains (losses) on investment securities, net (4)	(535)	(1,300)	30
Total impact on income statement	7,974	13,637	6,663
Less: Income previously recognized (5)	(9,191)	(7,528)	(1,661)
Net impact on pre-tax income statement	\$ (1,217)	\$ 6,109	\$ 5,002
Effects on balance sheets :			
Other assets (6)	\$ 28,928	\$ 29,537	\$ 23,465
Unearned warrant fees (7)	\$ 5,351	\$ 4,612	\$ 6,360
Beginning retained earnings			\$ 9,840

(1) Similar to other loan fees, amount represents the yield adjustment as prescribed by SFAS No. 91 related to equity warrant assets received directly in connection with the issuance of a credit facility.

(2) Reversal of provision for loan and lease losses previously recorded due to the effect of reducing the net carrying amount of impaired loans resulting from the higher balances of unearned fees due to the recognition of the initial grant date fair value of the derivative assets net of related amortization.

(3) Recognition of changes in value of warrant derivative assets subsequent to the grant date fair value.

(4) Represents recognition of gains (losses) from the sale of shares associated with exercised equity warrant assets. Upon exercise of an equity warrant asset, the fair value of the equity warrant asset plus the exercise price paid becomes the adjusted basis of the asset reclassified to investment securities. The investment security is then accounted for under SFAS No. 115.

(5) Reversal of income previously recognized by the Company in prior years under previous warrant income recognition methodology.

(6) Adjustment to recognize the fair value of equity warrant assets on the balance sheet in accordance with SFAS No. 133.

(7) Represents the unearned loan fees to be amortized over the remaining life of the credit facility associated with the respective warrants.

Initial non-refundable corporate finance fees were not reported in accordance with the provisions of SAB No. 104.

Initial non-refundable corporate finance fees were not reported in accordance with the provisions of SAB No. 104. This misapplication of GAAP resulted in a change to the Company's consolidated noninterest income and net income for the years ended December 31, 2004, 2003 and 2002.

The Company is engaged by clients to provide merger and acquisition advisory services. The income from these engagements is typically comprised of an initial non-refundable fee due upon execution of the engagement letter and a contingent fee due upon a merger or acquisition event, if any. The engagement letters generally do not include a termination date. Corporate finance fees on mergers and acquisitions advisory services, a component of noninterest income, have been restated to defer the recognition of the initial upfront non-refundable retainer until the completion of all contractual obligations pursuant to the terms of the engagement letters or upon receipt or notification of an engagement termination letter. Therefore, the change in accounting resulted in a net increase (decrease) in corporate finance fees of \$0.1 million, \$(0.9) million and \$(1.2) million for the years ended December 31, 2004, 2003 and 2002, respectively, and a corresponding change in deferred revenue for the same periods, which has been or will be recognized in future periods.

Non-refundable loan fees and costs associated with our lending products and fees associated with letters of credit were not reported in accordance with the provisions of SFAS No. 91. Accounting for Non-Refundable Fees and Costs Associated with Originating or Acquiring Loans and Initial Direct Costs of Leases (SFAS No. 91.)

Non-refundable loan fees and costs associated with the Company's lending products and fees associated with letters of credit were not reported in accordance with the provisions of SFAS No. 91. This misapplication of GAAP resulted in a change to its interest income and net income for the years ended December 31, 2004, 2003 and 2002.

Through the Company's lending products and services, it extends loans and other credit facilities to its commercial clients, most often secured by the assets of its clients. The Company often obtains loan fees and incurs capitalizable costs in relation to the extension of these credit facilities to its clients. Net loan fee income, a component of interest income, has been restated to revise revenue recognition in accordance with the appropriate straight-line or interest method, as prescribed by SFAS No. 91. In addition, the Company inappropriately recognized non-refundable loan fees it receives for factoring loans rather than deferring and amortizing fees over the term of the facility granted. In addition, the Company reclassified certain letters of credit fee income from loan interest income to noninterest income, as the probability of the commitment being exercised was deemed to be remote. The Company did not properly defer direct loan origination costs associated with originating certain loan products. Therefore, the Company restated its recognition of net loan fee income by reducing loan interest income by \$2.5 million, \$4.7 million and \$3.0 million for the years ended December 31, 2004, 2003 and 2002, respectively. These amounts were deferred and are recognized into income using the appropriate loan fee recognition methodology over the lives of the corresponding loans. In addition, the Company reclassified certain letters of credit fee income of \$7.6 million, \$7.0 million and \$8.4 million for the years ended December 31, 2004, 2003 and 2002, respectively, from loan interest income to noninterest income, as the probability of the commitment being exercised was deemed to be remote.

Certain investment securities that were readily convertible to known amounts of cash and present insignificant risk of changes in value with original or purchased maturity dates of 90 days or less, were not reported as cash equivalents in accordance with the provisions of SFAS No. 95, Statement of Cash Flows (SFAS No. 95).

Certain investment securities that were readily convertible to known amounts of cash and present insignificant risk of changes in value with original or purchased maturity dates of 90 days or less, were not reported as cash equivalents in accordance with the provisions of SFAS No. 95. This reclassification did not result in any change to the Company's revenue or net income for the years ended December 31, 2004, 2003 and 2002 or for any quarterly period during the years ended December 31, 2004 and 2003.

A reclassification has been made to the Company's consolidated balance sheets of money market mutual fund investments and commercial paper investments from Investment securities to the federal funds sold, securities purchased under agreement to resell and other short-term investment securities line item. These investment securities were deemed to meet the definition of cash equivalents as they are readily convertible to known amounts of cash and present insignificant risk of changes in value with original or purchased maturity dates of 90 days or less. Cash equivalents are required to be reflected separately from investment securities pursuant to SFAS No. 95. Therefore, the Company reclassified these investment securities to Federal funds sold, securities purchased under agreement to resell and other short-term investment securities in the amounts of \$181.3 million and \$40.3 million as of December 31, 2004 and 2003, respectively.

Current federal income taxes receivable and current federal income taxes payable were not reflected net on the Company's balance sheets in accordance with the provisions of FASB Interpretation No. 39, Offsetting of Amounts Related to Certain Contracts (FIN No. 39).

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Current federal income taxes receivable and current federal income taxes payable were not reflected net on the Company's balance sheets. This misapplication of GAAP resulted in a change to the Company's other assets and other liabilities as of December 31, 2004 and 2003. Current federal income taxes receivable and current federal income taxes payable should be netted as the Company has the legal right of offset, as defined by FIN No. 39. Therefore, other assets and other liabilities have been restated to reflect the net current federal income taxes receivable or net current federal income taxes payable at each of these period ends. This correction of accounting resulted in a decrease to both other assets and other liabilities of \$22.5 million and \$24.6 million as of December 31, 2004 and 2003, respectively.

Impact of the Restatement of Financial Statements.

The cumulative impact of the restatement, including all adjustments, increased the Company's opening retained earnings by \$11.7 million at January 1, 2002. Net income for 2003 and 2002 increased by, \$1.1 million and \$1.1 million, respectively, and decreased in 2004 by \$1.5 million.

The Company also recorded various other adjusting entries as part of the Restatement.

The impact of the restatement on the Company's consolidated balance sheets, statements of income, comprehensive income and cash flows is shown in the accompanying tables.

SVB FINANCIAL GROUP AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

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(As Restated)

(Dollars in thousands, except par value)	2004			2003		
	As Previously Reported	Adjustments	As Restated	As Previously Reported	Adjustments	As Restated
Assets						
Cash and due from banks	\$ 279,653	4,555	\$ 284,208	\$ 252,521		\$ 252,521
Federal funds sold, securities purchased under agreement to resell and other short-term investments	166,295	176,715	343,010	542,475	40,317	582,792
Investment securities	2,258,207	(183,240)	2,074,967	1,575,434	(45,023)	1,530,411
Loans, net of unearned income	2,312,143	(3,555)	2,308,588	1,989,229	(2,083)	1,987,146
Allowance for loan and lease losses	(37,613)		(37,613)	(49,862)		(49,862)
Net loans	2,274,530	(3,555)	2,270,975	1,939,367	(2,083)	1,937,284
Premises and equipment, net of accumulated depreciation and amortization	14,951	(310)	14,641	14,999		14,999
Goodwill	35,639		35,639	37,549		37,549
Accrued interest receivable and other assets	124,325	(2,086)	122,239	117,663	(4,809)	112,854
Total assets	\$ 5,153,600	(7,921)	\$ 5,145,679	\$ 4,480,008	(11,598)	\$ 4,468,410
Liabilities, Minority Interest, and Stockholders Equity						
Liabilities:						
Deposits:						
Noninterest-bearing demand	\$ 2,649,853		\$ 2,649,853	\$ 2,186,352	(35)	\$ 2,186,317
NOW	32,009		32,009	20,897		20,897
Money market	1,206,078		1,206,078	1,080,559		1,080,559
Time	331,574		331,574	379,068		379,068
Total deposits	4,219,514		4,219,514	3,666,876	(35)	3,666,841
Contingently convertible debt	146,740		146,740	145,797		145,797
Junior subordinated debentures	49,421	49	49,470	49,652	(534)	49,118
Other borrowings	9,820		9,820	17,961		17,961
Other liabilities	125,163	(17,661)	107,502	101,973	(21,977)	79,996
Total liabilities	4,550,658	(17,612)	4,533,046	3,982,259	(22,546)	3,959,713
Commitments and contingencies						
Minority interest in capital of consolidated affiliates	70,674	11	70,685	50,744		50,744
Stockholders equity:						
Preferred stock, \$0.001 par value, 20,000,000 shares authorized; no shares issued and outstanding						
Common stock, \$0.001 par value, 150,000,000 shares authorized; 35,970,095 and 35,028,470 shares outstanding, respectively	36		36	35		35
Additional paid-in capital	44,886	340	45,226	14,240	3,268	17,508
Retained earnings	487,509	12,402	499,911	422,131	13,916	436,047
Unearned compensation	(4,512)		(4,512)	(1,232)		(1,232)
Accumulated other comprehensive income	4,349	(3,062)	1,287	11,831	(6,236)	5,595
Total stockholders equity	532,268	9,680	541,948	447,005	10,948	457,953
Total liabilities, minority interest, and stockholders equity	\$ 5,153,600	(7,921)	\$ 5,145,679	\$ 4,480,008	(11,598)	\$ 4,468,410

SVB FINANCIAL GROUP AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME

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(As Restated)

(Dollars in thousands, except per share amounts)	For the years ended December 31,								
	2004			2003			2002		
	As Previously Reported	Adjustments	As Restated	As Previously Reported	Adjustments	As Restated	As Previously Reported	Adjustments	As Restated
Interest income:									
Loans	\$ 162,063	(4,459)	\$ 157,604	\$ 148,770	(5,184)	\$ 143,586	\$ 156,240	(2,441)	\$ 153,799
Investment securities:									
Taxable	72,929	(2,278)	70,651	42,789	(3,494)	39,295	46,585	(8,652)	37,933
Non-taxable	5,004		5,004	6,248		6,248	6,894		6,894
Federal funds sold, securities purchased under agreement to resell and other short-term investments	6,143	2,278	8,421	4,530	3,494	8,024	2,865	8,652	11,517
Total interest income	246,139	(4,459)	241,680	202,337	(5,184)	197,153	212,584	(2,441)	210,143
Interest expense:									
Deposits	8,423		8,423	9,083		9,083	16,229		16,229
Other borrowings	2,968		2,968	4,370		4,370	1,647		1,647
Total interest expense	11,391		11,391	13,453		13,453	17,876		17,876
Net interest income	234,748	(4,459)	230,289	188,884	(5,184)	183,700	194,708	(2,441)	192,267
Provision for (recovery of) loan and lease losses	(9,901)	(388)	(10,289)	(8,727)	(1,165)	(9,892)	7,220	(1,347)	5,873
Net interest income after provision for (recovery of) loan and lease losses	244,649	(4,071)	240,578	197,611	(4,019)	193,592	187,488	(1,094)	186,394
Noninterest income:									
Client investment fees	26,919		26,919	23,991		23,991	30,671	(327)	30,344
Corporate finance fees	21,913	111	22,024	13,149	(945)	12,204	12,110	(1,238)	10,872
Letter of credit and standby letter of credit income	16,399	(6,405)	9,994	12,856	(3,944)	8,912	15,225	(4,967)	10,258
Deposit service charges	13,538		13,538	13,202		13,202	9,072		9,072
Income from client warrants	9,191	(9,191)	0	7,528	(7,528)	0	1,661	(1,661)	0
Gains (losses) on derivative instruments, net		16,746	16,746		20,200	20,200		11,815	11,815
Gains (losses) on investment securities, net	5,571	(373)	5,198	(8,402)	(1,212)	(9,614)	(9,825)	(854)	(10,679)
Credit card fees	2,817		2,817	3,431		3,431	955		955
Other	9,685	41	9,726	9,305	(800)	8,505	7,989	800	8,789
Total noninterest income	106,033	929	106,962	75,060	5,771	80,831	67,858	3,568	71,426
Noninterest expense:									
Compensation and benefits	155,097	(1,200)	153,897	122,964	(1,311)	121,653	104,285	(780)	103,505
Net occupancy	17,590	544	18,134	17,638		17,638	20,391		20,391
Professional services	17,068		17,068	13,677		13,677	18,385		18,385
Furniture and equipment	12,403		12,403	11,289		11,289	9,562		9,562
Business development and travel	9,718		9,718	8,692		8,692	8,426		8,426