SVB FINANCIAL GROUP
Form 10-Q
November 06, 2009
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

x **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the quarterly period ended September 30, 2009

OR

¨ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from to .

Commission File Number: 000-15637

SVB FINANCIAL GROUP

(Exact name of registrant as specified in its charter)

Delaware	**91-1962278**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
3003 Tasman Drive, Santa Clara, California	**95054-1191**
(Address of principal executive offices)	**(Zip Code)**

(408) 654-7400

(Registrant s telephone number, including area code)

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

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

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

Large accelerated filer x Accelerated filer ¨ Non-accelerated filer ¨ Smaller reporting company ¨

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

At October 30, 2009, 33,208,760 shares of the registrant s common stock ($0.001 par value) were outstanding.

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PART I - FINANCIAL INFORMATION

ITEM 1. INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

SVB FINANCIAL GROUP AND SUBSIDIARIES

INTERIM CONSOLIDATED BALANCE SHEETS (UNAUDITED)

(Dollars in thousands, except par value and share data)	September 30, 2009	December 31, 2008 *
Assets		
Cash and due from banks	$ 4,062,298	$ 1,958,333
Federal funds sold, securities purchased under agreements to resell and other short-term investment securities	48,530	478,392
Investment securities	3,491,281	1,786,100
Loans, net of unearned income	4,655,817	5,506,253
Allowance for loan losses	(86,713)	(107,396)
Net loans	4,569,104	5,398,857
Premises and equipment, net of accumulated depreciation and amortization	30,722	30,589
Goodwill		4,092
Accrued interest receivable and other assets	336,668	361,917
Total assets	$ 12,538,603	$ 10,018,280
Liabilities and total equity		
Liabilities:		
Deposits:		
Noninterest-bearing demand	$ 6,422,937	$ 4,419,965
Negotiable order of withdrawal (NOW)	39,818	58,133
Money market	1,198,611	1,213,086
Money market deposits in foreign offices	64,701	53,123
Time	333,870	379,200
Sweep	1,995,695	1,349,965
Total deposits	10,055,632	7,473,472
Short-term borrowings	52,285	62,120
Other liabilities	171,166	175,553
Long-term debt	866,748	995,423
Total liabilities	11,145,831	8,706,568
Commitments and contingencies (Note 12)		
SVBFG stockholders equity:		
Preferred stock, $0.001 par value, 20,000,000 shares authorized; no shares issued and outstanding		
Preferred stock, Series B Fixed Rate Cumulative Perpetual Preferred Stock,		
$1,000 liquidation value per share, 235,000 shares authorized; 235,000 shares issued and outstanding, net of discount	223,009	221,185
Common stock, $0.001 par value, 150,000,000 shares authorized;		

33,202,387 and 32,917,007 shares outstanding, respectively	33	33
Additional paid-in capital	92,367	66,201
Retained earnings	726,455	709,726
Accumulated other comprehensive income (loss)	25,513	(5,789)
Total SVBFG stockholders equity	1,067,377	991,356
Noncontrolling interests	325,395	320,356
Total equity	1,392,772	1,311,712
Total liabilities and total equity	$ 12,538,603	$ 10,018,280

* Certain amounts have been revised to reflect the correction of immaterial errors associated with previously recognized gains and losses on foreign exchange contracts. Refer to Note 1- Basis of Presentation for more details.

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

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SVB FINANCIAL GROUP AND SUBSIDIARIES

INTERIM CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

(Dollars in thousands, except per share amounts)	Three months ended September 30, 2009	Three months ended September 30, 2008 *	Nine months ended September 30, 2009	Nine months ended September 30, 2008 *
Interest income:				
Loans	$ 83,049	$ 94,256	$ 255,548	$ 268,530
Investment securities:				
Taxable	21,562	15,321	53,207	43,677
Non-taxable	1,008	1,106	3,098	3,121
Federal funds sold, securities purchased under agreements to resell and other short-term investment securities	2,367	2,712	7,228	10,513
Total interest income	107,986	113,395	319,081	325,841
Interest expense:				
Deposits	4,801	6,267	17,253	16,908
Borrowings	6,367	12,517	21,818	36,748
Total interest expense	11,168	18,784	39,071	53,656
Net interest income	96,818	94,611	280,010	272,185
Provision for loan losses	8,030	13,682	72,889	29,756
Net interest income after provision for loan losses	88,788	80,929	207,121	242,429
Noninterest income:				
Foreign exchange fees	7,491	8,641	22,574	24,446
Deposit service charges	6,906	6,129	20,319	18,076
Client investment fees	5,527	13,636	17,355	41,006
Letters of credit and standby letters of credit income	3,019	3,050	8,240	9,138
Credit card fees	2,300	1,473	6,696	4,675
Corporate finance fees				3,640
(Losses) gains on derivative instruments, net	(1,090)	6,472	(2,123)	13,479
Gains (losses) on investment securities, net	3,905	(876)	(37,890)	(4,949)
Other	6,249	1,913	21,830	17,194
Total noninterest income	34,307	40,438	57,001	126,705
Noninterest expense:				
Compensation and benefits	45,815	49,598	141,042	153,438
Professional services	12,109	9,623	35,452	27,556
Premises and equipment	5,892	5,781	16,993	16,424
FDIC assessments	2,589	671	13,853	1,807
Net occupancy	4,198	4,135	13,346	12,825
Business development and travel	2,902	3,389	9,578	10,575
Correspondent bank fees	2,118	1,689	5,994	5,011
Impairment of goodwill			4,092	
Loss from cash settlement of conversion premium of zero-coupon convertible subordinated notes				3,858
Provision for (reduction of) unfunded credit commitments	65	(990)	(3,366)	(355)
Other	4,119	6,535	18,975	19,918

Total noninterest expense		79,807		80,431		255,959		251,057
Income before income tax expense		43,288		40,936		8,163		118,077
Income tax expense		16,879		16,711		21,605		51,350
Net income (loss) before noncontrolling interests		26,409		24,225		(13,442)		66,727
Net (income) loss attributable to noncontrolling interests		(2,246)		1,693		40,708		7,445
Net income attributable to SVBFG	$	24,163	$	25,918	$	27,266	$	74,172
Preferred stock dividend and discount accretion		(3,555)				(10,636)		
Net income available to common stockholders	$	20,608	$	25,918	$	16,630	$	74,172
Earnings per common share basic	$	0.62	$	0.80	$	0.50	$	2.30
Earnings per common share diluted		0.61		0.77	$	0.50		2.17

* Certain amounts have been revised to reflect the correction of immaterial errors associated with previously recognized gains and losses on foreign exchange contracts. Refer to Note 1- Basis of Presentation for more details.

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

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SVB FINANCIAL GROUP AND SUBSIDIARIES

INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)

	Three months ended September 30,		Nine months ended September 30,	
(Dollars in thousands)	**2009**	**2008 ***	**2009**	**2008 ***
Net income (loss) before noncontrolling interests	$ 26,409	$ 24,225	$ (13,442)	$ 66,727
Other comprehensive income (loss), net of tax:				
Cumulative translation gains (losses):				
Foreign currency translation gains (losses)	455	(565)	(87)	(1,269)
Related tax (expense) benefit	(184)	232	28	520
Change in unrealized gains (losses) on available-for-sale investment securities:				
Unrealized holding gains (losses)	35,068	(9,666)	52,927	(22,730)
Related tax (expense) benefit	(14,291)	3,973	(21,581)	9,321
Reclassification adjustment for realized (losses) gains included in net income (loss)	(8)	1,232	26	2,568
Related tax benefit (expense)	3	(506)	(11)	(1,054)
Other comprehensive income (loss), net of tax	21,043	(5,300)	31,302	(12,644)
Comprehensive income	47,452	18,925	17,860	54,083
Net (income) loss attributable to noncontrolling interests	(2,246)	1,693	40,708	7,445
Comprehensive income attributable to SVBFG	$ 45,206	$ 20,618	$ 58,568	$ 61,528

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

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SVB FINANCIAL GROUP AND SUBSIDIARIES

INTERIM CONSOLIDATED STATEMENTS OF STOCKHOLDERS EQUITY (UNAUDITED)

(Dollars in thousands)	Preferred Stock Shares	Preferred Stock Amount	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive (Loss) Income	Total SVBFG Stockholders Equity	Noncontrolling Interests	Total Equity
Balance at December 31, 2007 *		**$**	**32,670,557**	**$ 33**	**$ 13,167**	**$ 669,459**	**$ (6,290)**	**$ 676,369**	**$ 240,102**	**$ 916,471**
Common stock issued under employee benefit plans, net of restricted stock cancellations			1,069,803	1	29,813			29,814		29,814
Income tax benefit from stock options exercised, vesting of restricted stock and other					5,728			5,728		5,728
Net income (loss)						74,172		74,172	(7,445)	66,727
Capital calls and (distributions), net									92,341	92,341
Net change in unrealized losses on available-for-sale investment securities, net of tax							(11,895)	(11,895)		(11,895)
Foreign currency translation adjustments, net of tax							(749)	(749)		(749)
Proceeds from cash exercise of call option on zero-coupon convertible subordinated notes					3,858			3,858		3,858
Net cost of convertible note hedge and warrant agreement related to our 3.875% convertible senior notes					(20,550)			(20,550)		(20,550)
Income tax benefit from original issue discount related to our zero-coupon convertible subordinated notes and 3.875% convertible senior notes					12,848			12,848		12,848
Common stock repurchases			(1,004,628)	(1)	(12,322)	(33,294)		(45,617)		(45,617)
Stock-based compensation expense under SFAS 123(R)					10,786			10,786		10,786
Other-net					1,031	(16)		1,015		1,015
Balance at September 30, 2008 *		**$**	**32,735,732**	**$ 33**	**$ 44,359**	**$ 710,321**	**$ (18,934)**	**$ 735,779**	**$ 324,998**	**$ 1,060,777**
Balance at December 31, 2008 *	**235,000**	**$ 221,185**	**32,917,007**	**$ 33**	**$ 66,201**	**$ 709,726**	**$ (5,789)**	**$ 991,356**	**$ 320,356**	**$ 1,311,712**
Common stock issued under employee benefit plans, net of restricted stock cancellations			285,380		4,116			4,116		4,116
Income tax expense from stock options exercised, vesting of restricted stock					(584)			(584)		(584)

and other										
Net income (loss)						27,266		27,266	(40,708)	(13,442)
Capital calls and (distributions), net									45,747	45,747
Net change in unrealized gains on available-for-sale investment securities, net of tax							31,361	31,361		31,361
Foreign currency translation adjustments, net of tax							(59)	(59)		(59)
Income tax benefit from original issue discount related to our 3.875% convertible senior notes					10,739			10,739		10,739
Stock-based compensation expense under SFAS 123(R)					11,051			11,051		11,051
Preferred stock dividend and discount accretion		1,824				(10,636)		(8,812)		(8,812)
Other-net					844	99		943		943
Balance at September 30, 2009	**235,000**	**$ 223,009**	**33,202,387**	**$ 33**	**$ 92,367**	**$ 726,455**	**$ 25,513**	**$ 1,067,377**	**$ 325,395**	**$ 1,392,772**

* Certain amounts have been revised to reflect the correction of immaterial errors associated with previously recognized gains and losses on foreign exchange contracts. Refer to Note 1- Basis of Presentation for more details.

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

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SVB FINANCIAL GROUP AND SUBSIDIARIES

INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

(Dollars in thousands)	Nine months ended September 30, 2009	2008 *
Cash flows from operating activities:		
Net (loss) income before noncontrolling interests	$ (13,442)	$ 66,727
Adjustments to reconcile net (loss) income to net cash provided by operating activities:		
Impairment of goodwill	4,092	
Loss from cash settlement of conversion premium of zero-coupon convertible subordinated notes		3,858
Provision for loan losses	72,889	29,756
(Reduction of) provision for unfunded credit commitments	(3,366)	(355)
Changes in fair values of derivatives, net	6,201	(6,888)
Losses on investment securities, net	37,890	4,949
Depreciation and amortization	25,796	21,492
Tax benefit of original issue discount	10,745	3,899
Tax (expense) benefit from stock exercises	(927)	1,419
Amortization of share-based compensation	11,177	10,870
Amortization of deferred warrant-related loan fees	(6,125)	(6,105)
Deferred income tax (benefit) expense	(1,859)	16,357
Losses on sale of and valuation adjustments to other real estate owned property	117	236
Changes in other assets and liabilities:		
Accrued interest, net	(2,235)	1,815
Accounts receivable	3,378	851
Income tax receivable, net	(21,169)	(5,919)
Accrued compensation	(5,742)	(19,821)
Foreign exchange spot contracts, net	(9,282)	4,689
Other, net	(5,337)	(11,842)
Net cash provided by operating activities	102,801	115,988
Cash flows from investing activities:		
Purchases of available-for-sale securities	(2,115,015)	(302,346)
Proceeds from sales of available-for-sale securities	195	4,432
Proceeds from maturities and pay downs of available-for-sale securities	499,493	194,158
Purchases of nonmarketable securities (cost and equity method accounting)	(33,882)	(43,674)
Proceeds from sales of nonmarketable securities (cost and equity method accounting)	3,363	7,422
Proceeds from nonmarketable securities (cost and equity method accounting)		1,498
Purchases of nonmarketable securities (investment fair value accounting)	(43,849)	(85,997)
Proceeds from sales of nonmarketable securities (investment fair value accounting)	11,760	22,083
Net decrease (increase) in loans	729,876	(1,156,978)
Proceeds from recoveries of charged-off loans	16,892	5,547
Proceeds from sale of other real estate owned	693	287
Purchases of premises and equipment	(11,545)	(5,959)
Net cash used for investing activities	(942,019)	(1,359,527)
Cash flows from financing activities:		
Net increase in deposits	2,582,160	821,406
Repayments of other long-term debt	(101,272)	(901)
(Decrease) increase in short-term borrowings	(9,835)	335,000
Net payments for settlement of zero-coupon convertible subordinated notes		(149,732)
Proceeds from the issuance of 3.875% convertible senior notes, note hedge and warrant, net of issuance costs		222,686

Capital contributions from noncontrolling interests, net of distributions	45,747	92,341
Tax benefit from stock exercises	337	5,882
Dividends paid on preferred stock	(7,932)	
Proceeds from issuance of common stock and Employee Stock Purchase Plan	4,116	29,813
Repurchases of common stock		(45,617)
Net cash provided by financing activities	2,513,321	1,310,878
Net increase in cash and cash equivalents	1,674,103	67,339
Cash and cash equivalents at beginning of period	2,436,725	683,174
Cash and cash equivalents at end of period	**$ 4,110,828**	**$ 750,513**
Supplemental disclosures:		
Cash paid during the period for:		
Interest paid	$ 35,852	$ 46,116
Income taxes paid	35,824	31,843
Noncash items during the period:		
Preferred stock dividends accrued, not yet paid	$ 1,469	$
Unrealized gains (losses) on available-for-sale securities, net of tax	31,346	(13,409)
Net change in fair value of interest rate swaps	(37,914)	7,157

* Certain amounts have been revised to reflect the correction of immaterial errors associated with previously recognized gains and losses on foreign exchange contracts. Refer to Note 1- Basis of Presentation for more details.

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

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SVB FINANCIAL GROUP AND SUBSIDIARIES

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

1. Basis of Presentation

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

The accompanying interim consolidated financial statements reflect all adjustments of a normal and recurring nature that are, in the opinion of management, necessary to fairly present our financial position, results of operations and cash flows in accordance with accounting principles generally accepted in the United States of America (GAAP). Such interim consolidated financial statements have been prepared in accordance with the instructions to Form 10-Q pursuant to the rules and regulations of the Securities and Exchange Commission (SEC). Certain information and footnote disclosures normally included in financial statements prepared in accordance with GAAP have been condensed or omitted pursuant to such rules and regulations. The results of operations for the three and nine months ended September 30, 2009 are not necessarily indicative of results to be expected for any future periods. These interim consolidated financial statements should be read in conjunction with our Annual Report on Form 10-K for the year ended December 31, 2008 (2008 Form 10-K).

The accompanying unaudited interim consolidated financial statements have been prepared on a consistent basis with the accounting policies described in Consolidated Financial Statements and Supplementary Data-Note 2- Summary of Significant Accounting Policies under Part II, Item 8 of our 2008 Form 10-K, and with the accounting pronouncements adopted during the nine months ended September 30, 2009, as discussed below.

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

Principles of Consolidation and Presentation

Our consolidated interim financial statements include the accounts of SVB Financial Group and our majority-owned subsidiaries and variable interest entities (VIEs) for which we are the primary beneficiary. There have been no significant changes during the nine months ended September 30, 2009 to our majority-owned subsidiaries and VIEs. Refer to our Consolidated Financial Statements and Supplementary Data-Note 2- Summary of Significant Accounting Policies under Part II, Item 8 of our 2008 Form 10-K.

Impact of Adopting Financial Accounting Standards Board (FASB) Issued Guidance Over Noncontrolling Interests in Consolidated Financial Statements an amendment of Accounting Research Bulletin No. 51 (ASC 810-10-65)

In December 2007, the FASB issued new accounting standards (Accounting Standards Codification (ASC) 810-10-65, formerly known as Statement of Financial Accounting Standards (SFAS) No. 160). This standard establishes accounting and reporting standards for ownership interests in subsidiaries held by parties other than the parent, the amount of consolidated net income attributable to the parent and to the noncontrolling interest, changes in a parent s ownership interest, and the valuation of retained noncontrolling equity investments when a subsidiary is deconsolidated. This standard also establishes disclosure requirements that clearly identify and distinguish between the interests of the parent and the interests of the noncontrolling owners. Our adoption of this standard on January 1, 2009 required us to reclassify our presentation of noncontrolling interests (formerly referred to as minority interests) in our financial statements and had no effect on our financial position, results of operations or stockholders equity.

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Impact of Adopting FASB Issued Guidance Over Disclosures about Derivative Instruments and Hedging Activities (ASC 815-10-65)

In March 2008, the FASB issued new accounting standards (ASC 815-10-65, formerly known as SFAS No. 161). This standard requires companies with derivative instruments to provide enhanced disclosure of information that should enable financial statement users to better understand how and why a company uses derivative instruments, how derivative instruments and related hedged items are accounted for under FASB issued guidance over accounting for derivative instruments and hedging activities (ASC 815, formerly known as SFAS No. 133*)* and how derivative instruments and related hedged items affect a company s financial position, financial performance and cash flows. Our adoption of this standard on January 1, 2009 required us to expand our disclosures for our derivative financial instruments. Please refer to Note 9- Derivative Financial Instruments for further details.

Impact of Adopting FASB Issued Guidance Over Accounting for Convertible Debt Instruments That May Be Settled in Cash upon Conversion (Including Partial Cash Settlement) (ASC 470-20)

In May 2008, the FASB issued new accounting standards (ASC 470-20, formerly known as FASB Staff Position (FSP) Accounting Principles Board (APB) Opinion No. 14-1), which requires the proceeds from the issuance of convertible debt instruments to be allocated between a liability and an equity component in a manner that reflects the entity s non-convertible debt borrowing rate when interest expense is recognized in subsequent periods. The resulting debt discount is amortized over the period the convertible debt is expected to be outstanding as additional non-cash interest expense. Our adoption on January 1, 2009 required historical financial statements for 2007 and 2008 to be retrospectively adjusted to conform to the new accounting treatment for both our $150 million zero-coupon convertible subordinated notes (2003 Convertible Notes), which matured on June 15, 2008, and our $250 million 3.875% convertible senior notes (2008 Convertible Notes), due April 15, 2011.

As a result of adopting the requirements of this standard, our net income available to common stockholders for the three and nine months ended September 30, 2009 decreased by $0.3 million and $0.9 million, respectively. Details of certain items revised in prior periods related to the adoption of this standard are provided below under the section Changes to Prior Period Balances .

Impact of Adopting FASB Issued Guidance Over Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly (ASC 820-10-65)

In April 2009, the FASB issued new accounting standards (ASC 820-10-65, formerly known as FSP SFAS No. 157-4*)*, which provides guidance to highlight and expand on factors that should be considered in estimating fair value when there has been a significant decrease in market activity for a financial asset or liability. This standard also provides guidance on identifying circumstances that may indicate that a transaction is not orderly. Our adoption of this standard on April 1, 2009 did not have a material effect on our financial position, results of operations or stockholders equity.

Impact of Adopting FASB Issued Guidance Over Recognition and Presentation of Other-Than-Temporary Impairments (OTTI) (ASC 320-10-65)

In April 2009, the FASB issued new accounting standards (ASC 320-10-65, formerly known as FSP SFAS No. 115-2 and SFAS No. 124-2), which changes the methodology for determining whether OTTI exists for debt securities. This standard requires changes to the presentation of OTTI impairment in the statements of income for those impairments involving credit losses, as well as enhanced disclosures regarding the methodology and significant inputs used to measure the amount related to credit losses. Our adoption of this standard on April 1, 2009 did not have a material effect on our financial position, results of operations or stockholders equity, but required us to update our significant accounting policy for available-for-sale debt securities, to include the specific requirements of this standard.

Impact of Adopting FASB Issued Guidance Over Interim Disclosures about Fair Value of Financial Instruments (ASC 825-10-65)

In April 2009, the FASB issued new accounting standards (ASC 825-10-65, formerly known as FSP SFAS No. 107-1 and APB Opinion No. 28-1), which requires interim disclosures regarding the fair values of all financial instruments within the scope of FASB issued guidance over disclosures about fair value of financial instruments (ASC 825-10-50 and ASC 825-10-55, formerly known as SFAS No. 107*)* as well as the methods and significant assumptions used to estimate the fair value of those financial instruments. Our adoption of this standard on April 1, 2009 required us to expand our interim disclosures of all financial instruments and had no effect on our financial position, results of operations or stockholders equity. Please refer to Note 14- Fair Value of Financial Instruments for further details.

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Impact of Adopting FASB Issued Guidance Over Subsequent Events (ASC 855-10)

In May 2009, the FASB issued new accounting standards (ASC 855-10, formerly known as SFAS No. 165), which establishes general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. Our adoption of this standard on July 1, 2009 required us to disclose the date through which we have evaluated subsequent events and had no effect on our results of operations or stockholders equity this quarter.

Impact of Adopting The FASB Accounting Standards Codification ™ and the Hierarchy of Generally Accepted Accounting Principles ™ (ASC 105-10)

In June 2009, the FASB issued new accounting standards (ASC 105-10, formerly known as SFAS No. 168), which has become the source of authoritative GAAP recognized by the FASB. Rules and interpretive releases of the SEC under the authority of federal securities laws are also sources of authoritative GAAP for SEC registrants. The Codification has superseded all existing non-SEC accounting and reporting standards. All other non-grandfathered non-SEC accounting literature not included in the Codification has become non-authoritative. Our adoption of this standard on July 1, 2009 did not have any impact on our consolidated financial position and results of operations, but did have an impact on how we reference and disclose accounting literature in our interim and annual reports.

Correction of an Immaterial Error

During the second quarter of 2009, we determined that we had incorrectly recognized certain gains and losses on foreign exchange contracts in prior periods. The cumulative pre-tax effect of the error was $6.2 million, or $3.8 million after-tax and is considered to be immaterial to the prior periods. However, since the cumulative impact of correcting this error would be material to the results of the quarter ended June 30, 2009, we applied the guidance of ASC 250-10-S99-1 and S99-2 (formerly known as SAB 99 and SAB 108). This guidance requires that prior financial statements be corrected, even though such revisions were, and continue to be, immaterial to the prior period financial statements. As such, the affected prior period results have been revised as follows: For the three months ended March 31, 2009, net loss increased by $1.2 million, or $0.04 per diluted common share; for the year ended December 31, 2008, net income was reduced by $2.3 million, or $0.07 per diluted common share; and for the year ended December 31, 2007, net income was reduced by $0.2 million, or $0.01 per diluted common share. Details of the revisions are provided under the section Changes to Prior Period Balances .

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Changes to Prior Period Balances

The table below highlights certain items revised in prior periods related to the revision of certain immaterial gains and losses on foreign exchange contracts that were incorrectly recorded in prior periods and to the adoption of ASC 470-20:

	Three months ended					Year ended
(Dollars in thousands, except per share amounts)	**March 31, 2009**	**December 31, 2008**	**September 30, 2008**	**June 30, 2008**	**March 31, 2008**	**December 31, 2007**
AS REVISED						
Income Statement						
Interest expense borrowings	$ 8,181	$ 10,219	$ 12,517	$ 11,695	$ 12,536	$ 54,259
Other noninterest income	2,782	1,858	1,913	5,759	9,522	26,096
Income tax expense (benefit)	(2,448)	863	16,711	16,291	18,348	84,581
Net income (loss) attributable to SVBFG	(8,235)	114	25,918	21,014	27,240	120,329
Net income (loss) available to common stockholders	(11,771)	(593)	25,918	21,014	27,240	120,329
Earnings (loss) per common share diluted	(0.36)	(0.02)	0.77	0.61	0.79	3.28
Fully Taxable Equivalent						
Net interest income (fully taxable equivalent basis)	$ 92,083	$ 97,024	$ 95,206	$ 87,377	$ 91,283	$ 377,115
Net interest margin	3.97%	5.39%	5.70%	5.62%	6.27%	7.19%
Balance Sheet						
Cash and due from banks	$ 3,360,199	$ 1,789,311	$ 371,425	$ 303,057	$ 301,888	$ 324,510