SVB FINANCIAL GROUP
Form 10-Q
May 10, 2012
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2012

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 x 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. (Check one):

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 April 30, 2012, 44,215,339 shares of the registrant s common stock ($0.001 par value) were outstanding.

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Glossary of Acronyms used in this Report

AICPA American Institute of Certified Public Accountants

ASC Accounting Standards Codification

ASU Accounting Standards Update

EHOP Employee Home Ownership Program of the Company

EPS Earnings per share

ESOP Employee Stock Ownership Plan of the Company

ESPP 1999 Employee Stock Purchase Plan of the Company

FASB Financial Accounting Standards Board

FDIC Federal Deposit Insurance Corporation

FHLB Federal Home Loan Bank

FRB Federal Reserve Bank

GAAP - Accounting principles generally accepted in the United States of America

IASB International Accounting Standards Board

IFRS International Financial Reporting Standards

IPO Initial public offering

IRS Internal Revenue Service

IT Information technology

LIBOR London Interbank Offered Rate

M&A Merger and acquisition

OTTI Other than temporary impairment

SEC Securities and Exchange Commission

TDR Troubled debt restructuring

UK United Kingdom

VIE Variable interest entity

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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)	March 31, 2012	December 31, 2011
Assets		
Cash and cash equivalents	$ 850,624	$ 1,114,948
Available-for-sale securities	11,527,541	10,536,046
Non-marketable securities	1,021,941	1,004,440
Investment securities	12,549,482	11,540,486
Loans, net of unearned income	7,121,289	6,970,082
Allowance for loan losses	(100,922)	(89,947)
Net loans	7,020,367	6,880,135
Premises and equipment, net of accumulated depreciation and amortization	59,320	56,471
Accrued interest receivable and other assets	338,544	376,854
Total assets	$ 20,818,337	$ 19,968,894
Liabilities and total equity		
Liabilities:		
Noninterest-bearing demand deposits	$ 11,837,600	$ 11,861,888
Interest-bearing deposits	4,879,282	4,847,648
Total deposits	16,716,882	16,709,536
Short-term borrowings	849,380	-
Other liabilities	307,537	405,321
Long-term debt	601,835	603,648
Total liabilities	18,475,634	17,718,505
Commitments and contingencies (Note 11 and Note 14)		
SVBFG stockholders equity:		
Preferred stock, $0.001 par value, 20,000,000 shares authorized; no shares issued and outstanding	-	-
Common stock, $0.001 par value, 150,000,000 shares authorized; 44,087,110 shares and 43,507,932 shares outstanding, respectively	44	44
Additional paid-in capital	515,614	484,216
Retained earnings	1,034,523	999,733

Accumulated other comprehensive income	89,309	85,399
Total SVBFG stockholders equity	1,639,490	1,569,392
Noncontrolling interests	703,213	680,997
Total equity	2,342,703	2,250,389
Total liabilities and total equity	$ 20,818,337	$ 19,968,894

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 March 31, 2012**	**2011**
Interest income:		
Loans	$ 109,461	$ 89,776
Available-for-sale securities:		
Taxable	47,375	41,382
Non-taxable	900	941
Federal funds sold, securities purchased under agreements to resell and other short-term investment securities	1,038	2,002
Total interest income	158,774	134,101
Interest expense:		
Deposits	1,481	3,105
Borrowings	6,356	10,697
Total interest expense	7,837	13,802
Net interest income	150,937	120,299
Provision for (reduction of) loan losses	14,529	(3,047)
Net interest income after provision for loan losses	136,408	123,346
Noninterest income:		
Foreign exchange fees	12,103	10,497
Deposit service charges	8,096	7,117
Gains on investment securities, net	7,839	51,337
Gains on derivative instruments, net	5,976	551
Credit card fees	5,668	3,817
Letters of credit and standby letters of credit income	3,636	2,710
Client investment fees	2,897	3,661
Other	13,078	10,264
Total noninterest income	59,293	89,954
Noninterest expense:		
Compensation and benefits	83,737	75,632
Professional services	14,607	12,987
Business development and travel	7,746	5,653
Premises and equipment	7,564	5,912
Net occupancy	5,623	4,650
Correspondent bank fees	2,688	2,163
FDIC assessments	2,498	3,475
Reduction of provision for unfunded credit commitments	(258)	(900)
Other	7,807	7,863
Total noninterest expense	132,012	117,435

Income before income tax expense		63,689		95,865
Income tax expense		23,756		22,770
Net income before noncontrolling interests		39,933		73,095
Net income attributable to noncontrolling interests		(5,143)		(40,088)
Net income available to common stockholders	$	34,790	$	33,007
Earnings per common share basic	$	0.79	$	0.78
Earnings per common share diluted		0.78		0.76

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 March 31,	
(Dollars in thousands)	**2012**	**2011**
Net income before noncontrolling interests	$ 39,933	$ 73,095
Other comprehensive income (loss), net of tax:		
Change in cumulative translation gains:		
Foreign currency translation gains	2,472	965
Related tax expense	(1,013)	(395)
Change in unrealized gains on available-for-sale securities:		
Unrealized holding gains (losses)	3,269	(26,159)
Related tax (expense) benefit	(1,335)	10,723
Reclassification adjustment for losses (gains) included in net income	874	(62)
Related tax (benefit) expense	(357)	25
Other comprehensive income (loss), net of tax	3,910	(14,903)
Comprehensive income	43,843	58,192
Comprehensive income attributable to noncontrolling interests	(5,143)	(40,088)
Comprehensive income attributable to SVBFG	$ 38,700	$ 18,104

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)	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income	Total SVBFG Stockholders Equity	Noncontrolling Interests	Total Equity
Balance at December 31, 2010	**42,268,201**	**$ 42**	**$ 422,334**	**$ 827,831**	**$ 24,143**	**$ 1,274,350**	**$ 473,928**	**$ 1,748,278**
Common stock issued under employee benefit plans, net of restricted stock cancellations	429,627	1	14,433	-	-	14,434	-	14,434
Income tax benefit from stock options exercised, vesting of restricted stock and other	-	-	2,476	-	-	2,476	-	2,476
Net income	-	-	-	33,007	-	33,007	40,088	73,095
Capital calls and distributions, net	-	-	-	-	-	-	19,441	19,441
Net change in unrealized gains on available-for-sale securities, net of tax	-	-	-	-	(15,473)	(15,473)	-	(15,473)
Foreign currency translation adjustments, net of tax	-	-	-	-	570	570	-	570
Stock-based compensation expense	-	-	4,210	-	-	4,210	-	4,210
Balance at March 31, 2011	**42,697,828**	**$ 43**	**$ 443,453**	**$ 860,838**	**$ 9,240**	**$ 1,313,574**	**$ 533,457**	**$ 1,847,031**
Balance at December 31, 2011	**43,507,932**	**$ 44**	**$ 484,216**	**$ 999,733**	**$ 85,399**	**$ 1,569,392**	**$ 680,997**	**$ 2,250,389**
Common stock issued under employee benefit plans, net of restricted stock cancellations	505,618	-	17,900	-	-	17,900	-	17,900
Common stock issued under ESOP	73,560	-	4,345	-	-	4,345	-	4,345
Income tax benefit from stock options exercised, vesting of restricted stock and other	-	-	3,819	-	-	3,819	-	3,819
Net income	-	-	-	34,790	-	34,790	5,143	39,933
Capital calls and distributions, net	-	-	-	-	-	-	17,073	17,073
Net change in unrealized gains on available-for-sale securities, net of tax	-	-	-	-	2,451	2,451	-	2,451
Foreign currency translation adjustments, net of tax	-	-	-	-	1,459	1,459	-	1,459
Stock-based compensation expense	-	-	5,334	-	-	5,334	-	5,334
Balance at March 31, 2012	**44,087,110**	**$ 44**	**$ 515,614**	**$ 1,034,523**	**$ 89,309**	**$ 1,639,490**	**$ 703,213**	**$ 2,342,703**

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)

	Three months ended March 31,	
(Dollars in thousands)	**2012**	**2011**
Cash flows from operating activities:		
Net income before noncontrolling interests	$ 39,933	$ 73,095
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for (reduction of) loan losses	14,529	(3,047)
Reduction of provision for unfunded credit commitments	(258)	(900)
Changes in fair values of derivatives, net	(3,370)	(1,008)
Gains on investment securities, net	(7,839)	(51,337)
Depreciation and amortization	6,454	6,519
Amortization of premiums on available-for-sale securities, net	9,869	2,570
Tax benefit from stock exercises	790	310
Amortization of share-based compensation	5,149	4,243
Amortization of deferred loan fees	(15,488)	(14,246)
Deferred income tax (benefit) expense	(1,570)	4,309
Changes in other assets and liabilities:		
Accrued interest receivable and payable, net	(6,399)	(8,596)
Accounts receivable	14,631	(1,099)
Income tax payable and receivable, net	14,013	9,890
Prepaid FDIC assessments and amortization	2,412	3,180
Accrued compensation	(66,240)	(39,760)
Foreign exchange spot contracts, net	(21,154)	15,609
Other, net	3,666	6,391
Net cash (used for) provided by operating activities	(10,872)	6,123
Cash flows from investing activities:		
Purchases of available-for-sale securities	(1,777,958)	(2,213,193)
Proceeds from sales of available-for-sale securities	3,219	74
Proceeds from maturities and pay downs of available-for-sale securities	777,717	601,092
Purchases of nonmarketable securities (cost and equity method accounting)	(9,005)	(12,868)
Proceeds from sales of nonmarketable securities (cost and equity method accounting)	11,317	5,413
Purchases of nonmarketable securities (fair value accounting)	(29,440)	(42,448)
Proceeds from sales and distributions of nonmarketable securities (fair value accounting)	25,545	24,639
Net increase in loans	(144,957)	(123,975)
Proceeds from recoveries of charged-off loans	3,436	6,793
Purchases of premises and equipment	(8,054)	(5,611)
Net cash used for investing activities	(1,148,180)	(1,760,084)
Cash flows from financing activities:		
Net increase in deposits	7,346	993,378
Increase (decrease) in short-term borrowings	849,380	(1,830)
Capital contributions from noncontrolling interests, net of distributions	17,073	19,441
Tax benefit from stock exercises	3,029	2,166
Proceeds from issuance of common stock and ESPP	17,900	14,434
Net cash provided by financing activities	894,728	1,027,589

Net decrease in cash and cash equivalents	(264,324)	(726,372)
Cash and cash equivalents at beginning of period	1,114,948	3,076,432
Cash and cash equivalents at end of period	**$ 850,624**	**$ 2,350,060**
Supplemental disclosures:		
Cash paid during the period for:		
Interest	$ 12,012	$ 14,601
Income taxes	6,556	4,891
Noncash items during the period:		
Unrealized gains (losses) on available-for-sale securities, net of tax	$ 2,451	$ (15,473)
Net change in fair value of interest rate swaps	(1,557)	(5,525)

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

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 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 SEC. Certain information and footnote disclosures normally included in financial statements prepared in accordance with GAAP have been condensed or omitted pursuant to such rules and regulations. The results of operations for the three months ended March 31, 2012 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, 2011 (2011 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 2011 Form 10-K.

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

Principles of Consolidation and Presentation

Our consolidated financial statements include the accounts of SVB Financial Group and entities in which we have a controlling financial interest. We determine whether we have a controlling financial interest in an entity by evaluating whether the entity is a voting interest entity or a variable interest entity and whether the accounting guidance requires consolidation. All significant intercompany accounts and transactions have been eliminated.

Voting interest entities are entities that have sufficient equity and provide the equity investors voting rights that enable them to make significant decisions relating to the entity s operations. For these types of entities, the Company s determination of whether it has a controlling interest is based on ownership of the majority of the entities voting equity interest or through control of management of the entities.

VIEs are entities that, by design, either (1) lack sufficient equity to permit the entity to finance its activities without additional subordinated financial support from other parties, or (2) have equity investors that do not have the ability to make significant decisions relating to the entity s operations through voting rights, or do not have the obligation to absorb the expected losses, or do not have the right to receive the residual returns of the entity. We determine whether we have a controlling financial interest in a VIE by considering whether our involvement with the VIE is significant and designates us as the primary beneficiary based on the following:

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

2.

The aggregate indirect and direct variable interests held by the Company have the obligation to absorb losses or the right to receive benefits from the entity that could be significant to the VIE; and,

3. Qualitative and quantitative factors regarding the nature, size, and form of our involvement with the VIE.

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

We have not provided financial or other support during the periods presented to any VIE that we were not previously contractually required to provide. We are variable interest holders in certain partnerships for which we are the primary beneficiary. We perform on-going reassessments on the status of the entities and whether facts or circumstances have changed in relation to previously evaluated voting interest entities and our involvement in VIEs which could cause the Company s consolidation conclusion to change.

Impact of Adopting ASU No. 2011-04, Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRS

In May 2011, the FASB issued a new accounting standard which requires new disclosures and clarifies existing guidance surrounding fair value measurement. This standard was issued concurrently with the IASB s issuance of a fair value measurement standard with the objective of a converged definition of fair value measurement and disclosure guidance. The new guidance clarifies that the principal market for a financial instrument should be determined based on the market with the greatest volume and level of activity. This new guidance is effective on a prospective basis for interim and annual reporting periods beginning after December 15, 2011, and was therefore adopted effective January 1, 2012. This standard clarifies how fair value is measured and increases the disclosure requirements for fair value measurements, and does not have a material impact on our financial position, results of operations or stockholders equity. See Note 13 Fair Value of Financial Instruments for further details.

Impact of Adopting ASU No. 2011-05, Presentation of Comprehensive Income

In June 2011, the FASB issued a new accounting standard, which requires presentation of the components of total comprehensive income in either a single continuous statement of comprehensive income or in two separate but consecutive statements. Regardless of which option is chosen, reclassification adjustments for items that are reclassified from other comprehensive income to net income are required to be shown on the face of the financial statements. In December 2011, the FASB approved a proposed update, which indefinitely defers the requirements of ASU No. 2011-05 to present components of reclassifications of other comprehensive income on the face of the income statement. This new guidance does not change the items that must be reported in other comprehensive income or when an item of other comprehensive income must be reclassified to net income. The guidance is effective on a retrospective basis for the interim and annual reporting periods beginning after December 15, 2011, and was therefore adopted effective January 1, 2012. This standard only clarifies the presentation of comprehensive income and does not affect our financial position, results of operations or stockholders equity.

Recent Accounting Pronouncements

In December 2011, the FASB issued a new accounting standard (ASU No. 2011-11, *Disclosures about Offsetting Assets and Liabilities*), which requires new disclosures surrounding financial instruments and derivative instruments that are offset on the statement of financial position, or are eligible for offset subject to a master netting arrangement. This standard was issued concurrent with the IASB s issuance of a similar standard with the objective of converged disclosure guidance. The guidance is effective on a retrospective basis for the interim and annual reporting periods beginning after January 1, 2013. We are currently assessing the impact of this guidance, however we do not expect it to have a material impact on our financial position, results of operations or stockholders equity.

Reclassifications

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

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2. Stockholders Equity and EPS

EPS

Basic EPS is the amount of earnings available to each share of common stock outstanding during the reporting period. Diluted EPS is the amount of earnings available to each share of common stock outstanding during the reporting period adjusted to include the effect of potentially dilutive common shares. Potentially dilutive common shares include incremental shares issued for stock options and restricted stock units outstanding under our equity incentive plans, our ESPP, and for certain periods, our 3.875% convertible senior notes (3.875% Convertible Notes). Potentially dilutive common shares are excluded from the computation of dilutive EPS in periods in which the effect would be antidilutive. The following is a reconciliation of basic EPS to diluted EPS for the three months ended March 31, 2012 and 2011, respectively:

	Three months ended March 31,	
(Dollars and shares in thousands, except per share amounts)	**2012**	**2011**
Numerator:		
Net income available to common stockholders	$ 34,790	$ 33,007
Denominator:		
Weighted average common shares outstanding-basic	43,780	42,482
Weighted average effect of dilutive securities:		
Stock options and ESPP	501	707
Restricted stock units	179	149
3.875% Convertible Notes (1)	-	88
Denominator for diluted calculation	44,460	43,426
Earnings per common share:		
Basic	$ 0.79	$ 0.78
Diluted	$ 0.78	$ 0.76

(1) Our $250 million 3.875% Convertible Notes matured on April 15, 2011.

The following table summarizes the common shares excluded from the diluted EPS calculation as they were deemed to be antidilutive for the three months ended March 31, 2012 and 2011, respectively:

	Three months ended March 31,	
(Shares in thousands)	**2012**	**2011**
Stock options	121	78
Restricted stock units	1	-
Total	122	78

3. Share-Based Compensation

For the three months ended March 31, 2012 and 2011, we recorded share-based compensation and related tax benefits as follows:

(Dollars in thousands)	Three months ended March 31, 2012	2011
Share-based compensation expense	$ 5,149	$ 4,243
Income tax benefit related to share-based compensation expense	(1,199)	(1,033)

Unrecognized Compensation Expense

As of March 31, 2012, unrecognized share-based compensation expense was as follows:

(Dollars in thousands)	Unrecognized Expense	Average Expected Recognition Period - in Years
Stock options	$ 12,157	2.53
Restricted stock units	15,064	2.64
Total unrecognized share-based compensation expense	$ 27,221	

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Share-Based Payment Award Activity

The table below provides stock option information related to the 1997 Equity Incentive Plan and the 2006 Equity Incentive Plan for the three months ended March 31, 2012:

	Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life in Years	Aggregate Intrinsic Value of In-The-Money Options
Outstanding at December 31, 2011	2,439,360	$ 42.64		
Granted	11,265	56.92		
Exercised	(502,284)	35.89		
Forfeited	(21,005)	45.17		
Expired	(1,200)	44.80		
Outstanding at March 31, 2012	1,926,136	44.46	3.91	$ 38,299,522
Vested and expected to vest at March 31, 2012	1,861,247	44.23	3.85	37,426,718
Exercisable at March 31, 2012	908,697	42.44	2.57	19,898,659

The aggregate intrinsic value of outstanding options shown in the table above represents the pretax intrinsic value based on our closing stock price of $64.34 as of March 31, 2012. The total intrinsic value of options exercised during the three months ended March 31, 2012 was $11.9 million, compared to $8.9 million for the comparable 2011 period.

The table below provides information for restricted stock units under the 2006 Equity Incentive Plan for the three months ended March 31, 2012:

	Shares	Weighted Average Grant Date Fair Value
Nonvested at December 31, 2011	499,119	$ 52.72
Granted	4,370	57.09
Vested	(5,416)	45.72
Forfeited	(9,770)	53.46
Nonvested at March 31, 2012	488,303	52.82

4. Cash and Cash Equivalents

The following table details the cash and cash equivalents at March 31, 2012 and December 31, 2011:

(Dollars in thousands)	March 31, 2012	December 31, 2011
Cash and due from banks (1)	$ 598,916	$ 852,010
Securities purchased under agreements to resell (2)	161,594	175,553
Other short-term investment securities	90,114	87,385

Total cash and cash equivalents	$	850,624	$	1,114,948

(1) At March 31, 2012 and December 31, 2011, $76.9 million and $100.1 million, respectively, of our cash and due from banks was deposited at the FRB and was earning interest at the Federal Funds target rate, and interest-earning deposits in other financial institutions were $267.2 million and $371.5 million, respectively.

(2) At March 31, 2012 and December 31, 2011, securities purchased under agreements to resell were collateralized by U.S. treasury securities and U.S. agency securities with aggregate fair values of $164.8 million and $179.1 million, respectively. None of these securities received as collateral were sold or repledged as of March 31, 2012 and December 31, 2011.

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5. Investment Securities

Our investment securities portfolio consists of both an available-for-sale securities portfolio, which represents interest-earning investment securities, and a non-marketable securities portfolio, which primarily represents investments managed as part of our funds management business.

The major components of our investment securities portfolio at March 31, 2012 and December 31, 2011 are as follows:

	March 31, 2012				December 31, 2011			
(Dollars in thousands)	**Amortized Cost**	**Unrealized Gains**	**Unrealized Losses**	**Carrying Value**	**Amortized Cost**	**Unrealized Gains**	**Unrealized Losses**	**Carrying Value**
Available-for-sale securities, at fair value:								
U.S. treasury securities	$ 25,189	$ 586	$ -	$ 25,775	$ 25,233	$ 731	$ -	$ 25,964
U.S. agency debentures	2,969,387	57,079	(1,112)	3,025,354	2,822,158	52,864	(90)	2,874,932
Residential mortgage-backed securities:								
Agency-issued mortgage-backed securities	1,782,253	35,822	(2,982)	1,815,093	1,529,466	34,926	(106)	1,564,286
Agency-issued collateralized mortgage obligations fixed rate	4,001,389	62,570	(5,374)	4,058,585	3,317,285	56,546	(71)	3,373,760
Agency-issued collateralized mortgage obligations variable rate	2,273,036	1,173	(3,006)	2,271,203	2,416,158	1,554	(4,334)	2,413,378
Agency-issued commercial mortgage-backed securities	225,828	2,802	-	228,630	176,646	2,047	-	178,693
Municipal bonds and notes	92,225	7,878	-	100,103	92,241	8,257	-	100,498
Equity securities	2,936	731	(869)	2,798	5,554	180	(1,199)	4,535
Total available-for-sale securities	$ 11,372,243	$ 168,641	$ (13,343)	$ 11,527,541	$ 10,384,741	$ 157,105	$ (5,800)	$ 10,536,046
Non-marketable securities:								
Non-marketable securities (fair value accounting):								
Venture capital and private equity fund investments (1)				620,356				611,824
Other venture capital investments (2)				127,951				124,121
Other investments (3)				1,002				987
Non-marketable securities (equity method accounting):								
Other investments (4)				62,737				68,252
Low income housing tax credit funds				41,111				34,894
Non-marketable securities (cost method accounting):								
Venture capital and private equity fund investments (5)				148,424				145,007
Other investments				20,360				19,355
Total non-marketable securities				1,021,941				1,004,440
Total investment securities				$ 12,549,482				$ 11,540,486

(1) The following table shows the amount of venture capital and private equity fund investments by the following consolidated funds and our ownership of each fund at March 31, 2012 and December 31, 2011:

	March 31, 2012		December 31, 2011	
(Dollars in thousands)	Amount	Ownership %	Amount	Ownership %
SVB Strategic Investors Fund, LP	$ 36,444	12.6 %	$ 39,567	12.6 %
SVB Strategic Investors Fund II, LP	119,965	8.6	122,619	8.6
SVB Strategic Investors Fund III, LP	216,827	5.9	218,429	5.9
SVB Strategic Investors Fund IV, LP	130,139	5.0	122,076	5.0
Strategic Investors Fund V, LP	11,461	0.2	8,838	0.3
SVB Capital Preferred Return Fund, LP	46,783	20.0	42,580	20.0
SVB Capital NT Growth Partners, LP	50,449	33.0	43,958	33.0
SVB Capital Partners II, LP (i)	1,221	5.1	2,390	5.1
Other private equity fund (ii)	7,067	58.2	11,367	58.2
Total venture capital and private equity fund investments	$ 620,356		$ 611,824	

(i) At March 31, 2012, we had a direct ownership interest of 1.3 percent and an indirect ownership interest of 3.8 percent in the fund through our ownership interest of SVB Strategic Investors Fund II, LP.

(ii) At March 31, 2012, we had a direct ownership interest of 41.5 percent and indirect ownership interests of 12.6 percent and 4.1 percent in the fund through our ownership interest of SVB Capital NT Growth Partners, LP and SVB Capital Preferred Return Fund, LP, respectively.

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(2) The following table shows the amount of other venture capital investments by the following consolidated funds and our ownership of each fund at March 31, 2012 and December 31, 2011:

	March 31, 2012		December 31, 2011	
(Dollars in thousands)	Amount	Ownership %	Amount	Ownership %
Silicon Valley BancVentures, LP	$ 17,344	10.7 %	$ 17,878	10.7 %
SVB Capital Partners II, LP (i)	64,829	5.1	61,099	5.1
SVB India Capital Partners I, LP	42,299	14.4	42,832	14.4
SVB Capital Shanghai Yangpu Venture Capital Fund	3,479	6.8	2,312	6.8
Total other venture capital investments	$ 127,951		$ 124,121	

(i) At March 31, 2012, we had a direct ownership interest of 1.3 percent and an indirect ownership interest of 3.8 percent in the fund through our ownership of SVB Strategic Investors Fund II, LP.

(3) Other investments within non-marketable securities (fair value accounting) include our ownership in Partners for Growth, LP, a consolidated debt fund. At March 31, 2012, we had a majority ownership interest of slightly more than 50.0 percent in the fund. Partners for Growth, LP is managed by a third party and we do not have an ownership interest in the general partner of this fund.

(4) The following table shows the carrying value and our ownership percentage of each investment at March 31, 2012 and December 31, 2011:

	March 31, 2012		December 31, 2011	
(Dollars in thousands)	Amount	Ownership %	Amount	Ownership %
Gold Hill Venture Lending 03, LP (i)	$ 9,293	9.3 %	$ 16,072	9.3 %
Gold Hill Capital 2008, LP (ii)	19,705	15.5	19,328	15.5
Partners for Growth II, LP	3,447	24.2	3,785	24.2
Other investments	30,292	N/A	29,067	N/A
Total other investments	$ 62,737		$ 68,252	

(i) At March 31, 2012, we had a direct ownership interest of 4.8 percent in the fund and an indirect interest in the fund through our investment in Gold Hill Venture Lending Partners 03, LLC (GHLLC) of 4.5 percent. Our aggregate direct and indirect ownership in the fund is 9.3 percent.

(ii) At March 31, 2012, we had a direct ownership interest of 11.5 percent in the fund and an indirect interest in the fund through our investment in Gold Hill Capital 2008, LLC of 4.0 percent. Our aggregate direct and indirect ownership in the fund is 15.5 percent.

(5) Represents investments in 326 and 329 funds (primarily venture capital funds) at March 31, 2012 and December 31, 2011, respectively, where our ownership interest is less than 5% of the voting interests of each such fund and in which we do not have the ability to exercise significant influence over the partnerships operating and financial policies. For the three months ended March 31, 2012, we recognized OTTI losses of $0.3 million resulting from other-than-temporary declines in value for 18 of the 326 investments. The OTTI losses are included in net gains on investment securities, a component of noninterest income. We concluded that any declines in value for the remaining 308 investments were temporary and as such, no OTTI was required to be recognized. At March 31, 2012, the carrying value of these venture capital and private equity fund investments (cost method accounting) was $148.4 million, and the estimated fair value was $171.5 million.

The following table summarizes our unrealized losses on our available-for-sale securities portfolio into categories of less than 12 months, or 12 months or longer as of March 31, 2012:

	March 31, 2012					
	Less than 12 months		**12 months or longer**		**Total**	
(Dollars in thousands)	**Fair Value of Investments**	**Unrealized Losses**	**Fair Value of Investments**	**Unrealized Losses**	**Fair Value of Investments**	**Unrealized Losses**
U.S. agency debentures	$ 326,485	$ (1,112)	$ -	$ -	$ 326,485	$ (1,112)
Residential mortgage-backed securities:						
Agency-issued mortgage-backed securities	359,773	(2,982)	-	-	359,773	(2,982)
Agency-issued collateralized mortgage obligations fixed rate	854,316	(5,374)	-	-	854,316	(5,374)
Agency-issued collateralized mortgage obligations variable rate	1,455,913	(2,961)	44,288	(45)	1,500,201	(3,006)
Equity securities	1,202	(869)	-	-	1,202	(869)
Total temporarily impaired securities (1)	$ 2,997,689	$ (13,298)	$ 44,288	$ (45)	$ 3,041,977	$ (13,343)

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(1) As of March 31, 2012, we identified a total of 143 investments that were in unrealized loss positions, of which one investment totaling $44.3 million with unrealized losses of $45 thousand has been in an impaired position for a period of time greater than 12 months. As of March 31, 2012, we do not intend to sell any impaired securities prior to recovery of our adjusted cost basis, and it is more likely than not that we will not be required to sell any of our debt securities prior to recovery of our adjusted cost basis. Based on our analysis as of March 31, 2012, we deem all impairments to be temporary, and therefore changes in value for our temporarily impaired securities as of the same date are included in other comprehensive income. Market valuations and impairment analyses on assets in the available-for-sale securities portfolio are reviewed and monitored on a quarterly basis.

The following table summarizes our unrealized losses on our available-for-sale securities portfolio into categories of less than 12 months, or 12 months or longer as of December 31, 2011:

	December 31, 2011					
	Less than 12 months		12 months or longer		Total	
(Dollars in thousands)	Fair Value of Investments	Unrealized Losses	Fair Value of Investments	Unrealized Losses	Fair Value of Investments	Unrealized Losses
U.S. agency debentures	$ 50,994	$ (90)	$ -	$ -	$ 50,994	$ (90)
Residential mortgage-backed securities:						
Agency-issued mortgage-backed securities	54,588	(106)	-	-	54,588	(106)
Agency-issued collateralized mortgage obligations fixed rate	50,125	(71)	-	-	50,125	(71)
Agency-issued collateralized mortgage obligations variable rate	1,521,589	(4,334)	-	-	1,521,589	(4,334)
Equity securities	3,831	(1,199)	-	-	3,831	(1,199)
Total temporarily impaired securities	$ 1,681,127	$ (5,800)	$ -	$ -	$ 1,681,127	$ (5,800)

The following table summarizes the remaining contractual principal maturities and fully taxable equivalent yields on debt securities classified as available-for-sale as of March 31, 2012. Interest income on certain municipal bonds and notes (non-taxable investments) are presented on a fully taxable equivalent basis using the federal statutory tax rate of 35.0 percent. The weighted average yield is computed using the amortized cost of debt securities, which are reported at fair value. For U.S. treasury securities, the expected maturity is the actual contractual maturity of the notes. Expected remaining maturities for certain U.S. agency debentures may occur earlier than their contractual maturities because the note issuers have the right to call outstanding amounts ahead of their contractual maturity. Expected maturities for mortgage-backed securities may differ significantly from their contractual maturities because mortgage borrowers have the right to prepay outstanding loan obligations with or without penalties. Mortgage-backed securities classified as available-for-sale typically have original contractual maturities from 10 to 30 years whereas expected average lives of these securities tend to be significantly shorter and vary based upon structure.

	March 31, 2012									
	Total		One Year or Less		After One Year to Five Years		After Five Years to Ten Years		After Ten Years	
(Dollars in thousands)	Carrying Value	Weighted-Average Yield	Carrying Value	Weighted-Average Yield	Carrying Value	Weighted-Average Yield	Carrying Value	Weighted-Average Yield	Carrying Value	Weighted-Average Yield
U.S. treasury securities	$ 25,775	2.39 %	$ -	- %	$ 25,775	2.39 %	$ -	- %	$ -	- %
U.S. agency debentures	3,025,354	1.63	37,921	2.93	2,810,559	1.55	176,874	2.57	-	-
Residential mortgage-backed securities:										
Agency-issued mortgage-backed securities	1,815,093	2.45	-	-	-	-	1,673,005	2.26	142,088	3.30
Agency-issued collateralized mortgage obligations - fixed rate	4,058,585	2.22	-	-	-	-	-	-	4,058,585	2.22
Agency-issued collateralized mortgage obligations - variable rate	2,271,203	0.70	-	-	-	-	-	-	2,271,203	0.70
	228,630	2.09	-	-	-	-	-	-	228,630	2.09

Agency-issued commercial mortgage-backed securities										
Municipal bonds and notes	100,103	6.00	929	5.02	12,158	5.51	53,134	5.98	33,882	6.23
Total	$ 11,524,743	1.83	$ 38,850	2.98	$ 2,848,492	1.57	$ 1,903,013	2.39	$ 6,734,388	1.75

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The following table presents the components of gains and losses (realized and unrealized) on investment securities for the three months ended March 31, 2012 and 2011:

	Three months ended March 31,	
(Dollars in thousands)	2012	2011
Gross gains on investment securities:		
Available-for-sale securities, at fair value (1)	$ 21	$ 63
Marketable securities (fair value accounting)	316	442
Non-marketable securities (fair value accounting):		
Venture capital and private equity fund investments	26,110	45,499
Other venture capital investments	1,777	4,948
Other investments	21	20
Non-marketable securities (equity method accounting):		
Other investments	1,422	3,384
Non-marketable securities (cost method accounting):		
Venture capital and private equity fund investments	407	255
Other investments	42	173
Total gross gains on investment securities	30,116	54,784
Gross losses on investment securities:		
Available-for-sale securities, at fair value (1)	(895)	(1)
Marketable securities (fair value accounting)	-	(808)
Non-marketable securities (fair value accounting):		
Venture capital and private equity fund investments	(13,915)	(2,056)
Other venture capital investments	(6,663)	(244)
Non-marketable securities (equity method accounting):		
Other investments	(376)	(199)
Non-marketable securities (cost method accounting):		
Venture capital and private equity fund investments	(363)	(139)
Other investments	(65)	-
Total gross losses on investment securities	(22,277)	(3,447)
Gains on investment securities, net	$ 7,839	$ 51,337
Gains attributable to noncontrolling interests, including carried interest	$ 7,338	$ 43,385

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

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6. Loans and Allowance for Loan Losses

We serve a variety of commercial clients in the technology, life science, venture capital/private equity and premium wine industries. Our technology clients generally tend to be in the industries of hardware (semiconductors, communications and electronics), software and related services, and clean technology. Because of the diverse nature of clean technology products and services, for our loan-related reporting purposes, cleantech-related loans are reported under our hardware, software, life science and other commercial loan categories, as applicable. Our life science clients are concentrated in the medical devices and biotechnology sectors. Loans made to venture capital/private equity firm clients typically enable them to fund investments prior to their receipt of funds from capital calls. Loans to the premium wine industry focus on vineyards and wineries that produce grapes and wines of high quality.

In addition to commercial loans, we make loans through SVB Private Bank primarily to venture capital/private equity professionals through SVB Private Bank. These products and services include real estate secured home equity lines of credit, which may be used to finance real estate investments and loans used to purchase, renovate or refinance personal residences. These products and services also include restricted stock purchase loans and capital call lines of credit. We also provide real estate secured loans to eligible employees through our EHOP.

We also provide community development loans made as part of our responsibilities under the Community Reinvestment Act. These loans are included within Construction loans below and are primarily secured by real estate.

The composition of loans, net of unearned income of $59.5 million and $60.2 million at March 31, 2012 and December 31, 2011, respectively, is presented in the following table:

(Dollars in thousands)	March 31, 2012	December 31, 2011
Commercial loans:		
Software	$ 2,511,989	$ 2,492,849
Hardware	1,054,510	952,303
Venture capital/private equity	1,123,847	1,117,419
Life science	863,961	863,737
Premium wine (1)	120,113	130,245
Other	349,316	342,147
Commercial loans	6,023,736	5,898,700
Real estate secured loans:		
Premium wine (1)	360,315	345,988
Consumer loans (2)	542,471	534,001
Real estate secured loans	902,786	879,989
Construction loans	29,970	30,256
Consumer loans	164,797	161,137
Total loans, net of unearned income (3)	$ 7,121,289	$ 6,970,082

(1) Included in our premium wine portfolio are gross construction loans of $136.4 million and $110.8 million at March 31, 2012 and December 31, 2011, respectively.

(2) Consumer loans secured by real estate at March 31, 2012 and December 31, 2011 were comprised of the following:

(Dollars in thousands)	March 31, 2012	December 31, 2011
Loans for personal residence	$ 354,321	$ 350,359

Loans to eligible employees		101,574		99,704
Home equity lines of credit		86,576		83,938
Consumer loans secured by real estate	$	542,471	$	534,001

(3) Included within our total loan portfolio are credit card loans of $56.0 million and $49.7 million at March 31, 2012 and December 31, 2011, respectively.

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Credit Quality

The composition of loans, net of unearned income, broken out by portfolio segment and class of financing receivable as of March 31, 2012 and December 31, 2011, is as follows:

(Dollars in thousands)	March 31, 2012	December 31, 2011
Commercial loans:		
Software	$ 2,511,989	$ 2,492,849
Hardware	1,054,510	952,303
Venture capital/private equity	1,123,847	1,117,419
Life science	863,961	863,737
Premium wine	480,428	476,233
Other	379,286	372,403
Total commercial loans	6,414,021	6,274,944
Consumer loans:		
Real estate secured loans	542,471	534,001
Other consumer loans	164,797	161,137
Total consumer loans	707,268	695,138
Total loans, net of unearned income	$ 7,121,289	$ 6,970,082

The following table summarizes the aging of our gross loans, broken out by portfolio segment and class of financing receivable as of March 31, 2012 and December 31, 2011:

(Dollars in thousands)	30 - 59 Days Past Due	60 - 89 Days Past Due	Greater Than 90 Days Past Due	Total Past Due	Current	Loans Past Due 90 Days or More Still Accruing Interest
March 31, 2012:						
Commercial loans:						
Software	$ 750	$ 121	$ -	$ 871	$ 2,533,923	$ -
Hardware	4,549	7	-	4,556	1,033,955	-
Venture capital/private equity	2,843	-	-	2,843	1,131,788	-
Life science	13,717	171	-	13,888	858,318	-
Premium wine	-	-	-	-	479,039	-
Other	5,958	7	-	5,965	372,773	-
Total commercial loans	27,817	306	-	28,123	6,409,796	-
Consumer loans:						
Real estate secured loans	-	-	-	-	539,398	-
Other consumer loans	-	-	-	-	161,765	-
Total consumer loans	-	-	-	-	701,163	-

Total gross loans excluding impaired loans	27,817	306	-	28,123	7,110,959	-
Impaired loans	36	138	6,637	6,811	34,886	-
Total gross loans	$ 27,853	$ 444	$ 6,637	$ 34,934	$ 7,145,845	$ -
December 31, 2011:						
Commercial loans:						
Software	$ 415	$ 1,006	$ -	$ 1,421	$ 2,515,327	$ -
Hardware	1,951	45	-	1,996	954,690	-
Venture capital/private equity	45	-	-	45	1,128,475	-
Life science	398	78	-	476	871,626	-
Premium wine	1	174	-	175	475,406	-
Other	15	-	-	15	370,539	-
Total commercial loans	2,825	1,303	-	4,128	6,316,063	-
Consumer loans:						
Real estate secured loans	-	-	-	-	515,534	-
Other consumer loans	590	-	-	590	157,389	-
Total consumer loans	590	-	-	590	672,923	-
Total gross loans excluding impaired loans	3,415	1,303	-	4,718	6,988,986	-
Impaired loans	1,350	1,794	6,613	9,757	26,860	-
Total gross loans	$ 4,765	$ 3,097	$ 6,613	$ 14,475	$ 7,015,846	$ -

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The following table summarizes our impaired loans as they relate to our allowance for loan losses, broken out by portfolio segment and class of financing receivable as of March 31, 2012 and December 31, 2011:

(Dollars in thousands)	Total carrying value Impaired loans for which there is a related allowance for loan losses	Total carrying value Impaired loans for which there is no related allowance for loan losses	Total carrying value Total carrying value of impaired loans	Total carrying value Total unpaid principal of impaired loans
March 31, 2012:				
Commercial loans:				
Software	$ 1,445	$ 123	$ 1,568	$ 2,821
Hardware	25,583	648	26,231	29,063
Life science	-	138	138	139
Premium wine	2,505	1,264	3,769	3,935
Other	2,415	1,591	4,006	7,734
Total commercial loans	31,948	3,764	35,712	43,692
Consumer loans:				
Real estate secured loans	2,674	330	3,004	7,476
Other consumer loans	2,981	-	2,981	3,109
Total consumer loans	5,655	330	5,985	10,585
Total	$ 37,603	$ 4,094	$ 41,697	$ 54,277
December 31, 2011:				
Commercial loans:				
Software	$ 1,142	$ -	$ 1,142	$ 1,540
Hardware	4,754	429	5,183	8,843
Life science	-	311	311	523
Premium wine	-	3,212	3,212	3,341
Other	4,303	1,050	5,353	9,104
Total commercial loans	10,199	5,002	15,201	23,351
Consumer loans:				
Real estate secured loans	-	18,283	18,283	22,410
Other consumer loans	3,133	-	3,133	3,197
Total consumer loans	3,133	18,283	21,416	25,607
Total	$ 13,332	$ 23,285	$ 36,617	$ 48,958

The following table summarizes our average impaired loans, broken out by portfolio segment and class of financing receivable during the three months ended March 31, 2012 and 2011:

	Three months ended March 31,	
(Dollars in thousands)	2012	2011

Average impaired loans:		
Commercial loans:		
Software	$ 1,536	$ 2,775
Hardware	12,262	4,526
Life science	146	2,498
Premium wine	3,383	3,684
Other	4,644	2,167
Total commercial loans	21,971	15,650
Consumer loans:		
Real estate secured loans	12,847	20,125
Other consumer loans	3,019	-
Total consumer loans	15,866	20,125
Total average impaired loans	$ 37,837	$ 35,775

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The following tables summarize the activity relating to our allowance for loan losses for the three months ended March 31, 2012 and 2011, broken out by portfolio segment:

Three months ended March 31, 2012 (dollars in thousands)	**Beginning Balance December 31, 2011**	**Charge-offs**	**Recoveries**	**Provision for (Reduction of)**	**Ending Balance March 31, 2012**
Commercial loans:					
Software	$ 38,263	$ (859)	$ 2,759	$ (4,738)	$ 35,425
Hardware	16,810	(3,848)	105	17,281	30,348
Venture capital/private equity	7,319	-	-	(105)	7,214
Life science	10,243	(113)	221	(59)	10,292
Premium wine	3,914	-	78	(254)	3,738
Other	5,817	(2,170)	44	1,111	4,802
Total commercial loans	82,366	(6,990)	3,207	13,236	91,819
Consumer loans	7,581	-	229	1,293	9,103
Total allowance for loan losses	$ 89,947	$ (6,990)	$ 3,436	$ 14,529	$ 100,922

Three months ended March 31, 2011 (dollars in thousands)	**Beginning Balance December 31, 2010**	**Charge-offs**	**Recoveries**	**Provision for (Reduction of)**	**Ending Balance March 31, 2011**
Commercial loans:					
Software	$ 29,288	$ (1,104)	$ 5,281	$ (2,986)	$ 30,479
Hardware	14,688	(15)	280	887	15,840
Venture capital/private equity	8,241	-	-	(809)	7,432
Life science	9,077	(3,191)	623	1,588	8,097
Premium wine	5,492	-	140	(1,128)	4,504
Other	5,318	(12)	70	1,057	6,433
Total commercial loans	72,104	(4,322)	6,394	(1,391)	72,785
Consumer loans	10,523	-	399	(1,656)	9,266
Total allowance for loan losses	$ 82,627	$ (4,322)	$ 6,793	$ (3,047)	$ 82,051

The following table summarizes the allowance for loan losses individually and collectively evaluated for impairment as of March 31, 2012 and December 31, 2011, broken out by portfolio segment:

	March 31, 2012		**December 31, 2011**	
(Dollars in thousands)	**Individually Evaluated for Impairment**	**Collectively Evaluated for Impairment**	**Individually Evaluated for Impairment**	**Collectively Evaluated for Impairment**
Commercial loans:				
Software	$ 682	$ 34,743	$ 526	$ 37,737
Hardware	15,120	15,228	1,261	15,549

Venture capital/private equity	-	7,214	-	7,319
Life science	-	10,292	-	10,243
Premium wine	543	3,195	-	3,914
Other	486	4,316	1,180	4,637
Total commercial loans	16,831	74,988	2,967	79,399
Consumer loans	1,538	7,565	740	6,841
Total allowance for loan losses	$ 18,369	$ 82,553	$ 3,707	$ 86,240

Credit Quality Indicators

For each individual client, we establish an internal credit risk rating for that loan, which is used for assessing and monitoring credit risk as well as performance of the loan and the overall portfolio. Our internal credit risk ratings are also used to summarize the risk of loss due to failure by an individual borrower to repay the loan. For our internal credit risk ratings, each individual loan is given a risk rating of 1 through 10. Loans risk-rated 1 through 4 are performing loans and translate to an internal rating of Pass , with loans risk-rated 1 being

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cash secured. Loans risk-rated 5 through 7 are performing loans, however, we consider them as demonstrating higher risk which requires more frequent review of the individual exposures; these translate to an internal rating of Performing (Criticized) . A majority of our performing (criticized) loans are from our SVB Accelerator practice, serving our emerging or early stage clients. Loans risk-rated 8 and 9 are loans that are considered to be impaired and are on nonaccrual status. Loans are placed on nonaccrual status when they become 90 days past due as to principal or interest payments (unless the principal and interest are well secured and in the process of collection), or when we have determined, based upon most recent available information, that the timely collection of principal or interest is not probable. (For further description of nonaccrual loans, refer to Note 2 Summary of Significant Accounting Policies under Part II, Item 8 of our 2011 Form 10-K); these loans are deemed impaired . Loans rated 10 are charged-off and are not included as part of our loan portfolio balance. We review our credit quality indicators for performance and appropriateness of risk ratings as part of our evaluation process for our allowance for loan losses. The following table summarizes the credit quality indicators, broken out by portfolio segment and class of financing receivables as of March 31, 2012 and December 31, 2011:

(Dollars in thousands)	Pass	Performing (Criticized)	Impaired	Total
March 31, 2012:				
Commercial loans:				
Software	$ 2,304,838	$ 229,956	$ 1,568	$ 2,536,362
Hardware	931,590	106,921	26,231	1,064,742
Venture capital/private equity	1,128,482	6,149	-	1,134,631
Life science	737,956	134,250	138	872,344
Premium wine	460,232	18,807	3,769	482,808
Other	328,452	50,286	4,006	382,744
Total commercial loans	5,891,550	546,369	35,712	6,473,631
Consumer loans:				
Real estate secured loans	515,071	24,327	3,004	542,402
Other consumer loans	155,879	5,886	2,981	164,746
Total consumer loans	670,950	30,213	5,985	707,148
Total gross loans	$ 6,562,500	$ 576,582	$ 41,697	$ 7,180,779
December 31, 2011:				
Commercial loans:				
Software	$ 2,290,497	$ 226,251	$ 1,142	$ 2,517,890
Hardware	839,230	117,456	5,183	961,869
Venture capital/private equity	1,120,373	8,147	-	1,128,520
Life science	748,129	123,973	311	872,413
Premium wine	434,309	41,272	3,212	478,793
Other	353,434	17,120	5,353	375,907
Total commercial loans	5,785,972	534,219	15,201	6,335,392
Consumer loans:				
Real estate secured loans	497,060	18,474	18,283	533,817
Other consumer loans	151,101	6,878	3,133	161,112
Total consumer loans	648,161	25,352	21,416	694,929
Total gross loans	$ 6,434,133	$ 559,571	$ 36,617	$ 7,030,321

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TDRs

As of March 31, 2012 we had TDRs of $16.0 million where concessions have been granted to borrowers experiencing financial difficulties, in an attempt to maximize collection. Substantially all of these TDRs were included as part of our impaired loan balances. In order for these loan balances to return to accrual status, the borrower must demonstrate a sustained period of timely payments and the ultimate collectability of all amounts contractually due may not be in doubt. There were unfunded commitments available for funding of $1.6 million to the clients associated with these TDRs as of March 31, 2012. The following table summarizes our loans modified in TDRs, broken out by portfolio segment and class of financing receivables at March 31, 2012 and December 31, 2011:

(Dollars in thousands)	**March 31, 2012**	**December 31, 2011**
Loans modified in TDRs:		
Commercial loans:		
Software	$ 1,568	$ 1,142
Hardware	2,972	5,183
Premium wine	2,310	1,949
Other	3,466	4,934
Total commercial loans	10,316	13,208
Consumer loans:		
Real estate secured loans	2,673	17,934
Other consumer loans	2,981	3,133
Total consumer loans	5,654	21,067
Total	$ 15,970	$ 34,275

During the three months ended March 31, 2012 new TDRs were primarily modified through payment deferrals granted to our clients, however one new TDR totaling $0.6 million was modified through forgiveness of principal. During the three months ended March 31, 2011 all new TDRs were modified through payment deferrals granted to our clients, however no principal or interest was forgiven. The following table summarizes the recorded investment in loans modified in TDRs, broken out by portfolio segment and class of financing receivable, for modifications made during the three months ended March 31, 2012 and 2011.

(Dollars in thousands)	**Three months ended March 31, 2012**	**2011**
Loans modified in TDRs during the period:		
Commercial loans:		
Software	$ 600	$ 651
Hardware	-	3,237
Premium wine	405	-
Other	2,416	-
Total commercial loans (1)	3,421	3,888
Consumer loans:		
Real estate secured loans	249	-
Other consumer loans	36	-
Total consumer loans	285	-
Total loans modified in TDR s during the period	$ 3,706	$ 3,888

(1) During the three months ended March 31, 2012, we had partial charge-offs of $0.8 million on loans classified as TDRs. There were no partial charge-offs on loans classified as TDRs during the three months ended March 31, 2011.

The related allowance for loan losses for the majority of our TDRs is determined on an individual basis by comparing the carrying value of the loan to the present value of the estimated future cash flows, discounted at the pre-modification contractual interest rate. For certain TDRs, the related allowance for loan losses is determined based on the fair value of the collateral if the loan is collateral dependent.

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The following table summarizes the recorded investment in loans modified in TDRs within the previous 12 months that subsequently defaulted during the three months ended March 31, 2012 and 2011, broken out by portfolio segment and class of financing receivable:

(Dollars in thousands)	Three months ended March 31, 2012	2011
TDRs modified within the previous 12 months that defaulted during the period:		
Commercial loans:		
Software	$ 600	$ -
Life science	-	241
Premium wine	-	206
Total commercial loans	600	447
Consumer loans:		
Real estate secured loans	249	-
Other consumer loans	36	-
Total consumer loans	285	-
Total TDRs modified within the previous 12 months that defaulted in the period	$ 885	$ 447

Charge-offs and defaults on previously restructured loans are evaluated to determine the impact to the allowance for loan losses, if any. The evaluation of these defaults may impact the assumptions used in calculating the reserve on other TDRs and impaired loans as well as management s overall outlook of macroeconomic factors that affect the reserve on the loan portfolio as a whole. After evaluating the charge-offs and defaults experienced on our TDRs we determined that no change to our reserving methodology was necessary to determine the allowance for loan losses as of March 31, 2012.

7. Short-Term Borrowings and Long-Term Debt

The following table represents outstanding short-term borrowings and long-term debt at March 31, 2012 and December 31, 2011:

(Dollars in thousands)	Maturity	Principal value at March 31, 2012	Carrying Value March 31, 2012	Carrying Value December 31, 2011
Short-term borrowings:				
Short-term FHLB advances	April 2, 2012	$ 530,000	$ 530,000	$ -
Federal funds purchased	April 2, 2012	315,000	315,000	-
Other short-term borrowings	(1)	4,380	4,380	-
Total short-term borrowings			$ 849,380	$ -
Long-term debt:				
5.375% Senior Notes	September 15, 2020	$ 350,000	$ 347,842	$ 347,793
5.70% Senior Notes (2)	June 1, 2012	141,429	142,485	143,969
6.05% Subordinated Notes (3)	June 1, 2017	45,964	54,629	55,075
7.0% Junior Subordinated Debentures	October 15, 2033	50,000	55,328	55,372
Other long-term debt	(4)	1,551	1,551	1,439
Total long-term debt			$ 601,835	$ 603,648

(1) Represents cash collateral received from counterparties for our interest rate swap agreements related to our 6.05% Subordinated Notes.
(2) At March 31, 2012 and December 31, 2011, included in the carrying value of our 5.70% Senior Notes were $1.1 million and $2.6 million, respectively, related to the fair value of the interest rate swap associated with the notes.
(3) At both March 31, 2012 and December 31, 2011, included in the carrying value of our 6.05% Subordinated Notes were $8.8 million related to the fair value of the interest rate swap associated with the notes.
(4) Represents long-term notes payable related to one of our debt fund investments, and was payable beginning April 30, 2009 with the last payment due in April 2012.

Interest expense related to short-term borrowings and long-term debt was $6.4 million and $10.7 million for the three months ended March 31, 2012 and 2011, respectively. Interest expense is net of the cash flow impact from our interest rate swap agreements related to our 5.70% Senior Notes and 6.05% Subordinated Notes. The weighted average interest rate associated with our short-term borrowings as of March 31, 2012 was 0.16 percent.

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3.875% Convertible Notes

Our $250 million 3.875% Convertible Notes matured on April 15, 2011. The effective interest rate for our 3.875% Convertible Notes for the three months ended March 31, 2011 was 5.78 percent, and interest expense was $3.6 million.

Available Lines of Credit

We have certain facilities in place to enable us to access short-term borrowings on a secured (using available-for-sale securities as collateral) and an unsecured basis. These include repurchase agreements and uncommitted federal funds lines with various financial institutions. As of March 31, 2012, we borrowed $315.0 million against our uncommitted federal funds lines. We also pledge securities to the FHLB of San Francisco and the discount window at the FRB. The market value of collateral pledged to the FHLB of San Francisco (comprised entirely of U.S. agency debentures) at March 31, 2012 totaled $1.6 billion, of which $1.0 billion was unused and available to support additional borrowings. The market value of collateral pledged at the discount window of the FRB at March 31, 2012 totaled $100.1 million, all of which was unused and available to support additional borrowings.

8. Derivative Financial Instruments

We primarily use derivative financial instruments to manage interest rate risk, currency exchange rate risk, and to assist customers with their risk management objectives. Also, in connection with negotiating credit facilities and certain other services, we often obtain equity warrant assets giving us the right to acquire stock in private, venture-backed companies in the technology and life science industries.

Interest Rate Risk

Interest rate risk is our primary market risk and can result from timing and volume differences in the repricing of our interest rate-sensitive assets and liabilities and changes in market interest rates. To manage interest rate risk for our 5.70% Senior Notes and 6.05% Subordinated Notes, we entered into fixed-for-floating interest rate swap agreements at the time of debt issuance based upon LIBOR with matched-terms. Prior to our termination of portions of our interest rate swap agreements (discussed below), we used the shortcut method to assess hedge effectiveness and evaluate the hedging relationships for qualification under the shortcut method requirements for each reporting period. Net cash benefits associated with our interest rate swaps were recorded as a reduction in Interest expense Borrowings, a component of net interest income. The fair value of our interest rate swaps was calculated using a discounted cash flow method and adjusted for credit valuation associated with counterparty risk. Increases from changes in fair value were included in other assets and decreases from changes in fair value were included in other liabilities.

In connection with the repurchase of portions of our 5.70% Senior Notes and 6.05% Subordinated Notes in May 2011, we terminated corresponding amounts of the associated interest rate swaps. As a result of these terminations, the remaining portions of the interest rate swaps no longer qualify for the shortcut method to assess hedge effectiveness under ASC 815, *Derivatives and Hedging,* and are accounted for under the long-haul method. Any differences associated with our interest rate swaps that arise as a result of hedge ineffectiveness are recorded through net gains on derivative instruments, in noninterest income, a component of consolidated net income.

Currency Exchange Risk

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

Other Derivative Instruments

Equity Warrant Assets

Our equity warrant assets are concentrated in private, venture-backed companies in the technology and life science industries. Most of these warrant agreements contain net share settlement provisions, which permit us to pay the warrant exercise price using shares issuable under the warrant (cashless exercise). We value our equity warrant assets using a modified Black-Scholes option pricing model, which incorporates assumptions about the underlying asset value, volatility, and the risk-free rate. We make valuation adjustments for estimated remaining life and marketability for warrants issued by private companies. Equity warrant assets are recorded at fair value in other assets, while changes in their fair value are recorded through net gains on derivative instruments, in noninterest income, a component of consolidated net income.

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Loan Conversion Options

In connection with negotiating certain credit facilities, we occasionally extend loan facilities which have convertible option features. The convertible loans may be converted into a certain number of shares determined by dividing the principal amount of the loan by the applicable conversion price. Because our loan conversion options have underlying and notional values and had no initial net investment, these assets qualify as derivative instruments. We value our loan conversion options using a modified Black-Scholes option pricing model, which incorporates assumptions about the underlying asset value, volatility, and the risk-free rate. Loan conversion options are recorded at fair value in other assets, while changes in their fair value are recorded through net gains on derivative instruments, in noninterest income, a component of consolidated net income.

Other Derivatives

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

We sell interest rate contracts to clients who wish to mitigate their interest rate exposure. We economically reduce the interest rate risk from this business by entering into opposite way contracts with correspondent banks. We do not designate any of these contracts (which are derivative instruments) as qualifying for hedge accounting. Increases from changes in fair value are included in other assets and decreases from changes in fair value are included in other liabilities. The net change in the fair value of these derivatives is recorded through net gains on derivative instruments, in noninterest income, a component of consolidated net income.

Counterparty Credit Risk

We are exposed to credit risk if counterparties to our derivative contracts do not perform as expected. We mitigate counterparty credit risk through credit approvals, limits, monitoring procedures and obtaining collateral, as appropriate. Consistent with the clarification guidance included in ASU 2011-04, we made an accounting policy decision effective January 1, 2012 to use the exception in the guidance with respect to measuring counterparty credit risk for derivative instruments, which allows us to continue to measure the fair value of a group of financial assets and financial liabilities on a net risk basis by counterparty portfolio.

The total notional or contractual amounts, fair value, collateral and net exposure of our derivative financial instruments at March 31, 2012 and December 31, 2011 were as follows:

		March 31, 2012				December 31, 2011			
(Dollars in thousands)	**Balance Sheet Location**	**Notional or Contractual Amount**	**Fair Value**	**Collateral (1)**	**Net Exposure (2)**	**Notional or Contractual Amount**	**Fair Value**	**Collateral (1)**	**Net Exposure (2)**
Derivatives designated as hedging instruments:									
Interest rate risks:									
Interest rate swaps	Other assets	$ 187,393	$ 9,884	$ 4,380	$ 5,504	$ 187,393	$ 11,441	$ -	$ 11,441
Derivatives not designated as hedging instruments:									
Currency exchange risks:									
Foreign exchange forwards	Other assets	16,427	72	-	72	68,518	514	-	514
Foreign exchange forwards	Other liabilities	77,245	(1,383)	-	(1,383)	6,822	(199)	-	(199)
Net exposure			(1,311)	-	(1,311)		315	-	315

Other derivative instruments:									
Equity warrant assets	Other assets	148,329	71,404	-	71,404	144,586	66,953	-	66,953
Other derivatives:									
Foreign exchange forwards	Other assets	404,409	10,680	-	10,680	387,714	17,541	-	17,541
Foreign exchange forwards	Other liabilities	376,368	(9,029)	-	(9,029)	366,835	(16,346)	-	(16,346)
Foreign currency options	Other assets	133,367	842	-	842	75,600	271	-	271
Foreign currency options	Other liabilities	133,367	(842)	-	(842)	75,600	(271)	-	(271)
Loan conversion options	Other assets	7,539	1,409	-	1,409	14,063	923	-	923
Client interest rate derivatives	Other assets	39,291	63	-	63	39,713	50	-	50
Client interest rate derivatives	Other liabilities	39,291	(65)	-	(65)	39,713	(52)	-	(52)
Net exposure			3,058	-	3,058		2,116	-	2,116
Net			$ 83,035	$ 4,380	$ 78,655		$ 80,825	$ -	$ 80,825

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(1) Cash collateral received from counterparties for our interest rate swap agreements is recorded as a component of short-term borrowings on our consolidated balance sheets.
(2) Net exposure for contracts in a gain position reflects the replacement cost in the event of nonperformance by all such counterparties. The credit ratings of our institutional counterparties as of March 31, 2012 remain at investment grade or higher and there were no material changes in their credit ratings for the three months ended March 31, 2012.

A summary of our derivative activity and the related impact on our consolidated statements of income for the three months ended March 31, 2012 and 2011 is as follows:

		Three months ended March 31,	
(Dollars in thousands)	**Statement of income location**	**2012**	**2011**
Derivatives designated as hedging instruments:			
Interest rate risks:			
Net cash benefit associated with interest rate swaps	Interest expense borrowings	$ 2,229	$ 6,173
Changes in fair value of interest rate swaps	Net gain on derivative instruments	389	-
Net gains associated with interest rate risk derivatives		$ 2,618	$ 6,173
Derivatives not designated as hedging instruments:			
Currency exchange risks:			
Gains on revaluations of foreign currency loans, net	Other noninterest income	$ 1,659	$ 2,689
Losses on internal foreign exchange forward contracts, net	Net gains on derivative instruments	(2,051)	(2,568)
Net (losses) gains associated with currency risk		$ (392)	$ 121
Other derivative instruments:			
Gains on equity warrant assets	Net gains on derivative instruments	$ 6,935	$ 3,996
Gains on client foreign exchange forward contracts, net	Net gains on derivative instruments	$ 1,065	$ 475
Net losses on other derivatives (1)	Net gains on derivative instruments	$ (362)	$ (1,352)

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

9. Other Noninterest Income and Other Noninterest Expense

A summary of other noninterest income for the three months ended March 31, 2012 and 2011 is as follows:

	Three months ended March 31,	
(Dollars in thousands)	**2012**	**2011**
Unused commitment fees	$ 3,055	$ 1,486
Fund management fees	2,828	2,688
Service-based fee income	2,374	2,225

Gains on revaluation of foreign currency loans, net	1,659	2,689
Currency revaluation gains (losses)	615	(240)
Other	2,547	1,416
Total other noninterest income	$ 13,078	$ 10,264

A summary of other noninterest expense for the three months ended March 31, 2012 and 2011 is as follows:

	Three months ended March 31,	
(Dollars in thousands)	**2012**	**2011**
Telephone	$ 1,784	$ 1,350
Data processing services	1,405	1,063
Client services	1,253	802
Tax credit fund amortization	1,058	1,053
Postage and supplies	625	522
Dues and publications	474	374
Other	1,208	2,699
Total other noninterest expense	$ 7,807	$ 7,863

10. Segment Reporting

We have three reportable segments for management reporting purposes: Global Commercial Bank, SVB Private Bank and SVB Capital. The results of our operating segments are based on our internal management reporting process.

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Our operating segments primary source of revenue is from net interest income, which is primarily the difference between interest earned on loans, net of funds transfer pricing (FTP), and interest paid on deposits, net of FTP. Accordingly, our segments are reported using net interest income, net of FTP. FTP is an internal measurement framework designed to assess the financial impact of a financial institution s sources and uses of funds. It is the mechanism by which an earnings credit is given for deposits raised, and an earnings charge is made for funded loans. Effective January 1, 2012, FTP is calculated at an instrument level based on account characteristics. Prior to January 1, 2012, FTP was calculated by applying a transfer rate to pooled, or aggregated, loan and deposit volumes. We have reclassified all prior period amounts to conform to the current period s methodology and presentation.

We also evaluate performance based on provision for loan losses, noninterest income and noninterest expense, which are presented as components of segment operating profit or loss. In calculating each operating segment s noninterest expense, we consider the direct costs incurred by the operating segment as well as certain allocated direct costs. As part of this review, we allocate certain corporate overhead costs to a corporate account. We do not allocate income taxes to our segments. Additionally, our management reporting model is predicated on average asset balances; therefore, period-end asset balances are not presented for segment reporting purposes. Changes in an individual client s primary relationship designation have resulted, and in the future may result, in the inclusion of certain clients in different segments in different periods.

Unlike financial reporting, which benefits from the comprehensive structure provided by GAAP, our internal management reporting process is highly subjective, as there is no comprehensive, authoritative guidance for management reporting. Our management reporting process measures the performance of our operating segments based on our internal operating structure, which is subject to change from time to time, and is not necessarily comparable with similar information for other financial services companies.

The following is a description of the services that our three reportable segments provide:

Global Commercial Bank provides solutions to the financial needs of commercial clients through lending, deposit products, cash management services, and global banking and trade products and services. It also serves the needs of our non-U.S. clients with global banking products, including loans, deposits and global finance, in key foreign entrepreneurial markets, where applicable. Our Global Commercial Bank segment is comprised of results from our Commercial Bank, and also includes SVB Specialty Lending, SVB Analytics and our Debt Fund Investments. (For further description of these operating segments, refer to Note 20 Segment Reporting under Part II, Item 8 of our 2011 Form 10-K.) As a result of the change in FTP methodology discussed above, our Global Commercial Bank segment s total net interest income for the three months ended March 31, 2011 was increased by $17.0 million (offset is included within Other Items), due to the reclassification of all prior periods to reflect the current period s methodology and presentation.

SVB Private Bank provides banking products and a range of credit services primarily to venture capital/private equity professionals using both long-term secured and short-term unsecured lines of credit.

SVB Capital is the venture capital investment arm of SVBFG, which focuses primarily on funds management. SVB Capital manages funds (primarily venture capital funds) on behalf of third party limited partners and SVB Financial Group. The SVB Capital family of funds is comprised of funds of funds and direct venture funds. SVB Capital generates income for the Company primarily through management fees, carried interest arrangements and returns through the Company s investments in the funds.

The summary financial results of our operating segments are presented along with a reconciliation to our consolidated interim results. The Other Items column reflects the adjustments necessary to reconcile the results of the operating segments to the consolidated financial statements prepared in conformity with GAAP. Noninterest income in the Other Items column is primarily attributable to noncontrolling interests and gains (losses) on equity warrant assets. Noninterest expense in the Other Items column primarily consists of expenses associated with corporate support functions such as finance, human resources, marketing, legal and other expenses. Additionally, average assets in the Other Items column primarily consists of cash and cash equivalents.

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Our segment information for the three months ended March 31, 2012 and 2011 is as follows:

(Dollars in thousands)	Global Commercial Bank (1)	SVB Private Bank	SVB Capital (1)	Other Items	Total
Three months ended March 31, 2012					
Net interest income	$ 143,264	$ 4,965	$ 7	$ 2,701	$ 150,937
Provision for loan losses	(13,236)	(1,293)	-	-	(14,529)
Noninterest income	39,928	157	3,587	15,621	59,293
Noninterest expense (2)	(96,256)	(3,233)	(2,536)	(29,987)	(132,012)
Income (loss) before income tax expense (3)	$ 73,700	$ 596	$ 1,058	$ (11,665)	$ 63,689
Total average loans, net of unearned income					