SVB FINANCIAL GROUP
Form 10-Q
August 09, 2006

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2006

OR

o **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 ý No o

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

Large accelerated filer ý Accelerated filer o Non-accelerated filer o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes o No ý

At July 31, 2006, 34,531,095 shares of the registrant s common stock ($0.001 par value) were outstanding.

TABLE OF CONTENTS

		Page
PART I - FINANCIAL INFORMATION		3
ITEM 1.	INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)	3
	INTERIM CONSOLIDATED BALANCE SHEETS AS OF JUNE 30, 2006 AND DECEMBER 31, 2005	3
	INTERIM CONSOLIDATED STATEMENTS OF INCOME FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2006 AND 2005	4
	INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2006 AND 2005	5
	INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE SIX MONTHS ENDED JUNE 30, 2006 AND 2005	6
	NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS	7
ITEM 2.	MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS	24
ITEM 3.	QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK	53
ITEM 4.	CONTROLS AND PROCEDURES	54
PART II - OTHER INFORMATION		57
ITEM 1.	LEGAL PROCEEDINGS	57
ITEM 1A.	RISK FACTORS	57
ITEM 2.	UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS	64
ITEM 3.	DEFAULTS UPON SENIOR SECURITIES	64
ITEM 4.	SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS	64
ITEM 5.	OTHER INFORMATION	65
ITEM 6.	EXHIBITS	65
SIGNATURE		66
INDEX TO EXHIBITS		67

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)	June 30, 2006	December 31, 2005
Assets		
Cash and due from banks	$ 321,334	$ 286,446
Federal funds sold, securities purchased under agreement to resell and other short-term investment securities	222,937	175,652
Investment securities	1,759,387	2,037,270
Loans, net of unearned income	2,950,626	2,843,353
Allowance for loan and lease losses	(37,907)	(36,785)
Net loans	2,912,719	2,806,568
Premises and equipment, net of accumulated depreciation and amortization	31,328	25,099
Goodwill	17,204	35,638
Accrued interest receivable and other assets	206,742	175,042
Total assets	$ 5,471,651	$ 5,541,715
Liabilities, Minority Interest, and Stockholders Equity		
Liabilities:		
Deposits:		
Noninterest-bearing demand	$ 2,758,391	$ 2,934,278
Negotiable order of withdrawal (NOW)	46,489	39,573
Money market	777,327	961,052
Time	331,097	317,827
Total deposits	3,913,304	4,252,730
Federal funds purchased and securities sold under agreement to repurchase	533,811	279,464
Contingently convertible debt	147,990	147,604
Junior subordinated debentures	49,857	48,228
Other borrowings		11
Other liabilities	105,535	124,921
Total liabilities	4,750,497	4,852,958
Commitments and contingencies		
Minority interest in capital of consolidated affiliates	153,033	119,456
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; 34,858,110 and 35,103,145 shares outstanding at June 30, 2006 and December 31, 2005, respectively	35	35
Additional paid-in capital	8,876	8,439
Retained earnings	596,128	587,713
Unearned compensation		(5,792)
Accumulated other comprehensive loss	(36,918)	(21,094)
Total stockholders equity	568,121	569,301
Total liabilities, minority interest, and stockholders equity	$ 5,471,651	$ 5,541,715

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

SVB FINANCIAL GROUP AND SUBSIDIARIES

INTERIM CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

(Dollars in thousands, except per share amounts)	Three Months Ended June 30, 2006	2005	Six Months Ended June 30, 2006	2005
Interest income:				
Loans	$ 70,219	$ 51,306	$ 136,367	$ 98,762
Investment securities:				
Taxable	19,600	20,935	39,994	41,680
Non-taxable	781	947	1,604	1,970
Federal funds sold, securities purchased under agreement to resell and other short-term investments	2,530	2,025	4,570	4,984
Total interest income	93,130	75,213	182,535	147,396
Interest expense:				
Deposits	2,336	2,848	4,661	5,110
Other borrowings	5,032	931	8,233	1,726
Total interest expense	7,368	3,779	12,894	6,836
Net interest income	85,762	71,434	169,641	140,560
Provision for (recovery of) loan and lease losses	4,602	814	2,128	(3,000)
Net interest income after provision for (recovery of) loan and lease losses	81,160	70,620	167,513	143,560
Noninterest income:				
Client investment fees	10,972	7,805	20,609	15,201
Gains on derivative instruments, net	12,727	10,115	14,954	14,141
Corporate finance fees	2,775	6,935	5,213	11,749
Letter of credit and standby letter of credit income	2,642	2,423	4,992	4,793
Deposit service charges	2,310	2,378	4,488	4,882
Gains (losses) on investment securities, net	4,080	(1,631)	4,019	(429)
Other	5,472	2,364	10,104	5,421
Total noninterest income	40,978	30,389	64,379	55,758
Noninterest expense:				
Compensation and benefits (including share-based payment expense of $5.6, $2.2, $11.5 and $3.4, respectively (in millions))	48,675	44,280	93,196	84,548
Impairment of goodwill	18,434		18,434	
Professional services	10,074	5,653	18,429	10,723
Net occupancy	4,298	4,215	8,503	8,873
Furniture and equipment	3,671	3,300	7,375	6,019
Business development and travel	2,987	2,702	5,741	4,792
Correspondent bank fees	1,452	1,475	2,582	2,696
Data processing services	861	952	1,989	1,965
Telephone	880	1,061	1,787	1,950
(Reduction of) provision for unfunded credit commitments	(3,325)	(1,074)	(3,821)	(1,259)
Other	5,631	3,761	10,111	6,833
Total noninterest expense	93,638	66,325	164,326	127,140
Income before minority interest in net (income) loss of consolidated affiliates, income tax expense and cumulative effect of change in accounting principle	28,500	34,684	67,566	72,178
	(5,814)	372	(6,058)	813

Minority interest in net (income) loss of consolidated affiliates				
Income before income tax expense	22,686	35,056	61,508	72,991
Income tax expense	9,092	14,160	25,835	29,159
Net income before cumulative effect of change in accounting principle	13,594	20,896	35,673	43,832
Cumulative effect of change in accounting principle, net of tax (1)			192	
Net income	$ 13,594	$ 20,896	$ 35,865	$ 43,832
Earnings per common share basic, before cumulative effect of change in accounting principle	$ 0.39	$ 0.60	$ 1.02	$ 1.24
Earnings per common share diluted, before cumulative effect of change in accounting principle	$ 0.36	$ 0.54	$ 0.93	$ 1.13
Earnings per common share basic	$ 0.39	$ 0.60	$ 1.02	$ 1.24
Earnings per common share diluted	$ 0.36	$ 0.54	$ 0.94	$ 1.13

(1) The cumulative effect of change in accounting principle and taxes on previously granted share-based compensation for the effect of adopting Statement of Financial Accounting Standards No. 123 (revised 2004), *Share-Based Payment* .

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

SVB FINANCIAL GROUP AND SUBSIDIARIES

INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)

(Dollars in thousands)	Three Months Ended June 30, 2006	2005	Six Months Ended June 30, 2006	2005
Net income	$ 13,594	$ 20,896	$ 35,865	$ 43,832
Other comprehensive (loss) income, net of tax:				
Cumulative translation (losses) gains:				
Foreign currency translation gains (losses), net of tax	175	(32)	213	(32)
Change in unrealized (losses) gains on available-for-sale investment securities:				
Unrealized holding (losses) gains, net of tax	(5,571)	11,854	(16,107)	(2,197)
Reclassification adjustment for (gains) losses included in net income, net of tax	(29)	(1,087)	70	(1,290)
Total other comprehensive (loss) income, net of tax	(5,425)	10,735	(15,824)	(3,519)
Total comprehensive income	$ 8,169	$ 31,631	$ 20,041	$ 40,313

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

SVB FINANCIAL GROUP AND SUBSIDIARIES

INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

(Dollars in thousands)	Six Months Ended June 30, 2006	2005
Cash flows from operating activities:		
Net income	$ 35,865	$ 43,832
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for (recovery of) loan losses	2,128	(3,000)
Impairment of goodwill	18,434	
Changes in fair values of derivatives, net	(8,520)	1,601
(Gains) losses on investment securities, net	(4,019)	429
Depreciation and amortization	4,075	4,173
Minority interest	6,058	(813)
Tax benefits of share-based compensation and other	6,807	7,198
Amortization of share-based compensation	11,545	3,441
Amortization of deferred warrant-related loan fees	(3,491)	(3,504)
Deferred income tax (benefit) expense	(672)	1,310
Changes in other assets and liabilities:		
Decrease (increase) in accrued interest receivable	1,600	(4,624)
(Increase) decrease in accounts receivable	(86)	867
Increase in income tax receivable, net	(12,800)	(6,442)
Decrease in accrued retention, incentive plans, other compensation benefits payable	(20,583)	(14,037)
Reduction of provision for unfunded credit commitments	(3,821)	(1,259)
Other, net	6,957	13,704
Net cash provided by operating activities	**39,477**	**42,876**
Cash flows from investing activities:		
Purchases of available-for-sale securities	(11,763)	(306,155)
Proceeds from sales of available-for-sale securities	123,049	1,860
Proceeds from maturities and pay-downs of available-for-sale securities	180,656	207,045
Purchases of nonmarketable securities (cost and equity method accounting)	(15,210)	(9,641)
Proceeds from sales of nonmarketable securities (cost and equity method accounting)	2,335	3,515
Proceeds from maturities of nonmarketable securities (cost and equity method accounting)	1,442	2,404
Purchases of nonmarketable securities (investment fair value accounting)	(37,965)	(33,436)
Proceeds from sales of nonmarketable securities (investment fair value accounting)	8,890	2,527
Proceeds from pay-downs of nonmarketable securities (investment fair value accounting)	7,140	671
Net increase in loans	(115,141)	(123,415)
Proceeds from recoveries of charged-off loans	6,204	7,829
Purchases of premises and equipment	(10,304)	(8,245)
Net cash provided by (used for) investing activities	**139,333**	**(255,041)**
Cash flows from financing activities:		
Net (decrease) increase in deposits	(339,426)	153,605
Increase in borrowings, net	254,336	1,598
Capital contributions from minority interest participants, net of distributions	27,519	28,208
Stock compensation related tax benefits	4,107	
Proceeds from issuance of common stock	26,146	12,921
Repurchases of common stock	(69,319)	(73,140)
Net cash (used for) provided by financing activities	**(96,637)**	**123,192**
Net increase (decrease) in cash and cash equivalents	82,173	(88,973)
Cash and cash equivalents at beginning of year	462,098	627,218
Cash and cash equivalents at end of period	**$ 544,271**	**$ 538,245**

Supplemental disclosures:				
Cash paid during the period for:				
Interest paid	$	12,330	$	6,799
Income taxes paid	$	29,695	$	27,043

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

SVB FINANCIAL GROUP AND SUBSIDIARIES

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

1. Description of Business

SVB Financial Group and its subsidiaries (collectively referred to as we , our or us in this Form 10-Q) offer clients financial products and services through four primary strategic business groups: Commercial Banking, SVB Capital, SVB Alliant, and Other Business Services, which include SVB Global, Private Client Services and other business service units (see Note 11. Segment Reporting). The Parent company of SVB Financial Group itself is referenced to as SVB Financial Group or the Parent company .

The Parent company is a bank holding company and financial holding company whose principal subsidiary is Silicon Valley Bank (the Bank), a California-chartered bank, founded in 1983, and headquartered in Santa Clara, California. We serve more than 11,000 clients worldwide, through our 28 regional offices in the United States and four subsidiaries outside the United States. The Bank has 13 offices throughout California and operates regional offices across the country in Arizona, Colorado, Georgia, Illinois, Massachusetts, Minnesota, New York, North Carolina, Oregon, Pennsylvania, Utah, Texas, Virginia, and Washington and three international offices located in Bangalore, India; Shanghai, China; and London, England.

Through our Commercial Banking business group which includes the Bank and its subsidiaries, we serve clients in all stages of maturity ranging from emerging-growth companies to established, private and public companies in the technology, life science and premium wine industries. We define emerging-growth clients as companies in the start-up or early stages of their lifecycle; these companies tend to be privately held and backed by venture capital; they generally have few employees, are primarily engaged in research and development, have brought relatively few products or services to market, and have no or little revenue. By contrast, we define established or corporate technology clients as companies that tend to be more mature; these companies may be publicly traded, and more established in the markets in which they participate. In 2006, we began using Silicon Valley Bank to refer to our Commercial Banking activities.

SVB Capital focuses on the business needs of our venture capital and private equity clients, establishing and maintaining relationships with those firms domestically and internationally. Through this segment, we provide banking services and financial solutions, including traditional deposit and checking accounts, loans, letters of credit, and cash management services to venture capital and private equity clients. SVB Capital also makes investments in venture capital and other private equity firms and in companies in the niches we serve. The group manages five venture funds and oversees investments, as well as investments in several sponsored limited partnerships, such as Gold Hill Venture Lending Partners 03, LP, and its parallel funds, which primarily provide secured debt, typically to emerging-growth clients in their earliest stages; and the Partners for Growth funds, which are special situation debt funds that provide secured debt to, primarily, higher-risk, middle market clients in their later stages.

SVB Alliant, our investment banking subsidiary, provides merger and acquisition advisory services, private placement advisory services, strategic alliance services, and specialized financial studies such as valuations and fairness opinions. SVB Alliant is a broker-dealer registered with the U.S. Securities and Exchange Commission (SEC) and a member of the National Association of Securities Dealers, Inc. In 2005, we established SVB Alliant Europe Limited, a subsidiary based in London, England, in order to provide investment advisory services to companies in Europe. SVB Alliant Europe Limited did not commence full operations until May 2, 2006, when it received its license from the Financial Services Authority, which is an independent body that regulates the financial services industry in the United Kingdom.

Other Business Services include SVB Global, Private Client Services, and other business service units. SVB Global includes our foreign subsidiaries, which facilitate our clients global expansion into major technology centers around the world. SVB Global provides a variety of services, including consulting and business services, referrals, and knowledge sharing, as well as identifying business opportunities for us. Private Client Services provides a wide range of credit services to high-net-worth individuals using both long-term secured and short-term unsecured lines of credit. Private Client Services helps our clients meet their cash management needs by providing deposit account products and services, including checking accounts, deposit accounts, money market accounts, and certificates of deposit.

2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying unaudited 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 financial statements have been prepared in accordance with the instructions to Form 10-Q pursuant

to the rules and regulations of the Securities and Exchange Commission (SEC). Certain information and footnote disclosures normally included in financial statements prepared in accordance with GAAP have been condensed or omitted pursuant to such rules and regulations. The results of operations for the three and six months ended June 30, 2006 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, 2005 (2005 Form 10-K).

The consolidated balance sheet at December 31, 2005 has been derived from the audited consolidated financial statements at that date, but does not include all of the information and footnotes required by GAAP for complete financial statements. The accompanying interim consolidated financial statements have been prepared on a consistent basis with the accounting policies described in Part II, Item 8. Consolidated Financial Statements and Supplementary Data -Note 2. Summary of Significant Accounting Policies presented in our Annual Report on Form 10-K for the year ended December 31, 2005.

The preparation of interim consolidated financial statements in conformity with GAAP in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Recent Accounting Pronouncements

In March 2006, the Financial Accounting Standards Board (FASB) issued SFAS No. 156, Accounting for Servicing of Financial Assets, an amendment of SFAS 140 . The Statement clarifies when an entity should separately recognize servicing assets and servicing liabilities when it undertakes an obligation to service a financial asset by entering into a servicing contract. The Statement requires that all separately recognized servicing assets and servicing liabilities be initially measured at fair value and subsequently measured using either the amortization method as previously permitted under SFAS 140 or the fair value measurement method. Entities are permitted to make an election to subsequently remeasure classes of separately recognized servicing assets and liabilities. Once the fair value measurement method is elected for a class, the election should be applied prospectively to all new and existing separately recognized servicing assets and servicing liabilities within that class. The effect of remeasuring an existing class of separately recognized servicing assets and servicing liabilities at fair value would be reported as a cumulative-effect adjustment to retained earnings as of the beginning of the fiscal year of adoption. The Statement is effective as of the beginning of an entity s first fiscal year that begins after September 15, 2006. Earlier adoption is permitted as of the beginning of an entity s fiscal year, provided the entity has not yet issued interim financial statements for that fiscal year. In the first quarter of 2006, we elected not to early adopt this Statement and accordingly, will adopt as of January 1, 2007. We do not expect the adoption of SFAS 156 to have a material impact on our consolidated financial position and results of operations.

In February 2006, the FASB issued SFAS No. 155, Accounting for Certain Hybrid Financial Instruments, an amendment of FASB Statements No. 133 and 140 (SFAS 155). Hybrid financial instruments are financial instruments that contain an embedded derivative within a single instrument. SFAS 155 permits entities an option to elect to record hybrid financial instruments at fair value as one financial instrument. Prior to this amendment, hybrid financial instruments were required to be separated into two instruments, a derivative and host, and generally only the derivative was recorded at fair value. SFAS 155 requires that beneficial interests in securitized assets be evaluated for derivatives, either freestanding or embedded. SFAS 155 is effective for all financial instruments acquired or issued after January 1, 2007. Additionally, SFAS 155 provides a one-time opportunity to apply the fair value election to hybrid financial instruments existing at the date of implementation at fair value as one financial instrument, with any difference between the carrying amount of the existing hybrid financial instruments and the fair value of the single financial instrument being recorded as a cumulative effect adjustment to beginning retained earnings. We are currently assessing the impact of SFAS 155 on our consolidated financial position and results of operations.

In July 2006, the FASB issued FASB Interpretation (FIN) No. 48, Accounting for Uncertainty in Income Taxes an interpretation of FASB Statement No. 109 , to clarify the accounting for uncertain tax positions. FIN 48 prescribes that a two-step benefit recognition model be applied to initially recognize and measure the benefit amount of a tax position. The first step requires that a tax benefit be recognized only when the tax position is more-likely-than-not of being sustained based on the technical merits of the position. Assuming the first step is met, the second step requires that the benefit amount be measured at the largest amount that has at least a more-likely-than-not likelihood of being the ultimate outcome based on a cumulative-probability approach. Tax positions that previously failed to meet the more-likely-than-not recognition threshold should be subsequently recognized in the period in which the threshold is subsequently met, the tax matter is resolved or the statute of limitation for examining the tax position has expired. FIN 48 requires that a previously recognized tax benefit be derecognized in the period it becomes more-likely-than-not that the tax position would not be sustained on audit. The impact of applying FIN 48 should be recognized as a cumulative-effect adjustment to beginning retained earnings

at the adoption date. The Interpretation is effective for fiscal years beginning after December 15, 2006. We are currently assessing the impact of FIN 48 on our consolidated financial position and results of operations.

3. Earnings Per Share (EPS)

The following is a reconciliation of basic EPS to diluted EPS for the three and six months ended June 30, 2006 and 2005:

	Three Months Ended June 30,			Six Months Ended June 30,		
(Dollars and shares in thousands, except per share amounts)	**Net Income**	**Weighted Average Shares**	**Per Share Amount**	**Net Income**	**Weighted Average Shares**	**Per Share Amount**
2006:						
Basic EPS:						
Income available to common stockholders	$ 13,594	34,968	$ 0.39	$ 35,865	35,030	$ 1.02
Effect of dilutive securities:						
Stock options, restricted stock awards, restricted stock units and convertible debt		3,023			3,186	
Diluted EPS:						
Income available to common stockholders and assumed conversions	$ 13,594	37,991	$ 0.36	$ 35,865	38,216	$ 0.94
2005:						
Basic EPS:						
Income available to common stockholders	$ 20,896	35,010	$ 0.60	$ 43,832	35,339	$ 1.24
Effect of dilutive securities:						
Stock options, restricted stock awards, restricted stock units and convertible debt		3,464			3,288	
Diluted EPS:						
Income available to common stockholders and assumed conversions	$ 20,896	38,474	$ 0.54	$ 43,832	38,627	$ 1.13

For the three months ended June 30, 2006 and 2005, approximately 5.4 million and 4.6 million average potential common stock equivalents (including stock options, restricted stock and warrants), respectively, were excluded from the calculation, as they were anti-dilutive. For the six months ended June 30, 2006 and 2005, approximately 5.3 million and 4.6 million average potential common stock equivalents (including stock options, restricted stock and warrants), respectively, were excluded from the calculation, as they were anti-dilutive.

In September 2004, the Emerging Issues Task Force (EITF) reached final consensus on EITF No. 04-8, *The Effect of Contingently Convertible Instruments on Diluted Earnings per Share* , that contingently convertible debt should be treated as convertible debt and included in the calculation of diluted EPS. The potential dilutive effect of our contingently convertible debt using the treasury stock method was approximately 1.4 million shares and 1.3 million shares for the three months ended June 30, 2006 and 2005, respectively, and 1.4 million shares and 1.2 million shares for the six months ended June 30, 2006 and 2005, respectively. The assumed proceeds under the treasury stock method were calculated by subtracting the aggregate weighted average conversion price from the average market price of the shares related to the contingently convertible debt. We included the dilutive effect of the $150.0 million zero-coupon, convertible subordinated notes (see Note 8. Borrowings) in our diluted EPS calculation using the treasury stock method, in accordance with the provisions of EITF No. 90-19, *Convertible Bonds With*

Issuer Option to Settle in Cash Upon Conversion and SFAS No. 128, *Earnings Per Share*. However, the exposure draft of SFAS No. 128(R), if adopted in its proposed form, will require us to change our accounting for the calculation of EPS on our contingently convertible debt to the if converted method. The if converted treatment of the contingently convertible debt would have decreased diluted EPS by $0.03 and $0.07 for the three and six months ended June 30, 2006, respectively.

4. Share-Based Compensation

Impact of Adopting SFAS 123R

Prior to January 1, 2006, we accounted for employee stock-based compensation using the intrinsic value method supplemented by pro forma disclosures in accordance with APB 25 and SFAS 123, Accounting for Stock-Based Compensation, as amended by SFAS No. 148 Accounting for Stock-Based Compensation Transition and Disclosures. Under the intrinsic value method, stock options granted with exercise prices equal to the grant date fair value of our stock have no intrinsic value and therefore no expense was actually recorded for these options under APB 25. For pro forma

disclosure only, we measured the fair value of our stock options using the Black-Scholes option-pricing model and expensed the value over the corresponding service period using the straight-line amortization approach. Equity-based awards for which stock-based compensation expense was actually recorded were generally grants of restricted stock awards and restricted stock units which were measured at fair value on the date of grant based on the number of shares granted and the quoted price of our common stock. Such value was then recognized as an expense over the corresponding service period using an accelerated amortization approach in accordance with FASB Interpretation No. 28 Accounting for Stock Appreciation Rights and Other Variable Stock Option or Award Plans.

Effective January 1, 2006, we adopted SFAS 123(R) using the modified prospective transition method and accordingly prior periods have not been restated to reflect the impact of SFAS 123(R). Under SFAS 123(R), stock-based awards that were granted prior to January 1, 2006 are being expensed over the remaining portion of their vesting period under the same amortization method and, for stock options, using the same fair value measurements which were used in calculating pro forma stock-based compensation expense under SFAS 123. Under SFAS 123(R), the fair value of stock options are being measured using the Black-Scholes option-pricing model while the fair value for our restricted stock awards and restricted stock units are based on the quoted price of our common stock on the date of grant. For all stock-based awards granted on or after January 1, 2006, stock-based compensation expense is being amortized on a straight-line basis over the requisite service period. SFAS 123(R) requires that the deferred stock-based compensation on the consolidated balance sheet on the date of adoption be netted against additional paid-in capital. As of December 31, 2005, there was a balance of $5.8 million of deferred stock-based compensation that was netted against additional paid-in capital on January 1, 2006.

For the six months ended June 30, 2006, we recorded share-based compensation expense of $11.5 million, resulting in the recognition of $2.5 million in related tax benefits. For the six months ended June 30, 2005, we recognized $3.4 million of share-based compensation expense under the intrinsic value method of APB 25, resulting in the recognition of $1.4 million in related tax benefits. As a result of adopting SFAS 123(R) on January 1, 2006, our income before income taxes and net income for the six months ended June 30, 2006 were $8.5 million and $7.3 million lower, respectively, than if we had continued to account for share-based compensation under APB 25. Basic and diluted earnings per share for the six months ended June 30, 2006 were $0.24 and $0.19 lower, respectively, than if we had continued to account for share-based compensation under APB 25.

SFAS 123(R) requires forfeitures to be estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from initial estimates. Stock-based compensation expense was recorded net of estimated forfeitures for the six months ended June 30, 2006 such that expense was recorded only for those stock-based awards that are expected to vest. Previously under APB 25 to the extent awards were forfeited prior to vesting, the corresponding previously recognized expense was reversed in the period of forfeiture. Upon adoption of FAS 123(R) as of January 1, 2006, we recorded a cumulative adjustment of $0.2 million to account for the expected forfeitures of restricted stock awards and restricted stock units granted prior to January 1, 2006, for which we previously recorded an expense.

Equity Incentive Plans

On May 11, 2006, shareholders approved the 2006 Equity Incentive Plan (the 2006 Incentive Plan). Our existing 1997 Equity Incentive Plan was set to expire in December 2006. The 2006 Incentive Plan provides for the grant of the following types of incentive awards: (i) stock options, (ii) stock appreciation rights, (iii) restricted stock, (iv) restricted stock units, (v) performance shares and performance units, and (vi) and other stock awards.

Subject to the provisions of Section 14 of the 2006 Incentive Plan, the maximum aggregate number of shares that may be awarded and sold thereunder is 3,000,000 shares plus 1,488,361 shares comprised of (i) any shares which have been reserved but not issued under our 1997 Equity Incentive Plan as of May 11, 2006, and (ii) any shares subject to stock options or similar awards granted under the 1997 Equity Incentive Plan that expire or otherwise terminate without having been exercised in full and shares issued pursuant to awards granted under the 1997 Equity Incentive Plan that are forfeited to or repurchased by us. No further awards will be made under the 1997 Equity Incentive Plan, but it will continue to govern awards previously granted thereunder.

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

Eligible participants in the 2006 Incentive Plan include directors, employees, and consultants. Options granted under the 2006 Incentive Plan generally expire 7 years after the grant date. Options generally become exercisable over various periods, typically 4 years, from date of grant based on continued employment and typically vest annually. Restricted stock awards generally vest over the passage of time and continued employment through the vesting period. Restricted stock units generally vest upon meeting certain performance-based objectives or the passage of time, or a combination of both, and continued employment through the vesting period. The vesting period for restricted stock units cannot be less than three years unless they are subject to certain performance-based objectives, in which case the vesting period can be 12 months or longer.

Employee Stock Purchase Plan

We maintain an employee stock purchase plan (ESPP) under which participating employees may annually contribute up to 10% of their gross compensation to purchase shares of our common stock at 85% of its fair market value at either the beginning or end of each six-month offering period, whichever price is less. All employees are eligible to participate in the ESPP on the first day of hire. To be eligible, an employee must, among other requirements, be age 18 or above and complete at least one hour of service as an employee of us or any of our affiliates. There were 71,036 shares issued under the ESPP for the period ended June 30, 2006. At June 30, 2006, a total of 915,577 shares of our common stock were still available for future issuance under the ESPP. The next purchase will be on December 29, 2006 at the end of the current six-month offering period. Effective January 1, 2006, we began recognizing compensation expense in accordance with SFAS 123(R).

Pro forma Information for Periods Prior to the Adoption of SFAS No. 123(R)

Prior to the adoption of SFAS No. 123(R), we provided the pro forma disclosures required under SFAS No. 123, as amended by SFAS No. 148, *Accounting for Stock-Based Compensation Transition and Disclosures* . Previously reported amounts have not been restated.

(Dollars in thousands, except per share amounts)		Three Months Ended June 30, 2005	Six Months Ended June 30, 2005
Net income, as reported	$	20,896	43,832
Add: Stock-based compensation expense, net of tax reported in net income		1,257	1,919
Less: Total stock-based employee compensation expense determined under fair value based method, net of tax		(5,591)	(10,909)
Net income, pro forma	$	16,562	34,842
Earnings per common share basic:			
As reported	$	0.60	1.24
Pro forma		0.48	0.99
Earnings per diluted share diluted:			
As reported	$	0.54	1.13
Pro forma		0.45	0.93

Unrecognized Compensation Expense

As of June 30, 2006, unrecognized share-based compensation expense is as follows:

	As of June 30, 2006	
(Dollars in thousands)	Unrecognized Expense	Average Expected Recognition Period in Years
Stock option awards	$ 21,181	1.33
Restricted stock awards	1,644	1.03

Restricted stock units		8,224	1.87
Employee stock purchase plan			
Total unrecognized share-based compensation expense	$	31,049	

Valuation Assumptions

As of June 30, 2006 and 2005, the fair values of share-based awards for employee stock options and employee stock

purchases made under our ESPP were estimated using the Black-Scholes option pricing model. The fair values of our restricted stock awards and restricted stock units were based on our closing quoted market price on date of grant. The following weighted average assumptions were used:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2006	2005	2006	2005
Equity Incentive Plan Awards				
Expected term of options in years	5.3	5.1	5.3	5.1
Expected volatility of the Company s underlying common stock	29.3%	37.0%	29.4%	37.1%
Risk-free interest rate	4.82%	4.06%	4.79%	4.05%
Expected dividend yield	%	%	%	%
Weighted average grant date fair value-stock options	$ 18.75	$ 17.58	$ 18.69	$ 17.60
Weighted average grant date fair value-restricted stock awards and restricted stock units	$ 51.21	$ 45.08	$ 51.17	$ 45.09
ESPP				
Expected term in years	0.5	0.5	0.5	0.5
Expected volatility of the Company s underlying common stock	22.5%	24.8%	22.5%	24.8%
Risk-free interest rate	4.40%	2.63%	4.40%	2.63%
Expected dividend yield	%	%	%	%
Weighted average fair value	$ 10.23	$ 10.01	$ 10.23	$ 10.01

The expected term was based on the implied term of the stock options using a lattice option-pricing model with early exercise factors based on historic employee exercise behavior. The expected volatilities for the 2006 Equity Incentive Plan for the three and six months ended June 30, 2006 and 2005 were calculated using a blended rate consisting of equal measures of our historic volatility and our expected volatility over a five-year term. The expected volatilities for the ESPP for the three and six months ended June 30, 2006 and 2005 are equal to the historical volatility for the previous six month periods. The expected risk-free interest rates for all periods were based on the yields of U.S. Treasury Securities, as reported by the Federal Reserve Bank of New York, with maturities equal to the expected terms of the employee stock options.

Share-Based Payment Award Activity

The table below provides stock option information related to the 1989 Stock Option Plan, the 1997 Equity Incentive Plan and the 2006 Equity Incentive Plan for the three and six months ended June 30, 2006 and 2005:

	Three Months Ended June 30, 2006		Six Months Ended June 30, 2006	
	Shares	Weighted-Average Exercise Price	Shares	Weighted-Average Exercise Price
Outstanding at beginning of period	5,150,631	$ 29.81	6,023,080	$ 28.87

Granted	275,297		52.00	314,847		51.84
Exercised	(253,508)		25.91	(1,046,446)		23.77
Forfeited	(85,469)		37.87	(203,325)		35.63
Cancelled	(500)		48.88	(1,705)		40.56
Outstanding at June 30	5,086,451	$	31.06	5,086,451	$	31.06
Exercisable at June 30	3,273,528	$	27.27	3,273,528	$	27.27

	Three Months Ended June 30, 2005			Six Months Ended June 30, 2005		
	Shares		Weighted-Average Exercise Price	Shares		Weighted-Average Exercise Price
Outstanding at beginning of period	6,387,083	$	27.54	6,645,385	$	27.41
Granted	428,790		44.79	446,990		44.78
Exercised	(325,368)		22.58	(540,408)		22.58
Forfeited	(160,794)		30.57	(215,280)		31.20
Cancelled	(4,000)		49.27	(10,976)		51.63
Outstanding at June 30	6,325,711	$	28.87	6,325,711	$	28.87
Exercisable at June 30	3,299,123	$	24.85	3,299,123	$	24.85

	Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Life in Years	Aggregate Intrinsic Value of In-The-Money Options ($)
Outstanding at June 30, 2006	5,086,451	$ 31.06	4.51	$ 75,644,014
Exercisable at June 30, 2006	3,273,528	$ 27.27	4.31	$ 59,875,068

The aggregate intrinsic value of outstanding options shown in the table above represents the pretax intrinsic value as of June 30, 2006. This value is based on our closing stock price of $45.46 as of June 30, 2006. The total intrinsic value of options exercised during the three and six months ended June 30, 2006 was $6.6 million and $28.1 million, respectively, and the total intrinsic value of options exercised during the three and six months ended June 30, 2005 was $8.1 million and $12.7 million, respectively. Cash received from stock option exercises was $6.8 million and $7.2 million during the six months ended June 30, 2006 and 2005, respectively. The tax benefit of stock options exercised was $4.1 million and $0 for the six months ended June 30, 2006 and 2005.

The following table summarizes information regarding stock options outstanding as of June 30, 2006:

	Outstanding Options			Vested Options	
Ranges of Exercise Prices	Shares	Weighted-Average Remaining Contractual Life in Years	Weighted-Average Exercise Price	Shares	Weighted-Average Exercise Price
$ 8.25- $ 17.07	642,276	3.94	$ 13.81	546,432	$ 13.31
17.20- 23.69	531,435	4.98	22.36	449,848	22.54
23.90- 25.17	524,486	2.36	25.05	374,518	25.05
25.29- 26.40	528,262	5.06	26.06	526,075	26.07
26.66- 31.29	527,052	5.43	30.93	509,178	30.98
31.40- 35.26	593,293	2.63	34.95	311,411	34.73
35.54- 36.46	508,696	4.70	35.60	245,426	35.61
36.56- 43.49	684,374	5.35	40.87	198,064	40.36
43.62- 53.29	541,077	6.14	49.78	112,576	48.42
53.30- 53.30	5,500	6.76	53.30		
$ 8.25- $ 53.30	5,086,451	4.51	$ 31.06	3,273,528	$ 27.27

We expect to satisfy the exercise of stock options and future grants of restricted stock by issuing new shares registered under the 2006 Incentive Plan. At June 30, 2006, options for 3,975,341 shares were available for future grant under the 2006 Incentive Plan.

The table below provides information for restricted stock awards and restricted stock units related to the 1989 Stock Option Plan, 1997 Plan and 2006 Incentive Plan for the six months ended June 30, 2006 and 2005:

	June 30, 2006		June 30, 2005	
	Shares	Weighted-Average Grant Date Fair Value	Shares	Weighted-Average Grant Date Fair Value
Nonvested at beginning of period	253,848	$ 42.12	251,113	$ 29.56
Granted	148,091	51.17	173,001	45.09
Vested	(61,649)	53.24	(131,801)	22.55

Forfeited	(18,561)		39.94	(3,523)		38.67
Nonvested at June 30	321,729	$	44.28	288,790	$	41.95

The total fair value of restricted stock grants that vested during the six months ended June 30, 2006 and 2005 was $2.5 million and $3.0 million, respectively.

5. Investment Securities

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

Federal funds sold, securities purchased under agreement to resell and other short-term investment securities as

reported in the interim consolidated balance sheets include interest-bearing deposits in other financial institutions of $32.2 million and $34.7 million at June 30, 2006 and December 31, 2005, respectively.

The detailed composition of our investment securities as of June 30, 2006 and December 31, 2005 is presented as follows:

(Dollars in thousands)	June 30, 2006	December 31, 2005
Available-for-sale securities, at fair value	$ 1,535,837	$ 1,850,655
Non-marketable securities (investment company fair value accounting):		
Venture capital fund investments(1)	100,927	81,280
Other private equity investments(2)	32,323	26,782
Other investments(3)	25,456	25,300
Non-marketable securities (equity method accounting):		
Other investments (4)	15,778	10,985
Low income housing tax credit funds	18,227	11,682
Non-marketable securities (cost method accounting):		
Fund investments	27,123	26,924
Other private equity investments	3,716	3,662
Total investment securities	$ 1,759,387	$ 2,037,270

(1) Includes $63.3 million and $58.7 million related to SVB Strategic Investors Fund, LP at June 30, 2006 and December 31, 2005, respectively. We have a controlling ownership interest of 12.6% in the fund. Also includes $35.3 million and $22.1 million related to SVB Strategic Investors Fund II, LP, at June 30, 2006 and December 31, 2005, respectively. We have a controlling interest of 8.6% in the fund. Additionally, it includes $2.3 million and $0.5 million related to SVB Strategic Investors Fund III, LP at June 30, 2006 and December 31, 2005, respectively. Currently, we have a controlling interest of 11.7% in the fund. As of December 31, 2005, we had a controlling interest of 100.0% in the fund.

(2) Includes $29.7 million and $26.8 million related to Silicon Valley BancVentures, LP at June 30, 2006 and December 31, 2005, respectively. We have a controlling ownership interest of 10.7% in the fund. Additionally, includes $2.6 million related to SVB Capital Partners II, LP as of June 30, 2006. We have a direct ownership interest of 1.0% and indirect ownership interest of 8.6% in the fund through our ownership of SVB Strategic Investors Fund II, LP.

(3) Represents $25.5 million and $25.3 million related to Partners for Growth, LP at June 30, 2006 and December 31, 2005, respectively. We have a majority ownership interest of approximately 50.01% in the fund.

(4) Includes $6.9 million and $5.6 million related to Gold Hill Venture Lending Partners 03, LLC, the general partner of Gold Hill Venture Lending 03, LP and its parallel funds, as of June 30, 2006 and December 31, 2005, respectively. We have a majority interest of 90.7% in Gold Hill Venture Lending Partners 03, LLC. Gold Hill Venture

Lending Partners 03, LLC has an ownership interest of 5.0% in the fund. It also includes $6.6 million and $5.4 million related to our direct investment in Gold Hill Venture Lending Partners 03, LP, as of June 30, 2006 and December 31, 2005, respectively. We have a direct ownership interest of 4.8% in the fund. Additionally, it includes $2.3 million to Partners for Growth II, LP as of June 30, 2006. We have an ownership interest of 24.2% in the fund.

The following table breaks out our unrealized losses on our available-for-sale investment securities portfolio into categories of less than 12 months, or 12 months or longer as of June 30, 2006:

	June 30, 2006					
	Less than twelve months		Twelve months or longer		Total	
(dollars in thousands)	Fair Value of Investments	Unrealized Losses	Fair Value of Investments (1)	Unrealized Losses (1)	Fair Value of Investments	Unrealized Losses
U.S. Treasury securities	$ 19,669	$ (195)	$ 9,969	$ (33)	$ 29,638	$ (228)
U.S. agencies and corporations:						
Collateralized mortgage obligations	310,584	(9,042)	371,150	(17,776)	681,734	(26,818)
Mortgage-backed securities	284,169	(14,007)	152,143	(9,671)	436,312	(23,678)
Discount notes and bonds	48,146	(1,822)	188,656	(6,374)	236,802	(8,196)
Asset-backed securities			1,954	(11)	1,954	(11)
Commercial mortgage-backed securities	67,480	(3,694)			67,480	(3,694)
Total temporarily impaired securities	$ 730,048	$ (28,760)	$ 723,872	$ (33,865)	$ 1,453,920	$ (62,625)

(1) As of June 30, 2006, we identified 79 investments totaling $723.9 million with unrealized losses of $33.9 million whose fair value has been less than their adjusted cost for a period of time greater than twelve months. A US Treasury bond totaling $10.0 million with an unrealized loss of $33.0 thousand was purchased in October 2003. Securities classified as collateralized mortgage obligations totaling $371.2 million with unrealized losses of $17.8 million were originally purchased between July 1998 and June 2005. Securities classified as mortgage-backed securities totaling $152.1 million with unrealized losses of $9.7 million were originally purchased between June 2003 and April 2004. Securities classified as discount notes and bonds totaling $188.7 million with unrealized losses of $6.4 million were originally purchased between February 2003 and January 2005. Securities classified as asset backed securities totaling $2.0 million with unrealized losses of $10.7 thousand were originally purchased between October 2002 and September 2003. All investments with unrealized losses for a period of time greater than twelve months are either rated triple AAA by Moody s or S&P or are issued by the US Treasury or a government sponsored enterprise. Because these securities are of superior credit quality, the unrealized losses are due solely to increases in market interest rates and we expect to recover the impairment prior to or at maturity, we deem these impairments to be temporary. We have the intent and ability to hold the securities until the market value recovers. Market valuations and impairment analysis on assets in the investment portfolio are reviewed and monitored on an ongoing basis.

The following table presents the components of gains and losses on investment securities, for the three and six months ended June 30, 2006 and 2005.

(Dollars in thousands)	Three Months Ended June 30, 2006	2005	Six Months Ended June 30, 2006	2005
Gross gains on investment securities:				
Available-for-sale securities, at fair value	$ 3,180	$ 71	$ 3,350	$ 121
Non-marketable securities (investment company fair value accounting):				
Venture capital fund investments.	4,613	1,256	7,180	2,851
Other private equity investments	384	540	386	945
Other investments	1,167	22	1,170	22
Non-marketable securities (equity method accounting)	313		520	
Non-marketable securities (cost method accounting):				
Venture capital fund investments	286	527	362	2,578
Other private equity investments	109	50	109	50
Total gross gains on investment securities	10,052	2,466	13,077	6,567
Gross losses on investment securities:				
Available-for-sale securities, at fair value	(3,230)	(1,929)	(3,230)	(2,326)
Non-marketable securities (investment company fair value accounting):				
Venture capital fund investments	(1,660)	(1,453)	(3,856)	(2,658)
Other private equity investments	(475)	(51)	(475)	(51)
Non-marketable securities (equity method accounting)	(209)		(761)	(51)
Non-marketable securities (cost method accounting):				
Venture capital fund investments	(398)	(643)	(691)	(1,489)
Other private equity investments		(21)	(45)	(421)
Total gross losses on investment securities	(5,972)	(4,097)	(9,058)	(6,996)
Net gains (losses) on investment securities	$ 4,080	$ (1,631)	$ 4,019	$ (429)

6. Loans and Allowance for Loan Losses

The detailed composition of loans, net of unearned income of $21.2 million and $20.6 million, as of June 30, 2006 and December 31, 2005, respectively, is presented in the following table:

(Dollars in thousands)	June 30, 2006	December 31, 2005
Commercial loans	$ 2,498,382	$ 2,410,893
Vineyard development	100,568	104,881
Commercial real estate	8,803	20,657
Total real estate construction	109,371	125,538
Real estate term consumer	55,306	39,906
Real estate term commercial	20,123	10,694

Total real estate term		75,429		50,600
Consumer and other		267,444		256,322
Total loans, net of unearned income	$	2,950,626	$	2,843,353

The activity in the allowance for loan losses for the three and six months ended June 30, 2006 and 2005 were as follows:

(Dollars in thousands)	Three Months Ended June 30, 2006	2005	Six Months Ended June 30, 2006	2005
Beginning balance	$ 35,982	$ 35,698	$ 36,785	$ 37,613
Provision for (recovery of) loan and lease losses	4,602	814	2,128	(3,000)
Loans charged off	(5,850)	(2,010)	(7,211)	(6,070)
Recoveries	3,173	1,870	6,205	7,829
Ending balance	$ 37,907	$ 36,372	$ 37,907	$ 36,372

The aggregate recorded investment in loans for which impairment has been determined in accordance with SFAS No. 114 totaled $6.9 million and $6.5 million at June 30, 2006 and December 31, 2005, respectively. Allocations of the allowance for loan losses specific to impaired loans totaled $0.1 million at June 30, 2006, and $0 at December 31, 2005. Average impaired loans for the three months ended June 30, 2006 and 2005 totaled $6.1 million and $14.8 million, respectively. Average impaired loans for the six months ended June 30, 2006 and 2005 totaled $5.9 million and $14.3 million, respectively.

7. Goodwill

The goodwill balance at June 30, 2006 and December 31, 2005 was $17.2 million and $35.6 million, respectively. All goodwill pertains to the acquisition of SVB Alliant, our investment banking subsidiary.

During the three months ended June 30, 2006, we recognized an impairment expense of $18.4 million related to goodwill.

SFAS No. 142, Goodwill and Other Intangible Assets, is the authoritative standard on the accounting for the impairment of goodwill. SFAS No. 142 requires that we evaluate on an annual basis (or whenever events occur which may indicate possible impairment) whether any portion of our recorded goodwill is impaired. We performed this analysis at the reporting unit level as defined in SFAS No. 142. As discussed in our Annual Report on Form 10-K for the fiscal year ended December 31, 2005, this analysis requires management to make a series of critical assumptions to: (1) evaluate whether any impairment exists, and (2) measure the amount of impairment. As part of this analysis, SFAS No. 142 requires that we estimate the fair value of our reporting units and compare it with their carrying value. If the estimated fair value of a reporting unit is less than the carrying value, then impairment is deemed to have occurred.

We conducted our annual valuation analysis of the SVB Alliant reporting unit during the second quarter of 2006. We concluded at that time that we had an impairment of goodwill based on forecasted discounted net cash flows for that reporting unit. As required by SFAS No. 142, in measuring the amount of goodwill impairment, we made a hypothetical allocation of the reporting unit s estimated fair value to the tangible and intangible assets (other than goodwill) of the reporting unit. Based on this allocation, we concluded that $18.4 million of the related goodwill was impaired and was required to be expensed as a noncash charge to continuing operations during the second quarter of 2006. Thus, the goodwill balance related to SVB Alliant was reduced from $35.6 million at December 31, 2005 to $17.2 million at June 30, 2006.

8. Borrowings

The following table represents the outstanding borrowings at June 30, 2006 and December 31, 2005:

(Dollars in thousands)	Maturity	June 30, 2006	December 31, 2005
Federal funds purchased	Overnight	$ 245,000	$ 205,000
Securities sold under agreement to repurchase	Less than One Month	288,811	74,464
Total federal funds purchased and securities sold under agreement to repurchase		$ 533,811	$ 279,464
Contingently convertible debt	June 15, 2008	$ 147,990	$ 147,604
Junior subordinated debentures	October 15, 2033	$ 49,857	$ 48,228
Other borrowings	Overdraft	$	$ 11

Interest expense related to borrowings was $5.0 million and $0.9 million for the three months ended June 30, 2006 and 2005, and $8.2 and $1.7 million for the six months ended June 30, 2006 and June 30, 2005, respectively.

Contingently Convertible Debt

The fair value of the convertible debt at June 30, 2006 was $198.6 million, based on quoted market prices. We intend to settle the outstanding principal amount in cash. Based on the terms of the notes, if, at any time before June 15, 2007, the per share stock price on the last trading day of the immediately preceding fiscal quarter was 110% or more of the conversion price, the notes would become convertible. The per share closing price of $53.05 of our common stock on March 31, 2006, was 157.8% of the conversion price of $33.6277. Accordingly, during the second quarter of 2006, our note holders held the right, at their option, to convert their notes, in whole or in part, subject to certain limitations, at the conversion price of $33.6277. We received conversion notices relating to the notes in an aggregate principal amount of $52,000 during the second quarter of 2006, increasing the total cumulative amount converted to $155,000. The per share closing price of $45.46 of our common stock on June 30, 2006 was 135.19% of the conversion price of $33.6277, so our noteholders hold the right to convert shares in the third quarter of 2006. After June 15, 2007, if the closing sales price of our common stock on the previous trading day is 110% or more of the conversion price of the notes, then the notes would become convertible.

Concurrent with the issuance of the convertible notes, we entered into a convertible note hedge (see Note 9. Derivative Financial Instruments - Derivative Financial Instruments Indexed to and Potentially Settled in a Company s Own Stock).

Available Lines of Credit

As of June 30, 2006, we have available $741.0 million in federal funds lines of credit, $496.0 million of which were unused. In addition to the available federal funds lines, we have reverse repurchase agreement lines available with multiple securities dealers. Reverse repurchase lines allow us to finance short-term borrowings using various fixed income securities as collateral. At June 30, 2006, we borrowed $288.8 million against our reverse repurchase lines.

9. Derivative Financial Instruments

We designate a derivative as held for hedging purposes or non-hedging when we enter into a derivative contract. The designation may change based upon management s reassessment or changing circumstances. Derivative instruments that we obtain or use include interest rate swaps, forward contracts, options and warrants. A swap agreement is a contract between two parties to exchange cash flows based on specified underlying notional amounts, assets and/or indices. Forward settlement contracts are agreements to buy or sell a quantity of a financial instrument, index, currency or commodity at a predetermined future date, and rate or price. An option or warrant contract is an agreement that conveys to the purchaser the right, but not the obligation, to buy or sell a quantity of a financial instrument (including another derivative financial instrument), index, currency or commodity at a predetermined rate or price during a period or at a time in the future. Option or warrant agreements can be transacted on organized exchanges or directly between parties. The gross positive fair values of derivative assets are recorded as a component of the other assets line item on the balance sheets. The gross negative fair values of derivative liabilities are recorded as a component of the other liabilities line item on the balance sheets.

The total notional or contractual amounts, credit risk amount and estimated net fair value for derivatives as of June 30, 2006 and December 31, 2005 were as follows:

(Dollars in thousands)	Notional or contractual amount	At June 30, 2006 Credit risk amount (1)	Estimated net fair value Asset (liability)
Fair Value Hedge			
Interest rate swap	$ 50,000	$	$ (4,179)
Derivatives			
Foreign exchange spot and forward contracts	464,555	8,347	1,248
Foreign currency options	69,322	139	
Equity warrant assets	110,655	37,588	37,588
Equity conversion option	2,210	886	886

(Dollars in thousands)		At December 31, 2005		
Derivative - Fair Value Hedge				
Interest rate swap	$ 50,000	$	$	(1,314)
Derivatives - Other				
Foreign exchange spot and forward contracts	432,733	5,701		766
Foreign currency options	18,772	101		
Equity warrant assets	108,574	27,802		27,802
Equity conversion option	1,000	451		451

(1) Credit risk amounts reflect the replacement cost for those contracts in a gain position in the event of nonperformance by all such counterparties.

Derivative - Fair Value Hedges

Derivative instruments that we hold as part of our interest rate risk management may include interest rate swaps, caps and floors, and forward contracts. On October 30, 2003, we entered into an interest rate swap agreement with a notional amount of $50.0 million. This agreement hedges against the risk of changes in fair values associated with the majority of our 7.0% fixed rate, junior subordinated debentures, which management evaluates for effectiveness using the statistical regression analysis approach for each reporting period. For information on our junior subordinated debentures, see Note 8. Borrowings.

The terms of this fair value hedge agreement provide for a swap of our 7.0% fixed rate payment for a variable rate based on London Inter-Bank Offer Rate (LIBOR) plus a spread. This derivative agreement provided a cash benefit of $0.1 million and $0.3 million in the three months ended June 30, 2006 and 2005, and a benefit of $0.3 million and $0.7 million in the six months ended June 30, 2006 and 2005, respectively, which was recognized in the consolidated statements of income as a contra to interest expense. The swap agreement largely mirrors the terms of the junior subordinated debentures and therefore is callable by the counterparty anytime on or after October 30, 2008. All components of the swap s gain or loss are included in the assessment of hedge effectiveness. Changes in the fair value of the hedged position, which is primarily dependent on changes in market interest rates, are recognized in net income as a gain or loss on derivative instruments. We recorded a non-cash decrease in fair value of $1.6 million for the three months ended June 30, 2006 and $4.5 million for the six months ended June 30, 2006, which were reflected in the consolidated statements of income within noninterest income under the line item gains on derivative instruments, net.

Derivatives - Other

We enter into various derivative contracts primarily to provide derivative products or services to customers. These derivatives are not linked to specific assets and liabilities on the balance sheet or to forecasted transactions in an accounting hedge relationship and, therefore, do not qualify for hedge accounting. All of these contracts are carried at fair value with changes in fair value recorded on the statement line item gains on derivatives, net as part of our noninterest income, a component of consolidated income.

We enter into foreign exchange forward contracts and non-deliverable foreign exchange forward contracts with clients involved in international trade finance activities, either as the purchaser or seller of foreign currency at a future date, depending upon the clients need. To mitigate the risk of fluctuations in foreign currency exchange rates on these contracts, we enter into opposite way foreign exchange forward contracts and

non-deliverable foreign exchange forward contracts with correspondent banks. These contracts are short-term in nature, typically expiring within one year. We have not experienced nonperformance by counterparties and therefore have not incurred related losses. Further, we anticipate performance by all counterparties to such agreements.

We enter into foreign exchange forward contracts with correspondent banks to economically reduce foreign exchange exposure risk related to certain foreign currency denominated loans. These contracts are short-term in nature, typically expiring within one year. We have not experienced nonperformance by counterparties and therefore have not incurred related losses. Further, we anticipate performance by all counterparties to such foreign exchange forward contracts.

We enter into foreign currency option contracts with clients involved in international trade finance activities, either as the purchaser or seller of foreign currency options, depending upon the client s need. To mitigate the risk of fluctuations in foreign currency exchange rates on these contracts, we enter into opposite way foreign currency option contracts with correspondent banks. These contracts typically expire in less than one year. We have not experienced nonperformance by counterparties and therefore have not incurred related losses. Further, we anticipate performance by all counterparties.

We obtain derivative equity warrant assets to purchase an equity position in a client company s stock in consideration for providing credit facilities and less frequently for providing other services. The purpose of obtaining warrants from client companies is intended to increase future revenue. The change in fair value of equity warrant assets is recorded in net gains on derivative instruments within noninterest income, a component of consolidated net income. The change in fair value of the warrants resulted in a net gain of $8.2 million and $3.3 million for the three months ended June 30,

2006 and 2005, respectively, and a net gain of $8.5 million and $2.5 million for the six months ended June 30, 2006 and 2005, respectively.

Derivative Fair Value Instruments Indexed to and Potentially Settled in a Company s Own Stock

On May 20, 2003, we issued $150.0 million of zero-coupon, convertible subordinated notes at face value, due June 15, 2008, (See Note 8. Borrowings). These notes include a conversion feature which is indexed to and could potentially be settled in our stock. The conversion option is an embedded derivative, which, pursuant to paragraphs 11(a) and 12(c) of SFAS No. 133, qualifies as an embedded derivative indexed to our stock. If it was a freestanding derivative, it would be classified in stockholders equity. Thus, the embedded derivative is not considered a derivative for purposes of SFAS No. 133 and is not recorded on our financial statements at fair value.

Concurrent with the issuance of the $150.0 million principal amount of contingently convertible notes, (See Note 8. Borrowings), we entered into a convertible note hedge (purchased call option) at a cost of $39.3 million and a warrant transaction providing proceeds of $17.4 million with respect to our common stock, with the objective of decreasing our exposure to potential dilution from conversion of the contingently convertible notes.

At issuance under the terms of the convertible note hedge, upon the occurrence of certain conversion events, we had the right to purchase up to approximately 4,460,610 shares of our common stock from the counterparty at a price of $33.6277 per common share. The convertible note hedge agreement will expire on June 15, 2008. We have the option to settle any amounts due under the convertible note hedge either in cash or net shares of our common stock. The cost of the convertible note hedge is included in stockholders equity in accordance with the guidance in EITF 00-19.

At issuance under the warrant agreement, the counterparty could purchase up to approximately 4,460,608 shares of our common stock at $51.34 per share, upon the occurrence of certain conversion events. The warrant transaction will expire on June 15, 2008. The proceeds of the warrant transaction were included in stockholders equity in accordance with the guidance in EITF 00-19. Due to conversion events in 2005 and 2006, the counterparty s right to purchase our stock under warrant has been decreased by 4,609 shares. Also see Note 3. Earnings Per Share.

10. Common Stock Repurchase

We currently have in place a program authorizing our repurchase of up to $305.0 million of stock. The repurchase program was initially authorized by our Board of Directors and announced on May 7, 2003 for $160.0 million (with no expiration date), and was subsequently increased by $75.0 million (announced on January 27, 2005 and to be repurchased before June 30, 2006) and $70.0 million (announced on January 26, 2006 and to be repurchased before June 30, 2007). Unless earlier terminated by the Board, the program will expire on June 30, 2007. Our trading window closed at the close of business on June 2, 2006. To continue the repurchase program, we put into effect a 10b5-1 plan which allowed us to automatically repurchase a predetermined number shares per day at the market price on every trading day through August 1, 2006. As of June 30, 2006, we had repurchased 7.9 million shares totaling $272.8 million. During the six months ended June 30, 2006, we repurchased 1,392,615 shares of our common stock. At June 30, 2006, the approximate dollar value of shares that may still be repurchased under this program was $32.2 million.

11. Segment Reporting

SFAS No. 131, *Disclosures About Segments of an Enterprise and Related Information*, requires that we report certain financial information about our reportable operating segments as well as related disclosures about products and services, geographic areas and major customers. An operating segment is a component of an enterprise whose operating results are regularly reviewed by our chief operating decision maker (CODM) when deciding how to allocate resources and in assessing performance. Our CODM is our Chief Executive Officer (CEO).

We have chosen to organize our operating segments around four primary lines of businesses in banking and financial services: Commercial Banking, SVB Capital, SVB Alliant, SVB Global and Other Business Services. For descriptive information about the products and services provided by each of our operating segments, please refer to our 2005 Annual Report on Form 10-K, Part I. Item 1. Business Business Overview and Footnote 22 Segment Reporting . Unlike financial reporting, which benefits from the comprehensive structure provided by GAAP, the internal profitability reporting process is highly

subjective, as there is no comprehensive, authoritative guidance for management reporting. The management reporting process measures the performance of operating segments based on our internal operating structure and is not necessarily comparable with similar information for other financial services companies. In addition, changes in an individual client s primary relationship designation have resulted, and may in the future result in the inclusion of certain clients in different segments in different periods. We have reclassified certain prior-period amounts to conform to the current period s presentation.

An operating segment is separately reportable if it exceeds any one of several quantitative thresholds specified in SFAS 131. As of June 30, 2006, of our operating segments, only Commercial Banking, SVB Capital and SVB Alliant were determined to be reportable segments. SVB Global and Private Client Services did not meet the separate reporting thresholds and as such, in the table below, have been aggregated in a column labeled Other Business Services for segment reporting purposes. The Other Business Services column also reflects other business service units and those adjustments necessary to reconcile the results of operating segments based on our internal profitability reporting process to the consolidated financial statements prepared in conformity with GAAP. For the second quarter of 2006, we have presented SVB Alliant as a reportable segment. As a result, prior periods have been restated to conform to the current period s presentation. Our CODM allocates resources to and assesses the performance of each operating segment using information about net interest income, noninterest income and noninterest expense, which are presented as components of segment operating profit or loss before income taxes. Net interest income is reported, net of funds transfer pricing (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. In addition, we evaluate assets based on average balances; therefore it is not possible to provide period-end asset balances for segment reporting purposes.

Our segment information at and for the three and six months ended June 30, 2006 and 2005 are as follows:

(Dollars in thousands)	Commercial Banking	SVB Capital	SVB Alliant	Other Business Services	Total
Three months ended June 30, 2006					
Net interest income	$ 67,305	$ 8,233	$	$ 10,224	$ 85,762
Provision for loan losses(1)	2,677			1,925	4,602
Noninterest income(2)	25,172	6,768	2,772	6,266	40,978
Noninterest expense excluding impairment of goodwill(3)	57,175	5,526	5,379	7,124	75,204
Impairment of goodwill			18,434		18,434
Minority interest in net (income) of consolidated affiliates				(5,814)	(5,814)
Income (loss) before income tax expense(5)	32,625	9,475	(21,041)	1,627	22,686
Total average loans	2,278,923	76,398		375,556	2,730,877
Total average assets(4)	3,533,767	709,239	70,218	983,236	5,296,460
Total average deposits	3,075,220	666,992		222,457	3,964,669
Goodwill at June 30, 2006	$	$	$ 17,204	$	$ 17,204
Three months ended June 30, 2005					
Net interest income	$ 54,418	$ 4,936	$	$ 12,080	$ 71,434
Provision for loan losses(1)	259			555	814
Noninterest income (expense) (2)	22,746	2,132	6,935	(1,424)	30,389
Noninterest expense(3)	44,854	4,723	6,884	9,864	66,325
Minority interest in net losses of consolidated affiliates				372	372
Income before income tax expense(5)	32,051	2,345	51	609	35,056
Total average loans	1,893,341	79,868		279,939	2,253,148
Total average assets(4)	3,760,799	669,759	75,036	535,085	5,040,679
Total average deposits	3,311,435	627,399		175,060	4,113,894

Goodwill at June 30, 2005	$	$	$ 35,638	$	$ 35,638
Six months ended June 30, 2006					
Net interest income	$ 132,545	$ 14,966	$	$ 22,130	$ 169,641
Provision for loan losses(1)	2,107			21	2,128
Noninterest income(2)	45,388	8,493	5,210	5,288	64,379
Noninterest expense excluding impairment of goodwill(3)	103,509	10,031	10,784	21,568	145,892
Impairment of goodwill			18,434		18,434
Minority interest in net (income) of consolidated affiliates				(6,058)	(6,058)
Income (loss) before income taxes(5)	72,317	13,428	(24,008)	(229)	61,508
Total average loans	2,263,638	68,855		364,856	2,697,349
Total average assets(4)	3,631,494	687,831	73,246	888,178	5,280,749
Total average deposits	3,156,920	646,143		209,814	4,012,877
Goodwill at June 30, 2006	$	$	$ 17,204	$	$ 17,204
Six months ended June 30, 2005					
Net interest income	$ 105,138	$ 9,263	$	$ 26,159	$ 140,560
(Recovery of)/provision for loan losses(1)	(3,154)			154	(3,000)
Noninterest income (expense) (2)	41,357	5,249	11,749	(2,597)	55,758
Noninterest expense(3)	87,062	9,419	11,406	19,253	127,140
Impairment of goodwill					
Minority interest in net losses of consolidated affiliates				813	813
Income before income tax expense(5)	62,587	5,093	343	4,968	72,991
Total average loans	1,858,194	81,050		274,005	2,213,249
Total average assets(4)	3,818,761	655,352	74,167	534,629	5,082,909
Total average deposits	3,375,299	614,734		165,257	4,155,290
Goodwill at June 30, 2005	$	$	$ 35,638	$	$ 35,638

(1) For segment reporting purposes, we report net loan charge-offs as the provision for loan losses. Thus, the Other Business Services segment includes $1.9 million and $0.6 million for the three months ended June 30, 2006 and 2005, respectively,

and includes $21,000 and $0.2 million for the six months ended June 30, 2006 and 2005, respectively, which represents the difference between net charge-offs and the provision for loan losses.

(2) The noninterest income presented in the Commercial Banking segment included warrant income of $3.5 million and $5.6 million, for the three months ended June 30, 2006 and 2005, respectively, and $3.8 million and $7.2 million, for the six months ended June 30, 2006 and 2005, respectively.

(3) The Commercial Banking segment includes direct depreciation and amortization of $0.8 million and $0.6 million for the three months ended June 30, 2006 and 2005, respectively, and $1.6 million and $1.0 million for the six months ended June 30, 2006 and 2005, respectively. Due to the complexity of our cost allocation model, it is not feasible to determine the exact amount of the remaining depreciation and amortization expense allocated to the various business segments (totaling approximately $1.4 million and $1.4 million for the three months ended June 30, 2006 and 2005, respectively, and approximately $2.6 million and $3.2 million for the six months ended June 30, 2006 and 2005, respectively.

(4) Total Average Assets for the Commercial Banking, SVB Capital, SVB Alliant and Other Business Services segments equals the greater of total loans or the sum of total deposits and total stockholders equity for each segment.

(5) The internal reporting model used by our management to assess segment performance does not calculate tax expense by segment. Our effective tax rate is a reasonable approximation of the segment rates.

12. Obligations Under Guarantees

We provide guarantees related to financial and performance standby letters of credit issued to our clients to enhance their credit standings and enable them to complete a wide variety of business transactions. Financial standby letters of credit are conditional commitments issued by us to guarantee the payment by a client to a third party (beneficiary). Financial standby letters of credit are primarily used to support many types of domestic and international payments. Performance standby letters of credit are issued to guarantee the performance of a client to a third party when certain specified future events have occurred. Performance standby letters of credit are primarily used to support performance instruments such as bid bonds, performance bonds, lease obligations, repayment of loans, and past due notices. These standby letters of credit

have fixed expiration dates and generally require a fee paid by a client at the time we issue the commitment. Fees generated from these standby letters of credit are recognized in noninterest income over the commitment period using the straight-line method.

The credit risk involved in issuing letters of credit is essentially the same as that involved with extending loan commitments to clients, and accordingly, we use a credit evaluation process and collateral requirements similar to those for loan commitments. Our standby letters of credit are often cash-secured by our clients. The actual liquidity needs or the credit

risk that we have experienced historically have been lower than the contractual amount of letters of credit issued because a significant portion of these conditional commitments expire without being drawn upon.

The table below summarizes our standby letter of credits at June 30, 2006. The maximum potential amount of future payments represents the amount that could be remitted under the standby letters of credit if there were a total default by the guaranteed parties, without consideration of possible recoveries under recourse provisions or from the collateral held or pledged.

(Dollars in thousands)	Expires within one year or less	Expires after one year	Total amount outstanding	Maximum amount of future payments
Financial standby	$ 594,338	$ 53,929	$ 648,267	$ 648,267
Commercial standby	6,271		6,271	6,271
Performance standby	11,241	11,610	22,851	22,851
Total	$ 611,850	$ 65,539	$ 677,389	$ 677,389

At June 30, 2006, the carrying amount of the liabilities related to financial and performance standby letters of credit was approximately $3.7 million. At June 30, 2006, cash and investment securities collateral available to us to reimburse losses under financial and performance standby letters of credits was $291.2 million.

Additionally, the Bank, as a financial provider, routinely guarantees credit cards for some of our customers which have been provided by an unaffiliated financial institution. We have recourse against the customer for any amount it is required to pay to a third party in the event of default under these arrangements. These guarantees are subject to the same credit policies, underwriting standards and approval process as loans made by us. Certain of these amounts are secured by certificates of deposit and other assets which we have rights to in the event of nonperformance by the customers. The total amount of this guarantee was $66.0 million at June 30, 2006. It is not considered probable that material losses would be incurred by us as a result of these arrangements.

13. Related Party Transactions

SVB Financial Group has a commitment under a revolving line of credit facility to Gold Hill Venture Lending 03, LP, a venture debt fund (Gold Hill), and its affiliated funds. SVB Financial Group has a 9.3% effective ownership interest in Gold Hill, as well as a 90.7% majority interest in its general partner, Gold Hill Venture Lending Partners 03, LLC. The line of credit expires in August 2006 and bears an interest rate of prime plus one percent. The highest aggregate balance outstanding during the quarter ended June 30, 2006 was $30.0 million. SVB Financial Group anticipates to renew and extend the line of credit in August 2006.

In April 2006, the Bank issued a letter of credit in the amount of $0.2 million on behalf of SurgRx, Inc. The initial maturity date of the letter of credit is April 4, 2007, but the letter of credit will be automatically renewed unless affirmatively terminated by SurgRx until its final expiry on May 10, 2010. The letter of credit is secured by a certificate of deposit pledged by SurgRx, Inc. and held by the Bank. The Bank also extended to SurgRx a business credit card line of credit in the amount of $70,000 and a merchant services line of credit in the amount of $15,000, both of which are secured by restricted cash pledged to the Bank by SurgRx. David Clapper, one of our directors, is the Chief Executive Officer of SurgRx, Inc.

In May 2006, the Bank extended a revolving line of credit in the aggregate amount of $60.0 million to NEA XII, LP. Amounts outstanding under the line of credit are secured by the right to receive proceeds of capital calls from the borrower s limited partners. Richard Kramlich, one of our directors, is an owner of NEA Partners 12, L.P., which acts as the General Partner for NEA XII, L.P. The maturity date of the line of credit is 364 days from the date the credit was first extended.

14. Legal Matters

On May 24, 2001, Gateway Communications, Inc. (Gateway) filed a lawsuit in the United States Bankruptcy Court for the Southern District of Ohio (Western Division) naming the Bank as a defendant. Gateway (the debtor in the bankruptcy case) alleges that the Bank s actions in connection with a loan resulted in Gateway s bankruptcy, and seeks $20 million in compensatory damages, punitive damages, interest and attorneys fees. On June 24, 2003, the Court dismissed four

of the five counts in the complaint, including the claim for punitive damages, leaving one breach of contract claim. Trial for the matter has been postponed and the pre-trial conference with the Court rescheduled to September 2006.

Certain lawsuits and claims arising in the ordinary course of business have been filed or are pending against us or our affiliates. Based upon information available to us, our review of such claims to date and consultation with our outside legal counsel, management believes the liability relating to these actions, if any, will not have a material adverse effect on our liquidity, consolidated financial position, or results of operations. Where appropriate, as we determine, reserves have been established in accordance with SFAS No. 5, Accounting for Contingencies. The outcome of litigation and other legal and regulatory matters is inherently uncertain, however, and it is possible that one or more of the legal or regulatory matters currently pending or threatened could have a material effect.

During the second quarter of 2006, we recorded a charge against earnings of $1.8 million in anticipation of the settlement of a litigation matter.

15. Subsequent Event

On July 20, 2006, our Board of Directors increased the stock repurchase plan and authorized up to an additional $70.0 million of common stock to be repurchased. We may, at our discretion, exercise this additional repurchase authority at any time on or before June 30, 2008 in the open market, through block trades or otherwise, pursuant to applicable securities laws. Depending on market conditions, availability of funds, and other relevant factors, we may begin or suspend repurchases at any time prior to the termination of the repurchase program on June 30, 2008, without any prior notice.

From July 1, 2006 through August 4, 2006, under the 10b5-1 plan, we repurchased approximately 200,000 shares of our common stock totaling $9.0 million under the stock repurchase program leaving $93.2 million that still may be repurchased under the program.

ITEM 2. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Management s discussion and analysis of financial condition and results of operations below contain forward-looking statements. These statements are based on current expectations and assumptions that are subject to risks and uncertainties. Actual results could differ materially because of certain factors, including those discussed in Item 3. Quantitative and Qualitative Disclosures about Market Risk.

The following discussion and analysis of financial condition and results of operations should be read in conjunction with our interim unaudited consolidated financial statements and notes as presented in Part I - Item 1 of this report and in conjunction with our Annual Report on Form 10-K for the year ended December 31, 2005 (2005 Form 10-K) as filed with the Securities and Exchange Commission (SEC). Certain reclassifications have been made to prior years results to conform to the current period s presentations. Such reclassifications had no effect on our results of operations or stockholders equity.

Overview of Company Operations

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

For more than 20 years, we have been dedicated to helping entrepreneurs succeed, specifically focusing on industries where we have deep knowledge and relationships. Our focus is on the technology, life science, private equity, and premium wine industries. We continue to diversify our products and services to support our clients throughout their life cycles, regardless of their age or size. We offer a range of financial services that generate three distinct sources of income: interest rate differentials, fee-based services and investments in private equity and venture capital funds.

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

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

In addition, we seek to obtain returns through investments in private equity and venture capital fund investments. As of June 30, 2006, we managed five limited partnerships: two venture capital funds that invest directly in privately held companies and three funds that invest in other venture capital funds.

Commercial Banking

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

Through our lending products and services, we extend loans and other credit facilities to our commercial clients, most often secured by the assets of our clients. Lending products and services include traditional term loans, equipment loans, revolving lines of credit, accounts-receivable based lines of credit, asset-based loans, real estate loans, vineyard development loans, and financing of affordable housing projects. We often obtain warrants to purchase an equity position in a client s stock in consideration for making loans to emerging growth companies or for providing other services.

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

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

We offer a variety of investment services and solutions to our Commercial Banking clients and others that enable companies to better manage their assets. Silicon Valley Bank s Repurchase Agreement Program (Repo) is designed primarily for our Venture Capital and Private Equity clients. Through our broker-dealer subsidiary, SVB Securities, we offer money market mutual funds and fixed income securities. SVB Securities is registered with the SEC and a member of the National Association of Securities Dealers, Inc. (NASD) as well as a member of the Securities Investor Protection Corporation (SIPC). Investment advisory services are offered through SVB Asset Management, our registered investment advisory subsidiary. SVB Asset Management specializes in outsourced treasury services, with customized cash portfolio management for corporations and industry-leading reporting.

SVB Capital

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

SVB Capital makes investments in venture capital and other private equity firms and in companies in the niches we serve. The segment also currently manages five venture funds that are consolidated into our financial statements: SVB Strategic Investors Fund, LP, SVB Strategic Investors Fund II, LP, and SVB Strategic Investors Fund III, LP, which are funds of funds that invest in other venture funds; and Silicon Valley BancVentures, LP and SVB Capital Partners II, LP, which are direct equity venture funds that invest in privately-held technology and life-science companies. This segment also includes investments in Gold Hill Venture Lending Partners 03, LP and its parallel funds (collectively known as Gold Hill Venture Lending Partners 03, LP), which provide secured debt, typically to emerging-growth clients in their earliest stages, and the Partners for Growth funds that primarily provide secured debt to higher-risk, middle market clients in their later stages. We define emerging-growth clients as companies in the start-up or early stages of their lifecycle. These companies tend to be privately-held and backed by venture capital; they generally have few employees, have brought relatively few products or services to market, and have no or little revenue. By contrast, middle market clients tend to be more mature; they may be publicly-traded and more established in the markets in which they participate, although not necessarily the leading players in their industries.

SVB Alliant

SVB Alliant, our investment banking subsidiary, provides merger and acquisition advisory services (M&A), private placement advisory services, strategic alliance services, and specialized financial studies such as valuations and fairness opinions. SVB Alliant is a broker-dealer registered with the SEC and a member of the NASD.

Other Business Services

The Other Business Services segment is principally comprised of Private Client Services, SVB Global, and other business service units that are not part of the Commercial Banking, SVB Capital or SVB Alliant segments. SVB Global and Private Client Services and Other, do not meet the separate reporting thresholds as defined by SFAS No. 131 and as such, have been aggregated as Other Business Services for segment reporting purposes.

Private Client Services and Other

Our Private Client Services and Other group is principally comprised of our Private Client Services group and other business services units. Private Client Services provides a wide range of credit services to high-net-worth individuals using both long-term secured and short-term unsecured lines of credit. Those products and services include home equity lines of credit, secured lines of credit, restricted stock purchase loans, airplane loans, and capital call lines of credit. We also help our clients meet their cash management needs by providing deposit account products and services, including checking accounts, deposit accounts, money market accounts, and certificates of deposit. As a result of the Private Client Services group s recent decision to focus on its core banking and credit products, we sold Woodside Asset Management during the quarter ended March 31, 2006. The sale had an immaterial impact on our financial condition and results of operations. A new business services unit, SVB Analytics, was formed during the second quarter of 2006. SVB Analytics provides solutions to address the valuation needs of private emerging-growth technology and life sciences companies.

SVB Global

SVB Global includes our foreign subsidiaries that facilitate our clients global expansion into major technology centers around the world. SVB Global provides a variety of services, including consulting and business services, referrals, and knowledge sharing, as well as identifying business opportunities for us.

Critical Accounting Policies and Estimates

The accompanying management s discussion and analysis of results of operations and financial condition are based upon our unaudited interim consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The preparation of these financial statements in accordance with GAAP requires management to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues, and expenses and related disclosure of contingent assets and liabilities. Management evaluates estimates on an ongoing basis. Management bases its estimates on historical experiences and various other factors and assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ materially from these estimates under different assumptions or conditions.

A summary of significant accounting policies and a description of accounting policies that are considered critical are described in Part II. Item 8. Consolidated Financial Statements and Supplementary Data Note 2. Significant Accounting Policies and in Part II. Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations - Critical Accounting Policies in our 2005 Form 10-K.

Recent Accounting Pronouncements

In March 2006, the Financial Accounting Standards Board (FASB) issued SFAS No. 156, Accounting for Servicing of Financial Assets, an amendment of SFAS 140 . The Statement clarifies when an entity should separately recognize servicing assets and servicing liabilities when it undertakes an obligation to service a financial asset by entering into a servicing contract. The Statement requires that all separately recognized servicing assets and servicing liabilities be initially measured at fair value and subsequently measured using either the amortization method as previously permitted under SFAS 140 or the fair value measurement method. Entities are permitted to make an election to subsequently remeasure classes of separately recognized servicing assets and liabilities. Once the fair value measurement method is elected for a class, the election should be applied prospectively to all new and existing separately recognized servicing assets and servicing liabilities within that class. The effect of remeasuring an existing class of separately recognized servicing assets and servicing liabilities at fair value would be reported as a cumulative-effect adjustment to retained earnings as of the beginning of the fiscal year of adoption. The Statement is effective as of the beginning of an entity s first fiscal year that begins after September 15, 2006. Earlier adoption is permitted as of the beginning of an entity s fiscal year, provided the entity has not yet issued interim financial statements for that fiscal year. In the first quarter of 2006, we elected not to early adopt this Statement and accordingly, will adopt as of January 1, 2007. We are currently assessing the impact of SFAS 156 on our consolidated financial position, results of operations and cash flows. We do not expect the adoption of SFAS 156 to have a material impact on our consolidated financial position and results of operations.

In February 2006, the FASB issued SFAS No. 155, Accounting for Certain Hybrid Financial Instruments, an amendment of FASB Statements No. 133 and 140 (SFAS 155). Hybrid financial instruments are financial instruments that contain an embedded derivative within a single instrument. SFAS 155 permits entities an option to elect to record hybrid financial instruments at fair value as one financial instrument. Prior to this amendment, hybrid financial instruments were required to be separated into two instruments, a derivative and host, and generally only the derivative was recorded at fair value. SFAS 155 requires that beneficial interests in securitized assets be evaluated for derivatives, either freestanding or embedded. SFAS 155 is effective for all financial instruments acquired or issued after January 1, 2007. Additionally, SFAS 155 provides a one-time opportunity to apply the fair value election to hybrid financial instruments existing at the date of implementation at fair value as one financial instrument, with any difference between the carrying amount of the existing hybrid financial instruments and the fair value of the single financial instrument being recorded as a cumulative effect adjustment to beginning retained earnings. We are currently assessing the impact of SFAS 155 on our consolidated financial position and results of operations.

In July 2006, the FASB issued FASB Interpretation (FIN) No. 48, Accounting for Uncertainty in Income Taxes an interpretation of FASB Statement No. 109 , to clarify the accounting for uncertain tax positions. FIN 48 prescribes that a two-step benefit recognition model be applied to initially recognize and measure the benefit amount of a tax position. The first step requires that a tax benefit be recognized only when the tax position is more-likely-than-not of being sustained based on the technical merits of the position. Assuming the first step is met, the second step requires that the benefit amount be measured at the largest amount that has at least a more-likely-than-not likelihood of being the ultimate outcome based on a cumulative-probability approach. Tax positions that previously failed to meet the more-likely-than-not recognition threshold should be subsequently recognized in the period in which the threshold is subsequently met, the tax matter is resolved or the statute of limitation for examining the tax position has expired. FIN 48 requires that a previously recognized tax benefit be derecognized in the period it becomes more-likely-than-not that the tax position would not be sustained on audit. The impact of applying FIN 48 should be recognized as a cumulative-effect adjustment to beginning retained earnings at the adoption date. The Interpretation is effective for fiscal years beginning after December 15, 2006. We are currently assessing the impact of FIN 48 on our consolidated financial position and results of operations.

Results of Operations

Earnings Summary

We reported net income of $13.6 million for the three months ended June 30, 2006. This was $7.3 million, or 34.9%, lower than net income of $20.9 million for the three months ended June 30, 2005. Net income totaled $35.9 million for the six months ended June 30, 2006. This was $8.0 million, or 18.2%, lower than net income of $43.8 million for the six months ended June 30, 2005. Net income for the three and six months ended June 30, 2006 includes a net of tax charge of $10.4 million due to impairment of goodwill.

The major components and changes of net income for the three and six months ended June 30, 2006 and 2005 are summarized in the following table.

(Dollars in thousands)	Three Months Ended June 30, 2006	2005	% Change	Six Months Ended June 30, 2006	2005	% Change
Net interest income	$85,762	$71,434	20.1%	$169,641	$140,560	20.7%
Provision for (recovery of) loan and lease losses	4,602	814	465.4	2,128	(3,000)	(170.9)
Noninterest income	40,978	30,389	34.8	64,379	55,758	15.5
Noninterest expense	93,638	66,325	41.2	164,326	127,140	29.2
Minority interest in net (income) loss of consolidated affiliates	(5,814)	372		(6,058)	813	(845.1)
Income before income tax expense	22,686	35,056	(35.3)	61,508	72,991	(15.7)
Income tax expense	9,092	14,160	(35.8)	25,835	29,159	(11.4)
Cumulative effect of change in accounting principle, net of tax				192		
Net income	$13,594	$20,896	(34.9)%	$35,865	$43,832	(18.2)%
Return on average assets(1)	1.03%	1.66%		1.37%	1.74%	
Return on average stockholders equity(1)	9.33	15.90		12.50	16.55	
Average stockholders equity to average assets	11.03%	10.46%		10.95%	10.51%	

(1) Ratios utilize annualized consolidated net income.

Three Months Ended June 30, 2006 Compared to Three Months Ended June 30, 2005

Consolidated net income decreased by $7.3 million for the three months ended June 30, 2006, compared to the three months ended June 30, 2005.

Net interest income increased by $14.3 million largely due to an increase in average loans, particularly commercial loans, and an improvement in yields generated from these loans. The increase in interest income from loans was partially offset by increases in interest expense resulting from increases in average balances and rates of short-term borrowings.

Noninterest income increased by $10.6 million due to an increase in client investment fees, net gains on investment securities and net gains on derivative instruments, partially offset by a decline in corporate finance fees.

Noninterest expense increased by $27.3 million, which was largely attributable to a $18.4 million charge for impairment of goodwill as well as increases in compensation expense related to share-based compensation and professional services, partially offset by a reduction in the allowance for unfunded credit commitments.

Six Months Ended June 30, 2006 Compared to Six Months Ended June 30, 2005

Consolidated net income decreased by $8.0 million for the six months ended June 30, 2006, compared to the six months ended June 30, 2005.

Net interest income increased by $29.1 million largely due to an increase in average loans, particularly commercial loans, and an improvement in yields generated from these loans, partially offset by increases in interest expense resulting from increases in average balances and rates of short-term borrowings.

Noninterest income increased by $8.6 million due to an increase in client investment fees, net gains on investment securities and net gains on derivative instruments, partially offset by a decline in corporate finance fees.

Noninterest expense increased by $37.2 million, which was largely attributable to a charge for impairment of goodwill as well as increases in compensation expense related to share-based compensation and professional services, partially offset by a reduction in the allowance for unfunded credit commitments.

Net Interest Income and Margin

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

The following tables set forth average assets, liabilities, minority interest, stockholders equity, interest income, interest expense, annualized yields and rates, and the composition of our annualized net interest margin for the three and six months ended June 30, 2006 and 2005, respectively.

Average Balances, Rates and Yields

Three Months Ended June 30, 2006 and 2005

	Three Months Ended June 30,					
	2006			2005		
(Dollars in thousands)	Average Balance	Interest Income/ Expense	Yield/ Rate	Average Balance	Interest Income/ Expense	Yield/ Rate
Interest-earning assets:						
Federal funds sold, securities purchased under agreement to resell and other short-term investments(1)	$ 225,294	$ 2,530	4.50%	$ 376,359	$ 2,025	2.16%
Investment securities:						
Taxable	1,709,396	19,600	4.60	1,815,007	20,935	4.63
Non-taxable(2)	70,778	1,202	6.81	86,193	1,457	6.78
Loans:						
Commercial	2,296,860	62,037	10.83	1,854,716	45,129	9.76
Real estate construction and term	181,012	3,069	6.80	158,023	2,567	6.52
Consumer and other	253,005	5,113	8.11	240,409	3,610	6.02
Total loans, net of unearned income	2,730,877	70,219	10.31	2,253,148	51,306	9.13
Total interest-earning assets	4,736,345	93,551	7.92	4,530,707	75,723	6.70
Cash and due from banks	236,714			226,902		
Allowance for loan losses	(37,149)			(36,358)		
Goodwill	35,435			35,638		
Other assets (3)	325,115			283,790		
Total assets	$ 5,296,460			$ 5,040,679		
Funding sources:						
Interest-bearing liabilities:						
NOW deposits	$ 38,749	$ 43	0.45	$ 38,486	$ 39	0.41
Regular money market deposits	211,356	462	0.88	427,270	755	0.71
Bonus money market deposits	593,297	1,299	0.88	823,503	1,593	0.78
Time deposits	321,778	532	0.66	287,115	461	0.64
Federal funds purchased and securities sold under agreement to repurchase	314,431	3,987	5.09	7,912	63	3.19
Contingently convertible debt	147,895	233	0.63	147,081	235	0.64
Junior subordinated debentures	49,498	797	6.46	49,894	554	4.45
Other borrowings	1,788	15	3.36	10,031	79	3.16
Total interest-bearing liabilities	1,678,792	7,368	1.76	1,791,292	3,779	0.85
Portion of noninterest-bearing funding sources	3,057,553			2,739,415		
Total funding sources	4,736,345	7,368	0.62	4,530,707	3,779	0.33
Noninterest-bearing funding sources:						
Demand deposits	2,799,489			2,537,520		
Other liabilities	95,068			95,231		
Minority interest in capital of consolidated affiliates	138,864			89,437		
Stockholders equity	584,247			527,199		
Portion used to fund interest-earning assets	(3,057,553)			(2,739,415)		
Total liabilities, minority interest and stockholders equity	$ 5,296,460			$ 5,040,679		
Net interest income and margin		$ 86,183	7.30%		$ 71,944	6.37%

Total deposits	$	3,964,669	$	4,113,894

(1) Includes average interest-bearing deposits in other financial institutions of $32.3 million and $21.4 million for the three months ended June 30, 2006 and 2005, respectively.

(2) Interest income on non-taxable investments is presented on a fully taxable-equivalent basis using the federal statutory income tax rate of 35.0% in 2006 and 2005. The tax equivalent adjustments were $0.4 million and $0.5 million for the three months ended June 30, 2006 and 2005, respectively.

(3) Average equity investments of $129.5 million and $155.5 million for the three months ended June 30, 2006 and 2005, respectively, were classified as other assets as they were noninterest-yielding assets.

Average Balances, Rates and Yields

Six Months Ended June 30, 2006 and 2005

	Six Months Ended June 30,					
	2006			2005		
(Dollars in thousands)	Average Balance	Interest Income/ Expense	Yield/ Rate	Average Balance	Interest Income/ Expense	Yield/ Rate
Interest-earning assets:						
Federal funds sold, securities purchased under agreement to resell and other short-term investment securities(1)	$ 211,643	$ 4,570	4.35%	$ 378,978	$ 4,984	2.65%
Investment securities:						
Taxable	1,744,578	39,994	4.62	1,891,450	41,680	4.44
Non-taxable(2)	72,693	2,468	6.85	89,120	3,031	6.86
Loans:						
Commercial	2,269,060	120,601	10.72	1,820,088	87,184	9.66
Real estate construction and term	177,874	6,009	6.81	154,298	4,768	6.23
Consumer and other	250,415	9,757	7.86	238,863	6,810	5.75
Total loans, net of unearned income	2,697,349	136,367	10.19	2,213,249	98,762	9.00
Total interest-earning assets	4,726,263	183,399	7.83	4,572,797	148,457	6.55
Cash and due from banks	241,607			230,363		
Allowance for loan and lease losses	(37,590)			(37,792)		
Goodwill	35,536			35,638		
Other assets(3)	314,933			281,903		
Total assets	$ 5,280,749			$ 5,082,909		
Funding sources:						
Interest-bearing liabilities:						
NOW deposits	$ 40,279	$ 84	0.42%	$ 34,562	$ 69	0.40%
Regular money market deposits	247,195	997	0.81	462,628	1,447	0.63
Bonus money market deposits	606,473	2,537	0.84	782,463	2,641	0.68
Time deposits	317,856	1,043	0.66	300,419	953	0.64
Federal funds purchased and securities sold under agreement to repurchase	253,699	6,230	4.95	3,978	63	3.19
Contingently convertible debt	147,800	465	0.63	146,963	471	0.65
Junior subordinated debentures	49,842	1,517	6.14	49,648	1,038	4.22
Other borrowings	967	21	4.38	9,888	154	3.14
Total interest-bearing liabilities	1,664,111	12,894	1.56	1,790,549	6,836	0.77
Portion of noninterest-bearing funding sources	3,062,152			2,782,248		
Total funding sources	4,726,263	12,894	0.55	4,572,797	6,836	0.30
Noninterest-bearing funding sources:						
Demand deposits	2,801,074			2,575,218		
Other liabilities	107,202			101,905		
Minority interest in capital of consolidated affiliates	129,886			81,004		
Stockholders equity	578,476			534,233		
Portion used to fund interest-earning assets	(3,062,152)			(2,782,248)		
Total liabilities, minority interest and stockholders equity	$ 5,280,749			$ 5,082,909		

Net interest income and margin		$ 170,505	7.28%		$ 141,621	6.25%
Total deposits	$ 4,012,877			$ 4,155,290		

(1) Includes average interest-bearing deposits in other financial institutions of $30.0 million and $18.3 million for the six months ended June 30, 2006 and 2005, respectively.

(2) Interest income on non-taxable investments is presented on a fully taxable-equivalent basis using the federal statutory income tax rate of 35.0% in both 2006 and 2005. The tax-equivalent adjustments were $0.9 million and $1.1 million for the six months ended June 30, 2006 and 2005, respectively.

(3) Average equity investments of $128.6 million and $153.4 million for the six months ended June 30, 2006 and 2005, respectively, were classified as other assets as they were noninterest-yielding assets.

Net interest income is affected by changes in the amount and mix of interest-earning assets and interest-bearing liabilities, referred to as volume change. Net interest income is also affected by changes in yields earned on interest-earning assets and rates paid on interest-bearing liabilities, referred to as rate change. The following table sets forth changes in interest income and interest expense for each major category of interest-earning assets and interest-bearing liabilities. The table also reflects the amount of simultaneous change attributable to both volumes and rates for the periods indicated. For this table, changes that are not solely due to either volume or rate are allocated in proportion to the percentage changes in average volume and average rate. Changes relating to investments in non-taxable securities are presented on a fully taxable-equivalent basis using the federal statutory rate of 35.0% in 2006 and 2005.

(Dollars in thousands)	2006 Compared to 2005 Three Months Ended June 30, Increase (Decrease) Due to Change in Volume	Rate	Total	2006 Compared to 2005 Six Months Ended June 30, Increase (Decrease) Due to Change in Volume	Rate	Total
Interest income:						
Federal funds sold, securities purchased under agreement to resell and other short-term investment securities	$ (1,051)	$ 1,556	$ 505	$ (2,776)	$ 2,362	$ (414)
Investment securities	(1,473)	(117)	(1,590)	(3,880)	1,631	(2,249)
Loans	11,751	7,162	18,913	23,388	14,217	37,605
Net increase in interest income	9,227	8,601	17,828	16,732	18,210	34,942
Interest expense:						
NOW deposits		4	4	12	3	15
Regular money market deposits	(443)	150	(293)	(794)	344	(450)
Bonus money market deposits	(485)	191	(294)	(663)	559	(104)
Time deposits	57	14	71	57	33	90
Contingently convertible debt	1	(3)	(2)	3	(9)	(6)
Junior subordinated debentures	(4)	247	243	4	475	479
Federal funds purchased and securities sold under agreement to repurchase	3,865	59	3,924	6,113	54	6,167
Other borrowings	(69)	5	(64)	(177)	44	(133)
Net increase in interest expense	2,922	667	3,589	4,555	1,503	6,058
Increase in net interest income	$ 6,305	$ 7,934	$ 14,239	$ 12,177	$ 16,707	$ 28,884

Three Months Ended June 30, 2006 Compared to Three Months Ended June 30, 2005

Net Interest Income

Net interest income, on a fully taxable-equivalent basis, totaled $86.2 million for the three months ended June 30, 2006, an increase of $14.2 million, or 19.9% from the comparable 2005 period. The increase in net interest income was the result of a $17.8 million increase in interest income, partially offset by a $3.6 million increase in interest expense.

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

The $17.8 million increase in interest income, on a fully taxable-equivalent basis, was partially due to a $9.2 million favorable volume variance. The favorable volume variance resulted from a $205.6 million, or 4.5% increase, in average interest-earning assets.

The increase in average interest-earning assets was primarily centered in average loans, which increased $477.7 million or 21.2%. The increase in average loans resulted in an $11.8 million favorable volume variance. The volume variance is largely driven by growth in our commercial loan category, which represented $442.1 million of the increase in average loans. The increase in average loans reflects an improvement in economic activity and in the markets served by us.

The decrease in average federal funds sold, securities purchased under agreement to resell and other short-term investments of $151.1 million resulted in an unfavorable volume variance of $1.1 million. Additionally, average investment securities decreased by $121.0 million, resulting in a $1.5 million unfavorable volume variance. The decreases in average in federal funds sold, securities purchased under agreement to resell and other short-term investments and investment securities was a result of our shifting of funds to support the growth in our loan portfolio.

We estimated the duration of the total investment portfolio at June 30, 2006 to be 3.1 years, compared to 1.9 years at June 30, 2005. The duration of the investment portfolio increased due primarily to increases in interest rates, which impacted the levels of expected prepayments on investments securities.

Interest Income - Change in Market Interest Rates (Rate Variance)

Rate variances for average interest-earning assets resulted in a $8.6 million increase in interest income. The yield on our aggregate average interest-earning assets increased 122 basis points, largely driven by higher yields generated by loans. The increase in yields on interest-earning assets was driven by increases in short-term interest rates.

We realized a $7.2 million favorable rate variance associated with our loan portfolio, largely driven by higher yields from loans. On February 1, 2006, March 29, 2006, May 11, 2006 and June 30, 2006, we increased our prime lending rate, each time by 25 basis points, bringing our prime lending rate to 8.25 percent, in response to increases in short-term market interest rates. Our weighted-average prime lending rate increased to 7.89% in the second quarter of 2006 from 5.91% in the second quarter of 2005. As of June 30, 2006, 65.4%, or $1.9 billion of our total outstanding gross loans were variable rate loans and would reprice at a prescribed measurement date upon a change in the Company s prime lending rate or other variable indices.

In addition, we realized a $1.6 million favorable rate variance associated with federal funds sold, securities under agreement to resell and other short-term investment securities. The aforementioned increases in short-term market interest rates were responsible for this favorable rate variance.

Many elements of our interest-earning assets are interest rate sensitive. As a result, we expect that any future increase in market interest rates will be incremental to our earnings.

Interest Expense

Total interest expense for the three months ended June 30, 2006 increased by $3.6 million. The average cost of funds paid for the three months ended June 30, 2006 was 0.62%, compared to 0.33% for the three months ended June 30, 2005. The increase in interest expense and average cost of funds for the three months ended June 30, 2006, was due primarily to increases in levels and rates of short-term borrowings.

During the three months ended June 30, 2006, the average balance of federal funds purchased and securities sold under agreement to repurchase was $314.4 million compared to $7.9 million for the three months ended June 30, 2005. The average interest rate during the three months ended

June 30, 2006 was 5.09%, compared to 3.19% for the three months ended June 30, 2005.

Six Months Ended June 30, 2006 Compared to Six Months Ended June 30, 2005

Net Interest Income

Net interest income, on a fully taxable-equivalent basis, totaled $170.5 million for the six months ended June 30, 2006, an increase of $28.9 million, or 20.4% from the comparable 2005 period. The increase in net interest income was the result of a $34.9 million increase in interest income, partially offset by a $6.1 million increase in interest expense.

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

The $34.9 million increase in interest income, on a fully taxable-equivalent basis, was partially due to a $16.7 million favorable volume variance. The favorable volume variance resulted from a $153.5 million, or 3.4% increase, in average interest-earning assets.

The increase in average interest earning assets was primarily centered in loans, which increased $484.1 million resulting in a $23.4 million favorable volume variance. The volume variance is largely driven by growth in our commercial loan category, which represented $449.0 million of the increase.

The increase in average loans reflects an improvement in economic activity in the markets served by us. Our loan yield for both the six months ended June 30, 2006 and 2005 included $3.5 million from accretion of gross warrant loan fees.

Average federal funds sold, securities purchased under agreement to resell and other short-term investment securities for the six months ended June 30, 2006 decreased $167.3 million, resulting in a $2.8 million unfavorable volume variance. Additionally, average investment securities decreased by $163.3 million, resulting in a $3.9 million unfavorable volume variance. The decreases in average federal funds sold, securities purchased under agreement to resell and other short-term investments and investment securities was a result of our shifting of funds to support the growth in our loan portfolio.

We estimated the average duration of the investment portfolio at June 30, 2006 to be 3.1 years, compared to 1.9 years at June 30, 2005. The duration of the investment portfolio increased due primarily to increases in interest rates, which impacted the levels of expected prepayments on investments securities.

Interest Income - Change in Market Interest Rates (Rate Variance)

Favorable rate variances for average interest-earning assets resulted in an $18.2 million increase in interest income. The yield on average interest-earning assets increased 128 basis points overall, largely driven by higher yields generated by loans. The increase in yields on interest-earning assets was primarily caused by increases in our weighted-average prime lending rate, a shift in the loan portfolio mix and increases in short-term market rates.

We realized a $14.2 million favorable rate variance associated with our loan portfolio, largely driven by higher yields from loans. The increase in loan yields was primarily attributable to increases in our prime-lending rate. On February 1, 2006, March 29, 2006, May 11, 2006 and June 30, 2006, we increased our prime lending rate, each time by 25 basis points, bringing our prime rate to 8.25%, in response to increases in short-term market interest rates. Our weighted-average prime lending rate increased to 7.65% in the first six months of 2006 from 5.67% in the first six months of 2005. As of June 30, 2006, 65.4%, or $1.9 billion of our total loan portfolio, were variable rate loans and would reprice at a prescribed measurement date upon a change in the Company s prime lending rate or other variable indices.

In addition, we realized a $2.4 million favorable rate variance associated with federal funds sold, securities under agreement to resell and other short-term investment securities. Increases in short-term market interest rates were responsible for this favorable rate variance.

The average yield on taxable investment securities for the six months ended June 30, 2006 increased 18 basis points to 4.62% from 4.44% in the comparable prior year period, resulting in a $1.6 million favorable rate variance associated with our average investment securities. This was primarily due to maturities of lower yielding securities replaced with higher yielding securities.

Interest Expense

Total interest expense for the six months ended June 30, 2006 increased by $6.1 million. The average cost of funds paid in the six months ended June 30, 2006 increased 25 basis points to 0.55% from 0.30% for the six months ended June 30, 2005. The increase in interest expense and average cost of funds for the six months ended June 30, 2006, was due primarily to increases in levels and rates of short-term borrowings.

During the six months ended June 30, 2006 and 2005 the average balance of federal funds purchased and securities sold under agreement to repurchase was $253.7 million and $4.0 million, respectively, while the average interest rates during the periods were 4.95% and 3.19%, respectively.

Provision for (Recovery of) Loan Losses

The provision for (recovery of) loan losses is based on our evaluation of the adequacy of the existing allowance for loan losses in relation to total loans, and on our periodic assessment of the inherent and identified risk dynamics of the loan portfolio resulting from reviews of selected individual loans and loan commitments.

Three Months Ended June 30, 2006 Compared to Three Months Ended June 30, 2005

We recorded a provision for loan losses of $4.6 million for the three months ended June 30, 2006, compared to a provision of $0.8 million for the comparable three month period a year ago.

We incurred net loan charge-offs of $2.7 million for the three months ended June 30, 2006 compared to net loan charge-offs of $0.1 million for the three months ended June 30, 2005. Credit quality remained strong with nonperforming loans at 0.25% of total gross loans as of June 30, 2006. See Consolidated Financial Condition - Credit Quality and the Allowance for Loan Losses for additional discussion.

Six Months Ended June 30, 2006 Compared to Six Months Ended June 30, 2005

We recorded a provision for loan losses of $2.1 million for the six months ended June 30, 2006, compared to a $3.0 million recovery of provision for loan losses for the comparable period a year ago.

We realized net charge-offs of $1.0 million for the six months ended June 30, 2006 compared to $1.8 million of recoveries for the six months ended June 30, 2005. Credit quality remained strong with nonperforming loans at 0.25% of total gross loans as of June 30, 2006. See Consolidated Financial Condition - Credit Quality and the Allowance for Loan Losses for additional discussion.

Noninterest Income

Noninterest income was $41.0 million for the three months ended June 30, 2006. This was $10.6 million, or 34.8%, higher than noninterest income of $30.4 million for the three months ended June 30, 2005. Noninterest income totaled $64.4 million for the six months ended June 30, 2006. This was $8.6 million, or 15.5%, higher than noninterest income of $55.8 million for the six months ended June 30, 2005.

The following table summarizes the components of noninterest income for the three and six months ended June 30, 2006 and 2005, and the percent changes from period to period:

(Dollars in thousands)	Three Months Ended June 30, 2006	2005	% Change	Six Months Ended June 30, 2006	2005	% Change
Client investment fees	$ 10,972	$ 7,805	40.6%	$ 20,609	$ 15,201	35.6%
Gains on derivative instruments, net	12,727	10,115	25.8	14,954	14,141	5.7
Corporate finance fees	2,775	6,935	(60.0)	5,213	11,749	(55.6)
Letter of credit and standby letter of credit income	2,642	2,423	9.0	4,992	4,793	4.2
Deposit service charges	2,310	2,378	(2.9)	4,488	4,882	(8.1)
Gains (losses) on investment securities, net	4,080	(1,631)	(350.2)	4,019	(429)	
Other	5,472	2,364	131.5	10,104	5,421	86.4
Total noninterest income	$ 40,978	$ 30,389	34.8%	$ 64,379	$ 55,758	15.5%

Three Months Ended June 30, 2006 Compared to Three Months Ended June 30, 2005

Client investment fee income for the three months ended June 30, 2006 of $11.0 million was $3.2 million, or 40.6% higher, than $7.8 million for the three months ended June 30, 2005. The increased income in the three months ended June 30, 2006 as compared to June 30, 2005 was largely attributable to the growth in client investment funds generating client investment fee income.

Corporate finance fees for the three months ended June 30, 2006 was $2.8 million, compared to $6.9 million at June 30, 2005, a decrease of $4.1 million. The decrease relates to recent changes in staffing at SVB Alliant. SVB Alliant s business is also highly variable, thus we expect significant changes in corporate finance fees from period to period.

Net gains on derivative instruments was $12.7 million for the three months ended June 30, 2006 compared to $10.1 million for the three months ended June 30, 2005. The increase of $2.6 million was primarily due to favorable changes in the fair value of equity warrant assets, which was partially offset by an unfavorable change in the fair value of the interest rate swap.

Other income for the three months ended June 30, 2006 was $5.5 million, compared to $2.4 million at June 30, 2005, an increase of $3.1 million. The increase relates to unused commitment fees, net gain of foreign loan revaluations,

Federal Home Loan Bank (FHLB) and Federal Reserve Bank (FRB) stock dividend income and other miscellaneous amounts.

Six Months Ended June 30, 2006 Compared to Six Months Ended June 30, 2005

Client investment fee income for the six months ended June 30, 2006 of $20.6 million was $5.4 million higher than $15.2 million for the six months ended June 30, 2005. The increased income in the six months ended June 30, 2006 as compared to June 30, 2005 was largely attributable to the growth in client investment funds generating this income.

Corporate finance fees for the six months ended June 30, 2006 was $5.2 million, compared to $11.7 million at June 30, 2005, a decrease of $6.5 million. The decrease relates to recent changes in staffing at SVB Alliant. SVB Alliant s business is also highly variable, thus we expect significant changes in corporate finance fees from period to period.

Net gains on derivative instruments was $15.0 million for the six months ended June 30, 2006 compared to $14.1 million for the six months ended June 30, 2005. The increase of $0.9 million was primarily due to favorable changes in the fair value of equity warrant assets, which was partially offset by an unfavorable change in the fair value of the interest rate swap.

Other income for the six months ended June 30, 2006 was $10.1 million, compared to $5.4 million at June 30, 2005, a increase of $4.7 million. The increase primarily relates to a net gain of foreign loan revaluations of $1.7 million, unused commitment fees of $1.2 million, $0.5 million of credit card fee income and $0.5 million of FHLB and FRB stock dividend income.

Client Investment Fees

We offer a variety of investment products on which we earn fees. These products include sweep money market funds, money market mutual funds, overnight repurchase agreements and fixed income securities available through client-directed accounts, and fixed income management services offered through our investment advisory subsidiary. The following table summarizes client investment funds invested across those products as of June 30, 2006 and 2005.

(Dollars in millions)	At June 30, 2006	At June 30, 2005
Client investment funds:		
Client directed investment assets (1)	$ 10,429	$ 8,074
Sweep money market funds	2,476	1,469
Client investment assets under management	4,591	3,445
Total client investment funds (2)	$ 17,496	$ 12,988

(1) Mutual funds and Repurchase Agreement Program assets.

(2) Client funds maintained at third party custodians.

Total client investment funds were $17.5 billion at June 30, 2006, compared to $13.0 billion at June 30, 2005, an increase of $4.5 billion, or 34.6%. Mutual fund products totaled $8.7 billion and $6.6 billion at both June 30, 2006 and 2005, respectively. As of June 30, 2006, assets managed by SVB Asset Management accounted for $4.6 billion, or 26.2% and assets held in the Repurchase Agreement Program were $2.5 billion, or 14.2% of the total client investment funds, respectively.

Gains on Derivative Instruments, Net

The following table summarizes the components of gains on derivative instruments for the three and six months ended June 30, 2006 and 2005, and the percent changes from period to period:

(Dollars in thousands)	Three Months Ended June 30, 2006	2005	% Change	Six Months Ended June 30, 2006	2005	% Change
Foreign exchange forwards(1)	$6,639	$6,792	(2.3)%	$11,944	$11,611	2.9%
Foreign exchange forwards(2)	(520)			(1,053)		
Total gains on foreign exchange forwards	6,119	6,792	(9.9)	10,891	11,611	(6.2)
Change in fair value interest rate swap	(1,586)			(4,457)		
Equity warrant assets change in fair value:						
Cancellations and expirations	(722)	(681)	6.0	(1,476)	(819)	80.2
Other changes in warrant asset fair value	8,916	4,004	122.7	9,996	3,349	198.5
Total gains on equity warrant assets (3)	8,194	3,323	146.6	8,520	2,530	236.8
Total gains on derivative instruments	$12,727	$10,115	25.8%	$14,954	$14,141	5.7%

(1) Represents the income differential between foreign exchange forward contracts/non-deliverable foreign exchange forward contracts with clients and opposite way foreign exchange forward contracts/non-deliverable foreign exchange forward contracts with correspondent banks. See Note 13 Derivative Financial Instruments under Item 8 of the Company s Annual Report on Form 10-K for the fiscal year ended December 31, 2005.

(2) Represents change in fair value of foreign exchange forward contracts with correspondent banks to economically reduce foreign exchange exposure risk related to certain foreign currency denominated loans.

(3) Includes net gains on equity warrants assets held by consolidated investment affiliates. Relevant amounts attributable to minority interests are reflected in the interim consolidated income statement under the caption Minority Interest in Net (Income)/Losses of Consolidated Affiliates .

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

Gains and Losses on Investment Securities, Net

The following table presents the components of gains and losses on investment securities, net, for the three and six months ended June 30, 2006 and 2005.

	Three Months Ended		Six Months Ended	
(Dollars in thousands)	**June 30, 2006**	**June 30, 2005**	**June 30, 2006**	**June 30, 2005**
Gross gains on investment securities:				
Available-for-sale securities, at fair value	$ 3,180	$ 71	$ 3,350	$ 121
Non-marketable securities (investment company fair value accounting):				
Venture capital fund investments.	4,613	1,256	7,180	2,851
Other private equity investments	384	540	386	945
Other investments	1,167	22	1,170	22
Non-marketable securities (equity method accounting)	313		520	
Non-marketable securities (cost method accounting):				
Venture capital fund investments	286	527	362	2,578
Other private equity investments	109	50	109	50
Total gross gains on investment securities	10,052	2,466	13,077	6,567
Gross losses on investment securities:				
Available-for-sale securities, at fair value	(3,230)	(1,929)	(3,230)	(2,326)
Non-marketable securities (investment company fair value accounting):				
Venture capital fund investments	(1,660)	(1,453)	(3,856)	(2,658)
Other private equity investments	(475)	(51)	(475)	(51)
Non-marketable securities (equity method accounting)	(209)		(761)	(51)
Non-marketable securities (cost method accounting):				
Venture capital fund investments	(398)	(643)	(691)	(1,489)
Other private equity investments		(21)	(45)	(421)
Total gross losses on investment securities	(5,972)	(4,097)	(9,058)	(6,996)
Gains (losses) on investment securities, net	$ 4,080	$ (1,631)	$ 4,019	$ (429)

Gains (losses) on investment securities, net, during the three months ended June 30, 2006 and 2005 were $4.1 million and $(1.6) million, respectively, an increase of $5.7 million. The net gain on investment securities during the three months ended June 30, 2006 included gains on exercised warrants of $3.2 million, net gains on sales of venture funds of $2.8 million, net gains on sales of venture debt investments of $1.3 million, and a loss of $3.2 million due to the sale of certain available for sale investments. We expect continued variability in the performance of our equity securities portfolio.

Gains (losses) on investment securities, net, during the six months ended June 30, 2006 and 2005 were $4.0 million and $(0.4) million, respectively, an increase of $4.4 million. The net gain on investment securities during the six months ended June 30, 2006 included gains on exercised warrants of $3.3 million, net gains on sales of venture funds of $3.0 million, net gains on sales of venture debt investments of $0.9 million, and a loss of $3.2 million due to the sale of certain available for sale investments. We expect continued variability in the performance of our equity securities portfolio.

Noninterest Expense

Noninterest expense was $93.6 million for the three months ended June 30, 2006. This was $27.3 million, or 41.2%, higher than noninterest expense of $66.3 million for the three months ended June 30, 2005. Noninterest expense totaled $164.3 million for the six months ended June 30, 2006. This was $37.2 million, or 29.2%, higher than noninterest expense of $127.1 million for the six months ended June 30, 2005.

The following table presents the detail of noninterest expense including the percent change in noninterest expense for the three and six months ended June 30, 2006 and 2005:

	Three Months Ended June 30,			Six Months Ended June 30,		
(Dollars in thousands)	**2006**	**2005**	**% Change**	**2006**	**2005**	**% Change**
Compensation and benefits	$ 48,675	$ 44,280	9.9%	$ 93,196	$ 84,548	10.2%
Impairment of goodwill	18,434			18,434		
Professional services	10,074	5,653	78.2	18,429	10,723	71.9
Net occupancy	4,298	4,215	2.0	8,503	8,873	(4.2)
Furniture and equipment	3,671	3,300	11.2	7,375	6,019	22.5
Business development and travel	2,987	2,702	10.5	5,741	4,792	19.8
Correspondent bank fees	1,452	1,475	(1.6)	2,582	2,696	(4.2)
Data processing services	861	952	(9.6)	1,989	1,965	1.2
Telephone	880	1,061	(17.1)	1,787	1,950	(8.4)
Provision for (reduction of) unfunded credit commitments	(3,325)	(1,074)	209.6	(3,821)	(1,259)	203.5
Other	5,631	3,761	49.7	10,111	6,833	48.0
Total noninterest expense	$ 93,638	$ 66,325	41.2%	$ 164,326	$ 127,140	29.2%

Three Months Ended June 30, 2006 Compared to Three Months Ended June 30, 2005

The increase in compensation and benefits expense of $4.4 million was primarily due to an increase in share-based compensation expense of $3.4 million, to $5.6 million for the three months ended June 30, 2006, compared to $2.2 million for the comparable prior year period. This increase reflects our adoption of SFAS 123(R) as of January 1, 2006, which includes recognizing expense for stock options granted and Employee Stock Purchase Plan shares. Compensation and benefits expense also increased due to temporary staffing fees.

In connection with our annual goodwill impairment assessment of SVB Alliant, our investment banking subsidiary, we recognized a non-cash, pre-tax charge of $18.4 million during the second quarter of 2006. The impairment results from changes in our outlook for SVB Alliant s future financial performance due to recent changes in staffing and lowered expectations of future revenue streams.

Professional services expense totaled $10.1 million for the three months ended June 30, 2006, an increase of $4.4 million as compared to $5.7 million for the three months ended June 30, 2005. The increase was primarily related to consulting costs incurred as part of ongoing efforts to enhance and maintain compliance with various regulations and legal services associated with a litigation matter.

We recorded a reduction of $3.3 million to the liability for unfunded credit commitments for the three months ended June 30, 2006 compared to a reduction of $1.1 million for the three months ended June 30, 2005. This provision is linked to the credit commitments outstanding at the balance sheet date as well as the credit quality of our loan commitments. The change in the provision during the three months ended June 30, 2006 is primarily due to a refinement of the methodology related to a change in estimate of funding percentages used to estimate the liability for unfunded credit commitments.

During the three months ended June 30, 2006, we recorded a $1.8 million charge in connection with the expected settlement of a litigation matter.

Six Months Ended June 30, 2006 Compared to Six Months Ended June 30, 2005

The increase in compensation and benefits expense of $8.7 million was primarily due to an increase in share-based compensation expense of $8.0 million, to $93.2 million for the six months ended June 30, 2006, compared to $84.5 million for the comparable prior year period. This increase reflects our adoption of SFAS 123(R) as of January 1, 2006, which includes recognizing expense for stock options granted and Employee Stock Purchase Plan shares. Compensation and benefits expense also increased due to temporary staffing fees.

In connection with our annual goodwill impairment assessment of SVB Alliant, our investment banking subsidiary, we recognized a non-cash, pre-tax charge of $18.4 million during the second quarter of 2006. The impairment results from changes in our outlook for SVB Alliant s future financial performance due to recent changes in staffing and lowered expectations of future revenue streams.

Professional services expense totaled $18.4 million for the six months ended June 30, 2006, an increase of $7.7 million as compared to $10.7 million for the six months ended June 30, 2005. The increase was primarily related to consulting costs incurred as part of ongoing efforts to enhance and maintain compliance with various regulations and legal services associated with a litigation matter.

Furniture and equipment expenses totaled $7.4 million for the six months ended June 30, 2006, an increase of $1.4 million as compared to $6.0 million for the six months ended June 30, 2005. The increase is primarily related to a new opening of our facility in Salt Lake City, other office relocations as well as information technology initiatives.

Business development and travel expense totaled $5.7 million for the six months ended June 30, 2006, an increase of $0.9 million as compared to $4.8 million for the six months ended June 30, 2005. This increase is attributable to investment in business development by all of our business units.

We recorded a reduction of $3.8 million to the liability for unfunded credit commitments for the six months ended June 30, 2006 compared to a reduction of $1.3 million for the six months ended June 30, 2005. This provision is linked to the credit commitments outstanding at the balance sheet date as well as the credit quality of our loan commitments. The change in the provision during the six months ended June 30, 2006 is primarily due to a refinement of the methodology related to a change in estimate of funding percentages used to estimate the liability for unfunded credit commitments.

During the six months ended June 30, 2006, we recorded a $1.8 million charge in connection with the expected settlement of a litigation matter.

Minority Interest in Net Losses (Income) of Consolidated Affiliates

Minority interest in net (income) losses of consolidated affiliates was $5.8 million for the three months ended June 30, 2006, compared to losses of $0.4 million for the three months ended June 30, 2005. Minority interest in net (income) losses of consolidated affiliates was $6.1 million for the six months ended June 30, 2006, compared to losses of $0.8 million for the six months ended June 30, 2005. The increase during the three and six months ended June 30, 2006, in comparison to the relevant prior year periods, is primarily due to gains on sales of investment securities and an increase in the value of warrant assets held by consolidated affiliates. In addition, total minority interest in capital of consolidated affiliates increased due to equity transactions, which included capital calls.

Income Taxes

Our effective tax rate was 40.08% for the second quarter ended June 30, 2006, compared with 40.39% for the second quarter ended June 30, 2005. The lower tax rate was primarily attributable to the higher impact of our federally tax-advantaged investments on the overall lower pre-tax income.

Our effective tax rate for the first six months of 2006 was 42.00% compared to 39.95% for the first six months of 2005. The higher tax rate was primarily attributable to the tax impact of certain categories of share-based payment expense recognized under SFAS 123(R) that are not deductible for tax purposes in the period the related expense was recognized. For incentive stock options there is no related tax benefit until there is a disqualifying disposition.

Operating Segment Results

In accordance with SFAS No. 131, Disclosures about Segments of an Enterprise and Related Information, we report segment information based on the management approach. The management approach designates the internal reporting used by management for making decisions and assessing performance as the source of our reportable segments. Please refer to the discussion of our segment organization in our 2005 Annual Report on Form 10-K, Part I. Item 1. Business Business Overview.

Our primary source of revenue is from net interest income. Accordingly, our segments are reported using net interest income, net of funds transfer pricing. Funds transfer pricing (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. We also evaluate performance based on noninterest income and noninterest expense, which are presented as components of segment operating profit or loss. We do not allocate income taxes to our segments. Our management reporting model is predicated on average asset balances. As a result, period end asset balances for segment reporting purposes are not provided. Our segment information at and for the three and six month periods ended June 30, 2006 and 2005 are as follows:

Commercial Banking

Three Months Ended June 30, 2006 Compared to Three Months Ended June 30, 2005

Net Income Before Taxes

Commercial Banking s income before income taxes for the three months ended June 30, 2006 of $32.6 million represented an increase of $0.5 million, or 1.6%, from $32.1 million for the same period a year ago. This increase was the net result of higher revenues of $15.3 million, offset by higher noninterest expenses of $12.3 million, and a net increase in the provision for loan loss of $2.4 million. The higher revenues were comprised of increases in net interest income of $12.9 million and noninterest income of $2.4 million.

Net interest income of $67.3 million for the second quarter ended June 30, 2006 increased $12.9 million, or 23.7%, from $54.4 million for the same period a year ago. Higher loan volumes along with higher interest rates drove this increase. Net interest income is the difference between interest earned on loans, net of funds transfer pricing and interest paid on deposits, net of funds transfer pricing.

A provision for loan losses of $2.7 million for the second quarter ended June 30, 2006 represented a net change of $2.4 million from a provision of $0.3 million for the same period a year ago.

Noninterest income of $25.2 million for the quarter ended June 30, 2006 increased $2.5 million, or 11.0%, from $22.7 million for the same period a year ago. This increase in noninterest income was primarily driven by increased client investment fees of $2.8 million, partially offset by decreased net gains on derivatives of $1.3 million. The decreased net gains on derivatives were related to the exercise of equity warrant assets of $2.1 million, partly offset by increased gains on foreign exchange derivative income of $0.7 million.

Noninterest expense of $57.2 million for the quarter ended June 30, 2006 increased by $12.3 million, or 27.4%, from $44.9 million for the same period a year ago. The increase in direct noninterest expense was primarily driven by expense related to compensation and benefits and furniture and equipment. Noninterest expenses related to units supporting Commercial Bank activities were also allocated to Commercial Banking. Increases in stock-based compensation and professional services related to the support units contributed to the expense increase.

Financial Condition

Commercial Banking had a decrease in average deposits of $236.2 million, or 7.1%, and an increase in average loans of $385.6 million, or 20.4%, during the three months ended June 30, 2006 compared to the same period a year ago. The loan products with the largest growth were core commercial loans, which grew by $308.9 million, and asset-based lending, which grew by $87.1 million. The increase in average loans reflects a favorable funding environment for our venture capital-backed commercial clients and other market factors. Additionally, we continue to focus on attracting and retaining commercial clients at all stages of growth.

Six Months Ended June 30, 2006 Compared to Six Months Ended June 30, 2005

Net Income (Loss) Before Taxes

Commercial Banking s income before income taxes for the six months ended June 30, 2006 of $72.3 million represented an increase of $9.7 million, or 15.5%, from $62.6 million for the same period a year ago. This increase was the net result of higher revenues of $31.4 million, offset by higher noninterest expenses of $16.4 million, and a net change in provisions of $5.3 million. The higher revenues were comprised of higher net interest income of $27.4 million and higher noninterest income of $4.0 million.

Net interest income of $132.5 million for the six months ended June 30, 2006 increased $27.4 million, or 26.1%, from $105.1 million for the same period a year ago. Higher loan volumes along with higher interest rates drove this increase. Net interest income is the difference between interest earned on loans, net of funds transfer pricing and interest paid on deposits, net of funds transfer pricing.

A provision for loan losses of $2.1 million for the six months ended June 30, 2006 represented a net change of $5.3 million from a recovery of $3.2 million for the same period a year ago.

Noninterest income of $45.4 million for the six months ended June 30, 2006 increased $4.0 million, or 9.7%, from $41.4 million for the same period a year ago. This increase in noninterest income was primarily driven by increased client investment fees of $4.8 million and other noninterest income of $1.6 million, partially offset by decreased net gains on derivatives of $1.7 million and decreased account analysis fees of $0.4 million. The decreased net gains on derivatives were related to the exercise of equity warrant assets of $3.5 million, partly offset by increased gains on foreign exchange derivative income of $1.8 million.

Noninterest expense of $103.5 million for the six months ended June 30, 2006 increased $16.4 million, or 18.8%, from $87.1 million for the same period a year ago. The increase in direct noninterest expense was primarily driven by expense related to compensation and benefits, furniture and equipment and business development and travel. Noninterest expenses related to units supporting Commercial Banking activities were also allocated to Commercial Banking. Increases in share based compensation, and professional services related to the support units contributed to the expense increase.

Financial Condition

Commercial Banking had a decrease in average deposits of $218.4 million, or 6.5%, and an increase in average loans of $405.4 million, or 21.8%, during the six months ended June 30, 2006 compared to the same period a year ago. The loan products with the largest growth were core commercial loans, which grew by $308.7 million, and asset-based lending, which grew by $101.2 million. The increase in average loans reflects a favorable funding environment for our venture capital-backed commercial clients and other market factors. Additionally, we continue to focus on attracting and retaining commercial clients at all stages of growth.

SVB Capital

Three Months Ended June 30, 2006 Compared to the Three Months Ended June 30, 2005

Net Income Before Taxes

SVB Capital s income before income taxes for the three months ended June 30, 2006 of $9.5 million represented an increase of $7.2 million, or 313.0%, from $2.3 million for the same period a year ago. This increase was the net result of higher revenues of $7.9 million, and higher noninterest expenses of $0.8 million. The higher revenues were comprised of higher net interest income of $3.3 million and higher noninterest income of $4.6 million.

Net interest income of $8.2 million for the three months ended June 30, 2006 increased $3.3 million, or 67.3%, from $4.9 million for the same period a year ago. Higher deposit volumes from our private equity clients along with higher interest rates drove this increase.

Noninterest income of $6.8 million for three months ended June 30, 2006 increased $4.7 million, or 223.8%, from $2.1 million for the same period a year ago. The increase was primarily a result of increased net gains on derivatives net of minority interest of $3.4 million and increased net gains on investments net of minority interest of $1.1 million.

Noninterest expense of $5.5 million for the three months ended June 30, 2006 increased $0.8 million, or 17.0%, from $4.7 million for the same period a year ago. Direct noninterest expense decreased by $0.4 million. The decrease in direct noninterest expense was primarily driven by expense related to compensation and benefits. Specifically, share-based compensation decreased $0.3 million. Noninterest expenses related to units supporting SVB Capital activities were also allocated to SVB Capital. Increases in share based compensation, and professional services related to the support units contributed to the expense increase.

Financial Condition

SVB Capital had an increase in average deposits of $39.6 million, or 6.3%, and a decrease in average loans of $3.5 million, or 4.3%, during the three months ended June 30, 2006, compared to the same period a year ago. The increase in average deposits reflect an improved funding environment for our venture capital-backed commercial clients and other market factors.

Six Months Ended June 30, 2006 Compared to Six Months Ended June 30, 2005

Net Income Before Taxes

SVB Capital s income before income taxes for the six months ended June 30, 2006 of $13.4 million represented an increase of $8.3 million, or 162.7%, from $5.1 million for the same period a year ago. This increase was the net result of higher revenues of $8.9 million, and higher noninterest expenses of $0.6 million. The higher revenues were comprised of higher net interest income of $5.7 million and higher noninterest income of $3.2 million.

Net interest income of $15.0 million for the six months ended June 30, 2006 increased $5.7 million, or 61.3%, from $9.3 million for the same period a year ago. Higher deposit volumes along with higher interest rates drove this increase.

Noninterest income of $8.5 million for six months ended June 30, 2006 increased $3.3 million, or 63.5%, from $5.2 million for the same period a year ago. The increase was primarily a result of increased net gains on derivatives net of minority interest of $3.7 million, partly offset by decreased net gains on investments net of minority interest of $0.7 million.

Noninterest expense of $10.0 million for the six months ended June 30, 2006 increased $0.6 million, or 6.5%, from $9.4 million for the same period a year ago. Direct noninterest expense decreased by $0.8 million. The decrease in direct noninterest expense was primarily driven by expense related to compensation and benefits. Specifically, share-based compensation decreased $0.4 million and salaries and wages compensation decreased $0.2 million. Noninterest expenses related to units supporting SVB Capital activities were also allocated to SVB Capital. Increases in share-based compensation, and professional services related to the support units contributed to the expense increase.

Financial Condition

SVB Capital had an increase in average deposits of $31.4 million, or 5.1%, and a decrease in average loans of $12.2 million, or 15.0%, during the six months ended June 30, 2006 compared to the same period a year ago. The increase in average deposits reflect an improved funding environment for our venture capital-backed commercial clients and other market factors.

SVB Alliant

Three Months Ended June 30, 2006 Compared to Three Months Ended June 30, 2005

Net Income (Loss) Before Taxes

SVB Alliant s loss before income taxes for the three months ended June 30, 2006 of $21.0 million represented a decrease of $21.1 million, from net income before income taxes of $0.1 million for the same period a year ago. This decrease was the net result of lower revenues of $4.2 million, and higher noninterest expenses of $16.9 million (inclusive of a charge for impairment of goodwill).

Noninterest income of $2.8 million for second quarter ended June 30, 2006 decreased $4.1 million, or 59.4%, from $6.9 million for the same period a year ago. The decrease was due to decreased corporate finance fees.

Noninterest expense of $23.8 million for the second quarter ended June 30, 2006 increased $16.9 million, or 244.9%, from $6.9 million for the same period a year ago. The increase was primarily due to a charge for impairment of goodwill of $18.4 million incurred during the second quarter of 2006.

Six Months Ended June 30, 2006 Compared to Six Months Ended June 30, 2005

Net Income (Loss) Before Taxes

SVB Alliant s loss before income taxes for the six months ended June 30, 2006 of $24.0 million represented a decrease of $24.3 million, from net income before income taxes of $0.3 million for the same period a year ago. This decrease was the net result of lower revenues of $6.5 million, and higher noninterest expenses of $17.8 million (inclusive of a charge for impairment of goodwill).

Noninterest income of $5.2 million for the six months ended June 30, 2006 decreased $6.5 million, or 55.6%, from $11.7 million for the same period a year ago. The decrease was due to decreased corporate finance fees.

Noninterest expense of $29.2 million for the six months ended June 30, 2006 increased $17.8 million, or 156.1%, from $11.4 million for the same period a year ago. The increase was primarily due to an impairment charge for goodwill of $18.4 million incurred during the second quarter of 2006.

Other Business Services

Three Months Ended June 30, 2006 Compared to Three Months Ended June 30, 2005

Net interest income of $10.2 million for the three months ended June 30, 2006 decreased $1.9 million, or 15.7%, from $12.1 million for the same period a year ago. The decrease in net interest income is primarily attributed to an increase in other borrowings expense of $4.1 million, and $1.5 million is related to a decreased gap between the funds transfer rates utilized for profitability reporting and the realized earnings on the investment portfolio. This was partially offset by higher loan volumes for Private Client Services and higher deposit volumes for SVB Global along with higher interest rates.

Six Months Ended June 30, 2006 Compared to Six Months Ended June 30, 2005

Net interest income of $22.1 million for the six months ended June 30, 2006 decreased $4.1 million, or 15.6%, from $26.2 million for the same period a year ago. The decrease in net interest income is primarily attributed to an increase in other borrowings expense of $6.5 million and by $4.4 million related to a decreased gap between the funds transfer rates utilized for profitability reporting and the realized earnings on the

investment portfolio. This was partially offset by higher loan volumes for Private Client Services and higher deposit volumes for SVB Global along with higher interest rates.

Consolidated Financial Condition SVB Financial Group and Subsidiaries

Total assets of $5.5 billion at June 30, 2006 were down $70.1 million from December 31, 2005. Loans, net of unearned income, increased by $107.3 million to $3.0 billion at June 30, 2006, from the balance at December 31, 2005. Our use of cash to repurchase our common stock, for a total cost of $69.3 million during the first six months of 2006 contributed to the decrease in total assets.

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

Federal funds sold, securities purchased under agreement to resell and other short-term securities totaled $222.9 million at June 30, 2006, an increase of $47.2 million, or 26.9%, compared to the $175.7 million outstanding at December 31, 2005. The increase was caused by higher short-term client cash flows at June 30, 2006.

Investment Securities

Investment securities totaled $1.8 billion at June 30, 2006, a decrease of $277.9 million, or 13.6% from $2.0 billion in December 31, 2005. The decrease was due to sales of selected lower yielding assets and maturities and paydowns of certain investment securities.

Refer to our 2005 Form 10-K under Part II. Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations - Critical Accounting Policies and Part II. Item 8. Consolidated Financial Statements and Supplementary Data Note 2. Significant Accounting Policies Investment Securities for our accounting policies related to investment securities.

Loans

Loans, net of unearned income, at June 30, 2006, totaled $3.0 billion, an increase of $107.3 million from the balance at December 31, 2005. Our gross loans by industry niche as of June 30, 2006 and December 31, 2005 are as follows:

(Dollars in thousands)	June 30, 2006	December 31, 2005
Technology	$ 1,493,801	$ 1,417,838
Life science	282,762	266,786
Venture capital	386,916	362,754
Winery	341,825	349,744
Other (1)	466,547	466,799
Total gross loans	$ 2,971,851	$ 2,863,921

(1) At June 30, 2006, this balance is predominantly Private Client Services loans. The balance also includes real estate, media and religious niche loans, areas that we exited in 2002 but will continue to service until the loans are paid off.

Credit Quality and the Allowance for Loan Losses

For a description of the accounting policies related to the allowance for loan losses, see Part II. Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations Critical Accounting Policies in our 2005 Form 10-K.

We realized $3.2 million in gross loan recoveries and incurred $5.9 million in gross loan charge-offs during the three months ended June 30, 2006. The gross charge-offs for the second quarter ended June 30, 2006 were primarily from three clients in the hardware niche. Recoveries were primarily from clients in the hardware, software, and other niche categories.

Nonperforming assets consist of well-secured loans that are past due 90 days or more but are still accruing interest, and loans on nonaccrual status. The table below sets forth certain relationships between nonperforming assets and the allowance for loan losses:

(Dollars in thousands)	June 30, 2006	December 31, 2005
Nonperforming Loans and Assets:		
Loans past due 90 days or more	$ 500	$ 1,046
Nonaccrual loans	6,867	6,499
Total nonperforming loans	7,367	7,545
Other real estate owned	5,949	6,255
Total nonperforming assets	$ 13,316	$ 13,800
Nonperforming loans as a percentage of total gross loans	0.25%	0.26%
Nonperforming assets as a percentage of total assets	0.24%	0.25%
Allowance for loan losses	$ 37,907	$ 36,785
As a percentage of total gross loans	1.28%	1.28%
As a percentage of nonperforming loans	514.55%	487.54%

Fair Value Hedges and Derivatives

Derivative assets are recorded as a component of other assets and liabilities and are comprised of the following as of June 30, 2006 and December 31, 2005:

(Dollars in thousands)	As of June 30, 2006	As of December 31, 2005	% change
Assets (liabilities):			
Interest rate swap	$ (4,179)	$	
Equity warrant assets	37,588	27,802	35.2%
Foreign exchange forward and option contracts	1,248	766	62.9
Equity conversion option	886	451	96.5
Total	$ 35,543	$ 29,019	22.5%

Derivative instruments that we hold as part of our interest rate risk management may include interest rate swaps, caps and floors, and forward contracts. On October 30, 2003, we entered into an interest rate swap agreement with a notional amount of $50.0 million. This agreement hedges against the risk of changes in fair values associated with the majority of our 7.0% fixed rate, junior subordinated debentures, which management evaluates for effectiveness using the statistical regression analysis approach for each reporting period.

The terms of this fair value hedge agreement provide for a swap of our 7.0% fixed rate payment for a variable rate based on London Inter-Bank Offer Rate (LIBOR) plus a spread. This derivative agreement provided a cash benefit of $0.1 million and $0.3 million in the three months ended June 30, 2006 and 2005, and a benefit of $0.3 million and $0.7 million in the six months ended June 30, 2006 and 2005, respectively, which was recognized in the consolidated statements of income as a contra to interest expense. The swap agreement largely mirrors the terms of the junior subordinated debentures and therefore is callable by the counterparty anytime on or after October 30, 2008. All components of the swap s gain or loss are included in the assessment of hedge effectiveness. Changes in the fair value of the hedged position, which is primarily dependent on changes in market interest rates, are recognized in net income as a gain or loss on derivative instruments. We recorded a non-cash decrease in fair value of $1.6 million for the three months ended June 30, 2006 and $4.5 million for the six months ended June 30, 2006, which were reflected in the consolidated statements of income within noninterest income under the line item gains on derivative instruments, net.

Equity warrant assets increased by $9.8 million. The increase related to $4.1 million in new warrants and $7.7 million in a non-cash change in fair value less $1.3 million in terminated and expired warrants and $0.7 million in exercised warrants. The non-cash change in fair value is attributable to changes in the underlying assumptions used to value the equity warrant assets including: changes in the risk-free interest rate, changes in the estimated underlying value of our client s stock, changes in the volatility of share prices for comparable public companies, and changes in the expected life.

We enter into foreign exchange forward contracts and non-deliverable foreign exchange forward contracts with clients involved in international trade finance activities, either as the purchaser or seller of foreign currency at a future date, depending upon the clients need. To mitigate the risk of fluctuations in foreign currency exchange rates on these contracts, we enter into opposite way foreign exchange forward contracts and non-deliverable foreign exchange forward contracts with correspondent banks. These contracts are short-term in nature, typically expiring within one year. At June 30, 2006 and December 31, 2005, the aggregate notional amounts of these contracts totaled $464.6 million and $432.7 million, respectively. The maximum credit exposure for counter-party nonperformance for foreign exchange forward contracts with both clients and correspondent banks amounted to $8.3 million at June 30, 2006 and $5.7 million at December 31, 2005. We have not experienced nonperformance by a counter party and therefore have not incurred related losses. Further, we anticipate performance by all counter-parties to

such foreign exchange forward contracts.

We enter into foreign currency option contracts with clients involved in international trade finance activities, either as the purchaser or seller of foreign currency options, depending upon the client s need. To mitigate the risk of fluctuations in foreign currency exchange rates on these contracts, we enter into opposite way foreign currency option contracts with

correspondent banks. These contracts typically expire in less than one year. At June 30, 2006 and December 31, 2005, the aggregate notional amounts of these contracts totaled $69.3 million and $18.8 million, respectively. We have not experienced nonperformance by a counter party and therefore have not incurred related losses. Further, we anticipate performance by all counter-parties.

Deposits

Deposits decreased by $339.4 million to $3.9 billion at June 30, 2006, compared to $4.3 billion at December 31, 2005. Noninterest-bearing demand deposits increased slightly from December 31, 2005, as a percentage of total deposits, at 70.5%.

Borrowings

Borrowings increased by $256.4 million to $731.7 million at June 30, 2006, compared to $475.3 million at December 31, 2005. The increase which comprised of an increase in securities sold under agreement to repurchase of $214.3 million and an increase of federal funds purchased of $40.0 million, resulted from the need to fund loan growth due to a decline in the number of deposits.

Liabilities

Other liabilities at June 30, 2006 decreased from December 31, 2005, primarily due to a decrease in accrued incentive compensation and employee stock ownership plan, which were paid out during the first quarter of 2006.

Minority Interest in Capital of Consolidated Affiliates

Minority interest in capital of consolidated affiliates increased by $33.5 million to $153.0 million at June 30, 2006, compared to $119.5 million at December 31, 2005. The increase was primarily due to capital contributions from the investors of our consolidated affiliates.

Capital Resources

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

Common Stock

During the second quarter of 2006, the Company repurchased 882,615 shares of its common stock at an aggregate cost of $43.5 million under the stock repurchase program, leaving $32.2 million in remaining authorization under the current program. Repurchases of common stock during the six months ended June 30, 2006 totaled $69.3 million and represented 1,392,615 shares. The Company s trading window closed at the close of business on June 2, 2006. To continue the repurchase program, the Company put into effect a 10b5-1 plan, which allows the Company to automatically repurchase a predetermined number of shares per day at the market price on every trading day through August 1, 2006.

On July 20, 2006, the Company s Board of Directors increased the stock repurchase plan and authorized up to an additional $70.0 million of common stock to be repurchased. The Company may, at its discretion, exercise this additional repurchase authority at any time on or before June 30, 2008 in the open market, through block trades or otherwise, pursuant to applicable securities laws. Depending on market conditions, availability of funds, and other relevant factors, the Company may begin or suspend repurchases at any time prior to the termination of the repurchase program on June 30, 2008, without any prior notice.

From time to time, we may implement a non-discretionary Rule 10b5-1 trading plan, under which we will automatically repurchase shares of our common stock pursuant to a predetermined formula for a specified period of time.

Stockholders Equity

Stockholders equity totaled $568.1 million at June 30, 2006, a decrease of $1.2 million, or 0.2%, from the $569.3 million balance at December 31, 2005. This decrease was primarily the result of common stock repurchases during the first six months of 2006 offset by our net income during the six months ended June 30, 2006 and tax benefits associated with share-based payments. We have not paid a cash dividend on our common stock since 1992, and we do not have any material commitments for capital expenditures as of June 30, 2006. As of June 30, 2006, there were no plans for payment of dividends.

Funds generated through retained earnings are a significant source of capital and liquidity, and are expected to continue to be so in the future. Our management engages in a periodic capital planning process in an effort to make effective use of the capital available to us. The capital plan considers capital needs for the foreseeable future and allocates capital to both existing business activities and expected future business activities. Expected future activities for which capital is set aside include potential product expansions and acquisitions of new business lines.

Both SVB Financial Group and Silicon Valley Bank are subject to capital adequacy guidelines issued by the Federal Reserve Board. Under these capital guidelines, the minimum total risk-based capital ratio and Tier 1 risk-based capital ratio requirements are 10.0% and 6.0%, respectively.

The Federal Reserve Board has also established minimum capital leverage ratio guidelines for state member banks. The ratio is determined using Tier 1 capital divided by quarterly average total assets. The guidelines require a minimum of 5.0% for a well-capitalized depository institution. For further information on risk-based capital and leverage ratios as defined by the Federal Reserve Board, see our 2005 Form 10-K, under Part I. Item 1. Business Supervision and Regulation Regulatory Capital.

Both SVB Financial Group and Silicon Valley Bank s capital ratios were in excess of regulatory guidelines for a well-capitalized depository institution as of June 30, 2006, and December 31, 2005. Capital ratios for SVB Financial Group are set forth below:

	June 30, 2006	December 31, 2005
SVB Financial Group:		
Total risk-based capital ratio	14.48%	14.74%
Tier 1 risk-based capital ratio	12.83%	12.39%
Tier 1 leverage ratio	12.32%	12.08%

Off-Balance Sheet Instruments

We provide guarantees related to financial and performance standby letters of credit issued to our clients to enhance their credit standings and enable them to complete a wide variety of business transactions. Financial standby letters of credit are conditional commitments issued by us to guarantee the payment by a client to a third party (beneficiary). Financial standby letters of credit are primarily used to support many types of domestic and international payments. Performance standby letters of credit are issued to guarantee the performance of a client to a third party when certain specified future events have occurred. Performance standby letters of credit are primarily used to support performance instruments such as bid bonds, performance bonds, lease obligations, repayment of loans, and past due notices. These standby letters of credit have fixed expiration dates and generally require a fee paid by a client at the time we issue the commitment. Fees generated from these standby letters of credit are recognized in noninterest income over the commitment period using the straight-line method.

The credit risk involved in issuing letters of credit is essentially the same as that involved with extending loan commitments to clients, and accordingly, we use a credit evaluation process and collateral requirements similar to those for loan commitments. Our standby letters of credit are often cash-secured by our clients. The actual liquidity needs or the credit

risk that we have experienced historically have been lower than the contractual amount of letters of credit issued because a significant portion of these conditional commitments expire without being drawn upon.

The table below summarizes our standby letter of credits at June 30, 2006. The maximum potential amount of future payments represents the amount that could be remitted under the standby letters of credit if there were a total default by the guaranteed parties, without consideration of possible recoveries under recourse provisions or from the collateral held or pledged.

(Dollars in thousands as of June 30, 2006)	Expires within one year or less	Expires after one year	Total amount outstanding	Maximum amount of future payments
Financial standby	$ 594,338	$ 53,929	$ 648,267	$ 648,267
Commercial standby	6,271		6,271	6,271
Performance standby	11,241	11,610	22,851	22,851
Total	$ 611,850	$ 65,539	$ 677,389	$ 677,389

At June 30, 2006, the carrying amount of the liabilities related to financial and performance standby letters of credit was approximately $3.7 million. At June 30, 2006, cash and investment securities collateral available to us to reimburse losses under financial and performance standby letters of credits was $291.2 million.

Additionally, the Bank, as a financial provider, routinely guarantees credit cards for some of our customers which have been provided by an unaffiliated financial institution. We have recourse against the customer for any amount it is required to pay to a third party in the event of default under these arrangements. These guarantees are subject to the same credit policies, underwriting standards and approval process as loans made by us. Certain of these amounts are secured by certificates of deposit and other assets which we have rights to in the event of nonperformance by the customers. The total amount of this guarantee was $66.0 million at June 30, 2006. It is not considered probable that material losses would be incurred by us as a result of these arrangements.

Liquidity

An important objective of asset/liability management is to manage liquidity. The objective of liquidity management is to ensure that funds are available in a timely manner to meet loan demand, to meet depositors needs, and to service other liabilities as they become due without causing an undue amount of cost or risk and without causing a disruption to normal operating conditions.

We regularly assess the amount and likelihood of projected funding requirements through a review of factors such as historical deposit volatility and funding patterns, present and forecasted market and economic conditions, individual client funding needs, and existing and planned business activities. Our asset/liability committee provides oversight to the liquidity management process and recommends policy guidelines, subject to the approval of our Board of Directors, and courses of action to address our actual and projected liquidity needs.

The ability to attract a stable, low-cost deposit base is our primary source of liquidity. We continue to expand on opportunities to increase our liquidity and take steps to carefully manage our liquidity. In 2002, we became a member of the Federal Home Loan Bank of San Francisco, thereby adding to our liquidity channels. Other sources of liquidity available to us include federal funds purchased, reverse repurchase agreements, and other short-term borrowing arrangements. Our liquidity requirements can also be met through the use of our portfolio of liquid assets. Our definition of liquid assets includes cash and cash equivalents in excess of the minimum levels necessary to carry out normal business operations, federal funds sold, securities purchased under resale agreements, investment securities maturing within six months, investment securities eligible and available for financing or pledging purposes with a maturity in excess of six months, and anticipated near-term cash flows from investments.

Our policy guidelines provide that liquid assets as a percentage of total deposits should not fall below 20%. Silicon Valley Bank s ratio of liquid assets to total deposits was 35.88% and 39.59% at June 30, 2006 and December 31, 2005, respectively, both well in excess of our minimum policy guidelines. In addition to monitoring the level of liquid assets relative to total deposits, we also utilize other policy measures in liquidity management activities. As of June 30, 2006 and December 31, 2005, we were in compliance with all of these policy measures.

Condensed Consolidated Statements of Cash Flows

	For the six months ended	
(Dollars in thousands)	**June 30, 2006**	**June 30, 2005**
Net cash provided by operating activities	$ 39,477	$ 42,876
Net cash provided by (used for) investing activities	139,333	(255,041)
Net cash (used for) provided by financing activities	(96,637)	123,192
Net increase (decrease) in cash equivalents	82,173	(88,973)
Cash and cash equivalents at the beginning of the year	462,098	627,218
Cash and cash equivalents at the end of the period	$ 544,271	$ 538,245

In analyzing our liquidity during the six months ended June 30, 2006 and 2005, reference is made to our interim unaudited consolidated statements of cash flows for the six months ended June 30, 2006 and 2005; see Item 1. Interim Unaudited Consolidated Financial Statements. The statements of cash flows includes separate categories for operating, investing, and financing activities.

Cash provided by operating activities was $39.5 million, which included net income of $35.9 million for the six months ended June 30, 2006. Adjustments for noncash items included a goodwill impairment of $18.4 million, $11.5 million of share-based payment, $6.8 million of tax benefits of share compensation and other and $6.1 million of minority interest, partially offset by $8.5 million for net changes in fair value of derivatives and $4.0 million of net gains on investment securities. Outflows of cash from changes in other assets and liabilities included a decrease in accrued retention, incentive plan and other compensation benefit payable of $20.6 million and an increase in net income tax receivable of $12.8 million.

Cash provided by investing activities was $139.3 million for the six months ended June 30, 2006. Net cash inflow was primarily driven by aggregate proceeds from sales, maturities and pay-downs of investment securities of $323.5 million, partially offset by an increase in loans of $115.1 million and $64.9 million in purchases of investment securities.

Cash used for financing activities was $96.6 million for the six months ended June 30, 2006, and was largely driven by a decrease in deposits of $339.4 million and share repurchases of $69.3 million. Increases in other borrowings contributed $254.3 million.

Cash and cash equivalents at June 30, 2006 were $544.3 million.

On a stand-alone basis, SVB Financial Group s primary liquidity channels include dividends from Silicon Valley Bank, its investment portfolio assets, and its ability to raise debt and capital. The ability of Silicon Valley Bank to pay dividends is subject to certain regulations described in Part I. Item 1. Business Supervision and Regulation Restriction on Dividends of our 2005 Form 10-K.

Forward-Looking Statements

This Quarterly Report on Form 10-Q, including the accompanying Management s Discussion and Analysis of Financial Condition and Results of Operations, contains forward-looking statements that involve risks, uncertainties and assumptions that could cause actual results to differ materially and adversely from those expressed in the forward-looking statements. Factors that might cause or contribute to such differences include, but are not limited to, those discussed in Item 1A of Part II under Risk Factors and Item 3 below under Quantitative and Qualitative Disclosures about Market Risk Factors That May Affect Future Results. We urge investors to consider all of these factors carefully in evaluating the forward-looking statements contained in this report. Forward-looking statements can be identified by words such as anticipates, intends, estimates, expects, believes, plans, predicts, and similar terms. In addition, forward-looking statements include, without limitation, any statements which include forecasts or projections such as:

projections of our revenues, income or loss, earnings or loss per share, capital expenditures, dividends, capital structure, or other financial items;

statements of our plans and objectives for future operations, including plans or objectives relating to our products or services;

statements of future economic performance including projections concerning prevailing interest rates; and

any statement of the assumptions underlying or relating to any of the foregoing.

We assume no obligation and do not intend to revise or update any forward-looking statements contained in this Quarterly Report on Form 10-Q.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Interest Rate Risk Management

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

We mitigate interest rate risk principally through strategies involving our investment securities portfolio. Our policies permit the use of off-balance-sheet derivative instruments in managing interest rate risk.

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

For further information see Part II. Item 7A. Quantitative and Qualitative Disclosures About Market Risk in our 2005 Form 10-K for disclosure of the quantitative and qualitative information regarding the interest rate risk inherent in interest rate risk sensitive instruments as of December 31, 2005. As of June 30, 2006, there have been no significant changes to the interest rate risk information contained in our 2005 Form 10-K and our policies in managing interest rate risk.

Market Value of Portfolio Equity (MVPE)

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

The following table presents our MVPE exposure at June 30, 2006 and December 31, 2005, related to an instantaneous and sustained increase or decrease in market interest rates of 100 and 200 basis points, respectively.

Change in interest rates (basis points)	Estimated MVPE	Estimated Increase/ (Decrease) in MVPE		Estimated Net Interest Income	Estimated Increase/ (Decrease) in Net Interest Income	
		Amount	Percent		Amount	Percent
		(Dollars in thousands)				

June 30, 2006:							
+200	$ 901,802	$ (15,202)	(1.7)%	$ 394,336	$ 29,205	8.0%
+100	907,938	(9,066)	(1.0)	379,786	14,655	4.0
-	917,004			365,131		
-100	924,473	7,469	0.8	347,586	(17,546)	(4.8)
-200	918,143	1,139	0.1	326,400	(38,731)	(10.6)
December 31, 2005:						
+200	$ 1,136,407	$ (12,792)	(1.1)%	$ 408,682	$ 41,236	11.2%
+100	1,143,348	(5,851)	(0.5)	388,086	20,640	5.6
-	1,149,199			367,446		
-100	1,138,898	(10,301)	(0.9)	344,489	(21,957)	(6.2)
-200	1,093,921	(55,278)	(4.8)	312,746	(54,700)	(14.9)

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

As with any method of measuring interest rate risk, certain shortcomings are inherent in the method of analysis presented in the preceding table. For example, although certain of our assets and liabilities may have similar maturity or re-pricing profiles, they may react to changes in market interest rates with different magnitudes. Also, actual prepayment rates on loans and investments could vary substantially from the assumptions utilized in the model to derive the results as

presented in the preceding table. Further, a change in the shape of the forward yield curve could result in different MVPE estimations from those presented herein. Accordingly, the results in the preceding table should not be relied upon as indicative of actual results in the event of changing market interest rates. Additionally, the resulting MVPE estimates are not intended to represent, and should not be construed to represent the underlying value.

Our MVPE sensitivity at June 30, 2006 decreased from December 31, 2005, primarily due to increases in short-term borrowings and changes in the investment portfolio, while staying well within our policy guidelines. In addition, our net interest income at risk remains within policy limits. These estimates are highly assumption dependent and will change regularly as the company s asset-liability structure changes and as different interest rate environments evolve. We expect to continue to manage our interest rate risk actively utilizing on and off balance sheet strategies as appropriate.

The simulation model also gives us the ability to simulate our net interest income using an interest rate forecast (simple simulation). In order to measure the sensitivity of our forecasted net interest income to changing interest rates utilizing the simple simulation methodology, both a rising and falling interest rate scenario are projected and compared to a base market interest rate forecast derived from the current yield curve. For the rising and falling interest rate scenarios, the base market interest rate forecast is increased or decreased, as applicable, by 200 basis points in 12 equal increments over a one-year period.

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

Our policy guidelines provide that the difference between a base market interest rate forecast scenario over the succeeding one-year period compared with the aforementioned rising and falling interest rate scenarios over the same time period should not result in net interest income degradation exceeding 25.0%. Simulation results as of June 30, 2006, indicated that we were within these policy guidelines.

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

ITEM 4. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

Disclosure controls and procedures are the controls and other procedures that are designed to ensure that information required to be disclosed in the reports that the Company files or submits under the Securities Exchange Act of 1934 (Exchange Act) is recorded, processed, summarized, and reported within the time periods specified in the Securities and Exchange Commission s (SEC) rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed in the reports that the Company files or submits under the Exchange Act is accumulated and communicated to management, including the Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

The Company carried out an evaluation, under the supervision and with the participation of management, including the Chief Executive Officer and the Chief Financial Officer, of the effectiveness of our disclosure controls and procedures as of June 30, 2006 pursuant to Exchange Act Rule 13a-15b. Based upon that evaluation and as a result of the material weaknesses described below that were first identified in the Company s Annual Report on Form 10-K for the year ended December 31, 2005 and have not yet been fully remediated, the Chief Executive Officer and Chief Financial Officer have concluded that the Company s disclosure controls and procedures were not effective as of June 30, 2006.

Internal Control Over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting at the Company. The Company s internal control over financial reporting is a process designed under the supervision of the Chief Executive Officer and Chief Financial Officer to provide reasonable assurance regarding the reliability of financial reporting and the preparation of our financial statements for external reporting purposes in accordance with U.S. generally accepted accounting principles (GAAP). A company s internal control over financial reporting includes policies and procedures that (1) pertain to the maintenance of records that accurately and fairly reflect, in reasonable detail, transactions and dispositions of our assets, (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial

statements in accordance with generally accepted accounting principles and that receipts and expenditures are being made only in accordance with authorizations of management and the directors of the Company, and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of our assets that could have a material effect on our financial statements.

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

As of December 31, 2005, the Company carried out an evaluation, under the supervision and with the participation of the Company s management, including the Company s Chief Executive Officer and Chief Financial Officer, of the effectiveness of the Company s internal control over financial reporting pursuant to Rule 13a-15(c), as adopted by the SEC under the Exchange Act. In evaluating the effectiveness of the Company s internal control over financial reporting, management used the framework established in Internal Control Integrated Framework, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

A material weakness is a control deficiency, or combination of control deficiencies, that results in more than a remote likelihood that a material misstatement of the annual or interim financial statements will not be prevented or detected. Management identified the following material weaknesses as of December 31, 2005:

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

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

These material weaknesses resulted in the restatement, in December 2005, of the Company s previously issued consolidated financial statements as of December 31, 2004 and 2003, and for each of the years in the three-year period ended December 31, 2004, and the interim consolidated financial information for each of the quarterly periods in 2004 and 2003 and the quarterly period ended March 31, 2005. Specifically, the aforementioned material weaknesses in internal control over financial reporting as of December 31, 2005 resulted in the following accounting errors:

(1) Derivative equity warrant assets with net share settlement provisions were not reported as derivatives

in accordance with the provisions of Statement of Financial Accounting Standards (SFAS) No. 133, *Accounting for Derivative Instruments and Hedging Activities*, as amended. Specifically, the Company failed to properly reflect the fair value of equity warrant assets with net settlement terms received during lending activity in our consolidated balance sheet, the change in fair value of the equity warrant assets in the income statement and the accretion of the grant date fair value of equity warrant assets to interest income as a yield adjustment.

(2) Initial non-refundable corporate finance fees were not reported in accordance with the provisions of Staff Accounting Bulletin No. 104, *Revenue Recognition*. Specifically, the Company failed to defer recognition of initial upfront non-refundable retainers received upon execution of engagement letters to provide mergers and acquisitions advisory services until the completion of all contractual obligations pursuant to the terms of the engagement letters or upon receipt or notification of an engagement termination letter.

(3) Non-refundable loan fees and costs associated with the Company s lending products and fees associated with letters of credit were not reported in accordance with the provisions of SFAS No. 91, *Accounting for Nonrefundable Fees and Costs Associated with Originating or Acquiring Loans and Initial Direct Costs of Leases.* Specifically, the Company failed to recognize net fee revenue in accordance with the appropriate straight-line or interest method, as prescribed by SFAS No. 91, for net loan fee income obtained in connection with the extension of lending products. In addition, the Company inappropriately recognized non-refundable loan fees that it receives for factoring loans

immediately rather than deferring and amortizing fees over the term of the facility granted. The Company did not properly defer direct loan origination costs associated with originating certain loan products. In addition, the Company misclassified fees on certain letters of credit as interest income rather than noninterest income on commitments where the probability of exercise was deemed remote.

(4) Certain investment securities that were readily convertible to known amounts of cash and present insignificant risk of changes in value with original or purchased maturity dates of 90 days or less were not reported as cash equivalents in accordance with the provisions of SFAS No. 95, *Statement of Cash Flows*. This misapplication of GAAP resulted in a reclassification in the Company s consolidated balance sheets of money market mutual fund investments and commercial paper investments from Investment securities to Federal funds sold and securities purchased under agreement to resell and other short-term investment securities.

(5) Current federal income taxes receivable and current federal income taxes payable were not reflected net on the Company s balance sheets. This misapplication of GAAP resulted in a change to the Company s other assets and other liabilities. Current federal income taxes receivable and current federal income taxes payable should be netted as the Company has the legal right of offset, as defined by FIN No. 39, *Offsetting of Amounts Related to Certain Contracts*.

Remediation of Material Weaknesses

The Company s management has identified the steps necessary to address the aforementioned material weaknesses, including:

Documenting of processes and procedures, along with appropriate training, to ensure that the Company s accounting policies, which have been corrected to conform with U.S. GAAP, are consistently applied going forward;

Hiring additional accounting personnel to ensure that accounting personnel with adequate experience, skills and knowledge particularly in relation to complex or non-routine transactions are directly involved in the review and accounting evaluation of such transactions;

Involving internal personnel assisted by external advisors, as deemed necessary, early in the process, particularly in complex or non-routine transactions, to obtain additional guidance as to the application of generally accepted accounting principles to any such proposed transaction;

Ensuring comprehensive documentation supporting management s analysis of the appropriate accounting treatment for equity warrant derivatives or other non-routine or complex transactions and the related review thereof are completed to standards established by senior accounting personnel and the principal accounting officer;

Requiring senior accounting personnel and the principal accounting officer to review all complex or non-routine transactions to evaluate and approve the accounting treatment for such transactions; and

Requiring regular periodic review of all significant accounting policies and their adoptions, application, and impact by senior accounting personnel and the principal accounting officer together with the Audit Committee of the Board of Directors.

The Company began to execute the remediation plans identified above in the third quarter of 2005, and we believe our controls and procedures will continue to improve as a result of the further implementation of these actions.

We cannot assure you that these remediation efforts will be successful or that our internal control over financial reporting will be effective in accomplishing all control objectives all of the time. See Part I, Item 3. Quantitative and Qualitative Disclosures about Market Risk Factors That May Affect Future Results.

Changes in Internal Control

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

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

On May 24, 2001, Gateway Communications, Inc. (Gateway) filed a lawsuit in the United States Bankruptcy Court for the Southern District of Ohio (Western Division) naming the Bank as a defendant. Gateway (the debtor in the bankruptcy case) alleges that the Bank s actions in connection with a loan resulted in Gateway s bankruptcy, and seeks $20 million in compensatory damages, punitive damages, interest and attorneys fees. On June 24, 2003, the Court dismissed four of the five counts in the complaint, including the claim for punitive damages, leaving one breach of contract claim. Trial for the matter has been postponed and the pre-trial conference with the Court rescheduled to September 2006.

Certain lawsuits and claims arising in the ordinary course of business have been filed or are pending against us or our affiliates. Based upon information available to us, our review of such claims to date and consultation with our outside legal counsel, management believes the liability relating to these actions, if any, will not have a material adverse effect on our liquidity, consolidated financial position, or results of operations. Where appropriate, as we determine, reserves have been established in accordance with SFAS No. 5, Accounting for Contingencies. The outcome of litigation and other legal and regulatory matters is inherently uncertain, however, and it is possible that one or more of the legal or regulatory matters currently pending or threatened could have a material effect.

During the second quarter of 2006, we recorded a charge against earnings of $1.8 million in anticipation of the settlement of a litigation matter.

ITEM 1A. RISK FACTORS

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

The risk factors set forth below are also set forth in our 2005 Form 10-K. No material changes have been made, except for the addition of two new risk factors related to historical stock option grant activities described under Operational Risks.

Credit Risks

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

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

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

Our loan portfolio has a credit profile different from that of most other banking companies. Many of our loans are made to companies in the early stages of development with negative cash flow and no established record of profitable operations. In many cases, repayment of the loan is dependent upon receipt of additional equity financing from venture capitalists or others. Collateral for many of the loans often includes intellectual property, which is difficult to value and may not be readily salable in the case of default. Because of the intense competition and rapid technological change that characterizes the companies in our technology and life science industry sectors, a borrower s financial position can deteriorate rapidly. We also make loans that are larger, relative to the revenues of the borrower, than those made by traditional small business lenders, so the impact of any single borrower default may be more significant to us. Because of these characteristics, our level of nonperforming loans and loan charge-offs can be volatile and can vary materially from

period to period. Changes in our level of nonperforming loans may require us to make material provisions for loan losses in any period, which could reduce our net income or cause net losses in that period.

Market/Liquidity Risks

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

A major portion of our net income comes from our interest rate spread, which is the difference between the interest rates paid by us on interest-bearing liabilities, such as deposits and other borrowings, and the interest rates and fees we receive on interest-earning assets, such as loans extended to our clients and interest rates we receive on securities held in our investment portfolio. Interest rates are highly sensitive to many factors beyond our control, such as inflation, recession, global economic disruptions, unemployment and the fiscal and monetary policies of the federal government and its agencies. In addition, legislative changes could affect the manner in which we pay interest on deposits or other liabilities. For example, Congress has for many years debated repealing a law that prohibits banks from paying interest rates on checking accounts. If this law were to be repealed, we would be subject to competitive pressure to pay interest on our clients checking accounts, which would negatively affect our interest rate spread. Any material decline in our interest rate spread would have a material adverse effect on our business and profitability. Additionally, a portion of our loan fee income, a component of loan interest income, is predicated on the receipt of warrant assets. If we fail to continue to receive warrant assets our future interest margin may decline.

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

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

Warrant, venture capital fund, and direct equity investment portfolio gains or losses depend upon the performance of the portfolio investments and the general condition of the public equity markets, which is uncertain.

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

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

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

While an active market for public equity offerings and mergers and acquisitions generally has positive implications for our business, one negative consequence is that our clients may pay off or reduce their loans with us if they complete a public equity offering or are acquired or merge with another company. Any significant reduction in our outstanding loans could have a material adverse effect on our business and profitability.

Operational Risks

Many technology companies have been subject to scrutiny concerning their historical stock option grant activities which could negatively impact our client borrower market.

In recent periods, there have been several reports in the media questioning public company stock option practices, as well as a number of formal and informal regulatory investigations and other actions in connection with the historical stock option grant activities of certain companies. Many of our client borrowers utilize stock options in their employee compensation programs and, as such, could be adversely affected by these developments. Any increase in litigation, investigations or other regulatory actions which adversely affect companies that grant employee stock options, or that adversely affect the technology sector more generally, could adversely affect our client borrowers and potential client borrowers and therefore could result in a material adverse impact on our results of operations.

We have initiated a voluntary internal review of our historical stock option practices. If we were to discover facts in our review requiring us to change our accounting treatment of previously granted stock options, our stock price and/or our results of operations could be adversely affected.

In light of the recent reports in the media concerning stock option practices, we have voluntarily initiated an internal review of our historical stock option grant activities and related accounting treatment. We have not yet completed that review. If we were to discover facts in our review that would require us to change our accounting treatment of stock options granted in prior periods, this could result in restatements of our historical financial statements, regulatory scrutiny or penalties, lawsuits filed against us, inability to timely file our required reports with the SEC and/or delisting from the Nasdaq stock market, or other adverse effects, any of which could have a material adverse effect on our stock price and/or our results of operations.

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

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

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

In December 2004, the FASB issued SFAS No. 123 (revised 2004), Share-Based Payment, which is a revision of SFAS No. 123 and supersedes APB No. 25, and requires us to record compensation expense for all employee share based payments. The Company adopted SFAS No. 123(R) on January 1, 2006. This expense has had and likely will continue to have a material impact on our results of operations going forward.

In May 2006, in an effort to align our option grant rate to that of other financial institutions similar to us, we committed to restrict the total number of shares of our common stock subject to our stock options, restricted stock awards, restricted stock unit awards, stock bonus awards and any other equity awards granted during a fiscal year as a percentage of the total number of shares outstanding on a prospective basis. We may in the future consider taking other actions to modify employee compensation structures, such as granting cash compensation or other forms of equity compensation. Our decision to reduce the number of option shares to be granted on a prospective basis, and any other future changes we may adopt in our employee compensation structures, could adversely affect our results of operations and cash flows, as well as our ability to attract, recruit, and retain certain key employees.

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

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

People generally are concerned with security and privacy on the internet and any publicized security problems could inhibit the growth of the internet as a means of conducting commercial transactions. Our ability to provide financial services over the Internet would be severely impeded if clients became unwilling to transmit confidential information online. As a result, our operations and financial condition could be adversely affected.

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

Our operations can be subject to natural disasters and other events beyond our control, such as earthquakes, fires, public health issues, power failures, telecommunication loss, terrorist attacks, and acts of war. Our corporate headquarters and a portion of our critical business offices are located in California near major earthquake faults. Such events of disaster, whether natural or manmade, could cause severe destruction or interruption to our operations and as a result, our business could suffer serious harm. In addition, our business continuity program which we began phasing in during 2005 has not yet been completed. There is no assurance that our business continuity program can adequately mitigate the risks of such business interruptions.

We rely on other companies to provide key components of our business infrastructure.

Third parties provide key components of our business infrastructure such as internet connections and network access. Any disruption in internet, network access or other voice or data communication services provided by these third parties or any failure of these third parties to handle current or higher volumes of use could adversely affect our ability to deliver products and services to our customers and otherwise to conduct our business. Technological or financial difficulties of a third party service provider could adversely affect our business to the extent those difficulties result in the interruption or discontinuation of services provided by that party.

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

We have a complex set of information technology systems and processes to support our business. Our systems consist of multiple information systems that complicate our processing, reporting and analysis of our business transactions and business information. Although we have continuously improved our business systems and processes, as our business grows larger and more complex, our current systems and processes will likely not be able to support the growth effectively and there is no assurance that we can effectively and timely improve our systems and processes to meet all of our business needs efficiently.

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

In deciding whether to extend credit or enter into other transactions with customers and counterparties, we may rely on information furnished to us by or on behalf of customers and counterparties, including financial statements and other financial information. We also may rely on representations of customers and counterparties as to the accuracy and completeness of that information and, with respect to financial statements, on reports of independent auditors. For example, in deciding whether to extend credit, we may assume that a customer s audited financial statements conform with accounting principles generally accepted in the United States (GAAP) and present fairly, in all material respects, the financial condition, results of operations and cash flows of the customer. We also may rely on the audit report covering those financial statements. Our financial condition and results of operations could be negatively affected by relying on financial statements that do not

comply with GAAP or that are materially misleading.

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

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

Changes in accounting standards could materially impact our financial statements.

From time to time, the Financial Accounting Standards Board (FASB) changes the financial accounting and reporting standards that govern the preparation of our financial statements. These changes can be hard to predict and can

materially impact how we record and report our financial condition and results of operations. In some cases, we could be required to apply a new or revised standard retroactively, resulting in our restating prior period financial statements.

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

Our management has determined that as of December 31, 2005, we did not maintain effective internal control over financial reporting based on criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in Internal Control-Integrated Framework as a result of identified material weaknesses in our internal control over financial reporting. Specifically, we did not have adequately designed internal controls in our financial reporting process related to the selection and application of generally accepted accounting principles in that (a) accounting policies, procedures and practices were not consistently developed, maintained or updated in a manner ensuring that financial statements were prepared in accordance with U.S. generally accepted accounting principles, (b) these policies and procedures were not designed to consistently ensure the preparation and retention of adequate documentation to support key judgments made in connection with the selection and application of significant accounting policies within our financial reporting process and (c) our policies and procedures did not consistently provide for effective analysis, implementation, and documentation of new accounting pronouncements. In addition, we did not maintain sufficient levels of appropriately qualified and trained personnel in our financial reporting processes resulting in our inability to establish internal control over financial reporting policies and procedures related to (1) the timely preparation of comprehensive documentation supporting management s analysis of the appropriate accounting treatment for warrant derivatives or other non-routine or complex transactions, and (2) the review of such documentation by qualified internal staff, assisted by external advisors as deemed necessary, to determine our completeness and the propriety of our conclusions. For a detailed description of these material weaknesses and our remediation efforts and plans, see Part I, Item 4. These control deficiencies resulted in material errors in our financial reporting which resulted in a restatement of our financial statements for the years 2002, 2003 and 2004. This restatement process took five months to complete, required substantial resources and personnel, and included a comprehensive review of our financial statements and accounting practices by our auditors. However, we have not yet fully remediated these material weaknesses.

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

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

Legal/Regulatory Risks

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

SVB Financial Group, including Silicon Valley Bank, is extensively regulated under federal and state law. These regulations are intended primarily for the protection of depositors, other clients, and the deposit insurance fund not for the benefit of stockholders or security holders. Federal and state laws and regulations limit or otherwise affect the activities in which SVB Financial Group, including Silicon Valley Bank, may engage. A change in the applicable statutes, regulations, or regulatory policy may have a material effect on our business and that of our subsidiaries in substantial and unpredictable ways including by placing limitations on the types of financial services and products we may offer or increasing the ability of nonbanks to offer competing financial services and products. In addition, SVB Financial Group, including Silicon Valley Bank, is required to maintain certain minimum levels of capital. Federal and state banking regulators possess broad powers to take supervisory action, as they deem appropriate, with respect to SVB Financial Group, including Silicon Valley Bank. SVB Alliant and SVB Securities, both broker-dealer subsidiaries, are regulated by the SEC, the National Association of Securities Dealers, Inc. (NASD) and state securities regulators. Violations of the stringent regulations governing the actions of a broker-dealer can result in the revocation of broker-dealer licenses, the imposition of censures or fines, the issuance of cease and desist orders, and the suspension or expulsion from the securities business of a firm, its officers or employees. Supervisory

actions can result in higher capital requirements, higher insurance premiums, and limitations on the activities of SVB Financial Group, including Silicon Valley Bank. These supervisory actions could have a material adverse effect on our business and profitability. Any increased or unanticipated regulatory scrutiny or review may impact the conduct of our business and could have a material adverse effect on our business and profitability, since existing resources would be detracted from the current conduct of business and reprioritized to resolve any such review. For example, the scope and degree of regulatory scrutiny of Bank Secrecy Act (BSA)/anti-money laundering compliance have expanded significantly following the events of September 11, 2001 and as a result we have been focusing resources to understand our inherent BSA risk and to document our compliance. We could also receive regulatory sanctions or be subject to regulatory orders for any failure to comply with laws, regulations or policies, which may damage our reputation.

SVB Financial Group, the Parent, relies on dividends from its subsidiaries for most of its revenue.

SVB Financial Group, the Parent, is a separate and distinct legal entity from its subsidiaries. It receives substantially all of its revenue from dividends from its subsidiaries. These dividends are the principal source of funds to pay dividends on the Parent company s common and preferred stock, should the Parent elect to pay dividends, and interest and principal on its debt. Various federal and/or state laws and regulations limit the amount of dividends that our bank and certain of our nonbank subsidiaries may pay to the Parent company. Also, the Parent company s right to participate in a distribution of assets upon a subsidiary s liquidation or reorganization is subject to the prior claims of the subsidiary s creditors.

Strategic/Reputation Risks

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

Our reputation is very important to sustain our business, as we rely on our relationships with our current, former and

potential clients and stockholders, the venture capital and private equity community and the industries in which we serve. Any damage to our reputation, such as regulatory enforcement actions, downgrade of ratings, loss of customers, late filings of SEC reports and potential delisting actions, could have a material adverse effect on our business.

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

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

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

Our strategy has focused on providing banking products and services to emerging-growth and corporate technology companies receiving financial support from sophisticated investors, including venture capitalists, angels, and corporate investors. In some cases, our lending credit decision is based on our analysis of the likelihood that our venture capital or angel-backed client will receive a second or third round of equity infusion from investors. If the amount of capital available to such companies decreases, it is likely that the number of new clients and investor financial support to our existing borrowers could decrease, which would have an adverse effect on our business, profitability and growth prospects.

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

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

Other banks and specialty and diversified financial services companies, many of which are larger and have more capital than we do, offer lending, leasing, other financial products and advisory services to our client base. In some cases, our competitors focus their marketing on our industry sectors and seek to increase their lending and other financial relationships with technology companies, early stage growth companies or special industries such as wineries. In other cases, our

competitors may offer a broader range of financial products to our clients. When new competitors seek to enter one of our markets, or when existing market participants seek to increase their market share, they sometimes undercut the pricing and/or credit terms prevalent in that market, which could adversely affect our market share. Our pricing and credit terms could deteriorate if we act to meet these competitive challenges.

We face risks in connection with completed or potential acquisitions.

Although we have done so only infrequently in the past, if appropriate opportunities present themselves, we intend to acquire businesses, technologies, services or products that we believe are strategic. There can be no assurance that we will be able to identify, negotiate or finance future acquisitions successfully or integrate such acquisitions with our current business.

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

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

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

We face risks associated with international operations.

A component of our strategy is to expand internationally on a limited basis, which requires management s attention and resources. We already opened offices in the UK, India and China and plan to expand our operations in those locations and are exploring adding other locations. In addition to the uncertainty regarding our ability to generate revenues from foreign operations and to expand our international presence, there are certain risks inherent in doing business on an international basis, including, among others, legal and regulatory requirements, legal uncertainty regarding liability, tariffs, and other trade barriers, difficulties in staffing and managing foreign operations, differing technology standards or customer requirements, requirements or restrictions relating to making foreign direct investments, difficulties associated with repatriating cash generated or held abroad in a tax-efficient manner, longer payment cycles, different accounting practices, problems in collecting loan or other types of payments, political and economic instability, seasonal reductions in business activity, changes in tax laws and potentially adverse tax consequences, any of which could adversely affect the success of our international operations. In addition, in many foreign countries, particularly in those with developing economies, it is common to engage in business practices that are prohibited by regulations applicable to us, such as the Foreign Corrupt Practices Act. Although we implement policies and procedures designed to ensure compliance with these laws, our employees and agents may take actions in violation of our policies. Any such violation, even if prohibited by our policies, could have a material adverse effect on our business. To the extent we continue to expand our international operations and have additional portions of our international revenues denominated in foreign currencies, we could become subject to increased risks relating to foreign currency exchange rate fluctuations.

Since we have limited experience in globalizing our service, there can be no assurance that we will be successful in expanding into international markets or that one or more of the factors discussed above will not have a material adverse effect on our business, results of operations, and/or financial condition.

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

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

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

(c) Purchases of Equity Securities by the Issuer and Affiliated Purchasers

Period	(a) Total Number of Shares Purchased	(b) Average Price Paid per Share	(c) Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs(1)	(d) Maximum Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs(1)
April 1, 2006 April 30, 2006	$ 105,000	$ 53.13	105,000	$ 70,100,000
May 1, 2006 May 31, 2006	580,000	49.66	580,000	41,400,000
June 1, 2006 - June 30, 2006	200,000	46.21	200,000	32,200,000
Total	$ 885,000	$ 49.29	885,000	

(1) We have in place a program authorizing our repurchase of up to a total of $305.0 million of stock. The repurchase program was initially authorized by our Board of Directors and announced on May 7, 2003 for $160.0 million (with no expiration date), and was subsequently increased by $75.0 million (to be repurchased before June 30, 2006) and $70.0 million (to be repurchased before June 30, 2007) and announced on January 27, 2005 and January 26, 2006, respectively. Unless earlier terminated by the Board, the program will expire on June 30, 2007. As of June 30, 2006, we have repurchased 7.9 million shares totaling $272.8 million. At June 30, 2006, the approximate dollar value of shares that may still be repurchased under this program was $32.2 million.

On July 20, 2006, our Board of Directors increased the stock repurchase plan and authorized up to an additional $70.0 million of common stock to be repurchased. We may, at our discretion, exercise this additional repurchase authority at any time on or before June 30, 2008 in the open market, through block trades or otherwise, pursuant to applicable securities laws. Depending on market conditions, availability of funds, and other relevant factors, we may begin or suspend repurchases at any time prior to the termination of the repurchase program on June 30, 2008, without any prior notice.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

The 2006 Annual Meeting of Stockholders was held on May 11, 2006. The Company s directors are elected on an annual basis. Each of the ten persons named in the Proxy Statement as a nominee for director was elected and each of the other items of business that were presented at the meeting for approval or ratification was approved or ratified, as applicable. The voting results were as follows:

Election of Directors	In Favor	Withheld
Eric A. Benhamou	32,871,310	706,916
David M. Clapper	32,995,020	583,206
Roger F. Dunbar	32,244,351	1,333,875
Joel P. Friedman	32,987,178	591,048
G. Felda Hardymon	22,388,376	11,189,850
Alex W. Pete Hart	32,252,294	1,325,932
C. Richard Kramlich	22,293,020	11,285,206
James R. Porter	32,313,422	1,264,804
Michaela K. Rodeno	32,275,717	1,302,509
Kenneth P. Wilcox	32,998,721	579,505

Effective as of July 10, 2006, the Board of Directors of elected Ms. Kyung H. Yoon as a new director. Accordingly, the Board has fixed the number of authorized directors at eleven (11).

Other Matters	In Favor	Opposed	Abstain	Broker Non-Vote
Approval of the 2006 Equity Incentive Plan	15,830,046	13,182,656	62,003	4,503,521
Ratification of Appointment of KPMG LLP as the Company s Independent Registered Public Accounting Firm of its Fiscal Year Ending December 31, 2006.	31,833,390	1,677,877	66,959	

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

See Index to Exhibits at end of report.

SIGNATURE

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

SVB Financial Group

Date: August 9, 2006

/s/ JACK F. JENKINS-STARK
Jack F. Jenkins-Stark
Chief Financial Officer

(Principal Financial Officer and
Principal Accounting Officer)

SVB Financial Group

Form 10-Q

Index to Exhibits

Exhibit	Description
10.35	Approval and Restatement of 2006 Equity Incentive Plan
11	Earnings Per Share Computation - included in Note 4 of the Notes to Interim Consolidated Financial Statements
31.1	Certification of the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification of the Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002