SVB Financial Group Q2 2021 CEO Letter

July 22, 2021

To our Stakeholders:

SVB delivered another quarter of outstanding financial performance, with **Earnings Per Share of $9.09, Net Income of $502 million and Return on Equity of 22 percent**.

Q2'21 highlights: Another quarter of exceptional growth and profitability

The innovation markets continued to generate robust liquidity, through strong fundraising, investment and exit activity, all of which contributed to healthy client activity and another exceptional quarter of balance sheet growth and revenues for SVB. Average assets increased by $26 billion or 21 percent to $151 billion, while average client funds reached $308 billion, a $46 billion or 18 percent increase for the quarter.

Continuing the trend of recent quarters, our balance sheet growth more than offset pressure from low rates, driving net interest income of $735 million, an 11 percent quarterly increase and a 42 percent increase year over year. We have nearly doubled the size of our balance sheet in the past year, driving exceptional NII growth, and establishing a foundation for higher sustainable net interest income generation in the future.

Our strong execution and thriving markets enabled us to deliver excellent performance across our business, with robust average loan growth of 8 percent and a new milestone of $50 billion in period-end loan balances—all the more remarkable given $800 million in repayments in our PPP portfolio; strong warrant and investment gains of $314 million, net of non-controlling interests; improved core fee income growth of 8 percent due to record foreign exchange activity and higher card and deposit fees; and robust SVB Leerink revenues of $120 million. Finally, improving economic conditions contributed to another quarter of stable credit.

We've achieved exceptional growth and have further raised our expectations for future performance. To support this growth and capitalize on our long-term growth opportunity, we are further accelerating investments in our strategic priorities.

Strong markets and effective execution continue to drive extraordinary growth

Against the backdrop of exceptional global liquidity, healthy funding, and robust client activity, we continue to execute strongly, and added a record 1,700+ new clients in the second quarter through our consistent focus on client engagement and expanding the range of services we offer to clients. These investments -- in people, technology, and infrastructure -- are directly supporting our growth and peer-leading profitability.

Robust tailwinds and resilient client funds growth

We continue to enjoy the tailwinds from a strongly performing innovation sector and accelerated digital adoption and healthcare activity, which, helped by low interest rates, have driven extraordinary levels of investment and liquidity. U.S. VC investment remained strong and, as of the end of 1H'21, was already

at 91 percent of full-year 2020 levels. Likewise, US PE investment continued at a record-setting pace through the first half of the year. Our focus on innovation and our high market share of venture-backed companies, have enabled us to capture a great deal of this liquidity and drive resilient client funds growth over time. While the PE and VC markets are subject to pullbacks like any other market, over the long term we expect the resilient innovation economy to continue to attract ample investment and drive economic growth.

Active capital management to support extraordinary growth

Our high-quality balance sheet, off-balance sheet solutions, and robust and highly profitable earnings power have historically provided ample support for our capital. However, our exceptional balance sheet growth continued to outpace our forecasts and we have increased our 2021 growth outlook again as a result of our strong second quarter performance. To sustain our growth momentum, in the second quarter we raised $1.5 billion in preferred equity and senior debt, issued $150 million in common equity from the full exercise of the greenshoe option related to our first quarter common equity offering, and down-streamed $1.3 billion of holding company liquidity to the bank.

We are focused on seizing the opportunity we see in our markets and expect to continue to optimize our capital composition to support our current growth, drive future growth and advance our strategic priorities.

Investments to enhance and diversify our business have helped drive earnings through rate and economic cycles

Our robust balance sheet growth has enabled us to offset the impact of low interest rates, generating strong NII and exceptional returns quarter after quarter. We believe this growth will provide the foundation for strong, sustainable NII growth in future quarters.

These expectations give us a high level of confidence in the accelerated investments we're making to grow our business. This confidence is underscored by the growing diversified earnings streams we're seeing from our investments in fee-based banking services, investment banking, and international expansion, on top of market-driven investment and warrant gains.

Our vision: Be the most sought-after digital-age partner helping innovators, enterprises and investors move bold ideas forward fast

Our vision to be the partner of choice for innovators, enterprises and investors continues to drive our business strategy. Over the years, we have built a unique platform of four complementary business lines, an unmatched network and differentiated expertise, all of which enable us to make a meaningful difference in our clients' success.

Accelerating investments in our strategic priorities to drive and support long-term growth

We are focused on deepening and expanding our platform and accelerating investments in key strategic priorities to enhance the client experience, improve employee enablement, drive revenue growth and enhance risk management. While this involves a broad range of investments, one of the most visible is the expansion of SVB Leerink, which has been actively hiring leaders and senior bankers. These new team members are enabling SVB Leerink to expand its capabilities and capacity across the organization,

most notably in healthcare services. As we continue to expand SVB Leerink, we expect to make a technology investment banking announcement very soon.

Closed acquisition of Boston Private: well positioned to capture compelling private banking and wealth management opportunity

Also on the investment front, on July 1, we closed our acquisition of Boston Private, which will significantly accelerate and scale the growth of our private bank and wealth management strategy, enabling us to capture a larger portion of an estimated $400 billion* opportunity among our clients. The combined organization will be led by Anthony DeChellis (CEO, SVB Private Bank & Wealth Management) and Yvette Butler (President, SVB Private Bank & Wealth Management), and will offer a premier private banking and wealth platform, with trusted advisors and teams, a full product suite and bespoke solutions, and a next-generation digital wealth-access portal. While much of our focus will be on integrating the two businesses to create a single cohesive team, at the same time we expect to opportunistically hire select investment teams to further augment our capabilities, expertise and client access.

Strategic investments provide another channel to expand our capabilities to better meet client needs

Strategic investments are another growing area of investment focus for us as we expand our capabilities to meet clients' needs and continually improve our execution. This week we announced a joint venture with Nasdaq and a consortium of leading investment banks to create Nasdaq Private Market, an institutional-grade, secondary trading venue for private company stock. This investment will provide our clients with more liquidity options and broader access to investment opportunities. We have made select investments of this type over the years, and expect to do them more frequently moving forward, leveraging the expertise of select, specialist organizations to bolster our own offerings.

Investments to support our growth

One last area of focus is continuous infrastructure and regulatory investments to support the tremendous growth we've had to date and expect in the future. These investments have been key as we crossed the $100 billion asset threshold and will remain a significant area of focus as we prepare to become a Category III LFI institution, which will occur when we exceed $250 billion in consolidated assets or $75B in short-term wholesale funding, non-bank assets or off-balance sheet exposure. Our investment on this front will ensure that our growth momentum is not interrupted.

Well-positioned for rising rates

We remain well-positioned for rising rates, with an asset-sensitive balance sheet, robust growth in our NII-generating base, and substantial client liquidity off the balance sheet that will generate higher fee margins as short-term rates increase. We estimate each Fed Funds increase of 25 basis points will generate approximately $300 million in additional interest and fee income on today's balance sheet. For now, we continue to benefit from strategies we put in place in recent years to protect our net interest

* Estimated Total Client Position (TCP) of SVB's current clients based SVB management estimates (2020). TCP includes potential wealth management assets, deposits and lending.

income as rates were falling, including interest rate swaps and interest rate floors on loans. And we have actively positioned our securities portfolio to create flexibility and mitigate the risk of rising long-term rates through hedges, duration targeting and shifting the mix toward held-to-maturity investments.

Long-term growth opportunity

While we are extremely pleased with the growth we're seeing today and our ability to deliver strong returns for investors, we are just as excited about our long-term growth opportunity. Our strong client funds franchise and robust earnings power put us in the enviable position of being able to invest in initiatives that have the potential to expand our business significantly, while our high-quality balance sheet and strong capital give us a stable foundation for this growth.

With decades of proven leadership through all kinds of markets – exuberant and bleak – we are realistic about potential for global economic or geopolitical events to change the complexion of the current markets and affect our outlook. We are accustomed to adapting to shifting conditions and leveraging the resilience and diversity we've built into our business to drive strong performance. Markets and moods may change. What won't change, however, is our faith in and focus on innovators and the innovation economy, which has, for decades, been a powerful driver of global economic growth, touching and transforming nearly every aspect of our lives in the process.



Greg Becker
President and CEO