



Federal Reserve Bank of San Francisco

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LFBO DEDICATED SUPERVISORY TEAM LEAD

LARGE INSTITUTIONS SUPERVISION GROUP
SUPERVISION + CREDIT

October 11, 2022

BY SECURE EMAIL

Board of Directors
Silicon Valley Bank Financial Group
3003 Tasman Drive
Santa Clara, California 95054

Dear Board Members:

This letter conveys the Capital component rating of the LFI Rating System for Silicon Valley Bank Financial Group (SVBFG or the “Firm”) based on recently conducted supervisory work. The rating assessment reflects the body of work since the previous ratings were communicated. The body of work includes conclusions from horizontal and firm-specific examination work, continuous monitoring, engagement with other regulators, and meetings with management and directors.

LFI Rating(s)

Capital – Broadly Meets Expectations

LFI Rating Component	Previous Rating / N/A	Previous Rating / 06/30/2022	Current Rating / 10/11/2022
Capital Planning & Positions	N/A	Broadly Meets Expectations	Broadly Meets Expectations

The capital rating reflects the Federal Reserve’s assessment of: (1) the governance and planning processes used by the firm to determine amount of capital necessary to cover risks and exposures, and support activities through a range of conditions; and (2) the sufficiency of capital positions to comply with regulatory requirements and support the firm’s ability to continue to serve as a financial intermediary through a range of conditions. The ratings

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assessment reflects the conclusions from horizontal and firm-specific examination work, continuous monitoring, and meetings with management and directors.

The Capital rating for SVBFG remains unchanged at Broadly Meets Expectations (BME). SVBFG maintains adequate levels of high-quality capital to support ongoing operations and initiatives commensurate with its risk profile. The firm's internal post-stress capital positions reflect a sufficient buffer to comply with applicable regulatory requirements and support the firm through a range of conditions. In managing capital adequacy, the firm established generally effective governance and capital planning processes and successfully developed and submitted a Capital Plan as a new entrant under the Capital Plan Rule. While overall results were encouraging, practices for internal audit and CECL methodology were not fully consistent with supervisory expectations. The firm is expected to address corresponding supervisory concerns promptly.

The board and senior management should continue to focus on maintaining prudent capital positions and improving capital planning practices. This is especially prudent given emerging economic risks and market volatility. While recent changes in market conditions have slowed deposit growth and delayed the firm's progression towards Category III and Category II standards, the firm should continue executing internally developed improvement plans for capital planning in a timely manner as conditions may shift quickly.

Closing

We request that this supervisory letter be reviewed at the next meeting of the board of directors and the meeting minutes record its consideration.

We appreciate the assistance received from your management team and staff. As a reminder, this letter is the property of the Board of Governors and is furnished to directors and management for their confidential use under applicable law.¹ We welcome the opportunity to further discuss any aspect of this letter or our supervisory process with members of the

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board or management.² Should you have any comments or questions regarding this letter, please directly contact **Redacted** at **Redacted** or **Redacted**@sf.frb.org.

Sincerely,

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LFBO Dedicated Supervisory Team Lead

cc: Ben Jones, Head of Regulatory Affairs

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Federal Deposit Insurance Corporation

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California Department of Financial

Protection and Innovation

² Any institution about which the Federal Reserve makes a written material supervisory determination is eligible to utilize the appeals process as described in the Appeals Process and Board Ombudsman (Ombuds) Policy Statement (See also 85 Fed. Reg. 15,175 (March 17, 2020)). The Ombuds can provide assistance regarding questions related to the appeals process and claims of retaliation as well as assist in facilitating the informal resolution of a supervised institution's concerns prior to the filing of a formal appeal. For more information about the Ombuds, please visit the Federal Reserve Board's public website.