UNITED STATES DISTRICT COURT

NORTHERN DISTRICT OF CALIFORNIA

_______, Individually and on Behalf of All Others Similarly Situated, Plaintiff, v. SVB FINANCIAL GROUP, GREG W. BECKER, and DANIEL J. BECK, Defendants.	Case No. DRAFT **CLASS ACTION COMPLAINT FOR VIOLATIONS OF THE FEDERAL SECURITIES LAWS**

Plaintiff ______________________ ("Plaintiff"), individually and on behalf of all others similarly situated, by and through his attorneys, alleges the following upon information and belief, except as to those allegations concerning Plaintiff, which are alleged upon personal knowledge. Plaintiff's information and belief is based upon, among other things, his counsel's investigation, which includes without limitation: (a) review and analysis of regulatory filings made by SVB Financial Group ("SVB" or the "Company") with the United States ("U.S.") Securities and Exchange Commission ("SEC"); (b) review and analysis of press releases and media reports issued by and disseminated by SVB; and (c) review of other publicly available information concerning SVB.

NATURE OF THE ACTION AND OVERVIEW

1. This is a class action on behalf of persons and entities that purchased or otherwise acquired SVB securities between June 16, 2021 and March 10, 2023, inclusive (the "Class Period"). Plaintiff pursues claims against the Defendants under the Securities Exchange Act of 1934 (the "Exchange Act").

2. SVB is a bank holding company and financial holding company. For reporting purposes, SVB has four reporting segments: Silicon Valley Bank (the "Bank"), SVB Private, SVB Capital, and SVB Securities. The Bank primarily services clients in the technology and life science/healthcare industries, as well as global private equity and venture capital clients.

3. On March 8, 2023, SVB announced that it intends to raise more than $2 billion through offerings of common stock and depositary shares and that it had sold approximately $21 billion of its available-for-sale securities, which will result in an after-tax loss of roughly $1.8 billion in the first quarter of 2023. The Company had taken these actions to "strengthen [its] financial position" after "client cash burn . . . remained elevated and increased further in February, resulting in lower deposits than forecasted."

4. On this news, the Company's common share price fell $161.79, or ***60.4%***, to close at $106.04 per share on March 9, 2023, thereby injuring investors.

5. Media outlets reported that various venture capital funds had advised their portfolio companies to pull their money out of SVB accounts. In a single day, investors and depositors

attempted to pull $42 billion from the Bank. The run pushed the Bank into insolvency, and was placed into Federal Deposit Insurance Corporation ("FDIC") receivership on March 10, 2023.

6. Trading of the Company's stock had been halted before the market opened on March 10, 2023, at which point it had already fallen 34% from the prior day's closing price during pre-market trading. As of the filing of the complaint, trading remains halted.

7. Throughout the Class Period, Defendants made materially false and/or misleading statements, as well as failed to disclose material adverse facts about the Company's business, operations, and prospects. Specifically, Defendants failed to disclose to investors: (1) the risk that impending rising interest rates would negatively impact the bonds that the Company had invested in; (2) that because the Company's clients were highly concentrated in the areas of tech startups and venture capital-backed companies, it would be worse off than banks that had more diversification among their clients in an environment with high interest rates; (3) that higher interest rates were negatively affecting their bond investments; (4) the negative impact of rising interest rates, among other problems, pushed the Company to raise capital; and (5) that, as a result of the foregoing, Defendant's positive statements about the Company's business, operations, and prospects were materially misleading and/or lacked a reasonable basis.

JURISDICTION AND VENUE

8. The claims asserted herein arise under Sections 10(b) and 20(a) of the Exchange Act (15 U.S.C. §§ 78j(b) and 78t(a)) and Rule 10b-5 promulgated thereunder by the SEC (17 C.F.R. § 240.10b-5).

9. This Court has jurisdiction over the subject matter of this action pursuant to 28 U.S.C. § 1331 and Section 27 of the Exchange Act (15 U.S.C. § 78aa).

10. Venue is proper in this Judicial District pursuant to 28 U.S.C. § 1391(b) and Section 27 of the Exchange Act (15 U.S.C. § 78aa(c)). Substantial acts in furtherance of the alleged fraud or the effects of the fraud have occurred in this Judicial District. Many of the acts charged herein, including the dissemination of materially false and/or misleading information, occurred in substantial part in this Judicial District. In addition, the Company's principal executive offices are located in this District.

11. In connection with the acts, transactions, and conduct alleged herein, Defendants directly and indirectly used the means and instrumentalities of interstate commerce, including the United States mail, interstate telephone communications, and the facilities of a national securities exchange.

PARTIES

12. Plaintiff ______________________, as set forth in the accompanying certification, incorporated by reference herein, purchased SVB securities during the Class Period, and suffered damages as a result of the federal securities law violations and false and/or misleading statements and/or material omissions alleged herein.

13. Defendant SVB is incorporated under the laws of Delaware with its principal executive offices located in Santa Clara, California. SVB's common stock trades on the NASDAQ Stock Market under the symbol "SIVB." SVB's depository shares trade on the NASDAQ Stock Market under the Symbol "SIVBP." Each depositary share represents 1/40th ownership interest in a share of 5.250% fixed-rate non-cumulative perpetual preferred stock, Series A.

14. Defendant Greg W. Becker ("Becker") was the Company's Chief Executive Officer ("CEO") at all relevant times.

15. Defendant Daniel J. Beck ("Beck") was the Company's Chief Financial Officer ("CFO") at all relevant times.

16. Defendants Becker and Beck (collectively the "Individual Defendants"), because of their positions with the Company, possessed the power and authority to control the contents of the Company's reports to the SEC, press releases and presentations to securities analysts, money and portfolio managers and institutional investors, i.e., the market. The Individual Defendants were provided with copies of the Company's reports and press releases alleged herein to be misleading prior to, or shortly after, their issuance and had the ability and opportunity to prevent their issuance or cause them to be corrected. Because of their positions and access to material non-public information available to them, the Individual Defendants knew that the adverse facts specified herein had not been disclosed to, and were being concealed from, the public, and that the positive

representations which were being made were then materially false and/or misleading. The Individual Defendants are liable for the false statements pleaded herein.

SUBSTANTIVE ALLEGATIONS

Background

17. SVB is a bank holding company and financial holding company. For reporting purposes, SVB has four reporting segments: Silicon Valley Bank (the "Bank"), SVB Private, SVB Capital, and SVB Securities. The Bank primarily services clients in the technology and life science/healthcare industries, as well as global private equity and venture capital clients.

Materially False and Misleading

Background Information

18. The Class Period begins on June 16, 2021. On that day, the Chairman of the United States Federal Reserve (the "Fed"), Jerome ("Jay") Powell, gave remarks regarding, among other things, future interest rate hikes. He also discussed future action that the Fed would be willing to take to combat inflation, including by raising interest rates. Powell's remarks were widely reported. On June 16, 2021, The Financial Times released an article entitled "Fed signals first rate rise will come in 2023."

19. On March 7, 2023, it was announced that the Federal Reserve would raise interest rates to higher levels than previously considered, and at faster rates. On March 7, 2023, The New York Times released an article entitled "Fed Chair Opens Door to Faster Rate Moves and a Higher Peak." The article quoted Powell, who told the U.S. Senate Banking Committee "[t]he process of getting inflation back down to 2 percent has a long way to go and is likely to be bumpy[.] The latest economic data have come in stronger than expected, which suggests that the ultimate level of interest rates is likely to be higher than previously anticipated."

Statements Issued During the Class Period

20. On August 6, 2021, SVB filed with the SEC its quarterly report on Form 10-Q for the period ended June 30, 2021 (the "2Q21 Report")[1]. Attached to the 2Q21 Report were

[1] Unless otherwise stated, all emphasis in bold and italics hereinafter is added.

certifications pursuant to the Sarbanes-Oxley Act of 2002 (“SOX”) signed by Defendants Becker and Beck attesting to the accuracy of financial reporting, the disclosure of any material changes to the Company’s internal control over financial reporting, and the disclosure of all fraud.

21. The 2Q21 Report did not disclose the risk that future interest rate hikes posed to the Company’s business, despite the Fed signaling that it might raise interest rates in the future, and was certainly prepared to do so in the event of rising inflation. The 2Q21 Report stated, in pertinent part, “[t]here are no material changes to the risk factors set forth in our 2020 Annual Report on Form 10-K.” (the “2020 Annual Report”).

22. The 2020 Annual Report, incorporated by reference, understated the risks posed to the Company by not disclosing that likely interest rate hikes, as outlined by the Fed, had the potential to cause irrevocable damage to the Company. The 2020 Annual Report stated, in general terms, “[o]ur interest rate spread has and may continue to decline in the future. Any material reduction in our interest rate spread could have a material adverse effect on our business, results of operations or financial condition.” Further, “[l]iquidity risk could impair our ability to fund operations and jeopardize our financial condition.”

23. On November 8, 2021, SVB filed with the SEC its quarterly report on Form 10-Q for the period ended September 30, 2021 (the “3Q21 Report”). Attached to the 3Q21 Report were certifications pursuant to SOX signed by Defendants Becker and Beck attesting to the accuracy of financial reporting, the disclosure of any material changes to the Company’s internal control over financial reporting, and the disclosure of all fraud.

24. The 3Q21 Report did not disclose the risk that future interest rate hikes posed to the Company’s business, despite the Fed signaling that it might raise interest rates in the future, and was certainly prepared to do so in the event of rising inflation. The 3Q21 Report stated, in pertinent part, “[t]here are no material changes to the risk factors set forth in our 2020 Annual Report on Form 10-K.”

25. On March 1, 2022, SVB filed with the SEC its annual report on Form 10-K for the period ended December 31, 2021 (the “2021 Annual Report”). Attached to the 2021 Annual Report were certifications pursuant to SOX signed by Defendants Becker and Beck attesting to the accuracy

of financial reporting, the disclosure of any material changes to the Company's internal control over financial reporting, and the disclosure of all fraud.

26. The 2021 Annual Report understated the risks posed to the Company by not disclosing that likely interest rate hikes had the potential to cause irrevocable damage to the Company. Specifically, the 2021 Annual Report stated, "[o]ur interest rate spread may decline in the future. Any material reduction in our interest rate spread could have a material adverse effect on our business, results of operations or financial condition." Further, "[l]iquidity risk could impair our ability to fund operations and jeopardize our financial condition."

27. On May 6, 2022, SVB filed with the SEC its quarterly report on Form 10-Q for the period ended March 31, 2022 (the "1Q22 Report"). Attached to the 1Q22 Report were certifications pursuant to SOX signed by Defendants Becker and Beck attesting to the accuracy of financial reporting, the disclosure of any material changes to the Company's internal control over financial reporting, and the disclosure of all fraud. The 1Q22 Report stated, in pertinent part, "[t]here are no material changes to the risk factors set forth in our 2021 Annual Report on Form 10-K." (the "2021 Annual Report").

28. On August 8, 2022, SVB filed with the SEC its quarterly report on Form 10-Q for the period ended June 30, 2022 (the "2Q22 Report"). Attached to the 2Q22 Report were certifications pursuant to SOX signed by Defendants Becker and Beck attesting to the accuracy of financial reporting, the disclosure of any material changes to the Company's internal control over financial reporting, and the disclosure of all fraud. The 2Q22 Report stated, in pertinent part, "[t]here are no material changes to the risk factors set forth in our 2021 Annual Report on Form 10-K." (the "2021 Annual Report").

29. On November 7, 2022, SVB filed with the SEC its quarterly report on Form 10-Q for the period ended September 30, 2022 (the "3Q22 Report"). Attached to the 3Q22 Report were certifications pursuant to SOX signed by Defendants Becker and Beck attesting to the accuracy of financial reporting, the disclosure of any material changes to the Company's internal control over financial reporting, and the disclosure of all fraud. The 3Q22 Report stated, in pertinent part, "[t]here

are no material changes to the risk factors set forth in our 2021 Annual Report on Form 10-K." (the "2021 Annual Report").

30. On February 24, 2022, SVB filed with the SEC its annual report on Form 10-K for the period ended December 31, 2022 (the "2022 Annual Report"). Attached to the 2022 Annual Report were certifications pursuant to SOX signed by Defendants Becker and Beck attesting to the accuracy of financial reporting, the disclosure of any material changes to the Company's internal control over financial reporting, and the disclosure of all fraud.

31. The 2022 Annual Report understated the risks posed to the Company by not disclosing that interest rate hikes had the potential to cause irrevocable damage to the Company. Speaking in merely general terms, the 2022 Annual Report disclosed that "[o]ur interest rate spread may decline further in the future. Any material reduction in our interest rate spread could have a material adverse effect on our business, results of operations or financial condition." Further, it stated, "[l]iquidity risk could impair our ability to fund operations and jeopardize our financial condition."

32. On January 19, 2023, SVB announced its fourth quarter 2022 financial results in a press release that stated that the Company was "well positioned with a strong balance sheet and the resources and expertise to manage successfully through the current environment." The press release stated,in greater part:

> "In the fourth quarter, ***client cash burn and the pace of VC investment decline both moderated.*** We saw solid growth in loans and core fees, better-than-expected net interest income, and healthy investment banking activity driven by Biopharma deals," said Greg Becker, President and CEO of SVB Financial Group. "While broader market conditions are limiting growth and driving somewhat higher credit costs, we continue to see strength in our underlying business, and a balance by our clients between near-term expense discipline and preparation for a return to investment and deployment. ***Until that shift occurs, we believe we remain well positioned with a strong balance sheet and the resources and expertise to manage successfully through the current environment***."
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> * * *
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> Average Total Client Funds decreased by $20.8 billion to $347.6 billion for the fourth quarter of 2022, compared to $368.4 billion for the third quarter of 2022. Period-end Total Client Funds decreased $12.2 billion to $341.5 billion at December 31, 2022, compared to $353.7 billion at September 30, 2022. ***Both client cash burn and the pace of decline in VC investment moderated during the fourth quarter of 2022 which reduced quarter over quarter period-end declines.***

33. On February 24, 2023, the Company filed its annual Form 10-K with the SEC for the period ended December 31, 2022 (the "2022 10-K"). It reported that SVB held $26.1 billion in available-for-sale ("AFS") securities at period-end. Regarding risks related to interest rates, the 2022 10-K stated, in relevant part:

> ***Our interest rate spread may further decline in the future. Any material reduction in our interest rate spread could have a material adverse effect on our business, results of operations or financial condition.***
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> A significant 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 wholesale borrowings, and the interest rates and fees we receive on our interest-earning assets, such as loans extended to our clients, securities held in our investment portfolio and excess cash held to manage short-term liquidity. Our interest rate spread can be affected by the mix of loans, investment securities, deposits and other liabilities on our balance sheet, as well as a variety of external factors beyond our control that affect interest rate levels, such as competition, inflation, recession, global economic disruptions, unemployment and the fiscal and monetary policies of various governmental bodies, such as the Federal Reserve. For example, changes in key variable market interest rates, such as the Federal Funds, National Prime ("Prime"), LIBOR, SOFR or Treasury rates, generally impact our interest rate spread. While changes in interest rates do not generally produce equivalent changes in the revenues earned from our interest-earning assets and the expenses associated with our interest-bearing liabilities, increases in market interest rates may cause, and have caused, our interest rate spread to increase, at least temporarily. Conversely, if interest rates decline, our interest rate spread may decline.
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> The Federal Reserve raised benchmark interest rates throughout 2022 and may continue to raise interest rates in response to economic conditions, particularly inflationary pressures. ***Continued increases in interest rates to combat inflation or otherwise may have unpredictable effects or minimize gains on our interest rate spread.*** For example, increases in interest rates may result in increases in the number of delinquencies, bankruptcies or defaults by clients and more nonperforming assets and net charge-offs, decreases in deposit levels, decreases to the demand for interest rate-based products and services, including loans, changes to the level of off-balance sheet market-based investments preferred by our clients, and a change in the mix of our noninterest and interest-bearing accounts, each of which may reduce our interest rate spread. Further, increases in short-term interest rates have in the past increased, and may in the future increase, the Company's cost of short-term funding. On the other hand, if the Federal Reserve reverses its course and lowers the target Federal Funds rate, low rates could constrain our interest rate spread and may adversely affect our business forecasts. In addition to affecting interest rate spreads, increased interest rates can have a material effect on the Company's business and profitability in other ways, including by decreasing the value of the Company's investment securities, shifting our deposit mix in favor of interest-bearing deposits, and/or increasing the frequency of pricing of interest-bearing deposits. ***For instance, increases in interest rates have resulted, and may continue to result in, decreases in the fair value of our AFS fixed income investment portfolio*** and increases in the pricing frequency and proportion of interest-bearing deposits, while unrealized losses to our HTM fixed income investment portfolio may, among other effects, make an acquisition of the Company more costly or less likely. We are unable to predict changes in interest

> rates, which are affected by factors beyond our control, including inflation, deflation, recession, unemployment, money supply, and other changes in financial markets.

(First emphasis in original.)

34. The above statements identified in ¶¶20-33 were materially false and/or misleading, and failed to disclose material adverse facts about the Company's business, operations, and prospects. Specifically, Defendants failed to disclose to investors: (1) the risk that impending rising interest rates would negatively impact the bonds that the Company had invested in; (2) that because the Company's clients were highly concentrated in the areas of tech startups and venture capital-backed companies, it would be worse off than banks that had more diversification among their clients in an environment with high interest rates; (3) that higher interest rates were negatively affecting their bond investments; (4) the negative impact of rising interest rates, among other problems, pushed the Company to raise capital; and (5) that, as a result of the foregoing, Defendant's positive statements about the Company's business, operations, and prospects were materially misleading and/or lacked a reasonable basis.

<u>Disclosures at the End of the Class Period</u>

35. On March 8, 2023, after the market closed, SVB issued a press release announcing a proposed offering of $1.25 billion of common stock and a proposed offering of $500 million depositary shares, each representing a 1/20th interest in a share of its Series F Mandatory Convertible Preferred Stock, liquidation preference $1,000 per share and par value. SVB entered a subscription agreement with General Atlantic to purchase $500 million of common stock at the public offering price. SVB intended to grant the underwriters the option to purchase up to an additional $187.5 million of common stock and up to an additional $75 million in depositary shares.

36. In the same press release, the Company also stated that it had sold $21 billion of its available-for-sale securities, which would result in an "after tax loss of approximately $1.8 billion in the first quarter of 2023."

37. The same day, the Company also provided a mid-quarter update. The presentation slides and a related Letter to Stakeholders were posted to SVB's investor relations page. The Letter to Stakeholders explained that these were "strategic actions to strengthen [SVB's] financial

position" because the Company "expect[s] continued higher interest rates, pressured public and private markets, and elevated cash burn levels from our clients as they invest in their businesses." The Letter further stated, in relevant part:

> During our public investor call in January, we forecasted a continued challenging market and interest rate environment. We expected continued slow public markets, further declines in venture capital deployment, and a continued elevated cash burn in the first half of 2023, with modest declines in the second half.
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> While VC deployment has tracked our expectations, ***client cash burn has remained elevated and increased further in February, resulting in lower deposits than forecasted.*** The related shift in our funding mix to more, higher-cost deposits and short-term borrowings, coupled with higher interest rates, continues to pressure NII and NIM.
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> During that period, we have also seen strong core fee income, consistent with our expectations, as the higher rate environment continues to support client investment fee margins. Credit also remains within our guidance. We continue to see healthy technology borrowing as clients opt for debt over equity, but loan balances overall remain pressured by Global Fund Banking paydowns due to slower VC and PE investment.
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> We have revised our guidance to reflect these changes in our expectations. We lowered our first quarter and full-year outlook for deposits, NII, NIM, SVB Securities and expenses, while increasing our full year outlook for core fee income. Our revised guidance assumes the current market dynamics impacting our business continue through the end of 2023.
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> While it impacts our guidance in the near term, we believe the repositioning of our balance sheet positions SVB for improved profitability in 2024 and beyond.

38. On this news, the Company's common share price fell $161.79, or ***60.4%***, to close at $106.04 per share on March 9, 2023, thereby injuring investors.

39. Media outlets reported that, in response to this news, various venture capital funds including Peter Thiel's Founders Fund had advised their portfolio companies to pull their money out of SVB accounts.

40. It quickly emerged that the culprit behind the liquidity crisis that caused SVB's eventual collapse was rapidly rising interest rates. On March 9, 2023, The Wall Street Journal released an article entitled "Banks Lose Billions in Value After Tech Lender SVB Stumbles." The article stated, in pertinent part "Thursday's rout (in reference to broad declines in stock prices across the bank sector) is another consequence of the Federal Reserve's aggressive campaign to control inflation. Rising interest rates have caused the value of existing bonds with lower payouts to fall in

value. Banks own a lot of those bonds, including Treasury's, and are now sitting on giant unrealized losses."

41. The same article stated, "[t]he bank's (SVB) assets and deposits almost doubled in 2021, large amounts of which SVB poured into U.S. Treasuries and other government-sponsored debt securities. Soon after, the Fed began raising rates. ***That battered the tech startups and venture-capital firms Silicon Valley Bank serves, sparking a faster-than-expected decline in deposits that continues to gain steam.***"

42. On March 9, 2023, Markets Insider (affiliated with Business Insider) released an article entitled "SVB plummets 60% after higher interest rates spark billions in losses on a $21 billion bond portfolio." The article stated, in pertinent part:

> ***The big losses experienced by the bank are directly related to the surge in interest rates over the past year, as the company's US Treasury holdings were bought at a time when interest rates were still relatively low. Bond prices fall as yields rise***.
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> ***According to SVB Financial's updated investor deck, the company's $21 billion bond portfolio had a yield of 1.79% and a duration of 3.6 years. Today, the 3-Year US Treasury note yields 4.7%, a far-cry from the levels at which the bank bought the Treasury notes prior to 2022***. But with the IPO market essentially closed over the past year, SVB Financial has seen an ongoing decline in deposits.
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> ***Also hurting SVB Financial is the fact that it mainly lends to venture capital and private tech companies that often rely on the IPO market to cash in their equity stakes and raise money that is often held at the bank, helping boost its deposits.***

43. On March 10, 2023, NASDAQ halted trading of SVB's stock "at 8:35:18 Eastern Time for 'news dissemination' from the company at a last sale price of $106.64 (Nasdaq: SIVB), and $15.23 (Nasdaq: SIVBP)." At the time, the Company's stock had fallen 34% from the prior day's closing price.

44. The same day, the FDIC announced that the Bank had been closed by the California Department of Financial Protection and Innovation and the FDIC had been appointed as the receiver. According to the Order Taking Possession of Property and Business, investors and depositors had attempted to withdraw $42 billion on March 9, pushing the Bank into insolvency. Specifically:

> On March 8, 2023, the Bank announced a loss of approximately $1.8 billion from a sale of investments (U.S. treasuries and mortgage-backed securities). On March 8, 2023, the Bank's holding company announced it was conducting a capital raise. Despite the bank being in sound financial condition prior to March 9, 2023, investors and depositors reacted by initiating withdrawals of $42 billion in deposits from the

> Bank on March 9, 2023, causing a run on the Bank. ***As of the close of business on March 9, the bank had a negative cash balance of approximately $958 million.*** Despite attempts from the Bank, with the assistance of regulators, to transfer collateral from various sources, the Bank did not meet its cash letter with the Federal Reserve. ***The precipitous deposit withdrawal has caused the Bank to be incapable of paying its obligations as they come due, and the bank is now insolvent.***

45. The same day, SVB filed a Form 8-K stating that it had "terminated its previously announced equity offerings."

46. Also on March 10, 2023, Bloomberg reported that defendant Becker had sold $3.6 million worth of SVB stock on February 27, 2023—the first time in more than a year that he had sold his shares. He had purportedly sold the shares pursuant to a Rule 10b5-1 plan filed on January 26, 2023. But, as the article quoted from Dan Taylor, professor at University of Pennsylvania's Wharton School who studies corporate trading disclosures: "While Becker may not have anticipated the bank run on Jan. 26 when he adopted the plan, the capital raise is material. If they were in discussion for a capital raise at the time the plan was adopted, that is highly problematic."

47. On March 11, 2023, Reuters reported that the capital raise had been prompted by news that Moody's was preparing to downgrade the bank's credit. The article stated that "[i]n the middle of last week," Moody's informed SVB's management that the ratings firm was preparing to downgrade the bank's credit "after the value of the bonds where SVB had parked its money fell due to the higher interest rates." Management then met with bankers and decided to boost the value of SVB's holdings by selling $20 billion worth of low-yield bonds and reinvesting the proceeds in assets that deliver higher returns. "The transaction would generate a loss, but if SVB could fill that funding hole by selling shares, it would avoid a multi-notch downgrade, the sources said." The article laid out the unfolding of events:

> As SVB executives debated when to proceed with the fundraising, they heard from Moody's that the downgrade was coming this week, the sources said.
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> SVB sprang into action in the hopes of softening the blow.
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> The bank lined up private equity firm General Atlantic, which agreed to buy $500 million of the $2.25 billion stock sale, while another investor said it could not reach a deal on SVB's timeline, the sources said.
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> By Wednesday, SVB had sold the bond portfolio for a $1.8 billion loss.

> Moody's downgraded the bank, but only by a notch because of SVB's bond portfolio sale and plan to raise capital.
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> Ideally, the stock sale would have been completed by before the market opened on Thursday, to avoid the sale being jeopardized by any declines in SVB's shares once news of the sale got out. But the sources said that was not an option given the tight schedule.
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> SVB had not done the preparatory work needed to sign confidentiality agreements with investors who would commit to a deal of such a size. Its lawyers advised the bank that investors would need at least 24 hours to digest new downbeat financial projections and complete the sale, the sources said.
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> Reuters could not determine why SVB did not start those preparations earlier.
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> SVB's stock plunged on news of the share sale, ending Thursday down 60% at $106.04. Goldman Sachs bankers still hoped they could close the sale at $95, the sources said.
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> Then news came of venture capital firms advising startups they had invested in to pull money out of Silicon Valley Bank for fear of an imminent bank run.
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> This quickly became a self-fulfilling prophecy: General Atlantic and other investors walked away and the stock sale collapsed.
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> General Atlantic did not respond to a request for comment.
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> California banking regulators closed the bank on Friday and appointed the Federal Deposit Insurance Corporation (FDIC) receiver. The FDIC will dispose of its assets.

48. As of the filing of the complaint, the Company's stock remains halted.

CLASS ACTION ALLEGATIONS

49. Plaintiff brings this action as a class action pursuant to Federal Rule of Civil Procedure 23(a) and (b)(3) on behalf of a class, consisting of all persons and entities that purchased or otherwise acquired SVB securities between June 16, 2021 and March 10, 2023, inclusive, and who were damaged thereby (the "Class"). Excluded from the Class are Defendants, the officers and directors of the Company, at all relevant times, members of their immediate families and their legal representatives, heirs, successors, or assigns, and any entity in which Defendants have or had a controlling interest.

50. The members of the Class are so numerous that joinder of all members is impracticable. Throughout the Class Period, SVB's shares actively traded on the NASDAQ. While the exact number of Class members is unknown to Plaintiff at this time and can only be ascertained through appropriate discovery, Plaintiff believes that there are at least hundreds or thousands of

members in the proposed Class. Millions of SVB shares were traded publicly during the Class Period on the NASDAQ. Record owners and other members of the Class may be identified from records maintained by SVB or its transfer agent and may be notified of the pendency of this action by mail, using the form of notice similar to that customarily used in securities class actions.

51. Plaintiff's claims are typical of the claims of the members of the Class as all members of the Class are similarly affected by Defendants' wrongful conduct in violation of federal law that is complained of herein.

52. Plaintiff will fairly and adequately protect the interests of the members of the Class and has retained counsel competent and experienced in class and securities litigation.

53. Common questions of law and fact exist as to all members of the Class and predominate over any questions solely affecting individual members of the Class. Among the questions of law and fact common to the Class are:

(a) whether the federal securities laws were violated by Defendants' acts as alleged herein;

(b) whether statements made by Defendants to the investing public during the Class Period omitted and/or misrepresented material facts about the business, operations, and prospects of SVB; and

(c) to what extent the members of the Class have sustained damages and the proper measure of damages.

54. A class action is superior to all other available methods for the fair and efficient adjudication of this controversy since joinder of all members is impracticable. Furthermore, as the damages suffered by individual Class members may be relatively small, the expense and burden of individual litigation makes it impossible for members of the Class to individually redress the wrongs done to them. There will be no difficulty in the management of this action as a class action.

UNDISCLOSED ADVERSE FACTS

55. The market for SVB's securities was open, well-developed and efficient at all relevant times. As a result of these materially false and/or misleading statements, and/or failures to disclose, SVB's securities traded at artificially inflated prices during the Class Period. Plaintiff and

other members of the Class purchased or otherwise acquired SVB's securities relying upon the integrity of the market price of the Company's securities and market information relating to SVB, and have been damaged thereby.

56. During the Class Period, Defendants materially misled the investing public, thereby inflating the price of SVB's securities, by publicly issuing false and/or misleading statements and/or omitting to disclose material facts necessary to make Defendants' statements, as set forth herein, not false and/or misleading. The statements and omissions were materially false and/or misleading because they failed to disclose material adverse information and/or misrepresented the truth about SVB's business, operations, and prospects as alleged herein.

57. At all relevant times, the material misrepresentations and omissions particularized in this Complaint directly or proximately caused or were a substantial contributing cause of the damages sustained by Plaintiff and other members of the Class. As described herein, during the Class Period, Defendants made or caused to be made a series of materially false and/or misleading statements about SVB's financial well-being and prospects. These material misstatements and/or omissions had the cause and effect of creating in the market an unrealistically positive assessment of the Company and its financial well-being and prospects, thus causing the Company's securities to be overvalued and artificially inflated at all relevant times. Defendants' materially false and/or misleading statements during the Class Period resulted in Plaintiff and other members of the Class purchasing the Company's securities at artificially inflated prices, thus causing the damages complained of herein when the truth was revealed.

LOSS CAUSATION

58. Defendants' wrongful conduct, as alleged herein, directly and proximately caused the economic loss suffered by Plaintiff and the Class.

59. During the Class Period, Plaintiff and the Class purchased SVB's securities at artificially inflated prices and were damaged thereby. The price of the Company's securities significantly declined when the misrepresentations made to the market, and/or the information alleged herein to have been concealed from the market, and/or the effects thereof, were revealed, causing investors' losses.

SCIENTER ALLEGATIONS

60. As alleged herein, Defendants acted with scienter since Defendants knew that the public documents and statements issued or disseminated in the name of the Company were materially false and/or misleading; knew that such statements or documents would be issued or disseminated to the investing public; and knowingly and substantially participated or acquiesced in the issuance or dissemination of such statements or documents as primary violations of the federal securities laws. As set forth elsewhere herein in detail, the Individual Defendants, by virtue of their receipt of information reflecting the true facts regarding SVB, their control over, and/or receipt and/or modification of SVB's allegedly materially misleading misstatements and/or their associations with the Company which made them privy to confidential proprietary information concerning SVB, participated in the fraudulent scheme alleged herein.

APPLICABILITY OF PRESUMPTION OF RELIANCE
(FRAUD-ON-THE-MARKET DOCTRINE)

61. The market for SVB's securities was open, well-developed and efficient at all relevant times. As a result of the materially false and/or misleading statements and/or failures to disclose, SVB's securities traded at artificially inflated prices during the Class Period. On November 3, 2021, the Company's common share price closed at a Class Period high of $755.03 per share, and on July 12, 2021, the Company's depositary share price closed at a Class Period high of $27.69 per share. Plaintiff and other members of the Class purchased or otherwise acquired the Company's securities relying upon the integrity of the market price of SVB's securities and market information relating to SVB, and have been damaged thereby.

62. During the Class Period, the artificial inflation of SVB's shares was caused by the material misrepresentations and/or omissions particularized in this Complaint causing the damages sustained by Plaintiff and other members of the Class. As described herein, during the Class Period, Defendants made or caused to be made a series of materially false and/or misleading statements about SVB's business, prospects, and operations. These material misstatements and/or omissions created an unrealistically positive assessment of SVB and its business, operations, and prospects, thus causing the price of the Company's securities to be artificially inflated at all relevant times, and

when disclosed, negatively affected the value of the Company shares. Defendants' materially false and/or misleading statements during the Class Period resulted in Plaintiff and other members of the Class purchasing the Company's securities at such artificially inflated prices, and each of them has been damaged as a result.

63. At all relevant times, the market for SVB's securities was an efficient market for the following reasons, among others:

(a) SVB shares met the requirements for listing, and was listed and actively traded on the NASDAQ, a highly efficient and automated market;

(b) As a regulated issuer, SVB filed periodic public reports with the SEC and/or the NASDAQ;

(c) SVB regularly communicated with public investors via established market communication mechanisms, including through regular dissemination of press releases on the national circuits of major newswire services and through other wide-ranging public disclosures, such as communications with the financial press and other similar reporting services; and/or

(d) SVB was followed by securities analysts employed by brokerage firms who wrote reports about the Company, and these reports were distributed to the sales force and certain customers of their respective brokerage firms. Each of these reports was publicly available and entered the public marketplace.

64. As a result of the foregoing, the market for SVB's securities promptly digested current information regarding SVB from all publicly available sources and reflected such information in SVB's share price. Under these circumstances, all purchasers of SVB's securities during the Class Period suffered similar injury through their purchase of SVB's securities at artificially inflated prices and a presumption of reliance applies.

65. A Class-wide presumption of reliance is also appropriate in this action under the Supreme Court's holding in *Affiliated Ute Citizens of Utah v. United States*, 406 U.S. 128 (1972), because the Class's claims are, in large part, grounded on Defendants' material misstatements and/or omissions. Because this action involves Defendants' failure to disclose material adverse information regarding the Company's business operations and financial prospects—information that

Defendants were obligated to disclose—positive proof of reliance is not a prerequisite to recovery. All that is necessary is that the facts withheld be material in the sense that a reasonable investor might have considered them important in making investment decisions. Given the importance of the Class Period material misstatements and omissions set forth above, that requirement is satisfied here.

NO SAFE HARBOR

66. The statutory safe harbor provided for forward-looking statements under certain circumstances does not apply to any of the allegedly false statements pleaded in this Complaint. The statements alleged to be false and misleading herein all relate to then-existing facts and conditions. In addition, to the extent certain of the statements alleged to be false may be characterized as forward looking, they were not identified as “forward-looking statements” when made and there were no meaningful cautionary statements identifying important factors that could cause actual results to differ materially from those in the purportedly forward-looking statements. In the alternative, to the extent that the statutory safe harbor is determined to apply to any forward-looking statements pleaded herein, Defendants are liable for those false forward-looking statements because at the time each of those forward-looking statements was made, the speaker had actual knowledge that the forward-looking statement was materially false or misleading, and/or the forward-looking statement was authorized or approved by an executive officer of SVB who knew that the statement was false when made.

FIRST CLAIM

Violation of Section 10(b) of The Exchange Act and

Rule 10b-5 Promulgated Thereunder

Against All Defendants

67. Plaintiff repeats and re-alleges each and every allegation contained above as if fully set forth herein.

68. During the Class Period, Defendants carried out a plan, scheme and course of conduct which was intended to and, throughout the Class Period, did: (i) deceive the investing public, including Plaintiff and other Class members, as alleged herein; and (ii) cause Plaintiff and other

members of the Class to purchase SVB's securities at artificially inflated prices. In furtherance of this unlawful scheme, plan and course of conduct, Defendants, and each defendant, took the actions set forth herein.

69. Defendants (i) employed devices, schemes, and artifices to defraud; (ii) made untrue statements of material fact and/or omitted to state material facts necessary to make the statements not misleading; and (iii) engaged in acts, practices, and a course of business which operated as a fraud and deceit upon the purchasers of the Company's securities in an effort to maintain artificially high market prices for SVB's securities in violation of Section 10(b) of the Exchange Act and Rule 10b-5. All Defendants are sued either as primary participants in the wrongful and illegal conduct charged herein or as controlling persons as alleged below.

70. Defendants, individually and in concert, directly and indirectly, by the use, means or instrumentalities of interstate commerce and/or of the mails, engaged and participated in a continuous course of conduct to conceal adverse material information about SVB's financial well-being and prospects, as specified herein.

71. Defendants employed devices, schemes and artifices to defraud, while in possession of material adverse non-public information and engaged in acts, practices, and a course of conduct as alleged herein in an effort to assure investors of SVB's value and performance and continued substantial growth, which included the making of, or the participation in the making of, untrue statements of material facts and/or omitting to state material facts necessary in order to make the statements made about SVB and its business operations and future prospects in light of the circumstances under which they were made, not misleading, as set forth more particularly herein, and engaged in transactions, practices and a course of business which operated as a fraud and deceit upon the purchasers of the Company's securities during the Class Period.

72. Each of the Individual Defendants' primary liability and controlling person liability arises from the following facts: (i) the Individual Defendants were high-level executives and/or directors at the Company during the Class Period and members of the Company's management team or had control thereof; (ii) each of these defendants, by virtue of their responsibilities and activities as a senior officer and/or director of the Company, was privy to and participated in the creation,

development and reporting of the Company's internal budgets, plans, projections and/or reports; (iii) each of these defendants enjoyed significant personal contact and familiarity with the other defendants and was advised of, and had access to, other members of the Company's management team, internal reports and other data and information about the Company's finances, operations, and sales at all relevant times; and (iv) each of these defendants was aware of the Company's dissemination of information to the investing public which they knew and/or recklessly disregarded was materially false and misleading.

73. Defendants had actual knowledge of the misrepresentations and/or omissions of material facts set forth herein, or acted with reckless disregard for the truth in that they failed to ascertain and to disclose such facts, even though such facts were available to them. Such defendants' material misrepresentations and/or omissions were done knowingly or recklessly and for the purpose and effect of concealing SVB's financial well-being and prospects from the investing public and supporting the artificially inflated price of its securities. As demonstrated by Defendants' overstatements and/or misstatements of the Company's business, operations, financial well-being, and prospects throughout the Class Period, Defendants, if they did not have actual knowledge of the misrepresentations and/or omissions alleged, were reckless in failing to obtain such knowledge by deliberately refraining from taking those steps necessary to discover whether those statements were false or misleading.

74. As a result of the dissemination of the materially false and/or misleading information and/or failure to disclose material facts, as set forth above, the market price of SVB's securities was artificially inflated during the Class Period. In ignorance of the fact that market prices of the Company's securities were artificially inflated, and relying directly or indirectly on the false and misleading statements made by Defendants, or upon the integrity of the market in which the securities trades, and/or in the absence of material adverse information that was known to or recklessly disregarded by Defendants, but not disclosed in public statements by Defendants during the Class Period, Plaintiff and the other members of the Class acquired SVB's securities during the Class Period at artificially high prices and were damaged thereby.

75. At the time of said misrepresentations and/or omissions, Plaintiff and other members of the Class were ignorant of their falsity, and believed them to be true. Had Plaintiff and the other members of the Class and the marketplace known the truth regarding the problems that SVB was experiencing, which were not disclosed by Defendants, Plaintiff and other members of the Class would not have purchased or otherwise acquired their SVB securities, or, if they had acquired such securities during the Class Period, they would not have done so at the artificially inflated prices which they paid.

76. By virtue of the foregoing, Defendants violated Section 10(b) of the Exchange Act and Rule 10b-5 promulgated thereunder.

77. As a direct and proximate result of Defendants' wrongful conduct, Plaintiff and the other members of the Class suffered damages in connection with their respective purchases and sales of the Company's securities during the Class Period.

SECOND CLAIM

Violation of Section 20(a) of The Exchange Act

Against the Individual Defendants

78. Plaintiff repeats and re-alleges each and every allegation contained above as if fully set forth herein.

79. Individual Defendants acted as controlling persons of SVB within the meaning of Section 20(a) of the Exchange Act as alleged herein. By virtue of their high-level positions and their ownership and contractual rights, participation in, and/or awareness of the Company's operations and intimate knowledge of the false financial statements filed by the Company with the SEC and disseminated to the investing public, Individual Defendants had the power to influence and control and did influence and control, directly or indirectly, the decision-making of the Company, including the content and dissemination of the various statements which Plaintiff contends are false and misleading. Individual Defendants were provided with or had unlimited access to copies of the Company's reports, press releases, public filings, and other statements alleged by Plaintiff to be misleading prior to and/or shortly after these statements were issued and had the ability to prevent the issuance of the statements or cause the statements to be corrected.

80. In particular, Individual Defendants had direct and supervisory involvement in the day-to-day operations of the Company and, therefore, had the power to control or influence the particular transactions giving rise to the securities violations as alleged herein, and exercised the same.

81. As set forth above, SVB and Individual Defendants each violated Section 10(b) and Rule 10b-5 by their acts and omissions as alleged in this Complaint. By virtue of their position as controlling persons, Individual Defendants are liable pursuant to Section 20(a) of the Exchange Act. As a direct and proximate result of Defendants' wrongful conduct, Plaintiff and other members of the Class suffered damages in connection with their purchases of the Company's securities during the Class Period.

PRAYER FOR RELIEF

WHEREFORE, Plaintiff prays for relief and judgment, as follows:

(a) Determining that this action is a proper class action under Rule 23 of the Federal Rules of Civil Procedure;

(b) Awarding compensatory damages in favor of Plaintiff and the other Class members against all defendants, jointly and severally, for all damages sustained as a result of Defendants' wrongdoing, in an amount to be proven at trial, including interest thereon;

(c) Awarding Plaintiff and the Class their reasonable costs and expenses incurred in this action, including counsel fees and expert fees; and

(d) Such other and further relief as the Court may deem just and proper.

JURY TRIAL DEMANDED

Plaintiff hereby demands a trial by jury.

Dated: _________, 2023

By: _______________________________

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