SVB FINANCIAL GROUP
Form 10-Q
November 08, 2016
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended September 30, 2016
OR

¨ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to .
Commission File Number: 000-15637
SVB FINANCIAL GROUP
(Exact name of registrant as specified in its charter)

Delaware	91-1962278
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
3003 Tasman Drive, Santa Clara, California	95054-1191
(Address of principal executive offices)	(Zip Code)

(408) 654-7400
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No ¨
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No ¨
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):
Large accelerated filer x Accelerated filer ¨ Non-accelerated filer ¨ Smaller reporting company ¨
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ¨ No x
At October 31, 2016, 52,088,461 shares of the registrant's common stock ($0.001 par value) were outstanding.

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Glossary of Acronyms that may be used in this Report

AFS— Available-for-Sale
APIC— Additional Paid-in Capital
ASC— Accounting Standards Codification
ASU— Accounting Standards Update
CET— Common Equity Tier
EHOP— Employee Home Ownership Program of the Company
EPS— Earnings Per Share
ESOP— Employee Stock Ownership Plan of the Company
ESPP— 1999 Employee Stock Purchase Plan of the Company
FASB— Financial Accounting Standards Board
FDIC— Federal Deposit Insurance Corporation
FHLB— Federal Home Loan Bank
FRB— Federal Reserve Bank
FTE— Full-Time Employee
FTP— Funds Transfer Pricing
GAAP— Accounting principles generally accepted in the United States of America
IASB— International Accounting Standards Board
IPO— Initial Public Offering
IRS— Internal Revenue Service
IT— Information Technology
LIBOR— London Interbank Offered Rate
NIB— Non-Interest Bearing
M&A— Merger and Acquisition
OTTI— Other Than Temporary Impairment
SEC— Securities and Exchange Commission
SPD-SVB— SPD Silicon Valley Bank (China Joint Venture)
TDR— Troubled Debt Restructuring
UK— United Kingdom
VIE— Variable Interest Entity

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PART I - FINANCIAL INFORMATION
ITEM 1. INTERIM CONSOLIDATED FINANCIAL STATEMENTS
SVB FINANCIAL GROUP AND SUBSIDIARIES
INTERIM CONSOLIDATED BALANCE SHEETS (UNAUDITED)

(Dollars in thousands, except par value and share data)	September 30, 2016	December 31, 2015
Assets		
Cash and cash equivalents	$2,521,319	$1,503,257
Available-for-sale securities, at fair value (cost of $12,514,893 and $16,375,941, respectively)	12,665,697	16,380,748
Held-to-maturity securities, at cost (fair value of $7,885,333 and $8,758,622, respectively)	7,791,949	8,790,963
Non-marketable and other securities	625,178	674,946
Total investment securities	21,082,824	25,846,657
Loans, net of unearned income	19,112,265	16,742,070
Allowance for loan losses	(240,565)	(217,613)
Net loans	18,871,700	16,524,457
Premises and equipment, net of accumulated depreciation and amortization	115,014	102,625
Accrued interest receivable and other assets	683,180	709,707
Total assets	$43,274,037	$44,686,703
Liabilities and total equity		
Liabilities:		
Noninterest-bearing demand deposits	$31,028,974	$30,867,497
Interest-bearing deposits	7,160,442	8,275,279
Total deposits	38,189,416	39,142,776
Short-term borrowings	2,421	774,900
Other liabilities	562,912	639,094
Long-term debt	795,971	796,702
Total liabilities	39,550,720	41,353,472
Commitments and contingencies (Note 12 and Note 15)		
SVBFG stockholders’ equity:		
Preferred stock, $0.001 par value, 20,000,000 shares authorized; no shares issued and outstanding	—	—
Common stock, $0.001 par value, 150,000,000 shares authorized; 52,061,435 shares and 51,610,226 shares outstanding, respectively	52	52
Additional paid-in capital	1,219,555	1,189,032
Retained earnings	2,276,865	1,993,646
Accumulated other comprehensive income	96,579	15,404
Total SVBFG stockholders’ equity	3,593,051	3,198,134
Noncontrolling interests	130,266	135,097
Total equity	3,723,317	3,333,231
Total liabilities and total equity	$43,274,037	$44,686,703

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

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SVB FINANCIAL GROUP AND SUBSIDIARIES
INTERIM CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

	Three months ended September 30,		Nine months ended September 30,	
(Dollars in thousands, except per share amounts)	2016	2015	2016	2015
Interest income:				
Loans	$214,227	$174,993	$617,456	$507,746
Investment securities:				
Taxable	83,468	87,609	261,121	253,496
Non-taxable	522	707	1,693	2,220
Federal funds sold, securities purchased under agreements to resell and other short-term investment securities	2,196	1,482	5,793	4,071
Total interest income	300,413	264,791	886,063	767,533
Interest expense:				
Deposits	1,535	1,158	3,984	4,283
Borrowings	9,717	8,973	28,161	25,894
Total interest expense	11,252	10,131	32,145	30,177
Net interest income	289,161	254,660	853,918	737,356
Provision for loan losses	18,950	33,403	88,624	66,368
Net interest income after provision for loan losses	270,211	221,257	765,294	670,988
Noninterest income:				
Gains on investment securities, net	23,178	18,768	41,764	77,006
Gains on derivative instruments, net	19,744	10,244	26,847	66,290
Foreign exchange fees	25,944	22,995	76,998	63,037
Credit card fees	18,295	14,536	49,226	40,841
Deposit service charges	13,356	12,272	39,142	34,309
Client investment fees	7,952	5,683	23,959	15,429
Lending related fees	8,168	7,561	23,783	23,746
Letters of credit and standby letters of credit fees	6,811	5,341	18,414	15,315
Other	20,692	11,077	42,917	22,315
Total noninterest income	144,140	108,477	343,050	358,288
Noninterest expense:				
Compensation and benefits	136,568	109,345	374,410	350,030
Professional services	23,443	21,137	67,959	58,834
Premises and equipment	16,291	12,356	47,861	36,800
Business development and travel	8,504	8,028	30,077	28,904
Net occupancy	9,525	8,548	28,919	24,010
FDIC and state assessments	7,805	6,954	21,624	18,705
Correspondent bank fees	3,104	3,070	9,469	9,775
Provision for unfunded credit commitments	1,054	1,047	1,601	249
Other	15,533	14,270	44,292	42,101
Total noninterest expense	221,827	184,755	626,212	569,408
Income before income tax expense	192,524	144,979	482,132	459,868
Income tax expense	76,877	57,017	195,508	175,057
Net income before noncontrolling interests	115,647	87,962	286,624	284,811
Net income attributable to noncontrolling interests	(4,566)	(6,229)	(3,405)	(28,419)
Net income available to common stockholders	$111,081	$81,733	$283,219	$256,392
Earnings per common share—basic	$2.13	$1.59	$5.46	$5.00

Earnings per common share—diluted	2.12	1.57	5.42	4.94

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

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SVB FINANCIAL GROUP AND SUBSIDIARIES
INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)

	Three months ended September 30,		Nine months ended September 30,	
(Dollars in thousands)	2016	2015	2016	2015
Net income before noncontrolling interests	$115,647	$87,962	$286,624	$284,811
Other comprehensive (loss) income, net of tax:				
Change in cumulative translation (losses) gains:				
Foreign currency translation (losses) gains	(119)	(102)	(2,168)	2,588
Related tax benefit (expense)	50	87	885	(1,054)
Change in unrealized (losses) gains on available-for-sale securities:				
Unrealized holding (losses) gains	(54,204)	58,902	157,564	100,468
Related tax benefit (expense)	21,932	(24,200)	(64,357)	(41,224)
Reclassification adjustment for losses (gains) included in net income	15	(13)	(11,567)	(2,750)
Related tax (benefit) expense	(6)	6	4,707	1,111
Amortization of unrealized gains on securities transferred from available-for-sale to held-to-maturity	(1,690)	(2,565)	(6,507)	(7,997)
Related tax benefit	680	1,032	2,618	3,218
Other comprehensive (loss) income, net of tax	(33,342)	33,147	81,175	54,360
Comprehensive income	82,305	121,109	367,799	339,171
Comprehensive income attributable to noncontrolling interests	(4,566)	(6,229)	(3,405)	(28,419)
Comprehensive income attributable to SVBFG	$77,739	$114,880	$364,394	$310,752

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

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SVB FINANCIAL GROUP AND SUBSIDIARIES
INTERIM CONSOLIDATED STATEMENTS OF STOCKHOLDERS’ EQUITY (UNAUDITED)

(Dollars in thousands)	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income	Total SVBFG Stockholders’ Equity	Noncontrolling Interests	Total Equity
Balance at December 31, 2014	50,924,925	$51	$1,120,350	$1,649,967	$42,704	$2,813,072	$1,238,662	$4,051,734
Common stock issued under employee benefit plans, net of restricted stock cancellations	536,635	—	14,712	—	—	14,712	—	14,712
Common stock issued under ESOP	27,425	—	3,512	—	—	3,512	—	3,512
Income tax benefit from stock options exercised, vesting of restricted stock and other	—	—	10,813	—	—	10,813	—	10,813
Deconsolidation of noncontrolling interest	—	—	—	—	—	—	(1,069,437)	(1,069,437)
Net income	—	—	—	256,392	—	256,392	28,419	284,811
Capital calls and distributions, net	—	—	—	—	—	—	(58,315)	(58,315)
Net change in unrealized gains and losses on available-for-sale securities, net of tax	—	—	—	—	57,605	57,605	—	57,605
Amortization of unrealized gains on securities transferred from available-for-sale to held-to-maturity, net of tax	—	—	—	—	(4,779)	(4,779)	—	(4,779)
Foreign currency translation adjustments, net of tax	—	—	—	—	1,534	1,534	—	1,534
Share-based compensation, net	—	—	22,262	—	—	22,262	—	22,262
Other, net	—	—	—	(224)	—	(224)	—	(224)
Balance at September 30, 2015	51,488,985	$51	$1,171,649	$1,906,135	$97,064	$3,174,899	$139,329	$3,314,228
	51,610,226	$52	$1,189,032	$1,993,646	$15,404	$3,198,134	$135,097	$3,333,231

Balance at December 31, 2015								
Common stock issued under employee benefit plans, net of restricted stock cancellations	408,044	—	8,661	—	—	8,661	—	8,661
Common stock issued under ESOP	43,165	—	4,328	—	—	4,328	—	4,328
Income tax effect from stock options exercised, vesting of restricted stock and other	—	—	(6,300)	—	—	(6,300)	—	(6,300)
Net income	—	—	—	283,219	—	283,219	3,405	286,624
Capital calls and distributions, net	—	—	—	—	—	—	(8,236)	(8,236)
Net change in unrealized gains and losses on available-for-sale securities, net of tax	—	—	—	—	86,347	86,347	—	86,347
Amortization of unrealized gains on securities transferred from available-for-sale to held-to-maturity, net of tax	—	—	—	—	(3,889)	(3,889)	—	(3,889)
Foreign currency translation adjustments, net of tax	—	—	—	—	(1,283)	(1,283)	—	(1,283)
Share-based compensation, net	—	—	23,834	—	—	23,834	—	23,834
Balance at September 30, 2016	52,061,435	$52	$1,219,555	$2,276,865	$96,579	$3,593,051	$130,266	$3,723,317

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

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SVB FINANCIAL GROUP AND SUBSIDIARIES
INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

	Nine months ended September 30,	
(Dollars in thousands)	2016	2015
Cash flows from operating activities:		
Net income before noncontrolling interests	$286,624	$284,811
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	88,624	66,368
Provision for unfunded credit commitments	1,601	249
Changes in fair values of derivatives, net	(24,875)	(42,295)
Gains on investment securities, net	(41,764)	(77,006)
Depreciation and amortization	35,114	28,504
Amortization of premiums and discounts on investment securities, net	9,622	14,659
Amortization of share-based compensation	22,342	24,174
Amortization of deferred loan fees	(72,807)	(64,275)
Pre-tax net gain on SVBIF sale transaction	—	(1,287)
Deferred income tax (benefit) expense	(6,839)	3,131
Changes in other assets and liabilities:		
Accrued interest receivable and payable, net	1,169	(6,312)
Accounts receivable and payable, net	(12,872)	(18,285)
Income tax receivable and payable, net	13,181	(29,398)
Accrued compensation	(48,740)	(7,702)
Foreign exchange spot contracts, net	1,803	7,522
Other, net	20,821	71,349
Net cash provided by operating activities	273,004	254,207
Cash flows from investing activities:		
Purchases of available-for-sale securities	—	(2,911,486)
Proceeds from sales of available-for-sale securities	2,879,409	7,762
Proceeds from maturities and pay downs of available-for-sale securities	1,002,523	1,238,950
Purchases of held-to-maturity securities	(225,526)	(2,057,030)
Proceeds from maturities and pay downs of held-to-maturity securities	1,206,367	1,153,363
Purchases of non-marketable and other securities	(41,925)	(30,245)
Proceeds from sales and distributions of non-marketable and other securities	54,420	115,338
Net increase in loans	(2,373,798)	(911,694)
Proceeds from recoveries of charged-off loans	8,158	5,119
Effect of deconsolidation of noncontrolling interest	—	15,995
Net proceeds from SVBIF sale transaction	—	39,284
Purchases of premises and equipment	(37,184)	(37,465)
Net cash provided by (used for) investing activities	2,472,444	(3,372,109)
Cash flows from financing activities:		
Net (decrease) increase in deposits	(953,360)	2,626,379
Net decrease in short-term borrowings	(772,479)	(4,025)
(Distributions to noncontrolling interests), net of contributions from noncontrolling interests	(8,236)	(16,789)
Tax effect from stock exercises	(6,300)	10,813
Proceeds from issuance of common stock, ESPP, and ESOP	12,989	18,224
Proceeds from issuance of 3.50% Senior Notes	—	346,431
Net cash (used for) provided by financing activities	(1,727,386)	2,981,033
Net increase (decrease) in cash and cash equivalents	1,018,062	(136,869)

Cash and cash equivalents at beginning of period (1)	1,503,257	1,811,014
Cash and cash equivalents at end of period	$2,521,319	$1,674,145
Supplemental disclosures:		
Cash paid during the period for:		
Interest	$39,317	$32,183
Income taxes	186,474	182,479
Noncash items during the period:		
Changes in unrealized gains and losses on available-for-sale securities, net of tax	$86,347	$57,605
Distributions of stock from investments (2)	750	64,120

(1) Cash and cash equivalents at December 31, 2014 included $15.0 million recognized in assets held-for-sale in conjunction with the SVBIF sale transaction.

(2) For the nine months ended September 30, 2015, includes distributions to noncontrolling interests of $41.5 million.

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

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SVB FINANCIAL GROUP AND SUBSIDIARIES
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

1. Basis of Presentation

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

The accompanying 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 GAAP. Such unaudited interim consolidated financial statements have been prepared in accordance with the instructions to Form 10-Q pursuant to the rules and regulations of the SEC. Certain information and footnote disclosures normally included in financial statements prepared in accordance with GAAP have been condensed or omitted pursuant to such rules and regulations. The results of operations for the three and nine months ended September 30, 2016 are not necessarily indicative of results to be expected for any future periods. These unaudited interim consolidated financial statements should be read in conjunction with our Annual Report on Form 10-K for the year ended December 31, 2015 (“2015 Form 10-K”).

The accompanying unaudited interim consolidated financial statements have been prepared on a consistent basis with the accounting policies described in Consolidated Financial Statements and Supplementary Data—Note 2—“Summary of Significant Accounting Policies” under Part II, Item 8 of our 2015 Form 10-K.

The preparation of unaudited interim consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Estimates may change as new information is obtained. Significant items that are subject to such estimates include measurements of fair value, the valuation of non-marketable securities, the valuation of equity warrant assets, the adequacy of the allowance for loan losses and reserve for unfunded credit commitments, and the recognition and measurement of income tax assets and liabilities.

Principles of Consolidation and Presentation

Prior to April 1, 2015, the Company’s consolidated financial statements included the accounts of SVB Financial Group and entities in which we had a controlling interest. The determination of whether we had controlling interest was based on consolidation principles prescribed by ASC Topic 810 and whether the controlling interest in an entity was a voting interest entity or a variable interest entity (“VIE”). However, during the three months ended June 30, 2015, we early adopted the provisions of ASU 2015-02, Amendments to the Consolidation Analysis (ASU 2015-02), which simplifies consolidation accounting by reducing the number of consolidation models and changing various aspects of current GAAP, including certain consolidation criteria for variable interest entities. The new guidance eliminates the presumption that a general partner of a limited partnership arrangement should consolidate a limited partnership. The amendments to ASC Topic 810 in ASU 2015-02 modify the evaluation of whether limited partnerships and similar entities are VIEs or voting entities. With these changes, we determined that the majority of our investments in limited partnership arrangements are VIEs under the new guidance while these entities were typically voting interest entities under the prior guidance.

ASU 2015-02 provided a single model for evaluating VIE entities for consolidation. VIEs are entities where investors lack sufficient equity at risk for the entity to finance its activities without additional subordinated financial support or equity investors, as a group, lack one of the following characteristics: (a) the power to direct the activities that most significantly impact the entity’s economic performance, (b) the obligation to absorb the expected losses of the entity, or (c) the right to receive the expected returns of the entity. We assess VIEs to determine if we are the primary beneficiary of a VIE. A primary beneficiary is defined as a variable interest holder that has a controlling financial interest. A controlling financial interest requires both: (a) power to direct the activities that most significantly impact the VIE's economic performance, and (b) obligation to absorb losses or receive benefits of a VIE that could potentially be significant to a VIE. Under this analysis, we evaluate kick-out rights and other participating rights which could provide us a controlling financial interest. The primary beneficiary of a VIE is required to consolidate the VIE.

ASU 2015-02 also changed how we evaluate fees paid to managers of our limited partnership investments. Under the new guidance, we exclude those fee arrangements that are not deemed to be variable interests from the analysis of our interests in our investments in VIEs and the determination of a primary beneficiary, if any.

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Our consolidated financial statements include the accounts of SVB Financial Group and consolidated entities. We consolidate voting entities in which we have control through voting interests. We determine whether we have a controlling financial interest in a VIE by determining if we have the power to direct the activities of the VIE that most significantly impact the entity's economic performance and whether we have significant variable interests. Generally, we have significant variable interests if our commitments to a limited partnership investment represent a significant amount of the total commitments to the entity. We also evaluate the impact of related parties on our determination of variable interests in our consolidation conclusions. We consolidate VIEs in which we are the primary beneficiary based on a controlling financial interest. If we are not the primary beneficiary of a VIE, we record our pro-rata interests or our cost basis in the VIE, as appropriate, based on other accounting guidance within GAAP.
All significant intercompany accounts and transactions with consolidated entities have been eliminated. We have not provided financial or other support during the periods presented to any VIE that we were not previously contractually required to provide.
Recent Accounting Pronouncements
In May 2014, the FASB issued a new accounting standard update (ASU 2014-09, Revenue from Contracts with Customers (Topic 606)), which provides revenue recognition guidance that is intended to create greater consistency with respect to how and when revenue from contracts with customers is shown in the income statement. This guidance will be effective January 1, 2018, either on a full retrospective approach or a modified retrospective approach, with early adoption permitted, but not before January 1, 2017. We are currently evaluating the impact this guidance will have on our financial position, results of operation and stockholders' equity.
In January 2016, the FASB issued a new accounting standard update (ASU 2016-01, Recognition and Measurement of Financial Assets and Financial Liabilities (Topic 825)), which will significantly change the income statement impact of equity investments, and the recognition of changes in fair value of financial liabilities. This guidance will be effective on January 1, 2018, on a prospective basis with a cumulative-effect adjustment to the balance sheet as of the beginning of the fiscal year of adoption. We are currently evaluating the impact this guidance will have on our financial position, results of operation and stockholders' equity.
In February 2016, the FASB issued a new accounting standard update (ASU 2016-02, Leases (Topic 842)), which will require for all operating leases the recognition of a right-of-use asset and a lease liability, in the statement of financial position. The lease cost will be allocated over the lease term on a straight-line basis. This guidance will be effective on January 1, 2019, on a modified retrospective basis, with early adoption permitted. We are currently evaluating the impact this guidance will have on our financial position, results of operation and stockholders' equity.
In March 2016, the FASB issued a new accounting standard update (ASU 2016-07, Investments—Equity Method and Joint Ventures (Topic 323)), which eliminates the requirement that when an investment qualifies for use of the equity method due to an increase in level of ownership or influence, an investor must adjust the investment, results of operations, and retained earnings retroactively on a step-by step basis as if the equity method had been in effect during all previous periods that the investment had been held. This guidance will be effective January 1, 2017, on a prospective basis, with early adoption permitted. We are currently evaluating the impact this guidance will have on our financial position, results of operation and stockholders' equity.
In March 2016, the FASB issued a new accounting standard update (ASU 2016-08, Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations (Reporting Revenue Gross versus Net)), which is intended to improve the operability and understandability of the implementation guidance by clarifying the following: how an entity should identify the unit of accounting for the principal versus agent evaluation; how the control principle applies to transactions, such as service arrangements; reframes the indicators to focus on a principal rather than an agent, removes the credit risk and commission indicators and clarifies the relationship between the control principle and the indicators; and revises the existing illustrative examples and adds new illustrative examples. This guidance will be effective January 1, 2018, either on a full retrospective approach or a modified retrospective approach, with early adoption permitted, but not before January 1, 2017. We are currently evaluating the impact this guidance will have on our financial position, results of operation and stockholders' equity.
In March 2016, the FASB issued a new accounting standard update (ASU 2016-09, Improvements to Employee Share-Based Payment Accounting (Topic 718)), which includes provisions intended to simplify various aspects

related to how share-based payments are accounted for and presented in the financial statements, including the accounting for income taxes, forfeitures, and statutory tax withholding requirements, as well as classification in the statement of cash flows. Under the ASU, an entity recognizes all excess tax benefits and tax deficiencies as income tax expense or benefit in the income statement in the period when the awards vest or are settled. The guidance also permits an entity to make an accounting policy election to either estimate the number of awards that are expected to vest or account for forfeitures when they occur. This guidance will be effective January 1, 2017. Early adoption is permitted, but all of the guidance must be adopted in the same period. We plan to adopt the share-based payment guidance in the first quarter of 2017. Currently, we record excess tax benefits and tax deficiencies to APIC at the

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time of vesting and or settlement, however, upon adoption of this standard, the excess tax benefits and tax deficiencies will be recorded to the income statement as income tax expense or benefit. We do not expect the guidance to have a material impact on our annual earnings; however, the impact will vary period to period depending on the volatility of the Company's stock price and the actual timing of settlement of awards. We would expect the most significant impact to occur during our second quarter as the majority of awards vest during that period.

In April 2016, the FASB issued a new accounting standard update (ASU 2016-10, Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing), which amends the new revenue recognition guidance on accounting for licenses of intellectual property and identifying performance obligations. The amendments clarify how an entity should evaluate the nature of its promise in granting a license of intellectual property, which will determine whether it recognizes revenue over time or a point in time. The amendments also clarify when a promised good or service is separately identifiable, that is distinct within the context of the contract, and allow entities to disregard items that are immaterial in the context of a contract. The effective date and transition requirements for this update are the same as those of the new standard. This guidance is effective January 1, 2018, on either a full retrospective approach or a modified retrospective approach, with early adoption permitted, but not before January 1, 2017. We are currently evaluating the impact this guidance will have on our financial position, results of operation and stockholders' equity.

In June 2016, the FASB issued a new accounting standard update (ASU 2016-13, Financial Instruments- Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments), which amends the incurred loss impairment methodology in current GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. This guidance will be effective January 1, 2020, on a modified retrospective approach, with early adoption permitted, but not before January 1, 2020. We are currently evaluating the impact this guidance will have on our financial position, results of operation and stockholders' equity.

In August 2016, the FASB issued a new accounting standard update (ASU 2016-15, Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments), which clarifies the guidance on eight specific cash flow issues. This guidance will be effective January 1, 2018 on a full retrospective approach, with early adoption permitted. We are currently evaluating the impact this guidance will have on our statement of cash flows.

Reclassifications

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

2. Stockholders' Equity and EPS

Accumulated Other Comprehensive Income

The following table summarizes the items reclassified out of accumulated other comprehensive income into the Consolidated Statements of Income (unaudited) for the three and nine months ended September 30, 2016 and 2015:

		Three months ended September 30,		Nine months ended September 30,	
(Dollars in thousands)	Income Statement Location	2016	2015	2016	2015
Reclassification adjustment for losses (gains) included in net income	Gains on investment securities, net	$15	$(13)	$(11,567)	$(2,750)
Related tax (benefit) expense	Income tax expense	(6)	6	4,707	1,111
Total reclassification adjustment for losses (gains) included in net income, net of tax		$9	$(7)	$(6,860)	$(1,639)

EPS

Basic EPS is the amount of earnings available to each share of common stock outstanding during the reporting period. Diluted EPS is the amount of earnings available to each share of common stock outstanding during the reporting period adjusted to include the effect of potentially dilutive common shares. Potentially dilutive common shares include incremental shares issued for stock options and restricted stock units outstanding under our equity incentive plans and our ESPP. Potentially dilutive common shares are excluded from the computation of dilutive EPS in periods in which the effect would be antidilutive. The following is a reconciliation of basic EPS to diluted EPS for the three and nine months ended September 30, 2016 and 2015:

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(Dollars and shares in thousands, except per share amounts)	Three months ended September 30, 2016	2015	Nine months ended September 30, 2016	2015
Numerator:				
Net income available to common stockholders	$111,081	$81,733	$283,219	$256,392
Denominator:				
Weighted average common shares outstanding-basic	52,046	51,479	51,842	51,254
Weighted average effect of dilutive securities:				
Stock options and ESPP	233	382	245	411
Restricted stock units	134	187	142	213
Denominator for diluted calculation	52,413	52,048	52,229	51,878
Earnings per common share:				
Basic	$2.13	$1.59	$5.46	$5.00
Diluted	$2.12	$1.57	$5.42	$4.94

The following table summarizes the weighted-average common shares excluded from the diluted EPS calculation due to the antidilutive effect for the three and nine months ended September 30, 2016 and 2015:

(Shares in thousands)	Three months ended September 30, 2016	2015	Nine months ended September 30, 2016	2015
Stock options	518	142	444	169
Restricted stock units	120	1	9	—
Total	638	143	453	169

3. Share-Based Compensation

For the three and nine months ended September 30, 2016 and 2015, we recorded share-based compensation and related tax benefits as follows:

(Dollars in thousands)	Three months ended September 30, 2016	2015	Nine months ended September 30, 2016	2015
Share-based compensation expense	$7,916	$8,188	$22,342	$24,174
Income tax benefit related to share-based compensation expense	(2,881)	(3,051)	(7,461)	(8,381)

Unrecognized Compensation Expense

As of September 30, 2016, unrecognized share-based compensation expense was as follows:

(Dollars in thousands)	Unrecognized Expense	Average Expected Recognition Period - in Years
Stock options	$ 11,150	2.52
Restricted stock units	51,094	2.68
Total unrecognized share-based compensation expense	$ 62,244	

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Share-Based Payment Award Activity

The table below provides stock option information related to the 2006 Equity Incentive Plan for the nine months ended September 30, 2016:

	Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life - in Years	Aggregate Intrinsic Value of In-The-Money Options
Outstanding at December 31, 2015	1,137,228	$ 77.12		
Granted	177,203	105.11		
Exercised	(141,248)	43.90		
Forfeited	(19,305)	100.80		
Expired	(190)	19.48		
Outstanding at September 30, 2016	1,153,688	85.10	3.83	$ 31,649,669
Vested and expected to vest at September 30, 2016	1,123,538	84.47	3.77	31,469,498
Exercisable at September 30, 2016	706,677	72.25	2.81	27,648,800

The aggregate intrinsic value of outstanding options shown in the table above represents the pre-tax intrinsic value based on our closing stock price of $110.54 as of September 30, 2016. The total intrinsic value of options exercised during the three and nine months ended September 30, 2016 was $1.5 million and $8.2 million, respectively, compared to $2.2 million and $24.0 million for the comparable 2015 periods.

The table below provides information for restricted stock units under the 2006 Equity Incentive Plan for the nine months ended September 30, 2016:

	Shares	Weighted Average Grant Date Fair Value
Nonvested at December 31, 2015	572,038	$ 103.50
Granted	359,028	100.17
Vested	(215,587)	87.67
Forfeited	(24,508)	106.50
Nonvested at September 30, 2016	690,971	106.61

4. Variable Interest Entities

Our involvement with VIEs includes our investments in venture capital and private equity funds, debt funds, private and public portfolio companies and our investments in qualified affordable housing projects.

The following table presents the carrying amounts and classification of significant variable interests in consolidated and unconsolidated VIEs as of September 30, 2016 and December 31, 2015:

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(Dollars in thousands)	Consolidated VIEs	Unconsolidated VIEs	Maximum Exposure to Loss in Unconsolidated VIEs
September 30, 2016:			
Assets:			
Cash and cash equivalents	$ 12,870	$ —	$ —
Non-marketable and other securities (1)	195,956	312,693	312,693
Accrued interest receivable and other assets	333	—	—
Total assets	$ 209,159	$ 312,693	$ 312,693
Liabilities:			
Accrued expenses and other liabilities (1)	909	52,846	—
Total liabilities	$ 909	$ 52,846	$ —
December 31, 2015:			
Assets:			
Cash and cash equivalents	$ 11,811	$ —	$ —
Non-marketable and other securities (1)	203,714	364,450	364,450
Accrued interest receivable and other assets	494	—	—
Total assets	$ 216,019	$ 364,450	$ 364,450
Liabilities:			
Accrued expenses and other liabilities (1)	433	90,978	—
Total liabilities	$ 433	$ 90,978	$ —

(1) Included in our unconsolidated non-marketable and other securities portfolio at September 30, 2016 and December 31, 2015 are investments in qualified affordable housing projects of $106.5 million and $154.4 million, respectively and related unfunded commitments of $52.8 million and $91.0 million, respectively.

Non-marketable and other securities

Our non-marketable and other securities portfolio primarily represents investments in venture capital and private equity funds, debt funds, private and public portfolio companies and investments in qualified affordable housing projects. A majority of these investments are through third party funds held by SVB Financial in which we do not have controlling or significant variable interests. These investments represent our unconsolidated VIEs in the table above. Our non-marketable and other securities portfolio also includes investments from SVB Capital. SVB Capital is the venture capital investment arm of SVB Financial, which focuses primarily on funds management. The SVB Capital family of funds is comprised of direct venture funds that invest in companies and funds of funds that invest in other venture capital funds. We have a controlling and significant variable interest in five of these SVB Capital funds and consolidate these funds for financial reporting purposes.

All investments are generally nonredeemable and distributions are expected to be received through the liquidation of the underlying investments throughout the life of the investment fund. Investments may be sold or transferred subject to the notice and approval provisions of the underlying investment agreement. Subject to applicable regulatory requirements, including the Volcker Rule, we also make commitments to invest in venture capital and private equity funds, but are not obligated to fund commitments beyond our initial investment. For additional details, see Note 12—"Off-Balance Sheet Arrangements, Guarantees, and Other Commitments" of the "Notes to Interim Consolidated Financial Statements (unaudited)" under Part I, Item 1 of this report.

The Bank also has variable interests in low income housing tax credit funds, in connection with fulfilling its responsibilities under the Community Reinvestment Act ("CRA"), that are designed to generate a return primarily through the realization of federal tax credits. These investments are typically limited partnerships in which the general partner, other than the Bank, holds the power over significant activities of the VIE; therefore, these investments are not consolidated. For additional information on our investments in qualified affordable housing projects see Note 6—“Investment Securities" of the "Notes to Interim Consolidated Financial Statements (unaudited)" under Part I, Item 1 of this report.

As of September 30, 2016, our exposure to loss with respect to the consolidated VIEs is limited to our net assets of $208.3 million and our exposure to loss for our unconsolidated VIEs is equal to our investment in these assets of $312.7 million.

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5. Cash and Cash Equivalents

The following table details our cash and cash equivalents at September 30, 2016 and December 31, 2015:

(Dollars in thousands)	September 30, 2016	December 31, 2015
Cash and due from banks (1)	$2,352,469	$1,372,743
Securities purchased under agreements to resell (2)	163,719	125,391
Other short-term investment securities	5,131	5,123
Total cash and cash equivalents	$2,521,319	$1,503,257

(1) At September 30, 2016 and December 31, 2015, $1.3 billion and $405 million, respectively, of our cash and due from banks was deposited at the Federal Reserve Bank and was earning interest at the Federal Funds target rate, and interest-earning deposits in other financial institutions were $724 million and $500 million, respectively.

(2) At September 30, 2016 and December 31, 2015, securities purchased under agreements to resell were collateralized by U.S. Treasury securities and U.S. agency securities with aggregate fair values of $167 million and $128 million, respectively. None of these securities received as collateral were sold or pledged as of September 30, 2016 or December 31, 2015.

6. Investment Securities

Our investment securities portfolio consists of: (i) an available-for-sale securities portfolio and a held-to-maturity securities portfolio, both of which represent interest-earning investment securities, and, (ii) a non-marketable and other securities portfolio, which primarily represents investments managed as part of our funds management business.

Available-for-Sale Securities

The components of our available-for-sale investment securities portfolio at September 30, 2016 and December 31, 2015 are as follows:

	September 30, 2016			
(Dollars in thousands)	Amortized Cost	Unrealized Gains	Unrealized Losses	Carrying Value
Available-for-sale securities, at fair value:				
U.S. Treasury securities	$8,828,906	$110,721	$—	$8,939,627
U.S. agency debentures	2,089,590	36,982	—	2,126,572
Residential mortgage-backed securities:				
Agency-issued collateralized mortgage obligations—fixed rate	1,089,956	4,896	(2,563)	1,092,289
Agency-issued collateralized mortgage obligations—variable rate	504,134	839	(486)	504,487
Equity securities	2,307	637	(222)	2,722
Total available-for-sale securities	$12,514,893	$154,075	$(3,271)	$12,665,697

	December 31, 2015			
(Dollars in thousands)	Amortized Cost	Unrealized Gains	Unrealized Losses	Carrying Value
Available-for-sale securities, at fair value:				
U.S. Treasury securities	$11,679,450	$19,134	$(20,549)	$11,678,035
U.S. agency debentures	2,677,453	17,684	(5,108)	2,690,029
Residential mortgage-backed securities:				
Agency-issued collateralized mortgage obligations—fixed rate	1,408,206	6,591	(15,518)	1,399,279
Agency-issued collateralized mortgage obligations—variable rate	604,236	3,709	(9)	607,936
Equity securities	6,596	460	(1,587)	5,469
Total available-for-sale securities	$16,375,941	$47,578	$(42,771)	$16,380,748

The following table summarizes our unrealized losses on our available-for-sale securities portfolio into categories of less than 12 months and 12 months or longer as of September 30, 2016:

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(Dollars in thousands)	September 30, 2016 Less than 12 months Fair Value of Investments	Unrealized Losses	12 months or longer Fair Value of Investments	Unrealized Losses	Total Fair Value of Investments	Unrealized Losses
Available-for-sale securities:						
Residential mortgage-backed securities:						
Agency-issued collateralized mortgage obligations—fixed rate	$310,991	$(469)	$247,100	$(2,094)	$558,091	$(2,563)
Agency-issued collateralized mortgage obligations—variable rate	221,818	(486)	—	—	221,818	(486)
Equity securities	932	(222)	—	—	932	(222)
Total temporarily impaired securities: (1)	$533,741	$(1,177)	$247,100	$(2,094)	$780,841	$(3,271)

(1) As of September 30, 2016, we identified a total of 103 investments that were in unrealized loss positions, of which 14 investments totaling $247.1 million with unrealized losses of $2.1 million have been in an impaired position for a period of time greater than 12 months. As of September 30, 2016, we do not intend to sell any impaired fixed income investment securities prior to recovery of our adjusted cost basis, and it is more likely than not that we will not be required to sell any of our securities prior to recovery of our adjusted cost basis. Based on our analysis as of September 30, 2016, we deem all impairments to be temporary, and therefore changes in value for our temporarily impaired securities as of the same date are included in other comprehensive income. Market valuations and impairment analyses on assets in the available-for-sale securities portfolio are reviewed and monitored on a quarterly basis.

The following table summarizes our unrealized losses on our available-for-sale securities portfolio into categories of less than 12 months and 12 months or longer as of December 31, 2015:

(Dollars in thousands)	December 31, 2015 Less than 12 months Fair Value of Investments	Unrealized Losses	12 months or longer Fair Value of Investments	Unrealized Losses	Total Fair Value of Investments	Unrealized Losses
Available-for-sale securities:						
U.S. Treasury securities	$7,467,519	$(20,549)	$—	$—	$7,467,519	$(20,549)
U.S. agency debentures	760,071	(5,108)	—	—	760,071	(5,108)
Residential mortgage-backed securities:						
Agency-issued collateralized mortgage obligations—fixed rate	545,404	(4,681)	373,284	(10,837)	918,688	(15,518)
Agency-issued collateralized mortgage obligations—variable rate	7,776	(9)	—	—	7,776	(9)
Equity securities	2,955	(1,587)	—	—	2,955	(1,587)
Total temporarily impaired securities (1):	$8,783,725	$(31,934)	$373,284	$(10,837)	$9,157,009	$(42,771)

(1) As of December 31, 2015, we identified a total of 243 investments that were in unrealized loss positions, of which 18 investments totaling $373.3 million with unrealized losses of $10.8 million have been in an impaired position for a period of time greater than 12 months.

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The following table summarizes the remaining contractual principal maturities and fully taxable equivalent yields on fixed income investment securities classified as available-for-sale as of September 30, 2016. The weighted average yield is computed using the amortized cost of fixed income investment securities, which are reported at fair value. For U.S. Treasury securities and U.S. agency debentures, the expected maturity is the actual contractual maturity of the notes. Expected maturities for mortgage-backed securities may differ significantly from their contractual maturities because mortgage borrowers have the right to prepay outstanding loan obligations with or without penalties. Mortgage-backed securities classified as available-for-sale typically have original contractual maturities from 10 to 30 years whereas expected average lives of these securities tend to be significantly shorter and vary based upon structure and prepayments in lower rate environments. The weighted average yield on mortgage-backed securities is based on prepayment assumptions at the purchase date. Actual yields earned may differ significantly based upon actual prepayments.

	September 30, 2016									
	Total		One Year or Less		After One Year to Five Years		After Five Years to Ten Years		After Ten Years	
(Dollars in thousands)	Carrying Value	Weighted-Average Yield	Carrying Value	Weighted-Average Yield	Carrying Value	Weighted-Average Yield	Carrying Value	Weighted-Average Yield	Carrying Value	Weighted-Average Yield
U.S. Treasury securities	$8,939,627	1.31 %	$1,652,444	0.80 %	$7,287,183	1.43 %	$—	— %	$—	— %
U.S. agency debentures	2,126,572	1.60	426,210	1.17	1,700,362	1.71	—	—	—	—
Residential mortgage-backed securities:										
Agency-issued collateralized mortgage obligations - fixed rate	1,092,289	1.91	—	—	—	—	755,958	2.09	336,331	1.52
Agency-issued collateralized mortgage obligations - variable rate	504,487	0.71	—	—	—	—	—	—	504,487	0.71
Total	$12,662,975	1.39	$2,078,654	0.88	$8,987,545	1.48	$755,958	2.09	$840,818	1.03

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Held-to-Maturity Securities

The components of our held-to-maturity investment securities portfolio at September 30, 2016 and December 31, 2015 are as follows:

	September 30, 2016			
(Dollars in thousands)	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
Held-to-maturity securities, at cost:				
U.S. agency debentures (1)	$622,692	$ 17,642	$ —	$640,334
Residential mortgage-backed securities:				
Agency-issued mortgage-backed securities	2,092,082	37,993	(309)	2,129,766
Agency-issued collateralized mortgage obligations—fixed rate	3,593,453	28,800	(1,962)	3,620,291
Agency-issued collateralized mortgage obligations—variable rate	327,673	188	(580)	327,281
Agency-issued commercial mortgage-backed securities	1,101,234	12,837	(311)	1,113,760
Municipal bonds and notes	54,815	121	(1,035)	53,901
Total held-to-maturity securities	$7,791,949	$ 97,581	$ (4,197)	$7,885,333

(1) Consists of pools of Small Business Investment Company debentures issued and guaranteed by the U.S. Small Business Administration, an independent agency of the United States.

	December 31, 2015			
(Dollars in thousands)	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
Held-to-maturity securities, at cost:				
U.S. agency debentures (1)	$545,473	$ 8,876	$—	$554,349
Residential mortgage-backed securities:				
Agency-issued mortgage-backed securities	2,366,627	546	(11,698)	2,355,475
Agency-issued collateralized mortgage obligations—fixed rate	4,225,781	3,054	(32,999)	4,195,836
Agency-issued collateralized mortgage obligations—variable rate	370,779	758	(33)	371,504
Agency-issued commercial mortgage-backed securities	1,214,716	3,405	(3,475)	1,214,646
Municipal bonds and notes	67,587	55	(830)	66,812
Total held-to-maturity securities	$8,790,963	$ 16,694	$(49,035)	$8,758,622

(1) Consists of pools of Small Business Investment Company debentures issued and guaranteed by the U.S. Small Business Administration, an independent agency of the United States.

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The following table summarizes our unrealized losses on our held-to-maturity securities portfolio into categories of less than 12 months and 12 months or longer as of September 30, 2016:

(Dollars in thousands)	September 30, 2016					
	Less than 12 months		12 months or longer		Total	
	Fair Value of Investments	Unrealized Losses	Fair Value of Investments	Unrealized Losses	Fair Value of Investments	Unrealized Losses
Held-to-maturity securities:						
Residential mortgage-backed securities:						
Agency-issued mortgage-backed securities	$8,249	$(53)	$23,238	$(256)	$31,487	$(309)
Agency-issued collateralized mortgage obligations—fixed rate	77,313	(136)	247,706	(1,826)	325,019	(1,962)
Agency-issued collateralized mortgage obligations—variable rate	207,339	(580)	—	—	207,339	(580)
Agency-issued commercial mortgage-backed securities	112,586	(157)	19,272	(154)	131,858	(311)
Municipal bonds and notes	14,577	(131)	32,995	(904)	47,572	(1,035)
Total temporarily impaired securities (1):	$420,064	$(1,057)	$323,211	$(3,140)	$743,275	$(4,197)

(1) As of September 30, 2016, we identified a total of 140 investments that were in unrealized loss positions, of which 78 investments totaling $323.2 million with unrealized losses of $3.1 million have been in an impaired position for a period of time greater than 12 months. As of September 30, 2016, we do not intend to sell any impaired fixed income investment securities prior to recovery of our adjusted cost basis, and it is more likely than not that we will not be required to sell any of our securities prior to recovery of our adjusted cost basis, which is consistent with our classification of these securities. Based on our analysis as of September 30, 2016, we deem all impairments to be temporary. Market valuations and impairment analyses on assets in the held-to-maturity securities portfolio are reviewed and monitored on a quarterly basis.

The following table summarizes our unrealized losses on our held-to-maturity securities portfolio into categories of less than 12 months and 12 months or longer as of December 31, 2015:

(Dollars in thousands)	December 31, 2015					
	Less than 12 months		12 months or longer		Total	
	Fair Value of Investments	Unrealized Losses	Fair Value of Investments	Unrealized Losses	Fair Value of Investments	Unrealized Losses
Held-to-maturity securities:						
Residential mortgage-backed securities:						
Agency-issued mortgage-backed securities	$2,121,258	$(10,860)	$22,507	$(838)	$2,143,765	$(11,698)
Agency-issued collateralized mortgage obligations—fixed rate	3,153,483	(30,230)	150,058	(2,769)	3,303,541	(32,999)
Agency-issued collateralized mortgage obligations—variable rate	170,350	(33)	—	—	170,350	(33)
Agency-issued commercial mortgage-backed securities	823,414	(2,994)	40,276	(481)	863,690	(3,475)
Municipal bonds and notes	34,278	(274)	25,509	(556)	59,787	(830)
Total temporarily impaired securities (1):	$6,302,783	$(44,391)	$238,350	$(4,644)	$6,541,133	$(49,035)

(1) As of December 31, 2015, we identified a total of 384 investments that were in unrealized loss positions, of which 58 investments totaling $238.4 million with unrealized losses of $4.6 million have been in an impaired position for a period of time greater than 12 months.

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The following table summarizes the remaining contractual principal maturities and fully taxable equivalent yields on fixed income investment securities classified as held-to-maturity as of September 30, 2016. Interest income on certain municipal bonds and notes (non-taxable investments) are presented on a fully taxable equivalent basis using the federal statutory tax rate of 35 percent. The weighted average yield is computed using the amortized cost of fixed income investment securities. For U.S. agency debentures, the expected maturity is the actual contractual maturity of the notes. Expected maturities for mortgage-backed securities may differ significantly from their contractual maturities because mortgage borrowers have the right to prepay outstanding loan obligations with or without penalties. Mortgage-backed securities classified as held-to-maturity typically have original contractual maturities from 10 to 30 years whereas expected average lives of these securities tend to be significantly shorter and vary based upon structure and prepayments in lower rate environments. The weighted average yield on mortgage-backed securities is based on prepayment assumptions at the purchase date. Actual yields earned may differ significantly based upon actual prepayments.

	September 30, 2016									
	Total		One Year or Less		After One Year to Five Years		After Five Years to Ten Years		After Ten Years	
(Dollars in thousands)	Amortized Cost	Weighted-Average Yield	Amortized Cost	Weighted-Average Yield	Amortized Cost	Weighted-Average Yield	Amortized Cost	Weighted-Average Yield	Amortized Cost	Weighted-Average Yield
U.S. agency debentures	$622,692	2.43 %	$—	— %	$47,478	3.25 %	$575,214	2.36 %	$—	— %
Residential mortgage-backed securities:										
Agency-issued mortgage-backed securities	2,092,082	2.38	—	—	257,766	2.58	216,197	1.74	1,618,119	2.44
Agency-issued collateralized mortgage obligations - fixed rate	3,593,453	1.73	—	—	—	—	22,233	1.75	3,571,220	1.73
Agency-issued collateralized mortgage obligations - variable rate	327,673	0.74	—	—	—	—	—	—	327,673	0.74
Agency-issued commercial mortgage-backed securities	1,101,234	2.13	—	—	—	—	—	—	1,101,234	2.13
Municipal bonds and notes	54,815	6.07	4,076	5.76	23,925	6.02	24,204	6.13	2,610	6.46
Total	$7,791,949	2.01	$4,076	5.76	$329,169	2.93	$837,848	2.29	$6,620,856	1.92

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Non-marketable and Other Securities

The components of our non-marketable and other investment securities portfolio at September 30, 2016 and December 31, 2015 are as follows:

(Dollars in thousands)	September 30, 2016	December 31, 2015
Non-marketable and other securities:		
Non-marketable securities (fair value accounting):		
Venture capital and private equity fund investments (1)	$141,841	$152,237
Other venture capital investments (2)	2,040	2,040
Other securities (fair value accounting) (3)	579	548
Non-marketable securities (equity method accounting) (4):		
Venture capital and private equity fund investments	84,904	85,705
Debt funds	18,971	21,970
Other investments	128,422	118,532
Non-marketable securities (cost method accounting):		
Venture capital and private equity fund investments (5)	115,113	120,676
Other investments	26,834	18,882
Investments in qualified affordable housing projects, net (6)	106,474	154,356
Total non-marketable and other securities	$625,178	$674,946

(1) The following table shows the amounts of venture capital and private equity fund investments held by the following funds and our ownership percentage of each fund at September 30, 2016 and December 31, 2015 (fair value accounting):

	September 30, 2016		December 31, 2015	
(Dollars in thousands)	Amount	Ownership %	Amount	Ownership %
SVB Strategic Investors Fund, LP	$17,940	12.6 %	$20,794	12.6 %
SVB Capital Preferred Return Fund, LP	57,488	20.0	60,619	20.0
SVB Capital—NT Growth Partners, LP	59,692	33.0	62,983	33.0
Other private equity fund (i)	6,721	58.2	7,841	58.2
Total venture capital and private equity fund investments	$141,841		$152,237	

(i) At September 30, 2016, we had a direct ownership interest of 41.5 percent in the other private equity fund and an indirect ownership interest of 12.6 percent through our ownership interest of SVB Capital—NT Growth Partners, LP and an indirect ownership interest of 4.1 percent through our ownership interest of SVB Capital Preferred Return Fund, LP.

(2) The following table shows the amounts of other venture capital investments held by the following fund and our ownership percentage at September 30, 2016 and December 31, 2015 (fair value accounting):

	September 30, 2016		December 31, 2015	
(Dollars in thousands)	Amount	Ownership %	Amount	Ownership %
Silicon Valley BancVentures, LP	$2,040	10.7 %	$2,040	10.7 %
Total other venture capital investments	$2,040		$2,040	

(3) Investments classified as other securities (fair value accounting) represent direct equity investments in public companies held by our consolidated funds.

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(4) The following table shows the carrying value and our ownership percentage of each investment at September 30, 2016 and December 31, 2015 (equity method accounting):

	September 30, 2016		December 31, 2015	
(Dollars in thousands)	Amount	Ownership %	Amount	Ownership %
Venture capital and private equity fund investments:				
SVB Strategic Investors Fund II, LP	$9,133	8.6 %	$10,035	8.6 %
SVB Strategic Investors Fund III, LP	21,369	5.9	23,926	5.9
SVB Strategic Investors Fund IV, LP	25,737	5.0	26,411	5.0
Strategic Investors Fund V funds	11,715	Various	10,470	Various
Other venture capital and private equity fund investments	16,950	Various	14,863	Various
Total venture capital and private equity fund investments	$84,904		$85,705	
Debt funds:				
Gold Hill Capital 2008, LP (i)	$15,496	15.5 %	$17,453	15.5 %
Other debt funds	3,475	Various	4,517	Various
Total debt funds	$18,971		$21,970	
Other investments:				
China Joint Venture investment	$77,817	50.0 %	$78,799	50.0 %
Other investments	50,605	Various	39,733	Various
Total other investments	$128,422		$118,532	

(i) At September 30, 2016, we had a direct ownership interest of 11.5 percent in the fund and an indirect interest in the fund through our investment in Gold Hill Capital 2008, LLC of 4.0 percent.

(5) Represents investments in 255 and 267 funds (primarily venture capital funds) at September 30, 2016 and December 31, 2015, respectively, where our ownership interest is typically less than 5% of the voting interests of each such fund and in which we do not have the ability to exercise significant influence over the partnerships operating activities and financial policies. The carrying value, and estimated fair value, of these venture capital and private equity fund investments (cost method accounting) was $115 million and $218 million, respectively, as of September 30, 2016. The carrying value, and estimated fair value, of these venture capital and private equity fund investments (cost method accounting) was $121 million and $233 million, respectively, as of December 31, 2015.

(6) The following table presents the balances of our investments in qualified affordable housing projects and related unfunded commitments at September 30, 2016 and December 31, 2015:

(Dollars in thousands)	September 30, 2016	December 31, 2015
Investments in qualified affordable housing projects, net	$106,474	$154,356
Accrued expenses and other liabilities	52,846	90,978

The following table presents other information relating to our investments in qualified affordable housing projects for the three and nine months ended September 30, 2016 and 2015:

	Three months ended September 30,		Nine months ended September 30,	
(Dollars in thousands)	2016	2015	2016	2015
Tax credits and other tax benefits recognized	$3,995	$4,780	$12,127	$11,207
Amortization expense included in provision for income taxes (i)	2,556	2,011	9,746	7,549

(i) All investments are amortized using the proportional amortization method and amortization expense is included in the provision for income taxes.

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The following table presents the components of gains and losses (realized and unrealized) on investment securities for the three and nine months ended September 30, 2016 and 2015:

	Three months ended September 30,		Nine months ended September 30,	
(Dollars in thousands)	2016	2015	2016	2015
Gross gains on investment securities:				
Available-for-sale securities, at fair value (1)	$84	$46	$14,238	$2,971
Non-marketable securities (fair value accounting):				
Venture capital and private equity fund investments	6,030	6,746	16,377	24,767
Other venture capital investments	4	15	17	198
Other securities (fair value accounting)	271	40	639	9,108
Non-marketable securities (equity method accounting):				
Venture capital and private equity fund investments	5,679	6,655	9,351	19,378
Debt funds	295	379	1,259	2,067
Other investments	7,487	2,282	11,528	5,009
Non-marketable securities (cost method accounting):				
Venture capital and private equity fund investments	6,328	5,624	14,180	21,101
Other investments	150	—	163	576
Total gross gains on investment securities	26,328	21,787	67,752	85,175
Gross losses on investment securities:				
Available-for-sale securities, at fair value (1)	(99)	(33)	(2,671)	(221)
Non-marketable securities (fair value accounting):				
Venture capital and private equity fund investments	(2,122)	(1,148)	(15,958)	(2,695)
Other venture capital investments	—	—	(38)	(52)
Other securities (fair value accounting)	(100)	(325)	(507)	(1,117)
Non-marketable securities (equity method accounting):				
Venture capital and private equity fund investments	(444)	(472)	(4,465)	(909)
Debt funds	(129)	(1)	(458)	(589)
Other investments	(205)	(902)	(1,161)	(2,042)
Non-marketable securities (cost method accounting):				
Venture capital and private equity fund investments (2)	(51)	(132)	(492)	(530)
Other investments	—	(6)	(238)	(14)
Total gross losses on investment securities	(3,150)	(3,019)	(25,988)	(8,169)
Gains on investment securities, net	$23,178	$18,768	$41,764	$77,006

(1) Includes realized gains (losses) on sales of available-for-sale equity securities that are recognized in the income statement. Unrealized gains (losses) on available-for-sale fixed income and equity securities are recognized in other comprehensive income. The cost basis of available-for-sale securities sold is determined on a specific identification basis.

(2) For the three months ended September 30, 2016 and 2015, includes OTTI losses of $0.1 million from the declines in value for 5 of the 255 investments and $0.1 million from the declines in value for 4 of the 270 investments, respectively. For the nine months ended September 30, 2016 and 2015, includes OTTI losses of $0.5 million from the declines in value for 21 of the 255 investments and $0.4 million from the declines in value for 19 of the 270 investments, respectively. We concluded that any declines in value for the remaining investments were temporary, and as such, no OTTI was required to be recognized.

7. Loans and Allowance for Loan Losses

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

In addition to commercial loans, we make consumer loans through SVB Private Bank and provide real estate secured loans to eligible employees through our EHOP. Our private banking clients are primarily private equity/venture capital professionals and executive leaders in the innovation companies they support. These products and services include real estate secured home equity lines of credit, which may be used to finance real estate investments and loans used to purchase, renovate or refinance personal residences. These products and services also include restricted stock purchase loans and capital call lines of credit.

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

The composition of loans, net of unearned income of $117 million and $115 million at September 30, 2016 and December 31, 2015, respectively, is presented in the following table:

(Dollars in thousands)	September 30, 2016	December 31, 2015
Commercial loans:		
Software and internet	$5,393,425	$5,437,915
Hardware	1,147,830	1,071,528
Private equity/venture capital	7,412,238	5,467,577
Life science/healthcare	1,732,917	1,710,642
Premium wine	190,223	201,175
Other	368,474	312,278
Total commercial loans	16,245,107	14,201,115
Real estate secured loans:		
Premium wine (1)	681,808	646,120
Consumer loans (2)	1,835,630	1,544,440
Other	43,925	44,830
Total real estate secured loans	2,561,363	2,235,390
Construction loans	64,689	78,682
Consumer loans	241,106	226,883
Total loans, net of unearned income (3)	$19,112,265	$16,742,070

(1) Included in our premium wine portfolio are gross construction loans of $109 million and $121 million at September 30, 2016 and December 31, 2015, respectively.

(2) Consumer loans secured by real estate at September 30, 2016 and December 31, 2015 were comprised of the following:

(Dollars in thousands)	September 30, 2016	December 31, 2015
Loans for personal residence	$1,563,697	$1,312,818
Loans to eligible employees	189,593	156,001
Home equity lines of credit	82,340	75,621
Consumer loans secured by real estate	$1,835,630	$1,544,440

(3) Included within our total loan portfolio are credit card loans of $201 million and $177 million at September 30, 2016 and December 31, 2015, respectively.

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Credit Quality

The composition of loans, net of unearned income of $117 million and $115 million at September 30, 2016 and December 31, 2015, respectively, broken out by portfolio segment and class of financing receivable, is as follows:

(Dollars in thousands)	September 30, 2016	December 31, 2015
Commercial loans:		
Software and internet	$ 5,393,425	$ 5,437,915
Hardware	1,147,830	1,071,528
Private equity/venture capital	7,412,238	5,467,577
Life science/healthcare	1,732,917	1,710,642
Premium wine	872,031	847,295
Other	477,088	435,790
Total commercial loans	17,035,529	14,970,747
Consumer loans:		
Real estate secured loans	1,835,630	1,544,440
Other consumer loans	241,106	226,883
Total consumer loans	2,076,736	1,771,323
Total loans, net of unearned income	$ 19,112,265	$ 16,742,070

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The following table summarizes the aging of our gross loans, broken out by portfolio segment and class of financing receivable as of September 30, 2016 and December 31, 2015:

(Dollars in thousands)	30 - 59 Days Past Due	60 - 89 Days Past Due	Greater Than 90 Days Past Due	Total Past Due	Current	Loans Past Due 90 Days or More Still Accruing Interest
September 30, 2016:						
Commercial loans:						
Software and internet	$ 11,975	$ 2,715	$ 59	$ 14,749	$5,359,727	$ 59
Hardware	4,909	6,577	—	11,486	1,095,263	—
Private equity/venture capital	18	4	51	73	7,465,573	51
Life science/healthcare	856	143	—	999	1,690,070	—
Premium wine	12,265	—	—	12,265	860,353	—
Other	93	3	15	111	479,754	15
Total commercial loans	30,116	9,442	125	39,683	16,950,740	125
Consumer loans:						
Real estate secured loans	961	—	—	961	1,831,891	—
Other consumer loans	285	—	—	285	238,221	—
Total consumer loans	1,246	—	—	1,246	2,070,112	—
Total gross loans excluding impaired loans	31,362	9,442	125	40,929	19,020,852	125
Impaired loans	—	2,587	6,918	9,505	157,642	—
Total gross loans	$ 31,362	$ 12,029	$ 7,043	$ 50,434	$19,178,494	$ 125
December 31, 2015:						
Commercial loans:						
Software and internet	$ 3,384	$ 6,638	$ —	$ 10,022	$5,371,222	$ —
Hardware	1,061	66	—	1,127	1,051,368	—
Private equity/venture capital	—	17	—	17	5,511,912	—
Life science/healthcare	853	6,537	—	7,390	1,665,801	—
Premium wine	16	65	—	81	847,249	—
Other	14	22	—	36	438,313	—
Total commercial loans	5,328	13,345	—	18,673	14,885,865	—
Consumer loans:						
Real estate secured loans	4,911	865	—	5,776	1,537,421	—
Other consumer loans	228	115	—	343	226,369	—
Total consumer loans	5,139	980	—	6,119	1,763,790	—
Total gross loans excluding impaired loans	10,467	14,325	—	24,792	16,649,655	—
Impaired loans	333	—	7,221	7,554	175,130	—
Total gross loans	$ 10,800	$ 14,325	$ 7,221	$ 32,346	$16,824,785	$ —

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The following table summarizes our impaired loans as they relate to our allowance for loan losses, broken out by portfolio segment and class of financing receivable as of September 30, 2016 and December 31, 2015:

(Dollars in thousands)	Impaired loans for which there is a related allowance for loan losses	Impaired loans for which there is no related allowance for loan losses	Total carrying value of impaired loans	Total unpaid principal of impaired loans
September 30, 2016:				
Commercial loans:				
Software and internet	$ 57,831	$ —	$ 57,831	$ 76,679
Hardware	48,687	669	49,356	49,393
Private equity/venture capital	—	—	—	—
Life science/healthcare	54,341	—	54,341	57,222
Premium wine	1,285	—	1,285	1,285
Other	417	—	417	417
Total commercial loans	162,561	669	163,230	184,996
Consumer loans:				
Real estate secured loans	1,518	—	1,518	2,789
Other consumer loans	2,399	—	2,399	2,399
Total consumer loans	3,917	—	3,917	5,188
Total	$ 166,478	$ 669	$ 167,147	$ 190,184
December 31, 2015:				
Commercial loans:				
Software and internet	$ 100,866	$ —	$ 100,866	$ 125,494
Hardware	27,736	—	27,736	27,869
Private equity/venture capital	—	—	—	—
Life science/healthcare	50,429	925	51,354	55,310
Premium wine	898	1,167	2,065	2,604
Other	520	—	520	520
Total commercial loans	180,449	2,092	182,541	211,797
Consumer loans:				
Real estate secured loans	143	—	143	1,393
Other consumer loans	—	—	—	—
Total consumer loans	143	—	143	1,393
Total	$ 180,592	$ 2,092	$ 182,684	$ 213,190

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The following table summarizes our average impaired loans, broken out by portfolio segment and class of financing receivable for the three and nine months ended September 30, 2016 and 2015:

Three months ended September 30,	Average impaired loans		Interest income on impaired loans	
(dollars in thousands)	2016	2015	2016	2015 (1)
Commercial loans:				
Software and internet	$61,481	$77,156	$ 70	$ —
Hardware	45,353	2,796	761	—
Life science/healthcare	55,558	17,184	128	—
Premium wine	1,291	1,213	19	—
Other	3,768	3,132	6	—
Total commercial loans	167,451	101,481	984	—
Consumer loans:				
Real estate secured loans	584	162	—	—
Other consumer loans	1,324	—	6	—
Total consumer loans	1,908	162	6	—
Total average impaired loans	$169,359	$101,643	$ 990	$ —

(1) For the three months ended September 30, 2015 all impaired loans were nonaccrual loans and no interest income was recognized.

Nine months ended September 30,	Average impaired loans		Interest income on impaired loans	
(dollars in thousands)	2016	2015	2016	2015 (1)
Commercial loans:				
Software and internet	$84,005	$54,543	$133	$ —
Hardware	31,000	1,944	1,467	—
Life science/healthcare	42,857	6,526	128	—
Premium wine	1,834	1,245	54	—
Other	4,369	3,498	21	—
Total commercial loans	164,065	67,756	1,803	—
Consumer loans:				
Real estate secured loans	282	180	—	—
Other consumer loans	715	55	17	—
Total consumer loans	997	235	17	—
Total average impaired loans	$165,062	$67,991	$1,820	$ —

(1) For the nine months ended September 30, 2015 all impaired loans were nonaccrual loans and no interest income was recognized.

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The following tables summarize the activity relating to our allowance for loan losses for the three and nine months ended September 30, 2016 and 2015, broken out by portfolio segment:

Three months ended September 30, 2016 (dollars in thousands)	Beginning Balance June 30, 2016	Charge-offs	Recoveries	Provision for (Reduction of) Loan Losses	Foreign Currency Translation Adjustments	Ending Balance September 30, 2016
Commercial loans:						
Software and internet	$ 104,229	$ (16,526)	$ 305	$ 8,591	$ (261)	$ 96,338
Hardware	23,871	(3,058)	1,080	11,048	(336)	32,605
Private equity/venture capital	49,807	—	—	2,203	(67)	51,943
Life science/healthcare	41,852	(28)	361	(5,298)	161	37,048
Premium wine	4,810	—	—	288	(9)	5,089
Other	9,480	(5,004)	207	142	(4)	4,821
Total commercial loans	234,049	(24,616)	1,953	16,974	(516)	227,844
Consumer loans	10,674	—	131	1,976	(60)	12,721
Total allowance for loan losses	$ 244,723	$ (24,616)	$ 2,084	$ 18,950	$ (576)	$ 240,565

Three months ended September 30, 2015 (dollars in thousands)	Beginning Balance June 30, 2015	Charge-offs	Recoveries	Provision for (Reduction of) Loan Losses	Foreign Currency Translation Adjustments (1)	Ending Balance September 30, 2015
Commercial loans:						
Software and internet	$ 106,728	$ (24,815)	$ 195	$ 5,965	$ (7)	$ 88,066
Hardware	20,472	—	240	(70)	—	20,642
Private equity/venture capital	29,276	—	—	3,170	(4)	32,442
Life science/healthcare	17,233	(117)	50	19,815	(22)	36,959
Premium wine	4,409	—	—	253	—	4,662
Other	5,894	(4,186)	173	2,941	(49)	4,773
Total commercial loans	184,012	(29,118)	658	32,074	(82)	187,544
Consumer loans	8,632	—	4	1,329	(2)	9,963
Total allowance for loan losses	$ 192,644	$ (29,118)	$ 662	$ 33,403	$ (84)	$ 197,507

(1) Reflects foreign currency translation adjustments within the allowance for loan losses. Prior period amounts were previously reported with loan recoveries and have been revised to conform to current period presentation.

Nine months ended September 30, 2016 (dollars in thousands)	Beginning Balance December 31, 2015	Charge-offs	Recoveries	Provision for (Reduction of) Loan Losses	Foreign Currency Translation Adjustments	Ending Balance September 30, 2016
Commercial loans:						
Software and internet	$ 103,045	$ (56,742)	$ 4,525	$ 46,438	$ (928)	$ 96,338
Hardware	23,085	(6,559)	1,502	15,010	(433)	32,605
Private equity/venture capital	35,282	—	—	17,008	(347)	51,943
Life science/healthcare	36,576	(3,029)	1,037	3,252	(788)	37,048
Premium wine	5,205	—	—	(138)	22	5,089
Other	4,252	(5,034)	880	4,573	150	4,821
Total commercial loans	207,445	(71,364)	7,944	86,143	(2,324)	227,844
Consumer loans	10,168	(102)	214	2,481	(40)	12,721
Total allowance for loan losses	$ 217,613	$ (71,466)	$ 8,158	$ 88,624	$ (2,364)	$ 240,565

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Nine months ended September 30, 2015 (dollars in thousands)	Beginning Balance December 31, 2014	Charge-offs	Recoveries	Provision for (Reduction of) Loan Losses	Foreign Currency Translation Adjustments (1)	Ending Balance September 30, 2015
Commercial loans:						
Software and internet	$ 80,981	$ (26,980)	$ 1,239	$ 32,834	$ (8)	$ 88,066
Hardware	25,860	(4,049)	3,049	(4,291)	73	20,642
Private equity/venture capital	27,997	—	—	4,551	(106)	32,442
Life science/healthcare	15,208	(3,336)	129	24,976	(18)	36,959
Premium wine	4,473	—	7	182	—	4,662
Other	3,253	(4,974)	729	5,874	(109)	4,773
Total commercial loans	157,772	(39,339)	5,153	64,126	(168)	187,544
Consumer loans	7,587	—	136	2,242	(2)	9,963
Total allowance for loan losses	$ 165,359	$ (39,339)	$ 5,289	$ 66,368	$ (170)	$ 197,507

(1) Reflects foreign currency translation adjustments within the allowance for loan losses. Prior period amounts were previously reported with loan recoveries and have been revised to conform to current period presentation.

The following table summarizes the allowance for loan losses individually and collectively evaluated for impairment as of September 30, 2016 and December 31, 2015, broken out by portfolio segment:

	September 30, 2016				December 31, 2015			
	Individually Evaluated for Impairment		Collectively Evaluated for Impairment		Individually Evaluated for Impairment		Collectively Evaluated for Impairment	
(Dollars in thousands)	Allowance for loan losses	Recorded investment in loans	Allowance for loan losses	Recorded investment in loans	Allowance for loan losses	Recorded investment in loans	Allowance for loan losses	Recorded investment in loans
Commercial loans:								
Software and internet	$24,815	$ 57,831	$71,523	$5,335,594	$34,098	$ 100,866	$68,947	$5,337,049
Hardware	6,041	49,356	26,564	1,098,474	3,160	27,736	19,925	1,043,792
Private equity/venture capital	—	—	51,943	7,412,238	—	—	35,282	5,467,577
Life science/healthcare	18,206	54,341	18,842	1,678,576	20,230	51,354	16,346	1,659,288
Premium wine	128	1,285	4,961	870,746	90	2,065	5,115	845,230
Other	42	417	4,779	476,671	52	520	4,200	435,270
Total commercial loans	49,232	163,230	178,612	16,872,299	57,630	182,541	149,815	14,788,206
Consumer loans	1,141	3,917	11,580	2,072,819	143	143	10,025	1,771,180
Total	$50,373	$ 167,147	$190,192	$18,945,118	$57,773	$ 182,684	$159,840	$16,559,386

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Credit Quality Indicators

For each individual client, we establish an internal credit risk rating for that loan, which is used for assessing and monitoring credit risk as well as performance of the loan and the overall portfolio. Our internal credit risk ratings are also used to summarize the risk of loss due to failure by an individual borrower to repay the loan. For our internal credit risk ratings, each individual loan is given a risk rating of 1 through 10. Loans risk-rated 1 through 4 are performing loans and translate to an internal rating of “Pass”, with loans risk-rated 1 being cash secured. Loans risk-rated 5 through 7 are performing loans, however, we consider them as demonstrating higher risk, which requires more frequent review of the individual exposures; these translate to an internal rating of “Performing (Criticized)”. When a significant payment delay occurs on a criticized loan, the loan is impaired. The loan is also considered for nonaccrual status if full repayment is determined to be improbable. All of our nonaccrual loans are risk-rated 8 or 9 and are classified under the nonperforming impaired category. (For further description of nonaccrual loans, refer to Note 2—“Summary of Significant Accounting Policies” under Part II, Item 8 of our 2015 Form 10-K). Loans rated 10 are charged-off and are not included as part of our loan portfolio balance. We review our credit quality indicators for performance and appropriateness of risk ratings as part of our evaluation process for our allowance for loan losses.

The following table summarizes the credit quality indicators, broken out by portfolio segment and class of financing receivables as of September 30, 2016 and December 31, 2015:

(Dollars in thousands)	Pass	Performing (Criticized)	Performing Impaired (Criticized)	Nonperforming Impaired (Nonaccrual)	Total
September 30, 2016:					
Commercial loans:					
Software and internet	$4,752,376	$ 622,100	$ 5,012	$ 52,819	$5,432,307
Hardware	937,383	169,366	46,849	2,507	1,156,105
Private equity/venture capital	7,465,003	643	—	—	7,465,646
Life science/healthcare	1,549,334	141,735	6,581	47,760	1,745,410
Premium wine	855,731	16,887	1,285	—	873,903
Other	471,320	8,545	417	—	480,282
Total commercial loans	16,031,147	959,276	60,144	103,086	17,153,653
Consumer loans:					
Real estate secured loans	1,831,054	1,798	—	1,518	1,834,370
Other consumer loans	238,506	—	787	1,612	240,905
Total consumer loans	2,069,560	1,798	787	3,130	2,075,275
Total gross loans	$18,100,707	$ 961,074	$ 60,931	$ 106,216	$19,228,928
December 31, 2015:					
Commercial loans:					
Software and internet	$4,933,179	$ 448,065	$ 23,321	$ 77,545	$5,482,110
Hardware	955,675	96,820	27,306	430	1,080,231
Private equity/venture capital	5,474,929	37,000	—	—	5,511,929
Life science/healthcare	1,544,555	128,636	7,247	44,107	1,724,545
Premium wine	825,058	22,272	898	1,167	849,395
Other	429,481	8,868	520	—	438,869
Total commercial loans	14,162,877	741,661	59,292	123,249	15,087,079
Consumer loans:					
Real estate secured loans	1,539,468	3,729	—	143	1,543,340
Other consumer loans	224,601	2,111	—	—	226,712
Total consumer loans	1,764,069	5,840	—	143	1,770,052
Total gross loans	$15,926,946	$ 747,501	$ 59,292	$ 123,392	$16,857,131

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TDRs

As of September 30, 2016 we had 19 TDRs with a total carrying value of $76.0 million where concessions have been granted to borrowers experiencing financial difficulties, in an attempt to maximize collection. There were $4.7 million of unfunded commitments available for funding to the clients associated with these TDRs as of September 30, 2016.

The following table summarizes our loans modified in TDRs, broken out by portfolio segment and class of financing receivables at September 30, 2016 and December 31, 2015:

(Dollars in thousands)	September 30, 2016	December 31, 2015
Loans modified in TDRs:		
Commercial loans:		
Software and internet	$ 36,517	$ 56,790
Hardware	10,333	473
Life science/healthcare	25,029	51,878
Premium wine	2,962	2,065
Other	417	519
Total commercial loans	75,258	111,725
Consumer loans:		
Other consumer loans	786	—
Total consumer loans	786	—
Total	$ 76,044	$ 111,725

The following table summarizes the recorded investment in loans modified in TDRs, broken out by portfolio segment and class of financing receivable, for modifications made during the three and nine months ended September 30, 2016 and 2015:

	Three months ended September 30,		Nine months ended September 30,	
(Dollars in thousands)	2016	2015	2016	2015
Loans modified in TDRs during the period:				
Commercial loans:				
Software and internet	$ 78	$ 51,749	$ 4,569	$ 57,766
Hardware	10,329	—	10,329	2,031
Life science/healthcare	1,714	29,530	1,714	29,530
Premium wine	—	—	495	—
Other	—	518	—	518
Total commercial loans	12,121	81,797	17,107	89,845
Consumer loans:				
Other consumer loans	—	—	786	—
Total loans modified in TDRs during the period (1)	$ 12,121	$ 81,797	$ 17,893	$ 89,845

(1) There were $0.7 million and $3.5 million of partial charge-offs during the three and nine months ended September 30, 2016 and $22.4 million of partial charge-offs for loans classified as TDRs in our software and internet loan portfolio during the three and nine months ended September 30, 2015.

During the three and nine months ended September 30, 2016, new TDRs of $12.0 million and $17.6 million, respectively, were modified through payment deferrals granted to our clients. During the three and nine months ended September 30, 2016, new TDRs of $0.1 million and $0.3 million, respectively, were modified through partial forgiveness of principal.

During the three and nine months ended September 30, 2015, new TDRs of $81.8 million and $89.8 million, respectively, were modified through payment deferrals granted to our clients.

The related allowance for loan losses for the majority of our TDRs is determined on an individual basis by comparing the carrying value of the loan to the present value of the estimated future cash flows, discounted at the pre-modification contractual

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interest rate. For certain TDRs, the related allowance for loan losses is determined based on the fair value of the collateral if the loan is collateral dependent.

The following table summarizes the recorded investment in loans modified in TDRs within the previous 12 months that subsequently defaulted during the three and nine months ended September 30, 2016 and 2015:

	Three months ended September 30,		Nine months ended September 30,	
(Dollars in thousands)	2016	2015	2016	2015
TDRs modified within the previous 12 months that defaulted during the period:				
Commercial loans:				
Software and internet	$—	$11,107	$584	$17,124
Hardware	—	2,031	—	2,031
Life science/healthcare	—	958	—	958
Premium wine	790	—	790	—
Total TDRs modified within the previous 12 months that defaulted in the period	$790	$14,096	$1,374	$20,113

Charge-offs and defaults on previously restructured loans are evaluated to determine the impact to the allowance for loan losses, if any. The evaluation of these defaults may impact the assumptions used in calculating the reserve on other TDRs and impaired loans as well as management's overall outlook of macroeconomic factors that affect the reserve on the loan portfolio as a whole. After evaluating the charge-offs and defaults experienced on our TDRs we determined that no change to our reserving methodology was necessary to determine the allowance for loan losses as of September 30, 2016.

8. Short-Term Borrowings and Long-Term Debt

The following table represents outstanding short-term borrowings and long-term debt at September 30, 2016 and December 31, 2015:

			Carrying Value	
(Dollars in thousands)	Maturity	Principal value at September 30, 2016	September 30, 2016	December 31, 2015
Short-term borrowings:				
Short-term FHLB advances		$—	$—	$ 638,000
Federal funds purchased		—	—	135,000
Other short-term borrowings	(1)	2,421	2,421	1,900
Total short-term borrowings			$2,421	$ 774,900
Long-term debt:				
3.50% Senior Notes	January 29, 2025	$ 350,000	$346,900	$ 346,667
5.375% Senior Notes	September 15, 2020	350,000	347,440	347,016
6.05% Subordinated Notes (2)	June 1, 2017	45,964	47,094	48,350
7.0% Junior Subordinated Debentures	October 15, 2033	50,000	54,537	54,669
Total long-term debt			$795,971	$ 796,702

(1) Represents cash collateral received from certain counterparties in relation to market value exposures of derivative contracts in our favor.

(2) At September 30, 2016 and December 31, 2015, included in the carrying value of our 6.05% Subordinated Notes was an interest rate swap valued at $1.3 million and $2.8 million, respectively, related to hedge accounting associated with the notes.

Interest expense related to short-term borrowings and long-term debt was $9.7 million and $28.2 million for the three and nine months ended September 30, 2016, respectively, and $9.0 million and $25.9 million for the three and nine months ended September 30, 2015, respectively. Interest expense is net of the hedge accounting impact from our interest rate swap agreement related to our 6.05% Subordinated Notes. The weighted average interest rate associated with our short-term borrowings as of September 30, 2016 and December 31, 2015 was 0.40 percent and 0.32 percent, respectively.

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Available Lines of Credit

We have certain facilities in place to enable us to access short-term borrowings on a secured (using high-quality fixed income securities as collateral) and an unsecured basis. These include repurchase agreements and uncommitted federal funds lines with various financial institutions. As of September 30, 2016, we did not borrow against our uncommitted federal funds lines. We also pledge securities to the FHLB of San Francisco and the discount window at the Federal Reserve Bank. The market value of collateral pledged to the FHLB of San Francisco (comprised primarily of U.S. Treasury securities) at September 30, 2016 totaled \$1.8 billion, all of which was unused and available to support additional borrowings. The market value of collateral pledged at the discount window of the Federal Reserve Bank at September 30, 2016 totaled \$0.8 billion, all of which was also unused and available to support additional borrowings.

9. Derivative Financial Instruments

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

Interest Rate Risk

Interest rate risk is our primary market risk and can result from timing and volume differences in the repricing of our interest rate sensitive assets and liabilities and changes in market interest rates. To manage interest rate risk for our 6.05% Subordinated Notes, we entered into a fixed-for-floating interest rate swap agreement at the time of debt issuance based upon LIBOR with matched-terms. The net cash benefit associated with our interest rate swap is recorded as a reduction in “Interest expense—Borrowings,” a component of net interest income. The fair value of our interest rate swaps is calculated using a discounted cash flow method and adjusted for credit valuation associated with counterparty risk. Changes in fair value of the interest rate swaps are reflected in either other assets (for swaps in an asset position) or other liabilities (for swaps in a liability position).

We assess hedge effectiveness under ASC 815, Derivatives and Hedging, using the long-haul method. Any differences associated with our interest rate swap that arise as a result of hedge ineffectiveness are recorded through net gains on derivative instruments, in noninterest income, a component of consolidated net income.

Currency Exchange Risk

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

Other Derivative Instruments

Also included in our derivative instruments are equity warrant assets and client forward and option contracts, and client interest rate contracts. For further description of these other derivative instruments, refer to Note 2-“Summary of Significant Accounting Policies" under Part II, Item 8 of our 2015 Form 10-K.

Counterparty Credit Risk

We are exposed to credit risk if counterparties to our derivative contracts do not perform as expected. We mitigate counterparty credit risk through credit approvals, limits, monitoring procedures and obtaining collateral, as appropriate. With respect to measuring counterparty credit risk for derivative instruments, we measure the fair value of a group of financial assets and financial liabilities on a net risk basis by counterparty portfolio.

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The total notional or contractual amounts, fair value, collateral and net exposure of our derivative financial instruments at September 30, 2016 and December 31, 2015 were as follows:

(Dollars in thousands)	Balance Sheet Location	September 30, 2016 Notional or Contractual Amount	Fair Value	Collateral (1)	Net Exposure (2)	December 31, 2015 Notional or Contractual Amount	Fair Value	Collateral (1)	Net Exposure (2)
Derivatives designated as hedging instruments:									
Interest rate risks:									
Interest rate swaps	Other assets	$45,964	$1,324	$—	$1,324	$45,964	$2,768	$—	$2,768
Derivatives not designated as hedging instruments:									
Currency exchange risks:									
Foreign exchange forwards	Other assets	138,796	1,676	—	1,676	49,287	809	—	809
Foreign exchange forwards	Other liabilities	53,051	(576)	—	(576)	6,586	(669)	—	(669)
Net exposure			1,100	—	1,100		140	—	140
Other derivative instruments:									
Equity warrant assets	Other assets	212,802	145,340	—	145,340	210,102	137,105	—	137,105
Other derivatives:									
Client foreign exchange forwards	Other assets	1,056,821	44,636	2,421	42,215	935,514	29,722	1,900	27,822
Client foreign exchange forwards	Other liabilities	869,914	(36,188)	—	(36,188)	841,182	(24,978)	—	(24,978)
Client foreign currency options	Other assets	243,860	2,750	—	2,750	46,625	706	—	706
Client foreign currency options	Other liabilities	243,860	(2,750)	—	(2,750)	46,625	(706)	—	(706)
Client interest rate derivatives	Other assets	520,081	8,759	—	8,759	422,741	3,973	—	3,973
Client interest rate derivatives	Other liabilities	558,962	(9,324)	—	(9,324)	422,741	(4,384)	—	(4,384)
Net exposure			7,883	2,421	5,462		4,333	1,900	2,433
Net			$155,647	$2,421	$153,226		$144,346	$1,900	$142,446

(1) Cash collateral received from our counterparties in relation to market value exposures of derivative contracts in our favor is recorded as a component of “short-term borrowings” on our consolidated balance sheets.

(2) Net exposure for contracts in a gain position reflects the replacement cost in the event of nonperformance by all such counterparties. The credit ratings of our institutional counterparties as of September 30, 2016 remain at investment grade or higher and there were no material changes in their credit ratings during the three and nine months ended September 30, 2016.

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A summary of our derivative activity and the related impact on our consolidated statements of income for the three and nine months ended September 30, 2016 and 2015 is as follows:

		Three months ended September 30,		Nine months ended September 30,	
(Dollars in thousands)	Statement of income location	2016	2015	2016	2015
Derivatives designated as hedging instruments:					
Interest rate risks:					
Net cash benefit associated with interest rate swaps	Interest expense—borrowings	$580	$631	$1,778	$1,903
Changes in fair value of interest rate swaps	Gains on derivative instruments, net	(3)	(8)	(33)	(22)
Net gains associated with interest rate risk derivatives		$577	$623	$1,745	$1,881
Derivatives not designated as hedging instruments:					
Currency exchange risks:					
(Losses) gains on revaluations of internal foreign currency instruments, net	Other noninterest income	$(1,406)	$186	$(4,222)	$(11,667)
Gains (losses) on internal foreign exchange forward contracts, net	Gains on derivative instruments, net	1,352	(218)	3,067	11,626
Net losses associated with internal currency risk		$(54)	$(32)	$(1,155)	$(41)
Other derivative instruments:					
Gains (losses) on revaluations of client foreign currency instruments, net	Other noninterest income	$3,488	2	$7,009	(177)
(Losses) gains on client foreign exchange forward contracts, net	Gains on derivative instruments, net	(3,194)	179	(8,780)	459
Net gains (losses) associated with client currency risk		$294	$181	$(1,771)	$282
Net gains on equity warrant assets	Gains on derivative instruments, net	$21,558	$10,685	$33,252	$54,579
Net gains (losses) on other derivatives	Gains on derivative instruments, net	$31	$(394)	$(659)	$(352)

Balance Sheet Offsetting

Certain of our derivative and other financial instruments are subject to enforceable master netting arrangements with our counterparties. These agreements provide for the net settlement of multiple contracts with a single counterparty through a single payment, in a single currency, in the event of default on or termination of any one contract.

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The following table summarizes our assets subject to enforceable master netting arrangements as of September 30, 2016 and December 31, 2015:

(Dollars in thousands)	Gross Amounts of Recognized Assets	Gross Amounts offset in the Statement of Financial Position	Net Amounts of Assets Presented in the Statement of Financial Position	Gross Amounts Not Offset in the Statement of Financial Position But Subject to Master Netting Arrangements: Financial Instruments	Cash Collateral Received	Net Amount
September 30, 2016						
Derivative Assets:						
Interest rate swaps	$ 1,324	$ —	$ 1,324	$ (1,324)	$ —	$ —
Foreign exchange forwards	46,312	—	46,312	(19,377)	(2,421)	24,514
Foreign currency options	2,750	—	2,750	(1,246)	—	1,504
Client interest rate derivatives	8,759	—	8,759	(8,719)	—	40
Total derivative assets:	59,145	—	59,145	(30,666)	(2,421)	26,058
Reverse repurchase, securities borrowing, and similar arrangements	163,719	—	163,719	(163,719)	—	—
Total	$ 222,864	$ —	$ 222,864	$ (194,385)	$ (2,421)	$ 26,058
December 31, 2015						
Derivative Assets:						
Interest rate swaps	$ 2,768	$ —	$ 2,768	$ (2,768)	$ —	$ —
Foreign exchange forwards	30,531	—	30,531	(18,141)	(1,900)	10,490
Foreign currency options	711	(5)	706	(706)	—	—
Client interest rate derivatives	3,973	—	3,973	(3,973)	—	—
Total derivative assets:	37,983	(5)	37,978	(25,588)	(1,900)	10,490
Reverse repurchase, securities borrowing, and similar arrangements	125,391	—	125,391	(125,391)	—	—
Total	$ 163,374	$ (5)	$ 163,369	$ (150,979)	$ (1,900)	$ 10,490

The following table summarizes our liabilities subject to enforceable master netting arrangements as of September 30, 2016 and December 31, 2015:

(Dollars in thousands)	Gross Amounts of Recognized	Gross Amounts offset in	Net Amounts of	Gross Amounts Not Offset in the Statement of Financial Position But Subject to Master Netting Arrangements: Financial Instruments	Cash Collateral Pledged	Net Amount

	Liabilities	the Statement of Financial Position	Liabilities Presented in the Statement of Financial Position			
September 30, 2016						
Derivative Liabilities:						
Foreign exchange forwards	$ 36,764	$ —	$ 36,764	$ (17,675)	$ —	$ 19,089
Foreign currency options	2,750	—	2,750	(1,925)	—	825
Client interest rate derivatives	9,324	—	9,324	(9,324)	—	—
Total derivative liabilities:	48,838	—	48,838	(28,924)	—	19,914
Repurchase, securities lending, and similar arrangements	—	—	—	—	—	—
Total	$ 48,838	$ —	$ 48,838	$ (28,924)	$ —	$ 19,914
December 31, 2015						
Derivative Liabilities:						
Foreign exchange forwards	$ 25,647	$ —	$ 25,647	$ (10,818)	$ —	$ 14,829
Foreign currency options	711	(5)	706	—	—	706
Client interest rate derivatives	4,384	—	4,384	(4,384)	—	—
Total derivative liabilities:	30,742	(5)	30,737	(15,202)	—	15,535
Repurchase, securities lending, and similar arrangements	—	—	—	—	—	—
Total	$ 30,742	$ (5)	$ 30,737	$ (15,202)	$ —	$ 15,535

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10. Other Noninterest Income and Other Noninterest Expense

A summary of other noninterest income for the three and nine months ended September 30, 2016 and 2015 is as follows:

	Three months ended September 30,		Nine months ended September 30,	
(Dollars in thousands)	2016	2015	2016	2015
Fund management fees	$5,231	$4,074	$14,149	$11,657
Service-based fee income	2,029	1,931	6,270	6,450
Gains (losses) on revaluation of client foreign currency instruments, net (1)	3,488	2	7,009	(177)
(Losses) gains on revaluation of internal foreign currency instruments, net (2)	(1,406)	186	(4,222)	(11,667)
Other (3)	11,350	4,884	19,711	16,052
Total other noninterest income	$20,692	$11,077	$42,917	$22,315

(1) Represents the net revaluation of client foreign currency denominated financial instruments. We enter into client foreign exchange forward contracts to economically reduce our foreign exchange exposure related to client foreign currency denominated financial instruments. The changes in the fair value of client foreign exchange forward contracts are included within noninterest income in the line item "Gains on derivative instruments, net".

(2) Represents the net revaluation of foreign currency denominated financial instruments issued and held by us, primarily loans, deposits and cash. We enter into internal foreign exchange forward contracts to economically reduce our foreign exchange exposure related to these foreign currency denominated financial instruments issued and held by us. The changes in the fair value of internal foreign exchange forward contracts are included within noninterest income in the line item "Gains on derivative instruments, net".

(3) Includes dividends on FHLB/FRB stock, correspondent bank rebate income, incentive fees related to carried interest and other fee income.

A summary of other noninterest expense for the three and nine months ended September 30, 2016 and 2015 is as follows:

	Three months ended September 30,		Nine months ended September 30,	
(Dollars in thousands)	2016	2015	2016	2015
Lending and other client related processing costs	$5,885	$3,608	$13,721	$10,861
Telephone	2,460	2,224	7,109	6,727
Data processing services	2,137	2,083	6,353	5,274
Dues and publications	809	521	2,258	1,803
Postage and supplies	598	728	2,172	2,220
Other	3,644	5,106	12,679	15,216
Total other noninterest expense	$15,533	$14,270	$44,292	$42,101

11. Segment Reporting

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

Our Global Commercial Bank and SVB Private Bank segments' primary source of revenue is from net interest income, which is primarily the difference between interest earned on loans, net of funds transfer pricing (“FTP”), and interest paid on deposits, net of FTP. Accordingly, these segments are reported using net interest income, net of FTP. FTP is an internal measurement framework designed to assess the financial impact of a financial institution’s sources and uses of funds. It is the mechanism by which a funding credit is given for deposits raised, and a funding charge is made for loans funded. FTP is calculated at an instrument level based on account characteristics.

We also evaluate performance based on provision for loan losses, noninterest income and noninterest expense, which are presented as components of segment operating profit or loss. In calculating each operating segment's noninterest expense, we consider the direct costs incurred by the operating segment as well as certain allocated direct costs. As part of this review, we allocate certain corporate overhead costs to a corporate account. We do not allocate income taxes to our segments. Additionally, our management reporting model is predicated on average asset balances; therefore, period-end asset balances are not presented

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for segment reporting purposes. Changes in an individual client's primary relationship designation have resulted, and in the future may result, in the inclusion of certain clients in different segments in different periods.

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

For reporting purposes, SVB Financial Group has three operating segments for which we report our financial information:

- Global Commercial Bank is comprised of results from the following:

  Our Commercial Bank products and services are provided by the Bank and its subsidiaries to commercial clients in the technology, life science/healthcare and private equity/venture capital industries. The Bank provides solutions to the financial needs of commercial clients, through credit, global treasury management, foreign exchange, global trade finance, and other services. It serves clients within the United States, as well as non-U.S. clients in key international innovation markets. In addition, the Bank and its subsidiaries offer a variety of investment services and solutions to its clients that enable them to effectively manage their assets.

  Our Private Equity Division provides banking products and services primarily to our private equity and venture capital clients.

  Our Wine practice provides banking products and services to our premium wine industry clients, including vineyard development loans.

  SVB Analytics provides equity valuation services to companies and private equity/venture capital firms.

  Debt Fund Investments is comprised of our investments in certain debt funds in which we are a strategic investor.

- SVB Private Bank is the private banking division of the Bank, which provides a range of personal financial solutions for consumers. Our clients are primarily private equity/venture capital professionals and executive leaders of the innovation companies they support. We offer a customized suite of private banking services, including mortgages, home equity lines of credit, restricted stock purchase loans, capital call lines of credit and other secured and unsecured lending, as well as cash and wealth management services.

- SVB Capital is the venture capital investment arm of SVBFG, which focuses primarily on funds management. SVB Capital manages funds (primarily venture capital funds) on behalf of third party limited partners and, on a more limited basis, SVB Financial Group. The SVB Capital family of funds is comprised of direct venture funds that invest in companies and funds of funds that invest in other venture capital funds. SVB Capital generates income for the Company primarily from investment returns (including carried interest) and management fees.

The summary financial results of our operating segments are presented along with a reconciliation to our consolidated interim results.

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Our segment information for the three and nine months ended September 30, 2016 and 2015 is as follows:

(Dollars in thousands)	Global Commercial Bank (1)	SVB Private Bank	SVB Capital (1)	Other Items (2)	Total
Three months ended September 30, 2016					
Net interest income	$262,484	$13,298	$1	$13,378	$289,161
Provision for loan losses	(16,974)	(1,976)	—	—	(18,950)
Noninterest income	79,226	664	30,619	33,631	144,140
Noninterest expense (3)	(159,429)	(3,122)	(3,924)	(55,352)	(221,827)
Income (loss) before income tax expense (4)	$165,307	$8,864	$26,696	$(8,343)	$192,524
Total average loans, net of unearned income	$16,357,099	$2,074,982	$—	$215,113	$18,647,194
Total average assets (5)	40,829,515	2,091,244	325,321	205,249	43,451,329
Total average deposits	36,484,125	1,115,446	—	310,183	37,909,754
Three months ended September 30, 2015					
Net interest income	$217,932	$11,667	$1	$25,060	$254,660
Provision for loan losses	(32,074)	(1,329)	—	—	(33,403)
Noninterest income	68,517	506	17,332	22,122	108,477
Noninterest expense (3)	(137,637)	(2,761)	(3,745)	(40,612)	(184,755)
Income before income tax expense (4)	$116,738	$8,083	$13,588	$6,570	$144,979
Total average loans, net of unearned income	$13,047,507	$1,669,858	$—	$199,287	$14,916,652
Total average assets (5)	39,688,677	1,664,602	334,045	326,896	42,014,220
Total average deposits	36,151,235	1,041,773	—	190,059	37,383,067
Nine months ended September 30, 2016					
Net interest income (expense)	$773,342	$40,508	$(51)	$40,119	$853,918
Provision for loan losses	(86,143)	(2,481)	—	—	(88,624)
Noninterest income	231,295	2,053	44,492	65,210	343,050
Noninterest expense (3)	(461,058)	(9,481)	(11,521)	(144,152)	(626,212)
Income (loss) before income tax expense (4)	$457,436	$30,599	$32,920	$(38,823)	$482,132
Total average loans, net of unearned income	$15,769,964	$1,978,175	$—	$207,358	$17,955,497
Total average assets (5)	41,021,311	1,986,215	334,328	327,862	43,669,716
Total average deposits	37,002,027	1,120,575	—	321,388	38,443,990
Nine months ended September 30, 2015					
Net interest income	$625,611	$32,499	$3	$79,243	$737,356
Provision for loan losses	(64,126)	(2,242)	—	—	(66,368)
Noninterest income	197,740	1,498	57,919	101,131	358,288
Noninterest expense (3)	(421,425)	(8,869)	(10,935)	(128,179)	(569,408)
Income before income tax expense (4)	$337,800	$22,886	$46,987	$52,195	$459,868
Total average loans, net of unearned income	$12,721,972	$1,529,095	$—	$180,718	$14,431,785
Total average assets (5)	37,449,533	1,527,339	335,136	594,681	39,906,689
Total average deposits	34,124,748	1,125,345	—	163,260	35,413,353

(1) Global Commercial Bank's and SVB Capital's components of net interest income, noninterest income, noninterest expense and total average assets are shown net of noncontrolling interests for all periods presented. Noncontrolling interest is included within "Other Items".

(2) The "Other Items" column reflects the adjustments necessary to reconcile the results of the operating segments to the consolidated financial statements prepared in conformity with GAAP. Net interest income consists primarily of interest earned from our fixed income investment portfolio, net of FTP. Noninterest income consists primarily of gains on equity warrant assets and gains on the sale of fixed income securities. Noninterest expense consists

primarily of expenses associated with corporate support functions such as finance, human resources, marketing, legal and other expenses.

(3) The Global Commercial Bank segment includes direct depreciation and amortization of $6.4 million and $4.9 million for the three months ended September 30, 2016 and 2015, respectively, and $18.3 million and $14.9 million for the nine months ended September 30, 2016 and 2015, respectively.

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

(5) Total average assets equal the greater of total average assets or the sum of total average liabilities and total average stockholders' equity for each segment to reconcile the results to the consolidated financial statements prepared in conformity with GAAP.

12. Off-Balance Sheet Arrangements, Guarantees and Other Commitments

In the normal course of business we use financial instruments with off-balance sheet risk to meet the financing needs of our customers. These financial instruments include commitments to extend credit, commercial and standby letters of credit and commitments to invest in venture capital and private equity fund investments. These instruments involve credit risk to varying degrees. Credit risk is defined as the possibility of sustaining a loss because other parties to the financial instrument fail to perform in accordance with the terms of the contract.

Commitments to Extend Credit

The following table summarizes information related to our commitments to extend credit at September 30, 2016 and December 31, 2015:

(Dollars in thousands)	September 30, 2016	December 31, 2015
Loan commitments available for funding: (1)		
Fixed interest rate commitments	$ 1,377,647	$ 1,312,734
Variable interest rate commitments	13,262,927	12,822,461
Total loan commitments available for funding	14,640,574	14,135,195
Commercial and standby letters of credit (2)	1,656,512	1,479,164
Total unfunded credit commitments	$ 16,297,086	$ 15,614,359
Commitments unavailable for funding (3)	$ 2,008,689	$ 2,026,532
Maximum lending limits for accounts receivable factoring arrangements (4)	856,096	1,006,404
Reserve for unfunded credit commitments (5)	35,924	34,415

(1) Represents commitments which are available for funding, due to clients meeting all collateral, compliance and financial covenants required under loan commitment agreements.

(2) See below for additional information on our commercial and standby letters of credit.

(3) Represents commitments which are currently unavailable for funding, due to clients failing to meet all collateral, compliance and financial covenants under loan commitment agreements.

(4) We extend credit under accounts receivable factoring arrangements when our clients' sales invoices are deemed creditworthy under existing underwriting practices.

(5) Our reserve for unfunded credit commitments includes an allowance for both our unfunded loan commitments and our letters of credit.

Commercial and Standby Letters of Credit

The table below summarizes our commercial and standby letters of credit at September 30, 2016. The maximum potential amount of future payments represents the amount that could be remitted under 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 In One Year or Less	Expires After One Year	Total Amount Outstanding	Maximum Amount of Future Payments
Financial standby letters of credit	$ 1,489,185	$ 49,744	$ 1,538,929	$ 1,538,929
Performance standby letters of credit	94,872	14,601	109,473	109,473
Commercial letters of credit	8,110	—	8,110	8,110
Total	$ 1,592,167	$ 64,345	$ 1,656,512	$ 1,656,512

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Deferred fees related to financial and performance standby letters of credit were $10 million at both September 30, 2016 and December 31, 2015. At September 30, 2016, collateral in the form of cash of $747 million was available to us to reimburse losses, if any, under financial and performance standby letters of credit.

Commitments to Invest in Venture Capital and Private Equity Funds

Subject to applicable regulatory requirements, including the Volcker Rule, we make commitments to invest in venture capital and private equity funds, which in turn make investments generally in, or in some cases make loans to, privately-held companies. Commitments to invest in these funds are generally made for a 10-year period from the inception of the fund. Although the limited partnership agreements governing these investments typically do not restrict the general partners from calling 100% of committed capital in one year, it is customary for these funds to generally call most of the capital commitments over 5 to 7 years; however in certain cases, the funds may not call 100% of committed capital over the life of the fund. The actual timing of future cash requirements to fund these commitments is generally dependent upon the investment cycle, overall market conditions, and the nature and type of industry in which the privately held companies operate. The following table details our total capital commitments, unfunded capital commitments, and our ownership percentage in each fund at September 30, 2016:

Our Ownership in Venture Capital and Private Equity Funds (Dollars in thousands)	SVBFG Capital Commitments	SVBFG Unfunded Commitments	SVBFG Ownership of each Fund (4)	
Silicon Valley BancVentures, LP	$ 6,000	$ 270	10.7	%
SVB Capital Partners II, LP (1)	1,200	162	5.1	
SVB Capital Shanghai Yangpu Venture Capital Fund	874	—	6.8	
SVB Strategic Investors Fund, LP	15,300	688	12.6	
SVB Strategic Investors Fund II, LP	15,000	1,050	8.6	
SVB Strategic Investors Fund III, LP	15,000	1,275	5.9	
SVB Strategic Investors Fund IV, LP	12,239	2,325	5.0	
Strategic Investors Fund V funds	515	142	Various	
SVB Capital Preferred Return Fund, LP	12,688	—	20.0	
SVB Capital—NT Growth Partners, LP	24,670	1,340	33.0	
Other private equity fund (2)	9,338	—	58.2	
Debt funds	58,493	—	Various	
Other fund investments (3)	298,937	12,114	Various	
Total	$ 470,254	$ 19,366		

(1) Our ownership includes direct ownership of 1.3 percent and indirect ownership interest of 3.8 percent through our investment in SVB Strategic Investors Fund II, LP.

(2) Our ownership includes direct ownership of 41.5 percent and indirect ownership interests of 12.6 percent and 4.1 percent in the fund through our ownership interest of SVB Capital - NT Growth Partners, LP and SVB Capital Preferred Return Fund, LP, respectively.

(3) Represents commitments to 265 funds (primarily venture capital funds) where our ownership interest is generally less than 5 percent of the voting interests of each such fund.

(4) We are subject to the Volcker Rule, which restricts or limits us from sponsoring or having ownership interests in "covered" funds including venture capital and private equity funds. See "Business - Supervision and Regulation" under Item 1 of Part I of our 2015 Form 10-K.

The following table details the amounts of remaining unfunded commitments to venture capital and private equity funds by our consolidated managed funds of funds (including our interest and the noncontrolling interests) at September 30, 2016:

Limited Partnership (Dollars in thousands)	Unfunded Commitments

SVB Strategic Investors Fund, LP	$ 1,338
SVB Capital Preferred Return Fund, LP	2,006
SVB Capital—NT Growth Partners, LP	1,965
Total	$ 5,309

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13. Income Taxes

We are subject to income tax in the U.S. federal jurisdiction and various state and foreign jurisdictions and have identified our federal tax return and tax returns in California and Massachusetts as major tax filings. Our U.S. federal tax returns for 2013 and subsequent years remain open to full examination. Our California and Massachusetts tax returns for 2011 and subsequent tax years remain open to full examination.

At September 30, 2016, our unrecognized tax benefit was $3.1 million, the recognition of which would reduce our income tax expense by $2.0 million. We do not expect that our unrecognized tax benefit will materially change in the next 12 months.

We recognize interest and penalties related to income tax matters as part of income before income taxes. Interest and penalties were not material for the three and nine months ended September 30, 2016.

14. Fair Value of Financial Instruments

Fair Value Measurements

Our available-for-sale securities, derivative instruments and certain non-marketable and other securities are financial instruments recorded at fair value on a recurring basis. We make estimates regarding valuation of assets and liabilities measured at fair value in preparing our interim consolidated financial statements.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (the “exit price”) in an orderly transaction between market participants at the measurement date. There is a three-level hierarchy for disclosure of assets and liabilities recorded at fair value. The classification of assets and liabilities within the hierarchy is based on whether the inputs to the valuation methodology used for measurement are observable or unobservable and the significance of those inputs in the fair value measurement. Observable inputs reflect market-derived or market-based information obtained from independent sources, while unobservable inputs reflect our estimates about market data and views of market participants. The three levels for measuring fair value are based on the reliability of inputs and are as follows:

Level 1

Fair value measurements based on quoted prices in active markets for identical assets or liabilities that we have the ability to access. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these instruments does not entail a significant degree of judgment. Assets utilizing Level 1 inputs include U.S. Treasury securities, exchange-traded equity securities and certain marketable securities accounted for under fair value accounting.

Level 2

Fair value measurements based on quoted prices in markets that are not active or for which all significant inputs are observable, directly or indirectly. Valuations for the available-for-sale securities are provided by independent external pricing service providers who have experience in valuing these securities and by comparison to and/or average of quoted market prices obtained from independent external brokers. We perform a monthly analysis on the values received from third parties to ensure that the prices represent a reasonable estimate of the fair value. The procedures include, but are not limited to, initial and ongoing review of third party pricing methodologies, review of pricing trends and monitoring of trading volumes. Additional corroboration, such as obtaining a non-binding price from a broker, may be obtained depending on the frequency of trades of the security and the level of liquidity or depth of the market. We ensure prices received from independent brokers represent a reasonable estimate of the fair value through the use of observable market inputs including comparable trades, yield curve, spreads and, when available, market indices. As a result of this analysis, if the Company determines that there is a more appropriate fair value based upon the available market data, the price received from the third party is adjusted accordingly. Below is a summary of the significant inputs used for each class of Level 2 assets and liabilities:

U.S. agency debentures: Fair value measurements of U.S. agency debentures are based on the characteristics specific to bonds held, such as issuer name, coupon rate, maturity date and any applicable issuer call option features. Valuations are based on market spreads relative to similar term benchmark market interest rates, generally U.S. Treasury securities.

Agency-issued mortgage-backed securities: Agency-issued mortgage-backed securities are pools of individual conventional mortgage loans underwritten to U.S. agency standards with similar coupon rates, tenor, and other attributes such as geographic location, loan size and origination vintage. Fair value measurements of these securities are based on observable price adjustments relative to benchmark market interest rates taking into consideration estimated loan prepayment speeds.

Agency-issued collateralized mortgage obligations: Agency-issued collateralized mortgage obligations are structured into classes or tranches with defined cash flow characteristics and are collateralized by U.S. agency-issued mortgage pass-through securities. Fair value measurements of these securities incorporate similar characteristics of mortgage pass-through securities such as coupon rate, tenor, geographic location, loan size and origination vintage, in addition to incorporating

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the effect of estimated prepayment speeds on the cash flow structure of the class or tranche. These measurements incorporate observable market spreads over an estimated average life after considering the inputs listed above.
Agency-issued commercial mortgage-backed securities: Fair value measurements of these securities are based on spreads to benchmark market interest rates (usually U.S. Treasury rates or rates observable in the swaps market), prepayment speeds, loan default rate assumptions and loan loss severity assumptions on underlying loans.
Municipal bonds and notes: Bonds issued by municipal governments generally have stated coupon rates, final maturity dates and are subject to being called ahead of the final maturity date at the option of the issuer. Fair value measurements of these securities are priced based on spreads to other municipal benchmark bonds with similar characteristics; or, relative to market rates on U.S. Treasury bonds of similar maturity.
Interest rate derivative assets and liabilities: Fair value measurements of interest rate derivatives are priced considering the coupon rate of the fixed leg of the contract and the variable coupon on the floating leg of the contract. Valuation is based on both spot and forward rates on the swap yield curve and the credit worthiness of the contract counterparty.
Foreign exchange forward and option contract assets and liabilities: Fair value measurements of these assets and liabilities are priced based on spot and forward foreign currency rates and option volatility assumptions.
Equity warrant assets (public portfolio): Fair value measurements of equity warrant assets of publicly-traded portfolio companies are valued based on the Black-Scholes option pricing model. The model uses the price of publicly-traded companies (underlying stock price), stated strike prices, warrant expiration dates, the risk-free interest rate and market-observable option volatility assumptions.
Level 3
The fair value measurement is derived from valuation techniques that use significant assumptions not observable in the market. These unobservable assumptions reflect our own estimates of assumptions we believe market participants would use in pricing the asset. Below is a summary of the valuation techniques used for each class of Level 3 assets:
Other venture capital investments: Fair value measurements are based on consideration of a range of factors including, but not limited to, the price at which the investment was acquired, the term and nature of the investment, local market conditions, values for comparable securities, and as it relates to the private company, the current and projected operating performance, exit strategies and financing transactions subsequent to the acquisition of the investment. The significant unobservable inputs used in the fair value measurement include the information about each portfolio company, including actual and forecasted results, cash position, recent or planned transactions and market comparable companies. Significant changes to any one of these inputs in isolation could result in a significant change in the fair value measurement, however, we generally consider all factors available through ongoing communication with the portfolio companies and venture capital fund managers to determine whether there are changes to the portfolio company or the environment that indicate a change in the fair value measurement.
Other securities: Fair value measurements of equity securities of public companies are priced based on quoted market prices less a discount if the securities are subject to certain sales restrictions. Marketability discounts generally range from 10% to 20% depending on the duration of the sale restrictions which typically range from 3 to 6 months.
Equity warrant assets (public portfolio): Fair value measurements of equity warrant assets of publicly-traded portfolio companies are valued based on the Black-Scholes option pricing model. The model uses the price of publicly-traded companies (underlying stock price), stated strike prices, warrant expiration dates, the risk-free interest rate and market-observable option volatility assumptions. Modeled asset values are further adjusted by applying a discount of up to 20% for certain warrants that have lock-up restrictions or other features that indicate a discount to fair value is warranted. As a lock-up term nears, and other sale restrictions are lifted, discounts are adjusted downward to zero percent once all restrictions expire or are removed.
Equity warrant assets (private portfolio): Fair value measurements of equity warrant assets of private portfolio companies are priced based on a modified Black-Scholes option pricing model to estimate the asset value by using stated strike prices, option expiration dates, risk-free interest rates and option volatility assumptions. Option volatility assumptions used in the modified Black-Scholes model are based on public market indices whose members operate in similar industries as companies in our private company portfolio. Option expiration dates are modified to account for estimates to actual life relative to stated expiration. Overall model asset values are further adjusted for a general lack

of liquidity due to the private nature of the associated underlying company. There is a direct correlation between changes in the volatility and remaining life assumptions in isolation and the fair value measurement while there is an inverse correlation between changes in the liquidity discount assumption and the fair value measurement.

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It is our policy to maximize the use of observable inputs and minimize the use of unobservable inputs when developing fair value measurements. When available, we use quoted market prices to measure fair value. If market prices are not available, fair value measurement is based upon valuation techniques that use primarily market-based or independently-sourced market parameters, including interest rate yield curves, prepayment speeds, option volatilities and currency rates. Substantially all of our financial instruments use the foregoing methodologies, and are categorized as a Level 1 or Level 2 measurement in the fair value hierarchy. However, in certain cases, when market observable inputs for our valuation techniques may not be readily available, we are required to make judgments about assumptions we believe market participants would use in estimating the fair value of the financial instrument, and based on the significance of those judgments, the measurement may be determined to be a Level 3 fair value measurement.

The degree of management judgment involved in determining the fair value of a financial instrument is dependent upon the availability of quoted market prices or observable market parameters. For financial instruments that trade actively and have quoted market prices or observable market parameters, there is minimal subjectivity involved in measuring fair value. When observable market prices and parameters are not fully available, management judgment is necessary to estimate fair value. For inactive markets, there is little information, if any, to evaluate if individual transactions are orderly. Accordingly, we are required to estimate, based upon all available facts and circumstances, the degree to which orderly transactions are occurring and provide more weighting to price quotes that are based upon orderly transactions. In addition, changes in the market conditions may reduce the availability of quoted prices or observable data. For example, reduced liquidity in the capital markets or changes in secondary market activities could result in observable market inputs becoming unavailable. Therefore, when market data is not available, we use valuation techniques requiring more management judgment to estimate the appropriate fair value measurement. Accordingly, the degree of judgment exercised by management in determining fair value is greater for financial assets and liabilities categorized as Level 3.

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The following fair value hierarchy table presents information about our assets and liabilities that are measured at fair value on a recurring basis as of September 30, 2016:

(Dollars in thousands)	Level 1	Level 2	Level 3	Balance at September 30, 2016
Assets				
Available-for-sale securities:				
U.S. Treasury securities	$8,939,627	$—	$—	$8,939,627
U.S. agency debentures	—	2,126,572	—	2,126,572
Residential mortgage-backed securities:				
Agency-issued collateralized mortgage obligations - fixed rate	—	1,092,289	—	1,092,289
Agency-issued collateralized mortgage obligations - variable rate	—	504,487	—	504,487
Equity securities	381	2,341	—	2,722
Total available-for-sale securities	8,940,008	3,725,689	—	12,665,697
Non-marketable and other securities (fair value accounting):				
Non-marketable securities:				
Venture capital and private equity fund investments measured at net asset value (1)	—	—	—	141,841
Other venture capital investments (2)	—	—	2,040	2,040
Other securities (2)	579	—	—	579
Total non-marketable and other securities (fair value accounting)	579	—	2,040	144,460
Other assets:				
Interest rate swaps	—	1,324	—	1,324
Foreign exchange forward and option contracts	—	49,062	—	49,062
Equity warrant assets	—	2,120	143,220	145,340
Client interest rate derivatives	—	8,759	—	8,759
Total assets	$8,940,587	$3,786,954	$145,260	$13,014,642
Liabilities				
Foreign exchange forward and option contracts	$—	$39,514	$—	$39,514
Client interest rate derivatives	—	9,324	—	9,324
Total liabilities	$—	$48,838	$—	$48,838

(1) In accordance with the accounting standard (ASU 2015-07, Fair Value Measurement (Topic 820)), certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statement of financial position.

(2) Included in Level 1 and Level 3 assets are $0.5 million and $1.8 million, respectively, attributable to noncontrolling interests calculated based on the ownership percentages of the noncontrolling interests.

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The following fair value hierarchy table presents information about our assets and liabilities that are measured at fair value on a recurring basis as of December 31, 2015:

(Dollars in thousands)	Level 1	Level 2	Level 3	Balance at December 31, 2015
Assets				
Available-for-sale securities:				
U.S. Treasury securities	$11,678,035	$—	$—	$11,678,035
U.S. agency debentures	—	2,690,029	—	2,690,029
Residential mortgage-backed securities:				
Agency-issued collateralized mortgage obligations - fixed rate	—	1,399,279	—	1,399,279
Agency-issued collateralized mortgage obligations - variable rate	—	607,936	—	607,936
Equity securities	4,517	952	—	5,469
Total available-for-sale securities	11,682,552	4,698,196	—	16,380,748
Non-marketable and other securities (fair value accounting):				
Non-marketable securities:				
Venture capital and private equity fund investments measured at net asset value (1)	—	—	—	152,237
Other venture capital investments (2)	—	—	2,040	2,040
Other securities (2)	548	—	—	548
Total non-marketable and other securities (fair value accounting)	548	—	2,040	154,825
Other assets:				
Interest rate swaps	—	2,768	—	2,768
Foreign exchange forward and option contracts	—	31,237	—	31,237
Equity warrant assets	—	1,937	135,168	137,105
Client interest rate derivatives	—	3,973	—	3,973
Total assets	$11,683,100	$4,738,111	$137,208	$16,710,656
Liabilities				
Foreign exchange forward and option contracts	$—	$26,353	$—	$26,353
Client interest rate derivatives	—	4,384	—	4,384
Total liabilities	$—	$30,737	$—	$30,737

(1) In accordance with the accounting standard (ASU 2015-07, Fair Value Measurement (Topic 820)), certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statement of financial position.

(2) Included in Level 1 and Level 3 assets are $0.4 million and $1.8 million, respectively, attributable to noncontrolling interests calculated based on the ownership percentages of the noncontrolling interests.

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The following table presents additional information about Level 3 assets measured at fair value on a recurring basis for the three and nine months ended September 30, 2016 and 2015, respectively:

(Dollars in thousands)	Beginning Balance	Total Realized and Unrealized Gains (Losses) Included in Income	Sales	Issuances	Distributions and Other Settlements	Transfers Out of Level 3	Ending Balance
Three months ended September 30, 2016							
Non-marketable and other securities (fair value accounting):							
Other venture capital investments (1)	$2,040	$4	$(4)	$—	$ —	$—	$2,040
Other assets:							
Equity warrant assets (2)	127,811	21,092	(10,682)	5,251	—	(252)	143,220
Total assets	$129,851	$21,096	$(10,686)	$5,251	$ —	$(252)	$145,260
Three months ended September 30, 2015							
Non-marketable and other securities (fair value accounting):							
Other venture capital investments (1)	$3,390	$15	$—	$—	$ (15)	$—	$3,390
Other assets:							
Equity warrant assets (2)	120,037	11,551	(6,215)	3,556	—	(486)	128,443
Total assets	$123,427	$11,566	$(6,215)	$3,556	$ (15)	$(486)	$131,833
Nine months ended September 30, 2016							
Non-marketable and other securities (fair value accounting):							
Other venture capital investments (1)	$2,040	$(21)	$(4)	$—	$ 25	$—	$2,040
Other assets:							
Equity warrant assets (2)	135,168	33,115	(34,276)	9,842	—	(629)	143,220
Total assets	$137,208	$33,094	$(34,280)	$9,842	$ 25	$(629)	$145,260
Nine months ended September 30, 2015							
Non-marketable and other securities (fair value accounting):							
Other venture capital investments (1)	$3,291	$146	$(32)	$—	$ (15)	$—	$3,390
Other assets:							
Equity warrant assets (2)	114,698	54,884	(48,374)	8,856	—	(1,621)	128,443
Total assets	$117,989	$55,030	$(48,406)	$8,856	$ (15)	$(1,621)	$131,833

(1) Realized and unrealized gains (losses) are recorded in the line item “Gains on investment securities, net”, a component of noninterest income.

(2) Realized and unrealized gains (losses) are recorded in the line item “Gains on derivative instruments, net”, a component of noninterest income.

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The following table presents the amount of net unrealized gains and losses included in earnings (which is inclusive of noncontrolling interest) attributable to Level 3 assets still held at September 30, 2016 and 2015, respectively:

	Three months ended September 30,		Nine months ended September 30,	
(Dollars in thousands)	2016	2015	2016	2015
Non-marketable and other securities (fair value accounting):				
Other venture capital investments (1)	$—	$—	$—	$158
Other assets:				
Equity warrant assets (2)	15,785	9,115	23,144	21,597
Total unrealized gains, net	$15,785	$9,115	$23,144	$21,755
Unrealized gains attributable to noncontrolling interests	$—	$—	$—	$141

(1) Unrealized gains (losses) are recorded in the line item “Gains on investment securities, net”, a component of noninterest income.

(2) Unrealized gains (losses) are recorded in the line item “Gains on derivative instruments, net”, a component of noninterest income.

The extent to which any unrealized gains or losses will become realized is subject to a variety of factors, including, among other things, the expiration of current sales restrictions to which these securities are subject, the actual sales of securities and the timing of such actual sales.

The following table presents quantitative information about the significant unobservable inputs used for certain of our Level 3 fair value measurements at September 30, 2016 and December 31, 2015. We have not included in this table our venture capital and private equity fund investments (fair value accounting) as we use net asset value per share (as obtained from the general partners of the investments) as a practical expedient to determine fair value.

(Dollars in thousands)	Fair value	Valuation Technique	Significant Unobservable Inputs	Weighted Average
September 30, 2016:				
Other venture capital investments (fair value accounting)	$2,040	Private company equity pricing	(1)	(1)
Equity warrant assets (public portfolio)	19,367	Modified Black-Scholes option pricing model	Volatility	36.1 %
			Risk-Free interest rate	1.2 %
			Sales restrictions discount (2)	11.7 %
Equity warrant assets (private portfolio)	123,853	Modified Black-Scholes option pricing model	Volatility	36.6 %
			Risk-Free interest rate	0.8 %
			Marketability discount (3)	17.5 %
			Remaining life assumption (4)	45.0 %
December 31, 2015:				
Other venture capital investments (fair value accounting)	$2,040	Private company equity pricing	(1)	(1)
Equity warrant assets (public portfolio)	1,786	Modified Black-Scholes option pricing model	Volatility	38.1 %
			Risk-Free interest rate	2.1 %
			Sales restrictions discount (2)	18.0 %
Equity warrant assets (private portfolio)	133,382	Modified Black-Scholes option pricing model	Volatility	36.0 %
			Risk-Free interest rate	1.1 %
			Marketability discount (3)	16.6 %
			Remaining life assumption (4)	45.0 %

(1) In determining the fair value of our other venture capital investment portfolio, we evaluate a variety of factors related to each underlying private portfolio company including, but not limited to, actual and forecasted results, cash position, recent or planned transactions and market comparable companies. Additionally, we have ongoing communication with the portfolio companies and venture capital fund managers, to determine whether there is a material change in fair value. These factors are specific to each portfolio company and a weighted average or range of values of the unobservable inputs is not meaningful.

(2) We adjust quoted market prices of public companies, which are subject to certain sales restrictions. Sales restriction discounts generally range from 10% to 20% depending on the duration of the sales restrictions, which typically range from 3 to 6 months.

(3) Our marketability discount is applied to all private company warrants to account for a general lack of liquidity due to the private nature of the associated underlying company. The quantitative measure used is based upon various option-pricing models. On a quarterly basis, a sensitivity analysis is performed on our marketability discount.

(4) We adjust the contractual remaining term of private company warrants based on our estimate of the actual remaining life, which we determine by utilizing historical data on cancellations and exercises. At September 30, 2016, the weighted average contractual remaining term was 5.9 years, compared to our estimated remaining life of 2.7 years. On a quarterly basis, a sensitivity analysis is performed on our remaining life assumption.

For the three and nine months ended September 30, 2016 and 2015, we did not have any transfers between Level 2 and Level 1 or transfers between Level 3 and Level 1. Transfers from Level 3 to Level 2 for the three and nine months ended September 30, 2016 were due primarily due to the expiration of lock-up, and other sales restrictions on certain of our public warrant positions. Transfers from Level 3 to Level 2 for the three and nine months ended September 30, 2015 were due to the transfer of equity warrant assets from our private portfolio to our public portfolio (see our Level 3 reconciliation above). All amounts reported as transfers represent the fair value as of the date of the change in circumstances that caused the transfer.

Financial Instruments not Carried at Fair Value

FASB guidance over financial instruments requires that we disclose estimated fair values for our financial instruments not carried at fair value. Fair value estimates, methods and assumptions, set forth below for our financial instruments, are made solely to comply with these requirements.

Fair values are based on estimates or calculations at the transaction level using present value techniques in instances where quoted market prices are not available. As broadly traded markets do not exist for many of our financial instruments, the fair value calculations attempt to incorporate the effect of current market conditions at a specific time. The aggregation of the fair value calculations presented herein does not represent, and should not be construed to represent, the underlying value of the Company.

The following describes the methods and assumptions used in estimating the fair values of financial instruments for which carrying value approximates fair value and estimated fair values of financial instruments not recorded at fair value on a recurring basis and excludes financial instruments and assets and liabilities already recorded at fair value as described above.

Financial Instruments for which Carrying Value Approximates Fair Value

Certain financial instruments that are not carried at fair value on the Consolidated Balance Sheets are carried at amounts that approximate fair value, due to their short-term nature and generally negligible credit risk. These instruments include cash and cash equivalents; FHLB and FRB stock; accrued interest receivable; short-term borrowings; short-term time deposits; and accrued interest payable. In addition, U.S. GAAP requires that the fair value of deposit liabilities with no stated maturity (i.e., demand, savings and certain money market deposits) be equal to their carrying value; recognition of the inherent funding value of these instruments is not permitted.

Estimated Fair Values of Financial Instruments Not Recorded at Fair Value on a Recurring Basis

Held-to-Maturity Securities

Held-to-maturity securities include similar investments held in our available-for-sale securities portfolio and are valued using the same methodologies. All securities included in our held-to-maturity securities portfolio are valued using Level 2 inputs. Refer to Level 2 fair value measurements above for significant inputs used in the valuation of our held-to-maturity investment securities.

Non-Marketable Securities (Cost and Equity Method Accounting)

Non-marketable securities includes other investments (equity method accounting), venture capital and private equity fund investments (cost method accounting), and other venture capital investments (cost method accounting). Other investments (equity method accounting) includes our investment in SPD-SVB, our joint venture bank in China. At this time, the carrying value of our investment in SPD-SVB is a reasonable estimate of fair value. The fair value of the remaining other investments (equity method accounting) and the fair value of venture capital and private equity fund investments (cost method accounting) and other venture capital investments (cost method accounting) is based on financial information obtained from the investee or obtained from the fund investments' or debt fund investments' respective general partners. For private company investments, estimated fair value is based on consideration of a range of factors including, but not limited to, the price at which the investment was acquired, the term and nature of the investment, local market conditions, values for comparable securities, current and projected operating performance, exit strategies, and financing transactions subsequent to the acquisition of the investment. For our fund investments, we utilize the net asset value per share as obtained from the general partners of the investments. We adjust the net asset value per share for differences between our measurement date and the date of the fund investment's net

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asset value by using the most recently available financial information from the investee general partner, for example June 30th, for our September 30th consolidated financial statements, adjusted for any contributions paid, distributions received from the investment, and significant fund transactions or market events during the reporting period.

Loans

The fair value of fixed and variable rate loans is estimated by discounting contractual cash flows using rates that reflect current pricing for similar loans and the projected forward yield curve. This method is not based on the exit price concept of fair value required under ASC 820, Fair Value Measurements and Disclosures.

Long-Term Deposits

The fair value of long-term time deposits is estimated by discounting the cash flows using our cost of borrowings and the projected forward yield curve over their remaining contractual term.

Long-Term Debt

The fair value of long-term debt is generally based on quoted market prices, when available, or is estimated based on calculations utilizing third-party pricing services and current market spread, price indications from reputable dealers or observable market prices of the underlying instrument(s), whichever is deemed more reliable. Also included in the estimated fair value of our 6.05% Subordinated Notes are amounts related to hedge accounting associated with the notes.

Off-Balance Sheet Financial Instruments

The fair value of net available commitments to extend credit is estimated based on the average amount we would receive or pay to execute a new agreement with identical terms and pricing, while taking into account the counterparties' credit standing.

Letters of credit are carried at their fair value, which was equivalent to the residual premium or fee at September 30, 2016 and December 31, 2015. Commitments to extend credit and letters of credit typically result in loans with a market interest rate if funded.

The following fair value hierarchy table presents the estimated fair values of our financial instruments that are not carried at fair value at September 30, 2016 and December 31, 2015:

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(Dollars in thousands)	Carrying Amount	Estimated Fair Value			
		Total	Level 1	Level 2	Level 3
September 30, 2016:					
Financial assets:					
Cash and cash equivalents	$2,521,319	$2,521,319	$2,521,319	$ —	$ —
Held-to-maturity securities	7,791,949	7,885,333	—	7,885,333	—
Non-marketable securities (cost and equity method accounting) not measured at net asset value	124,955	134,174	—	—	134,174
Non-marketable securities (cost and equity method accounting) measured at net asset value (1)	249,289	353,606	—	—	—
Net commercial loans	16,807,685	17,089,586	—	—	17,089,586
Net consumer loans	2,064,015	2,102,435	—	—	2,102,435
FHLB and Federal Reserve Bank stock	57,466	57,466	—	—	57,466
Accrued interest receivable	99,263	99,263	—	99,263	—
Financial liabilities:					
Other short-term borrowings	2,421	2,421	2,421	—	—
Non-maturity deposits (2)	38,137,660	38,137,660	38,137,660	—	—
Time deposits	51,756	51,654	—	51,654	—
3.50% Senior Notes	346,900	355,681	—	355,681	—
5.375% Senior Notes	347,440	390,313	—	390,313	—
6.05% Subordinated Notes (3)	47,094	48,534	—	48,534	—
7.0% Junior Subordinated Debentures	54,537	53,608	—	53,608	—
Accrued interest payable	4,886	4,886	—	4,886	—
Off-balance sheet financial assets:					
Commitments to extend credit	—	21,232	—	—	21,232
December 31, 2015:					
Financial assets:					
Cash and cash equivalents	$1,503,257	$1,503,257	$1,503,257	$ —	$ —
Held-to-maturity securities	8,790,963	8,758,622	—	8,758,622	—
Non-marketable securities (cost and equity method accounting) not measured at net asset value	114,795	117,172	—	—	117,172
Non-marketable securities (cost and equity method accounting) measured at net asset value (1)	250,970	364,799	—	—	—
Net commercial loans	14,763,302	14,811,588	—	—	14,811,588
Net consumer loans	1,761,155	1,737,960	—	—	1,737,960
FHLB and Federal Reserve Bank stock	56,991	56,991	—	—	56,991
Accrued interest receivable	107,604	107,604	—	107,604	—
Financial liabilities:					
Short-term FHLB advances	638,000	638,000	638,000	—	—
Federal funds purchased	135,000	135,000	135,000	—	—
Other short-term borrowings	1,900	1,900	1,900	—	—
Non-maturity deposits (2)	39,072,297	39,072,297	39,072,297	—	—
Time deposits	70,479	70,347	—	70,347	—
3.50% Senior Notes	346,667	333,648	—	333,648	—
5.375% Senior Notes	347,016	384,216	—	384,216	—
6.05% Subordinated Notes (3)	48,350	49,820	—	49,820	—
7.0% Junior Subordinated Debentures	54,669	52,905	—	52,905	—
Accrued interest payable	12,058	12,058	—	12,058	—

Off-balance sheet financial assets:					
Commitments to extend credit	—	26,483	—	—	26,483

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(1) In accordance with the accounting standard (ASU 2015-07, Fair Value Measurement (Topic 820)), certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy.

(2) Includes noninterest-bearing demand deposits, interest-bearing checking accounts, money market accounts and interest-bearing sweep deposits.

(3) At September 30, 2016 and December 31, 2015, included in the carrying value and estimated fair value of our 6.05% Subordinated Notes was an interest rate swap valued at $1.3 million and $2.8 million, respectively, related to hedge accounting associated with the notes.

Investments in Entities that Calculate Net Asset Value Per Share

FASB guidance over certain fund investments requires that we disclose the fair value of funds, significant investment strategies of the investees, redemption features of the investees, restrictions on the ability to sell investments, estimate of the period of time over which the underlying assets are expected to be liquidated by the investee, and unfunded commitments related to the investments.

Our investments in debt funds and venture capital and private equity fund investments generally cannot be redeemed. Alternatively, we expect distributions, if any, to be received primarily through IPO and M&A activity of the underlying assets of the fund. Subject to applicable requirements under the Volcker Rule, we do not have any plans to sell any of these fund investments. If we decide to sell these investments in the future, the investee fund's management must approve of the buyer before the sale of the investments can be completed. The fair values of the fund investments have been estimated using the net asset value per share of the investments, adjusted for any differences between our measurement date and the date of the fund investment's net asset value by using the most recently available financial information from the investee general partner, for example June 30th, for our September 30th consolidated financial statements, adjusted for any contributions paid, distributions received from the investment, and significant fund transactions or market events during the reporting period.

The following table is a summary of the estimated fair values of these investments and remaining unfunded commitments for each major category of these investments as of September 30, 2016:

(Dollars in thousands)	Carrying Amount	Fair Value	Unfunded Commitments
Non-marketable securities (fair value accounting):			
Venture capital and private equity fund investments (1)	$ 141,841	$ 141,841	$ 5,309
Non-marketable securities (equity method accounting):			
Venture capital and private equity fund investments (2)	84,904	84,904	4,954
Debt funds (2)	18,971	20,217	—
Other investments (2)	30,301	30,297	886
Non-marketable securities (cost method accounting):			
Venture capital and private equity fund investments (2)	115,113	218,188	11,306
Total	$ 391,130	$ 495,447	$ 22,455

(1) Venture capital and private equity fund investments within non-marketable securities (fair value accounting) include investments made by our managed funds of funds and one of our direct venture funds. These investments represent investments in venture capital and private equity funds that invest primarily in U.S. and global technology and life science/healthcare companies. Included in the fair value and unfunded commitments of fund investments under fair value accounting are $101 million and $4 million, respectively, attributable to noncontrolling interests. It is estimated that we will receive distributions from the fund investments over the next 10 to 13 years, depending on the age of the funds and any potential extensions of terms of the funds.

(2) Venture capital and private equity fund investments, debt funds, and other fund investments within non-marketable securities (equity and cost method accounting) include funds that invest in or lend money to primarily U.S. and global technology and life science/healthcare companies. It is estimated that we will receive distributions from the

funds over the next 10 to 13 years, depending on the age of the funds and any potential extensions of the terms of the funds.

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15. Legal Matters

Certain lawsuits and claims arising in the ordinary course of business have been filed or are pending against us or our affiliates. In accordance with applicable accounting guidance, we establish accruals for all lawsuits, claims and expected settlements when we believe it is probable that a loss has been incurred and the amount of the loss is reasonably estimable. When a loss contingency is not both probable and estimable, we do not establish an accrual. Any such loss estimates are inherently uncertain, based on currently available information and are subject to management's judgment and various assumptions. Due to the inherent subjectivity of these estimates and unpredictability of outcomes of legal proceedings, any amounts accrued may not represent the ultimate resolution of such matters.

To the extent we believe any potential loss relating to such lawsuits and claims may have a material impact on our liquidity, consolidated financial position, results of operations, and/or our business as a whole and is reasonably possible but not probable, we disclose information relating to any such potential loss, whether in excess of any established accruals or where there is no established accrual. We also disclose information relating to any material potential loss that is probable but not reasonably estimable. Where reasonably practicable, we will provide an estimate of loss or range of potential loss. No disclosures are generally made for any loss contingencies that are deemed to be remote.

Based upon information available to us, our review of lawsuits and claims filed or pending against us to date and consultation with our outside legal counsel, we have not recognized a material accrual liability for these matters, nor do we currently expect it is reasonably possible that these matters will result in a material liability to the Company. However, the outcome of litigation and other legal and regulatory matters is inherently uncertain, and it is possible that one or more of such matters currently pending or threatened could have an unanticipated material adverse effect on our liquidity, consolidated financial position, results of operations, and/or our business as a whole, in the future.

16. Related Parties

During the nine months ended September 30, 2016, the Bank made loans to related parties, including certain companies in which certain of our directors or their affiliated venture funds are beneficial owners of ten percent or more of the equity securities of such companies. Such loans: (a) were made in the ordinary course of business; (b) were made on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with other non-related persons; and (c) did not involve more than the normal risk of collectability or present other unfavorable features. Additionally, we also provide real estate secured loans to eligible employees through our EHOP.

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

Forward-Looking Statements

This Quarterly Report on Form 10-Q, including in particular "Management's Discussion and Analysis of Financial Condition and Results of Operations" under Part I, Item 2 of this report, contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. In addition, management has in the past and might in the future make forward-looking statements orally to analysts, investors, the media and others. Forward-looking statements are statements that are not historical facts. Broadly speaking, forward-looking statements include, but are not limited to, the following:

- Projections of our net interest income, noninterest income, earnings per share, noninterest expenses (including professional services, compliance, compensation and other costs), cash flows, balance sheet positions, capital expenditures, liquidity and capitalization or other financial items
- Descriptions of our strategic initiatives, plans or objectives for future operations, including pending sales or acquisitions
- Forecasts of private equity/venture capital funding and investment levels
- Forecasts of future interest rates, economic performance, and income from investments
- Forecasts of expected levels of provisions for loan losses, nonperforming loans, loan growth and client funds
- Descriptions of assumptions underlying or relating to any of the foregoing

You can identify these and other forward-looking statements by the use of words such as “becoming,” “may,” “will,” “should,” "could," "would," “predict,” “potential,” “continue,” “anticipate,” “believe,” “estimate,” "assume," “seek,” “expect,” “plan,” “i negative of such words, or comparable terminology. Forward-looking statements are neither historical facts nor assurances of future performance. Although we believe that the expectations reflected in these forward-looking statements are reasonable, we have based these expectations on our current beliefs as well as our assumptions, and such expectations may prove to be incorrect. Because forward-looking statements relate to the future, they are subject to inherent uncertainties, risks and changes in circumstances that are difficult to predict and many of which are outside of our control. Our actual results of operations and financial performance could differ significantly from those expressed in or implied by our management’s forward-

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looking statements. Important factors that could cause our actual results and financial condition to differ from the expectations stated in the forward-looking statements include, among others:

- Market and economic conditions, including the interest rate environment, and the associated impact on us
- The credit profile and credit quality of our loan portfolio and volatility of our levels of nonperforming assets and charge-offs
- The adequacy of our allowance for loan losses and the need to make provisions for loan losses for any period
- The borrowing needs of our clients
- The sufficiency of our capital and liquidity positions
- The levels of loans, deposits and client investment fund balances
- The performance of our portfolio investments; the general condition of the public and private equity and mergers and acquisitions markets and their impact on our investments, including equity warrant assets, venture capital and private equity funds and direct equity investments
- Our overall investment plans and strategies; the realization, timing, valuation and performance of our equity or other investments
- The levels of public offerings, mergers and acquisitions and venture capital investment activity of our clients that may impact the borrowing needs of our clients
- The occurrence of fraudulent activity, including breaches of our information security or cyber security-related incidents
- Business disruptions and interruptions due to natural disasters and other external events
- The impact on our reputation and business from our interactions with business partners, counterparties, service providers and other third parties
- Expansion of our business internationally, and the impact of international market and economic events on us, such as "Brexit"
- The impact of legal requirements and regulations limiting or restricting our activities or resulting in higher costs, including the Dodd-Frank Act, the Volcker Rule and Federal Reserve and other regulatory requirements
- The impact of lawsuits and claims
- Changes in accounting standards and tax laws
- The levels of equity capital available to our client or portfolio companies
- The effectiveness of our risk management framework and quantitative models
- The sale of impaired assets
- Our ability to maintain or increase our market share, including through successfully implementing our business strategy and undertaking new business initiatives
- Other factors as discussed in “Risk Factors” under Part I, Item 1A in our 2015 Form 10-K

We urge investors to consider all of these factors carefully in evaluating the forward-looking statements contained in this Quarterly Report on Form 10-Q. All subsequent written or oral forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by these cautionary statements. The forward-looking statements included in this filing are made only as of the date of this filing. 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, except as required by law.

The following discussion and analysis of financial condition and results of operations should be read in conjunction with our unaudited interim consolidated financial statements and accompanying notes as presented in Part I, Item 1 of this report and in conjunction with our 2015 Form 10-K.

Reclassifications

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

Management’s Overview of Third Quarter 2016 Performance

Overall, we had a solid third quarter in 2016, which was marked by healthy loan growth, stable credit quality, solid core fee income and higher investment and warrant gains. Our core business continues to perform well as a result of our ongoing focus on innovation companies and their investors and continued efforts to secure client relationships. We saw continued success in working with private equity/venture capital firms as well as growth of our private bank offerings to private equity/venture capital professionals and executive leaders of the innovation companies they support.

A summary of our performance for the three months ended September 30, 2016 (compared to September 30, 2015, where applicable) is as follows:

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BALANCE SHEET

Assets. $43.5 billion in average total assets (up 3.4%). $43.3 billion in period-end total assets (up 3.7%).
Investments. $20.7 billion in average investment securities (down 9.5%). $21.1 billion in period-end investments securities (down 13.1%).
Loans. $18.6 billion in average total loan balances, net of unearned income (up 25.0%). $19.1 billion in period-end total loan balances, net of unearned income (up 24.8%).
Deposits. $37.9 billion in average total deposit balances (up 1.4%). $38.2 billion in period-end total deposit balances (up 3.1%).
Off-Balance Sheet Client Investment Funds. $43.1 billion in total average client investment fund balances (up 2.7%). $43.3 billion in total period-end client investment fund balances (down 0.5%).

EARNINGS

EPS. Earnings per diluted share of $2.12 (up 35.0%).
Net Income. Consolidated net income available to common stockholders of $111.1 million (up 35.9%).
- Net interest income of $289.2 million (up 13.5%).
- Net interest margin of 2.75% (up 25 bps).
- Noninterest income of $144.1 million (up 32.9%), with non-GAAP core fee income[+] of $80.5 million (up 17.7%).
- Noninterest expense of $221.8 million (up 20.1%)

ROE. Return on average equity (annualized) (“ROE”) performance of 12.32%.

CAPITAL

Capital/Liquidity. Continued strong capital and liquidity levels, with all capital ratios considered "well-capitalized" under banking regulations. SVBFG and SVB Capital ratios, respectively, were:
- CET 1 risk-based capital ratio of 12.75% and 12.77%.
- Tier 1 risk-based capital ratio of 13.21% and 12.77%.
- Total risk-based capital ratio of 14.22% and 13.83%.
- Tier 1 leverage ratio of 8.35% and 7.74%.

CREDIT QUALITY

Credit Quality. Continued disciplined underwriting.
- Allowance for loan losses of 1.25% as a percentage of period-end total gross loans.
- Provision for loan losses of 0.39% as a percentage of period-end total gross loans (annualized).
- Net loan charge-offs of 0.48% as a percentage of average total gross loans (annualized).

[+] Consists of fee income for deposit services, letters of credit, business credit cards, client investments, foreign exchange and lending-related activities. This is a non-GAAP financial metric. (See the non-GAAP reconciliation under “Results of Operations—Noninterest Income”)

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A summary of our performance for the three and nine months ended September 30, 2016 and 2015 is as follows:

	Three months ended September 30,			Nine months ended September 30,		
(Dollars in thousands, except per share data, employees and ratios)	2016	2015	% Change	2016	2015	% Change
Diluted earnings per common share	$2.12	$1.57	35.0 %	$5.42	$4.94	9.7 %
Net income available to common stockholders	111,081	81,733	35.9	283,219	256,392	10.5
Net interest income	289,161	254,660	13.5	853,918	737,356	15.8
Net interest margin	2.75 %	2.50 %	25 bps	2.72 %	2.57 %	15 bps
Provision for loan losses	$18,950	$33,403	(43.3)%	$88,624	$66,368	33.5 %
Noninterest income	144,140	108,477	32.9	343,050	358,288	(4.3)
Noninterest expense	221,827	184,755	20.1	626,212	569,408	10.0
Non-GAAP core fee income (1)	80,526	68,388	17.7	231,522	192,677	20.2
Non-GAAP noninterest income, net of noncontrolling interests (1)	139,461	102,134	36.5	339,423	329,225	3.1
Non-GAAP noninterest expense, net of noncontrolling interests (2)	221,710	184,639	20.1	625,928	568,758	10.1
Balance Sheet:						
Average available-for-sale securities	$12,743,715	$15,035,114	(15.2)%	$13,608,722	$14,140,044	(3.8)%
Average held-to-maturity securities	8,003,825	7,878,963	1.6	8,347,190	7,697,302	8.4
Average loans, net of unearned income	18,647,194	14,916,652	25.0	17,955,497	14,431,785	24.4
Average noninterest-bearing demand deposits	30,522,314	28,791,728	6.0	30,694,119	26,909,422	14.1
Average interest-bearing deposits	7,387,440	8,591,339	(14.0)	7,749,871	8,503,931	(8.9)
Average total deposits	37,909,754	37,383,067	1.4	38,443,990	35,413,353	8.6
Earnings Ratios:						
Return on average assets (annualized) (3)	1.02 %	0.77 %	32.5 %	0.87 %	0.86 %	1.2 %
Return on average SVBFG stockholders' equity (annualized) (4)	12.32	10.35	19.0	10.95	11.34	(3.4)
Asset Quality Ratios:						
Allowance for loan losses as a % of total period-end gross loans	1.25 %	1.28 %	(3) bps	1.25 %	1.28 %	(3) bps
Allowance for loan losses for performing loans as a % of total gross performing loans	1.03	0.99	4	1.03	0.99	4
	0.52	0.77	(25)	0.53	0.36	17

Gross loan charge-offs as a % of average total gross loans (annualized)						
Net loan charge-offs as a % of average total gross loans (annualized)	0.48	0.75	(27)	0.47	0.31	16
Capital Ratios:						
CET 1 risk-based capital ratio	12.75 %	12.48 %	27 bps	12.75 %	12.48 %	27 bps
Tier 1 risk-based capital ratio	13.21	13.07	14	13.21	13.07	14
Total risk-based capital ratio	14.22	14.05	17	14.22	14.05	17
Tier 1 leverage ratio	8.35	7.67	68	8.35	7.67	68
Tangible common equity to tangible assets (5)	8.30	7.61	69	8.30	7.61	69
Tangible common equity to risk-weighted assets (5)	13.11	12.87	24	13.11	12.87	24
Bank CET 1 risk-based capital ratio	12.77	12.79	(2)	12.77	12.79	(2)
Bank tier 1 risk-based capital ratio	12.77	12.79	(2)	12.77	12.79	(2)
Bank total risk-based capital ratio	13.83	13.85	(2)	13.83	13.85	(2)
Bank tier 1 leverage ratio	7.74	7.13	61	7.74	7.13	61
Bank tangible common equity to tangible assets (5)	7.98	7.42	56	7.98	7.42	56
Bank tangible common equity to risk-weighted assets (5)	13.14	13.21	(7)	13.14	13.21	(7)
Other Ratios:						
GAAP operating efficiency ratio (6)	51.19 %	50.88 %	0.6 %	52.32 %	51.97 %	0.7 %
Non-GAAP operating efficiency ratio (2)	51.69	51.69	—	52.41	53.27	(1.6)
Book value per common share (7)	$69.02	$61.66	11.9	$69.02	$61.66	11.9
Other Statistics:						
Average full-time equivalent employees	2,255	2,030	11.1 %	2,199	1,981	11.0 %
Period-end full-time equivalent employees	2,280	2,054	11.0	2,280	2,054	11.0

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(1) See "Results of Operations–Noninterest Income" for a description and reconciliation of non-GAAP core fee income and noninterest income.

(2) See "Results of Operations–Noninterest Expense" for a description and reconciliation of non-GAAP noninterest expense and non-GAAP operating efficiency ratio.

(3) Ratio represents annualized consolidated net income available to common stockholders divided by quarterly and year-to-date average assets.

(4) Ratio represents annualized consolidated net income available to common stockholders divided by quarterly and year-to-date average SVBFG stockholders' equity.

(5) See "Capital Resources–Capital Ratios" for a reconciliation of non-GAAP tangible common equity to tangible assets and tangible common equity to risk-weighted assets.

(6) The operating efficiency ratio is calculated by dividing total noninterest expense by total taxable-equivalent net interest income plus noninterest income.

(7) Book value per common share is calculated by dividing total SVBFG stockholders' equity by total outstanding common shares at period-end.

For more information with respect to our capital ratios, please refer to "Capital Ratios" under "Consolidated Financial Condition-Capital Ratios" below.

Critical Accounting Policies and Estimates

The accompanying management's discussion and analysis of results of operations and financial condition is based upon our unaudited interim consolidated financial statements, which have been prepared in accordance with 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, expenses and related disclosure of contingent assets and liabilities. Management evaluates estimates and assumptions 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. Actual results may differ materially from these estimates under different assumptions or conditions.

There have been no significant changes during the nine months ended September 30, 2016 to the items that we disclosed as our critical accounting policies and estimates in "Management's Discussion and Analysis of Financial Condition and Results of Operations" under Part II, Item 7 of our 2015 Form 10-K.

Results of Operations

Net Interest Income and Margin (Fully Taxable Equivalent Basis)

Net interest income is defined as the difference between interest earned on loans, fixed income investment portfolio (available-for-sale and held-to-maturity securities), 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. Net interest income and net interest margin are presented on a fully taxable equivalent basis to consistently reflect income from taxable loans and securities and tax-exempt securities based on the federal statutory tax rate of 35 percent.

Analysis of Net Interest Income Changes Due to Volume and Rate (Fully Taxable Equivalent Basis)

Net interest income is affected by changes in the amount and composition 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 for each major category of interest-earning assets and interest expense for each major category of interest-bearing liabilities. The table also reflects the amount of simultaneous changes attributable to both volume and rate changes 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.

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(Dollars in thousands)	2016 Compared to 2015 Three months ended September 30, increase (decrease) due to change in Volume	Rate	Total	2016 Compared to 2015 Nine months ended September 30, increase (decrease) due to change in Volume	Rate	Total
Interest income:						
Federal Reserve deposits, federal funds sold, securities purchased under agreements to resell, trade receivables purchased and other short-term investment securities	$(198)	$912	$714	$69	$1,653	$1,722
Fixed income investment portfolio (taxable)	(8,344)	4,203	(4,141)	(136)	7,761	7,625
Fixed income investment portfolio (non-taxable)	(287)	3	(284)	(847)	36	(811)
Loans, net of unearned income	42,429	(3,195)	39,234	121,580	(11,870)	109,710
Increase (decrease) in interest income, net	33,600	1,923	35,523	120,666	(2,420)	118,246
Interest expense:						
Interest bearing checking and savings accounts	6	(1)	5	34	(81)	(47)
Money market deposits	(118)	568	450	(73)	64	(9)
Money market deposits in foreign offices	—	—	—	(14)	6	(8)
Time deposits	(4)	(12)	(16)	(28)	(47)	(75)
Sweep deposits in foreign offices	(74)	12	(62)	(181)	21	(160)
Total (decrease) increase in deposits expense	(190)	567	377	(262)	(37)	(299)
Short-term borrowings	654	6	660	970	67	1,037
3.50% Senior Notes	1	2	3	977	43	1,020
5.375% Senior Notes	4	4	8	33	(10)	23
Junior Subordinated Debentures	—	(1)	(1)	(2)	(1)	(3)
6.05% Subordinated Notes	(9)	83	74	(24)	214	190
Total increase in borrowings expense	650	94	744	1,954	313	2,267
Increase in interest expense, net	460	661	1,121	1,692	276	1,968
Increase (decrease) in net interest income	$33,140	$1,262	$34,402	$118,974	$(2,696)	$116,278

Net Interest Income (Fully Taxable Equivalent Basis)

Three months ended September 30, 2016 and 2015

Net interest income increased by $34.4 million to $289.4 million for the three months ended September 30, 2016, compared to $255.0 million for the comparable 2015 period. Overall, our net interest income increased primarily from interest earned on loans, reflective of higher average loan balances driven by strong growth in average loan balances. The main factors affecting interest income for the three months ended September 30, 2016, compared to the comparable 2015 period are discussed below:

- Interest income for the three months ended September 30, 2016 increased by $35.5 million due primarily to:

  A $39.2 million increase in interest income on loans to $214.2 million for the three months ended September 30, 2016, compared to $175.0 million for the comparable 2015 period. The increase was reflective of an increase in average loan balances of $3.7 billion, partially offset by a decrease in both gross loan yields and loan fee yields. Gross loan yields, excluding loan interest recoveries and loan fees, decreased to 3.93 percent from 3.99 percent, reflective of a shift in the mix of our overall loan portfolio from the third quarter of 2015, partially offset by the 25 basis point increase in the target federal funds rate by the Federal Reserve in December 2015. The shift in the mix of loans primarily reflects growth in private equity/venture capital and SVB Private Bank loans, which tend to be higher credit quality, lower yielding loans. Loan fee yields decreased five basis points to 61 basis points, from 66 basis points in the comparable 2015 period. This decrease was a result of lower amortizing fee income as a percentage of our overall loan portfolio, primarily reflective of the growth of our private equity/venture capital and SVB Private Bank loans which tend to have lower fees.

A $4.4 million decrease in interest income on fixed income investment securities to $84.3 million for the three months ended September 30, 2016, compared to $88.7 million for the comparable 2015 period. The decrease was reflective primarily of a decrease in average fixed income investment securities of $2.2 billion from the third quarter of 2015, as a result of our $2.9 billion sales of investment securities during the first and second

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quarters of 2016 to fund loans and repay short-term borrowings. The decrease was partially offset by lower premium amortization expense, reflective of higher market interest rates in 2016.

Nine months ended September 30, 2016 and 2015

Net interest income increased by $116.3 million to $854.8 million for the nine months ended September 30, 2016, compared to $738.6 million for the comparable 2015 period. Overall, our net interest income increased primarily from interest earned on loans, reflective of higher average loan balances driven by strong growth in average loan balances.

The main factors affecting interest income and interest expense for the nine months ended September 30, 2016, compared to the comparable 2015 period are discussed below:

- Interest income for the nine months ended September 30, 2016 increased by $118.2 million due primarily to:

A $109.7 million increase in interest income on loans to $617.5 million for the nine months ended September 30, 2016, compared to $507.7 million for the comparable 2015 period. The increase was reflective of an increase in average loan balances of $3.5 billion, partially offset by a decrease in both gross loan yields and loan fee yields. Gross loan yields, excluding loan interest recoveries and loan fees, decreased to 3.99 percent from 4.03 percent, reflective of a shift in the mix of our overall loan portfolio since the nine months ended September 30, 2015, partially offset by the 25 basis point increase in the target federal funds rate by the Federal Reserve in December 2015. The shift in the mix of loans primarily reflects growth in private equity/venture capital and SVB Private Bank loans, which tend to be higher credit quality, lower yielding loans. Loan fee yields decreased eight basis points to 58 basis points, from 66 basis points in the comparable 2015 period. This decrease was a result of lower amortizing fee income as a percentage of our overall loan portfolio, primarily reflective of the growth of our private equity/venture capital and SVB Private Bank loans which tend to have lower fees.

A $6.8 million increase in interest income on fixed income investment securities to $263.7 million for the nine months ended September 30, 2016, compared to $256.9 million for the comparable 2015 period. The increase was driven primarily by a $5.0 million decrease in premium amortization expense, as well as a higher yield on our U.S. Treasury portfolio, both reflective of higher market interest rates.

- Interest expense for the nine months ended September 30, 2016 increased by $2.0 million primarily due to:

An increase in long-term debt interest expense of $1.2 million, reflective of the $350.0 million issuance of our 3.50% Senior Notes on January 29, 2015.

An increase in short-term borrowings interest expense of $1.0 million, due primarily to borrowings from our available line of credit with the Federal Home Loan Bank ("FHLB") in 2016 in order to support loan growth and the liquidity needs of the Bank.

Net Interest Margin (Fully Taxable Equivalent Basis)

Three months ended September 30, 2016 and 2015

- Our net interest margin increased by 25 basis points to 2.75 percent for the three months ended September 30, 2016, compared to 2.50 percent for the comparable 2015 period. The higher margin during the third quarter of 2016 was reflective primarily of a shift in the mix of our average interest-earning assets towards our loan portfolio. The shift was reflective of the utilization of fixed income investment securities to fund loan growth in 2016 as a result of the tempered growth in average deposits. Average loans represented 45 percent of interest earning assets for the third quarter of 2016 compared to 37 percent for the comparable 2015 period.

Nine months ended September 30, 2016 and 2015

- Our net interest margin increased by 15 basis points to 2.72 percent for the nine months ended September 30, 2016, compared to 2.57 percent for the comparable 2015 period. The higher margin during the nine months ended September 30, 2016 was reflective primarily of a shift in the mix of our average interest-earning assets towards our loan portfolio. The shift was reflective of the utilization of fixed income investment securities to fund loan growth in 2016 as a result of the tempered growth in average deposits. Average loans represented 43 percent of interest earning assets for the nine months ended September 30, 2016 compared to 38 percent for the comparable 2015 period

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Average Balances, Yields and Rates Paid (Fully Taxable Equivalent Basis)

The average yield earned on interest-earning assets is the amount of annualized fully taxable equivalent interest income expressed as a percentage of average interest-earning assets. The average rate paid on funding sources is the amount of annualized interest expense expressed as a percentage of average funding sources. The following tables set forth average assets, liabilities, noncontrolling interests and SVBFG stockholders' equity, interest income, interest expense, annualized yields and rates, and the composition of our annualized net interest margin for the three and nine months ended September 30, 2016 and 2015:

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Average Balances, Rates and Yields for the Three Months Ended September 30, 2016 and 2015

	Three months ended September 30,					
	2016			2015		
(Dollars in thousands)	Average Balance	Interest Income/ Expense	Yield/ Rate	Average Balance	Interest Income/ Expense	Yield/ Rate
Interest-earning assets:						
Federal Reserve deposits, federal funds sold, securities purchased under agreements to resell and other short-term investment securities (1)	$2,404,006	$2,196	0.36 %	$2,618,582	$1,482	0.22 %
Investment securities: (2)						
Available-for-sale securities:						
Taxable	12,743,715	44,741	1.40	15,035,114	49,027	1.29
Held-to-maturity securities:						
Taxable	7,947,983	38,727	1.94	7,803,045	38,582	1.96
Non-taxable (3)	55,842	803	5.72	75,918	1,087	5.68
Total loans, net of unearned income (4) (5)	18,647,194	214,227	4.57	14,916,652	174,993	4.65
Total interest-earning assets	41,798,740	300,694	2.86	40,449,311	265,171	2.60
Cash and due from banks	317,044			349,072		
Allowance for loan losses	(247,657)			(200,683)		
Other assets (6)	1,583,202			1,416,520		
Total assets	$43,451,329			$42,014,220		
Funding sources:						
Interest-bearing liabilities:						
Interest bearing checking and savings accounts	$308,345	$60	0.08 %	$276,221	$55	0.08 %
Money market deposits	5,592,603	1,316	0.09	6,090,936	866	0.06
Money market deposits in foreign offices	199,539	20	0.04	192,859	20	0.04
Time deposits	50,351	12	0.09	68,875	28	0.16
Sweep deposits in foreign offices	1,236,602	127	0.04	1,962,448	189	0.04
Total interest-bearing deposits	7,387,440	1,535	0.08	8,591,339	1,158	0.05
Short-term borrowings	513,446	663	0.51	6,956	3	0.17
3.50% Senior Notes	346,848	3,141	3.60	346,541	3,138	3.59
5.375% Senior Notes	347,345	4,847	5.55	346,788	4,839	5.54
Junior Subordinated Debentures	54,566	830	6.05	54,650	831	6.03
6.05% Subordinated Notes	47,421	236	1.98	49,298	162	1.30
Total interest-bearing liabilities	8,697,066	11,252	0.51	9,395,572	10,131	0.43
Portion of noninterest-bearing funding sources	33,101,674			31,053,739		
Total funding sources	41,798,740	11,252	0.11	40,449,311	10,131	0.10
Noninterest-bearing funding sources:						
Demand deposits	30,522,314			28,791,728		
Other liabilities	517,066			556,935		
SVBFG stockholders' equity	3,586,196			3,131,687		
Noncontrolling interests	128,687			138,298		
Portion used to fund interest-earning assets	(33,101,674)			(31,053,739)		
Total liabilities, noncontrolling interest, and SVBFG stockholders' equity	$43,451,329			$42,014,220		
Net interest income and margin		$289,442	2.75 %		$255,040	2.50 %
Total deposits	$37,909,754			$37,383,067		
Reconciliation to reported net interest income:						

Adjustments for taxable equivalent basis	(281)	(380)
Net interest income, as reported	$289,161	$254,660

(1) Includes average interest-earning deposits in other financial institutions of $760 million and $446 million for the three months ended September 30, 2016 and 2015, respectively. For the three months ended September 30, 2016 and 2015, balances also include $1.6 billion and $2.1 billion, respectively, deposited at the FRB, earning interest at the Federal Funds target rate.

(2) Yields on interest-earning investment securities do not give effect to changes in fair value that are reflected in other comprehensive income.

(3) Interest income on non-taxable investment securities are presented on a fully taxable-equivalent basis using the federal statutory income tax rate of 35.0 percent for all periods presented.

(4) Nonaccrual loans are reflected in the average balances of loans.

(5) Interest income includes loan fees of $28.4 million and $24.7 million for the three months ended September 30, 2016 and 2015, respectively.

(6) Average investment securities of $804 million and $739 million for the three months ended September 30, 2016 and 2015, respectively, were classified as other assets as they were noninterest-earning assets. These investments consisted primarily of non-marketable and other securities.

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Average Balances, Rates and Yields for the Nine Months Ended September 30, 2016 and 2015

(Dollars in thousands)	Nine months ended September 30, 2016 Average Balance	Interest Income/ Expense	Yield/ Rate	2015 Average Balance	Interest Income/ Expense	Yield/ Rate
Interest-earning assets:						
Federal Reserve deposits, federal funds sold, securities purchased under agreements to resell and other short-term investment securities (1)	$2,111,619	$ 5,793	0.37%	$2,086,409	$ 4,071	0.26%
Investment securities: (2)						
Available-for-sale securities:						
Taxable	13,608,722	140,932	1.38	14,140,044	139,734	1.32
Held-to-maturity securities:						
Taxable	8,287,043	120,189	1.94	7,617,112	113,762	2.00
Non-taxable (3)	60,147	2,605	5.79	80,190	3,416	5.70
Total loans, net of unearned income (4) (5)	17,955,497	617,456	4.59	14,431,785	507,746	4.70
Total interest-earning assets	42,023,028	886,975	2.82	38,355,540	768,729	2.68
Cash and due from banks	326,144			302,251		
Allowance for loan losses	(237,613)			(184,119)		
Other assets (6)	1,558,157			1,433,017		
Total assets	$43,669,716			$39,906,689		
Funding sources:						
Interest-bearing liabilities:						
Interest bearing checking and savings accounts	$310,505	$ 181	0.08%	$251,605	$ 228	0.12%
Money market deposits	5,887,627	3,297	0.07	6,021,622	3,306	0.07
Money market deposits in foreign offices	153,593	50	0.04	196,200	58	0.04
Time deposits	59,069	51	0.12	90,939	126	0.19
Sweep deposits in foreign offices	1,339,077	405	0.04	1,943,565	565	0.04
Total interest-bearing deposits	7,749,871	3,984	0.07	8,503,931	4,283	0.07
Short-term borrowings	287,735	1,065	0.49	25,505	28	0.15
3.5% Senior Notes	346,771	9,421	3.63			