SVB FINANCIAL GROUP
Form 10-Q
August 07, 2015
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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 June 30, 2015
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<br>(State or other jurisdiction of<br>incorporation or organization) | 91-1962278<br>(I.R.S. Employer<br>Identification No.) |
| 3003 Tasman Drive, Santa Clara, California<br>(Address of principal executive offices) | 95054-1191<br>(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 July 31, 2015, 51,475,662 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

ASC — Accounting Standards Codification
ASU – Accounting Standards Update
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
M&A – Merger and Acquisition
OTTI – Other Than Temporary Impairment
SEC – Securities and Exchange Commission
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

| (Dollars in thousands, except par value and share data) | June 30, 2015 (Unaudited) | December 31, 2014 |
|---|---|---|
| Assets | | |
| Cash and cash equivalents | $2,625,550 | $1,796,062 |
| Available-for-sale securities, at fair value (cost of $14,414,219 and $13,497,945, respectively) | 14,495,759 | 13,540,655 |
| Held-to-maturity securities, at cost (fair value of $7,730,811 and $7,415,656, respectively) | 7,735,891 | 7,421,042 |
| Non-marketable and other securities (1) | 645,506 | 1,728,140 |
| Total investment securities | 22,877,156 | 22,689,837 |
| Loans, net of unearned income | 14,261,430 | 14,384,276 |
| Allowance for loan losses | (192,644) | (165,359) |
| Net loans | 14,068,786 | 14,218,917 |
| Premises and equipment, net of accumulated depreciation and amortization | 88,284 | 79,845 |
| Accrued interest receivable and other assets (1) | 576,342 | 555,289 |
| Total assets | $40,236,118 | $39,339,950 |
| Liabilities and total equity | | |
| Liabilities: | | |
| Noninterest-bearing demand deposits | $27,734,720 | $24,583,682 |
| Interest-bearing deposits | 7,892,245 | 9,759,817 |
| Total deposits | 35,626,965 | 34,343,499 |
| Short-term borrowings | 2,537 | 7,781 |
| Other liabilities | 614,690 | 483,493 |
| Long-term debt | 802,454 | 453,443 |
| Total liabilities | 37,046,646 | 35,288,216 |
| Commitments and contingencies (Note 13 and Note 16) | | |
| 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; 51,461,496 shares and 50,924,925 shares outstanding, respectively | 51 | 51 |
| Additional paid-in capital | 1,162,508 | 1,120,350 |
| Retained earnings (1) | 1,824,626 | 1,649,967 |
| Accumulated other comprehensive income | 63,917 | 42,704 |
| Total SVBFG stockholders’ equity | 3,051,102 | 2,813,072 |
| Noncontrolling interests | 138,370 | 1,238,662 |
| Total equity | 3,189,472 | 4,051,734 |
| Total liabilities and total equity | $40,236,118 | $39,339,950 |

(1) Prior period amounts have been revised to reflect the retrospective application of new accounting guidance adopted in the first quarter of 2015 related to our investments in qualified affordable housing projects (ASU 2014-01). See Note 1— "Basis of Presentation" of the "Notes to Interim Consolidated Financial Statements" under Part I, Item 1 in

this report.

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 June 30, | | Six months ended June 30, | |
|---|---|---|---|---|
| (Dollars in thousands, except per share amounts) | 2015 | 2014 | 2015 (2) | 2014 |
| Interest income: | | | | |
| Loans | $167,252 | $147,680 | $332,753 | $295,852 |
| Investment securities: | | | | |
| Taxable | 84,613 | 63,424 | 165,887 | 117,844 |
| Non-taxable | 741 | 794 | 1,513 | 1,590 |
| Federal funds sold, securities purchased under agreements to resell and other short-term investment securities | 1,320 | 1,943 | 2,589 | 3,579 |
| Total interest income | 253,926 | 213,841 | 502,742 | 418,865 |
| Interest expense: | | | | |
| Deposits | 1,182 | 3,068 | 3,125 | 5,972 |
| Borrowings | 8,973 | 5,808 | 16,921 | 11,600 |
| Total interest expense | 10,155 | 8,876 | 20,046 | 17,572 |
| Net interest income | 243,771 | 204,965 | 482,696 | 401,293 |
| Provision for loan losses | 26,513 | 1,947 | 32,965 | 2,441 |
| Net interest income after provision for loan losses | 217,258 | 203,018 | 449,731 | 398,852 |
| Noninterest income: | | | | |
| Gains (losses) on investment securities, net | 24,975 | (57,320) | 58,238 | 166,592 |
| Gains on derivative instruments, net | 16,317 | 12,775 | 56,046 | 36,942 |
| Foreign exchange fees | 22,364 | 17,928 | 40,042 | 35,124 |
| Credit card fees | 14,215 | 10,249 | 26,305 | 20,531 |
| Deposit service charges | 11,301 | 9,611 | 22,037 | 19,218 |
| Lending related fees | 8,163 | 5,876 | 16,185 | 12,179 |
| Letters of credit and standby letters of credit fees | 4,772 | 2,810 | 9,974 | 6,950 |
| Client investment fees | 5,264 | 3,519 | 9,746 | 6,937 |
| Other | 18,916 | 8,762 | 11,238 | 19,962 |
| Total noninterest income | 126,287 | 14,210 | 249,811 | 324,435 |
| Noninterest expense: | | | | |
| Compensation and benefits | 124,915 | 99,820 | 240,685 | 202,327 |
| Professional services | 18,950 | 21,113 | 37,697 | 42,302 |
| Premises and equipment | 11,787 | 12,053 | 24,444 | 23,635 |
| Business development and travel | 9,764 | 9,249 | 20,876 | 19,443 |
| Net occupancy | 8,149 | 7,680 | 15,462 | 15,000 |
| FDIC and state assessments | 5,962 | 4,945 | 11,751 | 9,073 |
| Correspondent bank fees | 3,337 | 3,274 | 6,705 | 6,477 |
| (Reduction of) provision for unfunded credit commitments | (3,061) | 2,185 | (798) | 3,308 |
| Other (1) | 14,309 | 10,625 | 27,831 | 19,787 |
| Total noninterest expense (1) | 194,112 | 170,944 | 384,653 | 341,352 |
| Income before income tax expense (1) | 149,433 | 46,284 | 314,889 | 381,935 |
| Income tax expense (1) | 54,974 | 35,928 | 118,040 | 97,224 |
| Net income before noncontrolling interests (1) | 94,459 | 10,356 | 196,849 | 284,711 |
| Net (income) loss attributable to noncontrolling interests | (8,316) | 40,597 | (22,190) | (142,808) |

| | | | | |
|---|---|---|---|---|
| Net income available to common stockholders (1) | $86,143 | $50,953 | $174,659 | $141,903 |
| Earnings per common share—basic (1) | $1.68 | $1.06 | $3.42 | $3.02 |
| Earnings per common share—diluted | 1.66 | 1.04 | 3.37 | 2.96 |

(1) Prior period amounts have been revised to reflect the retrospective application of new accounting guidance adopted in the first quarter of 2015 related to our investments in qualified affordable housing projects (ASU 2014-01). See Note 1— "Basis of Presentation" of the "Notes to Interim Consolidated Financial Statements" under Part I, Item 1 in this report.

(2) Amounts for the six months ended June 30, 2015, have been revised to reflect the retrospective application of new accounting guidance adopted in the second quarter of 2015 related to our consolidated variable interest entities (ASU 2015-02). Amounts prior to January 1, 2015 have not been revised for the adoption of this guidance. See Note 1— "Basis of Presentation" of the "Notes to Interim Consolidated Financial Statements (unaudited)" under Part I, Item 1 of this report for additional details.

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 June 30, | | Six months ended June 30, | |
|---|---|---|---|---|
| (Dollars in thousands) | 2015 | 2014 | 2015 | 2014 |
| Net income before noncontrolling interests (1) (2) | $94,459 | $10,356 | $196,849 | $284,711 |
| Other comprehensive (loss) income, net of tax: | | | | |
| Change in cumulative translation gains: | | | | |
| Foreign currency translation gains | 529 | 157 | 2,690 | 1,621 |
| Related tax expense | (321) | (76) | (1,141) | (654) |
| Change in unrealized gains on available-for-sale securities: | | | | |
| Unrealized holding (losses) gains | (45,541) | 82,064 | 41,566 | 111,393 |
| Related tax benefit (expense) | 18,191 | (33,203) | (17,024) | (45,008) |
| Reclassification adjustment for (gains) losses included in net income | (141) | 16,480 | (2,737) | 16,421 |
| Related tax expense (benefit) | 57 | (6,653) | 1,105 | (6,630) |
| Cumulative-effect adjustment for unrealized gains on securities transferred from available-for-sale to held-to-maturity | — | 36,653 | — | 36,653 |
| Related tax expense | — | (14,756) | — | (14,756) |
| Amortization of unrealized gains on securities transferred from available-for-sale to held-to-maturity | (2,604) | — | (5,432) | — |
| Related tax benefit | 1,047 | — | 2,186 | — |
| Other comprehensive (loss) income, net of tax | (28,783) | 80,666 | 21,213 | 99,040 |
| Comprehensive income | 65,676 | 91,022 | 218,062 | 383,751 |
| Comprehensive (income) loss attributable to noncontrolling interests (2) | (8,316) | 40,597 | (22,190) | (142,808) |
| Comprehensive income attributable to SVBFG | $57,360 | $131,619 | $195,872 | $240,943 |

(1) Prior period amounts have been revised to reflect the retrospective application of new accounting guidance adopted in the first quarter of 2015 related to our investments in qualified affordable housing projects (ASU 2014-01). See Note 1— "Basis of Presentation" of the "Notes to Interim Consolidated Financial Statements" under Part I, Item 1 in this report.

(2) Amounts for the six months ended June 30, 2015, have been revised to reflect the retrospective application of new accounting guidance adopted in the second quarter of 2015 related to our consolidated variable interest entities (ASU 2015-02). Amounts prior to January 1, 2015 have not been revised for the adoption of this guidance. See Note 1— "Basis of Presentation" of the "Notes to Interim Consolidated Financial Statements (unaudited)" under Part I, Item 1 of this report for additional details.

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 (Loss) | Total SVBFG Stockholders' Equity | Noncontrolling Interests | Total Equity |
|---|---|---|---|---|---|---|---|---|
| Balance at December 31, 2013 (As Reported) | 45,800,418 | $46 | $624,256 | $1,390,732 | $(48,764) | $1,966,270 | $1,113,058 | $3,079,328 |
| Cumulative effective of adopting ASU 2014-01 (1) | — | — | — | (4,635) | — | (4,635) | — | (4,635) |
| Balance at December 31, 2013 (As Revised) | 45,800,418 | $46 | $624,256 | $1,386,097 | $(48,764) | $1,961,635 | $1,113,058 | $3,074,693 |
| Common stock issued under employee benefit plans, net of restricted stock cancellations | 379,026 | — | 8,127 | — | — | 8,127 | — | 8,127 |
| Common stock issued under ESOP | 30,762 | — | 3,890 | — | — | 3,890 | — | 3,890 |
| Income tax benefit from stock options exercised, vesting of restricted stock and other | — | — | 6,164 | — | — | 6,164 | — | 6,164 |
| Net income (1) | — | — | — | 141,903 | — | 141,903 | 142,808 | 284,711 |
| Capital calls and distributions, net | — | — | — | — | — | — | 6,419 | 6,419 |
| Net change in unrealized gains and losses on available-for-sale securities, net of tax | — | — | — | — | 76,176 | 76,176 | — | 76,176 |
| Cumulative-effect for unrealized gains on securities transferred from available-for-sale to held-to-maturity, net of tax | — | — | — | — | 22,522 | 22,522 | — | 22,522 |
| Amortization of unrealized gains on securities transferred from available-for-sale to held-to-maturity, net | — | — | — | — | (625) | (625) | — | (625) |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| of tax | | | | | | | | |
| Foreign currency translation adjustments, net of tax | — | — | — | — | 967 | 967 | — | 967 |
| Common stock issued in public offering | 4,485,000 | 5 | 434,861 | — | — | 434,866 | — | 434,866 |
| Share-based compensation expense | — | — | 15,284 | — | — | 15,284 | $— | 15,284 |
| Balance at June 30, 2014 (1) | 50,695,206 | $51 | $1,092,582 | $1,528,000 | $50,276 | $2,670,909 | $1,262,285 | $3,933,194 |
| Balance at December 31, 2014 (1) | 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 | 509,146 | — | 13,582 | — | — | 13,582 | — | 13,582 |
| 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 | — | — | 10,157 | — | — | 10,157 | — | 10,157 |
| Deconsolidation of noncontrolling interest | — | — | — | — | — | — | (1,069,437) | (1,069,437) |
| Net income | — | — | — | 174,659 | — | 174,659 | 22,190 | 196,849 |
| Capital calls and distributions, net | — | — | — | — | — | — | (53,045) | (53,045) |
| Net change in unrealized gains and losses on available-for-sale securities, net of tax | — | — | — | — | 22,910 | 22,910 | — | 22,910 |
| Amortization of unrealized gains on securities transferred from available-for-sale to held-to-maturity, net of tax | — | — | — | — | (3,246) | (3,246) | — | (3,246) |
| Foreign currency translation adjustments, net of tax | — | — | — | — | 1,549 | 1,549 | — | 1,549 |
| Share-based compensation expense | — | — | 14,907 | — | — | 14,907 | — | 14,907 |
| Balance at June 30, 2015 | 51,461,496 | $51 | $1,162,508 | $1,824,626 | $63,917 | $3,051,102 | $138,370 | $3,189,472 |

(1) Prior period amounts have been revised to reflect the retrospective application of new accounting guidance adopted in the first quarter of 2015 related to our investments in qualified affordable housing projects (ASU 2014-01). See Note 1— "Basis of Presentation" of the "Notes to Interim Consolidated Financial Statements" under Part I, Item 1 in this report.

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)

| (Dollars in thousands) | Six months ended June 30, 2015 | 2014 |
|---|---|---|
| Cash flows from operating activities: | | |
| Net income before noncontrolling interests (1) | $196,849 | $284,711 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Provision for loan losses | 32,965 | 2,441 |
| (Reduction of) provision for unfunded credit commitments | (798) | 3,308 |
| Changes in fair values of derivatives, net | (33,030) | 14,566 |
| Gains on investment securities, net | (58,238) | (166,592) |
| Depreciation and amortization (1) | 19,753 | 19,181 |
| Amortization of premiums and discounts on investment securities, net | 9,662 | 14,419 |
| Amortization of share-based compensation | 15,986 | 14,765 |
| Amortization of deferred loan fees | (43,194) | (39,071) |
| Pre-tax net gain on SVBIF sale transaction | (1,287) | — |
| Deferred income tax benefit | 4,283 | 5,173 |
| Changes in other assets and liabilities: | | |
| Accrued interest receivable and payable, net | 2,087 | (11,326) |
| Accounts receivable and payable, net | (4,912) | (3,303) |
| Income tax payable and receivable, net (1) | 4,881 | 5,176 |
| Accrued compensation | (30,579) | (48,848) |
| Foreign exchange spot contracts, net | 46,517 | 119,577 |
| Other, net | 44,489 | 3,912 |
| Net cash provided by operating activities | 205,434 | 218,089 |
| Cash flows from investing activities: | | |
| Purchases of available-for-sale securities | (1,711,333) | (6,045,269) |
| Proceeds from sales of available-for-sale securities | 6,674 | 23,708 |
| Proceeds from maturities and pay downs of available-for-sale securities | 791,954 | 1,050,927 |
| Purchases of held-to-maturity securities | (1,032,637) | (120,426) |
| Proceeds from maturities and pay downs of held-to-maturity securities | 734,606 | 74,236 |
| Purchases of non-marketable and other securities (cost and equity method accounting) | (12,875) | (30,354) |
| Proceeds from sales and distributions of non-marketable and other securities (cost and equity method accounting) | 66,807 | 38,265 |
| Purchases of non-marketable and other securities (fair value accounting) | (3,374) | (126,907) |
| Proceeds from sales and distributions of non-marketable and other securities (fair value accounting) | 67,929 | 146,509 |
| Net decrease (increase) in loans | 146,753 | (440,780) |
| Proceeds from recoveries of charged-off loans | 4,541 | 2,933 |
| Effect of deconsolidation of noncontrolling interest | 15,995 | — |
| Purchases of premises and equipment | (24,539) | (18,744) |
| Net proceeds from SVBIF sale transaction (2) | 39,284 | — |
| Net cash used for investing activities | (910,215) | (5,445,902) |
| Cash flows from financing activities: | | |
| Net increase in deposits | 1,203,927 | 5,879,568 |
| Decrease in short-term borrowings | (5,244) | (170) |
| Net (distributions to) capital contributions from noncontrolling interests | (53,045) | 6,419 |
| Tax benefit from stock exercises | 10,157 | 6,164 |
| Proceeds from issuance of common stock, ESPP, and ESOP | 17,091 | 12,018 |

| | | |
|---|---|---|
| Net proceeds from public equity offering | — | 434,866 |
| Proceeds from issuance of 3.50% Senior Notes | 346,431 | — |
| Net cash provided by financing activities | 1,519,317 | 6,338,865 |
| Net increase in cash and cash equivalents | 814,536 | 1,111,052 |
| Cash and cash equivalents at beginning of period (1) (2) | 1,811,014 | 1,538,779 |
| Cash and cash equivalents at end of period (1) | $2,625,550 | $2,649,831 |
| Supplemental disclosures: | | |
| Cash paid during the period for: | | |
| Interest | $24,848 | $17,535 |
| Income taxes | 93,439 | 75,057 |
| Noncash items during the period: | | |
| Changes in unrealized gains and losses on available-for-sale securities, net of tax | $22,910 | $76,176 |
| Distributions of stock from investments | 23,806 | 11,080 |
| Transfers from available-for-sale securities to held-to-maturity | — | 5,418,572 |

(1) Cash flows for the six months ended June 30, 2015 were revised to reflect the adoption of ASU 2015-02 as of January 1, 2015 and cash flows for the six months ended June 30, 2014 were revised to reflect the retrospective application of our adoption of ASU 2014-01.

(2) 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. On April 13, 2015 we received net proceeds of $39.3 million consisting of the sales price of $48.6 million less $9.3 million of cash and cash equivalents held by SVBIF that were sold.

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

SVB FINANCIAL GROUP AND SUBSIDIARIES
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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 six months ended June 30, 2015 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, 2014 (“2014 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)(see "Adoption of New Accounting Standards" below), 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.

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

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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.

Adoption of New Accounting Standards

In February 2015, the FASB issued a new accounting standard, ASU 2015-02, which amends the consolidation requirement for certain legal entities. As outlined above in "Principles of Consolidation and Presentation", we early adopted this guidance in the second quarter of 2015 using the modified retrospective method, which results in an effective date of adoption of January 1, 2015 and will not require the restatement of prior period results. The adoption of this guidance impacted our statement of financial position and results of operations, but had no impact on retained earnings, SVBFG stockholders' equity or net income as investments that were consolidated in previous reporting periods are now deconsolidated and no new investments were consolidated. Refer to Note 4—"Variable Interest Entities" of the "Notes to Interim Consolidated Financial Statements (unaudited)" under Part I, Item 1 of this report for additional details regarding our assessment of the adoption of this guidance.

In May 2015, the FASB issued a new accounting standard (ASU 2015-07, Fair Value Measurement (Topic 820)), which removes the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value per share practical expedient. The standard is required to be applied retrospectively to all periods presented. The guidance will be effective for fiscal years beginning after December 15, 2015, with early adoption permitted. We early adopted this guidance in the second quarter of 2015. The adoption of this guidance impacts our fair value disclosures and has no impact on our financial position, results of operations or stockholders' equity.

In January 2014, the FASB issued a new accounting standard (ASU 2014-01, Investments - Equity Method and Joint Ventures (Topic 323), Accounting for Investments in Qualified Affordable Housing Projects), which is effective for us for interim and annual reporting periods beginning after December 15, 2014. The standard is required to be applied retrospectively, with an adjustment to retained earnings in the earliest period presented. The ASU is applicable to our portfolio of low income housing tax credit ("LIHTC") partnership interests. We adopted this guidance in the first quarter of 2015.

For prior periods, pursuant to ASU 2014-01, (i) amortization expense related to our low income housing tax credits was reclassified from Other noninterest expense to Income tax expense, (ii) additional amortization, net of the associated tax benefits, was recognized in Income tax expense as a result of our adoption of the proportional amortization method and (iii) net deferred tax assets, related to our low income housing tax investments, were written-off. The cumulative effect to retained earnings as of January 1, 2015 of adopting this guidance was a reduction of $4.7 million, inclusive of a $4.6 million reduction to retained earnings as of January 1, 2014. Our previously reported net income and diluted earnings per share for the three and six months ending June 30, 2014 were not materially impacted by the adoption of ASU 2014-01.

Recent Accounting Pronouncements

In May 2014, the FASB issued a new accounting standard (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 on a retrospective basis beginning on January 1, 2018. We do not expect the adoption of this guidance to have a material impact on our financial position, results of operations or stockholders' equity.

In August 2014, the FASB issued a new accounting standard (ASU 2014-15, Going Concern (Topic 205-40)), which requires management to evaluate for each annual and interim reporting period whether there is substantial doubt about an entity's ability to continue as a going concern. The guidance will be effective for annual and quarterly periods

beginning on or after December 15, 2016, with early adoption permitted. We are currently developing processes and controls to adopt this guidance by the adoption deadline and do not expect the adoption of this guidance to have a material impact on our financial position, results of operations or stockholders' equity.

In April 2015, the FASB issued a new accounting standard (ASU 2015-03, Interest- Imputation of Interest (Subtopic 835-30), which simplifies the presentation of debt issuance costs. The guidance will be effective for annual and quarterly periods beginning on January 1, 2016, with early adoption permitted. We do not expect the adoption of this guidance to have a material impact on our financial position.

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Reclassifications

Certain prior period amounts, including amounts related to the adoption of ASU 2014-01 and ASU 2015-02, 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 six months ended June 30, 2015 and 2014:

| | | Three months ended June 30, | | Six months ended June 30, | |
|---|---|---|---|---|---|
| (Dollars in thousands) | Income Statement Location | 2015 | 2014 | 2015 | 2014 |
| Reclassification adjustment for (gains) losses included in net income | Gains (losses) on investment securities, net | $(141) | $16,480 | $(2,737) | $16,421 |
| Related tax expense (benefit) | Income tax expense | 57 | (6,653) | 1,105 | (6,630) |
| Total reclassification adjustment for (gains) losses included in net income, net of tax | | $(84) | $9,827 | $(1,632) | $9,791 |

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 six months ended June 30, 2015 and 2014:

| | Three months ended June 30, | | Six months ended June 30, | |
|---|---|---|---|---|
| (Dollars and shares in thousands, except per share amounts) | 2015 | 2014 | 2015 | 2014 |
| Numerator: | | | | |
| Net income available to common stockholders (1) | $86,143 | $50,953 | $174,659 | $141,903 |
| Denominator: | | | | |
| Weighted average common shares outstanding-basic | 51,268 | 48,168 | 51,139 | 47,025 |
| Weighted average effect of dilutive securities: | | | | |
| Stock options and ESPP | 410 | 569 | 420 | 601 |
| Restricted stock units | 198 | 308 | 229 | 361 |
| Denominator for diluted calculation | 51,876 | 49,045 | 51,788 | 47,987 |
| Earnings per common share: | | | | |
| Basic (1) | $1.68 | $1.06 | $3.42 | $3.02 |
| Diluted | $1.66 | $1.04 | $3.37 | $2.96 |

(1) Prior period amounts have been revised to reflect the retrospective application of new accounting guidance adopted in the first quarter of 2015 related to our investments in qualified affordable housing projects (ASU 2014-01). See Note 1— "Basis of Presentation" of the "Notes to Interim Consolidated Financial Statements" under Part I, Item 1 in this report.

The following table summarizes the weighted-average common shares excluded from the diluted EPS calculation as they were deemed to be antidilutive for the three and six months ended June 30, 2015 and 2014:

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| | Three months ended June 30, | | Six months ended June 30, | |
|---|---|---|---|---|
| (Shares in thousands) | 2015 | 2014 | 2015 | 2014 |
| Stock options | 99 | 167 | 146 | 90 |
| Restricted stock units | — | 2 | — | 1 |
| Total | 99 | 169 | 146 | 91 |

3.Share-Based Compensation

For the three and six months ended June 30, 2015 and 2014, we recorded share-based compensation and related tax benefits as follows:

| | Three months ended June 30, | | Six months ended June 30, | |
|---|---|---|---|---|
| (Dollars in thousands) | 2015 | 2014 | 2015 | 2014 |
| Share-based compensation expense | $8,215 | $7,687 | $15,986 | $14,765 |
| Income tax benefit related to share-based compensation expense | (2,692) | (2,515) | (5,330) | (4,675) |

Unrecognized Compensation Expense

As of June 30, 2015, unrecognized share-based compensation expense was as follows:

| (Dollars in thousands) | Unrecognized Expense | Average Expected Recognition Period - in Years |
|---|---|---|
| Stock options | $14,464 | 2.63 |
| Restricted stock units | 46,877 | 2.81 |
| Total unrecognized share-based compensation expense | $61,341 | |

Share-Based Payment Award Activity

The table below provides stock option information related to the 2006 Equity Incentive Plan for the six months ended June 30, 2015:

| | Options | Weighted Average Exercise Price | Weighted Average Remaining Contractual Life in Years | Aggregate Intrinsic Value of In-The-Money Options |
|---|---|---|---|---|
| Outstanding at December 31, 2014 | 1,394,888 | $66.03 | | |
| Granted | 122,120 | 129.30 | | |
| Exercised | (286,282) | 51.34 | | |
| Forfeited | (17,383) | 86.09 | | |
| Expired | (1,520) | 48.76 | | |
| Outstanding at June 30, 2015 | 1,211,823 | 75.61 | 4.22 | $ 82,851,473 |
| Vested and expected to vest at June 30, 2015 | 1,168,962 | 74.62 | 4.17 | 81,084,324 |
| Exercisable at June 30, 2015 | 678,385 | 59.89 | 3.23 | 57,044,065 |

The aggregate intrinsic value of outstanding options shown in the table above represents the pretax intrinsic value based on our closing stock price of $143.98 as of June 30, 2015. The total intrinsic value of options exercised during the three and six months ended June 30, 2015 was $11.6 million and $21.8 million, respectively, compared to $3.5 million and $10.7 million for the comparable 2014 periods.

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The table below provides information for restricted stock units under the 2006 Equity Incentive Plan for the six months ended June 30, 2015:

| | Shares | Weighted Average Grant Date Fair Value |
|---|---|---|
| Nonvested at December 31, 2014 | 614,666 | $79.92 |
| Granted | 230,120 | 129.15 |
| Vested | (208,257) | 73.94 |
| Forfeited | (15,638) | 85.25 |
| Nonvested at June 30, 2015 | 620,891 | 100.04 |

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 June 30, 2015:

| (Dollars in thousands) | Consolidated VIEs | Unconsolidated VIEs (1) | Maximum Exposure to Loss in Unconsolidated VIEs |
|---|---|---|---|
| June 30, 2015: | | | |
| Assets: | | | |
| Cash and cash equivalents | $22,203 | $— | $— |
| Non-marketable and other securities (2) | 200,695 | 340,972 | 340,972 |
| Accrued interest receivable and other assets | 659 | — | — |
| Total assets | $223,557 | $340,972 | $340,972 |
| Liabilities: | | | |
| Other liabilities | 282 | — | — |
| Accrued expenses and other liabilities (2) | — | 63,637 | — |
| Total liabilities | $282 | $63,637 | $— |

(1) During the second quarter of 2015 we adopted ASU 2015-02 and certain previously consolidated VIEs are no longer included in our Consolidated Balance Sheet. We applied the accounting guidance as of the beginning of the fiscal year of adoption, January 1, 2015. Upon adoption, we deconsolidated 16 entities, which reduced our total assets and total equity (which includes total SVBFG stockholders' equity plus noncontrolling interests) by $1.1 billion and $1.2 billion, respectively, primarily as a result of the reduction of our non-marketable and other securities and noncontrolling interests, respectively. SVB Financial continues to consolidate its interest in five SVB Capital funds that meet the new consolidated criteria.

(2) Included in our non-marketable and other securities portfolio are investments in qualified affordable housing projects of $122.5 million and related unfunded commitments of $63.6 million.

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

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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 13—"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 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. We have not consolidated these investments in accordance with the new guidelines in ASU 2015-02. For additional information on our investments in qualified affordable housing projects see Note 6—"Investment Securities" of the "Notes to Interim Consolidated Financial Statements" under Part I, Item 1 of this report.

As of June 30, 2015, our exposure to loss with respect to the consolidated VIEs is limited to our net assets of $223.3 million and our exposure to loss for our unconsolidated VIEs is equal to our investment in these assets of $341.0 million.

## 5. Cash and Cash Equivalents

The following table details our cash and cash equivalents at June 30, 2015 and December 31, 2014:

| (Dollars in thousands) | June 30, 2015 | December 31, 2014 |
|---|---|---|
| Cash and due from banks (1) | $2,281,816 | $1,694,329 |
| Securities purchased under agreements to resell (2) | 338,612 | 95,611 |
| Other short-term investment securities | 5,122 | 6,122 |
| Total cash and cash equivalents | $2,625,550 | $1,796,062 |

(1) At June 30, 2015 and December 31, 2014, $1.4 billion and $861 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 $557 million and $440 million, respectively.

(2) At June 30, 2015 and December 31, 2014, securities purchased under agreements to resell were collateralized by U.S. Treasury securities and U.S. agency securities with aggregate fair values of $345 million and $98 million, respectively. None of these securities received as collateral were sold or pledged as of June 30, 2015 or December 31, 2014.

## 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 June 30, 2015 and December 31, 2014 are as follows:

| | June 30, 2015 | | | |
|---|---|---|---|---|
| (Dollars in thousands) | Amortized Cost | Unrealized Gains | Unrealized Losses | Carrying Value |
| Available-for-sale securities, at fair value: | | | | |
| U.S. treasury securities | $8,952,703 | $54,705 | $(5,442) | $9,001,966 |
| U.S. agency debentures | 3,127,635 | 31,285 | (3,967) | 3,154,953 |
| Residential mortgage-backed securities: | | | | |
| Agency-issued collateralized mortgage obligations—fixed rate | 1,641,311 | 11,995 | (10,713) | 1,642,593 |
| Agency-issued collateralized mortgage obligations—variable rate | 687,418 | 4,892 | (2) | 692,308 |

| | | | | |
|---|---|---|---|---|
| Equity securities | 5,152 | 165 | (1,378 ) | 3,939 |
| Total available-for-sale securities | $14,414,219 | $103,042 | $(21,502 ) | $14,495,759 |

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| (Dollars in thousands) | December 31, 2014 Amortized Cost | Unrealized Gains | Unrealized Losses | Carrying Value |
|---|---|---|---|---|
| Available-for-sale securities, at fair value: | | | | |
| U.S. treasury securities | $7,289,135 | $17,524 | $(4,386) | $7,302,273 |
| U.S. agency debentures | 3,540,055 | 30,478 | (8,977) | $3,561,556 |
| Residential mortgage-backed securities: | | | | |
| Agency-issued collateralized mortgage obligations—fixed rate | 1,884,450 | 14,851 | (14,458) | 1,884,843 |
| Agency-issued collateralized mortgage obligations—variable rate | 779,103 | 5,372 | — | 784,475 |
| Equity securities | 5,202 | 2,628 | (322) | 7,508 |
| Total available-for-sale securities | $13,497,945 | $70,853 | $(28,143) | $13,540,655 |

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 June 30, 2015:

| | June 30, 2015 | | | | | |
|---|---|---|---|---|---|---|
| | Less than 12 months | | 12 months or longer | | Total | |
| (Dollars in thousands) | Fair Value of Investments | Unrealized Losses | Fair Value of Investments | Unrealized Losses | Fair Value of Investments | Unrealized Losses |
| Available-for-sale securities: | | | | | | |
| U.S. treasury securities | $552,547 | $(5,442) | $— | $— | $552,547 | $(5,442) |
| U.S. agency debentures | 511,643 | (3,967) | — | — | 511,643 | (3,967) |
| Residential mortgage-backed securities: | | | | | | |
| Agency-issued collateralized mortgage obligations—fixed rate | 375,854 | (1,213) | 404,495 | (9,500) | 780,349 | (10,713) |
| Agency-issued collateralized mortgage obligations—variable rate | 933 | (2) | — | — | 933 | (2) |
| Equity securities | 2,719 | (1,378) | — | — | 2,719 | (1,378) |
| Total temporarily impaired securities: (1) | $1,443,696 | $(12,002) | $404,495 | $(9,500) | $1,848,191 | $(21,502) |

(1) As of June 30, 2015, we identified a total of 94 investments that were in unrealized loss positions, of which 17 investments totaling $404.5 million with unrealized losses of $9.5 million have been in an impaired position for a period of time greater than 12 months. As of June 30, 2015, 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 June 30, 2015, 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, 2014:

| | December 31, 2014 | | | | | |
|---|---|---|---|---|---|---|
| | Less than 12 months | | 12 months or longer | | Total | |
| (Dollars in thousands) | Fair Value of Investments | Unrealized Losses | Fair Value of Investments | Unrealized Losses | Fair Value of Investments | Unrealized Losses |

| | | | | | | |
|---|---|---|---|---|---|---|
| Available-for-sale securities: | | | | | | |
| U.S. treasury securities | $2,297,895 | $(4,386) | $— | $— | $2,297,895 | $(4,386) |
| U.S. agency debentures | 249,266 | (489) | 507,385 | (8,488) | 756,651 | (8,977) |
| Residential mortgage-backed securities: | | | | | | |
| Agency-issued collateralized mortgage obligations—fixed rate | 662,092 | (3,104) | 453,801 | (11,354) | 1,115,893 | (14,458) |
| Equity securities | 568 | (322) | — | — | 568 | (322) |
| Total temporarily impaired securities (1): | $3,209,821 | $(8,301) | $961,186 | $(19,842) | $4,171,007 | $(28,143) |

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(1) As of December 31, 2014, we identified a total of 115 investments that were in unrealized loss positions, of which 33 investments totaling $961.2 million with unrealized losses of $19.8 million have been in an impaired position for a period of time greater than 12 months. As of December 31, 2014, 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 December 31, 2014, 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.

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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 June 30, 2015. 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.

| | June 30, 2015 | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 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 | $9,001,966 | 1.07% | $400,332 | 0.32% | $7,866,030 | 1.14% | $735,604 | 0.75% | $— | — % |
| U.S. agency debentures | 3,154,953 | 1.65 | 847,396 | 1.82 | 2,159,703 | 1.53 | 147,854 | 2.49 | — | — |
| Residential mortgage-backed securities: | | | | | | | | | | |
| Agency-issued collateralized mortgage obligations - fixed rate | 1,642,593 | 1.98 | — | — | — | — | 598,642 | 2.55 | 1,043,951 | 1.65 |
| Agency-issued collateralized mortgage obligations - variable rate | 692,308 | 0.71 | — | — | — | — | — | — | 692,308 | 0.71 |
| Total | $14,491,820 | 1.28 | $1,247,728 | 1.34 | $10,025,733 | 1.22 | $1,482,100 | 1.65 | $1,736,259 | 1.28 |

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Held-to-Maturity Securities

The components of our held-to-maturity investment securities portfolio at June 30, 2015 and December 31, 2014 are as follows:

| (Dollars in thousands) | June 30, 2015 Amortized Cost | Unrealized Gains | Unrealized Losses | Fair Value |
|---|---|---|---|---|
| Held-to-maturity securities, at cost: | | | | |
| U.S. agency debentures (1) | $488,185 | $7,049 | $(93) | $495,141 |
| Residential mortgage-backed securities: | | | | |
| Agency-issued mortgage-backed securities | 2,590,151 | 2,280 | (4,829) | 2,587,602 |
| Agency-issued collateralized mortgage obligations—fixed rate | 3,527,554 | 6,194 | (18,767) | 3,514,981 |
| Agency-issued collateralized mortgage obligations—variable rate | 117,109 | 285 | (1) | 117,393 |
| Agency-issued commercial mortgage-backed securities | 936,337 | 4,870 | (1,235) | 939,972 |
| Municipal bonds and notes | 76,555 | 8 | (841) | 75,722 |
| Total held-to-maturity securities | $7,735,891 | $20,686 | $(25,766) | $7,730,811 |

(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.

| (Dollars in thousands) | December 31, 2014 Amortized Cost | Unrealized Gains | Unrealized Losses | Fair Value |
|---|---|---|---|---|
| Held-to-maturity securities, at cost: | | | | |
| U.S. agency debentures (1) | $405,899 | $4,589 | $(38) | $410,450 |
| Residential mortgage-backed securities: | | | | |
| Agency-issued mortgage-backed securities | 2,799,923 | 5,789 | (2,320) | 2,803,392 |
| Agency-issued collateralized mortgage obligations—fixed rate | 3,185,109 | 4,521 | (14,885) | 3,174,745 |
| Agency-issued collateralized mortgage obligations—variable rate | 131,580 | 371 | — | 131,951 |
| Agency-issued commercial mortgage-backed securities | 814,589 | 1,026 | (3,800) | 811,815 |
| Municipal bonds and notes | 83,942 | 18 | (657) | 83,303 |
| Total held-to-maturity securities | $7,421,042 | $16,314 | $(21,700) | $7,415,656 |

(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 June 30, 2015:

| | June 30, 2015 | | | | | |
|---|---|---|---|---|---|---|
| | Less than 12 months | | 12 months or longer | | Total | |
| (Dollars in thousands) | Fair Value of Investments | Unrealized Losses | Fair Value of Investments | Unrealized Losses | Fair Value of Investments | Unrealized Losses |
| Held-to-maturity securities: | | | | | | |
| U.S. agency debentures | $15,024 | $(93) | $— | $— | $15,024 | $(93) |
| Residential mortgage-backed securities: | | | | | | |
| Agency-issued mortgage-backed securities | 1,049,518 | (4,247) | 21,869 | (582) | 1,071,387 | (4,829) |
| Agency-issued collateralized mortgage obligations—fixed rate | 2,418,601 | (18,649) | 10,441 | (118) | 2,429,042 | (18,767) |
| Agency-issued collateralized mortgage obligations—variable rate | 8,150 | (1) | — | — | 8,150 | (1) |
| Agency-issued commercial mortgage-backed securities | 218,784 | (671) | 107,974 | (564) | 326,758 | (1,235) |
| Municipal bonds and notes | 41,918 | (355) | 27,070 | (486) | 68,988 | (841) |
| Total temporarily impaired securities (1): | $3,751,995 | $(24,016) | $167,354 | $(1,750) | $3,919,349 | $(25,766) |

(1) As of June 30, 2015, we identified a total of 280 investments that were in unrealized loss positions, 52 of which have been in an impaired position for a period of time greater than 12 months. As of June 30, 2015, 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 June 30, 2015, 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, 2014:

| | December 31, 2014 | | | | | |
|---|---|---|---|---|---|---|
| | Less than 12 months | | 12 months or longer (1) | | Total | |
| (Dollars in thousands) | Fair Value of Investments | Unrealized Losses | Fair Value of Investments | Unrealized Losses | Fair Value of Investments | Unrealized Losses |
| Held-to-maturity securities: | | | | | | |
| U.S. agency debentures | $48,335 | $(38) | $— | $— | $48,335 | $(38) |
| Residential mortgage-backed securities: | | | | | | |
| Agency-issued mortgage-backed securities | 999,230 | (2,320) | — | — | 999,230 | (2,320) |
| Agency-issued collateralized mortgage obligations—fixed rate | 1,682,348 | (9,705) | 783,558 | (5,180) | 2,465,906 | (14,885) |
| Agency-issued commercial mortgage-backed securities | 629,840 | (3,800) | — | — | 629,840 | (3,800) |
| Municipal bonds and notes | 79,141 | (657) | — | — | 79,141 | (657) |
| Total temporarily impaired securities (2): | $3,438,894 | $(16,520) | $783,558 | $(5,180) | $4,222,452 | $(21,700) |

(1) Represents securities in an unrealized loss position for twelve months or longer in which the amortized cost basis was re-set for those securities re-designated from AFS to HTM effective June 1, 2014.

(2) As of December 31, 2014, we identified a total of 292 investments that were in unrealized loss positions, of which 26 investments totaling $783.6 million with unrealized losses of $5.2 million have been in an impaired position for a period of time greater than 12 months. As of December 31, 2014, 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 December 31, 2014, 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.

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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 June 30, 2015. 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%. 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.

| | June 30, 2015 | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 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 | $488,185 | 2.68 % | $— | — % | $— | — % | $488,185 | 2.68 % | $— | — % |
| Residential mortgage-backed securities: | | | | | | | | | | |
| Agency-issued mortgage-backed securities | 2,590,151 | 2.43 | — | — | 40,936 | 2.38 | 733,723 | 2.21 | 1,815,492 | 2.52 |
| Agency-issued collateralized mortgage obligations - fixed rate | 3,527,554 | 1.65 | — | — | — | — | — | — | 3,527,554 | 1.65 |
| Agency-issued collateralized mortgage obligations - variable rate | 117,109 | 0.65 | — | — | — | — | — | — | 117,109 | 0.65 |
| Agency-issued commercial mortgage-backed securities | 936,337 | 2.16 | — | — | — | — | — | — | 936,337 | 2.16 |
| Municipal bonds and notes | 76,555 | 6.04 | 3,544 | 5.50 | 29,733 | 5.92 | 36,791 | 6.14 | 6,487 | 6.34 |
| Total | $7,735,891 | 2.07 | $3,544 | 5.50 | $70,669 | 3.87 | $1,258,699 | 2.50 | $6,402,979 | 1.96 |

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Non-marketable and Other Securities

The components of our non-marketable and other investment securities portfolio at June 30, 2015 and December 31, 2014 are as follows:

| (Dollars in thousands) | June 30, 2015 | December 31, 2014 |
|---|---|---|
| Non-marketable and other securities (1): | | |
| Non-marketable securities (fair value accounting): | | |
| Venture capital and private equity fund investments (2) | $156,730 | $1,130,882 |
| Other venture capital investments (3) | 3,390 | 71,204 |
| Other securities (fair value accounting) (4) | 287 | 108,251 |
| Non-marketable securities (equity method accounting) (5): | | |
| Venture capital and private equity fund investments | 78,574 | — |
| Debt funds | 22,313 | 26,672 |
| Other investments | 118,406 | 116,002 |
| Non-marketable securities (cost method accounting): | | |
| Venture capital and private equity fund investments (6) | 127,073 | 140,551 |
| Other investments (7) | 16,189 | 13,423 |
| Investments in qualified affordable housing projects, net (7) | 122,544 | 121,155 |
| Total non-marketable and other securities | $645,506 | $1,728,140 |

(1) During the second quarter of 2015 we adopted new accounting guidance related to our consolidated variable interest entities (ASU 2015-02) under a modified retrospective approach. Periods prior to January 1, 2015 have not been revised. See Note 1— "Basis of Presentation" and Note 4— "Variable Interest Entities" of the "Notes to Interim Consolidated Financial Statements (unaudited)" under Part I, Item 1 of this report for additional details regarding our non-marketable and other securities.

(2) 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 June 30, 2015 and December 31, 2014 (fair value accounting):

| | June 30, 2015 | | December 31, 2014 | |
|---|---|---|---|---|
| (Dollars in thousands) | Amount | Ownership % | Amount | Ownership % |
| SVB Strategic Investors Fund, LP | $23,283 | 12.6 % | $24,645 | 12.6 % |
| SVB Strategic Investors Fund II, LP (i) | — | — | 97,250 | 8.6 |
| SVB Strategic Investors Fund III, LP (i) | — | — | 269,821 | 5.9 |
| SVB Strategic Investors Fund IV, LP (i) | — | — | 291,291 | 5.0 |
| Strategic Investors Fund V Funds (i) | — | — | 226,111 | Various |
| Strategic Investors Fund VI Funds (i) | — | — | 89,605 | — |
| SVB Capital Preferred Return Fund, LP | 62,901 | 20.0 | 62,110 | 20.0 |
| SVB Capital—NT Growth Partners, LP | 63,728 | 33.0 | 61,973 | 33.0 |
| SVB Capital Partners II, LP (i) | — | — | 302 | 5.1 |
| Other private equity fund (ii) | 6,818 | 58.2 | 7,774 | 58.2 |
| Total venture capital and private equity fund investments | $156,730 | | $1,130,882 | |

(i) Funds were deconsolidated during the second quarter of 2015 upon adoption of ASU 2015-02 and are now reported under equity method accounting. Periods prior to January 1, 2015 have not been revised. See Note 1— "Basis of Presentation" of the "Notes to Interim Consolidated Financial Statements (unaudited)" under Part I, Item 1 of this report for additional details.

(ii)

At June 30, 2015, we had a direct ownership interest of 41.5 percent in other private equity funds 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.

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(3) The following table shows the amounts of other venture capital investments held by the following funds and our ownership percentage of each fund at June 30, 2015 and December 31, 2014 (fair value accounting):

| | June 30, 2015 | | | December 31, 2014 | | |
|---|---|---|---|---|---|---|
| (Dollars in thousands) | Amount | Ownership % | | Amount | Ownership % | |
| Silicon Valley BancVentures, LP | $3,390 | 10.7 | % | $3,291 | 10.7 | % |
| SVB Capital Partners II, LP (i) | — | — | | 20,481 | 5.1 | |
| Capital Partners III, LP (i) | — | — | | 41,055 | — | |
| SVB Capital Shanghai Yangpu Venture Capital Fund (i) | — | — | | 6,377 | 6.8 | |
| Total other venture capital investments | $3,390 | | | $71,204 | | |

(i) Funds were deconsolidated during the second quarter of 2015 upon adoption of ASU 2015-02 and are now reported under equity method accounting, within "Other venture capital and private equity fund investments". Periods prior to January 1, 2015 have not been revised. See Note 1— "Basis of Presentation" of the "Notes to Interim Consolidated Financial Statements (unaudited)" under Part I, Item 1 of this report for additional details.

(4) Investments classified as other securities (fair value accounting) represent direct equity investments in public companies held by our consolidated funds. At December 31, 2014, the amount primarily included total unrealized gains in one public company, FireEye, Inc. ("FireEye") that were realized during the first quarter of 2015. Funds were deconsolidated during the second quarter of 2015 upon adoption of ASU 2015-02. See Note 1— "Basis of Presentation" of the "Notes to Interim Consolidated Financial Statements (unaudited)" under Part I, Item 1 of this report for additional details.

(5) The following table shows the carrying value and our ownership percentage of each investment at June 30, 2015 and December 31, 2014 (equity method accounting):

| | June 30, 2015 | | | December 31, 2014 | | |
|---|---|---|---|---|---|---|
| (Dollars in thousands) | Amount | Ownership % | | Amount | Ownership % | |
| Venture capital and private equity fund investments: | | | | | | |
| SVB Strategic Investors Fund II, LP (i) | $11,516 | 8.6 | % | $— | — | % |
| SVB Strategic Investors Fund III, LP (i) | 23,945 | 5.9 | | — | — | |
| SVB Strategic Investors Fund IV, LP (i) | 25,465 | 5.0 | | — | — | |
| Other venture capital and private equity fund investments (i) | 17,648 | Various | | — | — | |
| Total venture capital and private equity fund investments | 78,574 | | | — | | |
| Debt funds: | | | | | | |
| Gold Hill Capital 2008, LP (ii) | $18,730 | 15.5 | | $21,294 | 15.5 | |
| Other debt funds | 3,583 | Various | | 5,378 | Various | |
| Total debt funds | 22,313 | | | 26,672 | | |
| Other investments: | | | | | | |
| China Joint Venture investment | 79,740 | 50.0 | | 79,569 | 50.0 | |
| Other investments | 38,666 | Various | | 36,433 | Various | |
| Total other investments | $118,406 | | | $116,002 | | |

(i) Represents funds previously consolidated and reported under fair value accounting in (2) above prior to adoption of ASU 2015-02 during the second quarter of 2015. Periods prior to January 1, 2015 have not been revised. See Note 1— "Basis of Presentation" of the "Notes to Interim Consolidated Financial Statements (unaudited)" under Part I, Item 1 of this report for additional details.

(ii) At June 30, 2015, 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.

(6) Represents investments in 273 and 281 funds (primarily venture capital funds) at June 30, 2015 and December 31, 2014, 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 $127 million and $236 million, respectively, as of June 30, 2015. The carrying value, and estimated fair value,

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of these venture capital and private equity fund investments (cost method accounting) was $141 million and $234 million, respectively, as of December 31, 2014.

(7) Prior period amounts have been revised to reflect the retrospective application of new accounting guidance adopted in the first quarter of 2015 related to our investments in qualified affordable housing projects (ASU 2014-01). See Note 1— "Basis of Presentation" of the "Notes to Interim Consolidated Financial Statements" under Part I, Item 1 in this report.

The following table presents the balances of our investments in qualified affordable housing projects and related unfunded commitments at June 30, 2015 and December 31, 2014:

| (Dollars in thousands) | June 30, 2015 | December 31, 2014 |
|---|---|---|
| Investments in qualified affordable housing projects, net | $122,544 | $121,155 |
| Accrued expenses and other liabilities | 63,637 | 65,921 |

The following table presents other information relating to our investments in qualified affordable housing projects for the three and six months ended June 30, 2015 and 2014:

| | Three months ended June 30, | | Six months ended June 30, | |
|---|---|---|---|---|
| (Dollars in thousands) | 2015 | 2014 | 2015 | 2014 |
| Tax credits and other tax benefits recognized | $3,214 | $3,113 | $6,427 | $6,225 |
| Amortization expense included in provision for income taxes (i) | 2,741 | 2,347 | 5,538 | 4,725 |

(i) All investments are amortized using the proportional amortization method and are included in 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 six months ended June 30, 2015 and 2014:

| | Three months ended June 30, | | Six months ended June 30, | |
|---|---|---|---|---|
| (Dollars in thousands) | 2015 | 2014 | 2015 | 2014 |
| Gross gains on investment securities: | | | | |
| Available-for-sale securities, at fair value (1) | $235 | $224 | $2,925 | $597 |
| Non-marketable securities (fair value accounting): | | | | |
| Venture capital and private equity fund investments | 9,199 | 88,003 | 18,021 | 199,439 |
| Other venture capital investments | — | 1,973 | 183 | 4,555 |
| Other securities (fair value accounting) | 281 | 13,816 | 9,068 | 130,566 |
| Non-marketable securities (equity method accounting): | | | | |
| Venture capital and private equity fund investments | 6,624 | 630 | 14,456 | 1,009 |
| Debt funds | 183 | — | 1,688 | 3,039 |
| Other investments | — | 2,484 | 865 | 2,708 |
| Non-marketable securities (cost method accounting): | | | | |
| Venture capital and private equity fund investments | 10,644 | 1,762 | 15,477 | 5,065 |
| Other investments | 218 | 5,021 | 576 | 5,155 |
| Total gross gains on investment securities | 27,384 | 113,913 | 63,259 | 352,133 |
| Gross losses on investment securities: | | | | |
| Available-for-sale securities, at fair value (1) | (94) | (16,704) | (188) | (17,017) |
| Non-marketable securities (fair value accounting): | | | | |
| Venture capital and private equity fund investments | (599) | (50,558) | (1,547) | (50,659) |
| Other venture capital investments | — | (1,297) | (52) | (2,041) |
| Other securities (fair value accounting) | (120) | (101,014) | (792) | (113,787) |
| Non-marketable securities (equity method accounting): | | | | |
| Venture capital and private equity fund investments | (409) | (116) | (437) | (116) |
| Debt funds | — | (356) | (588) | (393) |
| Other investments | (1,010) | (584) | (1,010) | (759) |
| Non-marketable securities (cost method accounting): | | | | |
| Venture capital and private equity fund investments (2) | (174) | (353) | (398) | (509) |
| Other investments | (3) | (251) | (9) | (260) |
| Total gross losses on investment securities | (2,409) | (171,233) | (5,021) | (185,541) |
| Gains (losses) on investment securities, net | $24,975 | $(57,320) | $58,238 | $166,592 |

(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 June 30, 2015 and 2014, includes OTTI losses of $0.2 million from the declines in value for 8 of the 273 investments and $0.3 million from the declines in value for 12 of the 282 investments, respectively. For the six months ended June 30, 2015 and 2014, includes OTTI losses of $0.3 million from the declines in value for 17 of the 273 investments and $0.4 million from the declines in value for 18 of the 282 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 clients in the technology and life science & healthcare industries. Our technology clients tend to be in the industries of: hardware (such as semiconductors, communications, data storage, and electronics); software

and internet (such as infrastructure software, applications, software services, digital content and advertising technology), 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 hardware and software, 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.

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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 $110 million and $104 million at June 30, 2015 and December 31, 2014, respectively, is presented in the following table:

| (Dollars in thousands) | June 30, 2015 | December 31, 2014 |
|---|---|---|
| Commercial loans: | | |
| Software and internet | $4,980,553 | $4,954,676 |
| Hardware | 1,048,848 | 1,131,006 |
| Private equity/venture capital | 3,987,448 | 4,582,906 |
| Life science & healthcare | 1,475,568 | 1,289,904 |
| Premium wine | 190,997 | 187,568 |
| Other | 254,084 | 234,551 |
| Total commercial loans | 11,937,498 | 12,380,611 |
| Real estate secured loans: | | |
| Premium wine (1) | 632,410 | 606,753 |
| Consumer loans (2) | 1,340,316 | 1,118,115 |
| Other | 33,279 | 39,651 |
| Total real estate secured loans | 2,006,005 | 1,764,519 |
| Construction loans | 91,207 | 78,626 |
| Consumer loans | 226,720 | 160,520 |
| Total loans, net of unearned income (3) | $14,261,430 | $14,384,276 |

(1) Included in our premium wine portfolio are gross construction loans of $109 million and $112 million at June 30, 2015 and December 31, 2014, respectively.

(2) Consumer loans secured by real estate at June 30, 2015 and December 31, 2014 were comprised of the following:

| (Dollars in thousands) | June 30, 2015 | December 31, 2014 |
|---|---|---|
| Loans for personal residence | $1,124,238 | $918,629 |
| Loans to eligible employees | 146,591 | 133,568 |
| Home equity lines of credit | 69,487 | 65,918 |
| Consumer loans secured by real estate | $1,340,316 | $1,118,115 |

(3) Included within our total loan portfolio are credit card loans of $169 million and $131 million at June 30, 2015 and December 31, 2014, respectively.

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Credit Quality

The composition of loans, net of unearned income of $110 million and $104 million at June 30, 2015 and December 31, 2014, respectively, broken out by portfolio segment and class of financing receivable, is as follows:

| (Dollars in thousands) | June 30, 2015 | December 31, 2014 |
|---|---|---|
| Commercial loans: | | |
| Software and internet | $4,980,553 | $4,954,676 |
| Hardware | 1,048,848 | 1,131,006 |
| Private equity/venture capital | 3,987,448 | 4,582,906 |
| Life science & healthcare | 1,475,568 | 1,289,904 |
| Premium wine | 823,407 | 794,321 |
| Other | 378,570 | 352,828 |
| Total commercial loans | 12,694,394 | 13,105,641 |
| Consumer loans: | | |
| Real estate secured loans | 1,340,316 | 1,118,115 |
| Other consumer loans | 226,720 | 160,520 |
| Total consumer loans | 1,567,036 | 1,278,635 |
| Total loans, net of unearned income | $14,261,430 | $14,384,276 |

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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 June 30, 2015 and December 31, 2014:

| (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 |
|---|---|---|---|---|---|---|
| June 30, 2015: | | | | | | |
| Commercial loans: | | | | | | |
| Software and internet | $ 6,012 | $ 7,593 | $ 47 | $ 13,652 | $ 4,922,953 | $ 47 |
| Hardware | 764 | 3,317 | — | 4,081 | 1,051,998 | — |
| Private equity/venture capital | 18 | — | — | 18 | 4,023,814 | — |
| Life science & healthcare | 379 | 652 | — | 1,031 | 1,485,591 | — |
| Premium wine | 150 | 1,799 | — | 1,949 | 822,184 | — |
| Other | — | 38 | — | 38 | 376,320 | — |
| Total commercial loans | 7,323 | 13,399 | 47 | 20,769 | 12,682,860 | 47 |
| Consumer loans: | | | | | | |
| Real estate secured loans | — | 279 | — | 279 | 1,339,655 | — |
| Other consumer loans | 16 | — | — | 16 | 226,549 | — |
| Total consumer loans | 16 | 279 | — | 295 | 1,566,204 | — |
| Total gross loans excluding impaired loans | 7,339 | 13,678 | 47 | 21,064 | 14,249,064 | 47 |
| Impaired loans | 27,525 | — | — | 27,525 | 73,277 | — |
| Total gross loans | $ 34,864 | $ 13,678 | $ 47 | $ 48,589 | $ 14,322,341 | $ 47 |
| December 31, 2014: | | | | | | |
| Commercial loans: | | | | | | |
| Software and internet | $ 10,989 | $ 1,627 | $ 52 | $ 12,668 | $ 4,950,291 | $ 52 |
| Hardware | 13,424 | 126 | — | 13,550 | 1,124,423 | — |
| Private equity/venture capital | 40,773 | — | — | 40,773 | 4,580,526 | — |
| Life science & healthcare | 738 | 786 | — | 1,524 | 1,298,728 | — |
| Premium wine | — | — | — | — | 795,345 | — |
| Other | 178 | 3 | — | 181 | 354,939 | — |
| Total commercial loans | 66,102 | 2,542 | 52 | 68,696 | 13,104,252 | 52 |
| Consumer loans: | | | | | | |
| Real estate secured loans | 1,592 | 341 | 1,250 | 3,183 | 1,114,286 | 1,250 |
| Other consumer loans | — | — | — | — | 160,212 | — |
| Total consumer loans | 1,592 | 341 | 1,250 | 3,183 | 1,274,498 | 1,250 |
| Total gross loans excluding impaired loans | 67,694 | 2,883 | 1,302 | 71,879 | 14,378,750 | 1,302 |
| Impaired loans | 598 | 1,293 | 22,320 | 24,211 | 13,926 | — |
| Total gross loans | $ 68,292 | $ 4,176 | $ 23,622 | $ 96,090 | $ 14,392,676 | $ 1,302 |

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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 June 30, 2015 and December 31, 2014:

| (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 |
|---|---|---|---|---|
| June 30, 2015: | | | | |
| Commercial loans: | | | | |
| Software and internet | $ 89,471 | $ — | $ 89,471 | $ 89,877 |
| Hardware | 2,357 | — | 2,357 | 2,385 |
| Private equity/venture capital | — | — | — | — |
| Life science & healthcare | 2,433 | — | 2,433 | 2,433 |
| Premium wine | — | 1,236 | 1,236 | 1,725 |
| Other | 5,066 | — | 5,066 | 5,195 |
| Total commercial loans | 99,327 | 1,236 | 100,563 | 101,615 |
| Consumer loans: | | | | |
| Real estate secured loans | — | 172 | 172 | 1,404 |
| Other consumer loans | 67 | — | 67 | 254 |
| Total consumer loans | 67 | 172 | 239 | 1,658 |
| Total | $ 99,394 | $ 1,408 | $ 100,802 | $ 103,273 |
| December 31, 2014: | | | | |
| Commercial loans: | | | | |
| Software and internet | $ 33,287 | $ — | $ 33,287 | $ 34,218 |
| Hardware | 1,403 | 1,118 | 2,521 | 2,535 |
| Private equity/venture capital | — | — | — | — |
| Life science & healthcare | 475 | — | 475 | 2,453 |
| Premium wine | — | 1,304 | 1,304 | 1,743 |
| Other | 233 | — | 233 | 233 |
| Total commercial loans | 35,398 | 2,422 | 37,820 | 41,182 |
| Consumer loans: | | | | |
| Real estate secured loans | — | 192 | 192 | 1,412 |
| Other consumer loans | 125 | — | 125 | 305 |
| Total consumer loans | 125 | 192 | 317 | 1,717 |
| Total | $ 35,523 | $ 2,614 | $ 38,137 | $ 42,899 |

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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 six months ended June 30, 2015 and 2014:

| | Three months ended June 30, | | Six months ended June 30, | |
|---|---|---|---|---|
| (Dollars in thousands) | 2015 | 2014 | 2015 | 2014 |
| Average impaired loans: | | | | |
| Commercial loans: | | | | |
| Software and internet | $52,747 | $15,742 | $43,236 | $15,210 |
| Hardware | 1,393 | 6,860 | 1,518 | 11,440 |
| Life science & healthcare | 1,993 | 552 | 1,197 | 787 |
| Premium wine | 1,239 | 1,398 | 1,261 | 1,415 |
| Other | 5,222 | 1,699 | 3,681 | 1,738 |
| Total commercial loans | 62,594 | 26,251 | 50,893 | 30,590 |
| Consumer loans: | | | | |
| Real estate secured loans | 183 | 224 | 189 | 231 |
| Other consumer loans | 76 | 374 | 82 | 431 |
| Total consumer loans | 259 | 598 | 271 | 662 |
| Total average impaired loans | $62,853 | $26,849 | $51,164 | $31,252 |

The following tables summarize the activity relating to our allowance for loan losses for the three and six months ended June 30, 2015 and 2014, broken out by portfolio segment:

| Three months ended June 30, 2015 (dollars in thousands) | Beginning Balance March 31, 2015 | Charge-offs | Recoveries | Provision for (Reduction of) Loan Losses | Ending Balance June 30, 2015 |
|---|---|---|---|---|---|
| Commercial loans: | | | | | |
| Software and internet | $82,092 | $(762) | $597 | $ 24,801 | $106,728 |
| Hardware | 21,258 | (839) | 1,881 | (1,828) | 20,472 |
| Private equity/venture capital | 30,837 | — | — | (1,561) | 29,276 |
| Life science & healthcare | 15,323 | (2,994) | 45 | 4,859 | 17,233 |
| Premium wine | 4,503 | — | 7 | (101) | 4,409 |
| Other | 6,151 | (139) | 460 | (578) | 5,894 |
| Total commercial loans | 160,164 | (4,734) | 2,990 | 25,592 | 184,012 |
| Consumer loans | 7,711 | — | — | 921 | 8,632 |
| Total allowance for loan losses | $167,875 | $(4,734) | $2,990 | $ 26,513 | $192,644 |

| Three months ended June 30, 2014 (dollars in thousands) | Beginning Balance March 31, 2014 | Charge-offs | Recoveries | Provision for (Reduction of) Loan Losses | Ending Balance June 30, 2014 |
|---|---|---|---|---|---|
| Commercial loans: | | | | | |
| Software and internet | $55,241 | $(4,015) | $119 | $ 1,894 | $53,239 |
| Hardware | 25,236 | (412) | 1,182 | (1,226) | 24,780 |
| Private equity/venture capital | 17,676 | — | — | 1,328 | 19,004 |
| Life science & healthcare | 11,474 | (249) | 190 | (818) | 10,597 |
| Premium wine | 3,737 | — | 19 | (210) | 3,546 |
| Other | 4,041 | (1,706) | 10 | 873 | 3,218 |
| Total commercial loans | 117,405 | (6,382) | 1,520 | 1,841 | 114,384 |
| Consumer loans | 6,137 | — | 101 | 106 | 6,344 |
| Total allowance for loan losses | $123,542 | $(6,382) | $1,621 | $ 1,947 | $120,728 |

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| Six months ended June 30, 2015 (dollars in thousands) | Beginning Balance December 31, 2014 | Charge-offs | Recoveries | Provision for (Reduction of) Loan Losses | Ending Balance June 30, 2015 |
|---|---|---|---|---|---|
| Commercial loans: | | | | | |
| Software and internet | $80,981 | $(2,165) | $1,044 | $ 26,868 | $106,728 |
| Hardware | 25,860 | (4,049) | 2,809 | (4,148) | 20,472 |
| Private equity/venture capital | 27,997 | — | — | 1,279 | 29,276 |
| Life science & healthcare | 15,208 | (3,219) | 79 | 5,165 | 17,233 |
| Premium wine | 4,473 | — | 7 | (71) | 4,409 |
| Other | 3,253 | (788) | 470 | 2,959 | 5,894 |
| Total commercial loans | 157,772 | (10,221) | 4,409 | 32,052 | 184,012 |
| Consumer loans | 7,587 | — | 132 | 913 | 8,632 |
| Total allowance for loan losses | $165,359 | $(10,221) | $4,541 | $ 32,965 | $192,644 |

| Six months ended June 30, 2014 (dollars in thousands) | Beginning Balance December 31, 2013 | Charge-offs | Recoveries | Provision for (Reduction of) Loan Losses | Ending Balance June 30, 2014 |
|---|---|---|---|---|---|
| Commercial loans: | | | | | |
| Software and internet | $64,084 | $(12,025) | $233 | $ 947 | $53,239 |
| Hardware | 36,553 | (12,587) | 1,957 | (1,143) | 24,780 |
| Private equity/venture capital | 16,385 | — | — | 2,619 | 19,004 |
| Life science & healthcare | 11,926 | (930) | 288 | (687) | 10,597 |
| Premium wine | 3,914 | — | 238 | (606) | 3,546 |
| Other | 3,680 | (1,990) | 10 | 1,518 | 3,218 |
| Total commercial loans | 136,542 | (27,532) | 2,726 | 2,648 | 114,384 |
| Consumer loans | 6,344 | — | 207 | (207) | 6,344 |
| Total allowance for loan losses | $142,886 | $(27,532) | $2,933 | $ 2,441 | $120,728 |

The following table summarizes the allowance for loan losses individually and collectively evaluated for impairment as of June 30, 2015 and December 31, 2014, broken out by portfolio segment:

| | June 30, 2015 | | | | December 31, 2014 | | | |
|---|---|---|---|---|---|---|---|---|
| | 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 | $46,169 | $89,471 | $60,559 | $4,891,082 | $13,695 | $33,287 | $67,286 | $4,921,389 |
| Hardware | 481 | 2,357 | 19,991 | 1,046,491 | 1,133 | 2,521 | 24,727 | 1,128,485 |
| Private equity/venture capital | — | — | 29,276 | 3,987,448 | — | — | 27,997 | 4,582,906 |
| Life science & healthcare | 1,616 | 2,433 | 15,617 | 1,473,135 | 121 | 475 | 15,087 | 1,289,429 |
| Premium wine | — | 1,236 | 4,409 | 822,171 | — | 1,304 | 4,473 | 793,017 |
| Other | 2,532 | 5,066 | 3,362 | 373,504 | 71 | 233 | 3,182 | 352,595 |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Total commercial loans | 50,798 | 100,563 | 133,214 | 12,593,831 | 15,020 | 37,820 | 142,752 | 13,067,821 |
| Consumer loans | 67 | 239 | 8,565 | 1,566,797 | 31 | 317 | 7,556 | 1,278,318 |
| Total | $50,865 | $100,802 | $141,779 | $14,160,628 | $15,051 | $38,137 | $150,308 | $14,346,139 |

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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)”. Loans risk-rated 8 and 9 are loans that are considered to be impaired and are on nonaccrual status. (For further description of nonaccrual loans, refer to Note 2—“Summary of Significant Accounting Policies” under Part II, Item 8 of our 2014 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.

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The following table summarizes the credit quality indicators, broken out by portfolio segment and class of financing receivables as of June 30, 2015 and December 31, 2014:

| (Dollars in thousands) | Pass | Performing (Criticized) | Impaired | Total |
|---|---|---|---|---|
| June 30, 2015: | | | | |
| Commercial loans: | | | | |
| Software and internet | $4,459,368 | $477,237 | $89,471 | $5,026,076 |
| Hardware | 920,574 | 135,505 | 2,357 | 1,058,436 |
| Private equity/venture capital | 4,019,826 | 4,006 | — | 4,023,832 |
| Life science & healthcare | 1,375,174 | 111,448 | 2,433 | 1,489,055 |
| Premium wine | 806,346 | 17,787 | 1,236 | 825,369 |
| Other | 365,538 | 10,820 | 5,066 | 381,424 |
| Total commercial loans | 11,946,826 | 756,803 | 100,563 | 12,804,192 |
| Consumer loans: | | | | |
| Real estate secured loans | 1,329,834 | 10,100 | 172 | 1,340,106 |
| Other consumer loans | 222,397 | 4,168 | 67 | 226,632 |
| Total consumer loans | 1,552,231 | 14,268 | 239 | 1,566,738 |
| Total gross loans | $13,499,057 | $771,071 | $100,802 | $14,370,930 |
| December 31, 2014: | | | | |
| Commercial loans: | | | | |
| Software and internet | $4,611,253 | $351,706 | $33,287 | $4,996,246 |
| Hardware | 945,998 | 191,975 | 2,521 | 1,140,494 |
| Private equity/venture capital | 4,615,231 | 6,068 | — | 4,621,299 |
| Life science & healthcare | 1,165,266 | 134,986 | 475 | 1,300,727 |
| Premium wine | 774,962 | 20,383 | 1,304 | 796,649 |
| Other | 346,153 | 8,967 | 233 | 355,353 |
| Total commercial loans | 12,458,863 | 714,085 | 37,820 | 13,210,768 |
| Consumer loans: | | | | |
| Real estate secured loans | 1,112,396 | 5,073 | 192 | 1,117,661 |
| Other consumer loans | 158,162 | 2,050 | 125 | 160,337 |
| Total consumer loans | 1,270,558 | 7,123 | 317 | 1,277,998 |
| Total gross loans | $13,729,421 | $721,208 | $38,137 | $14,488,766 |

TDRs

As of June 30, 2015 we had seven TDRs with a total carrying value of $33.9 million where concessions have been granted to borrowers experiencing financial difficulties, in an attempt to maximize collection. There were less than $0.1 million of unfunded commitments available for funding to the clients associated with these TDRs as of June 30, 2015. The following table summarizes our loans modified in TDRs, broken out by portfolio segment and class of financing receivables at June 30, 2015 and December 31, 2014:

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| (Dollars in thousands) | June 30, 2015 | December 31, 2014 |
|---|---|---|
| Loans modified in TDRs: | | |
| Commercial loans: | | |
| Software and internet | $30,214 | $3,784 |
| Hardware | 2,413 | 1,118 |
| Premium wine | 1,236 | 1,891 |
| Other | — | 233 |
| Total commercial loans | 33,863 | 7,026 |
| Consumer loans: | | |
| Other consumer loans | 33 | 125 |
| Total consumer loans | 33 | 125 |
| Total | $33,896 | $7,151 |

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 six months ended June 30, 2015 and 2014:

| | Three months ended June 30, | | Six months ended June 30, | |
|---|---|---|---|---|
| (Dollars in thousands) | 2015 | 2014 | 2015 | 2014 |
| Loans modified in TDRs during the period: | | | | |
| Commercial loans: | | | | |
| Software and internet | $27,525 | $455 | $27,525 | $12,816 |
| Hardware | — | — | 2,040 | — |
| Premium wine | — | — | — | 641 |
| Total loans modified in TDRs during the period (1) | $27,525 | $455 | $29,565 | $13,457 |

(1) There were no partial charge-offs on loans classified as TDRs during the three and six months ended June 30, 2015 or June 31, 2014.

During the three and six months ended June 30, 2015, new TDRs of $27.5 million and $29.6 million were modified through payment deferrals granted to our clients.

During the three months ended June 30, 2014, new TDRs of $0.5 million were modified through payment deferrals granted to our clients. During the six months ended June 30, 2014, new TDRs of $10.8 million were modified through payment deferrals granted to our clients and $2.7 million were modified through partial forgiveness of principal.

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 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 six months ended June 30, 2015 and 2014:

| | Three months ended June 30, | | Six months ended June 30, | |
|---|---|---|---|---|
| (Dollars in thousands) | 2015 | 2014 | 2015 | 2014 |
| TDRs modified within the previous 12 months that defaulted during the period: | | | | |
| Commercial loans: | | | | |
| Software and internet | $27,525 | $236 | $27,525 | $236 |
| Total TDRs modified within the previous 12 months that defaulted in the period | $27,525 | $236 | $27,525 | $236 |

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

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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 June 30, 2015.

8. Disposal - Assets Held-for-Sale

At December 31, 2014, we had assets held-for-sale of $44.3 million related to our agreement to sell all of the outstanding capital stock of the Bank's subsidiary, SVB India Finance Private Limited, a non-banking financial company in India ("SVBIF") to Temasek, a Singapore investment company. The sale was completed on April 13, 2015 and no held-for-sale operations remain at June 30, 2015.

9. Short-Term Borrowings and Long-Term Debt

The following table represents outstanding short-term borrowings and long-term debt at June 30, 2015 and December 31, 2014:

| (Dollars in thousands) | Maturity | Principal value at June 30, 2015 | Carrying Value June 30, 2015 | Carrying Value December 31, 2014 |
|---|---|---|---|---|
| Short-term borrowings: | | | | |
| Other short-term borrowings | (1) | $2,537 | $2,537 | $7,781 |
| Total short-term borrowings | | | $2,537 | $7,781 |
| Long-term debt: | | | | |
| 3.50% Senior Notes | January 29, 2025 | $350,000 | $349,716 | $— |
| 5.375% Senior Notes | September 15, 2020 | 350,000 | 348,554 | 348,436 |
| 6.05% Subordinated Notes (2) | June 1, 2017 | 45,964 | 49,426 | 50,162 |
| 7.0% Junior Subordinated Debentures | October 15, 2033 | 50,000 | 54,758 | 54,845 |
| Total long-term debt | | | $802,454 | $453,443 |

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

(2) At June 30, 2015 and December 31, 2014, included in the carrying value of our 6.05% Subordinated Notes was an interest rate swap valued at $3.8 million and 4.6 million, respectively, related to hedge accounting associated with the notes.

Interest expense related to long-term debt was $9.0 million and $16.9 million for the three and six months ended June 30, 2015, and $5.8 million and $11.6 million for the three and six months ended June 30, 2014. 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 June 30, 2015 was 0.10 percent.

3.50% Senior Notes

On January 29, 2015, the Company issued $350 million of 3.50% Senior Notes due in January 2025 ("3.50% Senior Notes"). We received net proceeds from this offering of approximately $346.4 million after deducting underwriting discounts and commissions and issuance costs. The balance of our 3.50% Senior Notes at June 30, 2015 was $349.7 million, which is reflective of a $0.3 million discount.

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 June 30, 2015, 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 June 30, 2015 totaled $1.3 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 June 30, 2015 totaled $950 million, all of which was unused and available to support additional borrowings.

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## 10. 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. Net cash benefits 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 is 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, primarily in Pound Sterling and Euro. 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. Additionally, through our global banking operations we maintain customer deposits denominated in the Euro and Pound Sterling, which are used to fund certain loans in these currencies to limit our exposure to currency fluctuations.

### 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 2014 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 June 30, 2015 and December 31, 2014 were as follows:

| (Dollars in thousands) | Balance Sheet Location | June 30, 2015 | | | | December 31, 2014 | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | Notional or Contractual Amount | Fair Value | Collateral (1) | Net Exposure (2) | 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 | $3,828 | $— | $3,828 | $45,964 | $4,609 | $2,970 | $1,639 |
| Derivatives not designated as hedging instruments: | | | | | | | | | |
| Currency exchange risks: | | | | | | | | | |
| Foreign exchange forwards | Other assets | 121,987 | 419 | — | 419 | 200,957 | 5,050 | 2,441 | 2,609 |
| Foreign exchange forwards | Other liabilities | 2,224 | (444) | — | (444) | 6,226 | (489) | — | (489) |
| Net exposure | | | (25) | — | (25) | | 4,561 | 2,441 | 2,120 |
| Other derivative instruments: | | | | | | | | | |
| Equity warrant assets | Other assets | 203,103 | 122,504 | — | 122,504 | 197,878 | 116,604 | — | 116,604 |
| Other derivatives: | | | | | | | | | |
| Client foreign exchange forwards | Other assets | 831,111 | 32,802 | 2,537 | 30,265 | 801,487 | 28,954 | 2,370 | 26,584 |
| Client foreign exchange forwards | Other liabilities | 716,529 | (29,819) | — | (29,819) | 774,355 | (27,647) | — | (27,647) |
| Client foreign currency options | Other assets | 41,917 | 765 | — | 765 | 34,926 | 227 | — | 227 |
| Client foreign currency options | Other liabilities | 41,917 | (765) | — | (765) | 34,926 | (227) | — | (227) |
| Client interest rate derivatives | Other assets | 370,799 | 2,087 | — | 2,087 | 387,410 | 2,546 | — | 2,546 |
| Client interest rate derivatives | Other liabilities | 370,799 | (2,247) | — | (2,247) | 387,410 | (2,748) | — | (2,748) |
| Net exposure | | | 2,823 | 2,537 | 286 | | 1,105 | 2,370 | (1,265) |
| Net | | | $129,130 | $2,537 | $126,593 | | $126,879 | $7,781 | $119,098 |

(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 June 30, 2015 remain at investment grade or higher and there were no material changes in their credit ratings during the three and six months ended June 30, 2015.

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A summary of our derivative activity and the related impact on our consolidated statements of income for the three and six months ended June 30, 2015 and 2014 is as follows:

| (Dollars in thousands) | Statement of income location | Three months ended June 30, 2015 | Three months ended June 30, 2014 | Six months ended June 30, 2015 | Six months ended June 30, 2014 |
|---|---|---|---|---|---|
| Derivatives designated as hedging instruments: | | | | | |
| Interest rate risks: | | | | | |
| Net cash benefit associated with interest rate swaps | Interest expense—borrowings | $634 | $638 | $1,272 | $1,277 |
| Changes in fair value of interest rate swaps | Net gains on derivative instruments | (11) | (13) | (14) | (25) |
| Net gains associated with interest rate risk derivatives | | $623 | $625 | $1,258 | $1,252 |
| Derivatives not designated as hedging instruments: | | | | | |
| Currency exchange risks: | | | | | |
| Gains (losses) on revaluations of foreign currency instruments | Other noninterest income | $8,306 | $(685) | $(11,853) | $293 |
| (Losses) gains on internal foreign exchange forward contracts, net | Net gains on derivative instruments | (8,174) | 538 | 11,844 | (491) |
| Net losses associated with currency risk | | $132 | $(147) | $(9) | $(198) |
| Other derivative instruments: | | | | | |
| Net gains on equity warrant assets | Net gains on derivative instruments | $23,616 | $12,329 | $43,894 | $37,702 |
| Gains on client foreign exchange forward contracts, net | Net gains on derivative instruments | $787 | $170 | $280 | $472 |
| Net losses on other derivatives (1) | Net gains on derivative instruments | $99 | $(249) | $42 | $(716) |

(1) Primarily represents the change in fair value of loan conversion options.

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.

The following table summarizes our assets subject to enforceable master netting arrangements as of June 30, 2015 and December 31, 2014:

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| (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 | | Net Amount |
|---|---|---|---|---|---|---|
| | | | | Financial Instruments | Cash Collateral Received | |
| June 30, 2015 | | | | | | |
| Derivative Assets: | | | | | | |
| Interest rate swaps | $3,828 | $— | $3,828 | $(3,828) | $— | $— |
| Foreign exchange forwards | 33,221 | — | 33,221 | (21,778) | (2,537) | 8,906 |
| Foreign currency options | 861 | (96) | 765 | (751) | — | 14 |
| Client interest rate derivatives | 2,087 | — | 2,087 | (2,087) | — | — |
| Total derivative assets: | 39,997 | (96) | 39,901 | (28,444) | (2,537) | 8,920 |
| Reverse repurchase, securities borrowing, and similar arrangements | 338,612 | — | 338,612 | (338,612) | — | — |
| Total | $378,609 | $(96) | $378,513 | $(367,056) | $(2,537) | $8,920 |
| December 31, 2014 | | | | | | |
| Derivative Assets: | | | | | | |
| Interest rate swaps | $4,609 | $— | $4,609 | $(1,639) | $(2,970) | $— |
| Foreign exchange forwards | 34,004 | — | 34,004 | (17,843) | (4,811) | 11,350 |
| Foreign currency options | 501 | (274) | 227 | (144) | — | 83 |
| Client interest rate derivatives | 2,546 | — | 2,546 | (2,546) | — | — |
| Total derivative assets: | 41,660 | (274) | 41,386 | (22,172) | (7,781) | 11,433 |
| Reverse repurchase, securities borrowing, and similar arrangements | 95,611 | — | 95,611 | (95,611) | — | — |
| Total | $137,271 | $(274) | $136,997 | $(117,783) | $(7,781) | $11,433 |

The following table summarizes our liabilities subject to enforceable master netting arrangements as of June 30, 2015 and December 31, 2014:

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

| | | | Position | | | |
|---|---|---|---|---|---|---|
| June 30, 2015 | | | | | | |
| Derivative Liabilities: | | | | | | |
| Foreign exchange forwards | $30,263 | $— | $30,263 | $(13,705) | $— | $16,558 |
| Foreign currency options | 861 | (96) | 765 | (14) | — | 751 |
| Client interest rate derivatives | 2,247 | — | 2,247 | (2,247) | — | — |
| Total derivative liabilities: | 33,371 | (96) | 33,275 | (15,966) | — | 17,309 |
| Repurchase, securities lending, and similar arrangements | — | — | — | — | — | — |
| Total | $33,371 | $(96) | $33,275 | $(15,966) | $— | $17,309 |
| December 31, 2014 | | | | | | |
| Derivative Liabilities: | | | | | | |
| Foreign exchange forwards | $28,136 | $— | $28,136 | $(16,808) | $— | $11,328 |
| Foreign currency options | 501 | (274) | 227 | (83) | — | 144 |
| Client interest rate derivatives | 2,748 | — | 2,748 | (2,748) | — | — |
| Total derivative liabilities: | 31,385 | (274) | 31,111 | (19,639) | — | 11,472 |
| Repurchase, securities lending, and similar arrangements | — | — | — | — | — | — |
| Total | $31,385 | $(274) | $31,111 | $(19,639) | $— | $11,472 |

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11. Other Noninterest Income and Other Noninterest Expense

A summary of other noninterest income for the three and six months ended June 30, 2015 and 2014 is as follows:

| | Three months ended June 30, | | Six months ended June 30, | |
|---|---|---|---|---|
| (Dollars in thousands) | 2015 | 2014 | 2015 | 2014 |
| Fund management fees | $3,861 | $3,559 | $7,583 | $6,314 |
| Service-based fee income | 2,413 | 2,252 | 4,519 | 4,279 |
| Gains (losses) on revaluation of foreign currency instruments (1) | 8,306 | (685) | (11,853) | 293 |
| Other (2) (3) | 4,336 | 3,636 | 10,989 | 9,076 |
| Total other noninterest income | $18,916 | $8,762 | $11,238 | $19,962 |

(1) Represents the revaluation of foreign currency denominated financial instruments issued and held by us, primarily loans, deposits and cash.

(2) Includes dividends on FHLB/FRB stock, correspondent bank rebate income and other fee income.

(3) Amount for the six months ended June 30, 2015 has been revised to reflect the retrospective application of new accounting guidance adopted in the second quarter of 2015 related to our consolidated variable interest entities (ASU 2015-02). Amount prior to January 1, 2015 has not been revised for the adoption of this guidance. See Note 1— "Basis of Presentation" of the "Notes to Interim Consolidated Financial Statements (unaudited)" under Part I, Item 1 of this report for additional details.

A summary of other noninterest expense for the three and six months ended June 30, 2015 and 2014 is as follows:

| | Three months ended June 30, | | Six months ended June 30, | |
|---|---|---|---|---|
| (Dollars in thousands) | 2015 | 2014 | 2015 | 2014 |
| Lending and other client related processing costs | $3,704 | $2,586 | $7,253 | $4,945 |
| Telephone | 2,544 | 1,538 | 4,503 | 3,286 |
| Data processing services | 1,358 | 2,041 | 3,191 | 4,268 |
| Postage and supplies | 727 | 716 | 1,492 | 1,485 |
| Dues and publications | 697 | 636 | 1,282 | 1,133 |
| Other (1) | 5,279 | 3,108 | 10,110 | 4,670 |
| Total other noninterest expense (2) | $14,309 | $10,625 | $27,831 | $19,787 |

(1) Amount for the six months ended June 30, 2015 has been revised to reflect the retrospective application of new accounting guidance adopted in the second quarter of 2015 related to our consolidated variable interest entities (ASU 2015-02). Amount prior to January 1, 2015 has not been revised for the adoption of this guidance. See Note 1— "Basis of Presentation" of the "Notes to Interim Consolidated Financial Statements (unaudited)" under Part I, Item 1 of this report for additional details.

(2) Prior period amounts have been revised to reflect the retrospective application of new accounting guidance adopted in the first quarter of 2015 related to our investments in qualified affordable housing projects (ASU 2014-01). See Note 1— "Basis of Presentation" of the "Notes to Interim Consolidated Financial Statements" under Part I, Item 1 in this report.

12. 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 operating 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, our 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 an earnings credit is given for deposits raised, and an earnings charge is made for funded loans. 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 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 six months ended June 30, 2015 and 2014 is as follows:

| (Dollars in thousands) | Global Commercial Bank (1) | SVB Private Bank | SVB Capital (1) | Other Items (2) | Total |
|---|---|---|---|---|---|
| Three months ended June 30, 2015 | | | | | |
| Net interest income | $203,945 | $11,109 | $1 | $28,716 | $243,771 |
| Provision for loan losses | (25,592) | (921) | — | — | (26,513) |
| Noninterest income | 66,031 | 595 | 19,909 | 39,752 | 126,287 |
| Noninterest expense (3) | (143,459) | (3,139) | (3,704) | (43,810) | (194,112) |
| Income before income tax expense (4) | $100,925 | $7,644 | $16,206 | $24,658 | $149,433 |
| Total average loans, net of unearned income | $12,824,661 | $1,542,046 | $— | $(45,832) | $14,320,875 |
| Total average assets (5) | 37,544,170 | 2,216,622 | 330,016 | (642,785) | 39,448,023 |
| Total average deposits | 33,714,023 | 1,084,632 | — | 157,412 | 34,956,067 |
| Three months ended June 30, 2014 | | | | | |
| Net interest income | $178,046 | $9,293 | $29 | $17,597 | $204,965 |
| Provision for loan losses | (1,841) | (106) | — | — | (1,947) |
| Noninterest income | 53,027 | 356 | (3,119) | (36,054) | 14,210 |
| Noninterest expense (3) | (121,827) | (2,640) | (3,144) | (43,333) | (170,944) |
| Income before income tax expense (4) | $107,405 | $6,903 | $(6,234) | $(61,790) | $46,284 |
| Total average loans, net of unearned income | $9,874,780 | $1,119,503 | $— | $86,319 | $11,080,602 |
| Total average assets (5) | 29,214,978 | 986,392 | 342,924 | 1,201,336 | 31,745,630 |
| Total average deposits | 26,323,795 | 791,261 | — | 62,069 | 27,177,125 |
| Six months ended June 30, 2015 | | | | | |
| Net interest income | $407,753 | $20,832 | $2 | $54,109 | $482,696 |
| Provision for loan losses | (32,052) | (913) | — | — | (32,965) |
| Noninterest income | 130,720 | 992 | 40,587 | 77,512 | 249,811 |
| Noninterest expense (3) | (279,741) | (5,886) | (7,190) | (91,836) | (384,653) |
| Income before income tax expense (4) | $226,680 | $15,025 | $33,399 | $39,785 | $314,889 |
| Total average loans, net of unearned income | $12,777,409 | $1,458,581 | $— | $(50,657) | $14,185,333 |
| Total average assets (5) | 36,813,121 | 2,069,903 | 335,690 | (378,506) | 38,840,208 |
| Total average deposits | 33,096,854 | 1,167,823 | — | 147,496 | 34,412,173 |
| Six months ended June 30, 2014 | | | | | |
| Net interest income | $353,349 | $16,185 | $43 | $31,716 | $401,293 |
| (Provision for) reduction of loan losses | (2,648) | 207 | — | — | (2,441) |
| Noninterest income | 111,662 | 630 | 34,553 | 177,590 | 324,435 |
| Noninterest expense (3) | (242,533) | (5,135) | (5,779) | (87,905) | (341,352) |
| Income before income tax expense (4) | $219,830 | $11,887 | $28,817 | $121,401 | $381,935 |
| Total average loans, net of unearned income | $9,776,913 | $1,084,894 | $— | $63,200 | $10,925,007 |
| Total average assets (5) | 27,403,905 | 975,740 | 342,451 | 1,045,525 | 29,767,621 |
| Total average deposits | 24,610,326 | 768,300 | — | 57,831 | 25,436,457 |

(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. Noninterest income is primarily attributable to noncontrolling interests and gains on equity warrant assets. Noninterest expense primarily consists 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 $4.6 million and $5.1 million for the three months June 30, 2015 and 2014, respectively, and $9.7 million and $10.0 million for the six months ended June 30, 2015 and 2014, 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 which contributes to the negative balances reported in "Other Items" to reconcile the results to the consolidated financial statements prepared in conformity with GAAP.

13. 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 June 30, 2015 and December 31, 2014:

| (Dollars in thousands) | June 30, 2015 | December 31, 2014 |
|---|---|---|
| Loan commitments available for funding: (1) | | |
| Fixed interest rate commitments | $1,618,035 | $1,591,408 |
| Variable interest rate commitments | 12,873,716 | 11,860,039 |
| Total loan commitments available for funding | 14,491,751 | 13,451,447 |
| Commercial and standby letters of credit (2) | 1,316,458 | 1,254,338 |
| Total unfunded credit commitments | $15,808,209 | $14,705,785 |
| Commitments unavailable for funding (3) | $2,269,117 | $1,868,489 |
| Maximum lending limits for accounts receivable factoring arrangements (4) | 1,029,131 | 1,044,548 |
| Reserve for unfunded credit commitments (5) | 35,617 | 36,419 |

(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 June 30, 2015. 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 | $1,176,681 | $68,629 | $1,245,310 | $ 1,245,310 |
| Performance standby letters of credit | 47,756 | 11,790 | 59,546 | 59,546 |
| Commercial letters of credit | 11,602 | — | 11,602 | 11,602 |
| Total | $1,236,039 | $80,419 | $1,316,458 | $ 1,316,458 |

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Deferred fees related to financial and performance standby letters of credit were $8.6 million at June 30, 2015 and $8.4 million at December 31, 2014. At June 30, 2015, collateral in the form of cash of $537.3 million and available-for-sale securities of $1.2 million were 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 June 30, 2015:

| 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 | 935 | — | 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 | 178 | 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 | 73,807 | — | Various | |
| Other fund investments (3) | 301,011 | 18,439 | Various | |
| Total | $487,703 | $ 25,727 | | |

(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 276 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 2014 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 June 30, 2015:

Limited Partnership

| (Dollars in thousands) | Unfunded Commitments |
|---|---|
| SVB Strategic Investors Fund, LP | $ 2,250 |
| SVB Capital Preferred Return Fund, LP | 4,673 |
| SVB Capital—NT Growth Partners, LP | 3,949 |
| Other private equity fund | 77 |
| Total | $ 10,949 |

## 14. 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 2011 and subsequent years remain open to full examination. Our California tax returns for 2010 and subsequent tax years remain open to full examination. Massachusetts tax returns for 2011 and subsequent years remain open to full examination.

At June 30, 2015, our unrecognized tax benefit was $3.2 million, the recognition of which would reduce our income tax expense by $2.1 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 six months ended June 30, 2015.

## 15. 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 third party external pricing service providers. We review the methodologies used to determine the fair value, including understanding the nature and observability of the inputs used to determine the price. 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. The valuation methodology that is generally used for the Level 2 assets is the income approach. 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 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.

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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 0 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.

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.

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 June 30, 2015:

| (Dollars in thousands) | Level 1 | Level 2 | Level 3 | Balance at June 30, 2015 |
|---|---|---|---|---|
| Assets | | | | |
| Available-for-sale securities: | | | | |
| U.S. treasury securities | $9,001,966 | $— | $— | $9,001,966 |
| U.S. agency debentures | — | 3,154,953 | — | 3,154,953 |
| Residential mortgage-backed securities: | | | | |
| Agency-issued collateralized mortgage obligations - fixed rate | — | 1,642,593 | — | 1,642,593 |
| Agency-issued collateralized mortgage obligations - variable rate | — | 692,308 | — | 692,308 |
| Equity securities | 1,753 | 2,186 | — | 3,939 |
| Total available-for-sale securities | 9,003,719 | 5,492,040 | — | 14,495,759 |
| Non-marketable and other securities (fair value accounting): | | | | |
| Non-marketable securities: | | | | |
| Venture capital and private equity fund investments measured at net asset value (1) | — | — | — | 156,730 |
| Other venture capital investments | — | — | 3,390 | 3,390 |
| Other securities | 287 | — | — | 287 |
| Total non-marketable and other securities (fair value accounting) | 287 | — | 3,390 | 160,407 |
| Other assets: | | | | |
| Interest rate swaps | — | 3,828 | — | 3,828 |
| Foreign exchange forward and option contracts | — | 33,986 | — | 33,986 |
| Equity warrant assets | — | 2,467 | 120,037 | 122,504 |
| Client interest rate derivatives | — | 2,087 | — | 2,087 |
| Total assets (2) | $9,004,006 | $5,534,408 | $123,427 | $14,818,571 |
| Liabilities | | | | |
| Foreign exchange forward and option contracts | $— | $31,028 | $— | $31,028 |
| Client interest rate derivatives | — | 2,247 | — | 2,247 |
| Total liabilities | $— | $33,275 | $— | $33,275 |

(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

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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. See Note 1— "Basis of Presentation" of the "Notes to Interim Consolidated Financial Statements" under Part I, Item 1 in this report.

(2) Included in Level 1 and Level 3 assets are $0.2 million and $3 million, respectively, attributable to noncontrolling interests calculated based on the ownership percentages of the noncontrolling interests.

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, 2014:

| (Dollars in thousands) | Level 1 | Level 2 | Level 3 | Balance at December 31, 2014 |
|---|---|---|---|---|
| Assets | | | | |
| Available-for-sale securities: | | | | |
| U.S. treasury securities | $7,302,273 | $— | $— | $7,302,273 |
| U.S. agency debentures | — | 3,561,556 | — | 3,561,556 |
| Residential mortgage-backed securities: | | | | |
| Agency-issued collateralized mortgage obligations - fixed rate | — | 1,884,843 | — | 1,884,843 |
| Agency-issued collateralized mortgage obligations - variable rate | — | 784,475 | — | 784,475 |
| Equity securities | 4,290 | 3,218 | — | 7,508 |
| Total available-for-sale securities | 7,306,563 | 6,234,092 | — | 13,540,655 |
| Non-marketable and other securities (fair value accounting): | | | | |
| Non-marketable securities: | | | | |
| Venture capital and private equity fund investments measured at net asset value (1) | — | — | — | 1,130,882 |
| Other venture capital investments | — | — | 71,204 | 71,204 |
| Other securities | 108,251 | — | — | 108,251 |
| Total non-marketable and other securities (fair value accounting) | 108,251 | — | 71,204 | 1,310,337 |
| Other assets: | | | | |
| Interest rate swaps | — | 4,609 | — | 4,609 |
| Foreign exchange forward and option contracts | — | 34,231 | — | 34,231 |
| Equity warrant assets | — | 1,906 | 114,698 | 116,604 |
| Client interest rate derivatives | — | 2,546 | — | 2,546 |
| Total assets (2) | $7,414,814 | $6,277,384 | $185,902 | $15,008,982 |
| Liabilities | | | | |
| Foreign exchange forward and option contracts | $— | $28,363 | $— | $28,363 |
| Client interest rate derivatives | — | 2,748 | — | 2,748 |
| Total liabilities | $— | $31,111 | $— | $31,111 |

(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. See Note 1— "Basis of Presentation" of the "Notes to Interim Consolidated Financial Statements" under Part I, Item 1 in this report.

(2) Included in Level 1 and Level 3 assets are $100 million and $69 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 six months ended June 30, 2015 and 2014, respectively:

| (Dollars in thousands) | Beginning Balance | Total Realized and Unrealized Gains Included in Income | Purchases | Sales | Issuances | Distributions and Other Settlements | Transfers Out of Level 3 | Ending Balance |
|---|---|---|---|---|---|---|---|---|
| Three months ended June 30, 2015 | | | | | | | | |
| Non-marketable and other securities (fair value accounting): | | | | | | | | |
| Other venture capital investments (3) | $3,390 | $— | $— | $— | $— | $ — | $— | $3,390 |
| Total non-marketable and other securities (fair value accounting) (1) | 3,390 | — | — | — | — | — | — | 3,390 |
| Other assets: | | | | | | | | |
| Equity warrant assets (2) | 122,261 | 23,249 | — | (27,393) | 2,467 | 344 | (891) | 120,037 |
| Total assets | $125,651 | $23,249 | $— | $(27,393) | $2,467 | $ 344 | $(891) | $123,427 |
| Three months ended June 30, 2014 | | | | | | | | |
| Non-marketable and other securities (fair value accounting): | | | | | | | | |
| Other venture capital investments | $28,306 | $676 | $ 15,826 | $(925) | $— | $ (10) | $(126) | $43,747 |
| Other securities (fair value accounting) | 362,487 | 1,616 | — | — | — | — | (358,295) | 5,808 |
| Total non-marketable and other securities (fair value accounting) (1) | 390,793 | 2,292 | 15,826 | (925) | — | (10) | (358,421) | 49,555 |
| Other assets: | | | | | | | | |
| Equity warrant assets (2) | 87,642 | 13,141 | — | (16,644) | 2,749 | 583 | (320) | 87,151 |
| Total assets | $478,435 | $15,433 | $ 15,826 | $(17,569) | $2,749 | $ 573 | $(358,741) | $136,706 |
| Six months ended June 30, 2015 | | | | | | | | |
| Non-marketable and other securities (fair value accounting): | | | | | | | | |
| Other venture capital investments (3) | $3,291 | $131 | $— | $(32) | $— | $ — | $— | $3,390 |
| Total non-marketable and other securities (fair value accounting) (1) | 3,291 | 131 | — | (32) | — | — | — | 3,390 |
| Other assets: | | | | | | | | |
| Equity warrant assets (2) | 114,698 | 43,333 | — | (42,158) | 4,550 | 748 | (1,134) | 120,037 |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Total assets | $117,989 | $43,464 | $— | $(42,190) | $4,550 | $ 748 | $(1,134) | $123,427 |
| Six months ended June 30, 2014 | | | | | | | | |
| Non-marketable and other securities (fair value accounting): | | | | | | | | |
| Other venture capital investments | $32,839 | $2,514 | $ 16,496 | $(4,439) | $— | $ (3,537) | $(126) | $43,747 |
| Other securities (fair value accounting) | 319,249 | 104,310 | — | (46,840) | — | 3,417 | (374,328) | 5,808 |
| Total non-marketable and other securities (fair value accounting) (1) | 352,088 | 106,824 | 16,496 | (51,279) | — | (120) | (374,454) | 49,555 |
| Other assets: | | | | | | | | |
| Equity warrant assets (2) | 99,891 | 37,519 | — | (56,637) | 6,166 | 1,209 | (997) | 87,151 |
| Total assets | $451,979 | $144,343 | $ 16,496 | $(107,916) | $6,166 | $ 1,089 | $(375,451) | $136,706 |

(1) Realized and unrealized gains (losses) are recorded in the line items “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.

(3) Beginning balance was adjusted to conform with our adoption of the new accounting standard (ASU 2015-02), Amendments to the Consolidation Analysis (Topic 820).

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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 June 30, 2015 and 2014:

| | Three months ended June 30, | | Six months ended June 30, | |
|---|---|---|---|---|
| (Dollars in thousands) | 2015 | 2014 | 2015 | 2014 |
| Non-marketable and other securities (fair value accounting): | | | | |
| Other venture capital investments | 53 | 1,324 | 141 | 1,310 |
| Other securities | — | 1,615 | — | 80,583 |
| Total non-marketable and other securities (fair value accounting) (1) | 53 | 2,939 | 141 | 81,893 |
| Other assets: | | | | |
| Equity warrant assets (2) | 6,437 | 9,578 | 14,809 | 11,971 |
| Total unrealized gains, net | $6,490 | $12,517 | $14,950 | $93,864 |
| Unrealized gains attributable to noncontrolling interests | $1,297 | $38,791 | $1,385 | $148,151 |

(1) Unrealized gains (losses) are recorded in the line items “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 following table presents quantitative information about the significant unobservable inputs used for certain of our Level 3 fair value measurements at June 30, 2015 and December 31, 2014. 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 | |
|---|---|---|---|---|---|
| June 30, 2015: | | | | | |
| Other venture capital investments (fair value accounting) | $3,390 | Private company equity pricing | (1) | (1 | ) |
| Equity warrant assets (public portfolio) | 4,440 | Modified Black-Scholes option pricing model | Volatility | 38.4 | % |
| | | | Risk-Free interest rate | 1.9 | % |
| | | | Sales restrictions discount (2) | 18.5 | % |
| Equity warrant assets (private portfolio) | 115,597 | Modified Black-Scholes option pricing model | Volatility | 37.9 | % |
| | | | Risk-Free interest rate | 0.8 | % |
| | | | Marketability discount (3) | 17.8 | % |
| | | | Remaining life assumption (4) | 45.0 | % |
| December 31, 2014: | | | | | |
| Other venture capital investments (fair value accounting) | $71,204 | Private company equity pricing | (1) | (1 | ) |
| Equity warrant assets (public portfolio) | 1,681 | Modified Black-Scholes option pricing model | Volatility | 42.6 | % |
| | | | Risk-Free interest rate | 1.7 | % |
| | | | Sales restrictions discount (2) | 17.8 | % |
| Equity warrant assets (private portfolio) | 113,017 | Modified Black-Scholes option pricing model | Volatility | 38.3 | % |
| | | | Risk-Free interest rate | 0.9 | % |
| | | | Marketability discount (3) | 20.0 | % |
| | | | 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 June 30, 2015, the weighted average contractual remaining term was 5.79 years, compared to our estimated remaining life of 2.60 years. On a quarterly basis, a sensitivity analysis is performed on our remaining life assumption.

For the three and six months ended June 30, 2015 and 2014, we did not have any material transfers between Level 2 and Level 1. We did not have any transfers from Level 3 to Level 1 for the six months ended June 30, 2015. Transfers from Level 3 to Level 1 for the six months ended June 30, 2014 included $374.5 million as a result of the expiration of lock-up and other restrictions on certain of our other securities.

All other transfers from Level 3 to Level 2 for the three and six months ended June 30, 2015 and 2014 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. Because 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 our joint venture bank in China. At this time, the

carrying value of our investment in our joint venture bank in China 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

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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 asset value by using the most recently available financial information from the investee general partner, for example March 31st, for our June 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 June 30, 2015 and December 31, 2014. Commitments to extend credit and letters of credit typically result in loans with a market interest rate if funded.

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The following fair value hierarchy table presents the estimated fair values of our financial instruments that are not carried at fair value at June 30, 2015 and December 31, 2014:

| (Dollars in thousands) | Carrying Amount | Estimated Fair Value | | | |
|---|---|---|---|---|---|
| | | Total | Level 1 | Level 2 | Level 3 |
| June 30, 2015: | | | | | |
| Financial assets: | | | | | |
| Cash and cash equivalents | $2,625,550 | $2,625,550 | $2,625,550 | $— | $— |
| Held-to-maturity securities | 7,735,891 | 7,730,811 | — | 7,730,811 | — |
| Non-marketable securities (cost and equity method accounting) not measured at net asset value | 111,890 | 114,598 | — | — | 114,598 |
| Non-marketable securities (cost and equity method) accounting measured at net asset value (1) | 250,665 | 360,814 | — | — | — |
| Net commercial loans | 12,510,382 | 12,633,349 | — | — | 12,633,349 |
| Net consumer loans | 1,558,404 | 1,524,375 | — | — | 1,524,375 |
| FHLB and Federal Reserve Bank stock | 46,116 | 46,116 | — | — | 46,116 |
| Accrued interest receivable | 97,158 | 97,158 | — | 97,158 | — |
| Financial liabilities: | | | | | |
| Other short-term borrowings | 2,537 | 2,537 | 2,537 | — | — |
| Non-maturity deposits (2) | 35,559,302 | 35,559,302 | 35,559,302 | — | — |
| Time deposits | 67,663 | 67,622 | — | 67,622 | — |
| 3.50% Senior Notes | 349,716 | 336,462 | — | 336,462 | — |
| 5.375% Senior Notes | 348,554 | 390,838 | — | 390,838 | — |
| 6.05% Subordinated Notes (3) | 49,426 | 52,340 | — | 52,340 | — |
| 7.0% Junior Subordinated Debentures | 54,758 | 53,093 | — | 53,093 | — |
| Accrued interest payable | 12,096 | 12,096 | — | 12,096 | — |
| Off-balance sheet financial assets: | | | | | |
| Commitments to extend credit | — | 29,717 | — | — | 29,717 |
| December 31, 2014: | | | | | |
| Financial assets: | | | | | |
| Cash and cash equivalents | $1,796,062 | $1,796,062 | $1,796,062 | $— | $— |
| Held-to-maturity securities | 7,421,042 | 7,415,656 | — | 7,415,656 | — |
| Non-marketable securities (cost and equity method accounting) not measured at net asset value | 108,221 | 107,451 | — | — | 107,451 |
| Non-marketable securities (cost and equity method) accounting measured at net asset value (1) | 188,427 | 283,119 | — | — | — |
| Net commercial loans | 12,947,869 | 13,082,487 | — | — | 13,082,487 |
| Net consumer loans | 1,271,048 | 1,247,336 | — | — | 1,247,336 |
| FHLB and Federal Reserve Bank stock | 53,496 | 53,496 | — | — | 53,496 |
| Accrued interest receivable | 94,180 | 94,180 | — | 94,180 | — |
| Financial liabilities: | | | | | |
| Other short-term borrowings | 7,781 | 7,781 | 7,781 | — | — |
| Non-maturity deposits (2) | 34,215,372 | 34,215,372 | 34,215,372 | — | — |
| Time deposits | 128,127 | 128,107 | — | 128,107 | — |
| 5.375% Senior Notes | 348,436 | 392,616 | — | 392,616 | — |
| 6.05% Subordinated Notes (3) | 50,162 | 53,537 | — | 53,537 | — |
| 7.0% Junior Subordinated Debentures | 54,845 | 52,990 | — | 52,990 | — |

| | | | | | |
|---|---|---|---|---|---|
| Accrued interest payable | 6,998 | 6,998 | — | 6,998 | — |
| Off-balance sheet financial assets: | | | | | |
| Commitments to extend credit | — | 29,097 | — | — | 29,097 |

(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. See Note 1— "Basis of Presentation" of the "Notes to Interim Consolidated Financial Statements" under Part I, Item 1 in this report.

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

(3) At June 30, 2015 and December 31, 2014, included in the carrying value and estimated fair value of our 6.05% Subordinated Notes was an interest rate swap valued at $3.8 million and $4.6 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 IPOs 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 March 31st, for our June 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 June 30, 2015:

| (Dollars in thousands) | Carrying Amount | Fair Value | Unfunded Commitments |
|---|---|---|---|
| Non-marketable securities (fair value accounting): | | | |
| Venture capital and private equity fund investments (1) | $ 156,730 | $156,730 | $ 10,949 |
| Non-marketable securities (equity method accounting): | | | |
| Venture capital and private equity fund investments (2) | 78,574 | 78,574 | 4,990 |
| Debt funds (2) | 22,313 | 23,504 | — |
| Other investments (2) | 22,705 | 22,705 | 886 |
| Non-marketable securities (cost method accounting): | | | |
| Venture capital and private equity fund investments (2) | 127,073 | 236,031 | 11,151 |
| Total | $ 407,395 | $517,544 | $ 27,976 |

(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 $112 million and $8 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.

16. 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.

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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.

17. Related Parties

During the six months ended June 30, 2015, 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.

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## 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," "seek," "expect," "plan," "intend," the 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-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
-

- The impact of legal requirements and regulations limiting or restricting our activities or resulting in higher costs or increased compliance responsibilities, including the Volcker rule
- The impact of lawsuits and claims
- Changes in accounting standards
- The levels of equity capital available to our client or portfolio companies
- Our ability to maintain or increase our market share, including through successfully implementing our business strategy and undertaking new business initiatives

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- Other factors as discussed in “Risk Factors” under Part I, Item 1A in our 2014 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 interim unaudited consolidated financial statements and accompanying notes as presented in Part I, Item 1 of this report and in conjunction with our 2014 Form 10-K.

Reclassifications

Certain prior period amounts, including amounts related to the adoption of ASU 2014-01 and ASU 2015-02, have been reclassified to conform to current period presentations.

Management’s Overview of Second Quarter 2015 Performance

Overall, we had a solid second quarter in 2015, which was reflective of continued growth in total client funds, tempered average loan growth, higher core fee income, solid venture capital investment and warrant gains and the solid credit quality of our loan portfolio despite an increase in our loan loss provision and levels of nonperforming loans. We continued to perform well as a result of our focus on innovation companies and their investors, continued positive business conditions for our clients and our efforts to secure client relationships. We had net income available to common stockholders of $86.1 million and diluted EPS of $1.66 for the second quarter of 2015. This compares to net income of $51.0 million and diluted EPS of $1.04 in the second quarter of 2014. In the second quarter of 2015, we experienced solid growth in net interest income as a result of the increase in interest earned from our fixed income investment and loan portfolios. These increases are reflective of an increase in average loans of $3.2 billion and average investments of $6.2 billion, driven by our significant deposit growth. Our total client funds, which consist of on-balance sheet deposits and off-balance sheet client investment funds, also significantly increased, reflecting growth from our existing and new clients. Noninterest expense increased $23.2 million primarily from increases in compensation and benefits.

Second quarter 2015 results (compared to the second quarter 2014, where applicable) included:

Continued strong growth in our lending business with average loan balances of $14.3 billion, an increase of $3.2 billion, or 29.2 percent. Period-end loan balances were $14.3 billion, an increase of $2.9 billion, or 25.7 percent.

Average investment securities, excluding non-marketable and other securities, of $21.4 billion, an increase of $6.2 billion, or 41.1 percent. Period-end investment securities, excluding non-marketable and other securities, of $22.2 billion, an increase of $5.1 billion, or 29.7 percent.

Average deposit balances of $35.0 billion, an increase of $7.8 billion, or 28.6 percent. Period-end deposit balances of $35.6 billion, an increase of $7.3 billion, or 25.7 percent.

Average total client funds (comprised of on-balance sheet deposits and off-balance sheet client investment funds) were $72.8 billion, an increase of $15.5 billion, or 27.0 percent. Period-end total client funds were $75.7 billion, an increase of $17.0 billion, or 28.9 percent.

Net interest income (fully taxable equivalent basis) of $244.2 million, an increase of $38.8 million, or 18.9 percent, primarily due to an increase in interest income from fixed income investment securities and loans, attributable to growth in average investment and loan balances of $6.2 billion and $3.2 billion, respectively, driven by the average deposit growth mentioned above.

Net interest margin of 2.58 percent, compared to 2.79 percent, primarily due to a 67 basis point decrease in the overall yield of our loan portfolio and an 10 basis point decrease in our fixed income investment portfolio yield. These decreases are primarily a result of the shift in the mix of our overall loan portfolio into higher credit quality, lower yielding loans, the overall low rate market environment and increased competition in the marketplace.

Provision for loan losses of $26.5 million, compared to $1.9 million. The provision of $26.5 million was primarily driven by an increase of $27.1 million in the reserve for impaired loans and $1.7 million in net charge-offs, offset by a

$2.4 million reduction due to the decrease in period-end loan balances.
Non-GAAP core fee income (deposit service charges, letters of credit fees, credit card fees, lending related fees, client investment fees, and foreign exchange fees) of $66.1 million, an increase of $16.1 million, or 32.2 percent,

primarily reflective of increased client utilization resulting in increased foreign exchange and credit card fee income. (See non-GAAP reconciliation under the section "Results of Operations—Noninterest Income").

Net gains on investment securities of $25.0 million, compared to net losses of $57.3 million. [Non-GAAP net gains on investment securities, net of noncontrolling interests were $15.9 million, compared to net losses of $22.1 million (See non-GAAP reconciliation under the section "Results of Operations—Noninterest Income—Gains on Investment Securities, Net").] Net gains, net of noncontrolling interests, were primarily driven by $9.5 million gains from our strategic and other investments, reflective of strong distributions from our strategic venture capital fund investments and gains of $5.4 million from our managed fund of funds, primarily related to unrealized valuation adjustments. In the second quarter of 2014, we had losses associated with our FireEye related investments. Specifically, we had losses on investment securities related to FireEye of $98.9 million ($30.4 million net of noncontrolling interests) primarily from unrealized losses due to the decreased valuation of the remaining FireEye shares held by our managed direct venture funds during the second quarter of 2014. (See "Results of Operations—Noninterest Income—Gains on Investment Securities, Net").

Net gains on equity warrant assets of $23.6 million, an increase of $11.3 million, or 91.5 percent, compared to $12.3 million. The gains of $23.6 million included $13.9 million in realized gains relating to one company in our public company warrant portfolio.

Noninterest expense of $194.1 million, an increase of $23.2 million, or 13.6 percent. This increase was primarily driven by a $25.1 million increase in compensation and benefits. The increase in compensation and benefits is primarily due to increased incentive compensation as well as an increase in warrant incentive plan expenses, which is reflective of our solid performance in the second quarter of 2015 and our current expectation that we will exceed our internal performance targets for 2015. In addition, salaries and wages contributed to the increase in compensation and benefits as a result of an increase in average FTEs. Average FTEs increased by 10.8 percent to 1,959 for the three months ended June 30, 2015, compared to 1,768 FTEs for the comparable 2014 period.

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A summary of our performance for the three and six months ended June 30, 2015 and 2014 is as follows:

| (Dollars in thousands, except per share data, employees and ratios) | Three months ended June 30, | | | Six months ended June 30, | | |
|---|---|---|---|---|---|---|
| | 2015 | 2014 | % Change | 2015 | 2014 | % Change |
| Diluted earnings per common share (1) | $1.66 | $1.04 | 59.6 % | $3.37 | $2.96 | 13.9 % |
| Net income available to common stockholders (1) | 86,143 | 50,953 | 69.1 | 174,659 | 141,903 | 23.1 |
| Net interest income | 243,771 | 204,965 | 18.9 | 482,696 | 401,293 | 20.3 |
| Net interest margin | 2.58 % | 2.79 % | (21 ) bps | 2.61 % | 2.95 % | (34 ) bps |
| Provision for loan losses | $26,513 | $1,947 | NM | $32,965 | $2,441 | NM |
| Noninterest income (2) | 126,287 | 14,210 | NM | 249,811 | 324,435 | (23.0 ) % |
| Noninterest expense (1) (2) | 194,112 | 170,944 | 13.6 % | 384,653 | 341,352 | 12.7 |
| Non-GAAP core fee income (3) | 66,079 | 49,993 | 32.2 | 124,289 | 100,939 | 23.1 |
| Non-GAAP noninterest income, net of noncontrolling interests (1) (2) (3) | 117,731 | 49,535 | 137.7 | 227,091 | 173,042 | 31.2 |
| Non-GAAP noninterest expense, net of noncontrolling interests (1) (2) (4) | 193,870 | 165,677 | 17.0 | 384,119 | 332,764 | 15.4 |
| Balance Sheet: | | | | | | |
| Average available-for-sale securities | $13,797,718 | $13,397,265 | 3.0 % | $13,685,091 | $12,826,267 | 6.7 % |
| Average held-to-maturity securities (5) | 7,639,790 | 1,793,698 | NM | 7,604,966 | 901,804 | NM |
| Average loans, net of unearned income (2) | 14,320,875 | 11,080,602 | 29.2 | 14,185,333 | 10,925,007 | 29.8 |
| Average noninterest-bearing demand deposits (2) | 26,723,333 | 19,472,542 | 37.2 | 25,952,670 | 18,183,692 | 42.7 |
| Average interest-bearing deposits | 8,232,734 | 7,704,583 | 6.9 | 8,459,503 | 7,252,765 | 16.6 |
| Average total deposits | 34,956,067 | 27,177,125 | 28.6 | 34,412,173 | 25,436,457 | 35.3 |
| Earnings Ratios: | | | | | | |
| Return on average assets (annualized) (1) (2) (6) | 0.88 % | 0.64 % | 37.5 % | 0.91 % | 0.96 % | (5.2 ) % |
| Return on average SVBFG stockholders' equity (annualized) (1) (7) | 11.40 | 8.52 | 33.8 | 11.87 | 12.72 | (6.7 ) |
| Asset Quality Ratios: | | | | | | |
| Allowance for loan losses as a % of total period-end gross loans | 1.34 % | 1.06 % | 28 bps | 1.34 % | 1.06 % | 28 bps |
| Allowance for loan losses for performing loans as a % | 0.99 | 1.02 | (3 ) | 0.99 | 1.02 | (3 ) |

| | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| of total gross performing loans | | | | | | | | | | | | |
| Gross loan charge-offs as a % of average total gross loans (annualized) | 0.13 | | 0.23 | | (10 | ) | 0.14 | | 0.50 | | (36 | ) |
| Net loan charge-offs as a % of average total gross loans (annualized) | 0.05 | | 0.17 | | (12 | ) | 0.08 | | 0.45 | | (37 | ) |
| Capital Ratios: | | | | | | | | | | | | |
| CET 1 risk-based capital ratio (8) | 12.54 | % | — | % | — | bps | 12.54 | % | — | % | — | bps |
| Tier 1 risk-based capital ratio (8) | 13.15 | | 14.42 | | (127 | ) | 13.15 | | 14.42 | | (127 | ) |
| Total risk-based capital ratio (8) | 14.15 | | 15.36 | | (121 | ) | 14.15 | | 15.36 | | (121 | ) |
| Tier 1 leverage ratio (8) | 7.95 | | 8.74 | | (79 | ) | 7.95 | | 8.74 | | (79 | ) |
| Tangible common equity to tangible assets (1) (9) | 7.58 | | 8.02 | | (44 | ) | 7.58 | | 8.02 | | (44 | ) |
| Tangible common equity to risk-weighted assets (1) (8) (9) | 12.81 | | 14.49 | | (168 | ) | 12.81 | | 14.49 | | (168 | ) |
| Bank CET 1 risk-based capital ratio (8) | 12.87 | | — | | — | | 12.87 | | — | | — | |
| Bank tier 1 risk-based capital ratio (8) | 12.87 | | 12.45 | | 42 | | 12.87 | | 12.45 | | 42 | |
| Bank total risk-based capital ratio (8) | 13.93 | | 13.41 | | 52 | | 13.93 | | 13.41 | | 52 | |
| Bank tier 1 leverage ratio (8) | 7.39 | | 7.51 | | (12 | ) | 7.39 | | 7.51 | | (12 | ) |
| Bank tangible common equity to tangible assets (1) (9) | 7.40 | | 7.21 | | 19 | | 7.40 | | 7.21 | | 19 | |
| Bank tangible common equity to risk-weighted assets (1) (8) (9) | 13.16 | | 12.62 | | 54 | | 13.16 | | 12.62 | | 54 | |
| Other Ratios: | | | | | | | | | | | | |
| GAAP operating efficiency ratio (1) (10) | 52.45 | % | 77.99 | % | (32.7 | )% | 52.51 | % | 47.04 | % | 11.6 | % |
| Non-GAAP operating efficiency ratio (1) (3) | 53.57 | | 64.99 | | (17.6 | ) | 54.06 | | 57.85 | | (6.6 | ) |
| Book value per common share (1) (11) | $59.29 | | $52.69 | | 12.5 | | $59.29 | | $52.69 | | 12.5 | |
| Other Statistics: | | | | | | | | | | | | |
| Average full-time equivalent employees | 1,959 | | 1,768 | | 10.8 | % | 1,957 | | 1,751 | | 11.8 | % |
| Period-end full-time equivalent employees | 1,964 | | 1,786 | | 10.0 | | 1,964 | | 1,786 | | 10.0 | |

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NM - Not meaningful

(1) Prior period amounts have been revised to reflect the retrospective application of new accounting guidance adopted in the first quarter of 2015 related to our investments in qualified affordable housing projects (ASU 2014-01). See Note 1— "Basis of Presentation" of the "Notes to Interim Consolidated Financial Statements" under Part I, Item 1 in this report.

(2) Effective January 1, 2015, we adopted new accounting guidance related to our consolidated variable interest entities (ASU 2015-02); amounts prior to the adoption have not been revised. See Note 1— "Basis of Presentation" of the "Notes to Interim Consolidated Financial Statements" under Part I, Item 1 in this report.

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

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

(5) Effective June 1, 2014, we re-designated securities with a carrying value of $5.4 billion from available-for-sale to held-to-maturity.

(6) Ratio represents annualized consolidated net income available to common stockholders divided by quarterly average assets.

(7) Ratio represents annualized consolidated net income available to common stockholders divided by quarterly average SVBFG stockholders’ equity.

(8) Ratios as of June 30, 2015 reflect the adoption of the rules implementing the "Basel III" regulatory capital reforms and changes required by the Dodd-Frank Act ("Basel III Capital Rules") in effect beginning January 1, 2015. Ratios for prior periods represent the previous capital rules under Basel I.

(9) 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.

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

(11) 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.

Our accounting policy relating to income taxes was impacted by the adoption of ASU-2014-01 (Investments - Equity Method and Joint Ventures (Topic 323), Accounting for Investments in Qualified Affordable Housing Projects). Upon the adoption of ASU 2014-01, we elected to use the proportional amortization method to account for our investments in affordable housing projects and have applied this election retrospectively. As a result, all prior period deferred tax assets related to our investments in qualified affordable housing projects were written off as the tax credit fund amortization expense for those investments is no longer classified as a temporary difference and is included in the estimate for the provision for income taxes. The impact of this change resulted in a higher effective tax rate.

There have been no other significant changes during the six months ended June 30, 2015 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 2014 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

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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.

| | 2015 Compared to 2014 Three months ended June 30, increase (decrease) due to change in | | | 2015 Compared to 2014 Six months ended June 30, increase (decrease) due to change in | | |
|---|---|---|---|---|---|---|
| (Dollars in thousands) | Volume | Rate | Total | 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 | $(671) | $48 | $(623) | $(1,472) | $482 | $(990) |
| Fixed income investment portfolio (taxable) | 20,417 | 772 | 21,189 | 48,657 | (614) | 48,043 |
| Fixed income investment portfolio (non-taxable) | (28) | (52) | (80) | (3) | (114) | (117) |
| Loans, net of unearned income | 37,843 | (18,271) | 19,572 | 76,479 | (39,578) | 36,901 |
| Increase (decrease) in interest income, net | 57,561 | (17,503) | 40,058 | 123,661 | (39,824) | 83,837 |
| Interest expense: | | | | | | |
| NOW deposits | 16 | (123) | (107) | 56 | (175) | (119) |
| Money market deposits | 103 | (1,755) | (1,652) | 421 | (2,953) | (2,532) |
| Money market deposits in foreign offices | (2) | (18) | (20) | — | (46) | (46) |
| Time deposits | (23) | (31) | (54) | (55) | (39) | (94) |
| Sweep deposits in foreign offices | (17) | (36) | (53) | 30 | (86) | (56) |
| Total increase (decrease) in deposits expense | 77 | (1,963) | (1,886) | 452 | (3,299) | (2,847) |
| Short-term borrowings | 13 | — | 13 | 25 | — | 25 |
| 3.50% Senior Notes | 3,137 | — | 3,137 | 5,263 | — | 5,263 |
| 5.375% Senior Notes | 2 | 5 | 7 | 6 | 8 | 14 |
| Junior Subordinated Debentures | (2) | (13) | (15) | (5) | (17) | (22) |
| 6.05% Subordinated Notes | (4) | 27 | 23 | (9) | 50 | 41 |
| Total increase in borrowings expense | 3,146 | 19 | 3,165 | 5,280 | 41 | 5,321 |
| Increase (decrease) in interest expense, net | 3,223 | (1,944) | 1,279 | 5,732 | (3,258) | 2,474 |
| Increase (decrease) in net interest income | $54,338 | $(15,559) | $38,779 | $117,929 | $(36,566) | $81,363 |

Net Interest Income (Fully Taxable Equivalent Basis)

Three months ended June 30, 2015 and 2014

Net interest income increased by $38.8 million to $244.2 million for the three months ended June 30, 2015, compared to $205.4 million for the comparable 2014 period. Overall, we saw an increase in our net interest income primarily from increased interest earned on our fixed income investments reflective of higher average fixed income investment balances due to our strong deposit growth, as well as from an increase in average loan balances. These increases were partially offset by a shift in the mix of our private equity/venture capital and Private Bank loans. Our loan yields were also impacted by the overall low market rate environment and continued competition in the marketplace.

The main factors affecting interest income and interest expense for the three months ended June 30, 2015, compared to the comparable 2014 period are discussed below:

- Interest income for the three months ended June 30, 2015 increased by $40.1 million primarily due to:

A $21.1 million increase in interest income on investment securities to $85.8 million for the three months ended June 30, 2015, compared to $64.6 million for the comparable 2014 period. The increase was reflective of an increase in average investment securities balances of $6.2 billion as a result of deposit growth, as well as through reinvestments of maturing fixed income investments.

A $19.6 million increase in interest income on loans to $167.3 million for the three months ended June 30, 2015, compared to $147.7 million for the comparable 2014 period. This increase was reflective of an increase in average

loan balances of $3.2 billion, partially offset by a decrease in both gross loan and loan fee yields. Gross loan yields, excluding loan interest recoveries and loan fees, decreased to 4.01 percent from 4.49 percent,

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reflective of a shift in the mix of our overall loan portfolio from the second quarter of 2014. This shift primarily includes increased growth in private equity/venture capital and private bank loans, which tend to be higher credit quality, lower yielding loans. The overall low market rate environment and increased competition also continued to put pressure on loan yields. Loan fee yields decreased 11 basis points to 66 basis points, from 77 basis points in the comparable 2014 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 private bank loans, which tend to have lower fees.

- Interest expense for the three months ended June 30, 2015 increased to $10.2 million, compared to $8.9 million for the comparable 2014 period. The increase in interest expense was primarily attributable to the increase in long-term debt interest expense of $3.1 million reflective of the $350.0 million issuance of our 3.50% Senior Notes in late January 2015, partially offset by a decrease of $1.9 million in interest paid on our interest-bearing deposits as a result of market rate adjustments.

Six months ended June 30, 2015 and 2014

Net interest income increased by $81.4 million to $483.5 million for the six months ended June 30, 2015, compared to $402.1 million for the comparable 2014 period. Overall, we saw an increase in our net interest income primarily due to higher average loan balances and growth in our available-for-sale securities portfolio, which has increased as a result of our continued growth in deposits. These increases were partially offset by lower yields earned on our loans and fixed income investment portfolio.

The main factors affecting interest income and interest expense for the six months ended June 30, 2015, compared to the comparable 2014 period are discussed below:

- Interest income for the six months ended June 30, 2015 increased by $83.8 million primarily due to:

A $47.9 million increase in interest income on investment securities with the majority of the increase due to a $7.6 billion increase in average balances due to strong deposit growth. Interest income was offset by a decrease in the overall yield of our fixed income investment portfolio, which decreased 18 basis points to 1.59 percent. The decrease in the fixed income investment portfolio yield was offset by a 11 basis point benefit from lower premium amortization expense, driven by a slowdown in prepayments as a result of increases in market rates.

A $36.9 million increase in interest income on loans, primarily due to an increase in average loan balances of $3.3 billion. These increases were partially offset by a decrease in both gross loan and loan fee yields. Gross loan yields, excluding loan interest recoveries and loan fees, decreased to 4.05 percent from 4.53 percent, reflective of a shift in the mix of our overall loan portfolio from the first half of 2014. This shift primarily includes increased growth in private equity/venture capital and private bank loans, which tend to be higher credit quality, lower yielding loans. The overall low market rate environment and increased competition also continued to put pressure on loan yields. Loan fee yields decreased 18 basis points to 66 basis points, from 84 basis points in the comparable 2014 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 private bank loans which tend to have lower fees.

- Interest expense for the six months ended June 30, 2015 increased by $2.5 million primarily due to:

An increase in interest expense of $5.3 million related to our long-term debt, reflective of the $350.0 million issuance of our 3.50% Senior Notes in late January 2015.

A decrease in interest expense from interest-bearing deposits of $2.8 million, primarily due to decreases in rates paid on interest-bearing money market deposits as a result of market rate adjustments.

Net Interest Margin (Fully Taxable Equivalent Basis)

Our net interest margin decreased by 21 basis points to 2.58 percent for the three months ended June 30, 2015, compared to 2.79 percent for the comparable 2014 period.

Our net interest margin decreased to 2.61 percent for the six months ended June 30, 2015, compared to 2.95 percent for the comparable 2014 period.

The decrease in our net interest margin for the three and six months ended June 30, 2015, was primarily reflective of the decrease in gross loan yields as outlined above.

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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 six months ended June 30, 2015 and 2014:

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Average Balances, Rates and Yields for the Three Months Ended June 30, 2015 and 2014

| | Three months ended June 30, | | | | | |
|---|---|---|---|---|---|---|
| | 2015 | | | 2014 | | |
| (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) | $2,128,460 | $1,320 | 0.25 % | $3,210,218 | $1,943 | 0.24 % |
| Investment securities: | | | | | | |
| Available-for-sale securities: (2) | | | | | | |
| Taxable | 13,797,718 | 46,698 | 1.36 | 13,342,544 | 53,915 | 1.62 |
| Non-taxable (3) | — | — | — | 54,721 | 815 | 5.97 |
| Held-to-maturity securities: | | | | | | |
| Taxable | 7,558,646 | 37,915 | 2.01 | 1,765,204 | 9,509 | 2.16 |
| Non-taxable (3) | 81,144 | 1,141 | 5.64 | 28,494 | 406 | 5.72 |
| Total loans, net of unearned income (4) (5) | 14,320,875 | 167,252 | 4.68 | 11,080,602 | 147,680 | 5.35 |
| Total interest-earning assets | 37,886,843 | 254,326 | 2.69 | 29,481,783 | 214,268 | 2.91 |
| Cash and due from banks | 316,577 | | | 60,373 | | |
| Allowance for loan losses | (180,130 ) | | | (128,465 ) | | |
| Other assets (6) | 1,424,733 | | | 2,331,939 | | |
| Total assets | $39,448,023 | | | $31,745,630 | | |
| Funding sources: | | | | | | |
| Interest-bearing liabilities: | | | | | | |
| NOW deposits | $230,891 | $48 | 0.08 % | $159,316 | $155 | 0.39 % |
| Money market deposits | 6,034,187 | 909 | 0.06 | 5,338,785 | 2,561 | 0.19 |
| Money market deposits in foreign offices | 188,399 | 18 | 0.04 | 201,821 | 38 | 0.08 |
| Time deposits | 93,387 | 38 | 0.16 | 150,731 | 92 | 0.24 |
| Sweep deposits in foreign offices | 1,685,870 | 169 | 0.04 | 1,853,930 | 222 | 0.05 |
| Total interest-bearing deposits | 8,232,734 | 1,182 | 0.06 | 7,704,583 | 3,068 | 0.16 |
| Short-term borrowings | 26,345 | 13 | 0.20 | 4,554 | — | — |
| 3.50% Senior Notes | 349,712 | 3,137 | 3.60 | — | — | — |
| 5.375% Senior Notes | 348,515 | 4,837 | 5.57 | 348,284 | 4,830 | 5.56 |
| Junior Subordinated Debentures | 54,787 | 833 | 6.10 | 54,962 | 848 | 6.19 |
| 6.05% Subordinated Notes | 49,757 | 153 | 1.23 | 51,470 | 130 | 1.01 |
| Total interest-bearing liabilities | 9,061,850 | 10,155 | 0.45 | 8,163,853 | 8,876 | 0.44 |
| Portion of noninterest-bearing funding sources | 28,824,993 | | | 21,317,930 | | |
| Total funding sources | 37,886,843 | 10,155 | 0.11 | 29,481,783 | 8,876 | 0.12 |
| Noninterest-bearing funding sources: | | | | | | |
| Demand deposits | 26,723,333 | | | 19,472,542 | | |
| Other liabilities | 490,847 | | | 398,492 | | |
| SVBFG stockholders' equity | 3,031,699 | | | 2,397,386 | | |
| Noncontrolling interests | 140,294 | | | 1,313,357 | | |
| Portion used to fund interest-earning assets | (28,824,993 ) | | | (21,317,930 ) | | |
| Total liabilities, noncontrolling interest, and SVBFG stockholders' equity | $39,448,023 | | | $31,745,630 | | |

| | | | | | |
|---|---|---|---|---|---|
| Net interest income and margin | | $244,171 | 2.58 % | | $205,392 | 2.79 % |
| Total deposits | $34,956,067 | | | $27,177,125 | | |
| Reconciliation to reported net interest income: | | | | | | |
| Adjustments for taxable equivalent basis | | (400 ) | | | (427 ) | |
| Net interest income, as reported | | $243,771 | | | $204,965 | |

(1) Includes average interest-earning deposits in other financial institutions of $445 million and $342 million for the three months ended June 30, 2015 and 2014, respectively. For the three months ended June 30, 2015 and 2014, balances also include $1.6 billion and $2.5 billion, respectively, deposited at the Federal Reserve Bank, earning interest at the Federal Funds target rate.

(2) Yields on available-for-sale securities are based on amortized cost, and therefore do not give effect to unrealized 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.

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(5) Interest income includes loan fees of $23.7 million and $21.3 million for the three months ended June 30, 2015 and 2014, respectively.

(6) Average investment securities of $0.8 billion and $1.8 billion for the three months ended June 30, 2015 and 2014, respectively, were classified as other assets as they were noninterest-earning assets. These investments primarily consisted of non-marketable and other securities. During the second quarter of 2015 we adopted new accounting guidance related to our consolidated variable interest entities (ASU 2015-02) under a modified retrospective approach. Periods prior to January 1, 2015 have not been revised. See Note 1— "Basis of Presentation" of the "Notes to Interim Consolidated Financial Statements (unaudited)" under Part I, Item 1 of this report for additional details.

Average Balances, Rates and Yields for the Six Months Ended June 30, 2015 and 2014

| | Six months ended June 30, | | | | | |
|---|---|---|---|---|---|---|
| | 2015 | | | 2014 | | |
| (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) | $1,815,912 | $2,589 | 0.29 % | $2,848,215 | $3,579 | 0.25 % |
| Available-for-sale securities: (2) | | | | | | |
| Taxable | 13,685,091 | 90,707 | 1.34 | 12,758,090 | 108,335 | 1.71 |
| Non-taxable (3) | — | — | — | 68,177 | 2,040 | 6.03 |
| Held-to-maturity securities: | | | | | | |
| Taxable | 7,522,605 | 75,180 | 2.02 | 887,478 | 9,509 | 2.16 |
| Non-taxable (3) | 82,361 | 2,329 | 5.70 | 14,326 | 406 | 5.71 |
| Total loans, net of unearned income (4) (5) | 14,185,333 | 332,753 | 4.73 | 10,925,007 | 295,852 | 5.46 |
| Total interest-earning assets | 37,291,302 | 503,558 | 2.72 | 27,501,293 | 419,721 | 3.08 |
| Cash and due from banks | 278,453 | | | 161,862 | | |
| Allowance for loan losses | (175,700) | | | (134,734) | | |
| Other assets (5) | 1,446,153 | | | 2,239,200 | | |
| Total assets | $38,840,208 | | | $29,767,621 | | |
| Funding sources: | | | | | | |
| Interest-bearing liabilities: | | | | | | |
| NOW deposits | $229,718 | $172 | 0.15 % | $155,050 | $291 | 0.38 % |
| Money market deposits | 5,995,766 | 2,441 | 0.08 | 4,962,911 | 4,973 | 0.20 |
| Money market deposits in foreign offices | 197,898 | 38 | 0.04 | 196,796 | 84 | 0.09 |
| Time deposits | 102,154 | 98 | 0.19 | 159,343 | 192 | 0.24 |
| Sweep deposits in foreign offices | 1,933,967 | 376 | 0.04 | 1,778,665 | 432 | 0.05 |
| Total interest-bearing deposits | 8,459,503 | 3,125 | 0.07 | 7,252,765 | 5,972 | 0.17 |
| Short-term borrowings | 34,934 | 25 | 0.14 | 4,768 | — | — |
| 3.5% Senior Notes | 295,611 | 5,263 | 3.59 | — | — | — |
| 5.375% Senior Notes | 348,486 | 9,672 | 5.60 | 348,256 | 9,658 | 5.59 |
| Junior Subordinated Debentures | 54,808 | 1,665 | 6.13 | 54,984 | 1,687 | 6.19 |
| 6.05% Subordinated Notes | 49,944 | 296 | 1.20 | 51,717 | 255 | 0.99 |
| Total interest-bearing liabilities | 9,243,286 | 20,046 | 0.44 | 7,712,490 | 17,572 | 0.46 |
| Portion of noninterest-bearing funding sources | 28,048,016 | | | 19,788,803 | | |
| Total funding sources | 37,291,302 | 20,046 | 0.11 | 27,501,293 | 17,572 | 0.13 |
| Noninterest-bearing funding sources: | | | | | | |

| | | | | | | |
|---|---|---|---|---|---|---|
| Demand deposits | 25,952,670 | | | 18,183,692 | | |
| Other liabilities | 531,067 | | | 397,354 | | |
| SVBFG stockholders' equity | 2,966,378 | | | 2,249,425 | | |
| Noncontrolling interests | 146,807 | | | 1,224,660 | | |
| Portion used to fund interest-earning assets | (28,048,016 ) | | | (19,788,803 ) | | |
| Total liabilities, noncontrolling interest, and SVBFG stockholders' equity | $38,840,208 | | | $29,767,621 | | |
| Net interest income and margin | | $483,512 | 2.61 % | | $402,149 | 2.95 % |
| Total deposits | $34,412,173 | | | $25,436,457 | | |
| Reconciliation to reported net interest income: | | | | | | |
| Adjustments for taxable equivalent basis | | (816 ) | | | (856 ) | |
| Net interest income, as reported | | $482,696 | | | $401,293 | |

(1) Includes average interest-earning deposits in other financial institutions of $477 million and $330 million for the six months ended June 30, 2015 and 2014, respectively. For the six months ended June 30, 2015 and 2014, balances also include $1.3 billion and $2.3 billion, respectively, deposited at the FRB, earning interest at the Federal Funds target rate.

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(2) Yields on available-for-sale securities are based on amortized cost, and therefore do not give effect to unrealized changes in fair value that are reflected in other comprehensive income.
(3) Interest income on non-taxable available-for-sale securities is 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 $46.7 million and $45.6 million for the six months ended June 30, 2015 and 2014, respectively.
(6) Average investment securities of $1.2 billion and $1.7 billion for the six months ended June 30, 2015 and 2014, respectively, were classified as other assets as they were noninterest-earning assets. These investments primarily consisted of non-marketable securities. During the second quarter of 2015 we adopted new accounting guidance related to our consolidated variable interest entities (ASU 2015-02) under a modified retrospective approach. Periods prior to January 1, 2015 have not been revised. See Note 1— "Basis of Presentation" of the "Notes to Interim Consolidated Financial Statements (unaudited)" under Part I, Item 1 of this report for additional details.

Provision for Loan Losses

Our provision for loan losses is based on our evaluation of the existing allowance for loan losses in relation to total gross loans using historical and other objective information, and on our qualitative assessment of the inherent and identified credit risks of the loan portfolio. The following table summarizes our allowance for loan losses for the three and six months ended June 30, 2015 and 2014:

| | Three months ended June 30, | | Six months ended June 30, | |
|---|---|---|---|---|
| (Dollars in thousands) | 2015 | 2014 | 2015 | 2014 |
| Allowance for loan losses, beginning balance | $167,875 | $123,542 | $165,359 | $142,886 |
| Provision for loan losses | 26,513 | 1,947 | 32,965 | 2,441 |
| Gross loan charge-offs | (4,734) | (6,382) | (10,221) | (27,532) |
| Loan recoveries | 2,990 | 1,621 | 4,541 | 2,933 |
| Allowance for loan losses, ending balance | $192,644 | $120,728 | $192,644 | $120,728 |
| Provision for loan losses as a percentage of period-end total gross loans (annualized) | 0.74% | 0.07% | 0.46% | 0.04% |
| Gross loan charge-offs as a percentage of average total gross loans (annualized) | 0.13 | 0.23 | 0.14 | 0.50 |
| Net loan charge-offs as a percentage of average total gross loans (annualized) | 0.05 | 0.17 | 0.08 | 0.45 |
| Allowance for loan losses as a percentage of period-end total gross loans | 1.34 | 1.06 | 1.34 | 1.06 |
| Period-end total gross loans | $14,370,930 | $11,437,300 | $14,370,930 | $11,437,300 |
| Average total gross loans | 14,427,039 | 11,166,021 | 14,289,662 | 11,010,328 |

Three months ended June 30, 2015 and 2014

Our provision for loan losses was $26.5 million for the three months ended June 30, 2015, compared to a provision of $1.9 million for the comparable 2014 period. The provision of $26.5 million was primarily driven by an increase of $27.1 million in the reserve for impaired loans and $1.7 million in net charge-offs, offset by a $2.4 million reduction due to the decrease in period-end loan balances. The increase in the reserve for impaired loans was primarily reflective of two newly impaired software and internet loans, resulting in specific reserves of $21.1 million. The provision of $1.9 million for the second quarter of 2014 was primarily driven by $5.3 million from period-end loan growth and $4.8 million in net charge-offs, offset by a reserve release of $6.0 million due to the improvement of the credit quality of our overall loan portfolio and a $2.1 million decrease in the reserve for impaired loans resulting from a decrease in impaired loan balances from repayments and charge-offs.

Gross loan charge-offs of $4.7 million for the second quarter of 2015 primarily came from an early-stage client loan within our life science and healthcare loan portfolio.

Net loan charge-offs of $1.7 million represented 0.05 percent of average total gross loans, compared to net charge-offs of $4.8 million, or 0.17 percent of average total gross loans for the comparable 2014 period.

Six months ended June 30, 2015 and 2014

Our provision for loan losses was $33.0 million for the six months ended June 30, 2015, compared to a provision of $2.4 million for the comparable 2014 period. The provision of $33.0 million for the six months ended June 30, 2015 was primarily driven by an increase of $35.8 million in the reserve for impaired loans and $5.7 million for net charge-offs. These increases were offset by a decrease of $8.5 million in the reserve due to the improvement in the credit quality of our performing loans and a decrease in period-end loan balances. The provision of $2.4 million for the six months ended June 30, 2014 was primarily due

to $24.6 million of net charge-offs and $5.2 million from period-end loan growth, offset by a $16.6 million decrease in the reserve for impaired loans resulting from a decrease in impaired loan balances from repayments and charge-offs and a reserve release of $10.8 million due to the improvement of the credit quality of our overall loan portfolio.
Gross loan charge-offs of $10.2 million for the six months ended June 30, 2015 primarily came from our hardware and life science and healthcare loan portfolios. Net loan charge-offs of $5.7 million represented 0.08 percent of average total gross loans, compared to net charge offs of $24.6 million, or 0.45 percent of average total gross loans for the comparable 2014 period.
See “Consolidated Financial Condition—Credit Quality and Allowance for Loan Losses” below and Note 7—“Loans and Allowance for Loan Losses” of the “Notes to Interim Consolidated Financial Statements” under Part I, Item 1 of this report for further details on our allowance for loan losses.

Noninterest Income

A summary of noninterest income for the three and six months ended June 30, 2015 and 2014 is as follows:

| | Three months ended June 30, | | | Six months ended June 30, | | |
|---|---|---|---|---|---|---|
| (Dollars in thousands) | 2015 | 2014 | % Change | 2015 | 2014 | % Change |
| Non-GAAP core fee income (1): | | | | | | |
| Foreign exchange fees | $22,364 | $17,928 | 24.7 % | $40,042 | $35,124 | 14.0 % |
| Credit card fees | 14,215 | 10,249 | 38.7 | 26,305 | 20,531 | 28.1 |
| Deposit service charges | 11,301 | 9,611 | 17.6 | 22,037 | 19,218 | 14.7 |
| Lending related fees | 8,163 | 5,876 | 38.9 | 16,185 | 12,179 | 32.9 |
| Letters of credit and standby letters of credit fees | 4,772 | 2,810 | 69.8 | 9,974 | 6,950 | 43.5 |
| Client investment fees | 5,264 | 3,519 | 49.6 | 9,746 | 6,937 | 40.5 |
| Total non-GAAP core fee income | 66,079 | 49,993 | 32.2 | 124,289 | 100,939 | 23.1 |
| Gains (losses) on investment securities, net (2) | 24,975 | (57,320) | (143.6) | 58,238 | 166,592 | (65.0) |
| Gains on derivative instruments, net | 16,317 | 12,775 | 27.7 | 56,046 | 36,942 | 51.7 |
| Other | 18,916 | 8,762 | 115.9 | 11,238 | 19,962 | (43.7) |
| GAAP noninterest income | $126,287 | $14,210 | NM | $249,811 | $324,435 | (23.0) |

NM—Not meaningful

(1) This non-GAAP measure represents noninterest income, but excludes certain line items where performance is typically subject to market or other conditions beyond our control.

(2) Amount for the six months ended June 30, 2015, has been revised to reflect the retrospective application of new accounting guidance adopted in the second quarter of 2015 related to our consolidated variable interest entities (ASU 2015-02). Amount prior to January 1, 2015 has not been revised for the adoption of this guidance. See Note 1— "Basis of Presentation” of the “Notes to Interim Consolidated Financial Statements (unaudited)” under Part I, Item 1 of this report for additional details.

Included in net income is income and expense attributable to noncontrolling interests. We recognize, as part of our investment funds management business through SVB Capital, the entire income or loss from funds consolidated in accordance with ASC Topic 810 as discussed in Note 1— "Basis of Presentation" of the "Notes to Interim Consolidated Financial Statements" under Part I, Item 1 in this report. We are required under GAAP to consolidate 100% of the results of these entities, even though we may own less than 100% of such entities. The relevant amounts attributable to investors other than us are reflected under “Net Income Attributable to Noncontrolling Interests” on our statements of income. Where applicable, the non-GAAP tables presented below for noninterest income and net gains on investment securities exclude noncontrolling interests. We believe these non-GAAP financial measures, when taken together with the corresponding GAAP financial measures, provide meaningful supplemental information regarding our performance by excluding certain items that represent income attributable to investors other than us and our subsidiaries. Our management uses, and believes that investors benefit from referring to, these non-GAAP financial

measures in assessing our operating results and when planning, forecasting and analyzing future periods. However, these non-GAAP financial measures should be considered in addition to, not as a substitute for or preferable to, financial measures prepared in accordance with GAAP.

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The following table provides a summary of non-GAAP noninterest income, net of noncontrolling interests for the three and six months ended June 30, 2015 and 2014:

| Non-GAAP noninterest income, net of noncontrolling interests (Dollars in thousands) | Three months ended June 30, 2015 | 2014 | % Change | Six months ended June 30, 2015 (1) | 2014 | % Change |
|---|---|---|---|---|---|---|
| GAAP noninterest income (as reported) | $126,287 | $14,210 | NM | $249,811 | $324,435 | (23.0 )% |
| Less: income (loss) attributable to noncontrolling interests, including carried interest | 8,556 | (35,325 ) | (124.2 ) | 22,720 | 151,393 | (85.0 ) |
| Non-GAAP noninterest income, net of noncontrolling interests | $117,731 | $49,535 | 137.7 | $227,091 | $173,042 | 31.2 |

NM—Not meaningful

(1) Amounts for the six months ended June 30, 2015, have been revised to reflect the retrospective application of new accounting guidance adopted in the second quarter of 2015 related to our consolidated variable interest entities (ASU 2015-02). Amounts prior to January 1, 2015 have not been revised for the adoption of this guidance. See Note 1— "Basis of Presentation" of the "Notes to Interim Consolidated Financial Statements (unaudited)" under Part I, Item 1 of this report for additional details.

Gains (Losses) on Investment Securities, Net

Net gains on investment securities include both gains and losses from our non-marketable and other securities, as well as gains and losses from sales of our available-for-sale securities portfolio, when applicable.

Our available-for-sale and held-to-maturity securities portfolios are primarily fixed income investment portfolios that are managed with the objective of earning an appropriate portfolio yield over the long-term while maintaining sufficient liquidity and credit diversification as well as addressing our asset/liability management objectives. Sales of equity securities held as a result of our exercised warrants, result in net gains or losses on investment securities. These sales are conducted pursuant to the guidelines of our investment policy related to the management of our liquidity position and interest rate risk. Though infrequent, sales of investment securities in our fixed income portfolio may result in net gains or losses and are also conducted pursuant to the guidelines of our investment policy.

Our non-marketable and other securities portfolio primarily represents investments in venture capital and private equity funds, venture debt funds and private and public portfolio companies. We experience variability in the performance of our non-marketable and other securities from quarter to quarter, which results in net gains or losses on investment securities (both realized and unrealized). This variability is due to a number of factors, including unrealized changes in the values of our investments, changes in the amount of realized gains from distributions, changes in liquidity events and general economic and market conditions. Unrealized gains from non-marketable and other securities for any single period are typically driven by valuation changes, and are therefore subject to potential increases or decreases in future periods. Such variability may lead to volatility in the gains from investment securities and as such our results for a particular period are not necessarily indicative of our expected performance in a future period.

The extent to which any unrealized gains will become realized is subject to a variety of factors, including, among other things, the expiration of certain sales restrictions to which these equity securities may be subject to (i.e. lock-up agreements), changes in prevailing market prices, market conditions, the actual sales or distributions of securities, the timing of such actual sales or distributions, which, to the extent such securities are managed by our managed funds, are subject to our funds' separate discretionary sales/distributions and governance processes.

For the three months ended June 30, 2015, we had net gains on investment securities of $25.0 million, compared to net losses of $57.3 million for the comparable 2014 period. Net gains on investment securities, net of noncontrolling interests, were $15.9 million for the three months ended June 30, 2015, compared to net losses of $22.1 million, which were mainly due to the decrease in the public company stock price of FireEye, for the comparable 2014 period.

Net gains on investment securities, net of noncontrolling interests, of $15.9 million for the three months ended June 30, 2015 were primarily driven by the following:

- Gains of $9.5 million from our strategic and other investments, primarily driven by strong distributions from our strategic venture capital fund investments; and
- Gains of $5.4 million from our managed funds of funds, primarily related to unrealized valuation adjustments.

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For the six months ended June 30, 2015, we had net gains on investment securities of $58.2 million, compared to $166.6 million for the comparable 2014 period. Net gains on investment securities, net of noncontrolling interests, were $35.0 million for the six months ended June 30, 2015, compared to net gains of $15.3 million for the comparable 2014 period.

The gains, net of noncontrolling interests, of $35.0 million for the six months ended June 30, 2015 were primarily driven by the following:

- Gains of $16.9 million from our strategic and other investments, primarily driven by distributions from strategic venture capital fund investments;
- Gains of $8.9 million from our managed funds of funds, primarily related to unrealized valuation increases; and
- Gains of $5.4 million from our managed direct venture funds, primarily related to realized gains from distributions of investments, including the remaining shares held in FireEye, Inc. ("FireEye"), as well as unrealized valuation increases.

The following tables provide a summary of non-GAAP net gains (losses) on investment securities, net of noncontrolling interests, for the three and six months ended June 30, 2015 and 2014:

| (Dollars in thousands) | Managed Funds of Funds | Managed Direct Venture Funds | Debt Funds | Available-For-Sale Securities | Strategic and Other Investments | Total |
|---|---|---|---|---|---|---|
| Three months ended June 30, 2015 | | | | | | |
| Total gains on investment securities, net | $14,281 | $869 | $183 | $141 | $9,501 | $24,975 |
| Less: income attributable to noncontrolling interests, including carried interest | 8,913 | 123 | — | — | — | 9,036 |
| Non-GAAP net gains on investment securities, net of noncontrolling interests | $5,368 | $746 | $183 | $141 | $9,501 | $15,939 |
| Three months ended June 30, 2014 | | | | | | |
| Total (losses) gains on investment securities, net | $38,478 | $(87,548) | $(356) | $(16,480) | $8,586 | $(57,320) |
| Less: (losses) income attributable to noncontrolling interests, including carried interest | 35,507 | (70,746) | (1) | — | — | (35,240) |
| Non-GAAP net (loss) gains on investment securities, net of noncontrolling interests | $2,971 | $(16,802) | $(355) | $(16,480) | $8,586 | $(22,080) |
| Six months ended June 30, 2015 (1) | | | | | | |
| Total gains on investment securities, net | $24,940 | $12,538 | $1,099 | $2,737 | $16,924 | $58,238 |
| Less: income attributable to noncontrolling interests, including carried interest | 16,052 | 7,155 | — | — | — | 23,207 |
| Non-GAAP net gains on investment securities, net of noncontrolling interests | $8,888 | $5,383 | $1,099 | $2,737 | $16,924 | $35,031 |
| Six months ended June 30, 2014 | | | | | | |
| Total gains (losses) on investment securities, net | $149,926 | $18,154 | $2,645 | $(16,420) | $12,287 | $166,592 |
| Less: income (losses) attributable to noncontrolling interests, including carried interest | 136,958 | 14,368 | (14) | — | — | 151,312 |
| | $12,968 | $3,786 | $2,659 | $(16,420) | $12,287 | $15,280 |

Non-GAAP net gains (losses) on investment securities, net of noncontrolling interests

(1) Amounts for the six months ended June 30, 2015, have been revised to reflect the retrospective application of new accounting guidance adopted in the second quarter of 2015 related to our consolidated variable interest entities (ASU 2015-02). Amounts prior to January 1, 2015 have not been revised for the adoption of this guidance. See Note 1— "Basis of Presentation” of the “Notes to Interim Consolidated Financial Statements (unaudited)” under Part I, Item 1 of this report for additional details.

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Gains on Derivative Instruments, Net

A summary of gains on derivative instruments, net, for the three and six months ended June 30, 2015 and 2014 is as follows:

| | Three months ended June 30, | | | Six months ended June 30, | | |
|---|---|---|---|---|---|---|
| (Dollars in thousands) | 2015 | 2014 | % Change | 2015 | 2014 | % Change |
| Equity warrant assets (1) | | | | | | |
| Gains on exercises, net | $14,584 | $3,553 | NM | $24,190 | $21,955 | 10.2 % |
| Cancellations and expirations | (114 ) | (429 ) | (73.4 ) | (406 ) | (516 ) | (21.3 ) |
| Changes in fair value | 9,146 | 9,205 | (0.6 ) | 20,110 | 16,263 | 23.7 |
| Net gains on equity warrant assets | 23,616 | 12,329 | 91.5 | 43,894 | 37,702 | 16.4 |
| (Losses) Gains on foreign exchange forward contracts, net: | | | | | | |
| Gains on client foreign exchange forward contracts, net (2) | 787 | 170 | NM | 280 | 472 | (40.7 ) |
| (Losses) gains on internal foreign exchange forward contracts, net (3) | (8,174 ) | 538 | NM | 11,844 | (491 ) | NM |
| Total (losses) gains on foreign exchange forward contracts, net | (7,387 ) | 708 | NM | 12,124 | (19 ) | NM |
| Changes in fair value of interest rate swaps | (11 ) | (13 ) | (15.4 ) | (14 ) | (25 ) | (44.0 ) |
| Net losses on other derivatives (4) | 99 | (249 ) | (139.8 ) | 42 | (716 ) | (105.9 ) |
| Gains on derivative instruments, net | $16,317 | $12,775 | 27.7 | $56,046 | $36,942 | 51.7 |

NM—Not meaningful

(1) At June 30, 2015, we held warrants in 1,587 companies, compared to 1,383 companies at June 30, 2014. The total value of our warrant portfolio was $122.5 million at June 30, 2015 and $88.9 million at June 30, 2014. Of the 1,587 companies, 25 companies made up approximately 36 percent of the fair value of the portfolio at June 30, 2015.

(2) Represents the net gains for foreign exchange forward contracts executed on behalf of clients, excluding any spread or fees earned in connection with these trades.

(3) Represents the change in the fair value of foreign exchange forward contracts used to economically reduce our foreign exchange exposure related to certain foreign currency denominated instruments. Refer to revaluation of foreign currency instruments included in the line item "other" within noninterest income for the amount we were able to partially offset.

(4) Primarily represents the change in fair value of loan conversion options.

Net gains on derivative instruments were $16.3 million for the three months ended June 30, 2015, compared to net gains of $12.8 million for the comparable 2014 period. Net gains on derivative instruments were primarily attributable to the following:

- Net gains on equity warrant assets of $23.6 million, which consisted of:
- Net gains of $14.6 million from the exercise of equity warrant assets for the three months ended June 30, 2015, compared to $3.6 million for the comparable 2014 period. The net gains of $14.6 million were primarily reflective of $13.9 million in gains from the exercise of one company in our public company warrant portfolio.
- Net gains of $9.1 million from changes in warrant valuations for the three months ended June 30, 2015, compared to $9.2 million for the comparable 2014 period. The warrant valuation gains were primarily from our private company warrant portfolio.
- Net losses of $8.2 million on internal foreign exchange forward contracts used to economically reduce our foreign exchange exposure to foreign currency denominated instruments for the three months ended June 30, 2015, compared to net gains of $0.5 million for the comparable 2014 period. The net losses of $8.2 million were offset by net gains of

$8.3 million from the revaluation of foreign currency denominated instruments that are included in the line item "other" within noninterest income as noted below.

Net gains on derivative instruments were $56.0 million for the six months ended June 30, 2015, compared to net gains of $36.9 million for the comparable 2014 period. The increase in net gains on derivative instruments was primarily attributable to the following:

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- Net gains on equity warrant assets of $43.9 million for the six months ended June 30, 2015, compared to $37.7 million for the comparable 2014 period. The $6.2 million increase was primarily due to net gains of $20.1 million from changes in warrant valuations, compared to $16.3 million for the comparable 2014 period, mainly attributable from our private company warrant portfolio. In addition, the $6.2 million increase came from the exercise of equity warrant assets of $24.2 million, compared to $22.0 million for the comparable 2014 period.
- Net gains of $11.8 million on foreign exchange forward contracts hedging certain of our foreign currency denominated instruments for the six months ended June 30, 2015, compared to net losses of $0.5 million for the comparable 2014 period. The gains recognized for the six months ended June 30, 2015 were primarily attributable to the strengthening of the U.S. Dollar against the Euro and Pound Sterling, however, the gains are offset by losses of $11.9 million from the revaluation of foreign currency denominated instruments that are included in the line item "other" within noninterest income as noted below.

Foreign Exchange Fees

Foreign exchange fees were $22.4 million and $40.0 million for the three and six months ended June 30, 2015, compared to $17.9 million and $35.1 million for the comparable 2014 periods. The increases were primarily due to several large transactions and increased utilization of foreign currency products by our clients resulting in an increase in the number of trades and commissioned notional volumes, offset by continued pressure on spreads.

Credit Card Fees

Credit card fees were $14.2 million and $26.3 million for the three and six months ended June 30, 2015, compared to $10.2 million and $20.5 million for the comparable 2014 periods. The increases reflected increased client utilization of our credit card products and custom payment solutions provided to new and existing clients.

Deposit Service Charges

Deposit service charges were $11.3 million and $22.0 million for the three and six months ended June 30, 2015, compared to $9.6 million and $19.2 million for the comparable 2014 periods. The increases were reflective of the increase in the number of deposit clients, as well as increases in transaction volumes and size, during the three and six months ended June 30, 2015.

Lending Related Fees

Lending related fees were $8.2 million and $16.2 million for the three and six months ended June 30, 2015, compared to $5.9 million and $12.2 million for the comparable 2014 periods. The increases were primarily due to an increase in unused commitment fees and higher loan syndication fee income, for the three and six months ended June 30, 2015. Unused loan commitments increased as our loan commitments available for funding balance increased from $13.6 billion to $15.8 billion. Loan syndication fees were $1.1 million and $2.9 million for the three and six months ended June 30, 2015 and increased $0.7 million and $1.7 million over the comparable 2014 periods. The increases were a result of increases in syndication activity.

Letters of Credit and Standby letters of Credit Fees

Letters of credit and standby letters of credit fees were $4.8 million and $10.0 million for the three and six months ended June 30, 2015, compared to $2.8 million and $7.0 million for the comparable 2014 periods. The increases were primarily driven by increases in deferred fee income reflective of an increase in larger letter of credit issuances during the fourth quarter of 2014.

Client Investment Fees

Client investment fees were $5.3 million and $9.7 million for the three and six months ended June 30, 2015, compared to $3.5 million and $6.9 million for the comparable 2014 periods. The increases were reflective of an increase in average client investment funds, partially offset by lower margins earned on certain products due to low rates in the short-term fixed income markets. The increase in average client investment funds driven by our clients' increased utilization of our off-balance sheet products managed by SVB Asset Management, as well as our cash sweep product. The following table summarizes average client investment funds for the three and six months ended June 30, 2015 and 2014:

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| (Dollars in millions) | Three months ended June 30, 2015 | 2014 | % Change | Six months ended June 30, 2015 | 2014 | % Change |
|---|---|---|---|---|---|---|
| Client directed investment assets (1) | $7,847 | $7,513 | 4.4 % | $7,432 | $7,347 | 1.2 % |
| Client investment assets under management (2) | 19,261 | 16,135 | 19.4 | 18,486 | 14,836 | 24.6 |
| Sweep money market funds | 10,761 | 6,504 | 65.5 | 9,829 | 6,461 | 52.1 |
| Total average client investment funds (3) | $37,869 | $30,152 | 25.6 | $35,747 | $28,644 | 24.8 |

(1) Comprised of mutual funds and Repurchase Agreement Program assets.
(2) These funds represent investments in third party money market mutual funds and fixed-income securities managed by SVB Asset Management.
(3) Client investment funds are maintained at third party financial institutions and are not recorded on our balance sheet.

The following table summarizes period-end client investment funds at June 30, 2015 and December 31, 2014:

| (Dollars in millions) | June 30, 2015 | December 31, 2014 | % Change |
|---|---|---|---|
| Client directed investment assets | $8,047 | $6,158 | 30.7 % |
| Client investment assets under management | 20,394 | 18,253 | 11.7 |
| Sweep money market funds | 11,643 | 7,957 | 46.3 |
| Total period-end client investment funds | $40,084 | $32,368 | 23.8 |

Other Noninterest Income

A summary of other noninterest income for the three and six months ended June 30, 2015 and 2014 is as follows:

| (Dollars in thousands) | Three months ended June 30, 2015 | 2014 | % Change | Six months ended June 30, 2015 | 2014 | % Change |
|---|---|---|---|---|---|---|
| Fund management fees | $3,861 | $3,559 | 8.5 % | $7,583 | $6,314 | 20.1 % |
| Service-based fee income | 2,413 | 2,252 | 7.1 | 4,519 | 4,279 | 5.6 |
| Gains (losses) on revaluation of foreign currency instruments (1) | 8,306 | (685 ) | NM | (11,853 ) | 293 | NM |
| Other (2) (3) | 4,336 | 3,636 | 19.3 | 10,989 | 9,076 | 21.1 |
| Total other noninterest income | $18,916 | $8,762 | 115.9 | $11,238 | $19,962 | (43.7 ) |

NM—Not meaningful

(1) Represents the revaluation of foreign currency denominated financial instruments issued and held by us, primarily loans, deposits and cash. These instruments partially offset the impact of changes in internal foreign exchange forward contracts. Refer to internal foreign exchange forward contracts, net included within gains on derivative instruments as noted above.
(2) Includes dividends on FHLB/FRB stock, correspondent bank rebate income and other fee income.
(3) Amount for the six months ended June 30, 2015, has been revised to reflect the retrospective application of new accounting guidance adopted in the second quarter of 2015 related to our consolidated variable interest entities (ASU 2015-02). Amount prior to January 1, 2015 has not been revised for the adoption of this guidance. See Note 1— "Basis of Presentation" of the "Notes to Interim Consolidated Financial Statements (unaudited)" under Part I, Item 1 of this report for additional details.

Total other noninterest income was $18.9 million and $11.2 million for the three and six months ended June 30, 2015, compared to income of $8.8 million and $20.0 million for the comparable 2014 periods. The increase of $10.1 million and decrease of $8.8 million for the three and six months ended June 30, 2015, respectively, was primarily due to a $8.3 million gain for the three months ended June 30, 2015 and a $11.9 million loss for the six months ended June 30,

2105, from the revaluation of foreign currency instruments. The gains from the revaluation of foreign currency instruments were offset by net losses of $8.2 million for the three months ended June 30, 2015, compared to losses which were offset by net gains of $11.8 million for the comparable periods of 2014, on internal foreign exchange forward contracts economically hedging certain of these instruments, which are included within noninterest income in the line item "gains on derivative instruments" as noted above.

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Noninterest Expense

A summary of noninterest expense for the three and six months ended June 30, 2015 and 2014 is as follows:

| | Three months ended June 30, | | | Six months ended June 30, | | |
|---|---|---|---|---|---|---|
| (Dollars in thousands) | 2015 | 2014 | % Change | 2015 | 2014 | % Change |
| Compensation and benefits | $124,915 | $99,820 | 25.1 % | $240,685 | $202,327 | 19.0 % |
| Professional services | 18,950 | 21,113 | (10.2 ) | 37,697 | 42,302 | (10.9 ) |
| Premises and equipment | 11,787 | 12,053 | (2.2 ) | 24,444 | 23,635 | 3.4 |
| Business development and travel | 9,764 | 9,249 | 5.6 | 20,876 | 19,443 | 7.4 |
| Net occupancy | 8,149 | 7,680 | 6.1 | 15,462 | 15,000 | 3.1 |
| FDIC and state assessments | 5,962 | 4,945 | 20.6 | 11,751 | 9,073 | 29.5 |
| Correspondent bank fees | 3,337 | 3,274 | 1.9 | 6,705 | 6,477 | 3.5 |
| (Reduction of) provision for unfunded credit commitments | (3,061 ) | 2,185 | NM | (798 ) | 3,308 | (124.1 ) |
| Other (1) | 14,309 | 10,625 | 34.7 | 27,831 | 19,787 | 40.7 |
| Total noninterest expense (1) | $194,112 | $170,944 | 13.6 | $384,653 | $341,352 | 12.7 |

NM—Not meaningful

(1) Prior period amounts have been revised to reflect the retrospective application of new accounting guidance adopted in the first quarter of 2015 related to our investments in qualified affordable housing projects (ASU 2014-01). See Note 1— "Basis of Presentation" of the "Notes to Interim Consolidated Financial Statements" under Part I, Item 1 in this report.

Included in noninterest expense is expense attributable to noncontrolling interests. See below for a summary of non-GAAP noninterest expense and non-GAAP operating efficiency ratio, both of which exclude noncontrolling interests.

Non-GAAP Noninterest Expense

We use and report non-GAAP noninterest expense, non-GAAP taxable equivalent revenue and non-GAAP operating efficiency ratio, which excludes noncontrolling interests. We believe these non-GAAP financial measures, when taken together with the corresponding GAAP financial measures, provide meaningful supplemental information regarding our performance by: (i) excluding certain items that represent expenses attributable to investors other than us and our subsidiaries, or certain items that do not occur every reporting period; or (ii) providing additional information used by management that is not otherwise required by GAAP or other applicable requirements. Our management uses, and believes that investors benefit from referring to, these non-GAAP financial measures in assessing our operating results and when planning, forecasting and analyzing future periods. However, these non-GAAP financial measures should be considered in addition to, not as a substitute for or preferable to, financial measures prepared in accordance with GAAP. The table below provides a summary of non-GAAP noninterest expense and non-GAAP operating efficiency ratio, both net of noncontrolling interests for the three and six months ended June 30, 2015 and 2014:

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| Non-GAAP operating efficiency ratio, net of noncontrolling interests (Dollars in thousands, except ratios) | Three months ended June 30, 2015 | 2014 | % Change | Six months ended June 30, 2015 | 2014 | % Change |
|---|---|---|---|---|---|---|
| GAAP noninterest expense (1) | $194,112 | $170,944 | 13.6 % | $384,653 | $341,352 | 12.7 % |
| Less: amounts attributable to noncontrolling interests | 242 | 5,267 | (95.4 ) | 534 | 8,588 | (93.8 ) |
| Non-GAAP noninterest expense, net of noncontrolling interests | $193,870 | $165,677 | 17.0 | $384,119 | $332,764 | 15.4 |
| GAAP net interest income | $243,771 | $204,965 | 18.9 | $482,696 | $401,293 | 20.3 |
| Adjustments for taxable equivalent basis | 400 | 427 | (6.3 ) | 816 | 856 | (4.7 ) |
| Non-GAAP taxable equivalent net interest income | $244,171 | $205,392 | 18.9 | $483,512 | $402,149 | 20.2 |
| Less: income (losses) attributable to noncontrolling interests | 2 | (5 ) | (140.0 ) | 4 | 3 | 33.3 |
| Non-GAAP taxable equivalent net interest income, net of noncontrolling interests | $244,169 | $205,397 | 18.9 | $483,508 | $402,146 | 20.2 |
| GAAP noninterest income (2) | $126,287 | $14,210 | NM | $249,811 | $324,435 | (23.0 ) |
| Non-GAAP noninterest income, net of noncontrolling interests (2) | 117,731 | 49,535 | 137.7 | 227,091 | 173,042 | 31.2 |
| GAAP total revenue | $370,058 | $219,175 | 68.8 | $732,507 | $725,728 | 0.9 |
| Non-GAAP taxable equivalent revenue, net of noncontrolling interests | $361,900 | $254,932 | 42.0 | $710,599 | $575,188 | 23.5 |
| GAAP operating efficiency ratio | 52.45 % | 77.99 % | (32.7 ) | 52.51 % | 47.04 % | 11.6 |
| Non-GAAP operating efficiency ratio (3) | 53.57 | 64.99 | (17.6 ) | 54.06 % | 57.85 % | (6.6 ) |

NM—Not meaningful

(1) Prior period amounts have been revised to reflect the retrospective application of new accounting guidance adopted in the first quarter of 2015 related to our investments in qualified affordable housing projects (ASU 2014-01). See Note 1— "Basis of Presentation" of the "Notes to Interim Consolidated Financial Statements (unaudited)" under Part I, Item 1.

(2) Amounts for the six months ended June 30, 2015, have been revised to reflect the retrospective application of new accounting guidance adopted in the second quarter of 2015 related to our consolidated variable interest entities (ASU 2015-02). Amounts prior to January 1, 2015 have not been revised for the adoption of this guidance. See Note 1— "Basis of Presentation" of the "Notes to Interim Consolidated Financial Statements (unaudited)" under Part I, Item 1 of this report for additional details.

(3) The non-GAAP operating efficiency ratio is calculated by dividing non-GAAP noninterest expense, net of noncontrolling interests, by non-GAAP taxable-equivalent revenue, net of noncontrolling interests.

Compensation and Benefits Expense

The following table provides a summary of our compensation and benefits expense for the three and six months ended June 30, 2015 and 2014:

| | Three months ended June 30, | | | Six months ended June 30, | | |
|---|---|---|---|---|---|---|
| (Dollars in thousands) | 2015 | 2014 | % Change | 2015 | 2014 | % Change |
| Compensation and benefits | | | | | | |
| Salaries and wages | $51,648 | $45,157 | 14.4 % | $103,073 | $89,510 | 15.2 % |
| Incentive compensation & ESOP | 39,869 | 27,746 | 43.7 | 68,412 | 54,194 | 26.2 |
| Other employee benefits (1) | 33,398 | 26,917 | 24.1 | 69,200 | 58,623 | 18.0 |
| Total compensation and benefits | $124,915 | $99,820 | 25.1 | $240,685 | $202,327 | 19.0 |
| Period-end full-time equivalent employees | 1,964 | 1,786 | 10.0 | 1,964 | 1,786 | 10.0 |
| Average full-time equivalent employees | 1,959 | 1,768 | 10.8 | 1,957 | 1,751 | 11.8 |

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(1) Other employee benefits includes employer payroll taxes, group health and life insurance, share-based compensation, 401(k), warrant and retention program plans, agency fees and other employee related expenses.

Compensation and benefits expense was $124.9 million for the three months ended June 30, 2015, compared to $99.8 million for the comparable 2014 period. The key changes in factors affecting compensation and benefits expense were as follows:

- An increase of $12.1 million in incentive compensation and ESOP expense, primarily reflective of current expectations for our internal performance targets for 2015.
- An increase of $6.5 million in other employee benefits, primarily attributable to an increase of $3.9 million in the warrant incentive program plan expense resulting from gains recorded on our equity warrant assets during the second quarter of 2015. The remaining increases related to various other employee benefits.
- An increase of $6.5 million in salaries and wages, primarily due to an increase in the number of average full-time employees ("FTE") . Average FTEs increased by 191 to 1,959 FTEs for the three months ended June 30, 2015, compared to 1,768 FTEs for the comparable 2014 period.

Compensation and benefits expense was $240.7 million for the six months ended June 30, 2015, compared to $202.3 million for the comparable 2014 period. The key changes in factors affecting compensation and benefits expense were as follows:

- An increase of $14.2 million in incentive compensation and ESOP expense primarily reflective of current expectations for our internal performance targets for 2015.
- An increase of $13.6 million in salaries and wages expense, primarily due to an increase in the number of average FTEs, which increased by 206 to 1,957 average FTEs in the six months ended June 30, 2015, compared to 1,751 average FTEs for the comparable 2014 period. The increase in headcount was primarily to support our product development, operations, sales and advisory functions, as well as to support our commercial banking initiatives.
- An increase of $10.6 million in other employee benefits, primarily due to an increase of $5.2 million in the warrant incentive program plan expense resulting from gains recorded on our equity warrant assets during the first half of 2015. The remaining increases related to various other employee benefits, particularly employer payroll taxes, 401(k) expenses, and share-based plan expenses, which in total, contributed to a $5.6 million increase compared to the comparable 2014 period.

Our variable compensation plans primarily consist of our Incentive Compensation Plan, Direct Drive Incentive Compensation Plan, 401(k) and ESOP Plan, Retention Program and Warrant Incentive Plan (see descriptions in our 2014 Form 10-K). Total costs incurred under these plans were $46.8 million and $85.7 million for the three and six months ended June 30, 2015, compared to $30.2 million and $65.0 million for the comparable 2014 periods. These amounts are included in total compensation and benefits expense discussed above.

Professional Services

Professional services expense was $19.0 million and $37.7 million for the three and six months ended June 30, 2015, respectively, compared to $21.1 million and $42.3 million for the comparable 2014 periods, respectively. Included in professional services expense, in 2014, were management fee expenses of $8.2 million, which decreased $8.0 million for the six months ended June 30, 2015, due to the deconsolidated interests of our unconsolidated VIEs upon adoption of ASU 2015-02. Expenses primarily associated with increased activities supporting our expansion of product offerings, as well as our continued investment into ongoing business and IT infrastructure initiatives increased $3.0 million for the six months ended June 30, 2015.

Premises and Equipment

Premises and equipment expense was $11.8 million and $24.4 million for the three and six months ended June 30, 2015, compared to $12.1 million and $23.6 million for the comparable 2014 periods. The increase was primarily due to increased spending to enhance and maintain our IT infrastructure.

Business Development and Travel

Business development and travel was $9.8 million and $20.9 million for the three and six months ended June 30, 2015, compared to $9.2 million and $19.4 million for the comparable 2014 periods. The increase was primarily due to

the increased business development efforts in 2015 to support the growth of our business.

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FDIC and State Assessments

FDIC and state assessments expense was $6.0 million and $11.8 million for the three and six months ended June 30, 2015, compared to $4.9 million and $9.1 million for the comparable 2014 periods. The increase was primarily due to the increase of $7.7 billion and $9.1 billion in quarterly and year-to-date average assets, respectively, in 2015.

(Reduction of) Provision for Unfunded Credit Commitments

We recorded a reduction in provision for unfunded credit commitments of $3.1 million and $0.8 million for the three and six months ended June 30, 2015, compared to a provision of $2.2 million and $3.3 million for the comparable 2014 periods. The reduction in the reserve for the three and six months ended June 30, 2015 is reflective of a change in the composition of our unfunded credit commitment portfolio, which resulted in a decrease in the reserve rate. The provision of $2.2 million and $3.3 million for the three and six months ended June 30, 2014, respectively, were primarily due to growth in total loan commitments available for funding and commercial and standby letters of credit during the three and six months ended June 30, 2014.

Other Noninterest Expense

A summary of other noninterest expense for the three and six months ended June 30, 2015 and 2014 is as follows:

| | Three months ended June 30, | | | Six months ended June 30, | | |
|---|---|---|---|---|---|---|
| (Dollars in thousands) | 2015 | 2014 | % Change | 2015 | 2014 | % Change |
| Lending and other client related processing costs | $3,704 | $2,586 | 43.2 % | $7,253 | $4,945 | 46.7 % |
| Telephone | 2,544 | 1,538 | 65.4 | 4,503 | 3,286 | 37.0 |
| Data processing services | 1,358 | 2,041 | (33.5 ) | 3,191 | 4,268 | (25.2 ) |
| Postage and supplies | 727 | 716 | 1.5 | 1,492 | 1,485 | 0.5 |
| Dues and publications | 697 | 636 | 9.6 | 1,282 | 1,133 | 13.2 |
| Other (1) | 5,279 | 3,108 | 69.9 | 10,110 | 4,670 | 116.5 |
| Total other noninterest expense (2) | $14,309 | $10,625 | 34.7 | $27,831 | $19,787 | 40.7 |

(1) Amount for the six months ended June 30, 2015, has been revised to reflect the retrospective application of new accounting guidance adopted in the second quarter of 2015 related to our consolidated variable interest entities (ASU 2015-02). Amount prior to January 1, 2015 has not been revised for the adoption of this guidance. See Note 1— "Basis of Presentation" of the "Notes to Interim Consolidated Financial Statements (unaudited)" under Part I, Item 1 of this report for additional details.

(2) Prior period amounts have been revised to reflect the retrospective application of new accounting guidance adopted in the first quarter of 2015 related to our investments in qualified affordable housing projects (ASU 2014-01). See Note 1— "Basis of Presentation" of the "Notes to Interim Consolidated Financial Statements" under Part I, Item 1 in this report.

Other noninterest expense was $14.3 million and $27.8 million for the three and six months ended June 30, 2015, compared to $10.6 million and $19.8 million for the comparable 2014 period. The increase of $3.7 million and $8.0 million for the three and six month periods were primarily due to increased lending and other client related processing costs and increased marketing expense for advertising/promotion in new and existing markets, included in other.

Net (Income) Loss Attributable to Noncontrolling Interests

Included in net income is income and expense attributable to noncontrolling interests. The relevant amounts allocated to investors in our consolidated subsidiaries, other than us, are reflected under "Net (Income) Loss Attributable to Noncontrolling Interests" on our statements of income.

In the table below, noninterest income consists primarily of investment gains and losses from our consolidated funds. Noninterest expense is primarily related to management fees paid by our managed funds to SVB Financial's subsidiaries as the funds' general partners. A summary of net income attributable to noncontrolling interests for the three and six months ended June 30, 2015 and 2014 is as follows:

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| (Dollars in thousands) | Three months ended June 30, 2015 | 2014 | % Change | Six months ended June 30, 2015 (3) | 2014 | % Change |
|---|---|---|---|---|---|---|
| Net interest (income) loss (1) | $(2) | $5 | (140.0)% | $(4) | $(3) | 33.3 % |
| Noninterest (income) loss (1) | (7,382) | 43,961 | (116.8) | (21,435) | (158,177) | (86.4) |
| Noninterest expense (1) | 242 | 5,267 | (95.4) | 534 | 8,588 | (93.8) |
| Carried interest (loss) income (2) | (1,174) | (8,636) | (86.4) | (1,285) | 6,784 | (118.9) |
| Net (income) loss attributable to noncontrolling interests | $(8,316) | $40,597 | (120.5) | $(22,190) | $(142,808) | (84.5) |

(1) Represents noncontrolling interests' share in net interest income, noninterest income and noninterest expense.

(2) Represents the preferred allocation of income (or change in income) earned by us as the general partner of certain consolidated funds.

(3) Amounts for the six months ended June 30, 2015, have been revised to reflect the retrospective application of new accounting guidance adopted in the second quarter of 2015 related to our consolidated variable interest entities (ASU 2015-02). Amounts prior to January 1, 2015 have not been revised for the adoption of this guidance. See Note 1— "Basis of Presentation" of the "Notes to Interim Consolidated Financial Statements (unaudited)" under Part I, Item 1 of this report for additional details.

Three months ended June 30, 2015 compared to the three months ended June 30, 2014

Net income attributable to noncontrolling interests was $8.3 million for the second quarter of 2015, compared to a loss of $40.6 million for the comparable 2014 period. Net income attributable to noncontrolling interests of $8.3 million for the second quarter of 2015 was primarily a result of the following:

- Net gains on investment securities (including carried interest) attributable to noncontrolling interests of $9.0 million primarily from gains of $8.9 million from our managed funds of funds mainly due to unrealized gains from valuation increases. See "Results of Operations—Noninterest Income—Gains on Investment Securities, Net".
- Noninterest expense of $0.2 million, primarily related to management fees paid by the noncontrolling interests to our subsidiaries that serve as the general partner.

Six months ended June 30, 2015 compared to the six months ended June 30, 2014

Net income attributable to noncontrolling interests was $22.2 million for the six months ending June 30, 2015, compared to $142.8 million for the comparable 2014 period. Net income attributable to noncontrolling interests of $22.2 million for the six months ended June 30, 2015 was primarily a result of the following:

- Net gains on investment securities (including carried interest) attributable to noncontrolling interests of $23.2 million primarily from gains of $16.0 million from our managed funds of funds and gains of $7.2 million from our managed direct venture funds primarily related to valuation increases. See "Results of Operations—Noninterest Income—Gains on Investment Securities, Net".
- Noninterest expense of $0.5 million, primarily related to management fees paid by the noncontrolling interests to our subsidiaries that serve as the general partner.

Income Taxes

Our effective income tax expense rate was 39.0 percent and 40.3 percent for the three and six months ended June 30, 2015, compared to 41.4 percent and 40.7 percent for the three and six months ended June 30, 2014. Results, and the related tax effect, for prior periods were revised to reflect the retrospective application of adopting new accounting guidance in 2015 related to our investments in qualified affordable housing projects (ASU 2014-01).

The components of our tax rate were consistent for both the 2015 and 2014 periods. The decrease in our effective tax rate is primarily attributable to the recognition of tax benefits during the second quarter of 2015 from net operating loss carryforwards related to a previously disposed business line.

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For prior periods, pursuant to ASU 2014-01, (i) amortization expense related to our low income housing tax credits was reclassified from Other noninterest expense to Income tax expense, (ii) additional amortization, net of the associated tax benefits, was recognized in Income tax expense as a result of our adoption of the proportional amortization method and (iii) net deferred tax assets, related to our low income housing tax investments, were written-off. The cumulative effect to retained earnings as of January 1, 2015 of adopting this guidance was a reduction of $4.7 million, inclusive of a $4.6 million reduction to retained earnings as of January 1, 2014. Our previously reported net income and diluted earnings per share for the three and six months ending June 30, 2014 were not materially impacted by the adoption of ASU 2014-01.
Our effective tax rate is calculated by dividing income tax expense by the sum of income before income tax expense and the net income attributable to noncontrolling interests.
Operating Segment Results
We have three segments for which we report our financial information: Global Commercial Bank, SVB Private Bank and SVB Capital.
We report segment information based on the "management" approach, which designates the internal reporting used by management for making decisions and assessing performance as the source of our reporting segments. Please refer to Note 12—"Segment Reporting" of the "Notes to Interim Consolidated Financial Statements (unaudited)" under Part I, Item 1 of this report for additional details.
The following is our reportable segment information for the three and six months ended June 30, 2015 and 2014:
Global Commercial Bank

| | Three months ended June 30, | | | Six months ended June 30, | | |
|---|---|---|---|---|---|---|
| (Dollars in thousands) | 2015 | 2014 | % Change | 2015 | 2014 | % Change |
| Net interest income | $203,945 | $178,046 | 14.5 % | $407,753 | $353,349 | 15.4 % |
| Provision for loan losses | (25,592) | (1,841) | NM | (32,052) | (2,648) | NM |
| Noninterest income | 66,031 | 53,027 | 24.5 | 130,720 | 111,662 | 17.1 |
| Noninterest expense | (143,459) | (121,827) | 17.8 | (279,741) | (242,533) | 15.3 |
| Income before income tax expense | $100,925 | $107,405 | (6.0) | $226,680 | $219,830 | 3.1 |
| Total average loans, net of unearned income | $12,824,661 | $9,874,780 | 29.9 | $12,777,409 | $9,776,913 | 30.7 |
| Total average assets | 37,544,170 | 29,214,978 | 28.5 | 36,813,121 | 27,403,905 | 34.3 |
| Total average deposits | 33,714,023 | 26,323,795 | 28.1 | 33,096,854 | 24,610,326 | 34.5 |

NM—Not meaningful

Three months ended June 30, 2015 compared to the three months ended June 30, 2014
Income before income tax expense from our Global Commercial Bank ("GCB") decreased to $100.9 million for the three months ended June 30, 2015, compared to $107.4 million for the comparable 2014 period. Income before income tax expense was primarily driven by higher net interest income due to average loan growth, offset by a higher provision for loan losses and an increase in noninterest expense. The key components of GCB's performance for the three months ended June 30, 2015 compared to the comparable 2014 period are discussed below.
Net interest income from GCB increased by $25.9 million for the three months ended June 30, 2015, primarily due to an $18.2 million increase in loan interest income resulting mainly from an increase in average loan balances, partially offset by lower loan yields. Additionally, GCB had a $13.6 million increase in the FTP earned for deposits due to strong average deposit growth. These increases were partially offset by a $3.3 million decrease in the FTP earned for deposits from decreases in market interest rates.
GCB had a provision for loan losses of $25.6 million for the three months ended June 30, 2015, compared to $1.8 million for the comparable 2014 period. The provision of $25.6 million for the three months ended June 30, 2015 was

primarily driven by an increase in the reserve for impaired loans and net charge-offs. The increase in the reserve for impaired loans was primarily reflective of two new impaired software and internet loans, resulting in specific reserves of $21.1 million.

The provision of $1.8 million for the three months ended June 30, 2014 was primarily driven from period-end loan growth and net charge-offs, offset by a reserve release due to the improvement of the credit quality of our overall loan portfolio and a

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decrease in the reserve for impaired loans resulting from a decrease in impaired loan balances from repayments and charge-offs.

Noninterest income increased by $13.0 million for the three months ended June 30, 2015, primarily related to higher foreign exchange fees, credit card fees, and letter of credit fees. The increase in foreign exchange fees was a result of continued strong growth in transaction volumes. The increase in credit card fees was primarily reflective of an increase in credit card interchange income as a result of increased client utilization of our credit card products and custom payment solutions provided to new and existing clients. The increase in letter of credit fees was primarily driven by an increase in deferred fee income reflective of an increase in larger letter of credit issuances during the fourth quarter of 2014.

Noninterest expense increased by $21.6 million for the three months ended June 30, 2015, primarily due to increases in compensation and benefits expenses related to our salaries and wages expenses and incentive compensation plan expenses. The increase in our salaries and wages expenses was primarily due to an increase in the average number of FTEs at GCB, which increased by 141 to 1,494 FTEs for the three months ended June 30, 2015, compared to 1,353 FTEs for the comparable 2014 period. The increase in average FTEs was attributable to increases in positions for product development, operational and sales and advisory, as well as to support our commercial banking operations and initiatives. The increase in our incentive compensation plan expenses were primarily related to our strong performance in the second quarter of 2015 and our current expectation that we will exceed our internal performance targets for 2015. Professional services for GCB also increased, primarily due to increased activities to support our expansion of product offerings, as well as our continued investment into ongoing business and IT infrastructure initiatives.

Six months ended June 30, 2015 compared to the six months ended June 30, 2014

Net interest income from our Global Commercial Bank (“GCB”) increased by $54.4 million for the six months ended June 30, 2015, primarily due to an increase in loan interest income resulting mainly from an increase in average loan balances and an increase in the FTP earned for deposits due to deposit growth. These increases were partially offset by a decrease in the FTP earned for deposits from decreases in market interest rates.

We had a provision for loan losses for GCB of $32.1 million for the six months ended June 30, 2015, compared to a provision of $2.6 million for the comparable 2014 period. The provision of $32.1 million for the six months ended June 30, 2015 was primarily driven by an increase in the reserve for impaired loans and net charge-offs. The provision for the comparable 2014 period was primarily attributable to net charge-offs and period-end loan growth and offset by a decrease in our reserve for impaired loans due to repayments on impaired loan balances and improvement in the overall credit quality of gross performing loans.

Noninterest income increased by $19.1 million for the six months ended June 30, 2015, primarily due to an increase in credit card fees, foreign exchange fees, lending related fees and letter of credit fees. The increase in credit card fees was primarily reflective of increased client utilization of our credit card products and custom payment solutions provided to new and existing clients. The increase in foreign exchange fees was a result of continued strong growth in transaction volumes. The increase in lending related fees was primarily due to an increase in unused commitment fees associated with an increase in unfunded credit commitments. The increase in letter of credit fees was primarily driven by an increase in deferred fee income reflective of an increase in larger letter of credit issuances during the fourth quarter of 2014.

Noninterest expense increased by $37.2 million for the six months ended June 30, 2015, primarily due to an increase in compensation and benefits expenses related to our salaries and wages expenses and incentive compensation plan expenses. The increase in our salaries and wages expenses was primarily due to an increase in the average number of FTEs at GCB, which increased by 148 to 1,493 FTEs for the six months ended June 30, 2015, compared to 1,345 FTEs for the comparable 2014 period. The increase in average FTEs was attributable to increases in positions for product development, operational and sales and advisory, as well as to support our commercial banking operations and initiatives. The increase in our incentive compensation plan expenses were primarily related to our strong performance in the first half of 2015 and our current expectation that we will exceed our internal performance targets for 2015. Professional services for GCB also increased primarily due to increased activities to support our expansion of product offerings, as well as our continued investment into ongoing business and IT infrastructure initiatives.

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SVB Private Bank

| | Three months ended June 30, | | | Six months ended June 30, | | |
|---|---|---|---|---|---|---|
| (Dollars in thousands) | 2015 | 2014 | % Change | 2015 | 2014 | % Change |
| Net interest income | $11,109 | $9,293 | 19.5 % | $20,832 | $16,185 | 28.7 % |
| (Provision for) reduction of loan losses | (921) | (106) | NM | (913) | 207 | NM |
| Noninterest income | 595 | 356 | 67.1 | 992 | 630 | 57.5 |
| Noninterest expense | (3,139) | (2,640) | 18.9 | (5,886) | (5,135) | 14.6 |
| Income before income tax expense | $7,644 | $6,903 | 10.7 | $15,025 | $11,887 | 26.4 |
| Total average loans, net of unearned income | $1,542,046 | $1,119,503 | 37.7 | $1,458,581 | $1,084,894 | 34.4 |
| Total average assets | 2,216,622 | 986,392 | 124.7 | 2,069,903 | 975,740 | 112.1 |
| Total average deposits | 1,084,632 | 791,261 | 37.1 | 1,167,823 | 768,300 | 52.0 |

NM—Not meaningful

Three months ended June 30, 2015 compared to the three months ended June 30, 2014
Net interest income from SVB Private Bank increased by $1.8 million for the three months ended June 30, 2015, primarily due to an increase in loan interest income resulting from an increase in average loan balances as well as an increase in the FTP earned for deposits due to strong average deposit growth.

Private Bank had a provision for loan losses of $0.9 million for the three months ended June 30, 2015, compared to $0.1 million for the comparable 2014 period. The provision of $0.9 million for the three months ended June 30, 2015 was primarily driven by period-end loan growth.

Six months ended June 30, 2015 compared to the six months ended June 30, 2014
Net interest income from SVB Private Bank increased by $4.6 million for the six months ended June 30, 2015, primarily due to an increase in loan interest income resulting from an increase in average loan balances as well as an increase in the FTP earned for deposits due to strong average deposit growth.

Private Bank had a provision for loan losses of $0.9 million for the six months ended June 30, 2015, compared to reduction of provision of $0.2 million for the comparable 2014 period. The provision of $0.9 million for the six months ended June 30, 2015 was primarily driven by period-end loan growth.

Noninterest expense for Private Bank increased by $0.8 million for the six months ended June 30, 2015, primarily due to increases in compensation and benefits expenses related to our incentive compensation plan expenses, which reflects our current expectation that we will exceed our internal performance targets for 2015.

SVB Capital

| | Three months ended June 30, | | | Six months ended June 30, | | |
|---|---|---|---|---|---|---|
| (Dollars in thousands) | 2015 | 2014 | % Change | 2015 | 2014 | % Change |
| Net interest income | $1 | $29 | (96.6)% | $2 | $43 | (95.3)% |
| Noninterest income (loss) | 19,909 | (3,119) | NM | 40,587 | 34,553 | 17.5 |
| Noninterest expense | (3,704) | (3,144) | 17.8 | (7,190) | (5,779) | 24.4 |
| Income (loss) before income tax expense | $16,206 | $(6,234) | NM | $33,399 | $28,817 | 15.9 |
| Total average assets | $330,016 | $342,924 | (3.8) | $335,690 | $342,451 | (2.0) |

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NM - Not meaningful

SVB Capital's components of noninterest income primarily include net gains and losses on non-marketable and other securities, carried interest and fund management fees. All components of income before income tax expense discussed below are net of noncontrolling interests.

We experience variability in the performance of SVB Capital from quarter to quarter due to a number of factors, including changes in the values of our funds' underlying investments, changes in the amount of distributions and general economic and market conditions. Such variability may lead to volatility in the gains and losses from investment securities and cause our results to differ from period to period.

Three months ended June 30, 2015 compared to the three months ended June 30, 2014

SVB Capital had noninterest income of $19.9 million for the three months ended June 30, 2015, compared to a noninterest loss of $3.1 million for the comparable 2014 period. The increase in noninterest income was primarily due to gains on investment securities compared to a loss in the second quarter of 2014, which was mainly due to unrealized valuation losses and reductions in carried interest allocations in two of our managed direct venture funds, related to FireEye. SVB Capital's components of noninterest income primarily include the following:

- Net gains on investment securities of $15.7 million for the three months ended June 30, 2015, compared to net losses of $6.8 million for the comparable 2014 period. The net gains on investment securities of $15.7 million for the three months ended June 30, 2015 were primarily driven by strong distributions from our strategic venture capital fund investments.

Six months ended June 30, 2015 compared to the six months ended June 30, 2014

SVB Capital had noninterest income of $40.6 million for the six months ended June 30, 2015, compared to $34.6 million for the comparable 2014 period. The increase in noninterest income was primarily due to an increase in gains on investment securities compared to the comparable 2014 period. SVB Capital's components of noninterest income primarily include the following:

- Net gains on investment securities of $30.6 million for the six months ended June 30, 2015, compared to net gains of $27.5 million for the comparable 2014 period. The net gains on investment securities of $30.6 million for the six months ended June 30, 2015 were primarily driven by gains from distributions of investments, including the remaining shares of FireEye common stock in the first quarter of 2015, as well as unrealized valuation increases.
- Fund management fees of $7.6 million compared to $6.3 million for the comparable 2014 period. The increase is primarily due to the addition of the Strategic Investors Fund VII Funds in the first quarter of 2015 and Capital Partners III Fund in the second quarter of 2014.

Consolidated Financial Condition

Our total assets, total liabilities and stockholders' equity were $40.2 billion at June 30, 2015 compared to $39.3 billion at December 31, 2014, an increase of $0.9 billion, or 2.3 percent. Below is a summary of the individual components driving the changes in total assets, total liabilities and stockholders' equity.

Cash and Cash Equivalents

Cash and cash equivalents totaled $2.6 billion at June 30, 2015, an increase of $0.8 billion, or 46.2 percent, compared to $1.8 billion at December 31, 2014. The increase in cash was primarily reflective of the increase of $1.3 billion in deposits, partially offset by new fixed income investment purchases.

As of June 30, 2015 and December 31, 2014, $1.4 billion and $861 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 $557 million and $440 million, respectively.

Investment Securities

Investment securities totaled $22.9 billion at June 30, 2015, an increase of $0.2 billion, or 0.8 percent, compared to $22.7 billion at December 31, 2014. Our investment securities portfolio consists of an available-for-sale securities portfolio and a held-to-maturity securities portfolio, both of which primarily represent fixed income investments, and a non-marketable and other securities portfolio, which primarily represents investments managed as part of our funds management business. The increase of $0.2 billion was due to a $1.3 billion increase in our fixed income securities portfolio, partially offset by $1.1 billion decrease

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in our non-marketable and other securities portfolio related to the deconsolidated interests of our unconsolidated VIEs upon adoption of ASU 2015-02. The major components of the change are explained below.

Available-for-Sale Securities

Our available-for-sale securities portfolio is a fixed income investment portfolio that is managed to earn an appropriate portfolio yield over the long-term while maintaining sufficient liquidity and credit diversification as well as addressing our asset/liability management objectives. Period-end available-for-sale securities were $14.5 billion at June 30, 2015 compared to $13.5 billion at December 31, 2014, an increase of $1.0 billion, or 7.1 percent. The increase was due to purchases of new available-for-sale securities of $1.7 billion, which were comprised entirely of fixed-rate U.S. Treasury securities and an increase in the fair value of our AFS securities portfolio of $41.6 million as a result of decrease in market interest rates at period-end. The $41.6 million increase in fair value is reflected as a $24.5 million (net of tax) increase in accumulated other comprehensive income. The increase was partially offset by $0.8 billion in scheduled maturities.

Securities classified as available-for-sale are carried at fair market value with changes in fair market value recorded as unrealized gains or losses in a separate component of shareholders equity.

Held-to-Maturity Securities

Period-end held-to-maturity securities were $7.7 billion at June 30, 2015 compared to $7.4 billion at December 31, 2014, an increase of $0.3 billion, or 4.2 percent. The increase was due to purchases of $1.1 billion, which were primarily comprised of Government National Mortgage Association ("GNMA") backed securities, partially offset by paydowns and maturities of $0.7 billion.

Securities classified as held-to-maturity are accounted for at cost with no adjustments for changes in fair value. For securities re-designated as held-to-maturity from available-for-sale, the unrealized gains at the date of transfer will continue to be reported as a separate component of shareholders' equity and amortized as mentioned above.

Portfolio duration is a standard measure used to approximate changes in the market value of fixed income instruments due to a change in market interest rates. The measure is an estimate based on the level of current market interest rates, expectations for changes in the path of forward rates and the effect of forward rates on mortgage prepayment speed assumptions. As such, portfolio duration will fluctuate with changes in market interest rates. Changes in portfolio duration are also impacted by changes in the mix of longer versus shorter term-to-maturity securities. At both June 30, 2015 and December 31, 2014, our estimated fixed income securities portfolio duration was 2.8 years.

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. Included in our non-marketable and other securities carried under fair value accounting are amounts that are attributable to noncontrolling interests. We are required under GAAP to consolidate 100% of these investments that we are deemed to control, even though we may own less than 100% of such entities. See below for a summary of the carrying value (as reported) of non-marketable and other securities compared to the amounts attributable to SVBFG.

Non-marketable and other securities were $0.6 billion at June 30, 2015 compared to $1.7 billion at December 31, 2014, a decrease of $1.1 billion, or 62.6 percent. The decrease was due to the deconsolidation of 16 limited partnership entities as part of our adoption of ASU 2015-02. Non-marketable and other securities, net of noncontrolling interests were $517 million at June 30, 2015 compared to $512 million at December 31, 2014. The following table summarizes the carrying value (as reported) of non-marketable and other securities compared to the amounts attributable to SVBFG (which generally represents the carrying value times our ownership percentage) at June 30, 2015 and December 31, 2014:

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| (Dollars in thousands) | June 30, 2015 Carrying value (as reported) | June 30, 2015 Amount attributable to SVBFG | December 31, 2014 Carrying value (as reported) | December 31, 2014 Amount attributable to SVBFG |
|---|---|---|---|---|
| Non-marketable securities (fair value accounting) (1): | | | | |
| Venture capital and private equity fund investments (2) | $156,730 | $ 44,628 | $1,130,882 | $ 84,368 |
| Other venture capital investments (3) | 3,390 | 363 | 71,204 | 1,823 |
| Other securities (fair value accounting) (4) | 287 | 62 | 108,251 | 7,802 |
| Non-marketable securities (equity method accounting): | | | | |
| Venture capital and private equity fund investments | 78,574 | 65,389 | — | — |
| Debt funds | 22,313 | 22,313 | 26,672 | 26,672 |
| Other investments | 118,406 | 118,406 | 116,002 | 116,002 |
| Non-marketable securities (cost method accounting): | | | | |
| Venture capital and private equity fund investments | 127,073 | 127,073 | 140,551 | 140,551 |
| Other investments (5) | 16,189 | 16,189 | 13,423 | 13,423 |
| Investments in qualified affordable housing projects (5) | 122,544 | 122,544 | 121,155 | 121,155 |
| Total non-marketable and other securities | $645,506 | $ 516,967 | $1,728,140 | $ 511,796 |

(1) During the second quarter of 2015 we adopted new accounting guidance related to our consolidated variable interest entities (ASU 2015-02) under a modified retrospective approach. Periods prior to January 1, 2015 have not been revised. See Note 1—"Basis of Presentation" and Note 4— "Variable Interest Entities"of the "Notes to Interim Consolidated Financial Statements (unaudited)" under Part I, Item 1 of this report for additional details regarding our non-marketable and other securities.

(2) The following table shows the amounts of venture capital and private equity fund investments held by the following funds and amounts attributable to SVBFG for each fund at June 30, 2015 and December 31, 2014:

| (Dollars in thousands) | June 30, 2015 Carrying value (as reported) | June 30, 2015 Amount attributable to SVBFG | December 31, 2014 Carrying value (as reported) | December 31, 2014 Amount attributable to SVBFG |
|---|---|---|---|---|
| SVB Strategic Investors Fund, LP | $23,283 | $ 2,925 | $24,645 | $ 3,096 |
| SVB Strategic Investors Fund II, LP (i) | — | — | 97,250 | 8,336 |
| SVB Strategic Investors Fund III, LP (i) | — | — | 269,821 | 15,841 |
| SVB Strategic Investors Fund IV, LP (i) | — | — | 291,291 | 14,564 |
| Strategic Investors Fund V Funds (i) | — | — | 226,111 | 350 |
| Strategic Investors Fund VI Funds (i) | — | — | 89,605 | — |
| SVB Capital Preferred Return Fund, LP | 62,901 | 13,556 | 62,110 | 13,386 |
| SVB Capital—NT Growth Partners, LP | 63,728 | 21,330 | 61,973 | 21,006 |
| SVB Capital Partners II, LP (i) | — | — | 302 | 15 |
| Other private equity fund | 6,818 | 6,817 | 7,774 | 7,774 |
| Total venture capital and private equity fund investments | $156,730 | $ 44,628 | $1,130,882 | $ 84,368 |

(i) Funds were deconsolidated during the second quarter of 2015 upon adoption of ASU 2015-02 and are now reported under equity method accounting. Periods prior to January 1, 2015 have not been revised. See Note 1—"Basis of Presentation" of the "Notes to Interim Consolidated Financial Statements (unaudited)" under Part I, Item 1 of this report for additional details.

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(3) The following table shows the amounts of other venture capital investments held by the following funds and amounts attributable to SVBFG for each fund at June 30, 2015 and December 31, 2014:

| (Dollars in thousands) | June 30, 2015 Carrying value (as reported) | June 30, 2015 Amount attributable to SVBFG | December 31, 2014 Carrying value (as reported) | December 31, 2014 Amount attributable to SVBFG |
|---|---|---|---|---|
| Silicon Valley BancVentures, LP | $3,390 | $ 363 | $3,291 | $ 352 |
| SVB Capital Partners II, LP (i) | — | — | 20,481 | 1,040 |
| Capital Partners III, LP (i) | — | — | 41,055 | — |
| SVB Capital Shanghai Yangpu Venture Capital Fund (i) | — | — | 6,377 | 431 |
| Total other venture capital investments | $3,390 | $ 363 | $71,204 | $ 1,823 |

(i) Funds were deconsolidated during the second quarter of 2015 upon adoption of ASU 2015-02 and are now reported under equity method accounting. Periods prior to January 1, 2015 have not been revised. See Note 1—"Basis of Presentation" of the "Notes to Interim Consolidated Financial Statements (unaudited)" under Part I, Item 1 of this report for additional details.

(4) Investments classified as other securities (fair value accounting) represent direct equity investments in public companies held by our consolidated funds. At December 31, 2014, the amount primarily included total unrealized gains in one public company, FireEye, Inc. that were realized during the first quarter of 2015. Funds were deconsolidated during the second quarter of 2015 upon adoption of ASU 2015-02. See Note 1—"Basis of Presentation" of the "Notes to Interim Consolidated Financial Statements (unaudited)" under Part I, Item 1 of this report for additional details.

(5) Prior period amounts have been revised to reflect the retrospective application of new accounting guidance adopted in the first quarter of 2015 related to our investments in qualified affordable housing projects (ASU 2014-01). See Note 1 - "Basis of Presentation" of the "Notes to Interim Consolidated Financial Statements" under Part I, Item 1 in this report.

Volcker Rule

As discussed in "Business - Supervision and Regulation" under Item 1 of Part I of our 2014 Form 10-K, the "Volcker Rule" under the Dodd-Frank Act restricts, among other things, a bank's proprietary trading activities and a bank's ability to sponsor or invest in certain privately offered funds, including certain venture capital, hedge and private equity funds. On December 10, 2013, the federal bank regulatory agencies, the SEC and the CFTC adopted final regulations implementing the Volcker Rule. The final regulations became effective on April 1, 2014, subject to a conformance timeline pursuant to which affected entities (referred to as "banking entities") are required to bring their activities and investments into conformance with the prohibitions and restrictions of the Volcker Rule and the final regulations thereunder.

Subject to certain exceptions, the Volcker Rule prohibits a banking entity from engaging in "proprietary trading," which is defined as engaging as principal for the "trading account" of the banking entity in securities or certain other financial instruments. Certain forms of proprietary trading may qualify as "permitted activities," and thus not be subject to the ban on proprietary trading, such as market-making related activities, risk-mitigating hedging activities, trading in U.S. government or agency obligations, or certain other U.S. state or municipal obligations, and the obligations of Fannie Mae, Freddie Mac or Ginnie Mae. Based on this definition and the exceptions provided under the recently-issued regulations, we do not believe that we engage in any proprietary trading that is prohibited under the Volcker Rule.

Additionally, subject to certain exceptions, the rule prohibits a banking entity from sponsoring or investing in "covered funds," which includes many venture capital, private equity and hedge funds. One such exception permits a banking entity to sponsor and invest in a covered fund that it organizes and offers to customers, provided that additional requirements are met. These permitted investments generally are limited to three percent of the total ownership

interests in each covered fund. In addition, the aggregate investments a banking entity makes in all covered funds generally are limited to three percent of the institution's Tier 1 capital.

Under the final regulations, the Volcker Rule's prohibitions and restrictions apply to SVB Financial, the Bank and any affiliate of SVB Financial or the Bank. SVB Financial currently maintains investments in certain venture capital and private equity funds that it did not sponsor; maintains investments in sponsored funds that exceed three percent of each such fund's total ownership interests; and maintains aggregate investments in all covered funds that may exceed three percent of its Tier 1 capital. SVB Financial (including its affiliates) expects, therefore, that it will be required to reduce the level of its investments in covered funds over time and to forego investment opportunities in certain funds in the future. SVB Financial is generally required by the final rules to come into conformance with the Volcker Rule's requirements regarding covered funds by July 21, 2016 with respect to

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covered funds in which SVB Financial invested or sponsored as of December 31, 2013. The Federal Reserve Board has indicated that it intends to extend this conformance deadline to July 21, 2017. In addition, the Federal Reserve Board may extend the conformance deadline for up to an additional five years (until July 21, 2022) for investments that are considered illiquid. We intend to seek the maximum extensions (up to July 21, 2022) available to us. However, there is no guarantee that the Federal Reserve Board will grant any of these extensions.

We estimate that our total venture capital and private equity fund investments deemed to be prohibited covered fund interests and therefore subject to the Volcker Rule's restrictions, had, as of June 30, 2015, an aggregate carrying value of approximately $223 million (and an aggregate fair value of $331 million). These covered fund interests are comprised of interests attributable, solely, to the Company in our consolidated managed funds and certain of our non-marketable securities.

We continue to assess the financial impact of these rules on our fund investments, as well as the impact of other Volcker Rule restrictions on other areas of our business. (See "Risk Factors" under Item 1A of Part I of our 2014 Form 10-K.)

Loans

Loans, net of unearned income decreased by $122.8 million to $14.3 billion at June 30, 2015, compared to $14.4 billion at December 31, 2014. Unearned income was $109.5 million at June 30, 2015 and $104.5 million at December 31, 2014. Total gross loans were $14.4 billion at June 30, 2015, a decrease of $117.8 million, compared to $14.5 billion at December 31, 2014. Period-end loans decreased primarily driven by the repayment of capital call lines during the second quarter of 2015. The breakdown of total gross loans and total loans as a percentage of total gross loans by category is as follows:

| | June 30, 2015 | | December 31, 2014 | |
|---|---|---|---|---|
| (Dollars in thousands) | Amount | Percentage | Amount | Percentage |
| Commercial loans: | | | | |
| Software and internet | $5,026,076 | 35.0 % | $4,996,246 | 34.5 % |
| Hardware | 1,058,436 | 7.4 | 1,140,494 | 7.9 |
| Private equity/venture capital | 4,023,832 | 28.0 | 4,621,299 | 31.9 |
| Life science & healthcare | 1,489,055 | 10.4 | 1,300,727 | 9.0 |
| Premium wine | 192,743 | 1.3 | 189,142 | 1.3 |
| Other | 256,405 | 1.8 | 236,519 | 1.6 |
| Total commercial loans | 12,046,547 | 83.9 | 12,484,427 | 86.2 |
| Real estate secured loans: | | | | |
| Premium wine | 632,626 | 4.4 | 607,507 | 4.2 |
| Consumer | 1,340,106 | 9.3 | 1,117,661 | 7.7 |
| Other | 33,583 | 0.2 | 39,983 | 0.3 |
| Total real estate secured loans | 2,006,315 | 13.9 | 1,765,151 | 12.2 |
| Construction loans | 91,436 | 0.6 | 78,851 | 0.5 |
| Consumer loans | 226,632 | 1.6 | 160,337 | 1.1 |
| Total gross loans | $14,370,930 | 100.0 | $14,488,766 | 100.0 |

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Loan Concentration

The following table provides a summary of loans by size and category. The breakout of the categories is based on total client balances (individually or in the aggregate) as of June 30, 2015:

| (Dollars in thousands) | June 30, 2015<br>Less than Five Million | Five to Ten Million | Ten to Twenty Million | Twenty to Thirty Million | Thirty Million or More | Total |
|---|---|---|---|---|---|---|
| Commercial loans: | | | | | | |
| Software and internet | $1,345,057 | $724,562 | $ 1,313,347 | $903,331 | $ 739,779 | $5,026,076 |
| Hardware | 199,964 | 178,836 | 154,653 | 269,405 | 255,578 | 1,058,436 |
| Private equity/venture capital | 490,766 | 484,195 | 955,314 | 472,906 | 1,620,651 | 4,023,832 |
| Life science & healthcare | 345,996 | 303,706 | 253,745 | 403,044 | 182,564 | 1,489,055 |
| Premium wine | 78,434 | 28,650 | 55,477 | 30,182 | — | 192,743 |
| Other | 92,744 | 24,682 | 41,059 | 28,169 | 69,751 | 256,405 |
| Commercial loans | 2,552,961 | 1,744,631 | 2,773,595 | 2,107,037 | 2,868,323 | 12,046,547 |
| Real estate secured loans: | | | | | | |
| Premium wine | 156,914 | 168,652 | 210,125 | 96,935 | — | 632,626 |
| Consumer | 1,152,024 | 161,226 | 26,856 | — | — | 1,340,106 |
| Other | — | — | 11,250 | 22,333 | — | 33,583 |
| Real estate secured loans | 1,308,938 | 329,878 | 248,231 | 119,268 | — | 2,006,315 |
| Construction loans | 22,478 | 16,081 | 52,877 | — | — | 91,436 |
| Consumer loans | 79,624 | 31,993 | 15 | 40,000 | 75,000 | 226,632 |
| Total gross loans | $3,964,001 | $2,122,583 | $ 3,074,718 | $2,266,305 | $ 2,943,323 | $14,370,930 |

At June 30, 2015, gross loans equal to or greater than $20 million to any single client (individually or in the aggregate) totaled $5.2 billion, or 36.3 percent of our portfolio. These loans represented 155 clients, and of these loans, $63.3 million were on nonaccrual status as of June 30, 2015 compared to $27.5 million as of December 31, 2014. The $35.8 million increase in nonaccrual loans greater than $20 million to any single client was attributable to the impairment of one software and internet loan within our sponsor-led buyout portfolio during the second quarter of 2015.

The following table provides a summary of loans by size and category. The breakout of the categories is based on total client balances (individually or in the aggregate) as of December 31, 2014:

| (Dollars in thousands) | December 31, 2014<br>Less than Five Million | Five to Ten Million | Ten to Twenty Million | Twenty to Thirty Million | Thirty Million or More | Total |
|---|---|---|---|---|---|---|
| Commercial loans: | | | | | | |
| Software and internet | $1,214,082 | $670,212 | $ 1,174,410 | $917,546 | $ 1,019,996 | $4,996,246 |
| Hardware | 204,513 | 226,135 | 240,039 | 146,826 | 322,981 | 1,140,494 |
| Private equity/venture capital | 426,985 | 445,677 | 677,568 | 568,743 | 2,502,326 | 4,621,299 |
| Life science & healthcare | 340,214 | 238,585 | 284,618 | 216,805 | 220,505 | 1,300,727 |
| Premium wine (1) | 77,409 | 38,413 | 45,222 | 28,098 | — | 189,142 |
| Other | 101,779 | 42,906 | 36,904 | 23,235 | 31,695 | 236,519 |
| Commercial loans | 2,364,982 | 1,661,928 | 2,458,761 | 1,901,253 | 4,097,503 | 12,484,427 |
| Real estate secured loans: | | | | | | |
| Premium wine (1) | 151,314 | 169,719 | 205,692 | 80,782 | — | 607,507 |
| Consumer loans (2) | 977,747 | 139,914 | — | — | — | 1,117,661 |
| Other | — | 6,000 | 11,250 | 22,733 | — | 39,983 |
| Real estate secured loans | 1,129,061 | 315,633 | 216,942 | 103,515 | — | 1,765,151 |
| Construction loans | 14,069 | 24,194 | 40,588 | — | — | 78,851 |

| | | | | | | |
|---|---|---|---|---|---|---|
| Consumer loans (2) | 65,326 | 22,593 | 16,418 | 20,000 | 36,000 | 160,337 |
| Total gross loans | $3,573,438 | $2,024,348 | $ 2,732,709 | $2,024,768 | $ 4,133,503 | $14,488,766 |

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At December 31, 2014, gross loans equal to or greater than $20 million to any single client (individually or in the aggregate) totaled $6.2 billion, or 42.5 percent of our portfolio. These loans represented 170 clients, and of these loans, $27.5 million were on nonaccrual status as of December 31, 2014.

The credit profile of our clients varies across our loan portfolio, based on the nature of the lending we do for different market segments. Our technology and life science & healthcare loan portfolios includes loans to clients at all stages of their life cycles, beginning with our SVB Accelerator practice, which serves our emerging or early-stage clients. Loans provided to early-stage clients represent a relatively small percentage of our overall portfolio at 6.0 percent of total gross loans at June 30, 2015, compared to 7.9 percent at December 31, 2014. Typically these loans are made to companies with modest or negative cash flows and no established record of profitable operations. Repayment of these loans may be dependent upon receipt by borrowers of additional equity financing from venture capitalist firms or others, or in some cases, a successful sale to a third party or an IPO. Venture capital firms may provide financing at lower levels, more selectively or on less favorable terms, which may have an adverse effect on our borrowers that are otherwise dependent on such financing to repay their loans to us. When repayment is dependent upon the next round of venture investment and there is an indication that further investment is unlikely or will not occur, it is often likely the company would need to be sold to repay debt in full. If reasonable efforts have not yielded a likely buyer willing to repay all debt at the close of the sale or on commercially viable terms, the account will most likely be deemed to be impaired.

At June 30, 2015, our lending to private equity/venture capital firms represented 28.0 percent of total gross loans, compared to 31.9 percent of total gross loans at December 31, 2014. Many of these clients have capital call lines of credit, the repayment of which is dependent on the payment of capital calls by the underlying limited partner investors in the funds managed by these firms.

At June 30, 2015, sponsor-led buyout loans represented 14.2 percent of total gross loans, compared to 13.2 percent of total gross loans at December 31, 2014. These loans are typically larger in nature and repayment is generally dependent upon the cash flows of the acquired company. The acquired companies are typically established, later-stage businesses of scale, backed by a select group of experienced private equity sponsors' and characterized by reasonable levels of leverage and loan structures that include meaningful financial covenants.

At June 30, 2015, our asset-based lending, which consists primarily of working capital lines and accounts receivable factoring represented 6.8 percent and 3.1 percent, respectively, of total gross loans, compared to 7.1 percent and 3.8 percent, respectively, at December 31, 2014. The repayment of these arrangements is dependent on the financial condition, and payment ability, of third parties with whom our clients do business.

Approximately 34.9 percent and 11.3 percent of our outstanding total gross loan balances as of June 30, 2015 were to borrowers based in California and New York, respectively, compared to 34.5 percent and 9.6 percent as of December 31, 2014. Other than California and New York, there are no states with gross loan balances greater than 10 percent.

See generally “Risk Factors–Credit Risks” set forth under Item 1A, Part I in our 2014 Form 10-K.

Credit Quality Indicators

As of June 30, 2015, our criticized and impaired loans represented 6.1 percent of our total gross loans compared to 5.2 percent at December 31, 2014. Our SVB Accelerator practice serves our emerging or early-stage clients. Loans to early stage clients represent a relatively small percentage of our overall portfolio at 6.0 percent of total gross loans. It is common for an emerging or early stage client’s remaining liquidity to fall temporarily below the threshold for a pass-rated credit during its capital-raising period for a new round of funding. Based on our experience, for most early stage clients, this situation typically lasts a limited number of weeks and generally resolves itself with a subsequent round of venture funding, though there are exceptions, from time to time. As a result, we expect that each of our early-stage clients will be managed through our criticized portfolio during a portion of their life cycle. Criticized loan levels will continue to vary but are expected to remain within the current range.

Credit Quality and Allowance for Loan Losses

Nonperforming assets consist of loans on nonaccrual status, loans past due 90 days or more still accruing interest, and Other Real Estate Owned ("OREO") and other foreclosed assets. We measure all loans placed on nonaccrual status for impairment based on the fair value of the underlying collateral or the net present value of the expected cash flows. The

table below sets forth certain data and ratios between nonperforming loans, nonperforming assets and the allowance for loan losses:

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| (Dollars in thousands) | June 30, 2015 | | December 31, 2014 | |
|---|---|---|---|---|
| Gross impaired, past due, and restructured loans: | | | | |
| Impaired loans | $100,802 | | $38,137 | |
| Loans past due 90 days or more still accruing interest | 47 | | 1,302 | |
| Total nonperforming loans | 100,849 | | 39,439 | |
| OREO and other foreclosed assets | — | | 561 | |
| Total nonperforming assets | $100,849 | | $40,000 | |
| Performing TDRs | $82 | | $587 | |
| Nonperforming loans as a percentage of total gross loans | 0.70 | % | 0.27 | % |
| Nonperforming assets as a percentage of total assets | 0.25 | | 0.10 | |
| Allowance for loan losses | $192,644 | | $165,359 | |
| As a percentage of total gross loans | 1.34 | % | 1.14 | % |
| As a percentage of total gross nonperforming loans | 191.02 | | 419.28 | |
| Allowance for loan losses for impaired loans | $50,865 | | $15,051 | |
| As a percentage of total gross loans | 0.35 | % | 0.10 | % |
| As a percentage of total gross nonperforming loans | 50.44 | | 38.16 | |
| Allowance for loan losses for total gross performing loans | $141,779 | | $150,308 | |
| As a percentage of total gross loans | 0.99 | % | 1.04 | % |
| As a percentage of total gross performing loans | 0.99 | | 1.04 | |
| Total gross loans | $14,370,930 | | $14,488,766 | |
| Total gross performing loans | 14,270,081 | | 14,449,327 | |
| Reserve for unfunded credit commitments (1) | 35,617 | | 36,419 | |
| As a percentage of total unfunded credit commitments | 0.23 | % | 0.25 | % |
| Total unfunded credit commitments (2) | $15,808,209 | | $14,705,785 | |

(1) The “Reserve for unfunded credit commitments” is included as a component of other liabilities. See “Provision for Unfunded Credit Commitments” above for a discussion of the changes to the reserve.
(2) Includes unfunded loan commitments and letters of credit.

Our allowance for loan losses as a percentage of total gross loans increased to 1.34 percent at June 30, 2015, compared to 1.14 percent at December 31, 2014. This increase was primarily driven by an increase in reserves for loans that were impaired during the second quarter. Our reserve percentage for performing loans was 0.99 percent at June 30, 2015, compared to 1.04 percent at December 31, 2014, reflective of the $179.2 million decrease in period-end gross performing loans.

Our nonperforming loans were $100.8 million at June 30, 2015, compared to $39.4 million at December 31, 2014, consisting of impaired loan balances of $100.8 million and $38.1 million, respectively. Our impaired loan balance increased $62.7 million as a result of $72.7 million in new impaired loans, partially offset by $2.5 million in charge-offs and $7.6 million in repayments. New impaired loans during the second quarter totaled $47.2 million, which was comprised of two software and internet clients, of which one was an asset based loan and the other was a sponsor-led buyout loan. The allowance for loan losses for impaired loans was $50.9 million at June 30, 2015, compared to $15.1 million at December 31, 2014.

Impaired loans at June 30, 2015, included $89.5 million in impairments in our software and internet loan portfolio, of which $74.7 million was attributable to three clients. Impaired loans at December 31, 2014, included $33.3 million in impairments in our software and internet loan portfolio, of which $27.5 million was attributable to one client.

Average impaired loans for the three and six months ended June 30, 2015 were $62.9 million and $51.2 million compared to $26.8 million and $31.3 million for the comparable 2014 periods. The increase in average impaired loans is primarily reflective of an increase in average impaired loans from our software and internet loan portfolio of $37.0

million and $28.0 million for the three and six months ended June 30, 2015, compared to June 30, 2014, respectively. If the impaired loans had not been impaired, $0.9 million and $1.4 million in interest income would have been recorded for the three and six months ended June 30, 2015, compared to $0.4 million and $0.8 million for the comparable 2014 periods.

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Accrued Interest Receivable and Other Assets

A summary of accrued interest receivable and other assets at June 30, 2015 and December 31, 2014 is as follows:

| (Dollars in thousands) | June 30, 2015 | December 31, 2014 | % Change | |
|---|---|---|---|---|
| Derivative assets, gross (1) | $162,405 | $157,990 | 2.8 | % |
| Foreign exchange spot contract assets, gross | 121,437 | 51,972 | 133.7 | |
| Accrued interest receivable | 97,158 | 94,180 | 3.2 | |
| FHLB and Federal Reserve Bank stock | 46,116 | 53,496 | (13.8 | ) |
| Accounts receivable | 33,705 | 20,092 | 67.8 | |
| Deferred tax assets (2) | 27,436 | 45,979 | (40.3 | ) |
| Other assets | 88,085 | 131,580 | (33.1 | ) |
| Total accrued interest receivable and other assets | $576,342 | $555,289 | 3.8 | |

(1) See “Derivatives” section below.

(2) Prior period amounts have been revised to reflect the retrospective application of new accounting guidance adopted during the first quarter of 2015 related to our investments in qualified affordable housing projects (ASU 2014-01). See Note 1— "Basis of Presentation" of the "Notes to Interim Consolidated Financial Statements" under Part I, Item 1 in this report.

Foreign Exchange Spot Contract Assets

Foreign exchange spot contract assets represent unsettled client trades at the end of the period. The increase of $69.5 million was primarily due to an overall increase in activity at period-end.

FHLB and Federal Reserve Bank stock

The decrease of $7.4 million in FHLB and Federal Reserve Bank stock is a result of a decrease in the reserve requirement at the FHLB.

Net Deferred Tax Assets

The decrease of $18.5 million in net deferred tax assets primarily relates to the increase in the fair value of our available-for-sale securities portfolio.

Other Assets

The decrease of $43.5 million in other assets is primarily due to the sale of the assets of SVBIF on April 13, 2015. For more information, refer to Note 8— "Disposal - Assets Held for Sale" of the "Notes to the Consolidated Financial Statements" under Part I, Item 1 in this report.

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Derivatives

Derivative instruments are recorded as a component of other assets and other liabilities on the balance sheet. The following table provides a summary of derivative assets and liabilities, net at June 30, 2015 and December 31, 2014:

| (Dollars in thousands) | June 30, 2015 | December 31, 2014 | % Change |
|---|---|---|---|
| Assets: | | | |
| Equity warrant assets | $122,504 | $116,604 | 5.1 % |
| Foreign exchange forward and option contracts | 33,986 | 34,231 | (0.7 ) |
| Interest rate swaps | 3,828 | 4,609 | (16.9 ) |
| Client interest rate derivatives | 2,087 | 2,546 | (18.0 ) |
| Total derivative assets | $162,405 | $157,990 | 2.8 |
| Liabilities: | | | |
| Foreign exchange forward and option contracts | $(31,028 ) | $(28,363 ) | 9.4 |
| Client interest rate derivatives | (2,247 ) | (2,748 ) | (18.2 ) |
| Total derivative liabilities | $(33,275 ) | $(31,111 ) | 7.0 |

Equity Warrant Assets

In connection with negotiating credit facilities and certain other services, we often obtain rights to acquire stock in the form of equity warrant assets in primarily private, venture-backed companies in the technology and life science & healthcare industries. At June 30, 2015, we held warrants in 1,587 companies, compared to 1,478 companies at December 31, 2014. Of the 1,587 companies, 25 companies made up approximately 36 percent of the fair value of the portfolio at June 30, 2015. The change in fair value of equity warrant assets is recorded in gains on derivatives instruments, net, in noninterest income, a component of consolidated net income. The following table provides a summary of transactions and valuation changes for equity warrant assets for the three and six months ended June 30, 2015 and 2014:

| | Three months ended June 30, | | Six months ended June 30, | |
|---|---|---|---|---|
| (Dollars in thousands) | 2015 | 2014 | 2015 | 2014 |
| Balance, beginning of period | $124,456 | $91,135 | $116,604 | $103,513 |
| New equity warrant assets | 2,846 | 3,352 | 5,333 | 7,431 |
| Non-cash increases in fair value | 9,146 | 9,774 | 20,110 | 16,832 |
| Exercised equity warrant assets (1) | (13,830 ) | (14,927 ) | (19,137 ) | (38,355 ) |
| Terminated equity warrant assets | (114 ) | (429 ) | (406 ) | (516 ) |
| Balance, end of period | $122,504 | $88,905 | $122,504 | $88,905 |

(1) Includes $12.1 million from the exercise of our FireEye warrants during the six months ended June 30, 2014.

Foreign Exchange Forward and Foreign Currency Option Contracts

We enter into foreign exchange forward contracts and foreign currency option contracts with clients involved in foreign activities, either as the purchaser or seller, depending upon the clients’ need. For each forward or option contract entered into with our clients, we enter into an opposite way forward or option contract with a correspondent bank, which mitigates the risk of fluctuations in currency rates. We also enter into forward contracts with correspondent banks to economically reduce our foreign exchange exposure related to certain foreign currency denominated instruments. Revaluations of foreign currency denominated instruments are recorded on the line item “Other” as part of noninterest income, a component of consolidated net income. We have not experienced nonperformance by any of our counterparties and therefore have not incurred any related losses. Further, we anticipate performance by all counterparties. Our net exposure for foreign exchange forward and foreign currency option contracts at June 30, 2015 was $0.4 million and our net exposure at December 31, 2014 was $1.1 million. For additional information on our foreign exchange forward contracts and foreign currency option contracts, see Note 10-

“Derivative Financial Instruments” of the “Notes to the Consolidated Financial Statements” under Part I, Item I in this report.



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Interest Rate Swaps

For information on our interest rate swaps, see Note 10–“Derivative Financial Instruments” of the “Notes to Interim Consolidated Financial Statements” under Part I, Item 1 of this report.

Deposits

Deposits were $35.6 billion at June 30, 2015, an increase of $0.4 billion, or 3.7 percent, compared to $34.3 billion at December 31, 2014. The overall increase in deposits was primarily reflective of the increase in non-interest bearing deposits. At June 30, 2015, 22.2 percent of our total deposits were interest-bearing deposits, compared to 28.4 percent at December 31, 2014.

At June 30, 2015, the aggregate balance of time deposit accounts individually equal to or greater than $250,000 totaled $48.0 million, compared to $110.9 million at December 31, 2014. At June 30, 2015, $48.0 million of the time deposit accounts individually equal to or greater than $250,000 were scheduled to mature within one year. No material portion of our deposits has been obtained from a single depositor and the loss of any one depositor would not materially affect our business.

Short-Term Borrowings

Short-term borrowings were $2.5 million at June 30, 2015, compared to $7.8 million at December 31, 2014. The decrease was due to a reduction in the amount of collateral held from our counterparties in relation to exposures in our favor on outstanding derivative contracts, primarily our interest rate swap agreement related to our 6.05% Subordinated Notes.

Long-Term Debt

Our long-term debt was $802.5 million at June 30, 2015 and $453.4 million at December 31, 2014. The increase in our long-term debt was due to the issuance of 3.50% Senior Notes during the first quarter of 2015.

As of June 30, 2015, long-term debt included our 3.50% Senior Notes, 5.375% Senior Notes, 6.05% Subordinated Notes and 7.0% Junior Subordinated Debentures. For more information on our long-term debt, see Note 9–“Short-term Borrowings and Long-Term Debt” of the “Notes to the Consolidated Financial Statements” under Part I, Item I in this report.

Other Liabilities

A summary of other liabilities at June 30, 2015 and December 31, 2014 is as follows:

| (Dollars in thousands) | June 30, 2015 | December 31, 2014 | % Change | |
|---|---|---|---|---|
| Foreign exchange spot contract liabilities, gross | $210,981 | $94,999 | 122.1 | % |
| Accrued compensation | 90,262 | 120,841 | (25.3 | ) |
| Reserve for unfunded credit commitments | 35,617 | 36,419 | (2.2 | ) |
| Derivative liabilities, gross (1) | 33,275 | 31,111 | 7.0 | |
| Other | 244,555 | 200,123 | 22.2 | |
| Total other liabilities | $614,690 | $483,493 | 27.1 | |

(1) See “Derivatives” section above.

Foreign Exchange Spot Contract Liabilities

Foreign exchange spot contract liabilities represent unsettled client trades at the end of the period. The increase of $116.0 million was primarily due to increased client trade activity at period-end.

Accrued Compensation

Accrued compensation includes amounts for our Incentive Compensation Plan, Direct Drive Incentive Compensation Plan, Retention Program, Warrant Incentive Plan, ESOP/profit sharing and other compensation arrangements. The decrease of $30.6 million was primarily the result of 2014 incentive compensation payouts during the first quarter of 2015, partially offset by additional accruals for the six months ended June 30, 2015.

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Reserve for Unfunded Credit Commitments

Our reserve for unfunded credit commitments decreased to $35.6 million at June 30, 2015, compared to $36.4 million at December 31, 2014, due to a change in the composition of our unfunded credit commitment portfolio, which resulted in a decrease in the reserve rate.

Noncontrolling Interests

Noncontrolling interests totaled $138.4 million and $1.2 billion at June 30, 2015 and December 31, 2014, respectively. The large decrease was due to the deconsolidation of 16 limited partnership entities as part of our adoption of ASU 2015-02 which accounted for $1.1 billion of the decrease. This decrease was slightly offset by net income attributable to noncontrolling interests of $22.2 million for the six months ended June 30, 2015.

Fair Value Measurements

The following table summarizes our financial assets and liabilities that are measured at fair value on a recurring basis as of June 30, 2015 and December 31, 2014.

| | June 30, 2015 | | December 31, 2014 | |
|---|---|---|---|---|
| (Dollars in thousands) | Total Balance | Level 3 | Total Balance | Level 3 |
| Assets carried at fair value | $14,818,571 | $123,427 | $15,008,982 | $185,902 |
| As a percentage of total assets | 36.8 % | 0.3 % | 38.2 % | 0.5 % |
| Liabilities carried at fair value | $33,275 | $— | $31,111 | $— |
| As a percentage of total liabilities | 0.1 % | — % | 0.1 % | — % |
| | Level 1 and 2 | Level 3 | Level 1 and 2 | Level 3 |
| Percentage of assets measured at fair value | 99.2 % | 0.8 % | 98.8 % | 1.2 % |

Financial assets valued using Level 3 measurements consist of our non-marketable securities (investments in venture capital and other investment securities in shares of public company stock subject to certain sales restrictions for which the sales restriction has not been lifted) and equity warrant assets (shares of private and public company capital stock). The valuation methodologies of our non-marketable securities carried under fair value accounting and equity warrant assets involve a significant degree of management judgment. Refer to Note 15—“Fair Value of Financial Instruments” of the “Notes to Interim Consolidated Financial Statements” under Part I, Item 1 of this report for a summary of the valuation techniques and significant inputs used for each class of Level 3 assets.

The inherent uncertainty in the process of valuing securities for which a ready market does not exist may cause our estimated values of these securities to differ significantly from the values that would have been derived had a ready market for the securities existed, and those differences could be material. The timing and amount of changes in fair value, if any, of these financial instruments depend upon factors beyond our control, including the performance of the underlying companies, fluctuations in the market prices of the preferred or common stock of the underlying companies, general volatility and interest rate market factors, and legal and contractual restrictions. The timing and amount of actual net proceeds, if any, from the disposition of these financial instruments depend upon factors beyond our control, including investor demand for IPOs, levels of M&A activity, legal and contractual restrictions on our ability to sell, and the perceived and actual performance of portfolio companies. All of these factors are difficult to predict and there can be no assurances that we will realize the full value of these securities, which could result in significant losses (See “Risk Factors” set forth in our 2014 Form 10-K).

During the three and six months ended June 30, 2015, the Level 3 assets that are measured at fair value on a recurring basis experienced net realized and unrealized gains of $23.2 million and $43.5 million, primarily due to valuation increases in our equity warrant assets. During the three and six months ended June 30, 2014, the Level 3 assets that are measured at fair value on a recurring basis experienced net realized and unrealized gains of $15.4 million and $144.3 million (which is inclusive of noncontrolling interest).

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Capital Resources

We maintain an adequate capital base to support anticipated asset growth, operating needs and credit risks, and to ensure that SVB Financial and the Bank are in compliance with all regulatory capital guidelines. Our primary sources of new capital include retained earnings and proceeds from the sale and issuance of our capital stock or other securities. In consultation with the Finance Committee of our Board of Directors, management engages in regular capital planning processes in an effort to optimize the use of the capital available to us and to appropriately plan for our future capital needs. The capital plan considers capital needs for the foreseeable future and allocates capital to both existing and future business activities. Expected future use or activities for which capital may be set aside include balance sheet growth and associated relative increases in market or credit exposure, investment activity, potential product and business expansions, acquisitions and strategic or infrastructure investments. In addition, we conduct capital stress tests as part of our annual capital planning process. The stress tests allow us to assess the impact of adverse changes in the economy and interest rates on our capital adequacy position.

SVBFG Stockholders’ Equity

SVBFG stockholders’ equity totaled $3.1 billion at June 30, 2015, an increase of $0.3 billion, or 8.5 percent, compared to $2.8 billion at December 31, 2014. This increase was primarily due to net income of $174.7 million for the six months ended June 30, 2015. Additionally, the increase in the net balance of our accumulated other comprehensive income to $63.9 million from $42.7 million at December 31, 2014, was primarily driven by a $41.6 million increase in the fair value of our fixed income security portfolios ($24.5 million net of tax), which resulted from a decrease in the period-end market interest rates for the six months ended June 30, 2015.

Funds generated through retained earnings are a significant source of capital and liquidity and are expected to continue to be so in the future.

Capital Ratios

Both SVB Financial and the Bank are subject to various regulatory capital requirements administered by state and federal banking agencies. Effective January 1, 2015, SVB Financial and the Bank became subject to a new regulatory capital measure called "Common Equity Tier 1" ("CET 1") and a related regulatory capital ratio of CET 1 to risk-weighted assets implemented under "Basel III" regulatory capital reforms and changes required by the Dodd-Frank Act.

Regulatory capital ratios for SVB Financial and the Bank exceeded minimum federal regulatory guidelines for a well-capitalized depository institution as of June 30, 2015 and December 31, 2014. Capital ratios for SVB Financial and the Bank, compared to the minimum regulatory ratios applicable to bank holding companies and banks to be considered “well capitalized” and “adequately capitalized”, are set forth below:

| | | | | | Minimum Ratios under Applicable Regulatory Capital Adequacy Requirements | | | |
|---|---|---|---|---|---|---|---|---|
| | June 30, 2015 | | December 31, 2014 | | “Well Capitalized” | | “Adequately Capitalized” | |
| SVB Financial: (6) | | | | | | | | |
| CET 1 risk-based capital ratio (1) | 12.54 | % | — | % | 6.5 | % | 4.5 | % |
| Tier 1 risk-based capital ratio (2) | 13.15 | | 12.91 | | 8.0 | | 6.0 | |
| Total risk-based capital ratio (2) | 14.15 | | 13.92 | | 10.0 | | 8.0 | |
| Tier 1 leverage ratio (2) | 7.95 | | 7.74 | | N/A | | 4.0 | |
| Tangible common equity to tangible assets ratio (3)(4)(5) | 7.58 | | 7.15 | | N/A | | N/A | |
| Tangible common equity to risk-weighted assets ratio (3)(4)(5) | 12.81 | | 12.93 | | N/A | | N/A | |
| Bank: | | | | | | | | |
| CET 1 risk-based capital ratio (1) | 12.87 | % | — | % | 6.5 | % | 4.5 | % |
| Tier 1 risk-based capital ratio (2) | 12.87 | | 11.09 | | 8.0 | | 6.0 | |

| | | | | |
|---|---|---|---|---|
| Total risk-based capital ratio (2) | 13.93 | 12.12 | 10.0 | 8.0 |
| Tier 1 leverage ratio (2) | 7.39 | 6.64 | 5.0 | 4.0 |
| Tangible common equity to tangible assets ratio (3)(4)(5) | 7.40 | 6.38 | N/A | N/A |
| Tangible common equity to risk-weighted assets ratio (2)(3)(4)(5) | 13.16 | 11.19 | N/A | N/A |

(1) Effective January 1, 2015, CET 1 is a new ratio requirement under the Basel III Capital Rules and represents, common stock, plus related surplus and retained earnings, plus limited amounts of minority interest in the form of common stock, less certain regulatory deductions, divided by total risk-weighted assets.

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(2) Ratios as of June 30, 2015 reflect the adoption of the Basel III Capital Rules in effect beginning January 1, 2015. Ratios for prior periods represent the previous capital rules under Basel I.

(3) See below for a reconciliation of non-GAAP tangible common equity to tangible assets and tangible common equity to risk-weighted assets.

(4) The Federal Reserve Bank has not issued any minimum guidelines for the tangible common equity to tangible assets ratio or the tangible common equity to risk-weighted assets ratio. However, we believe these ratios provide meaningful supplemental information regarding our capital levels and are therefore provided above.

(5) Prior period ratios have been revised to reflect the retrospective application of new accounting guidance adopted in the first quarter of 2015 related to our investments in qualified affordable housing projects (ASU 2014-01). See Note 1 - "Basis of Presentation" of the "Notes to Interim Consolidated Financial Statements" under Part I, Item 1 in this report.

(6) There were no material changes to any of SVB Financial’s previously-reported capital ratios (common equity tier 1 risk-based capital, tier 1 risk-based capital, total risk-based capital and tier 1 leverage ratios) as of March 31, 2015, after retrospective application of ASU 2015-02 and management's assessment of these ratios under the Basel III Capital Rules. These capital ratios for SVB Financial as of March 31, 2015 continued to exceed minimum regulatory requirements for a “well capitalized” institution.

The total risk-based capital ratio and tier 1 capital and leverage ratios, for SVB Financial increased compared to December 31, 2014. Beneficial changes in SVB Financial's risk-based capital were due primarily to earnings and to a lesser extent, Basel III capital standards on the treatment of certain equity related to our noncontrolling interests. These beneficial changes were offset somewhat by the impact of Basel III risk-weighting standards on unused loan commitments with original maturities less than one year and certain equity investments. For the Bank, the total risk-based capital, tier 1 capital, and leverage ratios as of June 30, 2015 increased compared to the same ratios as of December 31, 2014. This increase was a result of SVB Financial's contribution of capital to the Bank totaling $350 million, which was funded primarily by the net proceeds from the issuance of our 3.50% Senior Notes. The capital contribution from SVB Financial to the Bank provides continued support of our clients' growth. The increases in the Bank's ratios, resulting from the contribution, were partially offset by the impact of the new regulatory requirements related to unused commitments as discussed above. All of our capital ratios are above the levels to be considered “well capitalized" under banking regulations.

The tangible common equity to tangible assets ratio and the tangible common equity to risk-weighted assets ratios are not required by GAAP or applicable bank regulatory requirements. However, we believe these ratios provide meaningful supplemental information regarding our capital levels. Our management uses, and believes that investors benefit from referring to, these ratios in evaluating the adequacy of the Company’s capital levels; however, these financial measures should be considered in addition to, not as a substitute for or preferable to, comparable financial measures prepared in accordance with GAAP. These ratios are calculated by dividing total SVBFG stockholder’s equity, by total period-end assets and risk-weighted assets, after reducing both amounts by acquired intangibles, if any. The manner in which this ratio is calculated varies among companies. Accordingly, our ratio is not necessarily comparable to similar measures of other companies. The following table provides a reconciliation of non-GAAP financial measures with financial measures defined by GAAP for SVB Financial and the Bank for the periods ending June 30, 2015 and December 31, 2014:

| | SVB Financial | | Bank | |
|---|---|---|---|---|
| Non-GAAP tangible common equity and tangible assets (dollars in thousands, except ratios) | June 30, 2015 | December 31, 2014 | June 30, 2015 | December 31, 2014 |
| GAAP SVBFG stockholders’ equity (1) | $3,051,102 | $2,813,072 | $2,930,554 | $2,399,411 |
| Tangible common equity (1) | $3,051,102 | $2,813,072 | $2,930,554 | $2,399,411 |
| GAAP Total assets (1) | $40,236,118 | $39,339,950 | $39,612,481 | $37,607,973 |
| Tangible assets (1) | $40,236,118 | $39,339,950 | $39,612,481 | $37,607,973 |
| Risk-weighted assets (2) | $23,815,512 | $21,755,091 | $22,277,020 | $21,450,480 |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Tangible common equity to tangible assets (1) | 7.58 | % | 7.15 | % | 7.40 | % | 6.38 | % |
| Tangible common equity to risk-weighted assets (1) (2) | 12.81 | | 12.93 | | 13.16 | | 11.19 | |

(1) Prior period amounts have been revised to reflect the retrospective application of new accounting guidance adopted in the first quarter of 2015 related to our investments in qualified affordable housing projects (ASU 2014-01). See Note 1 - "Basis of Presentation" of the "Notes to Interim Consolidated Financial Statements" under Part I, Item 1 in this report.

(2) Amounts and ratios as of June 30, 2015 reflect the adoption of the Basel III Capital Rules in effect beginning January 1, 2015. Amounts and ratios for prior periods represent the previous capital rules under Basel I.

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The tangible common equity to tangible assets ratio increased for SVB Financial and the Bank due to increases in total equity. See "SVBFG Stockholders' Equity" above for further details on changes to the individual components of our equity balance.

For SVB Financial, the tangible common equity to risk-weighted assets ratio decreased due to increases in risk-weighted assets, including the impact of the new regulations discussed above, partially offset by increases in common equity. For the Bank, the tangible common equity to risk-weighted assets ratio increased due to increases in tangible common equity, partially offset by increases in risk-weighted assets. These increases were a result of SVB Financial's contribution of capital to the Bank, partially offset by the impact on risk-weighted assets from the new regulatory requirements discussed above.

Off-Balance Sheet Arrangements

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, to varying degrees, elements of credit risk. 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. For details of our commitments to extend credit, and commercial and standby letters of credit, please refer to Note 13—"Off-Balance Sheet Arrangements, Guarantees, and Other Commitments" of the "Notes to Interim Consolidated Financial Statements" under Part I, Item 1 of this report.

Commitments to Invest in Venture Capital/Private Equity Funds

Subject to applicable regulatory requirements, including the Volcker Rule, we make investments. 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.

For further details on our commitments to invest in venture capital and private equity funds, refer to Note 13—"Off-Balance Sheet Arrangements, Guarantees, and Other Commitments" of the "Notes to Interim Consolidated Financial Statements" under Part I, Item 1 of this report.

Liquidity

The objective of liquidity management is to ensure that funds are available in a timely manner to meet our financial obligations, including, as necessary, paying creditors, meeting depositors' needs, accommodating loan demand and growth, funding investments, repurchasing securities and other operating or capital needs, without incurring undue cost or risk, or causing a disruption to normal operating conditions.

We regularly assess the amount and likelihood of projected funding requirements through a review of factors such as historical deposit volatility and funding patterns, present and forecasted market and economic conditions, individual client funding needs, and existing and planned business activities. Our Asset/Liability Committee ("ALCO"), which is a management committee, provides oversight to the liquidity management process and recommends policy guidelines for the approval of the Finance Committee of our Board of Directors, and courses of action to address our actual and projected liquidity needs.

Our deposit base is, and historically has been, our primary source of liquidity. Our deposit levels and cost of deposits may fluctuate from time to time due to a variety of factors, including market conditions, prevailing interest rates, changes in client deposit behaviors, availability of insurance protection, and our offering of deposit products. We may also offer more investment alternatives off the balance sheet which may impact deposit levels. At June 30, 2015, our period-end total deposit balances increased by $1.3 billion to $35.6 billion, compared to $34.3 billion at December 31, 2014. The overall increase in deposit balances came primarily from our Accelerator/Early-stage clients resulting from continued venture capital funding activity in 2015.

Our liquidity requirements can also be met through the use of our portfolio of liquid assets. Our definition of liquid assets includes cash and cash equivalents in excess of the minimum levels necessary to carry out normal business operations, short-term investment securities maturing within one year, available-for-sale securities eligible and available for financing or pledging purposes with a maturity in excess of one year and anticipated near-term cash flows from investments.

On a stand-alone basis, SVB Financial's primary liquidity channels include dividends from the Bank, its portfolio of liquid assets, cash proceeds from the sale of equity warrants and fund investments and its ability to raise debt and capital. The ability of the Bank to pay dividends is subject to certain regulations described in "Business—Supervision and Regulation—Restriction on Dividends" under Part I, Item 1 of our 2014 Form 10-K.

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Consolidated Summary of Cash Flows

Below is a summary of our average cash position and statement of cash flows for the six months ended June 30, 2015 and 2014. For further details, see our "Interim Consolidated Statements of Cash Flows (Unaudited)" under Part I, Item 1 of this report.

| | Six months ended June 30, | |
|---|---|---|
| (Dollars in thousands) | 2015 | 2014 |
| Average cash and cash equivalents | $2,094,365 | $3,010,077 |
| Percentage of total average assets | 5.4 % | 10.1 % |
| Net cash provided by operating activities | $205,434 | $218,089 |
| Net cash used for investing activities | (910,215) | (5,445,902) |
| Net cash provided by financing activities | 1,519,317 | 6,338,865 |
| Net increase in cash and cash equivalents | $814,536 | $1,111,052 |

Average cash and cash equivalents decreased by $0.9 billion, or 30.4 percent, to $2.1 billion for the six months ended June 30, 2015, compared to $3.0 billion for the comparable 2014 period. The decrease was primarily due to the deployment of cash into our fixed income investment portfolio and to fund our solid loan growth. Average investments increased by $7.6 billion to $21.3 billion for the six months ended June 30, 2015, compared to $13.7 billion for the comparable 2014 period. Average loans increased $3.3 billion to $14.2 billion for the six months ended June 30, 2015, compared to $10.9 billion for the comparable 2014 period.

Cash provided by operating activities was $205.4 million for the six months ended June 30, 2015, primarily reflective of net income before noncontrolling interests of $196.8 million.

Cash used for investing activities of $910.2 million for the six months ended June 30, 2015 included $2.7 billion for purchases of fixed income securities, partially offset by $1.5 billion from maturities and paydowns from our fixed income securities investments.

Cash provided by financing activities was $1.5 billion for the six months ended June 30, 2015, primarily reflective of a net increase of $1.2 billion in deposits and $346.4 million in proceeds from the issuance of our 3.50% Senior Notes.

Cash and cash equivalents were $2.6 billion at June 30, 2015 and June 30, 2014.

## ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

### Interest Rate Risk Management

Market risk is defined as the risk of adverse fluctuations in the market value of financial instruments due to changes in market interest rates. Interest rate risk is our primary market risk and can result from timing and volume differences in the repricing of our rate-sensitive assets and liabilities, widening or tightening of credit spreads, changes in the general level of market interest rates and changes in the shape and level of the benchmark LIBOR/SWAP yield curve. Additionally, changes in interest rates can influence the rate of principal prepayments on mortgage securities which affects the rate of amortization of purchase premiums and discounts. Other market risks include foreign currency exchange risk and equity price risk. These risks are not considered significant compared to interest rate sensitivity risks and no separate quantitative information concerning them is presented herein.

Interest rate risk is managed by our ALCO. ALCO reviews the market valuation and 12-month forward looking earnings sensitivity of assets and liabilities to changes in interest rates, structural changes in investment and funding portfolios, loan and deposit activity and current market conditions. Adherence to relevant policies, which are approved by the Finance Committee of our Board of Directors, is monitored on an ongoing basis.

Management of interest rate risk is carried out primarily through strategies involving our fixed income securities portfolio, available funding channels and capital market activities. In addition, our policies permit the use of off-balance sheet derivative instruments to assist in managing interest rate risk.

We utilize a simulation model to perform sensitivity analysis on the economic value of equity and net interest income under a variety of interest rate scenarios, balance sheet forecasts and proposed strategies. The simulation model provides a dynamic assessment of interest rate sensitivity embedded in our balance sheet which measures the potential variability in forecasted

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results relating to changes in market interest rates over time. We review our interest rate risk position on a quarterly basis at a minimum.

Model Simulation and Sensitivity Analysis

One application of the aforementioned simulation model involves measurement of the impact of changes in market interest rates on our economic value of equity ("EVE"). EVE is defined as the market value of assets, less the market value of liabilities, adjusted for any off-balance sheet items. A second application of the simulation model measures the impact of changes in market interest rates on our net interest income ("NII") assuming a static balance sheet as of the period-end reporting date. Changes in market interest rates that affect us are principally short-term interest rates and include the following: (i) National Prime and SVB Prime rates; (ii) 1-month and 3-month LIBOR; and (iii) Fed Funds target rate. Changes in these short-term rates impact interest earned on our variable rate loans, variable rate investment securities and balances held as cash and cash equivalents. Additionally, deposit pricing generally follows overall changes in short-term interest rates.

The following table presents our EVE and NII sensitivity exposure at June 30, 2015 and December 31, 2014 related to an instantaneous and sustained parallel shift in market interest rates of 100 and 200 basis points.

| | Estimated | Estimated Increase/(Decrease) In EVE | | Estimated | Estimated Increase/ (Decrease) In NII | |
|---|---|---|---|---|---|---|
| Change in interest rates (basis points) | EVE | Amount | Percent | NII | Amount | Percent |
| | (Dollars in thousands) | | | | | |
| June 30, 2015: | | | | | | |
| +200 | $5,928,348 | $ 1,460,202 | 32.7 % | $1,274,216 | $245,158 | 23.8 % |
| +100 | 5,225,063 | 756,917 | 16.9 | 1,146,467 | 117,409 | 11.4 |
| — | 4,468,146 | — | — | 1,029,058 | — | — |
| -100 | 4,198,732 | (269,414 ) | (6.0 ) | 987,510 | (41,548 ) | (4.0 ) |
| -200 | 4,358,951 | (109,195 ) | (2.4 ) | 959,037 | (70,021 ) | (6.8 ) |
| December 31, 2014: | | | | | | |
| +200 | $6,201,773 | $ 1,237,900 | 24.9 % | $1,242,321 | $223,059 | 21.9 % |
| +100 | 5,598,887 | 635,014 | 12.8 | 1,124,643 | 105,381 | 10.3 |
| — | 4,963,873 | — | — | 1,019,262 | — | — |
| -100 | 4,927,749 | (36,124 ) | (0.7 ) | 979,982 | (39,280 ) | (3.9 ) |
| -200 | 5,119,636 | 155,763 | 3.1 | 953,556 | (65,706 ) | (6.4 ) |

Economic Value of Equity

The estimated EVE in the preceding table is based on a combination of valuation methodologies including a discounted cash flow analysis and a multi-path lattice based valuation. Both methodologies use publicly available market interest rates. The model simulations and calculations are highly assumption-dependent and will change regularly as our asset/liability structure changes, as interest rate environments evolve, and as we change our assumptions in response to relevant market or business circumstances. These calculations do not reflect the changes that we anticipate or may make to reduce our EVE exposure in response to a change in market interest rates as a part of our overall interest rate risk management strategy.

As with any method of measuring interest rate risk, certain limitations are inherent in the method of analysis presented in the preceding table. We are exposed to yield curve risk, prepayment risk and basis risk, which cannot be fully modeled and expressed using the above methodology. Accordingly, the results in the preceding table should not be relied upon as a precise indicator of actual results in the event of changing market interest rates. Additionally, the resulting EVE and NII estimates are not intended to represent, and should not be construed to represent the underlying value. In addition, we assume different deposit balance decay rates for each interest rate scenario based on a historical deposit study of our clients.

Our base case EVE at June 30, 2015 decreased from December 31, 2014 by $495 million, primarily caused by the change in balance sheet mix and a steeper yield curve due to market conditions. The change in balance sheet mix had a negative impact of $670 million to our base. This negative impact from balance sheet mix was offset by the steeper market yield curve which positively impacted the EVE by $175 million. The drivers of this negative impact were

reflective of a $1.3 billion increase in deposits, a $1.1 billion decrease in non-marketable and other securities after adopting new accounting guidance (ASU 2015-02) from January 1, 2015, and a $344 million increase in borrowings. This negative impact was offset by an increase of $1.3 billion in investment securities, and an $829 million increase in cash and cash equivalents period-end balance. EVE sensitivity increased in the simulated upward interest rate movements due to a $3.2 billion increase in noninterest-bearing deposits. In the simulated

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downward interest rate movements, EVE sensitivity decreased due to higher rates in the long-end of the yield curve increasing the down-rate shock effects for the noninterest-bearing deposits, while the impact from the loan and investment portfolios further offset EVE sensitivity.

12-Month Net Interest Income Simulation

Our estimated 12-month NII at June 30, 2015 increased from December 31, 2014 by $10 million primarily due to the change in balance sheet mix and the steeper yield curve. The NII was positively impacted by the period-end balance decrease of $1.9 billion in interest-bearing deposits and the increase in investment securities, and cash and cash equivalents. This positive impact was negatively offset by an increase in borrowings. NII sensitivity increased slightly in the upward interest rate scenario and remained flat in the downward interest rate scenario. In the simulated upward scenarios, the sensitivity increased slightly due to the change in balance sheet mix between fixed and variable assets at June 30, 2015 as compared to December 31, 2014. In the simulated downward scenarios, sensitivity remained relatively flat for the loan and investment securities due to rates being at or near their floors in the current rate environment.

The simulation model used in the above analysis embeds floors in our interest rate scenarios, which prevent model benchmark rates from moving below 0.0%. In addition, we assume different deposit balance decay rates for each interest rate scenario based on a historical deposit study of our clients. These assumptions may change in future periods based on management discretion. Actual changes in our deposit pricing strategies may differ from our current model assumptions and may have an impact on our overall sensitivity.

## ITEM 4. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

Disclosure controls and procedures are the controls and other procedures that are designed to ensure that information required to be disclosed in the reports that we file or submit under the Securities Exchange Act of 1934, as amended (the “Exchange Act”) is recorded, processed, summarized, and reported within the time periods specified in SEC rules and forms. Disclosure controls and procedures include, among other things, processes, controls and procedures designed to ensure that information required to be disclosed in the reports that we file or submit under the Exchange Act is accumulated and communicated to management, including the Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

We carried out an evaluation, under the supervision and with the participation of management, including the Chief Executive Officer and the Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures as of our most recently completed fiscal quarter, pursuant to Exchange Act Rule 13a-15(b). Based upon this evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of the period covered by this report, the Company’s disclosure controls and procedures were effective.

Changes in Internal Control

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

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PART II–OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Please refer to Note 16–“Legal Matters” of the “Notes to Interim Consolidated Financial Statements” under Part I, Item 1 of this report.

ITEM 1A. RISK FACTORS

There are no material changes from the risk factors set forth in our 2014 Form 10-K.

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

Recent Sales of Unregistered Securities

None.

Issuer Purchases of Equity Securities

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

See Index to Exhibits at end of report.

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SIGNATURES

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

| | |
|---|---|
| | SVB Financial Group |
| Date: August 7, 2015 | /s/ MICHAEL DESCHENEAUX<br>Michael Descheneaux<br>Chief Financial Officer<br>(Principal Financial Officer) |
| | SVB Financial Group |
| Date: August 7, 2015 | /s/ KAMRAN HUSAIN<br>Kamran Husain<br>Chief Accounting Officer<br>(Principal Accounting Officer) |

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INDEX TO EXHIBITS

| Exhibit Number | Exhibit Description | Incorporated by Reference | | | | Filed Herewith |
|---|---|---|---|---|---|---|
| | | Form | File No. | Exhibit | Filing Date | |
| 31.1 | Rule 13a-14(a) / 15(d)-14(a) Certification of Principal Executive Officer | | | | | X |
| 31.2 | Rule 13a-14(a) / 15(d)-14(a) Certification of Principal Financial Officer | | | | | |
| 32.1 | Section 1350 Certifications | | | | | * |
| 101.INS | XBRL Instance Document | | | | | X |
| 101.SCH | XBRL Taxonomy Extension Schema Document | | | | | X |
| 101.CAL | XBRL Taxonomy Extension Calculation Linkbase Document | | | | | X |
| 101.DEF | XBRL Taxonomy Extension Definition Linkbase Document | | | | | X |
| 101.LAB | XBRL Taxonomy Extension Label Linkbase Document | | | | | X |
| 101.PRE | XBRL Taxonomy Extension Presentation Linkbase Document | | | | | X |

* Furnished herewith