

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

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2016
OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____
Commission File Number: 000-15637
SVB FINANCIAL GROUP
(Exact name of registrant as specified in its charter)

Delaware 91-1962278
(State or other jurisdiction of (I.R.S. Employer
incorporation or organization) Identification No.)
3003 Tasman Drive, Santa Clara, California 95054-1191
(Address of principal executive offices) (Zip Code)
(408) 654-7400
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes 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 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 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

At July 31, 2016, 52,037,552 shares of the registrant's common stock (\$0.001 par value) were outstanding.

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Glossary of Acronyms that may be used in this Report

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

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

| (Dollars in thousands, except par value and share data) | June 30, 2016 | December 31, 2015 |
|---|------------------|----------------------|
| Assets | | |
| Cash and cash equivalents | \$1,854,457 | \$1,503,257 |
| Available-for-sale securities, at fair value (cost of \$12,853,624 and \$16,375,941, respectively) | 13,058,617 | 16,380,748 |
| Held-to-maturity securities, at cost (fair value of \$8,322,048 and \$8,758,622, respectively) | 8,200,443 | 8,790,963 |
| Non-marketable and other securities | 664,054 | 674,946 |
| Total investment securities | 21,923,114 | 25,846,657 |
| Loans, net of unearned income | 18,833,778 | 16,742,070 |
| Allowance for loan losses | (244,723) | (217,613) |
| Net loans | 18,589,055 | 16,524,457 |
| Premises and equipment, net of accumulated depreciation and amortization | 110,485 | 102,625 |
| Accrued interest receivable and other assets | 655,543 | 709,707 |
| Total assets | \$43,132,654 | \$44,686,703 |
| Liabilities and total equity | | |
| Liabilities: | | |
| Noninterest-bearing demand deposits | \$30,287,849 | \$30,867,497 |
| Interest-bearing deposits | 7,308,718 | 8,275,279 |
| Total deposits | 37,596,567 | 39,142,776 |
| Short-term borrowings | 503,219 | 774,900 |
| Other liabilities | 602,746 | 639,094 |
| Long-term debt | 796,329 | 796,702 |
| Total liabilities | 39,498,861 | 41,353,472 |
| Commitments and contingencies (Note 12 and Note 15) | | |
| SVBFG stockholders' equity: | | |
| Preferred stock, \$0.001 par value, 20,000,000 shares authorized; no shares issued and outstanding | — | — |
| Common stock, \$0.001 par value, 150,000,000 shares authorized; 52,025,673 shares and 51,610,226 shares outstanding, respectively | 52 | 52 |
| Additional paid-in capital | 1,209,821 | 1,189,032 |
| Retained earnings | 2,165,784 | 1,993,646 |
| Accumulated other comprehensive income | 129,921 | 15,404 |
| Total SVBFG stockholders' equity | 3,505,578 | 3,198,134 |
| Noncontrolling interests | 128,215 | 135,097 |
| Total equity | 3,633,793 | 3,333,231 |
| Total liabilities and total equity | \$43,132,654 | \$44,686,703 |

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

Table of ContentsSVB FINANCIAL GROUP AND SUBSIDIARIES
INTERIM CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

| (Dollars in thousands, except per share amounts) | Three months ended | | Six months ended | |
|--|--------------------|-----------|------------------|-----------|
| | June 30, 2016 | 2015 | June 30, 2016 | 2015 |
| Interest income: | | | | |
| Loans | \$205,287 | \$167,252 | \$403,229 | \$332,753 |
| Investment securities: | | | | |
| Taxable | 86,603 | 84,613 | 177,653 | 165,887 |
| Non-taxable | 575 | 741 | 1,171 | 1,513 |
| Federal funds sold, securities purchased under agreements to resell and other short-term investment securities | 1,527 | 1,320 | 3,597 | 2,589 |
| Total interest income | 293,992 | 253,926 | 585,650 | 502,742 |
| Interest expense: | | | | |
| Deposits | 1,261 | 1,182 | 2,449 | 3,125 |
| Borrowings | 9,395 | 8,973 | 18,444 | 16,921 |
| Total interest expense | 10,656 | 10,155 | 20,893 | 20,046 |
| Net interest income | 283,336 | 243,771 | 564,757 | 482,696 |
| Provision for loan losses | 36,333 | 26,513 | 69,674 | 32,965 |
| Net interest income after provision for loan losses | 247,003 | 217,258 | 495,083 | 449,731 |
| Noninterest income: | | | | |
| Gains on investment securities, net | 23,270 | 24,975 | 18,586 | 58,238 |
| Gains on derivative instruments, net | 8,798 | 16,317 | 7,103 | 56,046 |
| Foreign exchange fees | 24,088 | 22,364 | 51,054 | 40,042 |
| Credit card fees | 15,424 | 14,215 | 30,931 | 26,305 |
| Deposit service charges | 13,114 | 11,301 | 25,786 | 22,037 |
| Client investment fees | 8,012 | 5,264 | 16,007 | 9,746 |
| Lending related fees | 7,802 | 8,163 | 15,615 | 16,185 |
| Letters of credit and standby letters of credit fees | 6,014 | 4,772 | 11,603 | 9,974 |
| Other | 6,254 | 18,916 | 22,225 | 11,238 |
| Total noninterest income | 112,776 | 126,287 | 198,910 | 249,811 |
| Noninterest expense: | | | | |
| Compensation and benefits | 115,580 | 124,915 | 237,842 | 240,685 |
| Professional services | 25,516 | 18,950 | 44,516 | 37,697 |
| Premises and equipment | 16,586 | 11,787 | 31,570 | 24,444 |
| Business development and travel | 9,327 | 9,764 | 21,573 | 20,876 |
| Net occupancy | 9,359 | 8,149 | 19,394 | 15,462 |
| FDIC and state assessments | 6,892 | 5,962 | 13,819 | 11,751 |
| Correspondent bank fees | 2,713 | 3,337 | 6,365 | 6,705 |
| Provision for (reduction of) unfunded credit commitments | 413 | (3,061) | 547 | (798) |
| Other | 13,966 | 14,309 | 28,759 | 27,831 |
| Total noninterest expense | 200,352 | 194,112 | 404,385 | 384,653 |
| Income before income tax expense | 159,427 | 149,433 | 289,608 | 314,889 |
| Income tax expense | 65,047 | 54,974 | 118,631 | 118,040 |
| Net income before noncontrolling interests | 94,380 | 94,459 | 170,977 | 196,849 |
| Net (income) loss attributable to noncontrolling interests | (1,416) | (8,316) | 1,161 | (22,190) |
| Net income available to common stockholders | \$92,964 | \$86,143 | \$172,138 | \$174,659 |
| Earnings per common share—basic | \$1.79 | \$1.68 | \$3.33 | \$3.42 |

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| | | | | |
|-----------------------------------|------|------|------|------|
| Earnings per common share—diluted | 1.78 | 1.66 | 3.30 | 3.37 |
|-----------------------------------|------|------|------|------|

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)

| (Dollars in thousands) | Three months ended | | Six months ended | |
|--|--------------------|----------|------------------|-----------|
| | June 30, 2016 | 2015 | June 30, 2016 | 2015 |
| Net income before noncontrolling interests | \$94,380 | \$94,459 | \$170,977 | \$196,849 |
| Other comprehensive income, net of tax: | | | | |
| Change in cumulative translation (losses) gains: | | | | |
| Foreign currency translation (losses) gains | (1,795 |)529 | (2,049 |)2,690 |
| Related tax benefit (expense) | 731 | (321 |)835 | (1,141 |
| Change in unrealized gains (losses) on available-for-sale securities: | | | | |
| Unrealized holding gains (losses) | 40,937 | (45,541 |)211,768 | 41,566 |
| Related tax (expense) benefits | (16,686 |)18,191 | (86,289 |)(17,024 |
| Reclassification adjustment for gains included in net income | (12,328 |)141 |)(11,582 |)(2,737 |
| Related tax expense | 5,017 | 57 | 4,713 | 1,105 |
| Amortization of unrealized gains on securities transferred from available-for-sale to held-to-maturity | (2,250 |)(2,604 |)(4,817 |)(5,432 |
| Related tax benefit | 905 | 1,047 | 1,938 | 2,186 |
| Other comprehensive income (loss), net of tax | 14,531 | (28,783 |)114,517 | 21,213 |
| Comprehensive income | 108,911 | 65,676 | 285,494 | 218,062 |
| Comprehensive (income) loss attributable to noncontrolling interests | (1,416 |)(8,316 |)1,161 | (22,190 |
| Comprehensive income attributable to SVBFG | \$107,495 | \$57,360 | \$286,655 | \$195,872 |

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

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INTERIM CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (UNAUDITED)

| (Dollars in thousands) | Common Stock | | Additional Paid-in Capital | Retained Earnings | Accumulated Other Comprehensive Income | Total | | Total Equity |
|--|--------------|--------|----------------------------------|----------------------|---|----------------------------------|-----------------------------|--------------|
| | Shares | Amount | | | | SVBFG Stockholders' Equity | Noncontrolling Interests | |
| Balance at December 31, 2014 | 50,924,925 | \$ 51 | \$ 1,120,350 | \$ 1,649,967 | \$ 42,704 | \$ 2,813,072 | \$ 1,238,662 | \$ 4,051,734 |
| Common stock issued under employee benefit plans, net of restricted stock cancellations | 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 |
| Balance at December 31, 2015 | 51,610,226 | \$ 52 | \$ 1,189,032 | \$ 1,993,646 | \$ 15,404 | \$ 3,198,134 | \$ 135,097 | \$ 3,333,231 |
| Common stock issued under employee benefit plans, net of restricted stock cancellations | 372,282 | — | 6,852 | — | — | 6,852 | — | 6,852 |
| Common stock issued under ESOP | 43,165 | — | 4,328 | — | — | 4,328 | — | 4,328 |
| | — | — | (6,587) | — | — | (6,587) | — | (6,587) |

| | | | | | | | | |
|--|------------|-------|--------------|--------------|------------|--------------|------------|--------------|
| Income tax effect from stock options exercised, vesting of restricted stock and other | | | | | | | | |
| Net income (loss) | — | — | — | 172,138 | — | 172,138 | (1,161 |) 170,977 |
| Capital calls and distributions, net | — | — | — | — | — | — | (5,721 |) (5,721) |
| Net change in unrealized gains and losses on available-for-sale securities, net of tax | — | — | — | — | 118,610 | 118,610 | — | 118,610 |
| Amortization of unrealized gains on securities transferred from available-for-sale to held-to-maturity, net of tax | — | — | — | — | (2,879 |) (2,879 |)— | (2,879) |
| Foreign currency translation adjustments, net of tax | — | — | — | — | (1,214 |) (1,214 |)— | (1,214) |
| Share-based compensation expense | — | — | 16,196 | — | — | 16,196 | — | 16,196 |
| Balance at June 30, 2016 | 52,025,673 | \$ 52 | \$ 1,209,821 | \$ 2,165,784 | \$ 129,921 | \$ 3,505,578 | \$ 128,215 | \$ 3,633,793 |

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

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INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

| | Six months ended June 30, | |
|---|------------------------------|--------------|
| (Dollars in thousands) | 2016 | 2015 |
| Cash flows from operating activities: | | |
| Net income before noncontrolling interests | \$ 170,977 | \$ 196,849 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Provision for loan losses | 69,674 | 32,965 |
| Provision for (reduction of) unfunded credit commitments | 547 | (798) |
| Changes in fair values of derivatives, net | (3,439) | (33,030) |
| Gains on investment securities, net | (18,586) | (58,238) |
| Depreciation and amortization | 23,768 | 19,753 |
| Amortization of premiums and discounts on investment securities, net | 7,923 | 9,662 |
| Amortization of share-based compensation | 14,425 | 15,986 |
| Amortization of deferred loan fees | (46,896) | (43,194) |
| Pre-tax net gain on SVBIF sale transaction | — | (1,287) |
| Deferred income tax (benefit) expense | (6,374) | 4,283 |
| Changes in other assets and liabilities: | | |
| Accrued interest receivable and payable, net | 232 | 2,087 |
| Accounts receivable and payable, net | (2,598) | (10,038) |
| Income tax receivable and payable, net | (32,915) | 4,881 |
| Accrued compensation | (79,858) | (30,579) |
| Foreign exchange spot contracts, net | 53,870 | 46,517 |
| Other, net | (8,683) | 55,060 |
| Net cash provided by operating activities | 142,067 | 210,879 |
| Cash flows from investing activities: | | |
| Purchases of available-for-sale securities | — | (1,711,333) |
| Proceeds from sales of available-for-sale securities | 2,878,272 | 6,674 |
| Proceeds from maturities and pay downs of available-for-sale securities | 660,464 | 791,954 |
| Purchases of held-to-maturity securities | (140,641) | (1,032,637) |
| Proceeds from maturities and pay downs of held-to-maturity securities | 743,117 | 734,606 |
| Purchases of non-marketable and other securities | (31,239) | (21,694) |
| Proceeds from sales and distributions of non-marketable and other securities | 28,064 | 93,210 |
| Net (increase) decrease in loans | (2,091,903) | 146,753 |
| Proceeds from recoveries of charged-off loans | 6,074 | 4,541 |
| Effect of deconsolidation of noncontrolling interest | — | 15,995 |
| Net proceeds from SVBIF sale transaction | — | 39,284 |
| Purchases of premises and equipment | (24,057) | (24,539) |
| Net cash provided by (used for) investing activities | 2,028,151 | (957,186) |
| Cash flows from financing activities: | | |
| Net (decrease) increase in deposits | (1,546,209) | 1,203,927 |
| Net (decrease) in short-term borrowings | (271,681) | (5,244) |
| (Distributions to noncontrolling interests), net of contributions from noncontrolling interests | (5,721) | (11,519) |
| Tax effect from stock exercises | (6,587) | 10,157 |
| Proceeds from issuance of common stock, ESPP, and ESOP | 11,180 | 17,091 |
| Proceeds from issuance of 3.50% Senior Notes | — | 346,431 |
| Net cash (used for) provided by financing activities | (1,819,018) | 1,560,843 |
| Net increase in cash and cash equivalents | 351,200 | 814,536 |

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| | | |
|---|-------------|-------------|
| Cash and cash equivalents at beginning of period (1) | 1,503,257 | 1,811,014 |
| Cash and cash equivalents at end of period | \$1,854,457 | \$2,625,550 |
| Supplemental disclosures: | | |
| Cash paid during the period for: | | |
| Interest | \$20,942 | \$14,949 |
| Income taxes | 157,825 | 93,439 |
| Noncash items during the period: | | |
| Changes in unrealized gains and losses on available-for-sale securities, net of tax | \$118,610 | \$22,910 |
| Distributions of stock from investments (2) | 265 | 63,148 |

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

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

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

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SVB FINANCIAL GROUP AND SUBSIDIARIES

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

1. Basis of Presentation

SVB Financial Group is a diversified financial services company, as well as a bank holding company and financial holding company. SVB Financial was incorporated in the state of Delaware in March 1999. Through our various subsidiaries and divisions, we offer a variety of banking and financial products and services to support our clients of all sizes and stages throughout their life cycles. In these notes to our consolidated financial statements, when we refer to “SVB Financial Group,” “SVBFG”, the “Company,” “we,” “our,” “us” or use similar words, we mean SVB Financial Group and 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, 2016 are not necessarily indicative of results to be expected for any future periods. These unaudited interim consolidated financial statements should be read in conjunction with our Annual Report on Form 10-K for the year ended December 31, 2015 (“2015 Form 10-K”).

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

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

Principles of Consolidation and Presentation

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

ASU 2015-02 provided a single model for evaluating VIE entities for consolidation. VIEs are entities where investors lack sufficient equity at risk for the entity to finance its activities without additional subordinated financial support or equity investors, as a group, lack one of the following characteristics: (a) the power to direct the activities that most significantly impact the entity’s economic performance, (b) the obligation to absorb the expected losses of the entity, or (c) the right to receive the expected returns of the entity. We assess VIEs to determine if we are the primary

beneficiary of a VIE. A primary beneficiary is defined as a variable interest holder that has a controlling financial interest. A controlling financial interest requires both: (a) power to direct the activities that most significantly impact the VIE's economic performance, and (b) obligation to absorb losses or receive benefits of a VIE that could potentially be significant to a VIE. Under this analysis, we evaluate kick-out rights and other participating rights which could provide us a controlling financial interest. The primary beneficiary of a VIE is required to consolidate the VIE. ASU 2015-02 also changed how we evaluate fees paid to managers of our limited partnership investments. Under the new guidance, we exclude those fee arrangements that are not deemed to be variable interests from the analysis of our interests in our investments in VIEs and the determination of a primary beneficiary, if any.

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Our consolidated financial statements include the accounts of SVB Financial Group and consolidated entities. We consolidate voting entities in which we have control through voting interests. We determine whether we have a controlling financial interest in a VIE by determining if we have the power to direct the activities of the VIE that most significantly impact the entity's economic performance and whether we have significant variable interests. Generally, we have significant variable interests if our commitments to a limited partnership investment represent a significant amount of the total commitments to the entity. We also evaluate the impact of related parties on our determination of variable interests in our consolidation conclusions. We consolidate VIEs in which we are the primary beneficiary based on a controlling financial interest. If we are not the primary beneficiary of a VIE, we record our pro-rata interests or our cost basis in the VIE, as appropriate, based on other accounting guidance within GAAP.

All significant intercompany accounts and transactions with consolidated entities have been eliminated. We have not provided financial or other support during the periods presented to any VIE that we were not previously contractually required to provide.

Recent Accounting Pronouncements

In May 2014, the FASB issued a new accounting standard update (ASU 2014-09, Revenue from Contracts with Customers (Topic 606)), which provides revenue recognition guidance that is intended to create greater consistency with respect to how and when revenue from contracts with customers is shown in the income statement. This guidance will be effective January 1, 2018, either on a full retrospective approach or a modified retrospective approach, with early adoption permitted, but not before January 1, 2017. We are currently evaluating the impact this guidance will have on our financial position, results of operation and stockholders' equity.

In January 2016, the FASB issued a new accounting standard update (ASU 2016-01, Recognition and Measurement of Financial Assets and Financial Liabilities (Topic 825)), which will significantly change the income statement impact of equity investments, and the recognition of changes in fair value of financial liabilities. This guidance will be effective on January 1, 2018, on a prospective basis with a cumulative-effect adjustment to the balance sheet as of the beginning of the fiscal year of adoption. We are currently evaluating the impact this guidance will have on our financial position, results of operation and stockholders' equity.

In February 2016, the FASB issued a new accounting standard update (ASU 2016-02, Leases (Topic 842)), which will require for all operating leases the recognition of a right-of-use asset and a lease liability, in the statement of financial position. The lease cost will be allocated over the lease term on a straight-line basis. This guidance will be effective on January 1, 2019, on a modified retrospective basis, with early adoption permitted. We are currently evaluating the impact this guidance will have on our financial position, results of operation and stockholders' equity.

In March 2016, the FASB issued a new accounting standard update (ASU 2016-07, Investments—Equity Method and Joint Ventures (Topic 323)), which eliminates the requirement that when an investment qualifies for use of the equity method due to an increase in level of ownership or influence, an investor must adjust the investment, results of operations, and retained earnings retroactively on a step-by step basis as if the equity method had been in effect during all previous periods that the investment had been held. This guidance will be effective January 1, 2017, on a prospective basis, with early adoption permitted. We are currently evaluating the impact this guidance will have on our financial position, results of operation and stockholders' equity.

In March 2016, the FASB issued a new accounting standard update (ASU 2016-08, Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations (Reporting Revenue Gross versus Net)), which is intended to improve the operability and understandability of the implementation guidance by clarifying the following: how an entity should identify the unit of accounting for the principal versus agent evaluation; how the control principle applies to transactions, such as service arrangements; reframes the indicators to focus on a principal rather than an agent, removes the credit risk and commission indicators and clarifies the relationship between the control principle and the indicators; and revises the existing illustrative examples and adds new illustrative examples. This guidance will be effective January 1, 2018, either on a full retrospective approach or a modified retrospective approach, with early adoption permitted, but not before January 1, 2017. We are currently evaluating the impact this guidance will have on our financial position, results of operation and stockholders' equity.

In March 2016, the FASB issued a new accounting standard update (ASU No. 2016-09, Improvements to Employee Share-Based Payment Accounting (Topic 718)), which includes provisions intended to simplify various aspects

related to how share-based payments are accounted for and presented in the financial statements, including the accounting for income taxes, forfeitures, and statutory tax withholding requirements, as well as classification in the statement of cash flows. Under the ASU, an entity recognizes all excess tax benefits and tax deficiencies as income tax expense or benefit in the income statement. This guidance eliminates the notion of the APIC pool and significantly reduces the complexity and cost of accounting for excess tax benefits and tax deficiencies. Additionally, the ASU eliminates the requirement to defer recognition of an excess tax benefit until the benefit is realized through a reduction to taxes payable. This guidance will be effective January 1, 2017. Early adoption is

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permitted, but all of the guidance must be adopted in the same period. We are currently evaluating the impact this guidance will have on our financial position, results of operation and stockholders' equity.

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

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

Reclassifications

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

2. Stockholders' Equity and EPS**Accumulated Other Comprehensive Income**

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

| (Dollars in thousands) | Income Statement Location | Three months ended June 30, | | Six months ended June 30, | |
|--|-------------------------------------|-----------------------------|---------|---------------------------|-----------|
| | | 2016 | 2015 | 2016 | 2015 |
| Reclassification adjustment for gains included in net income | Gains on investment securities, net | \$(12,328) | \$(141) | \$(11,582) | \$(2,737) |
| Related tax expense | Income tax expense | 5,017 | 57 | 4,713 | 1,105 |
| Total reclassification adjustment for gains included in net income, net of tax | | \$(7,311) | \$(84) | \$(6,869) | \$(1,632) |

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, 2016 and 2015:

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| | Three months ended June 30, | | Six months ended June 30, | |
|---|--------------------------------|----------|------------------------------|-----------|
| (Dollars and shares in thousands, except per share amounts) | 2016 | 2015 | 2016 | 2015 |
| Numerator: | | | | |
| Net income available to common stockholders | \$92,964 | \$86,143 | \$172,138 | \$174,659 |
| Denominator: | | | | |
| Weighted average common shares outstanding-basic | 51,831 | 51,268 | 51,739 | 51,139 |
| Weighted average effect of dilutive securities: | | | | |
| Stock options and ESPP | 238 | 410 | 246 | 420 |
| Restricted stock units | 118 | 198 | 145 | 229 |
| Denominator for diluted calculation | 52,187 | 51,876 | 52,130 | 51,788 |
| Earnings per common share: | | | | |
| Basic | \$1.79 | \$1.68 | \$3.33 | \$3.42 |
| Diluted | \$1.78 | \$1.66 | \$3.30 | \$3.37 |

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

| | Three months ended June 30, | | Six months ended June 30, | |
|------------------------|--------------------------------------|------|------------------------------------|------|
| (Shares in thousands) | 2016 | 2015 | 2016 | 2015 |
| Stock options | 462 | 99 | 407 | 146 |
| Restricted stock units | 143 | — | 88 | — |
| Total | 605 | 99 | 495 | 146 |

3. Share-Based Compensation

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

| | Three months ended June 30, | | Six months ended June 30, | |
|--|--------------------------------|---------|------------------------------|----------|
| (Dollars in thousands) | 2016 | 2015 | 2016 | 2015 |
| Share-based compensation expense | \$7,548 | \$8,215 | \$14,425 | \$15,986 |
| Income tax benefit related to share-based compensation expense | (4,581) | (2,692) | (6,698) | (5,330) |
| Unrecognized Compensation Expense | | | | |

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

| | Unrecognized Expense | Average Expected Recognition Period - in Years |
|---|-------------------------|---|
| (Dollars in thousands) | | |
| Stock options | \$ 12,710 | 2.69 |
| Restricted stock units | 56,871 | 2.84 |
| Total unrecognized share-based compensation expense | \$ 69,581 | |

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Share-Based Payment Award Activity

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

| | Options | Weighted Average Exercise Price | Weighted Average Remaining Contractual Life - in Years | Aggregate Intrinsic Value of In-The- Money Options |
|--|------------|---------------------------------------|---|--|
| Outstanding at December 31, 2015 | 1,137,228 | \$ 77.12 | | |
| Granted | 175,433 | 105.18 | | |
| Exercised | (108,199) | 39.48 | | |
| Forfeited | (11,043) | 94.88 | | |
| Expired | (190) | 19.48 | | |
| Outstanding at June 30, 2016 | 1,193,229 | 84.51 | 4.03 | \$ 21,461,860 |
| Vested and expected to vest at June 30, 2016 | 1,157,616 | 83.78 | 3.97 | 21,397,505 |
| Exercisable at June 30, 2016 | 737,697 | 71.64 | 3.02 | 19,756,003 |

The aggregate intrinsic value of outstanding options shown in the table above represents the pre-tax intrinsic value based on our closing stock price of \$95.16 as of June 30, 2016. The total intrinsic value of options exercised during the three and six months ended June 30, 2016 was \$4.6 million and \$6.7 million, respectively, compared to \$11.6 million and \$21.8 million for the comparable 2015 periods.

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

| | Shares | Weighted Average Grant Date Fair Value |
|--------------------------------|-----------|---|
| Nonvested at December 31, 2015 | 572,038 | \$ 103.50 |
| Granted | 346,428 | 100.11 |
| Vested | (211,674) | 87.50 |
| Forfeited | (12,381) | 105.24 |
| Nonvested at June 30, 2016 | 694,411 | 106.66 |

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, 2016 and December 31, 2015:

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| (Dollars in thousands) | Consolidated VIEs | Unconsolidated VIEs | Maximum Exposure to Loss in Unconsolidated VIEs |
|--|----------------------|------------------------|---|
| June 30, 2016: | | | |
| Assets: | | | |
| Cash and cash equivalents | \$ 8,319 | \$ — | \$ — |
| Non-marketable and other securities (1) | 195,482 | 355,134 | 355,134 |
| Accrued interest receivable and other assets | 568 | — | — |
| Total assets | \$ 204,369 | \$ 355,134 | \$ 355,134 |
| Liabilities: | | | |
| Accrued expenses and other liabilities (1) | 894 | 72,231 | — |
| Total liabilities | \$ 894 | \$ 72,231 | \$ — |
| December 31, 2015: | | | |
| Assets: | | | |
| Cash and cash equivalents | \$ 11,811 | \$ — | \$ — |
| Non-marketable and other securities (1) | 203,714 | 364,450 | 364,450 |
| Accrued interest receivable and other assets | 494 | — | — |
| Total assets | \$ 216,019 | \$ 364,450 | \$ 364,450 |
| Liabilities: | | | |
| Accrued expenses and other liabilities (1) | 433 | 90,978 | — |
| Total liabilities | \$ 433 | \$ 90,978 | \$ — |

Included in our unconsolidated non-marketable and other securities portfolio at June 30, 2016 and December 31, (1)2015 are investments in qualified affordable housing projects of \$153.8 million and \$154.4 million, respectively and related unfunded commitments of \$72.2 million and \$91.0 million, respectively.

Non-marketable and other securities

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

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

The Bank also has variable interests in low income housing tax credit funds, in connection with fulfilling its responsibilities under the Community Reinvestment Act ("CRA"), that are designed to generate a return primarily through the realization of federal tax credits. These investments are typically limited partnerships in which the general

partner, other than the Bank, holds the power over significant activities of the VIE; therefore, these investments are not consolidated. For additional information on our investments in qualified affordable housing projects see Note 6—"Investment Securities" of the "Notes to Interim Consolidated Financial Statements (unaudited)" under Part I, Item 1 of this report.

As of June 30, 2016, our exposure to loss with respect to the consolidated VIEs is limited to our net assets of \$203.5 million and our exposure to loss for our unconsolidated VIEs is equal to our investment in these assets of \$355.1 million.

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5. Cash and Cash Equivalents

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

| (Dollars in thousands) | June 30, 2016 | December 31, 2015 |
|---|------------------|----------------------|
| Cash and due from banks (1) | \$1,533,270 | \$1,372,743 |
| Securities purchased under agreements to resell (2) | 316,059 | 125,391 |
| Other short-term investment securities | 5,128 | 5,123 |
| Total cash and cash equivalents | \$1,854,457 | \$1,503,257 |

At June 30, 2016 and December 31, 2015, \$542 million and \$405 million, respectively, of our cash and due from (1) 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 \$666 million and \$500 million, respectively.

At June 30, 2016 and December 31, 2015, securities purchased under agreements to resell were collateralized by (2) U.S. Treasury securities and U.S. agency securities with aggregate fair values of \$322 million and \$128 million, respectively. None of these securities received as collateral were sold or pledged as of June 30, 2016 or December 31, 2015.

6. Investment Securities

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

Available-for-Sale Securities

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

| (Dollars in thousands) | June 30, 2016 | | | |
|---|-------------------|---------------------|----------------------|-------------------|
| | Amortized Cost | Unrealized Gains | Unrealized Losses | Carrying Value |
| Available-for-sale securities, at fair value: | | | | |
| U.S. Treasury securities | \$8,826,762 | \$ 150,336 | \$ — | \$8,977,098 |
| U.S. agency debentures | 2,288,876 | 47,726 | — | 2,336,602 |
| Residential mortgage-backed securities: | | | | |
| Agency-issued collateralized mortgage obligations—fixed rate | 1,200,111 | 8,093 | (1,910) | 1,206,294 |
| Agency-issued collateralized mortgage obligations—variable rate | 537,041 | 1,004 | (348) | 537,697 |
| Equity securities | 834 | 152 | (60) | 926 |
| Total available-for-sale securities | \$12,853,624 | \$ 207,311 | \$ (2,318) | \$13,058,617 |

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

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

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| (Dollars in thousands) | June 30, 2016 | | | | | |
|---|---------------------------|-------------------|---------------------------|-------------------|---------------------------|-------------------|
| | Less than 12 months | | 12 months or longer | | Total | |
| | Fair Value of Investments | Unrealized Losses | Fair Value of Investments | Unrealized Losses | Fair Value of Investments | Unrealized Losses |
| Available-for-sale securities: | | | | | | |
| Residential mortgage-backed securities: | | | | | | |
| Agency-issued collateralized mortgage obligations—fixed rate | \$— | \$— | \$263,702 | \$(1,910) | \$263,702 | \$(1,910) |
| Agency-issued collateralized mortgage obligations—variable rate | 187,429 | (348) | — | — | 187,429 | (348) |
| Equity securities | 187 | (60) | — | — | 187 | (60) |
| Total temporarily impaired securities: (1) | \$187,616 | \$(408) | \$263,702 | \$(1,910) | \$451,318 | \$(2,318) |

As of June 30, 2016, we identified a total of 74 investments that were in unrealized loss positions, of which 14 investments totaling \$263.7 million with unrealized losses of \$1.9 million have been in an impaired position for a period of time greater than 12 months. As of June 30, 2016, we do not intend to sell any impaired fixed income investment securities prior to recovery of our adjusted cost basis, and it is more likely than not that we will not be (1) required to sell any of our securities prior to recovery of our adjusted cost basis. Based on our analysis as of June 30, 2016, we deem all impairments to be temporary, and therefore changes in value for our temporarily impaired securities as of the same date are included in other comprehensive income. Market valuations and impairment analyses on assets in the available-for-sale securities portfolio are reviewed and monitored on a quarterly basis.

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

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

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

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

| | June 30, 2016 | | | | | | | | | |
|---|----------------|------------------------|----------------|------------------------------|----------------|-------------------------------|----------------|------------------------|----------------|------------------------|
| | Total | One Year or Less | | After One Year to Five Years | | After Five Years to Ten Years | | After Ten Years | | |
| (Dollars in thousands) | Carrying Value | Weighted-Average Yield | Carrying Value | Weighted-Average Yield | Carrying Value | Weighted-Average Yield | Carrying Value | Weighted-Average Yield | Carrying Value | Weighted-Average Yield |
| U.S. Treasury securities | \$8,977,098 | 1.31 % | \$1,353,468 | 0.78 % | \$7,623,630 | 1.41 % | \$— | — % | \$— | — % |
| U.S. agency debentures | 2,336,602 | 1.59 | 376,492 | 1.42 | 1,960,110 | 1.62 | — | — | — | — |
| Residential mortgage-backed securities: | | | | | | | | | | |
| Agency-issued collateralized mortgage obligations - fixed rate | 1,206,294 | 1.93 | — | — | — | — | 848,402 | 2.11 | 357,892 | 1.52 |
| Agency-issued collateralized mortgage obligations - variable rate | 537,697 | 0.71 | — | — | — | — | — | — | 537,697 | 0.71 |
| Total | \$13,057,691 | 1.40 | \$1,729,960 | 0.92 | \$9,583,740 | 1.45 | \$848,402 | 2.11 | \$895,589 | 1.03 |

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Held-to-Maturity Securities

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

| (Dollars in thousands) | June 30, 2016 | | | Fair Value |
|---|----------------|------------------|-------------------|-------------|
| | Amortized Cost | Unrealized Gains | Unrealized Losses | |
| Held-to-maturity securities, at cost: | | | | |
| U.S. agency debentures (1) | \$588,813 | \$ 19,436 | \$ — | \$608,249 |
| Residential mortgage-backed securities: | | | | |
| Agency-issued mortgage-backed securities | 2,228,633 | 40,751 | (270) | 2,269,114 |
| Agency-issued collateralized mortgage obligations—fixed rate | 3,829,568 | 44,721 | (1,267) | 3,873,022 |
| Agency-issued collateralized mortgage obligations—variable rate | 343,040 | 200 | (41) | 343,199 |
| Agency-issued commercial mortgage-backed securities | 1,152,105 | 18,927 | (164) | 1,170,868 |
| Municipal bonds and notes | 58,284 | 161 | (849) | 57,596 |
| Total held-to-maturity securities | \$8,200,443 | \$ 124,196 | \$ (2,591) | \$8,322,048 |

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

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

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

| (Dollars in thousands) | June 30, 2016 | | | | | |
|---|---------------------------|-------------------|---------------------------|-------------------|---------------------------|-------------------|
| | Less than 12 months | | 12 months or longer | | Total | |
| | Fair Value of Investments | Unrealized Losses | Fair Value of Investments | Unrealized Losses | Fair Value of Investments | Unrealized Losses |
| Held-to-maturity securities: | | | | | | |
| Residential mortgage-backed securities: | | | | | | |
| Agency-issued mortgage-backed securities | \$766 | \$(20) | \$24,980 | \$(250) | \$25,746 | \$(270) |
| Agency-issued collateralized mortgage obligations—fixed rate | — | — | 270,867 | (1,267) | 270,867 | (1,267) |
| Agency-issued collateralized mortgage obligations—variable rate | 186,137 | (41) | — | — | 186,137 | (41) |
| Agency-issued commercial mortgage-backed securities | — | — | 26,424 | (164) | 26,424 | (164) |
| Municipal bonds and notes | 12,588 | (75) | 33,790 | (774) | 46,378 | (849) |
| Total temporarily impaired securities (1): | \$199,491 | \$(136) | \$356,061 | \$(2,455) | \$555,552 | \$(2,591) |

As of June 30, 2016, we identified a total of 132 investments that were in unrealized loss positions, of which 81 investments totaling \$356.1 million with unrealized losses of \$2.5 million have been in an impaired position for a period of time greater than 12 months. As of June 30, 2016, we do not intend to sell any impaired fixed income investment securities prior to recovery of our adjusted cost basis, and it is more likely than not that we will not be required to sell any of our securities prior to recovery of our adjusted cost basis, which is consistent with our classification of these securities. Based on our analysis as of June 30, 2016, we deem all impairments to be temporary. Market valuations and impairment analyses on assets in the held-to-maturity securities portfolio are reviewed and monitored on a quarterly basis.

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

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

As of December 31, 2015, we identified a total of 384 investments that were in unrealized loss positions, of which 158 investments totaling \$238.4 million with unrealized losses of \$4.6 million have been in an impaired position for a period of time greater than 12 months.

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

| | June 30, 2016 | | | | | | | | | | |
|---|----------------|------------------------|----------------|------------------------------|----------------|-------------------------------|----------------|------------------------|----------------|------------------------|--|
| | Total | One Year or Less | | After One Year to Five Years | | After Five Years to Ten Years | | After Ten Years | | | |
| (Dollars in thousands) | Amortized Cost | Weighted-Average Yield | Amortized Cost | Weighted-Average Yield | Amortized Cost | Weighted-Average Yield | Amortized Cost | Weighted-Average Yield | Amortized Cost | Weighted-Average Yield | |
| U.S. agency debentures | \$588,813 | 2.70 % | \$— | — % | \$16,633 | 4.07 % | \$572,180 | 2.66 % | \$— | — % | |
| Residential mortgage-backed securities: | | | | | | | | | | | |
| Agency-issued mortgage-backed securities | 2,228,633 | 2.38 | — | — | 223,864 | 2.72 | 299,976 | 1.81 | 1,704,793 | 2.44 | |
| Agency-issued collateralized mortgage obligations - fixed rate | 3,829,568 | 1.73 | — | — | — | — | 23,606 | 1.75 | 3,805,962 | 1.73 | |
| Agency-issued collateralized mortgage obligations - variable rate | 343,040 | 0.74 | — | — | — | — | — | — | 343,040 | 0.74 | |
| Agency-issued commercial mortgage-backed securities | 1,152,105 | 2.12 | — | — | — | — | — | — | 1,152,105 | 2.12 | |
| Municipal bonds and notes | 58,284 | 6.06 | 4,627 | 5.69 | 25,667 | 6.01 | 25,377 | 6.14 | 2,613 | 6.46 | |
| Total | \$8,200,443 | 2.02 | \$4,627 | 5.69 | \$266,164 | 3.12 | \$921,139 | 2.45 | \$7,008,513 | 1.92 | |

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Non-marketable and Other Securities

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

| (Dollars in thousands) | June 30, 2016 | December 31, 2015 |
|---|------------------|----------------------|
| Non-marketable and other securities: | | |
| Non-marketable securities (fair value accounting): | | |
| Venture capital and private equity fund investments (1) | \$144,227 | \$152,237 |
| Other venture capital investments (2) | 2,040 | 2,040 |
| Other securities (fair value accounting) (3) | 280 | 548 |
| Non-marketable securities (equity method accounting) (4): | | |
| Venture capital and private equity fund investments | 82,214 | 85,705 |
| Debt funds | 19,239 | 21,970 |
| Other investments | 120,721 | 118,532 |
| Non-marketable securities (cost method accounting): | | |
| Venture capital and private equity fund investments (5) | 117,379 | 120,676 |
| Other investments | 24,156 | 18,882 |
| Investments in qualified affordable housing projects, net (6) | 153,798 | 154,356 |
| Total non-marketable and other securities | \$664,054 | \$674,946 |

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

| (Dollars in thousands) | June 30, 2016 | | December 31, 2015 | |
|---|---------------|-------------|-------------------|-------------|
| | Amount | Ownership % | Amount | Ownership % |
| SVB Strategic Investors Fund, LP | \$18,062 | 12.6 % | \$20,794 | 12.6 % |
| SVB Capital Preferred Return Fund, LP | 58,220 | 20.0 | 60,619 | 20.0 |
| SVB Capital—NT Growth Partners, LP | 60,789 | 33.0 | 62,983 | 33.0 |
| Other private equity fund (i) | 7,156 | 58.2 | 7,841 | 58.2 |
| Total venture capital and private equity fund investments | \$144,227 | | \$152,237 | |

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

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

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

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

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

| (Dollars in thousands) | June 30, 2016 | | December 31, 2015 | |
|---|---------------|-------------|-------------------|-------------|
| | Amount | Ownership % | Amount | Ownership % |
| Venture capital and private equity fund investments: | | | | |
| SVB Strategic Investors Fund II, LP | \$8,996 | 8.6 % | \$10,035 | 8.6 % |
| SVB Strategic Investors Fund III, LP | 20,957 | 5.9 | 23,926 | 5.9 |
| SVB Strategic Investors Fund IV, LP | 24,557 | 5.0 | 26,411 | 5.0 |
| Strategic Investors Fund V funds | 11,463 | Various | 10,470 | Various |
| Other venture capital and private equity fund investments | 16,241 | Various | 14,863 | Various |
| Total venture capital and private equity fund investments | \$82,214 | | \$85,705 | |
| Debt funds: | | | | |
| Gold Hill Capital 2008, LP (i) | \$15,705 | 15.5 % | \$17,453 | 15.5 % |
| Other debt funds | 3,534 | Various | 4,517 | Various |
| Total debt funds | \$19,239 | | \$21,970 | |
| Other investments: | | | | |
| China Joint Venture investment | \$78,074 | 50.0 % | \$78,799 | 50.0 % |
| Other investments | 42,647 | Various | 39,733 | Various |
| Total other investments | \$120,721 | | \$118,532 | |

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

Represents investments in 264 and 267 funds (primarily venture capital funds) at June 30, 2016 and December 31, 2015, respectively, where our ownership interest is typically less than 5% of the voting interests of each such fund and in which we do not have the ability to exercise significant influence over the partnerships operating activities (5) and financial policies. The carrying value, and estimated fair value, of these venture capital and private equity fund investments (cost method accounting) was \$117 million and \$227 million, respectively, as of June 30, 2016. The carrying value, and estimated fair value, of these venture capital and private equity fund investments (cost method accounting) was \$121 million and \$233 million, respectively, as of December 31, 2015.

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

| (Dollars in thousands) | June 30, | December |
|---|-----------|-----------|
| | 2016 | 31, 2015 |
| Investments in qualified affordable housing projects, net | \$153,798 | \$154,356 |
| Accrued expenses and other liabilities | 72,231 | 90,978 |

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

| (Dollars in thousands) | Three months ended June 30, | | Six months ended June 30, | |
|---|-----------------------------|---------|---------------------------|---------|
| | 2016 | 2015 | 2016 | 2015 |
| Tax credits and other tax benefits recognized | \$4,066 | \$3,214 | \$8,132 | \$6,427 |
| Amortization expense included in provision for income taxes (i) | 3,578 | 2,741 | 7,190 | 5,538 |

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

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

| (Dollars in thousands) | Three months ended June 30, | | Six months ended June 30, | |
|---|--------------------------------|----------|------------------------------|----------|
| | 2016 | 2015 | 2016 | 2015 |
| Gross gains on investment securities: | | | | |
| Available-for-sale securities, at fair value (1) | \$12,401 | \$235 | \$14,154 | \$2,925 |
| Non-marketable securities (fair value accounting): | | | | |
| Venture capital and private equity fund investments | 7,524 | 9,199 | 10,347 | 18,021 |
| Other venture capital investments | 5 | — | 13 | 183 |
| Other securities (fair value accounting) | 305 | 281 | 368 | 9,068 |
| Non-marketable securities (equity method accounting): | | | | |
| Venture capital and private equity fund investments | 2,019 | 6,709 | 3,672 | 12,723 |
| Debt funds | 64 | 183 | 964 | 1,688 |
| Other investments | 3,190 | 45 | 4,041 | 2,727 |
| Non-marketable securities (cost method accounting): | | | | |
| Venture capital and private equity fund investments | 5,514 | 10,644 | 7,852 | 15,477 |
| Other investments | 13 | 218 | 13 | 576 |
| Total gross gains on investment securities | 31,035 | 27,514 | 41,424 | 63,388 |
| Gross losses on investment securities: | | | | |
| Available-for-sale securities, at fair value (1) | (73) | (94) | (2,572) | (188) |
| Non-marketable securities (fair value accounting): | | | | |
| Venture capital and private equity fund investments | (5,943) | (599) | (13,836) | (1,547) |
| Other venture capital investments | — | — | (38) | (52) |
| Other securities (fair value accounting) | (250) | (120) | (407) | (792) |
| Non-marketable securities (equity method accounting): | | | | |
| Venture capital and private equity fund investments | (466) | (409) | (4,021) | (437) |
| Debt funds | (284) | — | (329) | (588) |
| Other investments | (312) | (1,140) | (956) | (1,140) |
| Non-marketable securities (cost method accounting): | | | | |
| Venture capital and private equity fund investments (2) | (270) | (174) | (441) | (398) |
| Other investments | (167) | (3) | (238) | (8) |
| Total gross losses on investment securities | (7,765) | (2,539) | (22,838) | (5,150) |
| Gains on investment securities, net | \$23,270 | \$24,975 | \$18,586 | \$58,238 |

(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, 2016 and 2015, includes OTTI losses of \$0.3 million from the declines in value for 10 of the 264 investments and \$0.2 million from the declines in value for 8 of the 273 investments, respectively. For the six months ended June 30, 2016 and 2015, includes OTTI losses of \$0.4 million from the declines in value for 18 of the 264 investments and \$0.3 million from the declines in value for 17 of the 273 investments, respectively. We concluded that any declines in value for the remaining investments were temporary, and as such, no OTTI was required to be recognized.

7. Loans and Allowance for Loan Losses

We serve a variety of commercial clients in the technology, life science/healthcare, private equity/venture capital and premium wine industries. Our technology clients generally tend to be in the industries of hardware (semiconductors,

communications and electronics), software and related services, and energy and resource innovation ("ERI"). Because of the diverse nature of ERI products and services, for our loan-related reporting purposes, ERI-related loans are reported under our hardware, software and internet, life science/healthcare and other commercial loan categories, as applicable. Our life science/healthcare clients primarily tend to be in the industries of biotechnology, medical devices, healthcare information technology and healthcare services. Loans made to private equity/venture capital firm clients typically enable them to fund investments

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prior to their receipt of funds from capital calls. Loans to the premium wine industry focus on vineyards and wineries that produce grapes and wines of high quality.

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

We also provide community development loans made as part of our responsibilities under the Community Reinvestment Act. These loans are included within "Construction loans" below and are primarily secured by real estate. The composition of loans, net of unearned income of \$116 million and \$115 million at June 30, 2016 and December 31, 2015, respectively, is presented in the following table:

| (Dollars in thousands) | June 30, 2016 | December 31, 2015 |
|---|------------------|----------------------|
| Commercial loans: | | |
| Software and internet | \$5,530,874 | \$5,437,915 |
| Hardware | 1,123,433 | 1,071,528 |
| Private equity/venture capital | 7,078,544 | 5,467,577 |
| Life science/healthcare | 1,780,974 | 1,710,642 |
| Premium wine | 191,183 | 201,175 |
| Other | 378,399 | 312,278 |
| Total commercial loans | 16,083,407 | 14,201,115 |
| Real estate secured loans: | | |
| Premium wine (1) | 638,053 | 646,120 |
| Consumer loans (2) | 1,748,419 | 1,544,440 |
| Other | 44,350 | 44,830 |
| Total real estate secured loans | 2,430,822 | 2,235,390 |
| Construction loans | 79,772 | 78,682 |
| Consumer loans | 239,777 | 226,883 |
| Total loans, net of unearned income (3) | \$18,833,778 | \$16,742,070 |

(1) Included in our premium wine portfolio are gross construction loans of \$107 million and \$121 million at June 30, 2016 and December 31, 2015, respectively.

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

| (Dollars in thousands) | June 30, 2016 | December 31, 2015 |
|---------------------------------------|------------------|----------------------|
| Loans for personal residence | \$1,495,858 | \$1,312,818 |
| Loans to eligible employees | 175,269 | 156,001 |
| Home equity lines of credit | 77,292 | 75,621 |
| Consumer loans secured by real estate | \$1,748,419 | \$1,544,440 |

(3) Included within our total loan portfolio are credit card loans of \$181 million and \$177 million at June 30, 2016 and December 31, 2015, respectively.

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Credit Quality

The composition of loans, net of unearned income of \$116 million and \$115 million at June 30, 2016 and December 31, 2015, respectively, broken out by portfolio segment and class of financing receivable, is as follows:

| (Dollars in thousands) | June 30, 2016 | December 31, 2015 |
|-------------------------------------|------------------|----------------------|
| Commercial loans: | | |
| Software and internet | \$5,530,874 | \$5,437,915 |
| Hardware | 1,123,433 | 1,071,528 |
| Private equity/venture capital | 7,078,544 | 5,467,577 |
| Life science/healthcare | 1,780,974 | 1,710,642 |
| Premium wine | 829,236 | 847,295 |
| Other | 502,521 | 435,790 |
| Total commercial loans | 16,845,582 | 14,970,747 |
| Consumer loans: | | |
| Real estate secured loans | 1,748,419 | 1,544,440 |
| Other consumer loans | 239,777 | 226,883 |
| Total consumer loans | 1,988,196 | 1,771,323 |
| Total loans, net of unearned income | \$18,833,778 | \$16,742,070 |

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

| (Dollars in thousands) | 30 - 59 Days Past Due | 60 - 89 Days Past Due | Greater Than 90 Days Past Due | Total Past Due | Current | Loans Past Due 90 Days or More Still Accruing Interest |
|--|-----------------------------|-----------------------------|--|-------------------|--------------|--|
| June 30, 2016: | | | | | | |
| Commercial loans: | | | | | | |
| Software and internet | \$ 16,406 | \$ 1,138 | \$ 54 | \$ 17,598 | \$5,459,384 | \$ 54 |
| Hardware | 201 | 48 | — | 249 | 1,108,574 | — |
| Private equity/venture capital | 11,258 | 63 | — | 11,321 | 7,118,442 | — |
| Life science/healthcare | 503 | 26 | 358 | 887 | 1,743,728 | 358 |
| Premium wine | 4,537 | — | — | 4,537 | 825,275 | — |
| Other | 98 | — | — | 98 | 500,293 | — |
| Total commercial loans | 33,003 | 1,275 | 412 | 34,690 | 16,755,696 | 412 |
| Consumer loans: | | | | | | |
| Real estate secured loans | — | — | — | — | 1,747,021 | — |
| Other consumer loans | 45,008 | 83 | — | 45,091 | 193,745 | — |
| Total consumer loans | 45,008 | 83 | — | 45,091 | 1,940,766 | — |
| Total gross loans excluding impaired loans | 78,011 | 1,358 | 412 | 79,781 | 18,696,462 | 412 |
| Impaired loans | 2,975 | 662 | 16,182 | 19,819 | 153,840 | — |
| Total gross loans | \$ 80,986 | \$ 2,020 | \$ 16,594 | \$ 99,600 | \$18,850,302 | \$ 412 |
| December 31, 2015: | | | | | | |
| Commercial loans: | | | | | | |
| Software and internet | \$ 3,384 | \$ 6,638 | \$ — | \$ 10,022 | \$5,371,222 | \$ — |
| Hardware | 1,061 | 66 | — | 1,127 | 1,051,368 | — |
| Private equity/venture capital | — | 17 | — | 17 | 5,511,912 | — |
| Life science/healthcare | 853 | 6,537 | — | 7,390 | 1,665,801 | — |
| Premium wine | 16 | 65 | — | 81 | 847,249 | — |
| Other | 14 | 22 | — | 36 | 438,313 | — |
| Total commercial loans | 5,328 | 13,345 | — | 18,673 | 14,885,865 | — |
| Consumer loans: | | | | | | |
| Real estate secured loans | 4,911 | 865 | — | 5,776 | 1,537,421 | — |
| Other consumer loans | 228 | 115 | — | 343 | 226,369 | — |
| Total consumer loans | 5,139 | 980 | — | 6,119 | 1,763,790 | — |
| Total gross loans excluding impaired loans | 10,467 | 14,325 | — | 24,792 | 16,649,655 | — |
| Impaired loans | 333 | — | 7,221 | 7,554 | 175,130 | — |
| Total gross loans | \$ 10,800 | \$ 14,325 | \$ 7,221 | \$ 32,346 | \$16,824,785 | \$ — |

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

| (Dollars in thousands) | Impaired loans for which there is a related allowance for loan losses | Impaired loans for which there is no related allowance for loan losses | Total carrying value of impaired loans | Total unpaid principal of impaired loans |
|--------------------------------|---|--|--|--|
| June 30, 2016: | | | | |
| Commercial loans: | | | | |
| Software and internet | \$ 93,971 | \$ — | \$ 93,971 | \$ 101,358 |
| Hardware | 22,751 | — | 22,751 | 22,786 |
| Private equity/venture capital | — | — | — | — |
| Life science/healthcare | 49,265 | — | 49,265 | 51,412 |
| Premium wine | 1,296 | — | 1,296 | 1,296 |
| Other | 5,467 | — | 5,467 | 5,467 |
| Total commercial loans | 172,750 | — | 172,750 | 182,319 |
| Consumer loans: | | | | |
| Real estate secured loans | 123 | — | 123 | 1,387 |
| Other consumer loans | 786 | — | 786 | 786 |
| Total consumer loans | 909 | — | 909 | 2,173 |
| Total | \$ 173,659 | \$ — | \$ 173,659 | \$ 184,492 |
| December 31, 2015: | | | | |
| Commercial loans: | | | | |
| Software and internet | \$ 100,866 | \$ — | \$ 100,866 | \$ 125,494 |
| Hardware | 27,736 | — | 27,736 | 27,869 |
| Private equity/venture capital | — | — | — | — |
| Life science/healthcare | 50,429 | 925 | 51,354 | 55,310 |
| Premium wine | 898 | 1,167 | 2,065 | 2,604 |
| Other | 520 | — | 520 | 520 |
| Total commercial loans | 180,449 | 2,092 | 182,541 | 211,797 |
| Consumer loans: | | | | |
| Real estate secured loans | 143 | — | 143 | 1,393 |
| Other consumer loans | — | — | — | — |
| Total consumer loans | 143 | — | 143 | 1,393 |
| Total | \$ 180,592 | \$ 2,092 | \$ 182,684 | \$ 213,190 |

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

| Three months ended June 30, (dollars in thousands) | Average impaired loans | | Interest income on impaired loans | |
|---|------------------------|-----------------|-----------------------------------|-------------|
| | 2016 | 2015 | 2016 | 2015 (1) |
| Commercial loans: | | | | |
| Software and internet | \$101,168 | \$52,747 | \$ 438 | \$ — |
| Hardware | 23,221 | 1,393 | 442 | — |
| Life science/healthcare | 33,324 | 1,993 | — | — |
| Premium wine | 2,040 | 1,239 | 18 | — |
| Other | 5,485 | 5,222 | 7 | — |
| Total commercial loans | 165,238 | 62,594 | 905 | — |
| Consumer loans: | | | | |
| Real estate secured loans | 127 | 183 | — | — |
| Other consumer loans | 786 | 76 | 11 | — |
| Total consumer loans | 913 | 259 | 11 | — |
| Total average impaired loans | \$166,151 | \$62,853 | \$ 916 | \$ — |

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

| Six months ended June 30, (dollars in thousands) | Average impaired loans | | Interest income on impaired loans | |
|---|------------------------|-----------------|-----------------------------------|-------------|
| | 2016 | 2015 | 2016 | 2015 (1) |
| Commercial loans: | | | | |
| Software and internet | \$95,268 | \$43,236 | \$763 | \$ — |
| Hardware | 23,824 | 1,518 | 749 | — |
| Life science/healthcare | 36,507 | 1,197 | — | — |
| Premium wine | 2,106 | 1,261 | 35 | — |
| Other | 4,669 | 3,681 | 15 | — |
| Total commercial loans | 162,374 | 50,893 | 1,562 | — |
| Consumer loans: | | | | |
| Real estate secured loans | 131 | 189 | — | — |
| Other consumer loans | 410 | 82 | 11 | — |
| Total consumer loans | 541 | 271 | 11 | — |
| Total average impaired loans | \$162,915 | \$51,164 | \$1,573 | \$ — |

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

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

| Three months ended June 30, 2016 (dollars in thousands) | Beginning Balance March 31, 2016 | Charge-offs | Recoveries | Provision for (Reduction of) Loan Losses | Foreign Currency Translation Adjustments | Ending Balance June 30, 2016 |
|---|----------------------------------|--------------|------------|--|--|------------------------------|
| Commercial loans: | | | | | | |
| Software and internet | \$ 106,898 | \$ (18,055) | \$ 260 | \$ 16,215 | \$ (1,089) | \$ 104,229 |
| Hardware | 23,836 | (2,015) | 183 | 2,003 | (136) | 23,871 |
| Private equity/venture capital | 43,686 | — | — | 6,562 | (441) | 49,807 |
| Life science/healthcare | 30,285 | (606) | 185 | 12,853 | (865) | 41,852 |
| Premium wine | 5,244 | — | — | (465) | 31 | 4,810 |
| Other | 9,547 | — | 599 | (714) | 48 | 9,480 |
| Total commercial loans | 219,496 | (20,676) | 1,227 | 36,454 | (2,452) | 234,049 |
| Consumer loans | 10,753 | — | 34 | (121) | 8 | 10,674 |
| Total allowance for loan losses | \$ 230,249 | \$ (20,676) | \$ 1,261 | \$ 36,333 | \$ (2,444) | \$ 244,723 |

| Three months ended June 30, 2015 (dollars in thousands) | Beginning Balance March 31, 2015 | Charge-offs | Recoveries | Provision for (Reduction of) Loan Losses | Foreign Currency Translation Adjustments (1) | Ending Balance June 30, 2015 |
|---|----------------------------------|-------------|------------|--|--|------------------------------|
| Commercial loans: | | | | | | |
| Software and internet | \$ 82,092 | \$ (762) | \$ 597 | \$ 24,732 | \$ 69 | \$ 106,728 |
| Hardware | 21,258 | (839) | 1,881 | (1,823) | (5) | 20,472 |
| Private equity/venture capital | 30,837 | — | — | (1,557) | (4) | 29,276 |
| Life science/healthcare | 15,323 | (2,994) | 45 | 4,846 | 13 | 17,233 |
| Premium wine | 4,503 | — | 7 | (101) | — | 4,409 |
| Other | 6,151 | (139) | 409 | (505) | (22) | 5,894 |
| Total commercial loans | 160,164 | (4,734) | 2,939 | 25,592 | 51 | 184,012 |
| Consumer loans | 7,711 | — | — | 921 | — | 8,632 |
| Total allowance for loan losses | \$ 167,875 | \$ (4,734) | \$ 2,939 | \$ 26,513 | \$ 51 | \$ 192,644 |

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

| Six months ended June 30, 2016 (dollars in thousands) | Beginning Balance December 31, 2015 | Charge-offs | Recoveries | Provision for (Reduction of) Loan Losses | Foreign Currency Translation Adjustments | Ending Balance June 30, 2016 |
|---|-------------------------------------|--------------|------------|--|--|------------------------------|
| Commercial loans: | | | | | | |
| Software and internet | \$ 103,045 | \$ (40,216) | \$ 4,220 | \$ 37,847 | \$ (667) | \$ 104,229 |
| Hardware | 23,085 | (3,501) | 422 | 3,962 | (97) | 23,871 |
| Private equity/venture capital | 35,282 | — | — | 14,805 | (280) | 49,807 |
| Life science/healthcare | 36,576 | (3,001) | 676 | 8,550 | (949) | 41,852 |
| Premium wine | 5,205 | — | — | (426) | 31 | 4,810 |
| Other | 4,252 | (30) | 673 | 4,431 | 154 | 9,480 |
| Total commercial loans | 207,445 | (46,748) | 5,991 | 69,169 | (1,808) | 234,049 |
| Consumer loans | 10,168 | (102) | 83 | 505 | 20 | 10,674 |
| Total allowance for loan losses | \$ 217,613 | \$ (46,850) | \$ 6,074 | \$ 69,674 | \$ (1,788) | \$ 244,723 |

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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 | Foreign Currency Translation Adjustments (1) | Ending Balance June 30, 2015 |
|---|-------------------------------------|--------------|------------|--|--|------------------------------|
| Commercial loans: | | | | | | |
| Software and internet | \$ 80,981 | \$ (2,165) | \$ 1,044 | \$ 26,869 | \$ (1) | \$ 106,728 |
| Hardware | 25,860 | (4,049) | 2,809 | (4,221) | 73 | 20,472 |
| Private equity/venture capital | 27,997 | — | — | 1,381 | (102) | 29,276 |
| Life science/healthcare | 15,208 | (3,219) | 79 | 5,161 | 4 | 17,233 |
| Premium wine | 4,473 | — | 7 | (71) | — | 4,409 |
| Other | 3,253 | (788) | 556 | 2,933 | (60) | 5,894 |
| Total commercial loans | 157,772 | (10,221) | 4,495 | 32,052 | (86) | 184,012 |
| Consumer loans | 7,587 | — | 132 | 913 | — | 8,632 |
| Total allowance for loan losses | \$ 165,359 | \$ (10,221) | \$ 4,627 | \$ 32,965 | \$ (86) | \$ 192,644 |

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

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

| (Dollars in thousands) | June 30, 2016 | | December 31, 2015 | |
|--------------------------------|--|--|--|--|
| | Individually Evaluated for Impairment Allowance Recorded for loan losses | Collectively Evaluated for Impairment Allowance Recorded for investment in loans | Individually Evaluated for Impairment Allowance Recorded for loan losses | Collectively Evaluated for Impairment Allowance Recorded for investment in loans |
| Commercial loans: | | | | |
| Software and internet | \$ 33,705 | \$ 93,971 | \$ 70,524 | \$ 5,436,903 |
| Hardware | 2,327 | 22,751 | 21,544 | 1,100,682 |
| Private equity/venture capital | — | — | 49,807 | 7,078,544 |
| Life science/healthcare | 23,380 | 49,265 | 18,472 | 1,731,709 |
| Premium wine | 130 | 1,296 | 4,680 | 827,940 |
| Other | 5,047 | 5,467 | 4,433 | 497,054 |
| Total commercial loans | 64,589 | 172,750 | 169,460 | 16,672,832 |
| Consumer loans | 202 | 909 | 10,472 | 1,987,287 |
| Total | \$ 64,791 | \$ 173,659 | \$ 179,932 | \$ 18,660,119 |

Credit Quality Indicators

For each individual client, we establish an internal credit risk rating for that loan, which is used for assessing and monitoring credit risk as well as performance of the loan and the overall portfolio. Our internal credit risk ratings are also used to summarize the risk of loss due to failure by an individual borrower to repay the loan. For our internal credit risk ratings, each individual loan is given a risk rating of 1 through 10. Loans risk-rated 1 through 4 are performing loans and translate to an internal rating of “Pass”, with loans risk-rated 1 being cash secured. Loans risk-rated 5 through 7 are performing loans, however, we consider them as demonstrating higher risk, which requires more frequent review of the individual exposures; these translate to an internal rating of “Performing (Criticized)”. When a significant payment delay occurs on a criticized loan, the loan is impaired. The loan is also considered for

nonaccrual status if full repayment is determined to be improbable. All of our nonaccrual loans are risk-rated 8 or 9 and are classified under the nonperforming impaired category. (For further description of nonaccrual loans, refer to Note 2—“Summary of Significant Accounting Policies” under Part II, Item 8 of our 2015 Form 10-K). Loans rated 10 are charged-off and are not included as part of our loan portfolio balance. We review our credit quality indicators for performance and appropriateness of risk ratings as part of our evaluation process for our allowance for loan losses.

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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, 2016 and December 31, 2015:

| (Dollars in thousands) | Pass | Performing (Criticized) | Performing Impaired (Criticized) | Nonperforming Impaired (Nonaccrual) | Total |
|--------------------------------|--------------|----------------------------|--|---|--------------|
| June 30, 2016: | | | | | |
| Commercial loans: | | | | | |
| Software and internet | \$4,896,785 | \$ 580,197 | \$ 24,097 | \$ 69,874 | \$5,570,953 |
| Hardware | 958,512 | 150,311 | 22,694 | 57 | 1,131,574 |
| Private equity/venture capital | 7,129,763 | — | — | — | 7,129,763 |
| Life science/healthcare | 1,601,046 | 143,569 | — | 49,265 | 1,793,880 |
| Premium wine | 802,929 | 26,883 | 1,296 | — | 831,108 |
| Other | 491,745 | 8,646 | 467 | 5,000 | 505,858 |
| Total commercial loans | 15,880,780 | 909,606 | 48,554 | 124,196 | 16,963,136 |
| Consumer loans: | | | | | |
| Real estate secured loans | 1,747,021 | — | — | 123 | 1,747,144 |
| Other consumer loans | 238,836 | — | 786 | — | 239,622 |
| Total consumer loans | 1,985,857 | — | 786 | 123 | 1,986,766 |
| Total gross loans | \$17,866,637 | \$ 909,606 | \$ 49,340 | \$ 124,319 | \$18,949,902 |
| December 31, 2015: | | | | | |
| Commercial loans: | | | | | |
| Software and internet | \$4,933,179 | \$ 448,065 | \$ 23,321 | \$ 77,545 | \$5,482,110 |
| Hardware | 955,675 | 96,820 | 27,306 | 430 | 1,080,231 |
| Private equity/venture capital | 5,474,929 | 37,000 | — | — | 5,511,929 |
| Life science/healthcare | 1,544,555 | 128,636 | 7,247 | 44,107 | 1,724,545 |
| Premium wine | 825,058 | 22,272 | 898 | 1,167 | 849,395 |
| Other | 429,481 | 8,868 | 520 | — | 438,869 |
| Total commercial loans | 14,162,877 | 741,661 | 59,292 | 123,249 | 15,087,079 |
| Consumer loans: | | | | | |
| Real estate secured loans | 1,539,468 | 3,729 | — | 143 | 1,543,340 |
| Other consumer loans | 224,601 | 2,111 | — | — | 226,712 |
| Total consumer loans | 1,764,069 | 5,840 | — | 143 | 1,770,052 |
| Total gross loans | \$15,926,946 | \$ 747,501 | \$ 59,292 | \$ 123,392 | \$16,857,131 |

TDRs

As of June 30, 2016 we had 17 TDRs with a total carrying value of \$78.3 million where concessions have been granted to borrowers experiencing financial difficulties, in an attempt to maximize collection. There were \$3.5 million of unfunded commitments available for funding to the clients associated with these TDRs as of June 30, 2016.

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

| (Dollars in thousands) | June 30, December | |
|-------------------------|-------------------|-----------|
| | 2016 | 31, 2015 |
| Loans modified in TDRs: | | |
| Commercial loans: | | |
| Software and internet | \$49,427 | \$56,790 |
| Hardware | 107 | 473 |
| Life science/healthcare | 24,501 | 51,878 |
| Premium wine | 2,983 | 2,065 |
| Other | 467 | 519 |
| Total commercial loans | 77,485 | 111,725 |
| Consumer loans: | | |
| Other consumer loans | 786 | — |
| Total consumer loans | 786 | — |
| Total | \$78,271 | \$111,725 |

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

| (Dollars in thousands) | Three months | | Six months | |
|--|----------------|----------|----------------|----------|
| | ended June 30, | | ended June 30, | |
| | 2016 | 2015 | 2016 | 2015 |
| Loans modified in TDRs during the period: | | | | |
| Commercial loans: | | | | |
| Software and internet | \$4,402 | \$27,525 | \$5,525 | \$27,525 |
| Hardware | — | — | — | 2,040 |
| Premium wine | — | — | 506 | — |
| Total commercial loans | 4,402 | 27,525 | 6,031 | 29,565 |
| Consumer loans: | | | | |
| Other consumer loans | 786 | — | 786 | — |
| Total consumer loans | 786 | — | 786 | — |
| Total loans modified in TDRs during the period (1) | \$5,188 | \$27,525 | \$6,817 | \$29,565 |

(1) There were \$0.5 million and \$4.3 million of partial charge-offs during the three and six months ended June 30, 2016 and no partial charge-offs during the three and six months ended June 30, 2015.

During the three months ended June 30, 2016, all new TDRs were modified through payment deferrals granted to our clients. During the six months ended June 30, 2016, \$5.7 million of new TDRs were modified through payment deferrals granted to our clients and \$1.1 million were modified through partial forgiveness of principal.

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

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

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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, 2016 and 2015:

| (Dollars in thousands) | Three months ended June 30, | | Six months ended June 30, | |
|--|--------------------------------|----------|------------------------------|----------|
| | 2016 | 2015 | 2016 | 2015 |
| TDRs modified within the previous 12 months that defaulted during the period: | | | | |
| Commercial loans: | | | | |
| Software and internet | \$1,474 | \$27,525 | \$1,474 | \$27,525 |
| Premium wine | 506 | — | 506 | — |
| Total TDRs modified within the previous 12 months that defaulted in the period | \$1,980 | \$27,525 | \$1,980 | \$27,525 |

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

8. Short-Term Borrowings and Long-Term Debt

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

| (Dollars in thousands) | Maturity | Carrying Value | | |
|-------------------------------------|--------------------|---|------------------|----------------------|
| | | Principal value at June 30, 2016 | June 30, 2016 | December 31, 2015 |
| Short-term borrowings: | | | | |
| Short-term FHLB advances | July 5, 2016 | \$500,000 | \$500,000 | \$ 638,000 |
| Federal funds purchased | | — | — | 135,000 |
| Other short-term borrowings | (1) | 3,219 | 3,219 | 1,900 |
| Total short-term borrowings | | | \$503,219 | \$ 774,900 |
| Long-term debt: | | | | |
| 3.50% Senior Notes | January 29, 2025 | \$350,000 | \$346,822 | \$ 346,667 |
| 5.375% Senior Notes | September 15, 2020 | 350,000 | 347,297 | 347,016 |
| 6.05% Subordinated Notes (2) | June 1, 2017 | 45,964 | 47,628 | 48,350 |
| 7.0% Junior Subordinated Debentures | October 15, 2033 | 50,000 | 54,582 | 54,669 |
| Total long-term debt | | | \$796,329 | \$ 796,702 |

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

At June 30, 2016 and December 31, 2015, included in the carrying value of our 6.05% Subordinated Notes was an (2) interest rate swap valued at \$1.9 million and \$2.8 million, respectively, related to hedge accounting associated with the notes.

Interest expense related to short-term borrowings and long-term debt was \$9.4 million and \$18.4 million for the three and six months ended June 30, 2016, respectively, and \$9.0 million and \$16.9 million for the three and six months ended June 30, 2015, respectively. Interest expense is net of the hedge accounting impact from our interest rate swap agreement related to our 6.05% Subordinated Notes. The weighted average interest rate associated with our short-term borrowings as of June 30, 2016 and December 31, 2015 was 0.45 percent and 0.32 percent, respectively.

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Available Lines of Credit

We have certain facilities in place to enable us to access short-term borrowings on a secured (using high-quality fixed income securities as collateral) and an unsecured basis. These include repurchase agreements and uncommitted federal funds lines with various financial institutions. As of June 30, 2016, we did not borrow against our uncommitted federal funds lines. We also pledge securities to the FHLB of San Francisco and the discount window at the Federal Reserve Bank. The market value of collateral pledged to the FHLB of San Francisco (comprised primarily of U.S. Treasury securities) at June 30, 2016 totaled \$1.8 billion, of which \$1.2 billion 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, 2016 totaled \$0.9 billion, all of which was unused and available to support additional borrowings.

9. Derivative Financial Instruments

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

Interest Rate Risk

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

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

Currency Exchange Risk

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

Other Derivative Instruments

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

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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.

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

| (Dollars in thousands) | Balance Sheet Location | June 30, 2016 | | | | December 31, 2015 | | | |
|--|------------------------|--------------------------------|------------|----------------|------------------|--------------------------------|------------|----------------|------------------|
| | | 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 | \$1,918 | \$— | \$1,918 | \$45,964 | \$2,768 | \$— | \$2,768 |
| Derivatives not designated as hedging instruments: | | | | | | | | | |
| Currency exchange risks: | | | | | | | | | |
| Foreign exchange forwards | Other assets | 41,845 | 1,546 | 1,230 | 316 | 49,287 | 809 | — | 809 |
| Foreign exchange forwards | Other liabilities | 111,614 | (1,028) | — | (1,028) | 6,586 | (669) | — | (669) |
| Net exposure | | | 518 | 1,230 | (712) | | 140 | — | 140 |
| Other derivative instruments: | | | | | | | | | |
| Equity warrant assets | Other assets | 208,551 | 129,800 | — | 129,800 | 210,102 | 137,105 | — | 137,105 |
| Other derivatives: | | | | | | | | | |
| Client foreign exchange forwards | Other assets | 1,468,046 | 49,685 | 1,989 | 47,696 | 935,514 | 29,722 | 1,900 | 27,822 |
| Client foreign exchange forwards | Other liabilities | 1,151,920 | (42,898) | — | (42,898) | 841,182 | (24,978) | — | (24,978) |
| Client foreign currency options | Other assets | 102,017 | 1,614 | — | 1,614 | 46,625 | 706 | — | 706 |
| Client foreign currency options | Other liabilities | 102,017 | (1,614) | — | (1,614) | 46,625 | (706) | — | (706) |
| Client interest rate derivatives | Other assets | 349,123 | 8,554 | — | 8,554 | 422,741 | 3,973 | — | 3,973 |
| Client interest rate derivatives | Other liabilities | 389,079 | (9,655) | — | (9,655) | 422,741 | (4,384) | — | (4,384) |
| Net exposure | | | 5,686 | 1,989 | 3,697 | | 4,333 | 1,900 | 2,433 |
| Net | | | \$137,922 | \$3,219 | \$134,703 | | \$144,346 | \$1,900 | \$142,446 |

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

(2) Net exposure for contracts in a gain position reflects the replacement cost in the event of nonperformance by all such counterparties. The credit ratings of our institutional counterparties as of June 30, 2016 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, 2016.

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

| (Dollars in thousands) | Statement of income location | Three months ended June 30, | | Six months ended June 30, | |
|--|--------------------------------------|--------------------------------|-----------|------------------------------|------------|
| | | 2016 | 2015 | 2016 | 2015 |
| Derivatives designated as hedging instruments: | | | | | |
| Interest rate risks: | | | | | |
| Net cash benefit associated with interest rate swaps | Interest expense—borrowings | \$ 590 | \$ 634 | \$ 1,199 | \$ 1,272 |
| Changes in fair value of interest rate swaps | Gains on derivative instruments, net | (13) | (11) | (30) | (14) |
| Net gains associated with interest rate risk derivatives | | \$ 577 | \$ 623 | \$ 1,169 | \$ 1,258 |
| Derivatives not designated as hedging instruments: | | | | | |
| Currency exchange risks: | | | | | |
| (Losses) gains on revaluations of internal foreign currency instruments, net | Other noninterest income | \$(5,307) | \$ 8,306 | \$(2,816) | \$(11,853) |
| Gains (losses) on internal foreign exchange forward contracts, net | Gains on derivative instruments, net | 3,923 | (8,174) | 1,715 | 11,844 |
| Net (losses) gains associated with internal currency risk | | \$(1,384) | \$ 132 | \$(1,101) | \$(9) |
| Other derivative instruments: | | | | | |
| (Losses) gains on revaluations of client foreign currency instruments, net | Other noninterest income | \$(133) | \$(802) | \$ 3,521 | \$(178) |
| Gains (losses) on client foreign exchange forward contracts, net | Gains on derivative instruments, net | 68 | 787 | (5,586) | 280 |
| Net (losses) gains associated with client currency risk | | \$(65) | \$(15) | \$(2,065) | \$ 102 |
| Net gains on equity warrant assets | Gains on derivative instruments, net | \$ 5,089 | \$ 23,616 | \$ 11,694 | \$ 43,894 |
| Net (losses) gains on other derivatives | Gains on derivative instruments, net | \$(269) | \$ 99 | \$(690) | \$ 42 |

Balance Sheet Offsetting

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

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

| (Dollars in thousands) | Gross Amounts of Recognized Assets | Gross Amounts offset in the Statement of Financial Position | Net Amounts of Assets Presented in the Statement of Financial Position | Gross Amounts Not Offset in the Statement of Financial Position But Subject to Master Netting Arrangements | | |
|--|------------------------------------|---|--|--|--------------------------|------------|
| | | | | Financial Instruments | Cash Collateral Received | Net Amount |
| June 30, 2016 | | | | | | |
| Derivative Assets: | | | | | | |
| Interest rate swaps | \$ 1,918 | \$ — | \$ 1,918 | \$(1,918) | \$— | \$— |
| Foreign exchange forwards | 51,231 | — | 51,231 | (22,301) | (3,219) | 25,711 |
| Foreign currency options | 1,614 | — | 1,614 | (786) | — | 828 |
| Client interest rate derivatives | 8,554 | — | 8,554 | (8,530) | — | 24 |
| Total derivative assets: | 63,317 | — | 63,317 | (33,535) | (3,219) | 26,563 |
| Reverse repurchase, securities borrowing, and similar arrangements | 316,059 | — | 316,059 | (316,059) | — | — |
| Total | \$ 379,376 | \$ — | \$ 379,376 | \$(349,594) | \$(3,219) | \$ 26,563 |
| December 31, 2015 | | | | | | |
| Derivative Assets: | | | | | | |
| Interest rate swaps | \$ 2,768 | \$ — | \$ 2,768 | \$(2,768) | \$— | \$— |
| Foreign exchange forwards | 30,531 | — | 30,531 | (18,141) | (1,900) | 10,490 |
| Foreign currency options | 711 | (5) | 706 | (706) | — | — |
| Client interest rate derivatives | 3,973 | — | 3,973 | (3,973) | — | — |
| Total derivative assets: | 37,983 | (5) | 37,978 | (25,588) | (1,900) | 10,490 |
| Reverse repurchase, securities borrowing, and similar arrangements | 125,391 | — | 125,391 | (125,391) | — | — |
| Total | \$ 163,374 | \$ (5) | \$ 163,369 | \$(150,979) | \$(1,900) | \$ 10,490 |

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

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

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| | Liabilities | the | Liabilities | | |
|--|-------------|-----------|-------------|-------------|--------------|
| | | Statement | Presented | | |
| | | of | in the | | |
| | | Financial | Statement | | |
| | | Position | of | | |
| | | | Financial | | |
| | | | Position | | |
| June 30, 2016 | | | | | |
| Derivative Liabilities: | | | | | |
| Foreign exchange forwards | \$ 43,926 | \$ — | \$ 43,926 | \$(25,658) | \$ —\$18,268 |
| Foreign currency options | 1,614 | — | 1,614 | (1,307) | — 307 |
| Client interest rate derivatives | 9,655 | — | 9,655 | (9,655) | — — |
| Total derivative liabilities: | 55,195 | — | 55,195 | (36,620) | — 18,575 |
| Repurchase, securities lending, and similar arrangements | — | — | — | — | — |
| Total | \$ 55,195 | \$ — | \$ 55,195 | \$(36,620) | \$ —\$18,575 |
| December 31, 2015 | | | | | |
| Derivative Liabilities: | | | | | |
| Foreign exchange forwards | \$ 25,647 | \$ — | \$ 25,647 | \$(10,818) | \$ —\$14,829 |
| Foreign currency options | 711 | (5) | 706 | — | — 706 |
| Client interest rate derivatives | 4,384 | — | 4,384 | (4,384) | — — |
| Total derivative liabilities: | 30,742 | (5) | 30,737 | (15,202) | — 15,535 |
| Repurchase, securities lending, and similar arrangements | — | — | — | — | — |
| Total | \$ 30,742 | \$ (5) | \$ 30,737 | \$(15,202) | \$ —\$15,535 |

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10. Other Noninterest Income and Other Noninterest Expense

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

| (Dollars in thousands) | Three months ended June 30, | | Six months ended June 30, | |
|---|-----------------------------|----------|---------------------------|----------|
| | 2016 | 2015 | 2016 | 2015 |
| Fund management fees | \$4,298 | \$3,861 | \$8,918 | \$7,583 |
| Service-based fee income | 2,148 | 2,413 | 4,240 | 4,519 |
| (Losses) gains on revaluation of internal foreign currency instruments, net (1) | (5,307) | 8,306 | (2,816) | (11,853) |
| Other (2) | 5,115 | 4,336 | 11,883 | 10,989 |
| Total other noninterest income | \$6,254 | \$18,916 | \$22,225 | \$11,238 |

Represents the net revaluation of foreign currency denominated financial instruments issued and held by us, primarily loans, deposits and cash. We enter into internal foreign exchange forward contracts to economically (1) reduce our foreign exchange exposure related to these foreign currency denominated financial instruments issued and held by us. The changes in the fair value of internal foreign exchange forward contracts are included within noninterest income in the line item "Gains on derivative instruments, net".

Includes dividends on FHLB/FRB stock, correspondent bank rebate income and other fee income. Also included in this line item is the revaluation of client foreign currency denominated financial instruments. We enter into client (2) foreign exchange forward contracts to economically reduce our foreign exchange exposure related to client foreign currency denominated financial instruments. The changes in the fair value of client foreign exchange forward contracts are included within noninterest income in the line item "Gains on derivative instruments, net".

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

| (Dollars in thousands) | Three months ended June 30, | | Six months ended June 30, | |
|---|-----------------------------|----------|---------------------------|----------|
| | 2016 | 2015 | 2016 | 2015 |
| Lending and other client related processing costs | \$3,541 | \$3,704 | \$7,836 | \$7,253 |
| Telephone | 2,416 | 2,544 | 4,649 | 4,503 |
| Data processing services | 2,387 | 1,358 | 4,216 | 3,191 |
| Postage and supplies | 784 | 727 | 1,574 | 1,492 |
| Dues and publications | 647 | 697 | 1,449 | 1,282 |
| Other | 4,191 | 5,279 | 9,035 | 10,110 |
| Total other noninterest expense | \$13,966 | \$14,309 | \$28,759 | \$27,831 |

11. Segment Reporting

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

Our Global Commercial Bank and SVB Private Bank segments' primary source of revenue is from net interest income, which is primarily the difference between interest earned on loans, net of funds transfer pricing ("FTP"), and interest paid on deposits, net of FTP. Accordingly, these segments are reported using net interest income, net of FTP. FTP is an internal measurement framework designed to assess the financial impact of a financial institution's sources and uses of funds. It is the mechanism by which 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:

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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, 2016 and 2015 is as follows:

| (Dollars in thousands) | Global Commercial Bank (1) | SVB Private Bank | SVB Capital (1) | Other Items (2) | Total |
|---|----------------------------------|---------------------|--------------------|-----------------------|--------------|
| Three months ended June 30, 2016 | | | | | |
| Net interest income (expense) | \$254,680 | \$13,538 | \$ (52) | \$15,170 | \$283,336 |
| (Provision for) reduction of loan losses | (36,454) | 121 | — | — | (36,333) |
| Noninterest income | 77,310 | 762 | 11,420 | 23,284 | 112,776 |
| Noninterest expense (3) | (147,423) | (2,954) | (3,684) | (46,291) | (200,352) |
| Income (loss) before income tax expense (4) | \$148,113 | \$11,467 | \$7,684 | \$(7,837) | \$159,427 |
| Total average loans, net of unearned income | \$16,026,605 | \$1,986,659 | \$— | \$185,995 | \$18,199,259 |
| Total average assets (5) | 40,703,091 | 2,007,009 | 331,500 | 328,430 | 43,370,030 |
| Total average deposits | 36,690,002 | 1,115,599 | — | 354,358 | 38,159,959 |
| Three months ended June 30, 2015 | | | | | |
| Net interest income | \$203,931 | \$11,109 | \$1 | \$28,730 | \$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) | (145,339) | (3,231) | (3,704) | (41,838) | (194,112) |
| Income before income tax expense (4) | \$99,031 | \$7,552 | \$16,206 | \$26,644 | \$149,433 |
| Total average loans, net of unearned income | \$12,607,066 | \$1,541,016 | \$— | \$172,793 | \$14,320,875 |
| Total average assets (5) | 37,033,535 | 1,536,508 | 330,016 | 542,764 | 39,442,823 |
| Total average deposits | 33,713,123 | 1,084,632 | — | 158,312 | 34,956,067 |
| Six months ended June 30, 2016 | | | | | |
| Net interest income (expense) | \$510,858 | \$27,210 | \$ (52) | \$26,741 | \$564,757 |
| Provision for loan losses | (69,169) | (505) | — | — | (69,674) |
| Noninterest income | 152,069 | 1,389 | 13,873 | 31,579 | 198,910 |
| Noninterest expense (3) | (301,629) | (6,359) | (7,597) | (88,800) | (404,385) |
| Income (loss) before income tax expense (4) | \$292,129 | \$21,735 | \$6,224 | \$(30,480) | \$289,608 |
| Total average loans, net of unearned income | \$15,473,170 | \$1,929,239 | \$— | \$203,438 | \$17,605,847 |
| Total average assets (5) | 41,118,263 | 1,933,123 | 340,256 | 388,468 | 43,780,110 |
| Total average deposits | 37,263,823 | 1,123,167 | — | 327,054 | 38,714,044 |
| Six months ended June 30, 2015 | | | | | |
| Net interest income | \$407,680 | \$20,832 | \$2 | \$54,182 | \$482,696 |
| Provision for loan losses | (32,052) | (913) | — | — | (32,965) |
| Noninterest income | 129,224 | 992 | 40,587 | 79,008 | 249,811 |
| Noninterest expense (3) | (283,787) | (6,107) | (7,190) | (87,569) | (384,653) |
| Income before income tax expense (4) | \$221,065 | \$14,804 | \$33,399 | \$45,621 | \$314,889 |
| Total average loans, net of unearned income | \$12,556,506 | \$1,457,547 | \$— | \$171,280 | \$14,185,333 |
| Total average assets (5) | 36,311,405 | 1,457,570 | 335,690 | 730,791 | 38,835,456 |
| Total average deposits | 33,094,710 | 1,167,823 | — | 149,640 | 34,412,173 |

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

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

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

The Global Commercial Bank segment includes direct depreciation and amortization of \$6.2 million and \$4.7 (3) million for the three months ended June 30, 2016 and 2015, respectively and \$11.9 million and \$10.0 million for the six months ended June 30, 2016 and 2015, respectively.

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

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

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

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

Commitments to Extend Credit

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

| (Dollars in thousands) | June 30, 2016 | December 31, 2015 |
|---|------------------|----------------------|
| Loan commitments available for funding: (1) | | |
| Fixed interest rate commitments | \$ 1,302,359 | \$ 1,312,734 |
| Variable interest rate commitments | 12,473,768 | 12,822,461 |
| Total loan commitments available for funding | 13,776,127 | 14,135,195 |
| Commercial and standby letters of credit (2) | 1,726,361 | 1,479,164 |
| Total unfunded credit commitments | \$ 15,502,488 | \$ 15,614,359 |
| Commitments unavailable for funding (3) | \$ 2,001,114 | \$ 2,026,532 |
| Maximum lending limits for accounts receivable factoring arrangements (4) | 878,460 | 1,006,404 |
| Reserve for unfunded credit commitments (5) | 34,889 | 34,415 |

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

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

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

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

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

Commercial and Standby Letters of Credit

The table below summarizes our commercial and standby letters of credit at June 30, 2016. The maximum potential amount of future payments represents the amount that could be remitted under letters of credit if there were a total default by the guaranteed parties, without consideration of possible recoveries under recourse provisions or from the collateral held or pledged.

| (Dollars in thousands) | Expires In One Year or Less | Expires After One Year | Total Amount Outstanding | Maximum Amount of Future Payments |
|---------------------------------------|--------------------------------|---------------------------|-----------------------------|--------------------------------------|
| Financial standby letters of credit | \$ 1,589,967 | \$ 41,490 | \$ 1,631,457 | \$ 1,631,457 |
| Performance standby letters of credit | 73,261 | 10,756 | 84,017 | 84,017 |
| Commercial letters of credit | 10,887 | — | 10,887 | 10,887 |
| Total | \$ 1,674,115 | \$ 52,246 | \$ 1,726,361 | \$ 1,726,361 |

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Deferred fees related to financial and performance standby letters of credit were \$10 million at both June 30, 2016 and December 31, 2015. At June 30, 2016, collateral in the form of cash of \$776 million and available-for-sale securities of \$0.5 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, 2016:

| Our Ownership in Venture Capital and Private Equity Funds (Dollars in thousands) | SVBFG Capital Commitments | SVBFG Unfunded Commitments | SVBFG Ownership of each Fund (4) |
|---|---------------------------|----------------------------|----------------------------------|
| Silicon Valley BancVentures, LP | \$ 6,000 | \$ 270 | 10.7 % |
| SVB Capital Partners II, LP (1) | 1,200 | 162 | 5.1 |
| SVB Capital Shanghai Yangpu Venture Capital Fund | 874 | — | 6.8 |
| SVB Strategic Investors Fund, LP | 15,300 | 688 | 12.6 |
| SVB Strategic Investors Fund II, LP | 15,000 | 1,050 | 8.6 |
| SVB Strategic Investors Fund III, LP | 15,000 | 1,275 | 5.9 |
| SVB Strategic Investors Fund IV, LP | 12,239 | 2,325 | 5.0 |
| Strategic Investors Fund V funds | 515 | 142 | Various |
| SVB Capital Preferred Return Fund, LP | 12,688 | — | 20.0 |
| SVB Capital—NT Growth Partners, LP | 24,670 | 1,340 | 33.0 |
| Other private equity fund (2) | 9,338 | — | 58.2 |
| Debt funds | 58,486 | — | Various |
| Other fund investments (3) | 298,994 | 13,847 | Various |
| Total | \$ 470,304 | \$ 21,099 | |

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

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

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

Limited Partnership

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| (Dollars in thousands) | Unfunded Commitments |
|---------------------------------------|-------------------------|
| SVB Strategic Investors Fund, LP | \$ 1,563 |
| SVB Capital Preferred Return Fund, LP | 2,430 |
| SVB Capital—NT Growth Partners, LP | 2,309 |
| Total | \$ 6,302 |

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13. Income Taxes

We are subject to income tax in the U.S. federal jurisdiction and various state and foreign jurisdictions and have identified our federal tax return and tax returns in California and Massachusetts as major tax filings. Our U.S. federal tax returns for 2012 and subsequent years remain open to full examination. Our California and Massachusetts tax returns for 2011 and subsequent tax years remain open to full examination.

At June 30, 2016, our unrecognized tax benefit was \$3.3 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, 2016.

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14. Fair Value of Financial Instruments

Fair Value Measurements

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

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

Level 1

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

Level 2

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

U.S. agency debentures: Fair value measurements of U.S. agency debentures are based on the characteristics specific to bonds held, such as issuer name, coupon rate, maturity date and any applicable issuer call option features.

Valuations are based on market spreads relative to similar term benchmark market interest rates, generally U.S.

Treasury securities.

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

Agency-issued collateralized mortgage obligations: Agency-issued collateralized mortgage obligations are structured into classes or tranches with defined cash flow characteristics and are collateralized by U.S. agency-issued mortgage pass-through securities. Fair value measurements of these securities incorporate similar characteristics of mortgage pass-through securities such as coupon rate, tenor, geographic location, loan size and origination vintage, in addition to incorporating the effect of estimated prepayment speeds on the cash flow structure of the class or tranche. These measurements incorporate observable market spreads over an estimated average life after considering the inputs listed above.

Agency-issued commercial mortgage-backed securities: Fair value measurements of these securities are based on spreads to benchmark market interest rates (usually U.S. Treasury rates or rates observable in the swaps market), prepayment speeds, loan default rate assumptions and loan loss severity assumptions on underlying loans.

Municipal bonds and notes: Bonds issued by municipal governments generally have stated coupon rates, final maturity dates and are subject to being called ahead of the final maturity date at the option of the issuer. Fair value measurements of these securities are priced based on spreads to other municipal benchmark bonds with similar characteristics; or, relative to market rates on U.S. Treasury bonds of similar maturity.

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Interest rate derivative assets and liabilities: Fair value measurements of interest rate derivatives are priced considering the coupon rate of the fixed leg of the contract and the variable coupon on the floating leg of the contract. Valuation is based on both spot and forward rates on the swap yield curve and the credit worthiness of the contract counterparty.

Foreign exchange forward and option contract assets and liabilities: Fair value measurements of these assets and liabilities are priced based on spot and forward foreign currency rates and option volatility assumptions.

Equity warrant assets (public portfolio): Fair value measurements of equity warrant assets of publicly-traded portfolio companies are valued based on the Black-Scholes option pricing model. The model uses the price of publicly-traded companies (underlying stock price), stated strike prices, warrant expiration dates, the risk-free interest rate and market-observable option volatility assumptions.

Level 3

The fair value measurement is derived from valuation techniques that use significant assumptions not observable in the market. These unobservable assumptions reflect our own estimates of assumptions we believe market participants would use in pricing the asset. Below is a summary of the valuation techniques used for each class of Level 3 assets:

Other venture capital investments: Fair value measurements are based on consideration of a range of factors including, but not limited to, the price at which the investment was acquired, the term and nature of the investment, local market conditions, values for comparable securities, and as it relates to the private company, the current and projected operating performance, exit strategies and financing transactions subsequent to the acquisition of the investment. The significant unobservable inputs used in the fair value measurement include the information about each portfolio company, including actual and forecasted results, cash position, recent or planned transactions and market comparable companies. Significant changes to any one of these inputs in isolation could result in a significant change in the fair value measurement, however, we generally consider all factors available through ongoing communication with the portfolio companies and venture capital fund managers to determine whether there are changes to the portfolio company or the environment that indicate a change in the fair value measurement.

Other securities: Fair value measurements of equity securities of public companies are priced based on quoted market prices less a discount if the securities are subject to certain sales restrictions. Marketability discounts generally range from 10% to 20% depending on the duration of the sale restrictions which typically range from 3 to 6 months.

Equity warrant assets (public portfolio): Fair value measurements of equity warrant assets of publicly-traded portfolio companies are valued based on the Black-Scholes option pricing model. The model uses the price of publicly-traded companies (underlying stock price), stated strike prices, warrant expiration dates, the risk-free interest rate and market-observable option volatility assumptions. Modeled asset values are further adjusted by applying a discount of up to 20% for certain warrants that have lock-up restrictions or other features that indicate a discount to fair value is warranted. As a lock-up term nears, and other sale restrictions are lifted, discounts are adjusted downward to zero percent once all restrictions expire or are removed.

Equity warrant assets (private portfolio): Fair value measurements of equity warrant assets of private portfolio companies are priced based on a modified Black-Scholes option pricing model to estimate the asset value by using stated strike prices, option expiration dates, risk-free interest rates and option volatility assumptions. Option volatility assumptions used in the modified Black-Scholes model are based on public market indices whose members operate in similar industries as companies in our private company portfolio. Option expiration dates are modified to account for estimates to actual life relative to stated expiration. Overall model asset values are further adjusted for a general lack of liquidity due to the private nature of the associated underlying company. There is a direct correlation between changes in the volatility and remaining life assumptions in isolation and the fair value measurement while there is an inverse correlation between changes in the liquidity discount assumption and the fair value measurement.

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.

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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, 2016:

| (Dollars in thousands) | Level 1 | Level 2 | Level 3 | Balance at June 30, 2016 |
|---|-------------|-------------|-----------|--------------------------------|
| Assets | | | | |
| Available-for-sale securities: | | | | |
| U.S. Treasury securities | \$8,977,098 | \$— | \$— | \$8,977,098 |
| U.S. agency debentures | — | 2,336,602 | — | 2,336,602 |
| Residential mortgage-backed securities: | | | | |
| Agency-issued collateralized mortgage obligations - fixed rate | — | 1,206,294 | — | 1,206,294 |
| Agency-issued collateralized mortgage obligations - variable rate | — | 537,697 | — | 537,697 |
| Equity securities | 316 | 610 | — | 926 |
| Total available-for-sale securities | 8,977,414 | 4,081,203 | — | 13,058,617 |
| Non-marketable and other securities (fair value accounting): | | | | |
| Non-marketable securities: | | | | |
| Venture capital and private equity fund investments measured at net asset value (1) | — | — | — | 144,227 |
| Other venture capital investments (2) | — | — | 2,040 | 2,040 |
| Other securities (2) | 280 | — | — | 280 |
| Total non-marketable and other securities (fair value accounting) | 280 | — | 2,040 | 146,547 |
| Other assets: | | | | |
| Interest rate swaps | — | 1,918 | — | 1,918 |
| Foreign exchange forward and option contracts | — | 52,845 | — | 52,845 |
| Equity warrant assets | — | 1,989 | 127,811 | 129,800 |
| Client interest rate derivatives | — | 8,554 | — | 8,554 |
| Total assets | \$8,977,694 | \$4,146,509 | \$129,851 | \$13,398,281 |
| Liabilities | | | | |
| Foreign exchange forward and option contracts | \$— | \$45,540 | \$— | \$45,540 |
| Client interest rate derivatives | — | 9,655 | — | 9,655 |
| Total liabilities | \$— | \$55,195 | \$— | \$55,195 |

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

permit reconciliation of the fair value hierarchy to the amounts presented in the statement of financial position.

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- (2) Included in Level 1 and Level 3 assets are \$0.2 million and \$1.8 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, 2015:

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

- 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
- (1) have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statement of financial position.

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

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

| (Dollars in thousands) | Beginning Balance | Total Realized and Unrealized Gains (Losses) Included in Income | Purchases | Sales | Issuances | Distributions and Other Settlements | Transfers Out of Level 3 | Ending Balance |
|--|-------------------|---|-----------|-------------|-----------|-------------------------------------|--------------------------|----------------|
| Three months ended June 30, 2016 | | | | | | | | |
| Non-marketable and other securities (fair value accounting): | | | | | | | | |
| Other venture capital investments (1) | \$ 2,040 | \$ 5 | \$ — | \$ — | \$ — | \$ (5) | \$ — | \$ 2,040 |
| Other assets: | | | | | | | | |
| Equity warrant assets (2) | 128,982 | 4,843 | — | (8,178) | 2,218 | — | (54) | 127,811 |
| Total assets | \$ 131,022 | \$ 4,848 | \$ — | \$(8,178) | \$ 2,218 | \$ (5) | \$(54) | \$ 129,851 |
| Three months ended June 30, 2015 | | | | | | | | |
| Non-marketable and other securities (fair value accounting): | | | | | | | | |
| Other venture capital investments (1) | \$ 3,390 | \$ — | \$ — | \$ — | \$ — | \$ — | \$ — | \$ 3,390 |
| Other assets: | | | | | | | | |
| Equity warrant assets (2) | 122,261 | 23,249 | — | (27,393) | 2,811 | — | (891) | 120,037 |
| Total assets | \$ 125,651 | \$ 23,249 | \$ — | \$(27,393) | \$ 2,811 | \$ — | \$(891) | \$ 123,427 |
| Six months ended June 30, 2016 | | | | | | | | |
| Non-marketable and other securities (fair value accounting): | | | | | | | | |
| Other venture capital investments (1) | \$ 2,040 | \$ (25) | \$ — | \$ — | \$ — | \$ 25 | \$ — | \$ 2,040 |
| Other assets: | | | | | | | | |
| Equity warrant assets (2) | 135,168 | 12,022 | — | (23,594) | 4,592 | — | (377) | 127,811 |
| Total assets | \$ 137,208 | \$ 11,997 | \$ — | \$(23,594) | \$ 4,592 | \$ 25 | \$(377) | \$ 129,851 |
| Six months ended June 30, 2015 | | | | | | | | |
| Non-marketable and other securities (fair value accounting): | | | | | | | | |
| Other venture capital investments (1) | \$ 3,291 | \$ 131 | \$ — | \$(32) | \$ — | \$ — | \$ — | \$ 3,390 |
| Other assets: | | | | | | | | |
| Equity warrant assets (2) | 114,698 | 43,333 | — | (42,158) | 5,298 | — | (1,134) | 120,037 |
| Total assets | \$ 117,989 | \$ 43,464 | \$ — | \$(42,190) | \$ 5,298 | \$ — | \$(1,134) | \$ 123,427 |

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

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

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

| (Dollars in thousands) | Three months | | Six months | |
|--|----------------|---------|----------------|----------|
| | ended June 30, | | ended June 30, | |
| | 2016 | 2015 | 2016 | 2015 |
| Non-marketable and other securities (fair value accounting): | | | | |
| Other venture capital investments (1) | \$— | \$59 | \$— | \$158 |
| Other assets: | | | | |
| Equity warrant assets (2) | 7,624 | 6,437 | 8,856 | 14,809 |
| Total unrealized gains, net | \$7,624 | \$6,496 | \$8,856 | \$14,967 |
| Unrealized gains attributable to noncontrolling interests | \$— | \$53 | \$— | \$141 |

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

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

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

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

| (Dollars in thousands) | Fair value | Valuation Technique | Significant Unobservable Inputs | Weighted Average |
|---|------------|---|---------------------------------|------------------|
| June 30, 2016: | | | | |
| Other venture capital investments (fair value accounting) | \$2,040 | Private company equity pricing | (1) | (1) |
| Equity warrant assets (public portfolio) | 5,446 | Modified Black-Scholes option pricing model | Volatility | 37.7 % |
| | | | Risk-Free interest rate | 1.1 % |
| | | | Sales restrictions discount (2) | 19.6 % |
| Equity warrant assets (private portfolio) | 122,365 | Modified Black-Scholes option pricing model | Volatility | 36.7 % |
| | | | Risk-Free interest rate | 0.6 % |
| | | | Marketability discount (3) | 17.6 % |
| | | | Remaining life assumption (4) | 45.0 % |
| December 31, 2015: | | | | |
| Other venture capital investments (fair value accounting) | \$2,040 | Private company equity pricing | (1) | (1) |
| Equity warrant assets (public portfolio) | 1,786 | Modified Black-Scholes option pricing model | Volatility | 38.1 % |
| | | | Risk-Free interest rate | 2.1 % |
| | | | Sales restrictions discount (2) | 18.0 % |
| Equity warrant assets (private portfolio) | 133,382 | Modified Black-Scholes option pricing model | Volatility | 36.0 % |
| | | | Risk-Free interest rate | 1.1 % |
| | | | Marketability discount (3) | 16.6 % |
| | | | Remaining life assumption (4) | 45.0 % |

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.

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.

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Our marketability discount is applied to all private company warrants to account for a general lack of liquidity due (3) 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.

We adjust the contractual remaining term of private company warrants based on our estimate of the actual (4) remaining life, which we determine by utilizing historical data on cancellations and exercises. At June 30, 2016, the weighted average contractual remaining term was 5.8 years, compared to our estimated remaining life of 2.6 years. On a quarterly basis, a sensitivity analysis is performed on our remaining life assumption.

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

Financial Instruments not Carried at Fair Value

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

Fair values are based on estimates or calculations at the transaction level using present value techniques in instances where quoted market prices are not available. 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 SPD-SVB, our joint venture bank in China. At this time, the carrying value of our investment in SPD-SVB is a reasonable estimate of fair value. The fair value of the remaining other investments (equity method accounting) and the fair value of venture capital and private equity fund investments (cost method accounting) and other venture capital investments (cost method accounting) is based on financial information obtained from the investee or obtained from the fund investments' or debt fund investments'

respective general partners. For private company investments, estimated fair value is based on consideration of a range of factors including, but not limited to, the price at which the investment was acquired, the term and nature of the investment, local market conditions, values for comparable securities, current and projected operating performance, exit strategies, and financing transactions subsequent to the acquisition of the investment. For our fund investments, we utilize the net asset value per share as obtained from the general partners of the investments. We adjust the net asset value per share for differences between our measurement date and the date of the fund investment's net

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asset value by using the most recently available financial information from the investee general partner, for example 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, 2016 and December 31, 2015. Commitments to extend credit and letters of credit typically result in loans with a market interest rate if funded.

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

| (Dollars in thousands) | Carrying Amount | Estimated Fair Value | | | |
|---|-----------------|----------------------|-------------|-----------|------------|
| | | Total | Level 1 | Level 2 | Level 3 |
| June 30, 2016: | | | | | |
| Financial assets: | | | | | |
| Cash and cash equivalents | \$1,854,457 | \$1,854,457 | \$1,854,457 | \$ — | — |
| Held-to-maturity securities | 8,200,443 | 8,322,048 | — | 8,322,048 | — |
| Non-marketable securities (cost and equity method accounting) not measured at net asset value | 121,864 | 124,662 | — | — | 124,662 |
| Non-marketable securities (cost and equity method accounting) measured at net asset value (1) | 241,845 | 352,348 | — | — | — |
| Net commercial loans | 16,611,533 | 16,701,555 | — | — | 16,701,555 |
| Net consumer loans | 1,977,522 | 1,960,486 | — | — | 1,960,486 |
| FHLB and Federal Reserve Bank stock | 63,166 | 63,166 | — | — | 63,166 |
| Accrued interest receivable | 107,323 | 107,323 | — | 107,323 | — |
| Financial liabilities: | | | | | |
| Short-term FHLB advances | 500,000 | 500,000 | 500,000 | — | — |
| Other short-term borrowings | 3,219 | 3,219 | 3,219 | — | — |
| Non-maturity deposits (2) | 37,544,257 | 37,544,257 | 37,544,257 | — | — |
| Time deposits | 52,310 | 52,223 | — | 52,223 | — |
| 3.50% Senior Notes | 346,822 | 357,172 | — | 357,172 | — |
| 5.375% Senior Notes | 347,297 | 390,667 | — | 390,667 | — |
| 6.05% Subordinated Notes (3) | 47,628 | 49,639 | — | 49,639 | — |
| 7.0% Junior Subordinated Debentures | 54,582 | 54,804 | — | 54,804 | — |

| | | | | | |
|--------------------------|--------|--------|---|--------|---|
| Accrued interest payable | 12,009 | 12,009 | — | 12,009 | — |
|--------------------------|--------|--------|---|--------|---|

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Off-balance sheet financial assets:

| | | | | | |
|---|--------------|--------------|--------------|-----------|------------|
| Commitments to extend credit | — | 22,131 | — | — | 22,131 |
| December 31, 2015: | | | | | |
| Financial assets: | | | | | |
| Cash and cash equivalents | \$ 1,503,257 | \$ 1,503,257 | \$ 1,503,257 | \$ — | — |
| Held-to-maturity securities | 8,790,963 | 8,758,622 | — | 8,758,622 | — |
| Non-marketable securities (cost and equity method accounting) not measured at net asset value | 114,795 | 117,172 | — | — | 117,172 |
| Non-marketable securities (cost and equity method accounting) measured at net asset value (1) | 250,970 | 364,799 | — | — | — |
| Net commercial loans | 14,763,302 | 14,811,588 | — | — | 14,811,588 |
| Net consumer loans | 1,761,155 | 1,737,960 | — | — | 1,737,960 |
| FHLB and Federal Reserve Bank stock | 56,991 | 56,991 | — | — | 56,991 |
| Accrued interest receivable | 107,604 | 107,604 | — | 107,604 | — |
| Financial liabilities: | | | | | |
| Short-term FHLB advances | 638,000 | 638,000 | 638,000 | — | — |
| Federal funds purchased | 135,000 | 135,000 | 135,000 | — | — |
| Other short-term borrowings | 1,900 | 1,900 | 1,900 | — | — |
| Non-maturity deposits (2) | 39,072,297 | 39,072,297 | 39,072,297 | — | — |
| Time deposits | 70,479 | 70,347 | — | 70,347 | — |
| 3.50% Senior Notes | 346,667 | 333,648 | — | 333,648 | — |
| 5.375% Senior Notes | 347,016 | 384,216 | — | 384,216 | — |
| 6.05% Subordinated Notes (3) | 48,350 | 49,820 | — | 49,820 | — |
| 7.0% Junior Subordinated Debentures | 54,669 | 52,905 | — | 52,905 | — |
| Accrued interest payable | 12,058 | 12,058 | — | 12,058 | — |
| Off-balance sheet financial assets: | | | | | |
| Commitments to extend credit | — | 26,483 | — | — | 26,483 |

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

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

At June 30, 2016 and December 31, 2015, included in the carrying value and estimated fair value of our 6.05% (3) Subordinated Notes was an interest rate swap valued at \$1.9 million and \$2.8 million, respectively, related to hedge accounting associated with the notes.

Investments in Entities that Calculate Net Asset Value Per Share

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

Our investments in debt funds and venture capital and private equity fund investments generally cannot be redeemed. Alternatively, we expect distributions, if any, to be received primarily through 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, 2016:

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| (Dollars in thousands) | Carrying Amount | Fair Value | Unfunded Commitments |
|---|-----------------|------------|----------------------|
| Non-marketable securities (fair value accounting): | | | |
| Venture capital and private equity fund investments (1) | \$ 144,227 | \$ 144,227 | \$ 6,302 |
| Non-marketable securities (equity method accounting): | | | |
| Venture capital and private equity fund investments (2) | 82,214 | 82,214 | 4,954 |
| Debt funds (2) | 19,239 | 20,473 | — |
| Other investments (2) | 23,013 | 23,013 | 886 |
| Non-marketable securities (cost method accounting): | | | |
| Venture capital and private equity fund investments (2) | 117,379 | 226,648 | 12,364 |
| Total | \$ 386,072 | \$ 496,575 | \$ 24,506 |

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 (1) technology and life science/healthcare companies. Included in the fair value and unfunded commitments of fund investments under fair value accounting are \$102 million and \$5 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.

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 (2) 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.

15. Legal Matters

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

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

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

16. Related Parties

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

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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, and the impact of internal market and economic events on us, such as the expected withdrawal of the United Kingdom from the European Union (aka "Brexit")

- The impact of legal requirements and regulations limiting or restricting our activities or resulting in higher costs, including the Dodd-Frank Act, the Volcker Rule and Federal Reserve and other regulatory requirements
- The impact of lawsuits and claims
- Changes in accounting standards and tax laws
- The levels of equity capital available to our client or portfolio companies
- The effectiveness of our risk management framework and quantitative models
- The sale of impaired assets
- Our ability to maintain or increase our market share, including through successfully implementing our business strategy and undertaking new business initiatives

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Other factors as discussed in “Risk Factors” under Part I, Item 1A in our 2015 Form 10-K

We urge investors to consider all of these factors carefully in evaluating the forward-looking statements contained in this Quarterly Report on Form 10-Q. All subsequent written or oral forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by these cautionary statements. The forward-looking statements included in this filing are made only as of the date of this filing. We assume no obligation and do not intend to revise or update any forward-looking statements contained in this Quarterly Report on Form 10-Q, except as required by law.

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

Reclassifications

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

Management’s Overview of Second Quarter 2016 Performance

Overall, we had a solid second quarter in 2016, which was reflective of continued strong loan growth, higher core fee income, and healthy credit quality of our overall loan portfolio despite an increase in our loan loss provision, and a higher level of gross charge-offs. Our core business performed well as a result of our ongoing focus on innovation companies and their investors and continued efforts to secure client relationships. Softness in the venture capital markets continued to pressure our early-stage loan portfolio and drove lower warrant and venture capital-related investment gains.

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

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BALANCE SHEET

Assets. \$43.4 billion in average total assets (up 10.0%). \$43.1 billion in period end total assets (up 7.2%).

Investments. \$21.8 billion in average investment securities (up 1.6%). \$21.9 billion in period-end investments securities (down 4.2%).

Loans. \$18.2 billion in average total loan balances, net of unearned income (up 27.1%). \$18.8 billion in period-end total loan balances, net of unearned income (up 32.1%).

Deposits. \$38.2 billion in average total deposit balances (up 9.2%). \$37.6 billion in period-end total deposit balances (up 5.5%).

Off-Balance Sheet Client Investment Funds. \$42.9 billion in total average client investment fund balances (up 13.2%). \$43.1 billion in total period-end client investment fund balances (up 7.5%).

CAPITAL

Capital/Liquidity. Continued strong capital and liquidity levels, with all capital ratios considered "well-capitalized" under banking regulations. SVBFG and SVB Capital ratios, respectively, were:

- CET 1 risk-based capital ratio of 12.43% and 12.57%.
- Tier 1 risk-based capital ratio of 12.89% and 12.57%.
- Total risk-based capital ratio of 13.92% and 13.65%.
- Tier 1 leverage ratio of 8.08% and 7.56%.

+ This is a non-GAAP financial metric. (See the non-GAAP reconciliation under "Results of Operations—Noninterest Income")

EARNINGS

EPS. Earnings per diluted share of \$1.78 (up 7.2%).

Net income. Consolidated net income available to common stockholders of \$93.0 million (up 7.9%).

- Net interest income of \$283.3 million (up 16.2%).

- Net interest margin of 2.73% (up 15 bps).

- Noninterest income of \$112.8 million (down 10.7%), with non-GAAP core fee income⁺ (fee income for deposit services, letters of credit, business credit cards, client investments, foreign exchange and lending-related activities) of \$74.5 million (up 12.7%).

- Noninterest expense of \$200.4 million (up 3.2%)

ROE. Return on average equity (annualized) ("ROE") performance of 10.8%.

CREDIT QUALITY

Credit Quality. Continued disciplined underwriting.

- Allowance for loan losses of 1.29% as a percentage of period-end total gross loans.

- Provision for loan losses of 0.77% as a percentage of period-end total gross loans (annualized).

- Net loan charge-offs of 0.43% as a percentage of average total gross loans (annualized).

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

| (Dollars in thousands, except per share data, employees and ratios) | Three months ended June 30, | | | Six months ended June 30, | | |
|---|-----------------------------|---------------|------------|---------------------------|---------------|------------|
| | 2016 | 2015 | % Change | 2016 | 2015 | % Change |
| Diluted earnings per common share | \$ 1.78 | \$ 1.66 | 7.2 % | \$ 3.30 | \$ 3.37 | (2.1)% |
| Net income available to common stockholders | 92,964 | 86,143 | 7.9 | 172,138 | 174,659 | (1.4) |
| Net interest income | 283,336 | 243,771 | 16.2 | 564,757 | 482,696 | 17.0 |
| Net interest margin | 2.73 | % 2.58 | % 15 bps | 2.70 | % 2.61 | % 9 bps |
| Provision for loan losses | \$ 36,333 | \$ 26,513 | 37.0 % | \$ 69,674 | \$ 32,965 | 111.4 % |
| Noninterest income | 112,776 | 126,287 | (10.7) | 198,910 | 249,811 | (20.4) |
| Noninterest expense | 200,352 | 194,112 | 3.2 | 404,385 | 384,653 | 5.1 |
| Non-GAAP core fee income (1) | 74,454 | 66,079 | 12.7 | 150,996 | 124,289 | 21.5 |
| Non-GAAP noninterest income, net of noncontrolling interests (1) | 111,157 | 117,731 | (5.6) | 199,962 | 227,091 | (11.9) |
| Non-GAAP noninterest expense, net of noncontrolling interests (2) | 200,094 | 193,870 | 3.2 | 404,218 | 384,119 | 5.2 |
| Balance Sheet: | | | | | | |
| Average available-for-sale securities | \$ 13,399,323 | \$ 13,797,718 | (2.9)% | \$ 14,045,978 | \$ 13,685,091 | 2.6 % |
| Average held-to-maturity securities | 8,382,835 | 7,639,790 | 9.7 | 8,520,759 | 7,604,966 | 12.0 |
| Average loans, net of unearned income | 18,199,259 | 14,320,875 | 27.1 | 17,605,847 | 14,185,333 | 24.1 |
| Average noninterest-bearing demand deposits | 30,342,425 | 26,723,333 | 13.5 | 30,780,965 | 25,952,670 | 18.6 |
| Average interest-bearing deposits | 7,817,534 | 8,232,734 | (5.0) | 7,933,079 | 8,459,503 | (6.2) |
| Average total deposits | 38,159,959 | 34,956,067 | 9.2 | 38,714,044 | 34,412,173 | 12.5 |
| Earnings Ratios: | | | | | | |
| Return on average assets (annualized) (3) | 0.86 | % 0.88 | % (2.3)% | 0.79 | % 0.91 | % (13.2)% |
| Return on average SVBFG stockholders' equity (annualized) (4) | 10.83 | 11.40 | (5.0) | 10.22 | 11.87 | (13.9) |
| Asset Quality Ratios: | | | | | | |
| Allowance for loan losses as a % of total period-end gross loans | 1.29 | % 1.34 | % (5) bps | 1.29 | % 1.34 | % (5) bps |
| Allowance for loan losses for performing loans as a % of total gross performing loans | 0.98 | 0.99 | (1) | 0.98 | 0.99 | (1) |

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| | | | | | | |
|---|---------|---------|-------------|---------|---------|-------------|
| Gross loan charge-offs as a % of average total gross loans (annualized) | 0.45 | 0.13 | 32 | 0.53 | 0.14 | 39 |
| Net loan charge-offs as a % of average total gross loans (annualized) | 0.43 | 0.05 | 38 | 0.46 | 0.08 | 38 |
| Capital Ratios: | | | | | | |
| CET 1 risk-based capital ratio | 12.43 | % 12.54 | % (11) bps | 12.43 | % 12.54 | % (11) bps |
| Tier 1 risk-based capital ratio | 12.89 | 13.15 | (26) | 12.89 | 13.15 | (26) |
| Total risk-based capital ratio | 13.92 | 14.15 | (23) | 13.92 | 14.15 | (23) |
| Tier 1 leverage ratio | 8.08 | 7.95 | 13 | 8.08 | 7.95 | 13 |
| Tangible common equity to tangible assets (5) | 8.13 | 7.58 | 55 | 8.13 | 7.58 | 55 |
| Tangible common equity to risk-weighted assets (5) | 12.91 | 12.81 | 10 | 12.91 | 12.81 | 10 |
| Bank CET 1 risk-based capital ratio | 12.57 | 12.87 | (30) | 12.57 | 12.87 | (30) |
| Bank tier 1 risk-based capital ratio | 12.57 | 12.87 | (30) | 12.57 | 12.87 | (30) |
| Bank total risk-based capital ratio | 13.65 | 13.93 | (28) | 13.65 | 13.93 | (28) |
| Bank tier 1 leverage ratio | 7.56 | 7.39 | 17 | 7.56 | 7.39 | 17 |
| Bank tangible common equity to tangible assets (5) | 7.90 | 7.40 | 50 | 7.90 | 7.40 | 50 |
| Bank tangible common equity to risk-weighted assets (5) | 13.07 | 13.16 | (9) | 13.07 | 13.16 | (9) |
| Other Ratios: | | | | | | |
| GAAP operating efficiency ratio (6) | 50.58 | % 52.45 | % (3.6)% | 52.95 | % 52.51 | % 0.8 % |
| Non-GAAP operating efficiency ratio (2) | 50.69 | 53.57 | (5.4) | 52.82 | 54.06 | (2.3) |
| Book value per common share (7) | \$67.38 | \$59.29 | 13.6 | \$67.38 | \$59.29 | 13.6 |
| Other Statistics: | | | | | | |
| Average full-time equivalent employees | 2,182 | 1,959 | 11.4 % | 2,171 | 1,957 | 10.9 % |
| Period-end full-time equivalent employees | 2,188 | 1,964 | 11.4 | 2,188 | 1,964 | 11.4 |

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- (1) See “Results of Operations–Noninterest Income” for a description and reconciliation of non-GAAP core fee income and noninterest income.
- (2) See “Results of Operations–Noninterest Expense” for a description and reconciliation of non-GAAP noninterest expense and non-GAAP operating efficiency ratio.
- (3) Ratio represents annualized consolidated net income available to common stockholders divided by quarterly and year-to-date average assets.
- (4) Ratio represents annualized consolidated net income available to common stockholders divided by quarterly and year-to-date average SVBFG stockholders’ equity.
- (5) See “Capital Resources–Capital Ratios” for a reconciliation of non-GAAP tangible common equity to tangible assets and tangible common equity to risk-weighted assets.
- (6) The operating efficiency ratio is calculated by dividing total noninterest expense by total taxable-equivalent net interest income plus noninterest income.
- (7) Book value per common share is calculated by dividing total SVBFG stockholders’ equity by total outstanding common shares at period-end.

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

Critical Accounting Policies and Estimates

The accompanying management’s discussion and analysis of results of operations and financial condition is based upon our unaudited interim consolidated financial statements, which have been prepared in accordance with GAAP. The preparation of these financial statements in accordance with GAAP requires management to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues, expenses and related disclosure of contingent assets and liabilities. Management evaluates estimates and assumptions on an ongoing basis. Management bases its estimates on historical experiences and various other factors and assumptions that are believed to be reasonable under the circumstances. Actual results may differ materially from these estimates under different assumptions or conditions.

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

Results of Operations

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Net Interest Income and Margin (Fully Taxable Equivalent Basis)

Net interest income is defined as the difference between interest earned on loans, fixed income investment portfolio (available-for-sale and held-to-maturity securities), short-term investment securities and interest paid on funding sources. Net interest income is our principal source of revenue. Net interest margin is defined as the amount of annualized net interest income, on a fully taxable equivalent basis, expressed as a percentage of average interest-earning assets. Net interest income and net interest margin are presented on a fully taxable equivalent basis to consistently reflect income from taxable loans and securities and tax-exempt securities based on the federal statutory tax rate of 35 percent.

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

Net interest income is affected by changes in the amount and composition of interest-earning assets and interest-bearing liabilities, referred to as “volume change.” Net interest income is also affected by changes in yields earned on interest-earning assets and rates paid on interest-bearing liabilities, referred to as “rate change.” The following table sets forth changes in interest income for each major category of interest-earning assets and interest expense for each major category of interest-bearing liabilities. The table also reflects the amount of simultaneous changes attributable to both volume and rate changes for the periods indicated. For this table, changes that are not solely due to either volume or rate are allocated in proportion to the percentage changes in average volume and average rate.

| (Dollars in thousands) | 2016 Compared to 2015 Three months ended June 30, increase (decrease) due to change in | | | 2016 Compared to 2015 Six months ended June 30, increase (decrease) due to change in | | |
|---|---|-----------|----------|---|-----------|----------|
| | 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 | \$(284) | \$491 | \$207 | \$264 | \$744 | \$1,008 |
| Fixed income investment portfolio (taxable) | 797 | 1,193 | 1,990 | 8,388 | 3,378 | 11,766 |
| Fixed income investment portfolio (non-taxable) | (292) | 35 | (257) | (574) | 47 | (527) |
| Loans, net of unearned income | 43,366 | (5,331) | 38,035 | 79,128 | (8,652) | 70,476 |
| Increase (decrease) in interest income, net | 43,587 | (3,612) | 39,975 | 87,206 | (4,483) | 82,723 |
| Interest expense: | | | | | | |
| Interest bearing checking and savings accounts | 13 | (2) | 11 | 28 | (79) | (51) |
| Money market deposits | (9) | 136 | 127 | 17 | (477) | (460) |
| Money market deposits in foreign offices | (6) | 3 | (3) | (15) | 7 | (8) |
| Time deposits | (10) | (12) | (22) | (24) | (35) | (59) |
| Sweep deposits in foreign offices | (34) | — | (34) | (107) | 9 | (98) |
| Total (decrease) in deposits expense | (46) | 125 | 79 | (101) | (575) | (676) |
| Short-term borrowings | 330 | 17 | 347 | 321 | 56 | 377 |
| 3.50% Senior Notes | 1 | 2 | 3 | 990 | 27 | 1,017 |
| 5.375% Senior Notes | 3 | 5 | 8 | 25 | (10) | 15 |
| Junior Subordinated Debentures | — | (1) | (1) | — | (2) | (2) |
| 6.05% Subordinated Notes | (8) | 73 | 65 | (15) | 131 | 116 |
| Total increase in borrowings expense | 326 | 96 | 422 | 1,321 | 202 | 1,523 |
| Increase (decrease) in interest expense, net | 280 | 221 | 501 | 1,220 | (373) | 847 |
| Increase (decrease) in net interest income | \$43,307 | \$(3,833) | \$39,474 | \$85,986 | \$(4,110) | \$81,876 |

Net Interest Income (Fully Taxable Equivalent Basis)

Three months ended June 30, 2016 and 2015

Net interest income increased by \$39.5 million to \$283.6 million for the three months ended June 30, 2016, compared to \$244.2 million for the comparable 2015 period. Overall, our net interest income increased primarily from interest earned on loans, and to a lesser extent, our fixed income investments portfolios, reflective of higher average loan and

fixed income investment balances driven by our deposit growth.

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The main factors affecting interest income for the three months ended June 30, 2016, compared to the comparable 2015 period are discussed below:

Interest income for the three months ended June 30, 2016 increased by \$40.0 million due primarily to:

A \$38.0 million increase in interest income on loans to \$205.3 million for the three months ended June 30, 2016, compared to \$167.3 million for the comparable 2015 period. The increase was reflective of an increase in average loan balances of \$3.9 billion, partially offset by a decrease in both gross loan yields and loan fee yields. Gross loan yields, excluding loan interest recoveries and loan fees, decreased to 3.99 percent from 4.01 percent, reflective of a shift in the mix of our overall loan portfolio from the second quarter of 2015, partially offset by the 25 basis point increase in the target federal funds rate by the Federal Reserve in December 2015. The shift in the mix of loans primarily reflects growth in private equity/venture capital and SVB Private Bank loans, which tend to be higher credit quality, lower yielding loans. Loan fee yields decreased 12 basis points to 54 basis points, from 66 basis points in the comparable 2015 period, attributable primarily to a decrease in prepayment fees.

A \$1.7 million increase in interest income on fixed income investment securities to \$87.5 million for the three months ended June 30, 2016, compared to \$85.8 million for the comparable 2015 period. The increase was reflective primarily of an increase in average fixed income investment securities of \$0.3 billion from the second quarter of 2015, as a result of our deposit growth.

Six months ended June 30, 2016 and 2015

Net interest income increased by \$81.9 million to \$565.4 million for the six months ended June 30, 2016, compared to \$483.5 million for the comparable 2015 period. Overall, our net interest income increased primarily from interest earned on loans, and to a lesser extent, our fixed income investments portfolios, reflective of higher average loan balances, as well as fixed income investment balances, driven by our deposit growth.

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

Interest income for the six months ended June 30, 2016 increased by \$82.7 million due primarily to:

A \$70.5 million increase in interest income on loans to \$403.2 million for the six months ended June 30, 2016, compared to \$332.8 million for the comparable 2015 period. The increase was reflective of an increase in average loan balances of \$3.4 billion, partially offset by a decrease in both gross loan yields and loan fee yields. Gross loan yields, excluding loan interest recoveries and loan fees, decreased to 4.02 percent from 4.05 percent, reflective of a shift in the mix of our overall loan portfolio from the first half of 2015, partially offset by the 25 basis point increase in the target federal funds rate by the Federal Reserve in December 2015. The shift in the mix of loans primarily reflects growth in private equity/venture capital and SVB Private Bank loans, which tend to be higher credit quality, lower yielding loans. Loan fee yields decreased nine basis points to 57 basis points, from 66 basis points in the comparable 2015 period. This decrease was a result of lower amortizing fee income as a percentage of our overall loan portfolio, primarily reflective of the growth of our private equity/venture capital and SVB Private Bank loans which tend to have lower fees.

An \$11.2 million increase in interest income on fixed income investment securities to \$179.5 million for the six months ended June 30, 2016, compared to \$168.2 million for the comparable 2015 period. The increase was reflective of an increase in average fixed income investment securities of \$1.3 billion, primarily as a result of our deposit growth.

Interest expense for the six months ended June 30, 2016 increased by \$0.8 million primarily due to:

An increase in interest expense of \$1.1 million related to our long-term debt, reflective of the \$350.0 million issuance of our 3.50% Senior Notes on January 29, 2015.

A decrease in interest expense from interest-bearing deposits of \$0.7 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)

Three months ended June 30, 2016 and 2015

Our net interest margin increased by 15 basis points to 2.73 percent for the three months ended June 30, 2016, compared to 2.58 percent for the comparable 2015 period. The higher margin during the second quarter of 2016 was reflective primarily of a shift in the mix of our average interest-earning assets towards our loan portfolio. The shift

was a result of using cash and fixed income investment securities to fund loan growth during the second quarter of

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2016. Average loans represented 44 percent of interest earning assets for the second quarter of 2016 compared to 38 percent for the second quarter of 2015.

Six months ended June 30, 2016 and 2015

Our net interest margin increased to 2.70 percent for the six months ended June 30, 2016, compared to 2.61 percent for the comparable 2015 period. The higher margin during the first half of 2016 was reflective primarily of a shift in the mix of our average interest-earning assets towards our loan portfolio. The shift was a result of using cash and fixed income investment securities to fund loan growth during the first half of 2016. Average loans represented 42 percent of interest earning assets for the first half of 2016 compared to 38 percent for the first half of 2015.

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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, 2016 and 2015:

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

| (Dollars in thousands) | Three months ended June 30, 2016 | | | 2015 | | |
|--|-------------------------------------|--------------------------------|----------------|--------------------|--------------------------------|----------------|
| | 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) | \$1,796,679 | \$1,527 | 0.34% | \$2,128,460 | \$1,320 | 0.25% |
| Investment securities: (2) | | | | | | |
| Available-for-sale securities: | | | | | | |
| Taxable | 13,399,323 | 46,108 | 1.38 | 13,797,718 | 46,698 | 1.36 |
| Held-to-maturity securities: | | | | | | |
| Taxable | 8,321,790 | 40,495 | 1.96 | 7,558,646 | 37,915 | 2.01 |
| Non-taxable (3) | 61,045 | 884 | 5.82 | 81,144 | 1,141 | 5.64 |
| Total loans, net of unearned income (4) (5) | 18,199,259 | 205,287 | 4.54 | 14,320,875 | 167,252 | 4.68 |
| Total interest-earning assets | 41,778,096 | 294,301 | 2.83 | 37,886,843 | 254,326 | 2.69 |
| Cash and due from banks | 259,054 | | | 316,577 | | |
| Allowance for loan losses | (239,727) | | | (180,130) | | |
| Other assets (6) | 1,572,607 | | | 1,419,533 | | |
| Total assets | \$43,370,030 | | | \$39,442,823 | | |
| Funding sources: | | | | | | |
| Interest-bearing liabilities: | | | | | | |
| Interest bearing checking and savings accounts | \$309,733 | \$60 | 0.08% | \$230,891 | \$49 | 0.09% |
| Money market deposits | 5,975,948 | 1,035 | 0.07 | 6,034,187 | 908 | 0.06 |
| Money market deposits in foreign offices | 128,565 | 15 | 0.05 | 188,399 | 18 | 0.04 |
| Time deposits | 59,485 | 16 | 0.11 | 93,387 | 38 | 0.16 |
| Sweep deposits in foreign offices | 1,343,803 | 135 | 0.04 | 1,685,870 | 169 | 0.04 |
| Total interest-bearing deposits | 7,817,534 | 1,261 | 0.06 | 8,232,734 | 1,182 | 0.06 |
| Short-term borrowings | 302,527 | 360 | 0.48 | 26,345 | 13 | 0.20 |
| 3.50% Senior Notes | 346,771 | 3,140 | 3.64 | 346,479 | 3,137 | 3.63 |
| 5.375% Senior Notes | 347,204 | 4,845 | 5.61 | 346,654 | 4,837 | 5.60 |
| Junior Subordinated Debentures | 54,610 | 832 | 6.13 | 54,787 | 833 | 6.10 |
| 6.05% Subordinated Notes | 47,866 | 218 | 1.83 | 49,651 | 153 | 1.24 |
| Total interest-bearing liabilities | 8,916,512 | 10,656 | 0.48 | 9,056,650 | 10,155 | 0.45 |
| Portion of noninterest-bearing funding sources | 32,861,584 | | | 28,830,193 | | |
| Total funding sources | 41,778,096 | 10,656 | 0.10 | 37,886,843 | 10,155 | 0.11 |
| Noninterest-bearing funding sources: | | | | | | |
| Demand deposits | 30,342,425 | | | 26,723,333 | | |
| Other liabilities | 528,274 | | | 490,847 | | |
| SVBFG stockholders' equity | 3,451,702 | | | 3,031,699 | | |
| Noncontrolling interests | 131,117 | | | 140,294 | | |
| Portion used to fund interest-earning assets | (32,861,584) | | | (28,830,193) | | |
| Total liabilities, noncontrolling interest, and SVBFG stockholders' equity | \$43,370,030 | | | \$39,442,823 | | |
| Net interest income and margin | | \$283,645 | 2.73% | | \$244,171 | 2.58% |
| Total deposits | \$38,159,959 | | | \$34,956,067 | | |
| Reconciliation to reported net interest income: | | | | | | |

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| | | |
|--|-----------|-----------|
| Adjustments for taxable equivalent basis | (309) | (400) |
| Net interest income, as reported | \$283,336 | \$243,771 |

- (1) Includes average interest-earning deposits in other financial institutions of \$633 million and \$445 million for the three months ended June 30, 2016 and 2015, respectively. For the three months ended June 30, 2016 and 2015, balances also include \$1.1 billion and \$1.6 billion, respectively, deposited at the Federal Reserve Bank, earning interest at the Federal Funds target rate.
- (2) Yields on interest-earning investment securities do not give effect to changes in fair value that are reflected in other comprehensive income.
- (3) Interest income on non-taxable investment securities are presented on a fully taxable-equivalent basis using the federal statutory income tax rate of 35.0 percent for all periods presented.
- (4) Nonaccrual loans are reflected in the average balances of loans.
- (5) Interest income includes loan fees of \$24.2 million and \$23.7 million for the three months ended June 30, 2016 and 2015, respectively.
- (6) Average investment securities of \$824 million and \$776 million for the three months ended June 30, 2016 and 2015, respectively, were classified as other assets as they were noninterest-earning assets. These investments consisted primarily of non-marketable and other securities.

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Average Balances, Rates and Yields for the Six Months Ended June 30, 2016 and 2015

| (Dollars in thousands) | Six months ended June 30, 2016 | | | 2015 | | |
|--|-----------------------------------|--------------------------------|----------------|--------------------|--------------------------------|----------------|
| | 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) | \$1,963,818 | \$3,597 | 0.37% | \$1,815,912 | \$2,589 | 0.29% |
| Investment securities: (2) | | | | | | |
| Available-for-sale securities: | | | | | | |
| Taxable | 14,045,978 | 96,191 | 1.38 | 13,685,091 | 90,707 | 1.34 |
| Held-to-maturity securities: | | | | | | |
| Taxable | 8,458,435 | 81,462 | 1.94 | 7,522,605 | 75,180 | 2.02 |
| Non-taxable (3) | 62,324 | 1,802 | 5.81 | 82,361 | 2,329 | 5.70 |
| Total loans, net of unearned income (4) (5) | 17,605,847 | 403,229 | 4.61 | 14,185,333 | 332,753 | 4.73 |
| Total interest-earning assets | 42,136,402 | 586,281 | 2.80 | 37,291,302 | 503,558 | 2.72 |
| Cash and due from banks | 330,744 | | | 278,453 | | |
| Allowance for loan losses | (232,535) | | | (175,700) | | |
| Other assets (5) | 1,545,499 | | | 1,441,401 | | |
| Total assets | \$43,780,110 | | | \$38,835,456 | | |
| Funding sources: | | | | | | |
| Interest-bearing liabilities: | | | | | | |
| Interest bearing checking and savings accounts | \$311,596 | \$121 | 0.08% | \$229,718 | \$172 | 0.15% |
| Money market deposits | 6,036,761 | 1,981 | 0.07 | 5,995,766 | 2,441 | 0.08 |
| Money market deposits in foreign offices | 130,368 | 30 | 0.05 | 197,898 | 38 | 0.04 |
| Time deposits | 63,476 | 39 | 0.12 | 102,154 | 98 | 0.19 |
| Sweep deposits in foreign offices | 1,390,878 | 278 | 0.04 | 1,933,967 | 376 | 0.04 |
| Total interest-bearing deposits | 7,933,079 | 2,449 | 0.06 | 8,459,503 | 3,125 | 0.07 |
| Short-term borrowings | 173,640 | 402 | 0.47 | 34,934 | 25 | 0.14 |
| 3.5% Senior Notes | 346,732 | 6,280 | 3.64 | 292,868 | 5,263 | 3.62 |
| 5.375% Senior Notes | 347,134 | 9,687 | 5.61 | 346,589 | 9,672 | 5.63 |
| Junior Subordinated Debentures | 54,632 | 1,663 | 6.12 | 54,808 | 1,665 | 6.14 |
| 6.05% Subordinated Notes | 48,080 | 412 | 1.72 | 49,832 | 296 | 1.20 |
| Total interest-bearing liabilities | 8,903,297 | 20,893 | 0.47 | 9,238,534 | 20,046 | 0.44 |
| Portion of noninterest-bearing funding sources | 33,233,105 | | | 28,052,768 | | |
| Total funding sources | 42,136,402 | 20,893 | 0.10 | 37,291,302 | 20,046 | 0.11 |
| Noninterest-bearing funding sources: | | | | | | |
| Demand deposits | 30,780,965 | | | 25,952,670 | | |
| Other liabilities | 576,535 | | | 531,067 | | |
| SVBFG stockholders' equity | 3,387,031 | | | 2,966,378 | | |
| Noncontrolling interests | 132,282 | | | 146,807 | | |
| Portion used to fund interest-earning assets | (33,233,105) | | | (28,052,768) | | |
| Total liabilities, noncontrolling interest, and SVBFG stockholders' equity | \$43,780,110 | | | \$38,835,456 | | |
| Net interest income and margin | | \$565,388 | 2.70% | | \$483,512 | 2.61% |
| Total deposits | \$38,714,044 | | | \$34,412,173 | | |
| Reconciliation to reported net interest income: | | | | | | |

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| | | |
|--|-----------|-----------|
| Adjustments for taxable equivalent basis | (631) | (816) |
| Net interest income, as reported | \$564,757 | \$482,696 |

- Includes average interest-earning deposits in other financial institutions of \$600 million and \$477 million for the
- (1) six months ended June 30, 2016 and 2015, respectively. The balance also includes \$1.3 billion deposited at the FRB, earning interest at the Federal Funds target rate for both the six months ended June 30, 2016 and 2015.
 - (2) Yields on interest-earning investment securities do not give effect to changes in fair value that are reflected in other comprehensive income.
 - (3) Interest income on non-taxable 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 \$49.7 million and \$46.7 million for the six months ended June 30, 2016 and 2015, respectively.
 - (6) Average investment securities of \$0.8 billion and \$1.2 billion for the six months ended June 30, 2016 and 2015, respectively, were classified as other assets as they were noninterest-earning assets. These investments consisted primarily of non-marketable securities.

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Provision for Loan Losses

The following table summarizes our allowance for loan losses for the three and six months ended June 30, 2016 and 2015:

| (Dollars in thousands) | Three months ended June 30, | | Six months ended June 30, | | |
|--|-----------------------------|--------------|---------------------------|--------------|---|
| | 2016 | 2015 | 2016 | 2015 | |
| Allowance for loan losses, beginning balance | \$230,249 | \$167,875 | \$217,613 | \$165,359 | |
| Provision for loan losses | 36,333 | 26,513 | 69,674 | 32,965 | |
| Gross loan charge-offs | (20,676) | (4,734) | (46,850) | (10,221) | |
| Loan recoveries | 1,261 | 2,939 | 6,074 | 4,627 | |
| Foreign currency translation adjustments (1) | (2,444) | 51 | (1,788) | (86) | |
| Allowance for loan losses, ending balance | \$244,723 | \$192,644 | \$244,723 | \$192,644 | |
| Provision for loan losses as a percentage of period-end total gross loans (annualized) | 0.77 | % 0.74 | % 0.74 | % 0.46 | % |
| Gross loan charge-offs as a percentage of average total gross loans (annualized) | 0.45 | 0.13 | 0.53 | 0.14 | |
| Net loan charge-offs as a percentage of average total gross loans (annualized) | 0.43 | 0.05 | 0.46 | 0.08 | |
| Allowance for loan losses as a percentage of period-end total gross loans | 1.29 | 1.34 | 1.29 | 1.34 | |
| Period-end total gross loans | \$18,949,902 | \$14,370,930 | \$18,949,902 | \$14,370,930 | |
| Average total gross loans | 18,310,189 | 14,427,039 | 17,716,954 | 14,289,662 | |

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

Three months ended June 30, 2016 and 2015

Our provision for loan losses is primarily a function of our reserve methodology, which is used to determine an appropriate allowance for loan losses for the period. Our reserve methodology 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 risk of the loan portfolio. 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 (unaudited)” under Part I, Item 1 of this report for further details on our allowance for loan losses.

Our provision for loan losses was \$36.3 million for the three months ended June 30, 2016, compared to a provision of \$26.5 million for the comparable 2015 period. The provision of \$36.3 million was reflective primarily of \$15.4 million of reserves on new nonaccrual loans, \$13.0 million for charge-offs that did not previously have a specific reserve and \$10.7 million related to the \$1.1 billion increase in period-end loan balances, partially offset by a decrease in our reserves for performing loans.

The provision of \$26.5 million for the second quarter of 2015 was driven primarily by an increase of \$27.1 million in the reserve for nonaccrual loans and \$1.7 million in net charge-offs, partially offset by a \$2.4 million reduction due to the decrease in period-end loan balances.

Gross loan charge-offs of \$20.7 million for the second quarter of 2016 included \$13.7 million from our early-stage loan portfolio and \$5.2 million from a late-stage client loan. These charge-offs were primarily from our software and internet loan portfolio.

Net loan charge-offs of \$19.4 million represented 0.43 percent of average total gross loans, compared to net charge-offs of \$1.8 million, or 0.05 percent of average total gross loans for the comparable 2015 period. The increase in net loan charge-offs as a percentage of average total gross loans was reflective primarily of the increase in gross loan charge-offs as discussed above.

Six months ended June 30, 2016 and 2015

Our provision for loan losses was \$69.7 million for the six months ended June 30, 2016, compared to a provision of \$33.0 million for the comparable 2015 period. The provision of \$69.7 million for the six months ended June 30, 2016 was reflective primarily of \$27.5 million in charge-offs that did not previously have a specific reserve and \$20.2 million from period-end loan growth, with the remaining provision due primarily to reserves for new nonaccrual loans.

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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 nonaccrual loans and \$5.6 million for net charge-offs. These increases were partially 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.

Gross loan charge-offs of \$46.9 million for the six months ended June 30, 2016 included \$29.1 million from our early-stage loan portfolio and \$13.4 million from two late-stage client loans. These charge-offs were primarily from our software and internet loan portfolio. Gross loan charge-offs of \$10.2 million for the six months ended June 30, 2015 came primarily from our hardware and life science/healthcare loan portfolios.

Net loan charge-offs of \$40.8 million represented 0.46 percent of average total gross loans, compared to net charge-offs of \$5.6 million, or 0.08 percent of average total gross loans for the comparable 2015 period.

Noninterest Income

For the three and six months ended June 30, 2016, we had noninterest income of \$112.8 million and \$198.9 million, respectively, compared to \$126.3 million and \$249.8 million, for the comparable 2015 periods. For the three and six months ended June 30, 2016, non-GAAP noninterest income, net of noncontrolling interests was \$111.2 million and \$200.0 million, respectively, compared to \$117.7 million and \$227.1 million, for the comparable 2015 periods. For the three and six months ended June 30, 2016, non-GAAP core fee income was \$74.5 million and \$151.0 million, respectively, compared to \$66.1 million and \$124.3 million for the comparable 2015 periods. (See reconciliations of non-GAAP measures used below under "Use of Non-GAAP Financial Measures".)

Use of Non-GAAP Financial Measures

To supplement our unaudited interim consolidated financial statements presented in accordance with GAAP, we use certain non-GAAP measures of financial performance (including, but not limited to, non-GAAP core fee income, non-GAAP noninterest income, non-GAAP net gains on investment securities). These supplemental performance measures may vary from, and may not be comparable to, similarly titled measures by other companies in our industry. Non-GAAP financial measures are not in accordance with, or an alternative for, GAAP. Generally, a non-GAAP financial measure is a numerical measure of a company's performance that either excludes or includes amounts that are not normally excluded or included in the most directly comparable measure calculated and presented in accordance with GAAP. A non-GAAP financial measure may also be a financial metric that is not required by GAAP or other applicable requirement.

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 items that represent income attributable to investors other than us and our subsidiaries and other certain non-recurring items. 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.

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 (Unaudited)" 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 tables below for noninterest income and net gains on investment securities exclude noncontrolling interests.

Core fee income is a non-GAAP financial measure, which represents GAAP noninterest income, but excludes certain line items where performance is typically subject to market or other conditions beyond our control. Core fee income includes foreign exchange fees, deposit service charges, credit card fees, lending related fees, client investment fees and letters of credit fees.

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The following table provides a reconciliation of GAAP noninterest income to non-GAAP noninterest income, net of noncontrolling interests, for the three and six months ended June 30, 2016 and 2015:

| (Dollars in thousands) | Three months ended June 30, | | | Six months ended June 30, | | |
|--|-----------------------------|------------|----------|---------------------------|------------|----------|
| | 2016 | 2015 | % Change | 2016 | 2015 | % Change |
| GAAP noninterest income | \$ 112,776 | \$ 126,287 | (10.7)% | \$ 198,910 | \$ 249,811 | (20.4)% |
| Less: income (loss) attributable to noncontrolling interests, including carried interest | 1,619 | 8,556 | (81.1) | (1,052) | 22,720 | (104.6) |
| Non-GAAP noninterest income, net of noncontrolling interests | \$ 111,157 | \$ 117,731 | (5.6) | \$ 199,962 | \$ 227,091 | (11.9) |

The following table provides a reconciliation of GAAP noninterest income to non-GAAP core fee income for the three and six months ended June 30, 2016 and 2015:

| (Dollars in thousands) | Three months ended June 30, | | | Six months ended June 30, | | |
|--|-----------------------------|------------|----------|---------------------------|------------|----------|
| | 2016 | 2015 | % Change | 2016 | 2015 | % Change |
| GAAP noninterest income | \$ 112,776 | \$ 126,287 | (10.7)% | \$ 198,910 | \$ 249,811 | (20.4)% |
| Less: gains on investment securities, net | 23,270 | 24,975 | (6.8) | 18,586 | 58,238 | (68.1) |
| Less: gains on derivative instruments, net | 8,798 | 16,317 | (46.1) | 7,103 | 56,046 | (87.3) |
| Less: other noninterest income | 6,254 | 18,916 | (66.9) | 22,225 | 11,238 | 97.8 |
| Non-GAAP core fee income (1) | \$ 74,454 | \$ 66,079 | 12.7 | \$ 150,996 | \$ 124,289 | 21.5 |

Non-GAAP core fee income represents noninterest income, but excludes certain line items where performance is (1) typically subject to market or other conditions beyond our control and includes foreign exchange fees, deposit service charges, credit card fees, lending related fees, client investment fees and letters of credit fees.

Gains on Investment Securities, Net

Net gains and losses 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 securities portfolio is primarily a fixed income investment portfolio that is 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 AFS securities 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, our China Joint 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 or losses 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 or losses 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 or losses 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.

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Three months ended June 30, 2016 and 2015

For the three months ended June 30, 2016, we had net gains on investment securities of \$23.3 million, compared to net gains of \$25.0 million for the comparable 2015 period. Net gains on investment securities, net of noncontrolling interests, were \$21.6 million for the three months ended June 30, 2016, compared to net gains of \$15.9 million for the comparable 2015 period.

Net gains on investment securities, net of noncontrolling interests, of \$21.6 million for the three months ended June 30, 2016 were primarily driven by the following:

- Net gains of \$12.3 million from our available-for-sale securities portfolio primarily reflective of \$12.4 million of net gains on the sale of approximately \$1.0 billion in U.S. Treasury securities,

- Gains of \$7.9 million from our strategic and other investments, driven primarily by distribution gains from our strategic venture capital fund investments, and

- Gains of \$1.7 million from our managed funds of funds, related primarily to net unrealized valuation increases.

Six months ended June 30, 2016 and 2015

For the six months ended June 30, 2016, we had net gains on investment securities of \$18.6 million, compared to \$58.2 million for the comparable 2015 period. Net gains on investment securities, net of noncontrolling interests, were \$19.7 million for the six months ended June 30, 2016, compared to net gains of \$35.0 million for the comparable 2015 period.

The gains, net of noncontrolling interests, of \$19.7 million for the six months ended June 30, 2016 were primarily driven by the following:

- Gains of \$11.6 million from our available-for-sale securities portfolio primarily reflective of \$13.8 million of net gains on the sale of approximately \$2.9 billion in U.S. Treasury securities, partially offset by \$2.2 million of losses on sales of shares from exercised warrants in public companies upon expiration of lock-up periods during the first half of 2016,

- Gains of \$10.3 million from our strategic and other investments, driven primarily by distribution gains from our strategic venture capital fund investments, and

- Losses of \$2.2 million from our managed funds of funds, related primarily to unrealized valuation decreases due to the decrease in market prices of public positions held by the fund investments in the portfolio.

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The following tables provide a reconciliation of GAAP total gains (losses) on investment securities, net, to non-GAAP net gains (losses) on investment securities, net of noncontrolling interests, for the three and six months ended June 30, 2016 and 2015:

| (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, 2016 | | | | | | |
| Total gains (losses) on investment securities, net | \$3,380 | \$(167) | \$(220) | \$ 12,328 | \$ 7,949 | \$23,270 |
| Less: income (losses) attributable to noncontrolling interests, including carried interest | 1,640 | (18) | — | — | — | 1,622 |
| Non-GAAP net gains (losses) on investment securities, net of noncontrolling interests | \$ 1,740 | \$(149) | \$(220) | \$ 12,328 | \$ 7,949 | \$21,648 |
| 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 |
| Six months ended June 30, 2016 | | | | | | |
| Total gains (losses) on investment securities, net | \$(3,101) | \$(801) | \$635 | \$ 11,582 | \$ 10,271 | \$18,586 |
| Less: losses attributable to noncontrolling interests, including carried interest | (947) | (147) | — | — | — | (1,094) |
| Non-GAAP net gains (losses) on investment securities, net of noncontrolling interests | \$(2,154) | \$(654) | \$635 | \$ 11,582 | \$ 10,271 | \$19,680 |
| Six months ended June 30, 2015 | | | | | | |
| 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 |

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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, 2016 and 2015 is as follows:

| (Dollars in thousands) | Three months ended June 30, | | | Six months ended June 30, | | |
|--|-----------------------------|----------|----------|---------------------------|----------|----------|
| | 2016 | 2015 | % Change | 2016 | 2015 | % Change |
| Equity warrant assets (1) | | | | | | |
| (Losses) gains on exercises, net | \$(1,487) | \$14,584 | (110.2)% | \$5,585 | \$24,190 | (76.9)% |
| Cancellations and expirations | (769) | (114) | NM | (1,385) | (406) | NM |
| Changes in fair value | 7,345 | 9,146 | (19.7) | 7,494 | 20,110 | (62.7) |
| Net gains on equity warrant assets | 5,089 | 23,616 | (78.5) | 11,694 | 43,894 | (73.4) |
| Gains (losses) on foreign exchange forward contracts, net: | | | | | | |
| Gains (losses) on client foreign exchange forward contracts, net (2) | 68 | 787 | (91.4) | (5,586) | 280 | NM |
| Gains (losses) on internal foreign exchange forward contracts, net (3) | 3,923 | (8,174) | (148.0) | 1,715 | 11,844 | (85.5) |
| Total gains (losses) on foreign exchange forward contracts, net | 3,991 | (7,387) | (154.0) | (3,871) | 12,124 | (131.9) |
| Changes in fair value of interest rate swaps | (13) | (11) | 18.2 | (30) | (14) | 114.3 |
| Net (losses) gains on other derivatives | (269) | 99 | NM | (690) | 42 | NM |
| Gains on derivative instruments, net | \$8,798 | \$16,317 | (46.1) | \$7,103 | \$56,046 | (87.3) |

NM—Not meaningful

(1) At June 30, 2016, we held warrants in 1,697 companies, compared to 1,587 companies at June 30, 2015. The total value of our warrant portfolio was \$130 million at June 30, 2016 and \$123 million at June 30, 2015. Warrants in 19 companies had values greater than \$1.0 million and represented 32 percent of the fair value of the portfolio at June 30, 2016.

(2) Represents the change in the fair value of foreign exchange forward contracts executed on behalf of clients, excluding any spread or fees earned in connection with these trades. The change in fair value of our client foreign exchange contracts is offset by the revaluation of client foreign currency denominated financial instruments which are included in the line item "Other" within noninterest income. Refer to the discussion related to gains (losses) on the revaluation of client foreign currency instruments, net, included in the line item "Other noninterest income" for more information.

(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, issued and held by us. The change in fair value of our internal foreign exchange contracts is offset by the revaluation of foreign currency denominated financial instruments, issued and held by us, which are included in the line item "Other" within noninterest income. Refer to the discussion related to gains (losses) on the revaluation of internal foreign currency instruments, net, included in the line item "Other noninterest income" for more information.

Three months ended June 30, 2016 and 2015

Net gains on derivative instruments were \$8.8 million for the three months ended June 30, 2016, compared to net gains of \$16.3 million for the comparable 2015 period. Net gains on derivative instruments were primarily attributable to the following:

Net gains on equity warrant assets of \$5.1 million, which consisted of:

Net gains of \$7.3 million from changes in warrant valuations for the three months ended June 30, 2016, compared to \$9.1 million for the comparable 2015 period, primarily reflective of IPO and M&A activity in the portfolio.

Net losses of \$1.5 million from the exercise of equity warrant assets during the three months ended June 30, 2016, primarily from warrant conversions for certain private positions at lower valuations than the prior estimated warrant value, compared to gains of \$14.6 million for the comparable 2015 period.

Net gains of \$3.9 million on internal foreign exchange forward contracts used to economically reduce our foreign exchange exposure to foreign currency denominated financial instruments for the three months ended June 30, 2016, compared to net losses of \$8.2 million for the comparable 2015 period. The net gains of \$3.9 million were driven by

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the strengthening of the U.S. dollar against various foreign currencies, primarily against the Euro and Swedish Krona, during the second quarter of 2016 and were offset by net losses of \$4.3 million from the revaluation of foreign currency denominated instruments that are included in the line item "Other" within noninterest income.

Six months ended June 30, 2016 and 2015

Net gains on derivative instruments were \$7.1 million for the six months ended June 30, 2016, compared to net gains of \$56.0 million for the comparable 2015 period. The net gains on derivative instruments were primarily attributable to the following:

• Net gains on equity warrant assets of \$11.7 million for the six months ended June 30, 2016, compared to \$43.9 million for the comparable 2015 period, which consisted of the following:

Net gains of \$7.5 million from changes in warrant valuations for the six months ended June 30, 2016, compared to \$20.1 million for the comparable 2015 period, reflective primarily of IPO and M&A activity in the portfolio.

Net gains of \$5.6 million from the exercise of equity warrant assets for the six months ended June 30, 2016, compared to \$24.2 million for the comparable 2015 period, reflective primarily of M&A activity.

Net losses of \$5.6 million on client foreign exchange forward contracts for the six months ended June 30, 2016, compared to net gains of \$0.3 million for the comparable 2015 period. The net losses of \$5.6 million were partially offset by net gains of \$3.5 million from the revaluation of foreign currency denominated financial instruments that are included in the line item "Other" within noninterest income. Also contributing to the loss is a reclassification of \$2.8 million in unrealized gains on forward contracts to foreign exchange fee income (included in non-GAAP core fee income above) reflecting fees earned on forward contracts executed on behalf of our clients, which were previously recorded in gains (losses) on derivative instruments.

Net gains of \$1.7 million on internal foreign exchange forward contracts hedging certain of our foreign currency denominated instruments for the six months ended June 30, 2016, compared to gains of \$11.8 million for the comparable 2015 period. The gains recognized for the six months ended June 30, 2016 were primarily attributable to the strengthening of the U.S. Dollar against various foreign currencies, primarily against the Euro and the Swedish Krona. The gains of \$1.7 million and \$11.8 million were offset by losses of \$2.8 million and \$11.9 million, respectively, from the revaluation of foreign currency denominated instruments that are included in the line item "Other" within noninterest income as noted below.

Non-GAAP Core Fee Income

| (Dollars in thousands) | Three months ended June 30, | | | Six months ended June 30, | | |
|--|-----------------------------|----------|----------|---------------------------|-----------|----------|
| | 2016 | 2015 | % Change | 2016 | 2015 | % Change |
| Non-GAAP core fee income (1): | | | | | | |
| Foreign exchange fees | \$24,088 | \$22,364 | 7.7 % | \$51,054 | \$40,042 | 27.5 % |
| Credit card fees | 15,424 | 14,215 | 8.5 | 30,931 | 26,305 | 17.6 |
| Deposit service charges | 13,114 | 11,301 | 16.0 | 25,786 | 22,037 | 17.0 |
| Client investment fees | 8,012 | 5,264 | 52.2 | 16,007 | 9,746 | 64.2 |
| Lending related fees | 7,802 | 8,163 | (4.4) | 15,615 | 16,185 | (3.5) |
| Letters of credit and standby letters of credit fees | 6,014 | 4,772 | 26.0 | 11,603 | 9,974 | 16.3 |
| Total non-GAAP core fee income (1) | \$74,454 | \$66,079 | 12.7 | \$150,996 | \$124,289 | 21.5 |

(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. See "Use of Non-GAAP Measures" above.

Foreign Exchange Fees

Foreign exchange fees were \$24.1 million and \$51.1 million for the three and six months ended June 30, 2016, compared to \$22.4 million and \$40.0 million for the comparable 2015 periods. The increases in foreign exchange fees were due primarily to increased volume related to an increase in our client count and market volatility. Also contributing to the increases was the one-time reclassification of \$2.9 million in foreign exchange fee income from noninterest income gains on derivative instruments as noted above.

Table of Contents**Credit Card Fees**

Credit card fees were \$15.4 million and \$30.9 million for the three and six months ended June 30, 2016, compared to \$14.2 million and \$26.3 million for the comparable 2015 periods. The increases reflect increased client utilization of our credit card products and custom payment solutions provided to new and existing clients. The increases were partially offset by higher rebate/rewards expense.

Deposit Service Charges

Deposit service charges were \$13.1 million and \$25.8 million for the three and six months ended June 30, 2016, compared to \$11.3 million and \$22.0 million for the comparable 2015 periods. The increases were reflective of increases in the number of deposit clients, as well as increases in transaction volumes, during the three and six months ended June 30, 2016.

Lending Related Fees

Lending related fees were \$7.8 million and \$15.6 million for the three and six months ended June 30, 2016, compared to \$8.2 million and \$16.2 million for the comparable 2015 periods. The decreases were primarily due to lower loan syndication fee income partially offset by increases in unused commitment fees. Loan syndication fees were \$0.3 million and \$0.7 million for the three and six months ended June 30, 2016, respectively, and decreased by \$0.8 million and \$2.3 million over the comparable 2015 periods, respectively, as a result of lower syndication activity.

Letters of Credit and Standby letters of Credit Fees

Letters of credit and standby letters of credit fees were \$6.0 million and \$11.6 million for the three and six months ended June 30, 2016, compared to \$4.8 million and \$10.0 million for the comparable 2015 periods. The increases were primarily driven by increases in deferred fee income reflective of larger letter of credit issuances.

Client Investment Fees

Client investment fees were \$8.0 million and \$16.0 million for the three and six months ended June 30, 2016, compared to \$5.3 million and \$9.7 million for the comparable 2015 periods. The increases were attributable primarily to our clients' increased utilization of off-balance sheet products managed by SVB Asset Management and third-party sweep money market funds, reflective of the capital raising activity of our early-stage and mid-to-late stage clients during 2015, as well as from money fund rate increases across our off-balance sheet client investment fund platforms during 2016.

The following table summarizes average client investment funds for the three and six months ended June 30, 2016 and 2015:

| (Dollars in millions) | Three months ended June 30, | | | Six months ended June 30, | | |
|---|-----------------------------|----------|----------|---------------------------|----------|----------|
| | 2016 | 2015 | % Change | 2016 | 2015 | % Change |
| Client directed investment assets (1) | \$7,248 | \$7,847 | (7.6)% | \$7,283 | \$7,432 | (2.0)% |
| Client investment assets under management (2) | 21,222 | 19,261 | 10.2 | 21,477 | 18,486 | 16.2 |
| Sweep money market funds | 14,413 | 10,761 | 33.9 | 13,918 | 9,829 | 41.6 |
| Total average client investment funds (3) | \$42,883 | \$37,869 | 13.2 | \$42,678 | \$35,747 | 19.4 |

(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, 2016 and December 31, 2015:

| (Dollars in millions) | June 30, December | | % Change |
|---|-------------------|----------|----------|
| | 2016 | 31, 2015 | |
| Client directed investment assets (1) | \$7,117 | \$7,527 | (5.4)% |
| Client investment assets under management (2) | 20,508 | 22,454 | (8.7) |
| Sweep money market funds | 15,447 | 14,011 | 10.2 |

Total period-end client investment funds (3) \$43,072 \$43,992 (2.1 %)

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- (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.

Other Noninterest Income

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

| (Dollars in thousands) | Three months ended June 30, | | | Six months ended June 30, | | |
|---|-----------------------------|----------|----------|---------------------------|-----------|----------|
| | 2016 | 2015 | % Change | 2016 | 2015 | % Change |
| Fund management fees | \$4,298 | \$3,861 | 11.3 % | \$8,918 | \$7,583 | 17.6 % |
| Service-based fee income | 2,148 | 2,413 | (11.0) | 4,240 | 4,519 | (6.2) |
| (Losses) gains on revaluation of internal foreign currency instruments, net (1) | (5,307) | 8,306 | (163.9) | (2,816) | (11,853) | (76.2) |
| Other (2) | 5,115 | 4,336 | 18.0 | 11,883 | 10,989 | 8.1 |
| Total other noninterest income | \$6,254 | \$18,916 | (66.9) | \$22,225 | \$11,238 | 97.8 |

Represents the net revaluation of foreign currency denominated financial instruments issued and held by us, primarily loans, deposits and cash. We enter into internal foreign exchange forward contracts to economically (1) reduce our foreign exchange exposure related to these foreign currency denominated financial instruments issued and held by us. The changes in the fair value of internal foreign exchange forward contracts are included within noninterest income in the line item "Gains on derivative instruments, net".

Includes dividends on FHLB/FRB stock, correspondent bank rebate income and other fee income. Also included in this line item is the net revaluation of client foreign currency denominated financial instruments. We enter into (2) client foreign exchange forward contracts to economically reduce our foreign exchange exposure related to client foreign currency denominated financial instruments. The changes in the fair value of client foreign exchange forward contracts are included within noninterest income in the line item "Gains on derivative instruments, net".

Total other noninterest income was \$6.3 million and \$22.2 million for the three and six months ended June 30, 2016, compared to noninterest income of \$18.9 million and \$11.2 million for the comparable 2015 period. The decrease of \$12.6 million for the three months ended June 30, 2016 was primarily due to the \$5.3 million loss on revaluation of foreign currency instruments during the second quarter of 2016 compared to the gain of \$8.3 million for the comparable 2015 quarter. The loss for the three months ended June 30, 2016 was driven by the strengthening of the U.S. dollar against various foreign currencies, primarily against the Euro and Swedish Krona, and included \$1.0 million of previous quarter losses, resulting in second quarter 2016 net losses of \$4.3 million. Losses of \$4.3 million and gains of \$8.3 million for the three months ended June 30, 2016 and 2015, were offset by gains of \$3.9 million and losses of \$8.2 million in changes in the fair value of internal foreign exchange forward contracts, which are included within noninterest income in the line item "Gains on derivative instruments, net" as noted above.

The increase of \$11.0 million for the six months ended June 30, 2016 was due primarily to a decrease in the losses on revaluation of foreign currency instruments of \$2.8 million for the six months ended June 30, 2016 compared to \$11.9 million for the comparable 2015 period. Losses of \$2.8 million and \$11.9 million for the six months ended June 30, 2016 and 2015, were offset by net gains of \$1.7 million and \$11.8 million in changes in the fair value of internal foreign exchange forward contracts, which are included within noninterest income in the line item "Gains on derivative instruments, net" as noted above.

Noninterest Expense

A summary of noninterest expense for the three and six months ended June 30, 2016 and 2015 is as follows:

Three months ended June 30, Six months ended June 30,

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| (Dollars in thousands) | 2016 | 2015 | % Change | 2016 | 2015 | % Change |
|--|-----------|-----------|----------|-----------|-----------|----------|
| Compensation and benefits | \$115,580 | \$124,915 | (7.5)% | \$237,842 | \$240,685 | (1.2)% |
| Professional services | 25,516 | 18,950 | 34.6 | 44,516 | 37,697 | 18.1 |
| Premises and equipment | 16,586 | 11,787 | 40.7 | 31,570 | 24,444 | 29.2 |
| Business development and travel | 9,327 | 9,764 | (4.5) | 21,573 | 20,876 | 3.3 |
| Net occupancy | 9,359 | 8,149 | 14.8 | 19,394 | 15,462 | 25.4 |
| FDIC and state assessments | 6,892 | 5,962 | 15.6 | 13,819 | 11,751 | 17.6 |
| Correspondent bank fees | 2,713 | 3,337 | (18.7) | 6,365 | 6,705 | (5.1) |
| Provision for (reduction of) unfunded credit commitments | 413 | (3,061) | (113.5) | 547 | (798) | (168.5) |
| Other | 13,966 | 14,309 | (2.4) | 28,759 | 27,831 | 3.3 |
| Total noninterest expense | \$200,352 | \$194,112 | 3.2 | \$404,385 | \$384,653 | 5.1 |

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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, 2016 and 2015:

| (Dollars in thousands, except ratios) | Three months ended June 30, | | | Six months ended June 30, | | |
|--|-----------------------------|-----------|----------|---------------------------|-----------|----------|
| | 2016 | 2015 | % Change | 2016 | 2015 | % Change |
| GAAP noninterest expense | \$200,352 | \$194,112 | 3.2 % | \$404,385 | \$384,653 | 5.1 % |
| Less: amounts attributable to noncontrolling interests | 258 | 242 | 6.6 | 167 | 534 | (68.7) |
| Non-GAAP noninterest expense, net of noncontrolling interests | \$200,094 | \$193,870 | 3.2 | \$404,218 | \$384,119 | 5.2 |
| GAAP net interest income | \$283,336 | \$243,771 | 16.2 | \$564,757 | \$482,696 | 17.0 |
| Adjustments for taxable equivalent basis | 309 | 400 | (22.8) | 631 | 816 | (22.7) |
| Non-GAAP taxable equivalent net interest income | \$283,645 | \$244,171 | 16.2 | \$565,388 | \$483,512 | 16.9 |
| Less: income attributable to noncontrolling interests | 55 | 2 | NM | 58 | 4 | NM |
| Non-GAAP taxable equivalent net interest income, net of noncontrolling interests | \$283,590 | \$244,169 | 16.1 | \$565,330 | \$483,508 | 16.9 |
| GAAP noninterest income | \$112,776 | \$126,287 | (10.7) | \$198,910 | \$249,811 | (20.4) |
| Non-GAAP noninterest income, net of noncontrolling interests | 111,157 | 117,731 | (5.6) | 199,962 | 227,091 | (11.9) |
| GAAP total revenue | \$396,112 | \$370,058 | 7.0 | \$763,667 | \$732,507 | 4.3 |
| Non-GAAP taxable equivalent revenue, net of noncontrolling interests | \$394,747 | \$361,900 | 9.1 | \$765,292 | \$710,599 | 7.7 |
| GAAP operating efficiency ratio | 50.58 | % 52.45 | % (3.6) | 52.95 | % 52.51 | % 0.8 |
| Non-GAAP operating efficiency ratio (1) | 50.69 | 53.57 | (5.4) | 52.82 | % 54.06 | % (2.3) |

NM—Not meaningful

(1) 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.

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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, 2016 and 2015:

| (Dollars in thousands, except employees) | Three months ended June 30, | | | Six months ended June 30, | | |
|--|-----------------------------|-----------|----------|---------------------------|-----------|----------|
| | 2016 | 2015 | % Change | 2016 | 2015 | % Change |
| Compensation and benefits | | | | | | |
| Salaries and wages | \$60,353 | \$51,648 | 16.9 % | \$119,739 | \$103,073 | 16.2 % |
| Incentive compensation & ESOP | 22,279 | 39,869 | (44.1) | 48,907 | 68,412 | (28.5) |
| Other employee incentives and benefits (1) | 32,948 | 33,398 | (1.3) | 69,196 | 69,200 | — |
| Total compensation and benefits | \$115,580 | \$124,915 | (7.5) | \$237,842 | \$240,685 | (1.2) |
| Period-end full-time equivalent employees | 2,188 | 1,964 | 11.4 | 2,188 | 1,964 | 11.4 |
| Average full-time equivalent employees | 2,182 | 1,959 | 11.4 | 2,171 | 1,957 | 10.9 |

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

Compensation and benefits expense was \$115.6 million for the three months ended June 30, 2016, compared to \$124.9 million for the comparable 2015 period. The key changes in factors affecting compensation and benefits expense were as follows:

A decrease of \$17.6 million in expenses related to incentive compensation plans and ESOP, reflective primarily of current expectations for our updated internal performance estimates for 2016.

An increase of \$8.7 million in salaries and wages, primarily due to an increase in the number of average full-time employees ("FTE"). Average FTEs increased by 223 to 2,182 FTEs for the three months ended June 30, 2016, compared to 1,959 FTEs for the comparable 2015 period.

Compensation and benefits expense was \$237.8 million for the six months ended June 30, 2016, compared to \$240.7 million for the comparable 2015 period. The key changes in factors affecting compensation and benefits expense were as follows:

A decrease of \$19.5 million in expenses related to incentive compensation plans and ESOP, reflective primarily of current expectations for our updated internal performance estimates for 2016.

An increase of \$16.7 million in salaries and wages, due primarily to an increase in the number of average FTEs, which increased by 214 to 2,171 average FTEs in the six months ended June 30, 2016, compared to 1,957 average FTEs for the comparable 2015 period.

Our variable compensation plans consist primarily 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 2015 Form 10-K). Total costs incurred under these plans were \$26.5 million and \$62.1 million for the three and six months ended June 30, 2016, compared to \$46.8 million and \$85.7 million for the comparable 2015 period. These amounts are included in total compensation and benefits expense discussed above.

Professional Services

Professional services expense was \$25.5 million and \$44.5 million for the three and six months ended June 30, 2016, compared to \$19.0 million and \$37.7 million for the comparable 2015 period. The increase was due primarily to an increase in consulting expenses for regulatory compliance initiatives and changes in timing of certain projects during the first quarter of 2016.

Premises and Equipment

Premises and equipment expense was \$16.6 million and \$31.6 million for the three and six months ended June 30, 2016, compared to \$11.8 million and \$24.4 million for the comparable 2015 periods. The increases were due primarily to increased spending to enhance and maintain our IT infrastructure and support our overall growth.

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Net Occupancy

Net occupancy expense was \$9.4 million and \$19.4 million for the three and six months ended June 30, 2016, compared to \$8.1 million and \$15.5 million for the comparable 2015 periods. The increases were due primarily to lease renewals at higher costs, reflective of market conditions, and the expansion of certain offices, primarily our UK office, to support our growth.

FDIC and State Assessments

FDIC and state assessments expense was \$6.9 million and \$13.8 million for the three and six months ended June 30, 2016, compared to \$6.0 million and \$11.8 million for the comparable 2015 periods. The increases were due primarily to the increase in quarterly and year-to-date average assets in 2016.

Provision for Unfunded Credit Commitments

We recorded a provision for unfunded credit commitments of \$0.4 million and \$0.5 million for the three and six months ended June 30, 2016, compared to a reduction in provision for unfunded credit commitments of \$3.1 million and \$0.8 million for the comparable 2015 periods. The provision for the three and six months ended June 30, 2016 was reflective of total unfunded credit commitments remaining consistent with balances as of December 31, 2015. The reduction in the reserve for the three and six months ended June 30, 2015 was reflective of a change in the composition of our unfunded credit commitment portfolio, which resulted in a decrease in the reserve rate.

Other Noninterest Expense

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

| (Dollars in thousands) | Three months ended June 30, | | | Six months ended June 30, | | |
|---|-----------------------------|----------|----------|---------------------------|----------|----------|
| | 2016 | 2015 | % Change | 2016 | 2015 | % Change |
| Lending and other client related processing costs | \$3,541 | \$3,704 | (4.4)% | \$7,836 | \$7,253 | 8.0 % |
| Telephone | 2,416 | 2,544 | (5.0) | 4,649 | 4,503 | 3.2 |
| Data processing services | 2,387 | 1,358 | 75.8 | 4,216 | 3,191 | 32.1 |
| Postage and supplies | 784 | 727 | 7.8 | 1,574 | 1,492 | 5.5 |
| Dues and publications | 647 | 697 | (7.2) | 1,449 | 1,282 | 13.0 |
| Other | 4,191 | 5,279 | (20.6) | 9,035 | 10,110 | (10.6) |
| Total other noninterest expense | \$13,966 | \$14,309 | (2.4) | \$28,759 | \$27,831 | 3.3 |

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) loss 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) loss attributable to noncontrolling interests for the three and six months ended June 30, 2016 and 2015 is as follows:

| (Dollars in thousands) | Three months ended June 30, | | | Six months ended June 30, | | |
|--|-----------------------------|-----------|----------|---------------------------|------------|----------|
| | 2016 | 2015 | % Change | 2016 | 2015 | % Change |
| Net interest income (1) | \$(55) | \$(2) | NM | \$(58) | \$(4) | NM |
| Noninterest (income) loss (1) | (1,176) | (7,382) | (84.1) | 2,577 | (21,435) | (112.0) |
| Noninterest expense (1) | 258 | 242 | 6.6 | 167 | 534 | (68.7) |
| Carried interest allocation (2) | (443) | (1,174) | (62.3) | (1,525) | (1,285) | 18.7 |
| Net (income) loss attributable to noncontrolling interests | \$(1,416) | \$(8,316) | (83.0) | \$1,161 | \$(22,190) | (105.2) |

NM—Not meaningful

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

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

Three months ended June 30, 2016 compared to the three months ended June 30, 2015

Net income attributable to noncontrolling interests was \$1.4 million for the second quarter of 2016, compared to net income of \$8.3 million for the comparable 2015 period. Net income attributable to noncontrolling interests of \$1.4 million for the second quarter of 2016 was primarily a result of \$1.6 million of net gains on investment securities (including carried interest) from our managed funds of funds portfolio due to net unrealized valuation increases. See "Results of Operations—Noninterest Income—Gains on Investment Securities, Net".

Six months ended June 30, 2016 compared to the six months ended June 30, 2015

Net loss attributable to noncontrolling interests was \$1.2 million for the six months ended June 30, 2016, compared to net income of \$22.2 million for the comparable 2015 period. Net loss attributable to noncontrolling interests of \$1.2 million for the six months ended June 30, 2016 was primarily a result of net losses on investment securities (including carried interest) attributable to noncontrolling interests of \$1.1 million primarily from losses of \$0.9 million from our managed funds of funds mainly due to unrealized valuation decreases in companies held by the funds.

Income Taxes

Our effective income tax expense rate was 41.2 percent and 40.8 percent for the three and six months ended June 30, 2016, compared to 39.0 percent and 40.3 percent for the three and six months ended June 30, 2015. The increase in the effective tax rate for the three months ended June 30, 2016, against the comparable 2015 period was due primarily to an increase in our tax liability related to prior year tax returns that were open to examination as well as a decrease in the recognition of tax benefits from net operating loss carryforwards related to a previously disposed business line.

The effective tax rate for the six months ended June 30, 2016 was consistent with the comparable 2015 period.

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 11—"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, 2016 and 2015:

Global Commercial Bank

| (Dollars in thousands) | Three months ended June 30, | | | Six months ended June 30, | | |
|---|-----------------------------|--------------|----------|---------------------------|--------------|----------|
| | 2016 | 2015 | % Change | 2016 | 2015 | % Change |
| Net interest income | \$254,680 | \$203,931 | 24.9 % | \$510,858 | \$407,680 | 25.3 % |
| Provision for loan losses | (36,454) | (25,592) | 42.4 | (69,169) | (32,052) | 115.8 |
| Noninterest income | 77,310 | 66,031 | 17.1 | 152,069 | 129,224 | 17.7 |
| Noninterest expense | (147,423) | (145,339) | 1.4 | (301,629) | (283,787) | 6.3 |
| Income before income tax expense | \$148,113 | \$99,031 | 49.6 | \$292,129 | \$221,065 | 32.1 |
| Total average loans, net of unearned income | \$16,026,605 | \$12,607,066 | 27.1 | \$15,473,170 | \$12,556,506 | 23.2 |
| Total average assets | 40,703,091 | 37,033,535 | 9.9 | 41,118,263 | 36,311,405 | 13.2 |
| Total average deposits | 36,690,002 | 33,713,123 | 8.8 | 37,263,823 | 33,094,710 | 12.6 |

Three months ended June 30, 2016 compared to the three months ended June 30, 2015

Income before income tax expense from our Global Commercial Bank ("GCB") increased to \$148.1 million for the three months ended June 30, 2016, compared to \$99.0 million for the comparable 2015 period, which reflected the continued growth of our core commercial business and clients. The key components of GCB's performance for the

three months ended June 30, 2016 compared to the comparable 2015 period are discussed below.

Net interest income from GCB increased by \$50.7 million for the three months ended June 30, 2016, due primarily to a \$35.1 million increase in loan interest income resulting mainly from an increase in average loan balances, partially offset by lower yields. Additionally GCB had a \$21.1 million increase in the FTP earned for deposits.

GCB had a provision for loan losses of \$36.5 million for the three months ended June 30, 2016, compared to \$25.6 million for the comparable 2015 period. The provision of \$36.5 million for the three months ended June 30, 2016 was reflective primarily of \$15.4 million of reserves on new nonaccrual loans, \$13.0 million for charge-offs that did not previously have a specific reserve and \$10.7 million related to the increase in period-end loan balances, and partially offset by a decrease in our reserves for performing loans.

The provision of \$25.6 million for the three months ended June 30, 2015 was driven primarily by an increase in the reserve for nonaccrual loans and net charge-offs.

Noninterest income increased by \$11.3 million for the three months ended June 30, 2016, related primarily to an increase in our core fees (higher deposit service charges, foreign exchange fees and client investment fees). Increases in the number of deposit clients, as well as increases in transaction volumes and size contributed to the increase in deposit service charges income. The increase in foreign exchange fees was due primarily to an increase in our client count as well as volume related to increased market volatility. Client investment fees increased as a result of our clients' increased utilization of off-balance sheet products managed by SVB Asset Management and third-party sweep money market funds, as well as from money fund rate increases across our off-balance sheet client investment fund platforms during 2016.

Noninterest expense increased by \$2.1 million for the three months ended June 30, 2016, due primarily to increased expenses for premises and equipment and net occupancy, partially offset by lower compensation and benefits expenses. Premises and equipment expense increased due to increased spending to enhance and maintain our IT infrastructure. The increase in net occupancy expense was due to lease renewals at higher costs, reflective of market conditions, and the expansion of certain offices, primarily our UK office, to support our growth. Compensation and benefits expenses decreased during the second quarter of 2016 compared to 2015 as a result of lower incentive compensation expenses, partially offset by increased salaries and wages expenses. The decrease in incentive compensation expenses reflects updated internal performance estimates for 2016 compared to our strong performance in 2015. The increase in GCB salaries and wages expenses was due primarily to an increase in the average number of FTEs at GCB, which increased by 160 to 1,718 FTEs for the three months ended June 30, 2016, compared to 1,558 FTEs for the comparable 2015 period.

Six months ended June 30, 2016 compared to the six months ended June 30, 2015

Net interest income from our GCB increased by \$103.2 million for the six months ended June 30, 2016, due primarily 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. These increases were partially offset by lower loan yields.

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GCB had a provision for loan losses of \$69.2 million for the six months ended June 30, 2016, compared to a provision of \$32.1 million for the comparable 2015 period. The provision of \$69.2 million for the six months ended June 30, 2016 was reflective primarily of \$27.5 million in charge-offs that did not previously have a specific reserve, \$20.2 million from period-end loan growth with the remaining provision due primarily to reserves for new nonaccrual loans. Noninterest income increased by \$22.8 million for the six months ended June 30, 2016, due primarily to an increase in our core fees (foreign exchange fees, credit card fees, deposit service charges, client investment fees). The increase in foreign exchange fees was a result of increased client count and volume related to increased market volatility. The increase in credit card fees reflects increased client utilization of our credit card products and custom payment solutions provided to new and existing clients. The increase in deposit service charges was reflective of the increase in the number of deposit clients, as well as increases in transaction volumes and size. Client investment fees increased as a result of our clients' increased utilization of off-balance sheet products managed by SVB Asset Management and third-party sweep money market funds, as well as from money fund rate increases across our off-balance sheet client investment fund platforms during 2016.

Noninterest expense increased by \$17.8 million for the six months ended June 30, 2016, due primarily to increased expenses for premises and equipment, compensation and benefits and net occupancy. The increase in premises and equipment was due to increased spending to enhance and maintain our IT infrastructure to support GCB's growth. Compensation and benefits expenses increased as a result of higher salaries and wages expenses, partially offset by lower incentive compensation expense. The increase in our salaries and wages expenses was due primarily to an increase in the average number of FTEs at GCB, which increased by 155 to 1,712 FTEs for the six months ended June 30, 2016, compared to 1,557 FTEs for the comparable 2015 period. The decrease in incentive compensation expenses reflects updated internal performance estimates for 2016 compared to our strong performance in 2015. Net occupancy expenses increased due primarily to lease renewals at higher costs, reflective of market conditions, and the expansion of certain offices, primarily our UK office, to support our growth

SVB Private Bank

| (Dollars in thousands) | Three months ended June 30, | | | Six months ended June 30, | | |
|---|-----------------------------|-------------|----------|---------------------------|-------------|----------|
| | 2016 | 2015 | % Change | 2016 | 2015 | % Change |
| Net interest income | \$13,538 | \$11,109 | 21.9 % | \$27,210 | \$20,832 | 30.6 % |
| Reduction of (provision for) loan losses | 121 | (921) | (113.1) | (505) | (913) | (44.7) |
| Noninterest income | 762 | 595 | 28.1 | 1,389 | 992 | 40.0 |
| Noninterest expense | (2,954) | (3,231) | (8.6) | (6,359) | (6,107) | 4.1 |
| Income before income tax expense | \$11,467 | \$7,552 | 51.8 | \$21,735 | \$14,804 | 46.8 |
| Total average loans, net of unearned income | \$1,986,659 | \$1,541,016 | 28.9 | \$1,929,239 | \$1,457,547 | 32.4 |
| Total average assets | 2,007,009 | 1,536,508 | 30.6 | 1,933,123 | 1,457,570 | 32.6 |
| Total average deposits | 1,115,599 | 1,084,632 | 2.9 | 1,123,167 | 1,167,823 | (3.8) |

Three months ended June 30, 2016 compared to the three months ended June 30, 2015

Net interest income from SVB Private Bank increased by \$2.4 million for the three months ended June 30, 2016, due primarily to an increase in loan interest income resulting from an increase in average loan balances.

Private Bank had a reduction of loan losses of \$0.1 million for the three months ended June 30, 2016, compared to a provision for \$0.9 million for the comparable 2015 period. The reduction of \$0.1 million for the three months ended June 30, 2016 was driven primarily by a decrease in reserves for performing loans. The provision of \$0.9 million for the three months ended June 30, 2015 was primarily driven by period-end loan growth, partially offset by an increase in reserves for period-end loan growth.

Six months ended June 30, 2016 compared to the six months ended June 30, 2015

Net interest income from SVB Private Bank increased by \$6.4 million for the six months ended June 30, 2016, primarily due to an increase in loan interest income resulting from an increase in average loan balances.

Private Bank had a provision for loan losses of \$0.5 million for the six months ended June 30, 2016, compared to \$0.9 million for the comparable 2015 period. The provision of \$0.5 million for the six months ended June 30, 2016 was driven primarily by period-end loan growth, partially offset by a decrease in reserves for performing loans. The provision of \$0.9 million for the six months ended June 30, 2015 was primarily driven by period-end loan growth.

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SVB Capital

| (Dollars in thousands) | Three months ended June 30, | | | Six months ended June 30, | | |
|----------------------------------|-----------------------------|-----------|----------|---------------------------|-----------|----------|
| | 2016 | 2015 | % Change | 2016 | 2015 | % Change |
| Net interest (loss) income | \$(52) | \$1 | NM | \$(52) | \$2 | NM |
| Noninterest income | 11,420 | 19,909 | (42.6)% | 13,873 | 40,587 | (65.8)% |
| Noninterest expense | (3,684) | (3,704) | (0.5) | (7,597) | (7,190) | 5.7 |
| Income before income tax expense | \$7,684 | \$16,206 | (52.6) | \$6,224 | \$33,399 | (81.4) |
| Total average assets | \$331,500 | \$330,016 | 0.4 | \$340,256 | \$335,690 | 1.4 |

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 and average assets 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, 2016 compared to the three months ended June 30, 2015

SVB Capital had noninterest income of \$11.4 million for the three months ended June 30, 2016, compared to \$19.9 million for the comparable 2015 period. The decrease in noninterest income was due primarily to lower gains on investment securities compared to the comparable 2015 period. SVB Capital's components of noninterest income primarily include the following:

Net gains on investment securities of \$6.7 million for the three months ended June 30, 2016, compared to net gains of \$15.7 million for the comparable 2015 period. The gains on investment securities of \$6.7 million for the three months ended June 30, 2016 were driven primarily by distribution gains from our strategic venture capital fund investments and net unrealized valuation increases from our managed funds of funds.

Fund management fees of \$4.3 million compared to \$3.9 million for the comparable 2015 period. The increase was due primarily to the addition of new managed funds at SVB Capital.

Six months ended June 30, 2016 compared to the six months ended June 30, 2015

SVB Capital had noninterest income of \$13.9 million for the six months ended June 30, 2016, compared to \$40.6 million for the comparable 2015 period. The decrease in noninterest income was due primarily to lower gains on investment securities compared to the comparable 2015 period. SVB Capital's components of noninterest income primarily include the following:

Net gains on investment securities of \$4.8 million for the six months ended June 30, 2016, compared to net gains of \$30.6 million for the comparable 2015 period. The net gains on investment securities of \$4.8 million for the six months ended June 30, 2016 were driven primarily by distribution gains from our strategic venture capital fund investments, partially offset by net unrealized valuation decreases from our managed funds of funds due to the decrease in market prices of public positions held by the fund investments in the portfolio.

Fund management fees of \$8.9 million compared to \$7.6 million for the comparable 2015 period. The increase was due primarily to the addition of new managed funds at SVB Capital.

Consolidated Financial Condition

Our total assets, total liabilities and stockholders' equity were \$43.1 billion at June 30, 2016 compared to \$44.7 billion at December 31, 2015, a decrease of \$1.6 billion, or 3.5 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 \$1.9 billion at June 30, 2016, an increase of \$0.4 billion, or 23.4 percent, compared to \$1.5 billion at December 31, 2015. The increase in cash at period-end resulted from ordinary cash management activities during the six months ended June 30, 2016.

As of June 30, 2016 and December 31, 2015, \$542 million and \$405 million, respectively, of our cash and due from banks was deposited at the Federal Reserve Bank and was earning interest at the Federal Funds target rate, and interest-earning deposits in other financial institutions were \$666 million and \$500 million, respectively.

Investment Securities

Investment securities totaled \$21.9 billion at June 30, 2016, a decrease of \$3.9 billion, or 15.2 percent, compared to \$25.8 billion at December 31, 2015. Our investment securities portfolio consists of: (i) an available-for-sale securities portfolio and a

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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

Our available-for-sale securities portfolio is primarily a fixed income investment portfolio that is 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. Period-end available-for-sale securities were \$13.1 billion at June 30, 2016 compared to \$16.4 billion at December 31, 2015, a decrease of \$3.3 billion, or 20.3 percent. During the first half of 2016, to support loan growth and the liquidity needs of the Bank, we sold approximately \$2.9 billion of U.S. Treasury securities in our AFS portfolio. Additionally, the portfolio decreased due to principal paydowns and maturities of \$660 million. The decreases were partially offset by an increase in the fair value of our AFS securities portfolio of \$212 million as a result of a decrease in market interest rates at period-end. The \$212 million increase in fair value was reflected as a \$125 million (net of tax) increase in accumulated other comprehensive income.

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 stockholders' equity.

Held-to-Maturity Securities

Period-end held-to-maturity securities were \$8.2 billion at June 30, 2016 compared to \$8.8 billion at December 31, 2015, a decrease of \$0.6 billion, or 6.7 percent. For the six months ended June 30, 2016, the portfolio decreased due to principal paydowns and maturities of \$743 million, partially offset by purchases of \$166 million primarily in agency backed mortgage securities in connection with fulfilling our responsibilities under the Community Reinvestment Act. Securities classified as held-to-maturity are accounted for at cost with no adjustments for changes in fair value. For securities previously 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. Our estimated fixed income securities portfolio duration was 2.4 years and 2.7 years at June 30, 2016 and December 31, 2015, respectively.

Non-Marketable and Other Securities

Our non-marketable and other securities portfolio primarily represents investments in venture capital and private equity funds, our China Joint Venture, 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 \$664.1 million at June 30, 2016 compared to \$674.9 million at December 31, 2015, a decrease of \$10.8 million, or 1.6 percent. Non-marketable and other securities, net of noncontrolling interests were \$542.3 million at June 30, 2016 compared to \$548.6 million at December 31, 2015. 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, 2016 and December 31, 2015:

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| (Dollars in thousands) | June 30, 2016 | | December 31, 2015 | |
|---|---------------------------------|------------------------------------|---------------------------------|------------------------------------|
| | Carrying value (as reported) | Amount attributable to SVBFG | Carrying value (as reported) | Amount attributable to SVBFG |
| Non-marketable securities (fair value accounting): | | | | |
| Venture capital and private equity fund investments (1) | \$ 144,227 | \$ 42,210 | \$ 152,237 | \$ 44,485 |
| Other venture capital investments (2) | 2,040 | 218 | 2,040 | 218 |
| Other securities (fair value accounting) (3) | 280 | 61 | 548 | 124 |
| Non-marketable securities (equity method accounting): | | | | |
| Venture capital and private equity fund investments | 82,214 | 64,469 | 85,705 | 69,314 |
| Debt funds | 19,239 | 19,239 | 21,970 | 21,970 |
| Other investments (4) | 120,721 | 120,721 | 118,532 | 118,532 |
| Non-marketable securities (cost method accounting): | | | | |
| Venture capital and private equity fund investments | 117,379 | 117,379 | 120,676 | 120,676 |
| Other investments | 24,156 | 24,156 | 18,882 | 18,882 |
| Investments in qualified affordable housing projects | 153,798 | 153,798 | 154,356 | 154,356 |
| Total non-marketable and other securities | \$ 664,054 | \$ 542,251 | \$ 674,946 | \$ 548,557 |

(1) 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, 2016 and December 31, 2015:

| (Dollars in thousands) | June 30, 2016 | | December 31, 2015 | |
|---|---------------------------------|------------------------------------|---------------------------------|------------------------------------|
| | Carrying value (as reported) | Amount attributable to SVBFG | Carrying value (as reported) | Amount attributable to SVBFG |
| SVB Strategic Investors Fund, LP | \$ 18,062 | \$ 2,269 | \$ 20,794 | \$ 2,612 |
| SVB Capital Preferred Return Fund, LP | 58,220 | 12,548 | 60,619 | 13,064 |
| SVB Capital—NT Growth Partners, LP | 60,789 | 20,237 | 62,983 | 20,967 |
| Other private equity fund | 7,156 | 7,156 | 7,841 | 7,842 |
| Total venture capital and private equity fund investments | \$ 144,227 | \$ 42,210 | \$ 152,237 | \$ 44,485 |

(2) 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, 2016 and December 31, 2015:

| (Dollars in thousands) | June 30, 2016 | | December 31, 2015 | |
|---|---------------------------------|------------------------------------|---------------------------------|------------------------------------|
| | Carrying value (as reported) | Amount attributable to SVBFG | Carrying value (as reported) | Amount attributable to SVBFG |
| Silicon Valley BancVentures, LP | \$ 2,040 | \$ 218 | \$ 2,040 | \$ 218 |
| Total other venture capital investments | \$ 2,040 | \$ 218 | \$ 2,040 | \$ 218 |

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

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(4) The following table shows the amounts of our other investments (equity method accounting) at June 30, 2016 and December 31, 2015:

| (Dollars in thousands) | June 30, 2016 | | December 31, 2015 | |
|--------------------------------|---------------------------------|------------------------------------|---------------------------------|------------------------------------|
| | Carrying value (as reported) | Amount attributable to SVBFG | Carrying value (as reported) | Amount attributable to SVBFG |
| Other investments: | | | | |
| China Joint Venture investment | \$78,074 | \$ 78,074 | \$78,799 | \$ 78,799 |
| Other investments | 42,647 | 42,647 | 39,733 | 39,733 |
| Total other investments | \$120,721 | \$ 120,721 | \$118,532 | \$ 118,532 |

Volcker Rule

As discussed in "Business - Supervision and Regulation" under Item 1 of Part I of our 2015 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 in purchases or sales of securities or certain other financial instruments, as principal, for the "trading account" of the banking entity. 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. The compliance date for the proprietary trading prohibition was July 1, 2015. Based on the definition described above and the exceptions provided under the regulations implementing the Volcker Rule, we believe that compliance with the Volcker Rule's proprietary trading prohibition is unlikely to have a material effect on our business or operations.

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 of the available exceptions 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 2017 with respect to covered funds in which SVB Financial invested or SVB Financial sponsored as of December 31, 2013. In addition, the Federal Reserve may extend the conformance deadline for up to an additional five years (until July 2022) for investments that are considered illiquid. We intend to seek the maximum extensions (up to July 2022) available to us. However, there is no guarantee that the Federal Reserve Board will grant any further extensions and in order to be compliant with the Volcker Rule, SVB Financial may be required to reduce some or all of its investments in covered funds by July 2017. At least some of SVB Financial's investments in covered funds likely will reduce over time in the ordinary course before compliance with the Volcker Rule is required. However, a forced sale or restructuring of SVB Financial's investments in covered funds

due to the Volcker Rule would likely result in SVB Financial receiving less than the carrying value of such investments (or other adverse consequences), as there could be a limited secondary market for these investments and SVB Financial may be unable to sell them in orderly transactions.

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, 2016, an aggregate carrying value of approximately \$200 million (and an aggregate fair value of \$307 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.

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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 2015 Form 10-K.)

Loans

Loans, net of unearned income increased by \$2.1 billion to \$18.8 billion at June 30, 2016, compared to \$16.7 billion at December 31, 2015. Unearned income was \$116 million at June 30, 2016 and \$115 million at December 31, 2015. Total gross loans were \$18.9 billion at June 30, 2016, an increase of \$2.0 billion, compared to \$16.9 billion at December 31, 2015. Period-end loans increased compared to December 31, 2015, primarily driven by the increases in our private equity/venture capital portfolio. The breakdown of total gross loans and total loans as a percentage of total gross loans by category is as follows:

| (Dollars in thousands) | June 30, 2016 | | December 31, 2015 | |
|---------------------------------|---------------|------------|-------------------|------------|
| | Amount | Percentage | Amount | Percentage |
| Commercial loans: | | | | |
| Software and internet | \$5,570,953 | 29.4 % | \$5,482,110 | 32.5 % |
| Hardware | 1,131,574 | 6.0 | 1,080,231 | 6.4 |
| Private equity/venture capital | 7,129,763 | 37.6 | 5,511,929 | 32.7 |
| Life science/healthcare | 1,793,880 | 9.5 | 1,724,545 | 10.2 |
| Premium wine | 192,569 | 1.0 | 202,808 | 1.2 |
| Other | 381,143 | 2.0 | 314,813 | 1.9 |
| Total commercial loans | 16,199,882 | 85.5 | 14,316,436 | 84.9 |
| Real estate secured loans: | | | | |
| Premium wine | 638,539 | 3.4 | 646,587 | 3.8 |
| Consumer | 1,747,144 | 9.2 | 1,543,340 | 9.2 |
| Other | 44,671 | 0.2 | 45,194 | 0.3 |
| Total real estate secured loans | 2,430,354 | 12.8 | 2,235,121 | 13.3 |
| Construction loans | 80,044 | 0.4 | 78,862 | 0.5 |
| Consumer loans | 239,622 | 1.3 | 226,712 | 1.3 |
| Total gross loans | \$18,949,902 | 100.0 | \$16,857,131 | 100.0 |

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, 2016:

| (Dollars in thousands) | June 30, 2016 | | | | | Total |
|--------------------------------|------------------------|---------------------|-----------------------|--------------------------|------------------------|-------------|
| | Less than Five Million | Five to Ten Million | Ten to Twenty Million | Twenty to Thirty Million | Thirty Million or More | |
| Commercial loans: | | | | | | |
| Software and internet | \$1,309,571 | \$913,650 | \$1,380,229 | \$986,497 | \$981,006 | \$5,570,953 |
| Hardware | 237,957 | 202,632 | 248,985 | 240,299 | 201,701 | 1,131,574 |
| Private equity/venture capital | 649,287 | 604,823 | 974,119 | 1,046,793 | 3,854,741 | 7,129,763 |
| Life science/healthcare | 332,201 | 388,030 | 453,240 | 400,630 | 219,779 | 1,793,880 |
| Premium wine | 71,126 | 31,329 | 48,965 | 41,149 | — | 192,569 |
| Other | 104,790 | 33,948 | 77,318 | 50,924 | 114,163 | 381,143 |
| Commercial loans | 2,704,932 | 2,174,412 | 3,182,856 | 2,766,292 | 5,371,390 | 16,199,882 |
| Real estate secured loans: | | | | | | |
| Premium wine | 154,021 | 174,193 | 203,642 | 106,683 | — | 638,539 |
| Consumer | 1,498,534 | 206,165 | 42,445 | — | — | 1,747,144 |
| Other | 8,138 | — | 15,000 | 21,533 | — | 44,671 |

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| | | | | | | |
|---------------------------|-------------|-------------|-------------|-------------|-------------|--------------|
| Real estate secured loans | 1,660,693 | 380,358 | 261,087 | 128,216 | — | 2,430,354 |
| Construction loans | 16,036 | 23,777 | 40,231 | — | — | 80,044 |
| Consumer loans | 89,030 | 32,369 | 12,506 | — | 105,717 | 239,622 |
| Total gross loans | \$4,470,691 | \$2,610,916 | \$3,496,680 | \$2,894,508 | \$5,477,107 | \$18,949,902 |

At June 30, 2016, gross loans equal to or greater than \$20 million to any single client (individually or in the aggregate) totaled \$8.4 billion, or 44 percent of our portfolio. These loans represented 228 clients, and of these loans, \$81.9 million were on nonaccrual status as of June 30, 2016 compared to \$85.2 million as of December 31, 2015. The \$3.3 million decrease in nonaccrual loans greater than \$20 million to any single client was primarily attributable to the repayment of a sponsored buyout loan as a result of an acquisition, partially offset by a new nonaccrual sponsored buyout loan in our life science/healthcare loan portfolio.

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, 2015:

December 31, 2015

| (Dollars in thousands) | 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 | \$1,365,460 | \$974,946 | \$1,250,192 | \$844,092 | \$1,047,420 | \$5,482,110 |
| Hardware | 225,688 | 206,124 | 256,339 | 216,943 | 175,137 | 1,080,231 |
| Private equity/venture capital | 498,606 | 582,871 | 830,350 | 820,379 | 2,779,723 | 5,511,929 |
| Life science/healthcare | 309,877 | 426,619 | 367,879 | 410,281 | 209,889 | 1,724,545 |
| Premium wine | 76,372 | 29,823 | 74,319 | 22,294 | — | 202,808 |
| Other | 115,618 | 43,203 | 45,837 | 27,678 | 82,477 | 314,813 |
| Commercial loans | 2,591,621 | 2,263,586 | 2,824,916 | 2,341,667 | 4,294,646 | 14,316,436 |
| Real estate secured loans: | | | | | | |
| Premium wine | 156,754 | 170,155 | 237,373 | 82,305 | — | 646,587 |
| Consumer loans | 1,340,750 | 175,750 | 26,840 | — | — | 1,543,340 |
| Other | 8,261 | — | 15,000 | 21,933 | — | 45,194 |
| Real estate secured loans | 1,505,765 | 345,905 | 279,213 | 104,238 | — | 2,235,121 |
| Construction loans | 9,728 | 37,924 | 31,210 | — | — | 78,862 |
| Consumer loans | 87,324 | 35,748 | — | 29,140 | 74,500 | 226,712 |
| Total gross loans | \$4,194,438 | \$2,683,163 | \$3,135,339 | \$2,475,045 | \$4,369,146 | \$16,857,131 |

At December 31, 2015, gross loans equal to or greater than \$20 million to any single client (individually or in the aggregate) totaled \$6.8 billion, or 41 percent of our portfolio. These loans represented 188 clients, and of these loans, \$85.2 million were on nonaccrual status as of December 31, 2015.

The credit profile of our loan portfolio clients varies based on the nature of the lending we do for different market segments. Our three main market segments include (i) technology (software and internet, and hardware) and life science/healthcare, (ii) private equity/venture capital, and (iii) Private Bank.

(i) Technology and Life Science/Healthcare

Our technology and life science/healthcare loan portfolios include loans to clients at all stages of their life cycles and represent the largest segments of our loan portfolio. The primary underwriting method for our technology and life science/healthcare portfolios are classified as investor dependent, balance sheet dependent, or cash flow dependent.

Investor dependent loans represent a relatively small percentage of our overall portfolio at 11 percent of total gross loans at June 30, 2016, compared to 12 percent at December 31, 2015. These loans are made to companies in both our early-stage and growth stage segments. Investor dependent loans typically have 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 capital firms or others, or in some cases, a successful sale to a third party or an IPO. Venture capital firms may provide financing selectively, at reduced amounts, or on less favorable terms, which may have an adverse effect on our borrowers' ability 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 that 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.

Balance sheet dependent loans, which includes asset-based loans, represented 14 percent of total gross loans at both June 30, 2016 and December 31, 2015. Balance sheet dependent loans are structured to require constant current asset coverage

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(i.e. cash, cash equivalents, accounts receivable and, to a much lesser extent, inventory) in an amount that exceeds the outstanding debt. These loans are generally made to companies in our growth and corporate finance practices. Our asset-based lending, which subset consists primarily of working capital lines and accounts receivable factoring, represented seven percent and two percent, respectively, of total gross loans at both June 30, 2016 and December 31, 2015. The repayment of these arrangements is dependent on the financial condition, and payment ability, of third parties with whom our clients do business.

Cash flow dependent loans, which include sponsored buyout lending, represent our largest source of repayment within our technology and life science/healthcare loan portfolios at approximately 20 percent of total gross loans at June 30, 2016, compared to 23 percent of total gross loans at December 31, 2015. Cash flow dependent loans require the borrower to maintain cash flow from operations that is sufficient to service all debt. Borrowers must demonstrate normalized cash flow in excess of all fixed charges associated with operating the business. Sponsored buyout loans represented 11 percent of total gross loans at June 30, 2016, compared to 13 percent of total gross loans at December 31, 2015. These loans are typically used to assist a select group of experienced private equity sponsors with the acquisition of businesses, are larger in size, and repayment is generally dependent upon the cash flows of the acquired company. The acquired companies are typically established, later-stage businesses of scale and characterized by reasonable levels of leverage and loan structures that include meaningful financial covenants. The sponsor's equity contribution is often 50 percent or more of the acquisition price.

(ii) Private Equity/Venture Capital

We also provide financial services to clients in the private equity/venture capital community. At June 30, 2016, our lending to private equity/venture capital firms and funds represented 38 percent of total gross loans, compared to 33 percent of total gross loans at December 31, 2015. The vast majority of this portfolio consists of 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. These facilities are generally governed by meaningful financial covenants oriented towards ensuring that the funds' remaining callable capital is sufficient to repay the loan, and larger commitments (typically provided to larger private equity funds) are often secured by an assignment of the general partner's right to call capital from the fund's limited partner investors.

(iii) Private Bank

Our Private Bank clients are primarily private equity/venture capital professionals and executive leaders of the innovation companies they support. At June 30, 2016, our lending to Private Bank clients represented 11 percent of total gross loans, compared to 11 percent of total gross loans at December 31, 2015. Many of these clients have mortgages, which represents 86 percent of this portfolio at June 30, 2016; the balance of this portfolio consists of home equity lines of credit, restricted stock purchase loans, capital call lines of credit, and other secured and unsecured lending.

State Concentrations

Approximately 32 percent and 10 percent of our outstanding total gross loan balances as of June 30, 2016 were to borrowers based in California and New York, respectively, compared to 34 percent and 12 percent as of December 31, 2015. 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 2015 Form 10-K.

Credit Quality Indicators

As of June 30, 2016 and December 31, 2015, our total criticized loans and impaired loans represented 6 percent of our total gross loans. 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 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.

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, 2016 | December 31, 2015 | |
|--|---------------|----------------------|---|
| Gross nonaccrual, past due, and restructured loans: | | | |
| Nonaccrual loans | \$ 124,319 | \$ 123,392 | |
| Loans past due 90 days or more still accruing interest | 412 | — | |
| Total nonperforming loans | 124,731 | 123,392 | |
| OREO and other foreclosed assets | — | — | |
| Total nonperforming assets | \$ 124,731 | \$ 123,392 | |
| Performing TDRs | \$ 4,316 | \$ 10,635 | |
| Nonperforming loans as a percentage of total gross loans | 0.66 | % 0.73 | % |
| Nonperforming assets as a percentage of total assets | 0.29 | 0.28 | |
| Allowance for loan losses | \$ 244,723 | \$ 217,613 | |
| As a percentage of total gross loans | 1.29 | % 1.29 | % |
| As a percentage of total gross nonperforming loans | 196.20 | 176.36 | |
| Allowance for loan losses for nonaccrual loans | \$ 59,856 | \$ 51,844 | |
| As a percentage of total gross loans | 0.32 | % 0.31 | % |
| As a percentage of total gross nonperforming loans | 47.99 | 42.02 | |
| Allowance for loan losses for total gross performing loans | \$ 184,867 | \$ 165,769 | |
| As a percentage of total gross loans | 0.98 | % 0.98 | % |
| As a percentage of total gross performing loans | 0.98 | 0.99 | |
| Total gross loans | \$ 18,949,902 | \$ 16,857,131 | |
| Total gross performing loans | 18,825,171 | 16,733,739 | |
| Reserve for unfunded credit commitments (1) | 34,889 | 34,415 | |
| As a percentage of total unfunded credit commitments | 0.23 | % 0.22 | % |
| Total unfunded credit commitments (2) | \$ 15,502,488 | \$ 15,614,359 | |

The “Reserve for unfunded credit commitments” is included as a component of other liabilities. See “Provision for (1) 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 held flat at 1.29 percent at June 30, 2016. Our allowance for loan losses for performing loans as a percentage of total gross performing loans decreased 1 basis point to 0.98 percent at June 30, 2016 driven by a shift in the mix of our loan portfolio to our private equity/venture capital loan portfolio.

Our allowance for loan losses for nonaccrual loans was \$59.9 million at June 30, 2016, compared to \$51.8 million at December 31, 2015. The \$8.1 million increase in the allowance for nonaccrual loans included \$26.4 million of reserves on new nonaccrual loans, partially offset by a reserve reduction of \$12.2 million as a result of charge-offs and \$7.2 million due to the repayment of a sponsored buyout loan as a result of an acquisition.

Our nonperforming loans were \$124.7 million at June 30, 2016, compared to \$123.4 million at December 31, 2015. Our nonperforming loan balance increased \$1.3 million as a result of \$56.5 million in new nonaccrual loans, partially offset by \$43.4 million in repayments and \$12.2 million in charge-offs. New nonaccrual loans of \$56.5 million included \$22.9 million from a sponsored buyout client in our life science/healthcare loan portfolio and \$15.7 million from early stage clients in our software and internet loan portfolio.

Nonaccrual loans at June 30, 2016, included \$100.6 million from five clients (three software and internet clients represented \$53.2 million and two life science/healthcare clients represented \$47.4 million). Nonaccrual loans at December 31, 2015, included \$96.0 million from five clients (three software and internet clients represented \$55.1 million and two life science/healthcare clients represented \$40.9 million). None of these loans were from early stage clients.

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Average impaired loans for the three and six months ended June 30, 2016 were \$166.2 million and \$162.9 million compared to \$62.9 million and \$51.2 million for the comparable 2015 period. The increase in average impaired loans was primarily reflective of increases in average impaired loans of \$48.4 million and \$31.3 million from our software and internet and life science/healthcare loan portfolios, respectively during the three months ended June 30, 2016, compared to June 30, 2015 and \$52.0 million and \$35.3 million, respectively during the six months ended June 30, 2016, compared to June 30, 2015. If the impaired loans had not been impaired, \$1.2 million and \$2.7 million in interest income would have been recorded for the three and six months ended June 30, 2016, compared to \$0.9 million and \$1.4 million for the comparable 2015 period.

Accrued Interest Receivable and Other Assets

A summary of accrued interest receivable and other assets at June 30, 2016 and December 31, 2015 is as follows:

| (Dollars in thousands) | June 30, 2016 | December 31, 2015 | % Change | |
|--|------------------|----------------------|----------|---|
| Derivative assets, gross (1) | \$193,117 | \$175,083 | 10.3 | % |
| Foreign exchange spot contract assets, gross | 103,037 | 142,832 | (27.9 |) |
| Accrued interest receivable | 107,323 | 107,604 | (0.3 |) |
| FHLB and Federal Reserve Bank stock | 63,166 | 56,991 | 10.8 | |
| Accounts receivable | 51,287 | 48,662 | 5.4 | |
| Net deferred tax assets | 1,555 | 73,941 | (97.9 |) |
| Other assets | 136,058 | 104,594 | 30.1 | |
| Total accrued interest receivable and other assets | \$655,543 | \$709,707 | (7.6 |) |

(1) See “Derivatives” section below.

Foreign Exchange Spot Contract Assets

Foreign exchange spot contract assets represent unsettled client trades at the end of the period. The decrease of \$39.8 million was due primarily to an overall decrease in activity at period-end.

Net Deferred Tax Assets

The decrease of \$72.4 million in net deferred tax assets primarily related to an increase in the fair value of our available-for-sale securities portfolio due to the decrease in market interest rates at period-end.

Other Assets

The increase of \$31.5 million in other assets related primarily to an increase in current tax receivables as a result of the recognition of our estimated tax provision for the six months ended June 30, 2016.

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, 2016 and December 31, 2015:

| (Dollars in thousands) | June 30, 2016 | December 31, 2015 | % Change | |
|---|------------------|----------------------|----------|----|
| Assets: | | | | |
| Equity warrant assets | \$129,800 | \$137,105 | (5.3 |)% |
| Foreign exchange forward and option contracts | 52,845 | 31,237 | 69.2 | |
| Interest rate swaps | 1,918 | 2,768 | (30.7 |) |
| Client interest rate derivatives | 8,554 | 3,973 | 115.3 | |
| Total derivative assets | \$193,117 | \$175,083 | 10.3 | |
| Liabilities: | | | | |
| Foreign exchange forward and option contracts | \$(45,540) | \$(26,353) | 72.8 | |
| Client interest rate derivatives | (9,655) | (4,384) | 120.2 | |
| Total derivative liabilities | \$(55,195) | \$(30,737) | 79.6 | |

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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, 2016, we held warrants in 1,697 companies, compared to 1,652 companies at December 31, 2015. Warrants in 19 companies had values greater than \$1.0 million and represented 32 percent of the fair value of the portfolio at June 30, 2016. 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, 2016 and 2015:

| | Three months ended | | Six months ended | |
|----------------------------------|--------------------|------------|------------------|------------|
| | June 30, | | June 30, | |
| (Dollars in thousands) | 2016 | 2015 | 2016 | 2015 |
| Balance, beginning of period | \$ 130,670 | \$ 124,456 | \$ 137,105 | \$ 116,604 |
| New equity warrant assets | 2,220 | 2,846 | 4,606 | 5,333 |
| Non-cash increases in fair value | 7,345 | 9,146 | 7,494 | 20,110 |
| Exercised equity warrant assets | (9,666) | (13,830) | (18,020) | (19,137) |
| Terminated equity warrant assets | (769) | (114) | (1,385) | (406) |
| Balance, end of period | \$ 129,800 | \$ 122,504 | \$ 129,800 | \$ 122,504 |

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, 2016 was \$4.1 million and our net exposure at December 31, 2015 was \$3.0 million. For additional information on our foreign exchange forward contracts and foreign currency option contracts, see Note 9- "Derivative Financial Instruments" of the "Notes to Interim Consolidated Financial Statements (unaudited)" under Part I, Item I in this report.

Deposits

Deposits were \$37.6 billion at June 30, 2016, a decrease of \$1.5 billion, or 4.0 percent, compared to \$39.1 billion at December 31, 2015. The decrease in deposits was due primarily to lower deposit balances maintained by our Growth and Corporate Finance clients driven by the continued slowdown of the fundraising environment and M&A activity, as well as utilization of higher yielding off-balance sheet client investment funds by our early-stage clients.

At June 30, 2016, the aggregate balance of time deposit accounts individually equal to or greater than \$250,000 totaled \$37.2 million, compared to \$53.9 million at December 31, 2015. At June 30, 2016, \$37.2 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

We had \$503.2 million in short-term borrowings at June 30, 2016, compared to \$774.9 million at December 31, 2015. The decrease was due to an increase in our cash and cash equivalent balances at June 30, 2016 as compared to December 31, 2015 reducing the amount of overnight borrowings needed at period-end.

Long-Term Debt

Our long-term debt was \$796.3 million at June 30, 2016 and \$796.7 million at December 31, 2015.

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As of June 30, 2016, 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 8—“Short-term Borrowings and Long-Term Debt” of the “Notes to Interim Consolidated Financial Statements (unaudited)” under Part I, Item I in this report.

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Other Liabilities

A summary of other liabilities at June 30, 2016 and December 31, 2015 is as follows:

| (Dollars in thousands) | June 30, 2016 | December 31, 2015 | % Change | |
|---|------------------|----------------------|----------|---|
| Foreign exchange spot contract liabilities, gross | \$ 168,774 | \$ 154,699 | 9.1 | % |
| Accrued compensation | 71,276 | 151,134 | (52.8 |) |
| Reserve for unfunded credit commitments | 34,889 | 34,415 | 1.4 | |
| Derivative liabilities, gross (1) | 55,195 | 30,737 | 79.6 | |
| Other | 272,612 | 268,109 | 1.7 | |
| Total other liabilities | \$ 602,746 | \$ 639,094 | (5.7 |) |

(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 \$14.1 million was due primarily 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 \$79.9 million was primarily the result of 2015 incentive compensation payouts during the first quarter of 2016 as well as lower accruals for the six months ended June 30, 2016 based on current expectations for our updated internal performance estimates for 2016.

Noncontrolling Interests

Noncontrolling interests totaled \$128.2 million and \$135.1 million at June 30, 2016 and December 31, 2015, respectively. The decrease was due to net losses attributable to noncontrolling interests of \$1.2 million and net distributions of \$5.7 million to limited partners from various managed funds of funds for the six months ended June 30, 2016.

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, 2016 and December 31, 2015.

| (Dollars in thousands) | June 30, 2016 | | December 31, 2015 | | |
|---|---------------|------------|-------------------|------------|---|
| | Total Balance | Level 3 | Total Balance | Level 3 | |
| Assets carried at fair value | \$ 13,398,281 | \$ 129,851 | \$ 16,710,656 | \$ 137,208 | |
| As a percentage of total assets | 31.1 | % 0.3 | % 37.4 | % 0.3 | % |
| Liabilities carried at fair value | \$ 55,195 | \$ — | \$ 30,737 | \$ — | |
| As a percentage of total liabilities | 0.1 | % — | % 0.1 | % — | % |
| As a percentage of assets carried at fair value | | 1.0 | % | 0.8 | % |

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 (rights to 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 14—“Fair Value of Financial Instruments” of the “Notes to Interim Consolidated Financial Statements (unaudited)” 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

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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 2015 Form 10-K).

During the three and six months ended June 30, 2016, the Level 3 assets that are measured at fair value on a recurring basis experienced net realized and unrealized gains of \$4.8 million and \$12.0 million, primarily due to valuation increases from our private company warrant portfolio. 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.

Capital Resources

We maintain an adequate capital base to support anticipated asset growth, operating needs and credit and other business risks, and to provide for SVB Financial and the Bank to be 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 designed to effectively utilize capital resources 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 \$3.5 billion at June 30, 2016, an increase of \$307.4 million, or 9.6 percent, compared to \$3.2 billion at December 31, 2015. This increase was due primarily to net income of \$172.1 million for the six months ended June 30, 2016. Additionally, the increase in the net balance of our accumulated other comprehensive income to \$129.9 million from \$15.4 million at December 31, 2015, was driven primarily by a \$211.8 million increase in the fair value of our AFS securities portfolio (\$125.5 million net of tax), which resulted from a decrease in the period-end market interest rates for the six months ended June 30, 2016, partially offset by a \$6.9 million, net of tax, reclassification adjustment for gains on the sale of AFS securities included in net income. 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.

Regulatory capital ratios for SVB Financial and the Bank exceeded minimum federal regulatory guidelines for a well-capitalized depository institution as of June 30, 2016 and December 31, 2015. 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:

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| | Minimum Ratios under Applicable Regulatory Capital Adequacy Requirements | | | |
|--|--|----------------------|-----------------------|--------------------------|
| | June 30, 2016 | December 31, 2015 | "Well Capitalized" | "Adequately Capitalized" |
| SVB Financial: | | | | |
| CET 1 risk-based capital ratio | 12.43 % | 12.28 % | 6.5 % | 4.5 % |
| Tier 1 risk-based capital ratio | 12.89 | 12.83 | 8.0 | 6.0 |
| Total risk-based capital ratio | 13.92 | 13.84 | 10.0 | 8.0 |
| Tier 1 leverage ratio | 8.08 | 7.63 | N/A | 4.0 |
| Tangible common equity to tangible assets ratio (1) | 8.13 | 7.16 | N/A | N/A |
| Tangible common equity to risk-weighted assets ratio (1) | 12.91 | 12.34 | N/A | N/A |
| Bank: | | | | |
| CET 1 risk-based capital ratio | 12.57 % | 12.52 % | 6.5 % | 4.5 % |
| Tier 1 risk-based capital ratio | 12.57 | 12.52 | 8.0 | 6.0 |
| Total risk-based capital ratio | 13.65 | 13.60 | 10.0 | 8.0 |
| Tier 1 leverage ratio | 7.56 | 7.09 | 5.0 | 4.0 |
| Tangible common equity to tangible assets ratio (1) | 7.90 | 6.95 | N/A | N/A |
| Tangible common equity to risk-weighted assets ratio (1) | 13.07 | 12.59 | N/A | N/A |

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

Both SVB Financial's and the Bank's risk-based capital ratios (CET 1, tier 1 and total risk-based capital) increased as of June 30, 2016, compared to the same ratios as of December 31, 2015. The increases were a result of the proportionally higher increase in our capital compared to the increases in risk-weighted assets during the first half of 2016. Increased capital was reflective primarily of year to date earnings. The growth in period-end risk-weighted assets was primarily from loan growth, partially offset by a decrease in fixed income securities and unfunded commitments. SVB Financial's and the Bank's tier 1 leverage ratios increased 45 basis points and 47 basis points, respectively, as of June 30, 2016, compared to December 31, 2015. The higher tier 1 leverage ratios were reflective of the increase in tier 1 capital from net income and the decrease in average assets resulting from the decrease in both cash and fixed income investment securities, partially offset by loan growth, during the second quarter of 2016. All of our reported capital ratios remain above the levels considered to be "well capitalized" under applicable 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 stockholders' 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 ended June 30, 2016 and December 31, 2015:

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| Non-GAAP tangible common equity and tangible assets (dollars in thousands, except ratios) | SVB Financial | | Bank | | |
|---|---------------|-------------------|---------------|-------------------|---|
| | June 30, 2016 | December 31, 2015 | June 30, 2016 | December 31, 2015 | |
| GAAP SVBFG stockholders' equity | \$3,505,578 | \$3,198,134 | \$3,359,097 | \$3,059,045 | |
| Tangible common equity | \$3,505,578 | \$3,198,134 | \$3,359,097 | \$3,059,045 | |
| GAAP Total assets | \$43,132,654 | \$44,686,703 | \$42,522,293 | \$44,045,967 | |
| Tangible assets | \$43,132,654 | \$44,686,703 | \$42,522,293 | \$44,045,967 | |
| Risk-weighted assets | \$27,145,857 | \$25,919,594 | \$25,691,978 | \$24,301,043 | |
| Tangible common equity to tangible assets | 8.13 | % 7.16 | % 7.90 | % 6.95 | % |
| Tangible common equity to risk-weighted assets | 12.91 | 12.34 | 13.07 | 12.59 | |

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Both the tangible common equity to tangible assets ratio and tangible common equity to risk-weighted assets ratio increased for SVB Financial and the Bank. The increases are a result of the proportionally higher increase in our capital compared to the increases in total and risk-weighted assets during the first half of 2016. Increased capital is reflective primarily of year to date earnings. The growth in total assets was primarily from loan growth and was partially offset by the decrease in our fixed income securities. The growth in period-end risk-weighted assets was primarily from loan growth, partially offset by a decrease in fixed income securities and unfunded commitments. See "SVBFG Stockholders' Equity" above for further details on changes to the individual components of our equity balance.

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 12—"Off-Balance Sheet Arrangements, Guarantees, and Other Commitments" of the "Notes to Interim Consolidated Financial Statements (unaudited)" under Part I, Item 1 of this report.

Commitments to Invest in Venture Capital and 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 12—"Off-Balance Sheet Arrangements, Guarantees, and Other Commitments" of the "Notes to Interim Consolidated Financial Statements (unaudited)" under Part I, Item 1 of this report.

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. Additionally, we routinely conduct liquidity stress testing as part of our liquidity management practices.

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, 2016, our period-end total deposit balances decreased to \$37.6 billion, compared to \$39.1 billion at December 31, 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 2015 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, 2016 and 2015. For further details, see our "Interim Consolidated Statements of Cash Flows (Unaudited)" under Part I, Item 1 of this report.

| (Dollars in thousands) | Six months ended June 30, | |
|--|---------------------------|-------------|
| | 2016 | 2015 |
| Average cash and cash equivalents | \$2,294,562 | \$2,094,365 |
| Percentage of total average assets | 5.2 | % 5.4 |
| Net cash provided by operating activities | \$142,067 | \$210,879 |
| Net cash provided by (used for) investing activities | 2,028,151 | (957,186) |
| Net cash (used for) provided by financing activities | (1,819,018) | 1,560,843 |
| Net increase in cash and cash equivalents | \$351,200 | \$814,536 |

Average cash and cash equivalents increased by \$0.2 billion, or 9.6 percent, to \$2.3 billion for the six months ended June 30, 2016, compared to \$2.1 billion for the comparable 2015 period.

Cash provided by operating activities was \$142.1 million for the six months ended June 30, 2016, reflective primarily of net income before noncontrolling interests of \$171.0 million. These net inflows also included \$41.0 million of non-cash adjustments to reconcile net income to net cash and were partially offset by a \$79.9 million reduction of compensation accruals during the first half of 2016, primarily from the incentive compensation payouts during the first quarter of 2016.

Cash provided by investing activities of \$2.0 billion for the six months ended June 30, 2016 driven by \$2.9 billion in proceeds from the sale of U.S. Treasury securities and \$1.4 billion from maturities and principal paydowns from our fixed income securities investment portfolio, partially offset by \$2.1 billion in loan growth.

Cash used for financing activities was \$1.8 billion for the six months ended June 30, 2016, primarily reflective of a net decrease of \$1.5 billion in deposits and \$0.3 billion of payments on our overnight short-term borrowings.

Cash and cash equivalents were \$1.9 billion and \$2.6 billion, respectively, at June 30, 2016 and June 30, 2015.

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 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 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,

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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, 2016 and December 31, 2015 related to an instantaneous and sustained parallel shift in market interest rates of 100 and 200 basis points.

| Change in interest rates (basis points) (Dollars in thousands) | Estimated EVE | Estimated Increase/(Decrease) In EVE | | Estimated NII | Estimated Increase/ (Decrease) In NII | | |
|---|------------------|---|---------|------------------|--|---------|--|
| | | Amount | Percent | | Amount | Percent | |
| June 30, 2016: | | | | | | | |
| 200 | \$5,311,233 | \$ 1,380,708 | 35.1 % | \$ 1,495,825 | \$ 321,456 | 27.4 % | |
| 100 | 4,283,395 | 352,870 | 9.0 | 1,329,665 | 155,296 | 13.2 | |
| — | 3,930,525 | — | — | 1,174,369 | — | — | |
| -100 | 4,432,725 | 502,200 | 12.8 | 1,119,372 | (54,997) | (4.7) | |
| -200 | 4,413,014 | 482,489 | 12.3 | 1,113,410 | (60,959) | (5.2) | |
| December 31, 2015: | | | | | | | |
| 200 | \$6,007,061 | \$ 1,783,649 | 42.2 % | \$ 1,454,889 | \$ 268,242 | 22.6 % | |
| 100 | 5,166,410 | 942,998 | 22.3 | 1,318,584 | 131,937 | 11.1 | |
| — | 4,223,412 | — | — | 1,186,647 | — | — | |
| -100 | 4,350,421 | 127,009 | 3.0 | 1,127,223 | (59,424) | (5.0) | |
| -200 | 4,548,417 | 325,005 | 7.7 | 1,095,854 | (90,793) | (7.7) | |

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 as of June 30, 2016 decreased from December 31, 2015 by \$293 million as a result of balance sheet mix changes, as well as yield curve changes. As of June 30, 2016, total loan balances increased \$2.1 billion and total deposits decreased \$1.5 billion as compared to December 31, 2015. These fluctuations resulted in a funding need, which was met by a combination of \$4.3 billion of investment portfolio sales and maturities, as well as the use of short-term borrowings of \$500 million at June 30, 2016.

Marginally lower rates at the long-end of the yield curve continue to drive a relatively flat curve as compared to December 31, 2015. This contributed a net negative impact of \$162 million to our base case EVE and the balance sheet mix changes contributed an additional decrease of \$131 million to our base case EVE.

EVE sensitivity decreased in all upward rate shock scenarios due to the change in balance sheet composition, as well as flattening of the yield curve. Assets and liabilities such as long-term investments and non-maturity deposits that

tend to be more interest rate sensitive have been replaced by floating rate loans and short-term borrowings that tend to be less interest rate sensitive, causing a decrease in overall EVE sensitivity as compared to December 31, 2015. Additionally, the flattening yield curve resulted in discount rates for NIB non-maturity deposits to hit their floors in the downward rate shock modeling scenarios, which caused the market value of the non-maturity deposits to increase in those scenarios.

12-Month Net Interest Income Simulation

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Our estimated 12-month NII forecast at June 30, 2016 decreased \$12 million as compared December 31, 2015 due primarily to the change in the balance sheet composition previously noted in the EVE section above. Higher-yielding investment portfolio instruments were replaced by lower-yielding floating rate loans and the runoff of non-interest bearing deposits is being partially replaced by short-term borrowings. NII sensitivity at June 30, 2016 increased in the upward interest rate shock scenarios due to a higher concentration of variable rate loans on the balance sheet, relative to December 31, 2015. NII sensitivity decreased slightly in the downward rate shock scenarios, although the existence of loan floors, along with the assumption of yield curve floors limits the downward NII sensitivity in these scenarios. 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% on certain variable interest rate assets and liabilities. Additionally, interest rate floors embedded in certain loan agreements will impact the repricing magnitude of these assets as benchmark rates move higher. 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 15—“Legal Matters” of the “Notes to Interim Consolidated Financial Statements (unaudited)” 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 2015 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 8, 2016 /s/ MICHAEL DESCHENEAUX
Michael Descheneaux
Chief Financial Officer
(Principal Financial Officer)

SVB Financial Group

Date: August 8, 2016 /s/ KAMRAN HUSAIN
Kamran Husain
Chief Accounting Officer
(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 | |
| *10.1 | 1999 Employee Stock Purchase Plan | | | | X |
| 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 | | | | X |
| 32.1 | Section 1350 Certifications | | | | X |
| 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 |

* Denotes management contract or any compensatory plan, contract or arrangement.