

SVB FINANCIAL GROUP

Form 10-Q

May 08, 2018

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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 March 31, 2018

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, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company," in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company)

Smaller reporting company Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

At April 30, 2018, 52,973,918 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
ERI— Energy and Resource Innovation
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
HTM— Held-to-Maturity
IASB— International Accounting Standards Board
IPO— Initial Public Offering
IRS— Internal Revenue Service
IT— Information Technology
LIBOR— London Interbank Offered Rate
M&A— Merger and Acquisition
OTTI— Other Than Temporary Impairment
SEC— Securities and Exchange Commission
SPD-SVB— SPD Silicon Valley Bank Co., Ltd. (the Bank's joint venture bank in China)
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)	March 31, 2018	December 31, 2017
Assets		
Cash and cash equivalents	\$2,619,384	\$2,923,075
Available-for-sale securities, at fair value (cost of \$10,189,071 and \$11,131,008, respectively)	10,080,384	11,120,664
Held-to-maturity securities, at cost (fair value of \$14,229,439 and \$12,548,280, respectively)	14,548,856	12,663,455
Non-marketable and other equity securities	824,936	651,053
Total investment securities	25,454,176	24,435,172
Loans, net of unearned income	24,587,944	23,106,316
Allowance for loan losses	(274,294)	(255,024)
Net loans	24,313,650	22,851,292
Premises and equipment, net of accumulated depreciation and amortization	127,054	128,682
Accrued interest receivable and other assets	986,523	876,246
Total assets	\$53,500,787	\$51,214,467
Liabilities and total equity		
Liabilities:		
Noninterest-bearing demand deposits	\$37,515,355	\$36,655,497
Interest-bearing deposits	8,421,177	7,598,578
Total deposits	45,936,532	44,254,075
Short-term borrowings	1,102,140	1,033,730
Other liabilities	1,206,660	911,755
Long-term debt	695,731	695,492
Total liabilities	48,941,063	46,895,052
Commitments and contingencies (Note 13 and Note 16)		
SVBFG stockholders' equity:		
Preferred stock, \$0.001 par value, 20,000,000 shares authorized; no shares issued and outstanding	—	—
Common stock, \$0.001 par value, 150,000,000 shares authorized; 52,922,219 shares and 52,835,188 shares outstanding, respectively	53	53
Additional paid-in capital	1,326,998	1,314,377
Retained earnings	3,160,081	2,866,837
Accumulated other comprehensive loss	(71,686)	(1,472)
Total SVBFG stockholders' equity	4,415,446	4,179,795
Noncontrolling interests	144,278	139,620
Total equity	4,559,724	4,319,415
Total liabilities and total equity	\$53,500,787	\$51,214,467

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

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

	Three months ended March 31,	
	2018	2017
(Dollars in thousands, except per share amounts)		
Interest income:		
Loans	\$297,073	\$227,341
Investment securities:		
Taxable	124,477	89,803
Non-taxable	5,092	646
Federal funds sold, securities purchased under agreements to resell and other short-term investment securities	5,756	3,136
Total interest income	432,398	320,926
Interest expense:		
Deposits	4,097	