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

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

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

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).

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

	Three months ended June 30,		Six months ended June 30,	
(Dollars in thousands, except per share amounts)	**2016**	**2015**	**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
Earnings per common share—diluted	1.78	1.66	3.30	3.37

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

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

(Dollars in thousands)	Three months ended June 30,		Six months ended June 30,	
	2016	2015	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).

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

(Dollars in thousands)	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income	Total SVBFG Stockholders' Equity	Noncontrolling Interests	Total Equity
Balance at December 31, 2014	**50,924,925**	**$ 51**	**$ 1,120,350**	**$ 1,649,967**	**$ 42,704**	**$ 2,813,072**	**$ 1,238,662**	**$ 4,051,734**
Common stock issued under employee benefit plans, net of restricted stock cancellations	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
Income tax effect from stock options exercised, vesting of restricted stock and other	—	—	(6,587)	—	—	(6,587)	—	(6,587)
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).

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

(Dollars in thousands)	Six months ended June 30, 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
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).

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.

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

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:

		Three months ended June 30,		Six months ended June 30,	
(Dollars in thousands)	Income Statement Location	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:

(Dollars and shares in thousands, except per share amounts)	Three months ended June 30, 2016	Three months ended June 30, 2015	Six months ended June 30, 2016	Six months ended June 30, 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:

(Shares in thousands)	Three months ended June 30, 2016	Three months ended June 30, 2015	Six months ended June 30, 2016	Six months ended June 30, 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:

(Dollars in thousands)	Three months ended June 30, 2016	Three months ended June 30, 2015	Six months ended June 30, 2016	Six months ended June 30, 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:

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

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:

(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	$ —

(1) Included in our unconsolidated non-marketable and other securities portfolio at June 30, 2016 and December 31, 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.

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

(1) At 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.

(2) At June 30, 2016 and December 31, 2015, securities purchased under agreements to resell were collateralized by U.S. Treasury securities and U.S. agency securities with aggregate fair values of $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:

	June 30, 2016			
(Dollars in thousands)	Amortized Cost	Unrealized Gains	Unrealized Losses	Carrying Value
Available-for-sale securities, at fair value:				
U.S. Treasury securities	$ 8,826,762	$ 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

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

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

	June 30, 2016					
	Less than 12 months		12 months or longer		Total	
(Dollars in thousands)	Fair Value of Investments	Unrealized Losses	Fair Value of Investments	Unrealized Losses	Fair Value of Investments	Unrealized Losses
Available-for-sale securities:						
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)

(1) 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 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:

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

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

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

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:

	June 30, 2016			
(Dollars in thousands)	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
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.

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

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

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:

	June 30, 2016					
	Less than 12 months		12 months or longer		Total	
(Dollars in thousands)	Fair Value of Investments	Unrealized Losses	Fair Value of Investments	Unrealized Losses	Fair Value of Investments	Unrealized Losses
Held-to-maturity securities:						
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)

(1) 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:

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

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

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

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

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

	June 30, 2016		December 31, 2015	
(Dollars in thousands)	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):

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

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

(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):

	June 30, 2016		December 31, 2015	
(Dollars in thousands)	Amount	Ownership %	Amount	Ownership %
Venture capital and private equity fund investments:				
SVB Strategic Investors Fund II, LP	$ 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.

(5) 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 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, 2016	December 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:

	Three months ended June 30,		Six months ended June 30,	
(Dollars in thousands)	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.

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:

	Three months ended June 30,		Six months ended June 30,	
(Dollars in thousands)	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

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.

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

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	$ —

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

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,	Average impaired loans		Interest income on impaired loans	
(dollars in thousands)	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,	Average impaired loans		Interest income on impaired loans	
(dollars in thousands)	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.

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

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:

	June 30, 2016				December 31, 2015			
	Individually Evaluated for Impairment		Collectively Evaluated for Impairment		Individually Evaluated for Impairment		Collectively Evaluated for Impairment	
(Dollars in thousands)	Allowance for loan losses	Recorded investment in loans	Allowance for loan losses	Recorded investment in loans	Allowance for loan losses	Recorded investment in loans	Allowance for loan losses	Recorded investment in loans
Commercial loans:								
Software and internet	$ 33,705	$ 93,971	$ 70,524	$ 5,436,903	$ 34,098	$ 100,866	$ 68,947	$ 5,337,049
Hardware	2,327	22,751	21,544	1,100,682	3,160	27,736	19,925	1,043,792
Private equity/venture capital	—	—	49,807	7,078,544	—	—	35,282	5,467,577
Life science/healthcare	23,380	49,265	18,472	1,731,709	20,230	51,354	16,346	1,659,288
Premium wine	130	1,296	4,680	827,940	90	2,065	5,115	845,230
Other	5,047	5,467	4,433	497,054	52	520	4,200	435,270
Total commercial loans	64,589	172,750	169,460	16,672,832	57,630	182,541	149,815	14,788,206
Consumer loans	202	909	10,472	1,987,287	143	143	10,025	1,771,180
Total	$ 64,791	$ 173,659	$ 179,932	$ 18,660,119	$ 57,773	$ 182,684	$ 159,840	$ 16,559,386

Credit Quality Indicators

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

The following table summarizes the credit quality indicators, broken out by portfolio segment and class of financing receivables as of 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.

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, 2016	December 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:

	Three months ended June 30,		Six months ended June 30,	
(Dollars in thousands)	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.

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:

	Three months ended June 30,		Six months ended June 30,	
(Dollars in thousands)	2016	2015	2016	2015
TDRs modified within the previous 12 months that defaulted during the period:				
Commercial loans:				
Software and internet	$ 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:

			Carrying Value	
(Dollars in thousands)	Maturity	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.
(2) At June 30, 2016 and December 31, 2015, included in the carrying value of our 6.05% Subordinated Notes was an interest rate swap valued at $1.9 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.

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.

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:

		June 30, 2016				December 31, 2015			
(Dollars in thousands)	Balance Sheet Location	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.

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:

		Three months ended June 30,		Six months ended June 30,	
(Dollars in thousands)	**Statement of income location**	**2016**	**2015**	**2016**	**2015**
Derivatives designated as hedging instruments:					
Interest rate risks:					
Net cash benefit associated with interest rate swaps	Interest expense—borrowings	$ 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.

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		Net Amount
				Financial Instruments	Cash Collateral Received	
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 Liabilities	Gross Amounts offset in the Statement of Financial Position	Net Amounts of Liabilities Presented in the Statement of Financial Position	Gross Amounts Not Offset in the Statement of Financial Position But Subject to Master Netting Arrangements		Net Amount
				Financial Instruments	Cash Collateral Pledged	
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

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:

	Three months ended June 30,		Six months ended June 30,	
(Dollars in thousands)	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

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

(2) 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 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:

	Three months ended June 30,		Six months ended June 30,	
(Dollars in thousands)	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:

- **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.

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.

(3) The Global Commercial Bank segment includes direct depreciation and amortization of $6.2 million and $4.7 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.

(4) The internal reporting model used by management to assess segment performance does not calculate income tax expense by segment. Our effective tax rate is a reasonable approximation of the segment rates.
(5) Total average assets equal the greater of total average assets or the sum of total average liabilities and total average stockholders' equity for each segment to reconcile the results to the consolidated financial statements prepared in conformity with GAAP.

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

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

Commitments to Extend Credit

The following table summarizes information related to our commitments to extend credit at 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

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 (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

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.

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.

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.

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.

(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

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

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

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.

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:

	Three months ended June 30,		Six months ended June 30,	
(Dollars in thousands)	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%

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

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

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

(4) We adjust the contractual remaining term of private company warrants based on our estimate of the actual remaining life, which we determine by utilizing historical data on cancellations and exercises. At June 30, 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

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:

		Estimated Fair Value			
(Dollars in thousands)	**Carrying Amount**	**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	—

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

(1) In accordance with the accounting standard (ASU 2015-07, Fair Value Measurement (Topic 820)), certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy.
(2) Includes noninterest-bearing demand deposits, interest-bearing checking accounts, money market accounts and interest-bearing sweep deposits.
(3) At June 30, 2016 and December 31, 2015, included in the carrying value and estimated fair value of our 6.05% Subordinated Notes was an interest rate swap valued at $1.9 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:

(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

(1) Venture capital and private equity fund investments within non-marketable securities (fair value accounting) include investments made by our managed funds of funds and one of our direct venture funds. These investments represent investments in venture capital and private equity funds that invest primarily in U.S. and global technology and life science/healthcare companies. Included in the fair value and unfunded commitments of fund investments under fair value accounting are $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.

(2) Venture capital and private equity fund investments, debt funds, and other fund investments within non-marketable securities (equity and cost method accounting) include funds that invest in or lend money to primarily U.S. and global technology and life science/healthcare companies. It is estimated that we will receive distributions from the funds over the next 10 to 13 years, depending on the age of the funds and any potential extensions of the terms of the funds.

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.

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 negative of such words, or comparable terminology. Forward-looking statements are neither historical facts nor assurances of future performance. Although we believe that the expectations reflected in these forward-looking statements are reasonable, we have based these expectations on our current beliefs as well as our assumptions, and such expectations may prove to be incorrect. Because forward-looking statements relate to the future, they are subject to inherent uncertainties, risks and changes in circumstances that are difficult to predict and many of which are outside of our control. Our actual results of operations and financial performance could differ significantly from those expressed in or implied by our management's forward-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

- 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:

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%).

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%.

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%.

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).

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

A summary of our performance 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,		
(Dollars in thousands, except per share data, employees and ratios)	**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)
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

(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

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.

	2016 Compared to 2015			2016 Compared to 2015		
	Three months ended June 30, increase (decrease) due to change in			Six months ended June 30, increase (decrease) due to change in		
(Dollars in thousands)	Volume	Rate	Total	Volume	Rate	Total
Interest income:						
Federal Reserve deposits, federal funds sold, securities purchased under agreements to resell, trade receivables purchased and other short-term investment securities	$ (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.

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

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.

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

	Three months ended June 30,					
	2016			2015		
(Dollars in thousands)	Average Balance	Interest Income/ Expense	Yield/ Rate	Average Balance	Interest Income/ Expense	Yield/ Rate
Interest-earning assets:						
Federal Reserve deposits, federal funds sold, securities purchased under agreements to resell and other short-term investment securities (1)	$ 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:						
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

	Six months ended June 30,					
	2016			2015		
(Dollars in thousands)	Average Balance	Interest Income/ Expense	Yield/ Rate	Average Balance	Interest Income/ Expense	Yield/ Rate
Interest-earning assets:						
Federal Reserve deposits, federal funds sold, securities purchased under agreements to resell and other short-term investment securities (1)	$ 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:						
Adjustments for taxable equivalent basis		(631)			(816)	
Net interest income, as reported		$ 564,757			$ 482,696	

(1) Includes average interest-earning deposits in other financial institutions of $600 million and $477 million for the 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.

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:

	Three months ended June 30,		Six months ended June 30,	
(Dollars in thousands)	**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.

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 nonacrrual 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.

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:

	Three months ended June 30,			Six months ended June 30,		
(Dollars in thousands)	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:

	Three months ended June 30,			Six months ended June 30,		
(Dollars in thousands)	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

(1) Non-GAAP core fee income represents noninterest income, but excludes certain line items where performance is 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.

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.

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

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:

	Three months ended June 30,			Six months ended June 30,		
(Dollars in thousands)	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

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

	Three months ended June 30,			Six months ended June 30,		
(Dollars in thousands)	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.

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:

	Three months ended June 30,			Six months ended June 30,		
(Dollars in millions)	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, 2016	December 31, 2015	% Change
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)

(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:

	Three months ended June 30,			Six months ended June 30,		
(Dollars in thousands)	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

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

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:

	Three months ended June 30,			Six months ended June 30,		
(Dollars in thousands, except ratios)	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.

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:

	Three months ended June 30,			Six months ended June 30,		
(Dollars in thousands, except employees)	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

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

Compensation and benefits expense was $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.

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:

	Three months ended June 30,			Six months ended June 30,		
(Dollars in thousands)	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:

	Three months ended June 30,			Six months ended June 30,		
(Dollars in thousands)	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.

(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

	Three months ended June 30,			Six months ended June 30,		
(Dollars in thousands)	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.

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

	Three months ended June 30,			Six months ended June 30,		
(Dollars in thousands)	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.

SVB Capital

(Dollars in thousands)	Three months ended June 30, 2016	2015	% Change	Six months ended June 30, 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

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:

(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.

(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.

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:

	June 30, 2016		December 31, 2015	
(Dollars in thousands)	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:

	June 30, 2016					
(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	$ 1,309,571	$ 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
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:

(Dollars in thousands)	December 31, 2015					
	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

(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:

(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

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

Our allowance for loan losses as a percentage of total gross loans 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.

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

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 June 30,		Six months ended 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.

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.

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.

	June 30, 2016		December 31, 2015	
(Dollars in thousands)	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

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:

	June 30, 2016	December 31, 2015	Minimum Ratios under Applicable Regulatory Capital Adequacy Requirements "Well Capitalized"	Minimum Ratios under Applicable Regulatory Capital Adequacy Requirements "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:

Non-GAAP tangible common equity and tangible assets (dollars in thousands, except ratios)	SVB Financial June 30, 2016	SVB Financial December 31, 2015	Bank June 30, 2016	Bank 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

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.

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.

	Six months ended June 30,	
(Dollars in thousands)	**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,

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

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.

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.

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)

Table of Contents

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.

Exhibit 10.1

SVB FINANCIAL GROUP
1999 EMPLOYEE STOCK PURCHASE PLAN

(As Amended Most Recently by the Compensation Committee of the Board of Directors as of February 9, 2016 and Approved by Stockholders on April 21, 2016)

1. PURPOSE.

(a) The purpose of this 1999 Employee Stock Purchase Plan (the "Plan") is to provide a means by which employees of SVB Financial Group (formerly Silicon Valley Bancshares), a Delaware corporation (the "Company"), and its Affiliates, as defined in subparagraph 1(b), which are designated as provided in subparagraph 2(b), may be given an opportunity to purchase stock of the Company. This 1999 Employee Stock Purchase Plan is intended to replace the Silicon Valley Bancshares 1988 Employee Stock Purchase Plan.

(b) The word "Affiliate" as used in the Plan means any parent corporation or subsidiary corporation of the Company, as those terms are defined in Sections 424(e) and (f), respectively, of the Internal Revenue Code of 1986, as amended (the "Code").

(c) The Company, by means of the Plan, seeks to retain the services of its employees, to secure and retain the services of new employees, and to provide incentives for such persons to exert maximum efforts for the success of the Company.

(d) The Company intends that the rights to purchase stock of the Company granted under the Plan be considered options issued under an "employee stock purchase plan" as that term is defined in Section 423(b) of the Code.

2. ADMINISTRATION.

(a) The Plan shall be administered by the Board of Directors (the "Board") of the Company unless and until the Board delegates administration to a Committee, as provided in subparagraph 2(c). Whether or not the Board has delegated administration, the Board shall have the final power to determine all questions of policy and expediency that may arise in the administration of the Plan.

(b) The Board shall have the power, subject to, and within the limitations of, the express provisions of the Plan:

(i) To determine when and how rights to purchase stock of the Company shall be granted and the provisions of each offering of such rights (which need not be identical).

(ii) To designate from time to time which Affiliates of the Company shall be eligible to participate in the Plan and any particular Offering.

(iii) To construe and interpret the Plan and rights granted under it, and to establish, amend and revoke rules and regulations for its administration. The Board, in the exercise of this power, may correct any defect, omission or inconsistency in the Plan, in a manner and to the extent it shall deem necessary or expedient to make the Plan fully effective.

(iv) To amend the Plan as provided in paragraph 13.

(v) Generally, to exercise such powers and to perform such acts as the Board deems necessary or expedient to promote the best interests of the Company and its Affiliates and to carry out the intent that the Plan be treated as an "employee stock purchase plan" within the meaning of Section 423 of the Code.

(c) The Board may delegate administration of the Plan to a Committee composed of one (1) or more members of the Board (the "Committee"). If administration is delegated to a Committee, the Committee shall have, in connection with the administration of the Plan, the powers theretofore possessed by the Board, subject, however, to such resolutions, not inconsistent with the provisions of the Plan, as may be adopted from time to time by the Board. The Board may abolish the Committee at any time and revest in the Board the administration of the Plan.

(d) Any interpretation of the Plan by the Board of any decision made by it under the Plan shall be final and binding on all persons.

3. SHARES SUBJECT TO THE PLAN.

(a) Subject to the provisions of paragraph 12 relating to adjustments upon changes in stock, the stock that may be sold pursuant to rights granted under the Plan shall not exceed in the aggregate four million five hundred thousand (4,500,000) shares of the Company's Common Stock (the "Common Stock"). If any right granted under the Plan shall for any reason terminate without having been exercised, the Common Stock not purchased under such right shall again become available for the Plan.

(b) The Common Stock subject to the Plan may be unissued shares or reacquired shares, bought on the market or otherwise.

4. GRANT OF RIGHTS; OFFERING.

(a) The Board or the Committee may from time to time grant or provide for the grant of rights to purchase Common Stock of the Company under the Plan to eligible employees (an "Offering") on a date or dates (the "Offering Date(s)") selected by the Board or the Committee. Each Offering shall be in such form and shall contain such terms and conditions as the Board or the Committee shall deem appropriate, which shall comply with the requirements of Section 423(b)(5) of the Code that all employees granted rights to purchase stock pursuant to the Offering shall have the same rights and privileges. The terms and conditions of an Offering shall be incorporated by reference into the Plan and treated as part of the Plan. The provisions of separate Offerings need not be identical, but each Offering shall include (through incorporation of the provisions of this Plan by reference in the document comprising the Offering or otherwise) the period during which the Offering shall be effective, which period shall not exceed twenty-seven (27) months beginning with the Offering Date, and the substance of the provisions contained in paragraphs 5 through 8, inclusive.

(b) If an employee has more than one (1) right outstanding under the Plan, unless he or she otherwise indicates in agreements or notices delivered hereunder, a right with a lower exercise price (or an earlier-granted right if two (2) rights have identical exercise prices), will be exercised to the fullest possible extent before a right with a higher exercise price (or a later-granted right if two (2) rights have identical exercise prices) will be exercised.

5. ELIGIBILITY.

(a) Rights may be granted only to employees of the Company or, as the Board or the Committee may designate as provided in subparagraph 2(b), to employees of any Affiliate of the Company. Except as provided in subparagraph 5(b), an employee of the Company or any Affiliate shall not be eligible to be granted rights under the Plan unless, on the Offering Date, such employee has been in the employ of the Company or any Affiliate for such continuous period preceding such grant as the Board or the Committee may require, but in no event shall the required period of continuous employment be greater than two (2) years. In addition, unless otherwise determined by the Board or the Committee and set forth in the terms of the applicable Offering, no employee of the Company or any Affiliate shall be eligible to be granted rights under the Plan unless, on the Offering Date, such employee's customary employment with the Company or such Affiliate is for at least twenty (20) hours per week and at least five (5) months per calendar year.

(b) The Board or the Committee may provide that each person who, during the course of an Offering, first becomes an eligible employee of the Company or designated Affiliate will, on a date or dates specified in the Offering which coincides with the day on which such person becomes an eligible employee or occurs thereafter, receive a right under that Offering, which right shall thereafter be deemed to be a part of that Offering. Such right shall have the same characteristics as any rights originally granted under that Offering, as described herein, except that:

(i) the date on which such right is granted shall be the "Offering Date" of such right for all purposes, including determination of the exercise price of such right;

(ii) the period of the Offering with respect to such right shall begin on its Offering Date and end coincident with the end of such Offering; and

(iii) the Board or the Committee may provide that if such person first becomes an eligible employee within a specified period of time before the end of the Offering, he or she will not receive any right under that Offering.

(c) No employee shall be eligible for the grant of any rights under the Plan if, immediately after any such rights are granted, such employee owns stock possessing five percent (5%) or more of the total combined voting power or value of all classes of stock of the Company or of any Affiliate. For purposes of this subparagraph 5(c), the rules of Section 424(d) of the Code shall apply in determining the stock ownership of any employee, and stock which such employee may purchase under all outstanding rights and options shall be treated as stock owned by such employee.

(d) An eligible employee may be granted rights under the Plan only if such rights, together with any other rights granted under "employee stock purchase plans" of the Company and any Affiliates, as specified by Section 423(b)(8) of the Code, do not permit such employee's rights to purchase stock of the Company or any Affiliate to accrue at a rate which exceeds twenty five thousand dollars ($25,000) of fair market value of such stock (determined at the time such rights are granted) for each calendar year in which such rights are outstanding at any time.

(e) Officers of the Company and any designated Affiliate shall be eligible to participate in Offerings under the Plan; provided, however, that the Board or the Committee may provide in an Offering that highly compensated employees within the meaning of Section 414(q) of the Code shall not be eligible to participate. In this respect, the Board or the Committee may exclude highly compensated employees with compensation above a certain level or who are officers or subject to the disclosure requirements of Section 16(a) of the Securities Act of 1934, as amended, provided the exclusion is applied with respect to each particular Offering in an identical manner to all highly compensated employees the Company and every Affiliate whose employees are participating in that Offering.

6. RIGHTS; PURCHASE PRICE.

(a) On each Offering Date, each eligible employee, pursuant to an Offering made under the Plan, shall be granted the right to purchase up to the number of shares of Common Stock of the Company purchasable with a percentage designated by the Board or the Committee not exceeding fifteen percent (15%) of such employee's Earnings (as defined in subparagraph 7(a)) during the period which begins on the Offering Date (or such later date as the Board or the Committee determines for a particular Offering) and ends on the date stated in the Offering, which date shall be no later than the end of the Offering. The Board or the Committee shall establish one (1) or more dates during an Offering (the "Purchase Date(s)") on which rights granted under the Plan shall be exercised and purchases of Common Stock carried out in accordance with such Offering.

(b) In connection with each Offering made under the Plan, the Board or the Committee may specify a maximum number of shares that may be purchased by any employee as well as a maximum aggregate number of shares that may be purchased by all eligible employees pursuant to such Offering. Unless the Board or the Committee provide otherwise prior to the commencement of an Offering, no employee will be permitted to purchase more than 3,000 shares of Common Stock during an Offering. In addition, in connection with each Offering that contains more than one (1) Purchase Date, the Board or the Committee may specify a maximum aggregate number of shares which may be purchased by all eligible employees on any given Purchase Date under the Offering. If the aggregate purchase of shares upon exercise of rights granted under the Offering would exceed any such maximum aggregate number, the Board or the Committee shall make a pro rata allocation of the shares available in as nearly a uniform manner as shall be practicable and as it shall deem to be equitable.

(c) The purchase price of stock acquired pursuant to rights granted under the Plan shall be not less than the lesser of: (i) an amount equal to eighty-five percent (85%) of the fair market value of the stock on the Offering Date; or (ii) an amount equal to eighty-five percent (85%) of the fair market value of the stock on the Purchase Date.

7. PARTICIPATION; WITHDRAWAL; TERMINATION.

(a) An eligible employee may become a participant in the Plan pursuant to an Offering by delivering an enrollment agreement to the Company within the time specified in the Offering, in such form as the Company provides. Each such agreement shall authorize payroll deductions of up to the maximum percentage specified by the Board or the Committee of such employee's Earnings during the Offering. "Earnings" is defined as an employee's regular salary or wages (including amounts thereof elected to be deferred by the employee, that would otherwise have been paid, under any arrangement established by the Company that is intended to comply with Section 125, Section 401(k), Section 402(e)(3), Section 402(h) or section 403(b) of the Code, and also including any deferrals under a non-qualified deferred compensation plan or arrangement established by the Company), and also, if determined by the Board or the Committee and set forth in the terms of the Offering, may include any or all of the following: (i) overtime pay, (ii) commissions, (iii) bonuses, incentive pay, profit sharing and other remuneration paid directly to the employee, and/or (iv) other items of remuneration not specifically excluded pursuant to the Plan. Earnings shall not include the cost of employee benefits paid for by the Company or an Affiliate, education or tuition reimbursements, imputed income arising under any group insurance or benefit program, traveling expenses, business and moving expense reimbursements, income received in connection with stock options or other equity awards, contributions made by the Company or an Affiliate under any employee benefit plan, and similar items of compensation, as determined by the Board or the Committee. Notwithstanding the foregoing, the Board or Committee may modify the definition of "Earnings" with respect to one or more Offerings as the Board or Committee determines appropriate. The payroll deductions made for each participant shall be credited to an account for such participant under the Plan and shall be deposited with the general funds of the Company. A participant may reduce (including to zero) or increase such payroll deductions, and an eligible employee may begin such payroll deductions, after the beginning of any Offering only as provided for in the Offering. A participant may make additional payments into his or her account only if specifically provided for in the Offering and only if the participant has not had the maximum amount withheld during the Offering.

(b) At any time during an Offering, a participant may terminate his or her payroll deductions under the Plan and withdraw from the Offering by delivering to the Company a notice of withdrawal in such form as the Company provides. Such withdrawal may be elected at any time prior to the end of the Offering except as provided by the Board or the Committee in the Offering. Upon such withdrawal from the Offering by a participant, the Company shall distribute to such participant all of his or her accumulated payroll deductions (reduced to the extent, if any, such deductions have been used to acquire stock for the participant) under the Offering, without interest, and such participant's interest in that Offering shall be automatically terminated. A participant's withdrawal from an Offering will have no effect upon such participant's eligibility to participate in any other Offerings under the Plan but such participant will be required to deliver a new enrollment agreement in order to participate in subsequent Offerings under the Plan.

(c) Rights granted pursuant to any Offering under the Plan shall terminate immediately upon cessation of any participating employee's employment with the Company and any designated Affiliate, for any reason, and the Company shall distribute to such terminated employee all of his or her accumulated payroll deductions (reduced to the extent, if any, such deductions have been used to acquire stock for the terminated employee), under the Offering, without interest.

(d) Rights granted under the Plan shall not be transferable by a participant other than by will or the laws of descent and distribution, or by a beneficiary designation as provided in paragraph 14, and during a participant's lifetime, shall be exercisable only by such participant.

8. EXERCISE.

(a) On each Purchase Date specified therefor in the relevant Offering, each participant's accumulated payroll deductions and other additional payments specifically provided for in the Offering (without any increase for interest) will be applied to the purchase of whole shares of stock of the Company, up to the maximum number of shares permitted pursuant to the terms of the Plan and the applicable Offering, at the purchase price specified in the Offering. No fractional shares shall be issued upon the exercise of rights granted under the Plan. The amount, if any, of accumulated payroll deductions remaining in each participant's account after the purchase of shares which is less

than the amount required to purchase one share of Common Stock on the final Purchase Date of an Offering shall be held in each such participant's account for the purchase of shares under the next Offering under the Plan, unless such participant withdraws from such next Offering, as provided in subparagraph 7(b), or is no longer eligible to be granted rights under the Plan, as provided in paragraph 5, in which case such amount shall be distributed to the participant after such final Purchase Date, without interest. The amount, if any, of accumulated payroll deductions remaining in any participant's account after the purchase of shares which is equal to the amount required to purchase one or more whole shares of Common Stock on the final Purchase Date of an Offering shall be distributed in full to the participant after such Purchase Date, without interest.

(b) No rights granted under the Plan may be exercised to any extent unless the shares to be issued upon such exercise under the Plan (including rights granted thereunder) are covered by an effective registration statement pursuant to the Securities Act of 1933, as amended (the "Securities Act") and the Plan is in material compliance with all applicable state, foreign and other securities and other laws applicable to the Plan. If on a Purchase Date in any Offering hereunder the Plan is not so registered or in such compliance, no rights granted under the Plan or any Offering shall be exercised on such Purchase Date, and the Purchase Date shall be delayed until the Plan is subject to such an effective registration statement and such compliance, except that the Purchase Date shall not be delayed more than twelve (12) months and the Purchase Date shall in no event be more than twenty-seven (27) months from the Offering Date. If on the Purchase Date of any Offering hereunder, as delayed to the maximum extent permissible, the Plan is not registered and in such compliance, no rights granted under the Plan or any Offering shall be exercised and all payroll deductions accumulated during the Offering (reduced to the extent, if any, such deductions have been used to acquire stock) shall be distributed to the participants, without interest.

9. COVENANTS OF THE COMPANY.

(a) During the terms of the rights granted under the Plan, the Company shall keep available at all times the number of shares of Common Stock required to satisfy such rights.

(b) The Company shall seek to obtain from each federal, state, foreign or other regulatory commission or agency having jurisdiction over the Plan such authority as may be required to issue and sell shares of stock upon exercise of the rights granted under the Plan. If, after reasonable efforts, the Company is unable to obtain from any such regulatory commission or agency the authority which counsel for the Company deems necessary for the lawful issuance and sale of stock under the Plan, the Company shall be relieved from any liability for failure to issue and sell stock upon exercise of such rights unless and until such authority is obtained.

10. USE OF PROCEEDS FROM STOCK.

Proceeds from the sale of stock pursuant to rights granted under the Plan shall constitute general funds of the Company.

11. RIGHTS AS A STOCKHOLDER.

A participant shall not be deemed to be the holder of, or to have any of the rights of a holder with respect to, any shares subject to rights granted under the Plan unless and until the participant's shareholdings acquired upon exercise of rights under the Plan are recorded in the books of the Company (or its transfer agent).

12. ADJUSTMENTS UPON CHANGES IN STOCK.

(a) If any change is made in the stock subject to the Plan, or subject to any rights granted under the Plan (through merger, consolidation, reorganization, recapitalization, stock dividend, dividend in property other than cash, stock split, liquidating dividend, combination of shares, exchange of shares, change in corporate structure or other transaction not involving the receipt of consideration by the Company), the Plan and outstanding rights will be appropriately adjusted in the class(es) and maximum number of shares subject to the Plan and the class(es) and number of shares and price per share of stock subject to outstanding rights. Such adjustments shall be made by the Board or the Committee, the determination of which shall be final, binding and conclusive. (The conversion of any

convertible securities of the Company shall not be treated as a "transaction not involving the receipt of consideration by the Company.")

(b) In the event of: (1) a dissolution or liquidation of the Company; (2) a sale of all or substantially all of the assets of the Company; (3) a merger or consolidation in which the Company is not the surviving corporation; (4) a reverse merger in which the Company is the surviving corporation but the shares of the Company's Common Stock outstanding immediately preceding the merger are converted by virtue of the merger into other property, whether in the form of securities, cash or otherwise; (5) the acquisition by any person, entity or group within the meaning of Section 13(d) or 14(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or any comparable successor provisions (excluding any employee benefit plan, or related trust, sponsored or maintained by the Company or any Affiliate of the Company) of the beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act, or comparable successor rule) of securities of the Company representing at least fifty percent (50%) of the combined voting power entitled to vote in the election of directors; or (6) the individuals who, as of the date of the adoption of this Plan, are members of the Board (the "Incumbent Board"; (if the election, or nomination for election by the Company's stockholders, of a new director was approved by a vote of at least fifty percent (50%) of the members of the Board then comprising the Incumbent Board, such new director shall upon his or her election be considered a member of the Incumbent Board) cease for any reason to constitute at least fifty percent (50%) of the Board; then the Board in its sole discretion may take any action or arrange for the taking of any action among the following: (i) any surviving or acquiring corporation may assume outstanding rights or substitute similar rights for those under the Plan, (ii) such rights may continue in full force and effect, or (iii) all participants' accumulated payroll deductions may be used to purchase Common Stock immediately prior to or within a reasonable period of time following the transaction described above and the participants' rights under the ongoing Offering terminated.

13. AMENDMENT OF THE PLAN OR OFFERINGS.

(a) The Board at any time, and from time to time, may amend the Plan or the terms of one or more Offerings. However, except as provided in paragraph 12 relating to adjustments upon changes in stock, no amendment shall be effective unless approved by the stockholders of the Company within twelve (12) months before or after the adoption of the amendment, where the amendment will:

(i) Increase the number of shares reserved for rights under the Plan;

(ii) Modify the provisions as to eligibility for participation in the Plan or an Offering (to the extent such modification requires stockholder approval in order for the Plan to obtain employee stock purchase plan treatment under Section 423 of the Code or to comply with the requirements of Rule 16b-3 promulgated under the Exchange Act, or any comparable successor rule ("Rule 16b-3"); or

(iii) Modify the Plan or an Offering in any other way if such modification requires stockholder approval in order for the Plan to obtain employee stock purchase plan treatment under Section 423 of the Code or to comply with the requirements of Rule 16b-3.

It is expressly contemplated that the Board or the Committee may amend the Plan or an Offering in any respect the Board or the Committee deems necessary or advisable to provide eligible employees with the maximum benefits provided or to be provided under the provisions of the Code and the regulations promulgated thereunder relating to employee stock purchase plans and/or to bring the Plan and/or rights granted under an Offering into compliance therewith.

(b) The Board may, in its sole discretion, submit any amendment to the Plan or an Offering for stockholder approval.

(c) Rights and obligations under any rights granted before amendment of the Plan or Offering shall not be impaired by any amendment of the Plan, except with the consent of the person to whom such rights were granted, or except as necessary to comply with any laws or governmental regulations, or except as necessary to ensure that the Plan and/or rights granted under an Offering comply with the requirements of Section 423 of the Code.

14. DESIGNATION OF BENEFICIARY.

(a) A participant may file a written designation of a beneficiary who is to receive any shares and cash, if applicable, from the participant's account under the Plan in the event of such participant's death subsequent to the end of an Offering but prior to delivery to the participant of such shares and cash. In addition, a participant may file a written designation of a beneficiary who is to receive any cash from the participant's account under the Plan in the event of such participant's death during an Offering.

(b) Such designation of beneficiary may be changed by the participant at any time by written notice in the form prescribed by the Company. In the event of the death of a participant and in the absence of a beneficiary validly designated under the Plan who is living (or if an entity, is otherwise in existence) at the time of such participant's death, the Company shall deliver such shares and/or cash to the executor or administrator of the estate of the participant, or if no such executor or administrator has been appointed (to the knowledge of the Company), the Company, in its sole discretion, may deliver such shares and/or cash to the spouse or to any one (1) or more dependents or relatives of the participant, or if no spouse, dependent or relative is known to the Company, then to such other person as the Company may determine.

15. TERMINATION OR SUSPENSION OF THE PLAN.

(a) The Board or the Committee in its discretion may suspend or terminate the Plan at any time. The Plan shall automatically terminate if all the shares subject to the Plan pursuant to subparagraph 3(a) are issued. No rights may be granted under the Plan while the Plan is suspended or after it is terminated.

(b) Rights and obligations under any rights granted while the Plan is in effect shall not be impaired by suspension or termination of the Plan, except as expressly provided in the Plan or with the consent of the person to whom such rights were granted, or except as necessary to comply with any laws or governmental regulation, or except as necessary to ensure that the Plan and/or rights granted under an Offering comply with the requirements of Section 423 of the Code.

16. EFFECTIVE DATE OF PLAN.

The Plan shall become effective on the same day on which the Company's shareholders approve the Plan pursuant to vote of the shareholders held at the duly noticed Annual Shareholders Meeting in 1999.

17. CHOICE OF LAW.

All questions concerning the construction, validity and interpretation of this Plan shall be governed by the law of the State of California, without regard to such state's conflict of laws rules.

EXHIBIT 31.1

RULE 13a-14(a)/15d-14(a) CERTIFICATION

I, Greg Becker, certify that:

1. I have reviewed this quarterly report on Form 10-Q of SVB Financial Group;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's Board of Directors (or persons performing the equivalent functions):
   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 8, 2016

/s/ GREG BECKER

Greg Becker

President and Chief Executive Officer

(Principal Executive Officer)

EXHIBIT 31.2

RULE 13a-14(a)/15d-14(a) CERTIFICATION

I, Michael Descheneaux, certify that:

1. I have reviewed this quarterly report on Form 10-Q of SVB Financial Group;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's Board of Directors (or persons performing the equivalent functions):
   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 8, 2016

/s/ MICHAEL DESCHENEAUX

Michael Descheneaux

Chief Financial Officer

(Principal Financial Officer)

EXHIBIT 32.1

SECTION 1350 CERTIFICATIONS

I, Greg Becker, certify, pursuant to 18 U.S.C. Section 1350, that, to my knowledge, the quarterly report of SVB Financial Group on Form 10-Q for the quarterly period ended June 30, 2016, (i) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and (ii) that the information contained in such Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of SVB Financial Group.

Date: August 8, 2016

/s/ GREG BECKER

Greg Becker

President and Chief Executive Officer

(Principal Executive Officer)

I, Michael Descheneaux, certify, pursuant to 18 U.S.C. Section 1350, that, to my knowledge, the quarterly report of SVB Financial Group on Form 10-Q for the quarterly period ended June 30, 2016, (i) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and (ii) that the information contained in such Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of SVB Financial Group.

Date: August 8, 2016

/s/ MICHAEL DESCHENEAUX

Michael Descheneaux

Chief Financial Officer

(Principal Financial Officer)