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# UNITED STATES
# SECURITIES AND EXCHANGE COMMISSION
**Washington, D.C. 20549**

# FORM 10-Q

**(Mark One)**

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

**For the quarterly period ended March 31, 2017**

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

Large accelerated filer ☒ Accelerated filer ☐

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

Smaller reporting company ☐ Emerging growth company ☐

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

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

At April 30, 2017, 52,495,224 shares of the registrant's common stock ($0.001 par value) were outstanding.

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**Glossary of Acronyms that may be used in this Report**

AFS— Available-for-Sale

APIC— Additional Paid-in Capital

ASC— Accounting Standards Codification

ASU— Accounting Standards Update

CET— Common Equity Tier

EHOP— Employee Home Ownership Program of the Company

EPS— Earnings Per Share

ERI— Energy and Resource innovation

ESOP— Employee Stock Ownership Plan of the Company

ESPP— 1999 Employee Stock Purchase Plan of the Company

FASB— Financial Accounting Standards Board

FDIC— Federal Deposit Insurance Corporation

FHLB— Federal Home Loan Bank

FRB— Federal Reserve Bank

FTE— Full-Time Employee

FTP— Funds Transfer Pricing

GAAP— Accounting principles generally accepted in the United States of America

HTM— Held-to-Maturity

IASB— International Accounting Standards Board

IPO— Initial Public Offering

IRS— Internal Revenue Service

IT— Information Technology

LIBOR— London Interbank Offered Rate

M&A— Merger and Acquisition

OTTI— Other Than Temporary Impairment

SEC— Securities and Exchange Commission

SPD-SVB— SPD Silicon Valley Bank Co., Ltd. (the Bank's joint venture bank in China)

TDR— Troubled Debt Restructuring

UK— United Kingdom

VIE— Variable Interest Entity

**PART I - FINANCIAL INFORMATION**

**ITEM 1. INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**SVB FINANCIAL GROUP AND SUBSIDIARIES**
**INTERIM CONSOLIDATED BALANCE SHEETS (UNAUDITED)**

| (Dollars in thousands, except par value and share data) | March 31, 2017 | December 31, 2016 |
|---|---|---|
| **Assets** | | |
| Cash and cash equivalents | $ 3,795,679 | $ 2,545,750 |
| Available-for-sale securities, at fair value (cost of $12,360,744 and $12,588,783, respectively) | 12,384,007 | 12,620,411 |
| Held-to-maturity securities, at cost (fair value of $8,567,817 and $8,376,138, respectively) | 8,615,695 | 8,426,998 |
| Non-marketable and other securities | 635,550 | 622,552 |
| Total investment securities | 21,635,252 | 21,669,961 |
| Loans, net of unearned income | 20,427,451 | 19,899,944 |
| Allowance for loan losses | (243,130) | (225,366) |
| Net loans | 20,184,321 | 19,674,578 |
| Premises and equipment, net of accumulated depreciation and amortization | 122,304 | 120,683 |
| Accrued interest receivable and other assets | 675,783 | 672,688 |
| **Total assets** | $ 46,413,339 | $ 44,683,660 |
| **Liabilities and total equity** | | |
| Liabilities: | | |
| Noninterest-bearing demand deposits | $ 33,587,934 | $ 31,975,457 |
| Interest-bearing deposits | 7,491,766 | 7,004,411 |
| Total deposits | 41,079,700 | 38,979,868 |
| Short-term borrowings | 5,163 | 512,668 |
| Other liabilities | 629,555 | 618,383 |
| Long-term debt | 795,465 | 795,704 |
| **Total liabilities** | 42,509,883 | 40,906,623 |
| 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; 52,427,709 shares and 52,254,074 shares outstanding, respectively | 52 | 52 |
| Additional paid-in capital | 1,268,507 | 1,242,741 |
| Retained earnings | 2,477,814 | 2,376,331 |
| Accumulated other comprehensive income | 17,958 | 23,430 |
| **Total SVBFG stockholders' equity** | 3,764,331 | 3,642,554 |
| Noncontrolling interests | 139,125 | 134,483 |
| Total equity | 3,903,456 | 3,777,037 |
| **Total liabilities and total equity** | $ 46,413,339 | $ 44,683,660 |

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

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

| (Dollars in thousands, except per share amounts) | Three months ended March 31, 2017 | 2016 |
|---|---|---|
| Interest income: | | |
| Loans | $ 227,341 | $ 197,942 |
| Investment securities: | | |
| Taxable | 89,803 | 91,050 |
| Non-taxable | 646 | 596 |
| Federal funds sold, securities purchased under agreements to resell and other short-term investment securities | 3,136 | 2,070 |
| Total interest income | 320,926 | 291,658 |
| Interest expense: | | |
| Deposits | 1,717 | 1,188 |
| Borrowings | 9,216 | 9,049 |
| Total interest expense | 10,933 | 10,237 |
| Net interest income | 309,993 | 281,421 |
| Provision for credit losses (1) | 30,734 | 33,475 |
| Net interest income after provision for credit losses | 279,259 | 247,946 |
| Noninterest income: | | |
| Gains (losses) on investment securities, net | 15,970 | (4,684) |
| Gains on equity warrant assets, net (2) | 6,690 | 6,606 |
| Foreign exchange fees | 26,247 | 26,966 |
| Credit card fees | 17,730 | 15,507 |
| Deposit service charges | 13,975 | 12,672 |
| Client investment fees | 9,026 | 7,995 |
| Lending related fees | 8,961 | 7,813 |
| Letters of credit and standby letters of credit fees | 6,639 | 5,589 |
| Other (2) | 12,421 | 7,670 |
| Total noninterest income | 117,659 | 86,134 |
| Noninterest expense: | | |
| Compensation and benefits | 147,176 | 122,262 |
| Professional services | 25,419 | 19,000 |
| Premises and equipment | 15,858 | 14,984 |
| Business development and travel | 9,195 | 12,246 |
| Net occupancy | 11,651 | 10,035 |
| FDIC and state assessments | 8,682 | 6,927 |
| Correspondent bank fees | 3,445 | 3,652 |
| Other | 16,207 | 14,793 |
| Total noninterest expense (1) | 237,633 | 203,899 |
| Income before income tax expense | 159,285 | 130,181 |
| Income tax expense (3) | 51,405 | 53,584 |
| Net income before noncontrolling interests | 107,880 | 76,597 |
| Net (income) loss attributable to noncontrolling interests | (6,397) | 2,577 |
| **Net income available to common stockholders (3)** | $ 101,483 | $ 79,174 |
| Earnings per common share—basic (3) | $ 1.94 | $ 1.53 |
| Earnings per common share—diluted (3) | 1.91 | 1.52 |

(1) Our consolidated statements of income were modified from prior period's presentation to conform to the current period's presentation, which reflects our provision for loan losses and provision for unfunded credit commitments together as our "provision for credit losses". In prior periods, our provision for unfunded credit commitments were reported as a component of noninterest expense.

(2) Our consolidated statements of income were modified from prior period's presentation to conform to the current period's presentation, which reflects a new line item to separately disclose net gains on equity warrant assets. In prior periods, net gains on equity warrant assets were reported as a component of gains on derivative instruments, net. We removed the line item gains on derivative instruments, net and reclassified all other gains on derivative instruments, net to other noninterest income.

(3) Included in income tax expense, net income available to common shareholders, earnings per common share-basic and earnings for common share-diluted, for the three months ended March 31, 2017, are tax benefits recognized associated with the adoption of Accounting Standards Update ("ASU") 2016-09, Improvements to Employee Share-Based Payment Accounting in the first quarter of 2017. This guidance was adopted on a prospective basis with no change to prior period amounts.

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 March 31, 2017 | 2016 |
|---|---|---|
| **Net income before noncontrolling interests** | $ 107,880 | $ 76,597 |
| Other comprehensive (loss) income, net of tax: | | |
| Change in cumulative translation gains (losses): | | |
| Foreign currency translation gains (losses) | 957 | (254) |
| Related tax (expense) benefit | (390) | 104 |
| Change in unrealized (losses) gains on available-for-sale securities: | | |
| Unrealized holding (losses) gains | (7,757) | 170,831 |
| Related tax benefit (expense) | 3,136 | (69,603) |
| Reclassification adjustment for (gains) losses included in net income | (608) | 746 |
| Related tax expense (benefit) | 248 | (304) |
| Amortization of unrealized gains on securities transferred from available-for-sale to held-to-maturity | (1,771) | (2,567) |
| Related tax benefit | 713 | 1,033 |
| Other comprehensive (loss) income, net of tax | (5,472) | 99,986 |
| **Comprehensive income** | 102,408 | 176,583 |
| Comprehensive (income) loss attributable to noncontrolling interests | (6,397) | 2,577 |
| **Comprehensive income attributable to SVBFG** | $ 96,011 | $ 179,160 |

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, 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 | 47,921 | — | (250) | — | — | (250) | — | (250) |
| 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 (1) | — | — | (8,483) | — | — | (8,483) | — | (8,483) |
| Net income (loss) | — | — | — | 79,174 | — | 79,174 | (2,577) | 76,597 |
| Capital calls and distributions, net | — | — | — | — | — | — | (2,524) | (2,524) |
| Net change in unrealized gains and losses on AFS securities, net of tax | — | — | — | — | 101,670 | 101,670 | — | 101,670 |
| Amortization of unrealized gains on securities transferred from AFS to HTM, net of tax | — | — | — | — | (1,534) | (1,534) | — | (1,534) |
| Foreign currency translation adjustments, net of tax | — | — | — | — | (150) | (150) | — | (150) |
| Share-based compensation, net | — | — | 8,155 | — | — | 8,155 | — | 8,155 |
| **Balance at March 31, 2016** | **51,701,312** | **$ 52** | **$ 1,192,782** | **$ 2,072,820** | **$ 115,390** | **$ 3,381,044** | **$ 129,996** | **$ 3,511,040** |
| **Balance at December 31, 2016** | **52,254,074** | **$ 52** | **$ 1,242,741** | **$ 2,376,331** | **$ 23,430** | **$ 3,642,554** | **$ 134,483** | **$ 3,777,037** |
| Common stock issued under employee benefit plans, net of restricted stock cancellations | 162,797 | — | 6,743 | — | — | 6,743 | — | 6,743 |
| Common stock issued under ESOP | 10,838 | — | 2,094 | — | — | 2,094 | — | 2,094 |
| Income tax effect from stock options exercised, vesting of restricted stock and other (1) | — | — | — | — | — | — | — | — |
| Net income | — | — | — | 101,483 | — | 101,483 | 6,397 | 107,880 |
| Capital calls and distributions, net | — | — | — | — | — | — | (1,755) | (1,755) |
| Net change in unrealized gains and losses on AFS securities, net of tax | — | — | — | — | (4,981) | (4,981) | — | (4,981) |
| Amortization of unrealized gains on securities transferred from AFS to HTM, net of tax | — | — | — | — | (1,058) | (1,058) | — | (1,058) |
| Foreign currency translation adjustments, net of tax | — | — | — | — | 567 | 567 | — | 567 |
| Share-based compensation, net | — | — | 16,929 | — | — | 16,929 | — | 16,929 |
| **Balance at March 31, 2017** | **52,427,709** | **$ 52** | **$ 1,268,507** | **$ 2,477,814** | **$ 17,958** | **$ 3,764,331** | **$ 139,125** | **$ 3,903,456** |

(1) During the first quarter of 2017 we adopted ASU 2016-09, Improvements to Employee Share-Based Payment Accounting. The amendments in this ASU require that all excess tax benefits and tax deficiencies associated with share-based compensation be recognized in income tax expense or benefit in the income statement. Previously, tax effects resulting from changes in the Company's share price subsequent to grant date of share-based compensation awards were recorded through additional paid-in-capital in stockholders' equity at the time of vesting and exercise. This guidance was adopted on a prospective basis with no change to prior period amounts. See Note 1—"Basis of Presentation" of the "Notes to Interim Consolidated Financial Statements (unaudited)" under Part I, Item 1 of this report for additional details.

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

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

| (Dollars in thousands) | Three months ended March 31, 2017 | 2016 |
|---|---|---|
| **Cash flows from operating activities:** | | |
| Net income before noncontrolling interests | $ 107,880 | $ 76,597 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Provision for credit losses | 30,734 | 33,475 |
| Changes in fair values of equity warrant assets, net of proceeds from exercises | (1,545) | (2,317) |
| Changes in fair values of derivatives, net | 3,887 | 3,159 |
| (Gains) losses on investment securities, net | (15,970) | 4,684 |
| Depreciation and amortization | 12,391 | 11,536 |
| Amortization of premiums and discounts on investment securities, net | 400 | 4,931 |
| Amortization of share-based compensation | 9,203 | 6,877 |
| Amortization of deferred loan fees | (23,650) | (24,042) |
| Deferred income tax benefit | (15,386) | (5,982) |
| Excess tax benefit from exercise of stock options and vesting of restricted shares (1) | (6,063) | — |
| Changes in other assets and liabilities: | | |
| Accrued interest receivable and payable, net | (6,750) | (4,628) |
| Accounts receivable and payable, net | (1,976) | 552 |
| Income tax receivable and payable, net | 65,524 | 28,711 |
| Accrued compensation | (89,653) | (101,241) |
| Foreign exchange spot contracts, net | 30,995 | 9,541 |
| Other, net | (3,290) | 14,208 |
| **Net cash provided by operating activities** | 96,731 | 56,061 |
| **Cash flows from investing activities:** | | |
| Purchases of available-for-sale securities | (595,543) | — |
| Proceeds from sales of available-for-sale securities | 2,078 | 1,864,396 |
| Proceeds from maturities and pay downs of available-for-sale securities | 824,551 | 364,101 |
| Purchases of held-to-maturity securities | (589,855) | (98,199) |
| Proceeds from maturities and pay downs of held-to-maturity securities | 416,206 | 351,834 |
| Purchases of non-marketable and other securities | (545) | (12,412) |
| Proceeds from sales and distributions of non-marketable and other securities | 26,950 | 9,977 |
| Net increase in loans | (519,454) | (991,939) |
| Purchases of premises and equipment | (10,599) | (13,680) |
| **Net cash (used for) provided by investing activities** | (446,211) | 1,474,078 |
| **Cash flows from financing activities:** | | |
| Net increase (decrease) in deposits | 2,099,832 | (383,055) |
| Net decrease in short-term borrowings | (507,505) | (774,900) |
| (Distributions to noncontrolling interests), net of contributions from noncontrolling interests | (1,755) | (2,524) |
| Tax effect from stock exercises (1) | — | (8,483) |
| Proceeds from issuance of common stock, ESPP, and ESOP | 8,837 | 4,078 |
| **Net cash provided by (used for) financing activities** | 1,599,409 | (1,164,884) |
| Net increase in cash and cash equivalents | 1,249,929 | 365,255 |
| Cash and cash equivalents at beginning of period | 2,545,750 | 1,503,257 |
| **Cash and cash equivalents at end of period** | **$ 3,795,679** | **$ 1,868,512** |
| **Supplemental disclosures:** | | |
| Cash paid during the period for: | | |
| Interest | $ 17,956 | $ 17,407 |
| Income taxes | 3,304 | 35,778 |
| Noncash items during the period: | | |
| Changes in unrealized gains and losses on available-for-sale securities, net of tax | $ (4,981) | $ 101,670 |
| Distributions of stock from investments | 357 | 34 |

(1) During the first quarter of 2017 we adopted ASU 2016-09, Improvements to Employee Share-Based Payment Accounting. This guidance was adopted on a prospective basis with no change to prior period amounts. See Note 1 —"Basis of Presentation" of the "Notes to Interim Consolidated Financial Statements (unaudited)" under Part I, Item 1 of this report for additional details.

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

## 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 a 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 (not including subsidiaries).

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 months ended March 31, 2017 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, 2016 ("2016 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 2016 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 allowance for unfunded credit commitments, and the recognition and measurement of income tax assets and liabilities.

***Principles of Consolidation and Presentation***

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 or entities through which we have a controlling financial interest in a variable interest entity ("VIE"). We determine whether we have a controlling financial interest in a VIE by determining if we have: (a) the power to direct the activities of the VIE that most significantly impact the entity's economic performance, (b) the obligation to absorb the expected losses, or (c) the right to receive the expected returns of the entity. 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.

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 also 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.

We also evaluate fees paid to managers of our limited partnership investments. 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. Fee arrangements based on terms that are customary and commensurate with the services provided are deemed not to be variable interests and are, therefore, excluded.

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

***Adoption of New Accounting Standards***

In March 2016, the FASB issued a new accounting standard update (ASU 2016-09, Improvements to Employee Share-Based Payment Accounting (Topic 718)), which includes provisions intended to simplify various aspects related to how share-based payments are accounted for and presented in the financial statements, including the accounting for income taxes, forfeitures, and statutory tax withholding requirements, as well as classification in the statement of cash flows. Under the ASU, an entity recognizes all excess tax benefits and tax deficiencies as income tax expense or benefit in the income statement in the period when the awards vest or are settled. The guidance also permits an entity to make an accounting policy election to either estimate the number of awards that are expected to vest or account for forfeitures when they occur. We adopted this guidance on January 1, 2017 and elected to estimate the number of awards that are expected to vest which, is consistent with the previous accounting guidance. In addition, we also elected to apply the amendments related to the presentation of excess tax benefits on the statement of cash flows using the prospective transition method.

Previously, tax effects resulting from changes in the Company's share price subsequent to grant date of share-based compensation awards were recorded through additional paid-in capital in stockholders' equity at the time of vesting and exercise. The adoption of the amended accounting guidance resulted in a $6.1 million reduction of income tax expense (that previously would have been reflected as additional paid-in capital), or a benefit of $0.12 per diluted common share, for the three months ended March 31, 2017. We expect the impact of this amendment will vary period to period depending on the volatility of the Company's stock price and the timing of vesting and/or settlement of awards.

***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. This guidance is not applicable to financial instruments and, therefore, is not expected to impact a majority of our revenue, which is primarily net interest income. We continue to evaluate the impact of this guidance to our noninterest income and on our presentation and disclosures.

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. Upon adoption we expect to carry our cost method venture capital and private equity fund investments at fair value. The actual adjustment to opening retained earnings will depend upon the fair value of our investments at the adoption date.

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 plan to adopt the lease accounting guidance in the first quarter of 2019. 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 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, 2019. We are currently evaluating the impact this guidance will have on our financial position, results of operation and stockholders' equity.

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

***Reclassifications***

Certain prior period amounts, primarily related to the changes to our income statement presentation of net gains on derivative instruments and provision for unfunded credit commitments 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 months ended March 31, 2017 and 2016:

| | | Three months ended March 31, | |
|---|---|---|---|
| **(Dollars in thousands)** | **Income Statement Location** | **2017** | **2016** |
| Reclassification adjustment for (gains) losses included in net income | Gains (losses) on investment securities, net | $ (608) | $ 746 |
| Related tax expense (benefit) | Income tax expense | 248 | (304) |
| Total reclassification adjustment for (gains) losses included in net income, net of tax | | $ (360) | $ 442 |

*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 issuable for stock options and restricted stock units outstanding under our 2006 Equity Incentive Plan 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 months ended March 31, 2017 and 2016:

| | Three months ended March 31, | |
|---|---|---|
| **(Dollars and shares in thousands, except per share amounts)** | **2017** | **2016** |
| Numerator: | | |
| Net income available to common stockholders | $ 101,483 | $ 79,174 |
| Denominator: | | |
| Weighted average common shares outstanding-basic | 52,344 | 51,646 |
| Weighted average effect of dilutive securities: | | |
| Stock options and ESPP | 440 | 264 |
| Restricted stock units | 395 | 175 |
| Denominator for diluted calculation | 53,179 | 52,085 |
| Earnings per common share: | | |
| Basic | $ 1.94 | $ 1.53 |
| Diluted | $ 1.91 | $ 1.52 |

The following table summarizes the weighted-average common shares excluded from the diluted EPS calculation due to the antidilutive effect for the three months ended March 31, 2017 and 2016:

| | Three months ended March 31, | |
|---|---|---|
| **(Shares in thousands)** | **2017** | **2016** |
| Stock options | — | 351 |
| Restricted stock units | 21 | 14 |
| Total | 21 | 365 |

## 3. Share-Based Compensation

For the three months ended March 31, 2017 and 2016, we recorded share-based compensation and related tax benefits as follows:

| | Three months ended March 31, | |
|---|---|---|
| **(Dollars in thousands)** | **2017** | **2016** |
| Share-based compensation expense | $ 9,203 | $ 6,877 |
| Income tax benefit related to share-based compensation expense | (3,015) | (2,117) |

*Unrecognized Compensation Expense*

As of March 31, 2017, unrecognized share-based compensation expense was as follows:

| **(Dollars in thousands)** | **Unrecognized Expense** | **Weighted Average Expected Recognition Period - in Years** |
|---|---|---|
| Stock options | $ 8,005 | 2.27 |
| Restricted stock units | 42,706 | 2.50 |
| Total unrecognized share-based compensation expense | $ 50,711 | |

*Share-Based Payment Award Activity*

The table below provides stock option information related to the 2006 Equity Incentive Plan for the three months ended March 31, 2017:

| | Options | Weighted Average Exercise Price | Weighted Average Remaining Contractual Life - in Years | Aggregate Intrinsic Value of In-The-Money Options |
|---|---|---|---|---|
| Outstanding at December 31, 2016 | 1,010,557 | $ 87.24 | | |
| Exercised | (140,698) | 65.76 | | |
| Forfeited | (1,605) | 93.18 | | |
| Outstanding at March 31, 2017 | 868,254 | 90.71 | 3.80 | $ 82,818,255 |
| Vested and expected to vest at March 31, 2017 | 848,536 | 90.25 | 3.76 | 81,319,775 |
| Exercisable at March 31, 2017 | 442,135 | 76.45 | 2.69 | 48,474,704 |

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 $186.09 as of March 31, 2017. The total intrinsic value of options exercised during the three months ended March 31, 2017 was $16.5 million, compared to $2.0 million for the comparable 2016 period.

The table below provides information for restricted stock units under the 2006 Equity Incentive Plan for the three months ended March 31, 2017:

| | Shares | Weighted Average Grant Date Fair Value |
|---|---|---|
| Nonvested at December 31, 2016 | 670,969 | $ 106.64 |
| Granted | 54,240 | 185.72 |
| Vested | (36,414) | 105.65 |
| Forfeited | (9,263) | 107.70 |
| Nonvested at March 31, 2017 | 679,532 | 112.99 |

**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 March 31, 2017 and December 31, 2016:

| (Dollars in thousands) | Consolidated VIEs | Unconsolidated VIEs | Maximum Exposure to Loss in Unconsolidated VIEs |
|---|---|---|---|
| **March 31, 2017:** | | | |
| Assets: | | | |
| Cash and cash equivalents | $ 10,959 | $ — | $ — |
| Non-marketable and other securities (1) | 196,708 | 326,169 | 326,169 |
| Accrued interest receivable and other assets | 236 | — | — |
| Total assets | $ 207,903 | $ 326,169 | $ 326,169 |
| Liabilities: | | | |
| Other liabilities (1) | 387 | 81,650 | — |
| Total liabilities | $ 387 | $ 81,650 | $ — |
| **December 31, 2016:** | | | |
| Assets: | | | |
| Cash and cash equivalents | $ 11,469 | $ — | $ — |
| Non-marketable and other securities (1) | 196,140 | 314,810 | 314,810 |
| Accrued interest receivable and other assets | 294 | — | — |
| Total assets | $ 207,903 | $ 314,810 | $ 314,810 |
| Liabilities: | | | |
| Other liabilities (1) | 517 | 58,095 | — |
| Total liabilities | $ 517 | $ 58,095 | $ — |

(1) Included in our unconsolidated non-marketable and other securities portfolio at March 31, 2017 and December 31, 2016 are investments in qualified affordable housing projects of $132.8 million and $112.4 million, respectively, and related unfunded commitments of $81.7 million and $58.1 million, respectively.

*Non-marketable and other securities*

Our non-marketable and other securities portfolio primarily represents investments in venture capital and private equity funds, SPD Silicon Valley Bank Co., Ltd. (the Bank's joint venture bank in China ("SPD-SVB")), 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 funds management business of SVB Financial Group, which focuses primarily on venture capital investments. 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 four 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 only 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. 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 March 31, 2017, our exposure to loss with respect to the consolidated VIEs is limited to our net assets of $207.5 million and our exposure to loss for our unconsolidated VIEs is equal to our investment in these assets of $326.2 million.

## 5. Cash and Cash Equivalents

The following table details our cash and cash equivalents at March 31, 2017 and December 31, 2016:

| (Dollars in thousands) | March 31, 2017 | December 31, 2016 |
|---|---|---|
| Cash and due from banks (1) | $ 3,612,954 | $ 2,476,588 |
| Securities purchased under agreements to resell (2) | 178,037 | 64,028 |
| Other short-term investment securities | 4,688 | 5,134 |
| Total cash and cash equivalents | $ 3,795,679 | $ 2,545,750 |

(1) At March 31, 2017 and December 31, 2016, $2.4 billion and $1.1 billion, 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 $773 million and $721 million, respectively.

(2) At March 31, 2017 and December 31, 2016, securities purchased under agreements to resell were collateralized by U.S. Treasury securities and U.S. agency securities with aggregate fair values of $182 million and $66 million, respectively. None of these securities were sold or repledged as of March 31, 2017 and December 31, 2016.

## 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 March 31, 2017 and December 31, 2016 are as follows:

| | March 31, 2017 | | | |
|---|---|---|---|---|
| (Dollars in thousands) | Amortized Cost | Unrealized Gains | Unrealized Losses | Carrying Value |
| Available-for-sale securities, at fair value: | | | | |
| U.S. Treasury securities | $ 8,182,666 | $ 24,878 | $ (1,454) | $ 8,206,090 |
| U.S. agency debentures | 2,066,507 | 12,763 | (1,457) | 2,077,813 |
| Residential mortgage-backed securities: | | | | |
| Agency-issued collateralized mortgage obligations—fixed rate | 1,661,505 | 2,707 | (13,883) | 1,650,329 |
| Agency-issued collateralized mortgage obligations—variable rate | 445,575 | 668 | (662) | 445,581 |
| Equity securities | 4,491 | 430 | (727) | 4,194 |
| Total available-for-sale securities | $ 12,360,744 | $ 41,446 | $ (18,183) | $ 12,384,007 |

| | December 31, 2016 | | | |
|---|---|---|---|---|
| (Dollars in thousands) | Amortized Cost | Unrealized Gains | Unrealized Losses | Carrying Value |
| Available-for-sale securities, at fair value: | | | | |
| U.S. Treasury securities | $ 8,880,358 | $ 30,323 | $ (1,190) | $ 8,909,491 |
| U.S. agency debentures | 2,065,535 | 14,443 | (1,603) | 2,078,375 |
| Residential mortgage-backed securities: | | | | |
| Agency-issued collateralized mortgage obligations—fixed rate | 1,163,017 | 3,046 | (13,398) | 1,152,665 |
| Agency-issued collateralized mortgage obligations—variable rate | 474,238 | 685 | (640) | 474,283 |
| Equity securities | 5,635 | 748 | (786) | 5,597 |
| Total available-for-sale securities | $ 12,588,783 | $ 49,245 | $ (17,617) | $ 12,620,411 |

The following tables summarize our unrealized losses on our AFS securities portfolio into categories of less than 12 months, or 12 months or longer as of March 31, 2017 and December 31, 2016:

| | March 31, 2017 | | | | | |
|---|---|---|---|---|---|---|
| | 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 | $ 1,377,573 | $ (1,454) | $ — | $ — | $ 1,377,573 | $ (1,454) |
| U.S. agency debentures | 513,209 | (1,457) | — | — | 513,209 | (1,457) |
| Residential mortgage-backed securities: | | | | | | |
| Agency-issued collateralized mortgage obligations—fixed rate | 843,542 | (7,607) | 214,507 | (6,276) | 1,058,049 | (13,883) |
| Agency-issued collateralized mortgage obligations—variable rate | 179,675 | (454) | 48,464 | (208) | 228,139 | (662) |
| Equity securities | 2,042 | (727) | — | — | 2,042 | (727) |
| Total temporarily impaired securities: (1) | $ 2,916,041 | $ (11,699) | $ 262,971 | $ (6,484) | $ 3,179,012 | $ (18,183) |

(1) As of March 31, 2017, we identified a total of 189 investments that were in unrealized loss positions, of which 36 investments totaling $263.0 million with unrealized losses of $6.5 million have been in an impaired position for a period of time greater than 12 months. As of March 31, 2017, 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 March 31, 2017, 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.

| | December 31, 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: | | | | | | |
| U.S. Treasury securities | $ 879,255 | $ (1,190) | $ — | $ — | $ 879,255 | $ (1,190) |
| U.S. agency debentures | 513,198 | (1,603) | — | — | 513,198 | (1,603) |
| Residential mortgage-backed securities: | | | | | | |
| Agency-issued collateralized mortgage obligations—fixed rate | 635,566 | (6,704) | 227,480 | (6,694) | 863,046 | (13,398) |
| Agency-issued collateralized mortgage obligations—variable rate | 258,325 | (613) | 6,068 | (27) | 264,393 | (640) |
| Equity securities | 3,693 | (786) | — | — | 3,693 | (786) |
| Total temporarily impaired securities (1): | $ 2,290,037 | $ (10,896) | $ 233,548 | $ (6,721) | $ 2,523,585 | $ (17,617) |

(1) As of December 31, 2016, we identified a total of 174 investments that were in unrealized loss positions, of which 20 investments totaling $233.5 million with unrealized losses of $6.7 million have been in an impaired position for a period of time greater than 12 months.

The following table summarizes the fixed income securities, carried at fair value, classified as available-for-sale as of March 31, 2017 by the remaining contractual principal maturities. 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.

| | March 31, 2017 | | | | |
|---|---|---|---|---|---|
| (Dollars in thousands) | Total | One Year or Less | After One Year to Five Years | After Five Years to Ten Years | After Ten Years |
| U.S. Treasury securities | $ 8,206,090 | $ 2,321,436 | $ 5,884,654 | $ — | $ — |
| U.S. agency debentures | 2,077,813 | 500,035 | 1,577,778 | — | — |
| Residential mortgage-backed securities: | | | | | |
| Agency-issued collateralized mortgage obligations - fixed rate | 1,650,329 | — | — | 622,312 | 1,028,017 |
| Agency-issued collateralized mortgage obligations - variable rate | 445,581 | — | — | — | 445,581 |
| Total | $ 12,379,813 | $ 2,821,471 | $ 7,462,432 | $ 622,312 | $ 1,473,598 |

Held-to-Maturity Securities

The components of our held-to-maturity investment securities portfolio at March 31, 2017 and December 31, 2016 are as follows:

| | March 31, 2017 | | | |
|---|---|---|---|---|
| (Dollars in thousands) | Amortized Cost | Unrealized Gains | Unrealized Losses | Fair Value |
| Held-to-maturity securities, at cost: | | | | |
| U.S. agency debentures (1) | $ 641,421 | $ 7,106 | $ (1,948) | $ 646,579 |
| Residential mortgage-backed securities: | | | | |
| Agency-issued mortgage-backed securities | 3,020,929 | 5,498 | (16,694) | 3,009,733 |
| Agency-issued collateralized mortgage obligations—fixed rate | 3,223,055 | 638 | (30,595) | 3,193,098 |
| Agency-issued collateralized mortgage obligations—variable rate | 299,257 | 217 | (477) | 298,997 |
| Agency-issued commercial mortgage-backed securities | 1,292,744 | 1,242 | (11,558) | 1,282,428 |
| Municipal bonds and notes | 138,289 | 295 | (1,602) | 136,982 |
| Total held-to-maturity securities | $ 8,615,695 | $ 14,996 | $ (62,874) | $ 8,567,817 |

(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, 2016 | | | |
|---|---|---|---|---|
| (Dollars in thousands) | Amortized Cost | Unrealized Gains | Unrealized Losses | Fair Value |
| Held-to-maturity securities, at cost: | | | | |
| U.S. agency debentures (1) | $ 622,445 | $ 7,840 | $ (1,198) | $ 629,087 |
| Residential mortgage-backed securities: | | | | |
| Agency-issued mortgage-backed securities | 2,896,179 | 6,919 | (24,526) | 2,878,572 |
| Agency-issued collateralized mortgage obligations—fixed rate | 3,362,598 | 788 | (31,274) | 3,332,112 |
| Agency-issued collateralized mortgage obligations—variable rate | 312,665 | 176 | (1,339) | 311,502 |
| Agency-issued commercial mortgage-backed securities | 1,151,363 | 1,237 | (7,638) | 1,144,962 |
| Municipal bonds and notes | 81,748 | 8 | (1,853) | 79,903 |
| Total held-to-maturity securities | $ 8,426,998 | $ 16,968 | $ (67,828) | $ 8,376,138 |

(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 tables summarize our unrealized losses on our held-to-maturity securities portfolio into categories of less than 12 months and 12 months or longer as of March 31, 2017 and December 31, 2016:

| | March 31, 2017 | | | | | |
|---|---|---|---|---|---|---|
| | Less than 12 months | | 12 months or longer | | Total | |
| (Dollars in thousands) | Fair Value of Investments | Unrealized Losses | Fair Value of Investments | Unrealized Losses | Fair Value of Investments | Unrealized Losses |
| Held-to-maturity securities: | | | | | | |
| U.S. agency debentures | $ 117,916 | $ (1,948) | $ — | $ — | $ 117,916 | $ (1,948) |
| Residential mortgage-backed securities: | | | | | | |
| Agency-issued mortgage-backed securities | 2,152,438 | (15,863) | 21,350 | (831) | 2,173,788 | (16,694) |
| Agency-issued collateralized mortgage obligations—fixed rate | 2,749,432 | (25,442) | 213,674 | (5,153) | 2,963,106 | (30,595) |
| Agency-issued collateralized mortgage obligations—variable rate | 89,927 | (469) | 3,234 | (8) | 93,161 | (477) |
| Agency-issued commercial mortgage-backed securities | 1,106,777 | (11,453) | 14,225 | (105) | 1,121,002 | (11,558) |
| Municipal bonds and notes | 38,086 | (613) | 33,644 | (989) | 71,730 | (1,602) |
| Total temporarily impaired securities (1): | $ 6,254,576 | $ (55,788) | $ 286,127 | $ (7,086) | $ 6,540,703 | $ (62,874) |

(1) As of March 31, 2017, we identified a total of 478 investments that were in unrealized loss positions, of which 96 investments totaling $286.1 million with unrealized losses of $7.1 million have been in an impaired position for a period of time greater than 12 months. As of March 31, 2017, 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 March 31, 2017, 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.

| | December 31, 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: | | | | | | |
| U.S. agency debentures | $ 118,721 | $ (1,198) | $ — | $ — | $ 118,721 | $ (1,198) |
| Residential mortgage-backed securities: | | | | | | |
| Agency-issued mortgage-backed securities | 1,801,861 | (23,558) | 21,917 | (968) | 1,823,778 | (24,526) |
| Agency-issued collateralized mortgage obligations—fixed rate | 2,729,889 | (25,723) | 228,220 | (5,551) | 2,958,109 | (31,274) |
| Agency-issued collateralized mortgage obligations—variable rate | 251,012 | (1,339) | — | — | 251,012 | (1,339) |
| Agency-issued commercial mortgage-backed securities | 999,440 | (7,494) | 14,934 | (144) | 1,014,374 | (7,638) |
| Municipal bonds and notes | 42,267 | (877) | 30,586 | (976) | 72,853 | (1,853) |
| Total temporarily impaired securities (1): | $ 5,943,190 | $ (60,189) | $ 295,657 | $ (7,639) | $ 6,238,847 | $ (67,828) |

(1) As of December 31, 2016, we identified a total of 462 investments that were in unrealized loss positions, of which 85 investments totaling $295.7 million with unrealized losses of $7.6 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 on fixed income investment securities classified as held-to-maturity as of March 31, 2017. 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.

| | March 31, 2017 | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 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 | Fair Value | Amortized Cost | Fair Value | Amortized Cost | Fair Value | Amortized Cost | Fair Value | Amortized Cost | Fair Value |
| U.S. agency debentures | $ 641,421 | $ 646,579 | $ — | $ — | $ 75,459 | $ 76,306 | $ 565,962 | $ 570,273 | $ — | $ — |
| Residential mortgage-backed securities: | | | | | | | | | | |
| Agency-issued mortgage-backed securities | 3,020,929 | 3,009,733 | — | — | 317,056 | 315,424 | 77,461 | 76,978 | 2,626,412 | 2,617,331 |
| Agency-issued collateralized mortgage obligations - fixed rate | 3,223,055 | 3,193,098 | — | — | — | — | 160,700 | 158,587 | 3,062,355 | 3,034,511 |
| Agency-issued collateralized mortgage obligations - variable rate | 299,257 | 298,997 | — | — | — | — | — | — | 299,257 | 298,997 |
| Agency-issued commercial mortgage-backed securities | 1,292,744 | 1,282,428 | — | — | — | — | — | — | 1,292,744 | 1,282,428 |
| Municipal bonds and notes | 138,289 | 136,982 | 6,168 | 6,159 | 55,716 | 55,259 | 59,517 | 58,913 | 16,888 | 16,651 |
| Total | $8,615,695 | $8,567,817 | $ 6,168 | $ 6,159 | $ 448,231 | $ 446,989 | $ 863,640 | $ 864,751 | $7,297,656 | $7,249,918 |

Non-marketable and Other Securities

The components of our non-marketable and other investment securities portfolio at March 31, 2017 and December 31, 2016 are as follows:

| (Dollars in thousands) | March 31, 2017 | December 31, 2016 |
|---|---|---|
| Non-marketable and other securities: | | |
| Non-marketable securities (fair value accounting): | | |
| Venture capital and private equity fund investments (1) | $ 139,715 | $ 141,649 |
| Other venture capital investments (2) | 2,040 | 2,040 |
| Other securities (fair value accounting) (3) | 646 | 753 |
| Non-marketable securities (equity method accounting) (4): | | |
| Venture capital and private equity fund investments | 85,529 | 82,823 |
| Debt funds | 16,509 | 17,020 |
| Other investments | 112,665 | 123,514 |
| Non-marketable securities (cost method accounting): | | |
| Venture capital and private equity fund investments (5) | 117,243 | 114,606 |
| Other investments | 28,437 | 27,700 |
| Investments in qualified affordable housing projects, net (6) | 132,766 | 112,447 |
| Total non-marketable and other securities | $ 635,550 | $ 622,552 |

(1) The following table shows the amounts of venture capital and private equity fund investments held by the following consolidated funds and our ownership percentage of each fund at March 31, 2017 and December 31, 2016 (fair value accounting):

| | March 31, 2017 | | December 31, 2016 | |
|---|---|---|---|---|
| (Dollars in thousands) | Amount | Ownership % | Amount | Ownership % |
| Strategic Investors Fund, LP | $ 18,048 | 12.6% | $ 18,459 | 12.6% |
| Capital Preferred Return Fund, LP | 59,225 | 20.0 | 57,627 | 20.0 |
| Growth Partners, LP | 62,442 | 33.0 | 59,718 | 33.0 |
| Other private equity fund (i) | — | — | 5,845 | 58.2 |
| Total venture capital and private equity fund investments | $ 139,715 | | $ 141,649 | |

(i) At December 31, 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 Growth Partners, LP and an indirect ownership interest of 4.1 percent through our ownership interest of Capital Preferred Return Fund, LP. On January 3, 2017, the other private equity fund was closed resulting in an immaterial impact on the Company's financial statements for the three months ended March 31, 2017.

(2) The following table shows the amounts of other venture capital investments held by the following consolidated funds and our ownership percentage at March 31, 2017 and December 31, 2016 (fair value accounting):

| | March 31, 2017 | | December 31, 2016 | |
|---|---|---|---|---|
| (Dollars in thousands) | Amount | Ownership % | Amount | Ownership % |
| CP I, 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 March 31, 2017 and December 31, 2016 (equity method accounting):

| | March 31, 2017 | | December 31, 2016 | |
|---|---|---|---|---|
| (Dollars in thousands) | Amount | Ownership % | Amount | Ownership % |
| Venture capital and private equity fund investments: | | | | |
| Strategic Investors Fund II, LP | $ 7,540 | 8.6% | $ 7,720 | 8.6% |
| Strategic Investors Fund III, LP | 20,188 | 5.9 | 20,449 | 5.9 |
| Strategic Investors Fund IV, LP | 26,342 | 5.0 | 24,530 | 5.0 |
| Strategic Investors Fund V funds | 12,521 | Various | 12,029 | Various |
| CP II, LP (i) | 7,568 | 5.1 | 7,798 | 5.1 |
| Other venture capital and private equity fund investments | 11,370 | Various | 10,297 | Various |
| Total venture capital and private equity fund investments | $ 85,529 | | $ 82,823 | |
| Debt funds: | | | | |
| Gold Hill Capital 2008, LP (ii) | $ 12,888 | 15.5% | $ 13,557 | 15.5% |
| Other debt funds | 3,621 | Various | 3,463 | Various |
| Total debt funds | $ 16,509 | | $ 17,020 | |
| Other investments: | | | | |
| SPD Silicon Valley Bank Co., Ltd. | $ 75,316 | 50.0% | $ 75,296 | 50.0% |
| Other investments | 37,349 | Various | 48,218 | Various |
| Total other investments | $ 112,665 | | $ 123,514 | |

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

(ii) At March 31, 2017, 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 249 and 252 funds (primarily venture capital funds) at March 31, 2017 and December 31, 2016, 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 $117.2 million and $223.7 million, respectively, as of March 31, 2017. The carrying value, and estimated fair value, of these venture capital and private equity fund investments (cost method accounting) was $114.6 million and $221.7 million, respectively, as of December 31, 2016.

(6) The following table presents the balances of our investments in qualified affordable housing projects and related unfunded commitments included as a component of “other liabilities” on our consolidated balance sheets at March 31, 2017 and December 31, 2016:

| (Dollars in thousands) | March 31, 2017 | December 31, 2016 |
|---|---|---|
| Investments in qualified affordable housing projects, net | $ 132,766 | $ 112,447 |
| Other liabilities | 81,650 | 58,095 |

The following table presents other information relating to our investments in qualified affordable housing projects for the three months ended March 31, 2017 and 2016:

| | Three months ended March 31, | |
|---|---|---|
| (Dollars in thousands) | 2017 | 2016 |
| Tax credits and other tax benefits recognized | $ 4,692 | $ 4,207 |
| Amortization expense included in provision for income taxes (i) | 3,236 | 3,612 |

(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 months ended March 31, 2017 and 2016:

| (Dollars in thousands) | Three months ended March 31, 2017 | 2016 |
|---|---|---|
| Gross gains on investment securities: | | |
| Available-for-sale securities, at fair value (1) | $ 675 | $ 1,753 |
| Non-marketable securities (fair value accounting): | | |
| Venture capital and private equity fund investments | 7,082 | 2,823 |
| Other venture capital investments | — | 8 |
| Other securities (fair value accounting) | 156 | 63 |
| Non-marketable securities (equity method accounting): | | |
| Venture capital and private equity fund investments | 3,917 | 1,653 |
| Debt funds | 238 | 900 |
| Other investments | 742 | 851 |
| Non-marketable securities (cost method accounting): | | |
| Venture capital and private equity fund investments | 3,159 | 2,338 |
| Other investments | 3,569 | — |
| Total gross gains on investment securities | 19,538 | 10,389 |
| Gross losses on investment securities: | | |
| Available-for-sale securities, at fair value (1) | (67) | (2,499) |
| Non-marketable securities (fair value accounting): | | |
| Venture capital and private equity fund investments | (619) | (7,893) |
| Other venture capital investments | — | (38) |
| Other securities (fair value accounting) | (238) | (157) |
| Non-marketable securities (equity method accounting): | | |
| Venture capital and private equity fund investments | (183) | (3,555) |
| Debt funds | (669) | (45) |
| Other investments | (1,484) | (644) |
| Non-marketable securities (cost method accounting): | | |
| Venture capital and private equity fund investments (2) | (112) | (171) |
| Other investments | (196) | (71) |
| Total gross losses on investment securities | (3,568) | (15,073) |
| Gains (losses) on investment securities, net | $ 15,970 | $ (4,684) |

(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 March 31, 2017 and 2016, includes OTTI losses of $0.1 million from the declines in value for 5 of the 249 investments and $0.2 million from the declines in value for 10 of the 267 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, Allowance for Loan Losses and Allowance for Unfunded Credit Commitments

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, data, storage, and electronics), software/internet (such as infrastructure software, applications, software services, digital content and advertising technology), and energy and resource innovation ("ERI"). Because of the diverse nature of ERI products and services, for our loan-related reporting purposes, ERI-related loans are reported under our hardware, software/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 $121 million and $125 million at March 31, 2017 and December 31, 2016, respectively, is presented in the following table:

| (Dollars in thousands) | March 31, 2017 | December 31, 2016 |
|---|---|---|
| Commercial loans: | | |
| Software/internet | $ 5,458,203 | $ 5,627,031 |
| Hardware | 1,097,835 | 1,180,398 |
| Private equity/venture capital | 8,426,831 | 7,691,148 |
| Life science/healthcare | 1,735,987 | 1,853,004 |
| Premium wine | 203,736 | 200,156 |
| Other | 473,918 | 393,551 |
| Total commercial loans | 17,396,510 | 16,945,288 |
| Real estate secured loans: | | |
| Premium wine (1) | 672,831 | 678,166 |
| Consumer loans (2) | 2,012,977 | 1,926,968 |
| Other | 43,281 | 43,487 |
| Total real estate secured loans | 2,729,089 | 2,648,621 |
| Construction loans | 70,755 | 64,671 |
| Consumer loans | 231,097 | 241,364 |
| Total loans, net of unearned income (3) | $ 20,427,451 | $ 19,899,944 |

(1) Included in our premium wine portfolio are gross construction loans of $103 million and $110 million at March 31, 2017 and December 31, 2016, respectively.

(2) Consumer loans secured by real estate at March 31, 2017 and December 31, 2016 were comprised of the following:

| (Dollars in thousands) | March 31, 2017 | December 31, 2016 |
|---|---|---|
| Loans for personal residence | $ 1,735,925 | $ 1,655,349 |
| Loans to eligible employees | 207,420 | 199,291 |
| Home equity lines of credit | 69,632 | 72,328 |
| Consumer loans secured by real estate | $ 2,012,977 | $ 1,926,968 |

(3) Included within our total loan portfolio are credit card loans of $242 million and $224 million at March 31, 2017 and December 31, 2016, respectively.

***Credit Quality***

The composition of loans, net of unearned income of $121 million and $125 million at March 31, 2017 and December 31, 2016, respectively, broken out by portfolio segment and class of financing receivable, is as follows:

| (Dollars in thousands) | March 31, 2017 | December 31, 2016 |
|---|---|---|
| Commercial loans: | | |
| Software/internet | $ 5,458,203 | $ 5,627,031 |
| Hardware | 1,097,835 | 1,180,398 |
| Private equity/venture capital | 8,426,831 | 7,691,148 |
| Life science/healthcare | 1,735,987 | 1,853,004 |
| Premium wine | 876,567 | 878,322 |
| Other | 587,954 | 501,709 |
| Total commercial loans | 18,183,377 | 17,731,612 |
| Consumer loans: | | |
| Real estate secured loans | 2,012,977 | 1,926,968 |
| Other consumer loans | 231,097 | 241,364 |
| Total consumer loans | 2,244,074 | 2,168,332 |
| Total loans, net of unearned income | $ 20,427,451 | $ 19,899,944 |

The following table summarizes the aging of our gross loans, broken out by portfolio segment and class of financing receivable as of March 31, 2017 and December 31, 2016:

| (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 |
|---|---|---|---|---|---|---|
| **March 31, 2017:** | | | | | | |
| Commercial loans: | | | | | | |
| Software/internet | $ 26,927 | $ 3,331 | $ 38 | $ 30,296 | $ 5,350,664 | $ 38 |
| Hardware | 7,406 | 4 | 20 | 7,430 | 1,071,772 | 20 |
| Private equity/venture capital | 33,878 | 3,235 | — | 37,113 | 8,399,895 | — |
| Life science/healthcare | 708 | 20 | 2 | 730 | 1,743,014 | 2 |
| Premium wine | 3,037 | 1,201 | — | 4,238 | 869,106 | — |
| Other | 1,684 | 300 | — | 1,984 | 591,996 | — |
| Total commercial loans | 73,640 | 8,091 | 60 | 81,791 | 18,026,447 | 60 |
| Consumer loans: | | | | | | |
| Real estate secured loans | 3,115 | — | — | 3,115 | 2,005,869 | — |
| Other consumer loans | — | — | — | — | 228,813 | — |
| Total consumer loans | 3,115 | — | — | 3,115 | 2,234,682 | — |
| Total gross loans excluding impaired loans | 76,755 | 8,091 | 60 | 84,906 | 20,261,129 | 60 |
| Impaired loans | 4,888 | 2,207 | 38,353 | 45,448 | 157,168 | — |
| Total gross loans | $ 81,643 | $ 10,298 | $ 38,413 | $ 130,354 | $ 20,418,297 | $ 60 |
| **December 31, 2016:** | | | | | | |
| Commercial loans: | | | | | | |
| Software/internet | $ 37,087 | $ 1,162 | $ 6 | $ 38,255 | $ 5,507,575 | $ 6 |
| Hardware | 5,591 | 36 | 27 | 5,654 | 1,118,065 | 27 |
| Private equity/venture capital | 689 | — | — | 689 | 7,747,222 | — |
| Life science/healthcare | 283 | 551 | — | 834 | 1,827,490 | — |
| Premium wine | 1,003 | 4 | — | 1,007 | 876,185 | — |
| Other | 34 | 300 | — | 334 | 504,021 | — |
| Total commercial loans | 44,687 | 2,053 | 33 | 46,773 | 17,580,558 | 33 |
| Consumer loans: | | | | | | |
| Real estate secured loans | 850 | — | — | 850 | 1,923,266 | — |
| Other consumer loans | 1,402 | — | — | 1,402 | 237,353 | — |
| Total consumer loans | 2,252 | — | — | 2,252 | 2,160,619 | — |
| Total gross loans excluding impaired loans | 46,939 | 2,053 | 33 | 49,025 | 19,741,177 | 33 |
| Impaired loans | 34,636 | 3,451 | 11,180 | 49,267 | 185,193 | — |
| Total gross loans | $ 81,575 | $ 5,504 | $ 11,213 | $ 98,292 | $ 19,926,370 | $ 33 |

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 March 31, 2017 and December 31, 2016:

| (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 |
|---|---|---|---|---|
| **March 31, 2017:** | | | | |
| Commercial loans: | | | | |
| Software/internet | $ 123,305 | $ 1,531 | $ 124,836 | $ 132,588 |
| Hardware | 27,531 | 2,002 | 29,533 | 34,307 |
| Private equity/venture capital | 346 | — | 346 | 346 |
| Life science/healthcare | 38,552 | 741 | 39,293 | 42,478 |
| Premium wine | 3,321 | — | 3,321 | 3,321 |
| Other | 1,659 | — | 1,659 | 1,953 |
| Total commercial loans | 194,714 | 4,274 | 198,988 | 214,993 |
| Consumer loans: | | | | |
| Real estate secured loans | 1,480 | — | 1,480 | 2,768 |
| Other consumer loans | 2,148 | — | 2,148 | 2,148 |
| Total consumer loans | 3,628 | — | 3,628 | 4,916 |
| Total | $ 198,342 | $ 4,274 | $ 202,616 | $ 219,909 |
| **December 31, 2016:** | | | | |
| Commercial loans: | | | | |
| Software/internet | $ 121,658 | $ 1,090 | $ 122,748 | $ 129,648 |
| Hardware | 65,395 | — | 65,395 | 70,683 |
| Private equity/venture capital | — | — | — | — |
| Life science/healthcare | 38,361 | — | 38,361 | 41,130 |
| Premium wine | 3,187 | — | 3,187 | 3,187 |
| Other | 867 | — | 867 | 867 |
| Total commercial loans | 229,468 | 1,090 | 230,558 | 245,515 |
| Consumer loans: | | | | |
| Real estate secured loans | 1,504 | — | 1,504 | 2,779 |
| Other consumer loans | 2,398 | — | 2,398 | 2,398 |
| Total consumer loans | 3,902 | — | 3,902 | 5,177 |
| Total | $ 233,370 | $ 1,090 | $ 234,460 | $ 250,692 |

The following table summarizes our average impaired loans, broken out by portfolio segment and class of financing receivable for the three months ended March 31, 2017 and 2016:

| Three months ended March 31, | Average impaired loans | | Interest income on impaired loans | |
|---|---|---|---|---|
| (Dollars in thousands) | 2017 | 2016 | 2017 | 2016 |
| Commercial loans: | | | | |
| Software/internet | $ 109,916 | $ 89,367 | $ 422 | $ 421 |
| Hardware | 34,110 | 24,426 | 572 | 397 |
| Private equity/venture capital | 358 | — | 2 | — |
| Life science/healthcare | 38,942 | 39,690 | 150 | 133 |
| Premium wine | 3,213 | 2,171 | 38 | 17 |
| Other | 1,061 | 3,853 | 4 | 7 |
| Total commercial loans | 187,600 | 159,507 | 1,188 | 975 |
| Consumer loans: | | | | |
| Real estate secured loans | 1,488 | 135 | — | — |
| Other consumer loans | 2,148 | 34 | 8 | — |
| Total consumer loans | 3,636 | 169 | 8 | — |
| Total average impaired loans | $ 191,236 | $ 159,676 | $ 1,196 | $ 975 |

The following tables summarize the activity relating to our allowance for loan losses for the three months ended March 31, 2017 and 2016, broken out by portfolio segment:

| Three months ended March 31, 2017 (Dollars in thousands) | Beginning Balance December 31, 2016 | Charge-offs | Recoveries | Provision for (Reduction of) Loan Losses | Foreign Currency Translation Adjustments | Ending Balance March 31, 2017 |
|---|---|---|---|---|---|---|
| Commercial loans: | | | | | | |
| Software/internet | $ 97,388 | $ (7,980) | $ 1,171 | $ 18,719 | $ 204 | $ 109,502 |
| Hardware | 31,166 | (4,024) | 267 | (4,080) | (45) | 23,284 |
| Private equity/venture capital | 50,299 | — | — | 6,706 | 73 | 57,078 |
| Life science/healthcare | 25,446 | (1,732) | 36 | 7,708 | 84 | 31,542 |
| Premium wine | 4,115 | — | — | 226 | 2 | 4,343 |
| Other | 4,768 | (294) | 297 | (390) | (4) | 4,377 |
| Total commercial loans | 213,182 | (14,030) | 1,771 | 28,889 | 314 | 230,126 |
| Total consumer loans | 12,184 | — | 21 | 790 | 9 | 13,004 |
| Total allowance for loan losses | $ 225,366 | $ (14,030) | $ 1,792 | $ 29,679 | $ 323 | $ 243,130 |

| Three months ended March 31, 2016 (Dollars in thousands) | Beginning Balance December 31, 2015 | Charge-offs | Recoveries | Provision for (Reduction of) Loan Losses | Foreign Currency Translation Adjustments (1) | Ending Balance March 31, 2016 |
|---|---|---|---|---|---|---|
| Commercial loans: | | | | | | |
| Software/internet | $ 103,045 | $ (22,161) | $ 3,960 | $ 21,632 | $ 422 | $ 106,898 |
| Hardware | 23,085 | (1,486) | 239 | 1,959 | 39 | 23,836 |
| Private equity/venture capital | 35,282 | — | — | 8,243 | 161 | 43,686 |
| Life science/healthcare | 36,576 | (2,395) | 491 | (4,303) | (84) | 30,285 |
| Premium wine | 5,205 | — | — | 39 | — | 5,244 |
| Other | 4,252 | (30) | 74 | 5,145 | 106 | 9,547 |
| Total commercial loans | 207,445 | (26,072) | 4,764 | 32,715 | 644 | 219,496 |
| Total consumer loans | 10,168 | (102) | 49 | 626 | 12 | 10,753 |
| Total allowance for loan losses | $ 217,613 | $ (26,174) | $ 4,813 | $ 33,341 | $ 656 | $ 230,249 |

(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 activity relating to our allowance for unfunded credit commitments for the three months ended March 31, 2017 and 2016:

| | Three months ended March 31, | |
|---|---|---|
| (Dollars in thousands) | 2017 | 2016 |
| Beginning balance | $ 45,265 | $ 34,415 |
| Provision for unfunded credit commitments | 1,055 | 134 |
| Foreign currency translation adjustments | 15 | (8) |
| Ending balance (1) | $ 46,335 | $ 34,541 |

(1) 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 for additional disclosures related to our commitments to extend credit.

The following table summarizes the allowance for loan losses individually and collectively evaluated for impairment as of March 31, 2017 and December 31, 2016, broken out by portfolio segment:

| | March 31, 2017 | | | | December 31, 2016 | | | |
|---|---|---|---|---|---|---|---|---|
| | 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/internet | $ 38,563 | $ 124,836 | $ 70,939 | $ 5,333,367 | $ 28,245 | $ 122,748 | $ 69,143 | $ 5,504,283 |
| Hardware | 2,674 | 29,533 | 20,610 | 1,068,302 | 9,995 | 65,395 | 21,171 | 1,115,003 |
| Private equity/venture capital | 35 | 346 | 57,043 | 8,426,485 | — | — | 50,299 | 7,691,148 |
| Life science/healthcare | 13,580 | 39,293 | 17,962 | 1,696,694 | 8,709 | 38,361 | 16,737 | 1,814,643 |
| Premium wine | 513 | 3,321 | 3,830 | 873,246 | 520 | 3,187 | 3,595 | 875,135 |
| Other | 342 | 1,659 | 4,035 | 586,295 | 233 | 867 | 4,535 | 500,842 |
| Total commercial loans | 55,707 | 198,988 | 174,419 | 17,984,389 | 47,702 | 230,558 | 165,480 | 17,501,054 |
| Total consumer loans | 1,074 | 3,628 | 11,930 | 2,240,446 | 1,123 | 3,902 | 11,061 | 2,164,430 |
| Total | $ 56,781 | $ 202,616 | $ 186,349 | $ 20,224,835 | $ 48,825 | $ 234,460 | $ 176,541 | $ 19,665,484 |

*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 2016 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 March 31, 2017 and December 31, 2016:

| (Dollars in thousands) | Pass | Performing (Criticized) | Performing Impaired (Criticized) | Nonperforming Impaired (Nonaccrual) | Total |
|---|---|---|---|---|---|
| **March 31, 2017:** | | | | | |
| Commercial loans: | | | | | |
| Software/internet | $ 4,858,104 | $ 522,856 | $ 25,165 | $ 99,671 | $ 5,505,796 |
| Hardware | 938,269 | 140,933 | 27,464 | 2,069 | 1,108,735 |
| Private equity/venture capital | 8,436,841 | 167 | 346 | — | 8,437,354 |
| Life science/healthcare | 1,588,709 | 155,035 | 7,153 | 32,140 | 1,783,037 |
| Premium wine | 854,409 | 18,935 | 2,831 | 490 | 876,665 |
| Other | 573,527 | 20,453 | 357 | 1,302 | 595,639 |
| Total commercial loans | 17,249,859 | 858,379 | 63,316 | 135,672 | 18,307,226 |
| Consumer loans: | | | | | |
| Real estate secured loans | 1,997,248 | 11,736 | — | 1,480 | 2,010,464 |
| Other consumer loans | 228,162 | 651 | 536 | 1,612 | 230,961 |
| Total consumer loans | 2,225,410 | 12,387 | 536 | 3,092 | 2,241,425 |
| Total gross loans | $ 19,475,269 | $ 870,766 | $ 63,852 | $ 138,764 | $ 20,548,651 |
| **December 31, 2016:** | | | | | |
| Commercial loans: | | | | | |
| Software/internet | $ 4,924,923 | $ 620,907 | $ 46,143 | $ 76,605 | $ 5,668,578 |
| Hardware | 985,889 | 137,830 | 58,814 | 6,581 | 1,189,114 |
| Private equity/venture capital | 7,747,317 | 594 | — | — | 7,747,911 |
| Life science/healthcare | 1,707,499 | 120,825 | 6,578 | 31,783 | 1,866,685 |
| Premium wine | 865,354 | 11,838 | 2,696 | 491 | 880,379 |
| Other | 480,845 | 23,510 | 464 | 403 | 505,222 |
| Total commercial loans | 16,711,827 | 915,504 | 114,695 | 115,863 | 17,857,889 |
| Consumer loans: | | | | | |
| Real estate secured loans | 1,914,512 | 9,604 | — | 1,504 | 1,925,620 |
| Other consumer loans | 238,256 | 499 | 786 | 1,612 | 241,153 |
| Total consumer loans | 2,152,768 | 10,103 | 786 | 3,116 | 2,166,773 |
| Total gross loans | $ 18,864,595 | $ 925,607 | $ 115,481 | $ 118,979 | $ 20,024,662 |

***Troubled Debt Restructurings***

As of March 31, 2017 we had 21 TDRs with a total carrying value of $95.4 million where concessions have been granted to borrowers experiencing financial difficulties, in an attempt to maximize collection. There were $2.9 million of unfunded commitments available for funding to the clients associated with these TDRs as of March 31, 2017.

The following table summarizes our loans modified in TDRs, broken out by portfolio segment and class of financing receivables at March 31, 2017 and December 31, 2016:

| (Dollars in thousands) | March 31, 2017 | December 31, 2016 |
|---|---|---|
| **Loans modified in TDRs:** | | |
| Commercial loans: | | |
| Software/internet | $ 59,419 | $ 52,646 |
| Hardware | 10,687 | 14,870 |
| Life science/healthcare | 21,561 | 24,176 |
| Premium wine | 3,177 | 3,194 |
| Other | 33 | 387 |
| Total commercial loans | 94,877 | 95,273 |
| Consumer loans: | | |
| Other consumer loans | 536 | 786 |
| Total consumer loans | 536 | 786 |
| Total | $ 95,413 | $ 96,059 |

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 months ended March 31, 2017 and 2016:

| | Three months ended March 31, | |
|---|---|---|
| (Dollars in thousands) | 2017 | 2016 |
| **Loans modified in TDRs during the period:** | | |
| Commercial loans: | | |
| Software/internet | $ 6,309 | $ 10,854 |
| Other | — | 505 |
| Total commercial loans | 6,309 | 11,359 |
| Total consumer loans | — | — |
| Total loans modified in TDRs during the period (1) | $ 6,309 | $ 11,359 |

(1) There were $6.2 million of partial charge-offs during the three months ended March 31, 2017 and $3.8 million of partial charge-offs during the three months ended March 31, 2016.

During the three months ended March 31, 2017 and 2016, new TDRs of $6.3 million and $2.4 million, respectively, were modified through payment deferrals granted to our clients. During the three months ended March 31, 2016, new TDRs of $9.0 million were modified through partial forgiveness of principal.

The related allowance for loan losses for the majority of our TDRs is determined on an individual basis by comparing the carrying value of the loan to the present value of the estimated future cash flows, discounted at the pre-modification contractual interest rate. For certain TDRs, the related allowance for loan losses is determined based on the fair value of the collateral if the loan is collateral dependent.

The following table summarizes the recorded investment in loans modified in TDRs within the previous 12 months that subsequently defaulted during the three months ended March 31, 2017. There were no loans modified in TDRs within the previous 12 months that subsequently defaulted during the three months ended March 31, 2016.

| (Dollars in thousands) | Three months ended March 31, 2017 |
|---|---|
| **TDRs modified within the previous 12 months that defaulted during the period:** | |
| Commercial loans: | |
| Hardware | $ 3,105 |
| Total commercial loans | 3,105 |
| Consumer loans: | |
| Other consumer loans | 536 |
| Total consumer loans | 536 |
| Total TDRs modified within the previous 12 months that defaulted in the period | $ 3,641 |

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 March 31, 2017.

## 8. Short-Term Borrowings and Long-Term Debt

The following table represents outstanding short-term borrowings and long-term debt at March 31, 2017 and December 31, 2016:

| (Dollars in thousands) | Maturity | Principal value at March 31, 2017 | Carrying Value | |
|---|---|---|---|---|
| | | | March 31, 2017 | December 31, 2016 |
| Short-term borrowings: | | | | |
| Short-term FHLB advances | | $ — | $ — | $ 500,000 |
| Other short-term borrowings | (1) | 5,163 | 5,163 | 12,668 |
| Total short-term borrowings | | | $ 5,163 | $ 512,668 |
| Long-term debt: | | | | |
| 3.50% Senior Notes | January 29, 2025 | $ 350,000 | $ 347,059 | $ 346,979 |
| 5.375% Senior Notes | September 15, 2020 | 350,000 | 347,733 | 347,586 |
| 6.05% Subordinated Notes (2) | June 1, 2017 | 45,964 | 46,223 | 46,646 |
| 7.0% Junior Subordinated Debentures | October 15, 2033 | 50,000 | 54,450 | 54,493 |
| Total long-term debt | | | $ 795,465 | $ 795,704 |

(1) Represents cash collateral received from certain counterparties in relation to market value exposures of derivative contracts in our favor, which includes an interest rate swap agreement related to our 6.05% Subordinated Notes.

(2) At March 31, 2017 and December 31, 2016, included in the carrying value of our 6.05% Subordinated Notes were $0.3 million and $0.8 million, respectively, related to hedge accounting associated with the notes.

Interest expense related to short-term borrowings and long-term debt was $9.2 million for the three months ended March 31, 2017 and $9.0 million for the three months ended March 31, 2016. 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 was 0.84 percent as of March 31, 2017 and 0.59 percent as of December 31, 2016.

***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 March 31, 2017, we did not have any borrowings outstanding 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 fair value of collateral pledged to the FHLB of San Francisco (comprised primarily of U.S. Treasury securities) at March 31, 2017 totaled $1.7 billion, all of which was unused and available to support additional borrowings. The fair value of collateral pledged at the discount window of the Federal Reserve Bank at March 31, 2017 totaled $0.8 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 in the line item “Other” as part of 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 recorded in the line item “Other” as part of noninterest income, a component of consolidated net 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 in the line item “Other” as part of 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 2016 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 March 31, 2017 and December 31, 2016 were as follows:

| | | March 31, 2017 | | | | December 31, 2016 | | | |
|---|---|---|---|---|---|---|---|---|---|
| (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 | $ 318 | $ — | $ 318 | $ 45,964 | $ 810 | $ 89 | $ 721 |
| **Derivatives not designated as hedging instruments:** | | | | | | | | | |
| *Currency exchange risks:* | | | | | | | | | |
| Foreign exchange forwards | Other assets | 93,012 | 759 | — | 759 | 219,950 | 3,057 | — | 3,057 |
| Foreign exchange forwards | Other liabilities | 114,317 | (950) | — | (950) | 54,338 | (968) | — | (968) |
| Net exposure | | | (191) | — | (191) | | 2,089 | — | 2,089 |
| *Other derivative instruments:* | | | | | | | | | |
| Equity warrant assets | Other assets | 211,327 | 124,233 | — | 124,233 | 211,434 | 131,123 | — | 131,123 |
| Other derivatives: | | | | | | | | | |
| Client foreign exchange forwards | Other assets | 1,747,019 | 50,291 | 5,163 | 45,128 | 1,251,308 | 54,587 | 12,579 | 42,008 |
| Client foreign exchange forwards | Other liabilities | 1,588,628 | (40,346) | — | (40,346) | 1,068,991 | (43,317) | — | (43,317) |
| Client foreign currency options | Other assets | 813,579 | 3,861 | — | 3,861 | 775,000 | 10,383 | — | 10,383 |
| Client foreign currency options | Other liabilities | 813,579 | (3,861) | — | (3,861) | 775,000 | (10,383) | — | (10,383) |
| Client interest rate derivatives | Other assets | 669,139 | 10,702 | — | 10,702 | 583,511 | 10,110 | — | 10,110 |
| Client interest rate derivatives | Other liabilities | 712,965 | (10,592) | — | (10,592) | 627,639 | (9,770) | — | (9,770) |
| Net exposure | | | 10,055 | 5,163 | 4,892 | | 11,610 | 12,579 | (969) |
| Net | | | $ 134,415 | $ 5,163 | $ 129,252 | | $ 145,632 | $ 12,668 | $ 132,964 |

(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 March 31, 2017 remain at investment grade or higher and there were no material changes in their credit ratings during the three months ended March 31, 2017.

A summary of our derivative activity and the related impact on our consolidated statements of income for the three months ended March 31, 2017 and 2016 is as follows:

| (Dollars in thousands) | Statement of income location | Three months ended March 31, 2017 | 2016 |
|---|---|---|---|
| **Derivatives designated as hedging instruments:** | | | |
| *Interest rate risks:* | | | |
| Net cash benefit associated with interest rate swaps | Interest expense—borrowings | $ 554 | $ 609 |
| Changes in fair value of interest rate swaps | Other noninterest income | (1) | (17) |
| Net gains associated with interest rate risk derivatives | | $ 553 | $ 592 |
| **Derivatives not designated as hedging instruments:** | | | |
| *Currency exchange risks:* | | | |
| Gains on revaluations of internal foreign currency instruments, net | Other noninterest income | $ 4,108 | $ 2,491 |
| Losses on internal foreign exchange forward contracts, net | Other noninterest income | (3,245) | (2,208) |
| Net gains associated with internal currency risk | | $ 863 | $ 283 |
| *Other derivative instruments:* | | | |
| Gains on revaluations of client foreign currency instruments, net | Other noninterest income | $ 2,754 | $ 3,653 |
| Losses on client foreign exchange forward contracts, net | Other noninterest income | (2,289) | (5,654) |
| Net gains (losses) associated with client currency risk | | $ 465 | $ (2,001) |
| Net gains on equity warrant assets | Gains on equity warrant assets, net | $ 6,690 | $ 6,607 |
| Net losses on other derivatives | Other noninterest income | $ (276) | $ (421) |

***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 March 31, 2017 and December 31, 2016:

| (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 | |
| **March 31, 2017** | | | | | | |
| Derivative Assets: | | | | | | |
| Interest rate swaps | $ 318 | $ — | $ 318 | $ (318) | $ — | $ — |
| Foreign exchange forwards | 51,050 | — | 51,050 | (22,222) | (5,163) | 23,665 |
| Foreign currency options | 3,861 | — | 3,861 | (563) | — | 3,298 |
| Client interest rate derivatives | 10,702 | — | 10,702 | (10,686) | — | 16 |
| Total derivative assets: | 65,931 | — | 65,931 | (33,789) | (5,163) | 26,979 |
| Reverse repurchase, securities borrowing, and similar arrangements | 178,037 | — | 178,037 | (178,037) | — | — |
| Total | $ 243,968 | $ — | $ 243,968 | $ (211,826) | $ (5,163) | $ 26,979 |
| **December 31, 2016** | | | | | | |
| Derivative Assets: | | | | | | |
| Interest rate swaps | $ 810 | $ — | $ 810 | $ (721) | $ (89) | $ — |
| Foreign exchange forwards | 57,644 | — | 57,644 | (22,738) | (12,579) | 22,327 |
| Foreign currency options | 10,383 | — | 10,383 | (8,806) | — | 1,577 |
| Client interest rate derivatives | 10,110 | — | 10,110 | (10,091) | — | 19 |
| Total derivative assets: | 78,947 | — | 78,947 | (42,356) | (12,668) | 23,923 |
| Reverse repurchase, securities borrowing, and similar arrangements | 64,028 | — | 64,028 | (64,028) | — | — |
| Total | $ 142,975 | $ — | $ 142,975 | $ (106,384) | $ (12,668) | $ 23,923 |

The following table summarizes our liabilities subject to enforceable master netting arrangements as of March 31, 2017 and December 31, 2016:

| (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 | |
| **March 31, 2017** | | | | | | |
| Derivative Liabilities: | | | | | | |
| Foreign exchange forwards | $ 41,296 | $ — | $ 41,296 | $ (22,246) | $ — | $ 19,050 |
| Foreign currency options | 3,861 | — | 3,861 | (3,298) | — | 563 |
| Client interest rate derivatives | 10,592 | — | 10,592 | (10,592) | — | — |
| Total derivative liabilities: | 55,749 | — | 55,749 | (36,136) | — | 19,613 |
| Repurchase, securities lending, and similar arrangements | — | — | — | — | — | — |
| Total | $ 55,749 | $ — | $ 55,749 | $ (36,136) | $ — | $ 19,613 |
| **December 31, 2016** | | | | | | |
| Derivative Liabilities: | | | | | | |
| Foreign exchange forwards | $ 44,285 | $ — | $ 44,285 | $ (17,964) | $ — | $ 26,321 |
| Foreign currency options | 10,383 | — | 10,383 | (1,585) | — | 8,798 |
| Client interest rate derivatives | 9,770 | — | 9,770 | (9,770) | — | — |
| Total derivative liabilities: | 64,438 | — | 64,438 | (29,319) | — | 35,119 |
| Repurchase, securities lending, and similar arrangements | — | — | — | — | — | — |
| Total | $ 64,438 | $ — | $ 64,438 | $ (29,319) | $ — | $ 35,119 |

## 10. Other Noninterest Income and Other Noninterest Expense

A summary of other noninterest income for the three months ended March 31, 2017 and 2016 is as follows:

| (Dollars in thousands) | Three months ended March 31, | |
|---|---|---|
| | 2017 | 2016 |
| Fund management fees | $ 5,169 | $ 4,620 |
| Service-based fee income | 1,895 | 2,092 |
| Gains on revaluation of client foreign currency instruments, net (1) | 2,754 | 3,653 |
| Losses on client foreign exchange forward contracts, net (1) | (2,289) | (5,654) |
| Gains on revaluation of internal foreign currency instruments, net (2) | 4,108 | 2,491 |
| Losses on internal foreign exchange forward contracts, net (2) | (3,245) | (2,208) |
| Other (3) | 4,029 | 2,676 |
| Total other noninterest income | $ 12,421 | $ 7,670 |

(1) Represents the net revaluation of client foreign currency denominated financial instruments. We enter into client foreign exchange forward contracts to economically reduce our foreign exchange exposure related to client foreign currency denominated financial instruments.

(2) Represents the net revaluation of foreign currency denominated financial instruments issued and held by us, primarily loans, deposits and cash. We enter into internal foreign exchange forward contracts to economically reduce our foreign exchange exposure related to these foreign currency denominated financial instruments issued and held by us.

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

A summary of other noninterest expense for the three months ended March 31, 2017 and 2016 is as follows:

| | Three months ended March 31, | |
|---|---|---|
| (Dollars in thousands) | 2017 | 2016 |
| Lending and other client related processing costs | $ 5,539 | $ 4,295 |
| Telephone | 2,703 | 2,233 |
| Data processing services | 2,582 | 1,829 |
| Dues and publications | 795 | 802 |
| Postage and supplies | 749 | 790 |
| Other | 3,839 | 4,844 |
| Total other noninterest expense | $ 16,207 | $ 14,793 |

**11. Segment Reporting**

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

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

We also evaluate performance based on provision for credit 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 or the provision for unfunded credit commitments (included in provision for credit losses) 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 funds management business of SVBFG, which focuses primarily on venture capital investments. 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 allocations) 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 months ended March 31, 2017 and 2016 is as follows:

| (Dollars in thousands) | Global Commercial Bank (1) | SVB Private Bank | SVB Capital (1) | Other Items (2) | Total |
|---|---|---|---|---|---|
| **Three months ended March 31, 2017** | | | | | |
| Net interest income | $ 275,684 | $ 13,610 | $ — | $ 20,699 | $ 309,993 |
| Provision for credit losses | (28,889) | (790) | — | (1,055) | (30,734) |
| Noninterest income | 79,519 | 718 | 16,775 | 20,647 | 117,659 |
| Noninterest expense (3) | (172,374) | (3,919) | (3,472) | (57,868) | (237,633) |
| Income (loss) before income tax expense (4) | $ 153,940 | $ 9,619 | $ 13,303 | $ (17,577) | $ 159,285 |
| Total average loans, net of unearned income | $ 17,647,055 | $ 2,245,317 | $ — | $ 176,942 | $ 20,069,314 |
| Total average assets (5) | 42,888,336 | 2,259,018 | 372,876 | (219,196) | 45,301,034 |
| Total average deposits | 38,296,563 | 1,336,849 | — | 325,123 | 39,958,535 |
| **Three months ended March 31, 2016** | | | | | |
| Net interest income | $ 256,178 | $ 13,672 | $ — | $ 11,571 | $ 281,421 |
| Provision for credit losses | (32,703) | (638) | — | (134) | (33,475) |
| Noninterest income | 74,759 | 627 | 2,453 | 8,295 | 86,134 |
| Noninterest expense (3) | (154,787) | (3,405) | (3,913) | (41,794) | (203,899) |
| Income before income tax expense (4) | $ 143,447 | $ 10,256 | $ (1,460) | $ (22,062) | $ 130,181 |
| Total average loans, net of unearned income | $ 14,919,735 | $ 1,871,820 | $ — | $ 220,880 | $ 17,012,435 |
| Total average assets (5) | 41,533,434 | 1,893,413 | 349,011 | 414,332 | 44,190,190 |
| Total average deposits | 37,837,645 | 1,130,736 | — | 299,748 | 39,268,129 |

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

(2) The "Other Items" column reflects the adjustments necessary to reconcile the results of the operating segments to the consolidated financial statements prepared in conformity with GAAP. Net interest income consists primarily of interest earned from our fixed income investment portfolio, net of FTP. Noninterest income consists primarily of gains on equity warrant assets and gains on the sale of fixed income securities. Noninterest expense consists primarily of expenses associated with corporate support functions such as finance, human resources, marketing, legal and other expenses.

(3) The Global Commercial Bank segment includes direct depreciation and amortization of $6.1 million and $5.7 million for the three months ended March 31, 2017 and 2016, 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, 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.

***Commitments to Extend Credit***

The following table summarizes information related to our commitments to extend credit at March 31, 2017 and December 31, 2016:

| (Dollars in thousands) | March 31, 2017 | December 31, 2016 |
|---|---|---|
| Loan commitments available for funding: (1) | | |
| Fixed interest rate commitments | $ 1,452,107 | $ 1,475,179 |
| Variable interest rate commitments | 12,950,544 | 13,572,161 |
| Total loan commitments available for funding | 14,402,651 | 15,047,340 |
| Commercial and standby letters of credit (2) | 1,679,680 | 1,695,856 |
| Total unfunded credit commitments | $ 16,082,331 | $ 16,743,196 |
| Commitments unavailable for funding (3) | $ 1,952,726 | $ 1,719,524 |
| Maximum lending limits for accounts receivable factoring arrangements (4) | 686,553 | 725,395 |
| Allowance for unfunded credit commitments (5) | 46,335 | 45,265 |

(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 allowance 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 March 31, 2017. 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 | $ 1,519,329 | $ 45,306 | $ 1,564,635 | $ 1,564,635 |
| Performance standby letters of credit | 89,155 | 7,890 | 97,045 | 97,045 |
| Commercial letters of credit | 18,000 | — | 18,000 | 18,000 |
| Total | $ 1,626,484 | $ 53,196 | $ 1,679,680 | $ 1,679,680 |

Deferred fees related to financial and performance standby letters of credit were $10 million at both March 31, 2017 and December 31, 2016. At March 31, 2017, collateral in the form of cash of $785 million was available to us to reimburse losses, if any, under financial and performance standby letters of credit.

***Commitments to Invest in Venture Capital and Private Equity Funds***

Subject to applicable regulatory requirements, including the Volcker Rule, we make commitments to invest in venture capital and private equity funds, which generally makes investments in 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 call most of the capital commitments over 5 to 7 years, and in certain cases, the funds may not call 100% of committed capital. 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 March 31, 2017:

| Our Ownership in Venture Capital and Private Equity Funds (Dollars in thousands) | SVBFG Capital Commitments | SVBFG Unfunded Commitments | SVBFG Ownership of each Fund (3) |
|---|---|---|---|
| CP I, LP | $ 6,000 | $ 270 | 10.7% |
| CP II, LP (1) | 1,200 | 162 | 5.1 |
| Shanghai Yangpu Venture Capital Fund (LP) | 842 | — | 6.8 |
| Strategic Investors Fund, LP | 15,300 | 688 | 12.6 |
| Strategic Investors Fund II, LP | 15,000 | 1,050 | 8.6 |
| Strategic Investors Fund III, LP | 15,000 | 1,275 | 5.9 |
| Strategic Investors Fund IV, LP | 12,239 | 2,325 | 5.0 |
| Strategic Investors Fund V funds | 515 | 141 | Various |
| Capital Preferred Return Fund, LP | 12,688 | — | 20.0 |
| Growth Partners, LP | 24,670 | 1,340 | 33.0 |
| Debt funds (equity method accounting) | 58,493 | — | Various |
| Other fund investments (2) | 306,269 | 10,441 | Various |
| Total | $ 468,216 | $ 17,692 | |

(1) Our ownership includes direct ownership of 1.3 percent and indirect ownership interest of 3.8 percent through our investment in Strategic Investors Fund II, LP.
(2) Represents commitments to 255 funds (primarily venture capital funds) where our ownership interest is generally less than 5 percent of the voting interests of each such fund.
(3) 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 2016 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 March 31, 2017:

| Limited Partnership (Dollars in thousands) | Unfunded Commitments |
|---|---|
| Strategic Investors Fund, LP | $ 1,338 |
| Capital Preferred Return Fund, LP | 1,723 |
| Growth Partners, LP | 1,524 |
| Total | $ 4,585 |

**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 California tax returns as major tax filings. Our U.S. federal tax returns for 2013 and subsequent years remain open to full examination. Our California tax returns for 2012 and subsequent tax years remain open to full examination.

At March 31, 2017, our unrecognized tax benefit was $5.4 million, the recognition of which would reduce our income tax expense by $3.5 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 months ended March 31, 2017.

**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 pricing service providers who have experience in valuing these securities and by comparison to and/or average of quoted market prices obtained from independent 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 percent to 20 percent depending on the duration of the sale restrictions which typically range from three to six 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 percent 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 March 31, 2017:

| (Dollars in thousands) | Level 1 | Level 2 | Level 3 | Balance at March 31, 2017 |
|---|---|---|---|---|
| **Assets** | | | | |
| Available-for-sale securities: | | | | |
| U.S. Treasury securities | $ 8,206,090 | $ — | $ — | $ 8,206,090 |
| U.S. agency debentures | — | 2,077,813 | — | 2,077,813 |
| Residential mortgage-backed securities: | | | | |
| Agency-issued collateralized mortgage obligations - fixed rate | — | 1,650,329 | — | 1,650,329 |
| Agency-issued collateralized mortgage obligations - variable rate | — | 445,581 | — | 445,581 |
| Equity securities | 744 | 3,450 | — | 4,194 |
| Total available-for-sale securities | 8,206,834 | 4,177,173 | — | 12,384,007 |
| Non-marketable and other securities (fair value accounting): | | | | |
| Non-marketable securities: | | | | |
| Venture capital and private equity fund investments measured at net asset value | — | — | — | 139,715 |
| Other venture capital investments (1) | — | — | 2,040 | 2,040 |
| Other securities (1) | 646 | — | — | 646 |
| Total non-marketable and other securities (fair value accounting) | 646 | — | 2,040 | 142,401 |
| Other assets: | | | | |
| Interest rate swaps | — | 318 | — | 318 |
| Foreign exchange forward and option contracts | — | 54,911 | — | 54,911 |
| Equity warrant assets | — | 2,034 | 122,199 | 124,233 |
| Client interest rate derivatives | — | 10,702 | — | 10,702 |
| Total assets | $ 8,207,480 | $ 4,245,138 | $ 124,239 | $ 12,716,572 |
| **Liabilities** | | | | |
| Foreign exchange forward and option contracts | $ — | $ 45,157 | $ — | $ 45,157 |
| Client interest rate derivatives | — | 10,592 | — | 10,592 |
| Total liabilities | $ — | $ 55,749 | $ — | $ 55,749 |

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

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, 2016:

| (Dollars in thousands) | Level 1 | Level 2 | Level 3 | Balance at December 31, 2016 |
|---|---|---|---|---|
| **Assets** | | | | |
| Available-for-sale securities: | | | | |
| U.S. Treasury securities | $ 8,909,491 | $ — | $ — | $ 8,909,491 |
| U.S. agency debentures | — | 2,078,375 | — | 2,078,375 |
| Residential mortgage-backed securities: | | | | |
| Agency-issued collateralized mortgage obligations - fixed rate | — | 1,152,665 | — | 1,152,665 |
| Agency-issued collateralized mortgage obligations - variable rate | — | 474,283 | — | 474,283 |
| Equity securities | 175 | 5,422 | — | 5,597 |
| Total available-for-sale securities | 8,909,666 | 3,710,745 | — | 12,620,411 |
| Non-marketable and other securities (fair value accounting): | | | | |
| Non-marketable securities: | | | | |
| Venture capital and private equity fund investments measured at net asset value | — | — | — | 141,649 |
| Other venture capital investments (1) | — | — | 2,040 | 2,040 |
| Other securities (1) | 753 | — | — | 753 |
| Total non-marketable and other securities (fair value accounting) | 753 | — | 2,040 | 144,442 |
| Other assets: | | | | |
| Interest rate swaps | — | 810 | — | 810 |
| Foreign exchange forward and option contracts | — | 68,027 | — | 68,027 |
| Equity warrant assets | — | 2,310 | 128,813 | 131,123 |
| Client interest rate derivatives | — | 10,110 | — | 10,110 |
| Total assets | $ 8,910,419 | $ 3,792,002 | $ 130,853 | $ 12,974,923 |
| **Liabilities** | | | | |
| Foreign exchange forward and option contracts | $ — | $ 54,668 | $ — | $ 54,668 |
| Client interest rate derivatives | — | 9,770 | — | 9,770 |
| Total liabilities | $ — | $ 64,438 | $ — | $ 64,438 |

(1) Included in Level 1 and Level 3 assets are $0.6 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 months ended March 31, 2017 and 2016, respectively:

| (Dollars in thousands) | Beginning Balance | Total Realized and Unrealized Gains (Losses) Included in Income | Sales | Issuances | Distributions and Other Settlements | Transfers Out of Level 3 | Ending Balance |
|---|---|---|---|---|---|---|---|
| **Three months ended March 31, 2017** | | | | | | | |
| Non-marketable and other securities (fair value accounting): | | | | | | | |
| Other venture capital investments (1) | $ 2,040 | $ — | $ — | $ — | $ — | $ — | $ 2,040 |
| Other assets: | | | | | | | |
| Equity warrant assets (2) | 128,813 | 6,609 | (17,086) | 4,030 | — | (167) | 122,199 |
| Total assets | $ 130,853 | $ 6,609 | $ (17,086) | $ 4,030 | $ — | $ (167) | $ 124,239 |
| **Three months ended March 31, 2016** | | | | | | | |
| Non-marketable and other securities (fair value accounting): | | | | | | | |
| Other venture capital investments (1) | $ 2,040 | $ (30) | $ — | $ — | $ 30 | $ — | $ 2,040 |
| Other assets: | | | | | | | |
| Equity warrant assets (2) | 135,168 | 7,179 | (15,416) | 2,374 | — | (323) | 128,982 |
| Total assets | $ 137,208 | $ 7,149 | $ (15,416) | $ 2,374 | $ 30 | $ (323) | $ 131,022 |

(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 equity warrant assets, 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 March 31, 2017 and 2016, respectively:

| | Three months ended March 31, | |
|---|---|---|
| (Dollars in thousands) | 2017 | 2016 |
| Non-marketable and other securities (fair value accounting): | | |
| Other venture capital investments (1) | $ — | $ — |
| Other assets: | | |
| Equity warrant assets (2) | (347) | 1,465 |
| Total unrealized (losses) gains, net | $ (347) | $ 1,465 |
| Unrealized (losses) gains attributable to noncontrolling interests | $ — | $ — |

(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 equity warrant assets, 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 March 31, 2017 and December 31, 2016. 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 |
|---|---|---|---|---|
| **March 31, 2017:** | | | | |
| Other venture capital investments (fair value accounting) | $ 2,040 | Private company equity pricing | (1) | (1) |
| Equity warrant assets (public portfolio) | 1,223 | Modified Black-Scholes option pricing model | Volatility | 40.7% |
| | | | Risk-Free interest rate | 1.8% |
| | | | Sales restrictions discount (2) | 15.1% |
| Equity warrant assets (private portfolio) | 120,976 | Modified Black-Scholes option pricing model | Volatility | 37.1% |
| | | | Risk-Free interest rate | 1.3% |
| | | | Marketability discount (3) | 16.8% |
| | | | Remaining life assumption (4) | 45.0% |
| **December 31, 2016:** | | | | |
| Other venture capital investments (fair value accounting) | $ 2,040 | Private company equity pricing | (1) | (1) |
| Equity warrant assets (public portfolio) | 764 | Modified Black-Scholes option pricing model | Volatility | 46.6% |
| | | | Risk-Free interest rate | 2.1% |
| | | | Sales restrictions discount (2) | 17.7% |
| Equity warrant assets (private portfolio) | 128,049 | Modified Black-Scholes option pricing model | Volatility | 36.9% |
| | | | Risk-Free interest rate | 1.3% |
| | | | Marketability discount (3) | 17.1% |
| | | | 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. We use company provided valuation reports, if available, to support our valuation assumptions. 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 percent to 20 percent depending on the duration of the sales restrictions, which typically range from three to six 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 March 31, 2017, the weighted average contractual remaining term was 5.9 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 months ended March 31, 2017 and 2016, 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 months ended March 31, 2017 and 2016 were due primarily to the expiration of lock-up, and other sales restrictions on certain of our public warrant positions. All other transfers from Level 3 to Level 2 for the three months ended March 31, 2017 and 2016, were due to the transfer of equity warrant assets from our private portfolio to our public portfolio (see our Level 3 reconciliation above). All amounts reported as transfers represent the fair value as of the date of the change in circumstances that caused the transfer.

***Financial Instruments not Carried at Fair Value***

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

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

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

***Financial Instruments for which Carrying Value Approximates Fair Value***

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

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

*Held-to-Maturity Securities*

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

*Non-Marketable Securities (Cost and Equity Method Accounting)*

Non-marketable securities includes other investments (equity method accounting), venture capital and private equity fund investments (cost method accounting), and other venture capital investments (cost method accounting). Other investments (equity method accounting) includes our investment in SPD-SVB, our joint venture bank in China. At this time, the carrying value of our investment in SPD-SVB is a reasonable estimate of fair value. The fair value of the remaining other investments (equity method accounting) and the fair value of venture capital and private equity fund investments (cost method accounting) and other venture capital investments (cost method accounting) is based on financial information obtained from the 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 December 31st, for our March 31st 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 March 31, 2017 and December 31, 2016. 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 March 31, 2017 and December 31, 2016:

| (Dollars in thousands) | Carrying Amount | Estimated Fair Value | | | |
|---|---|---|---|---|---|
| | | Total | Level 1 | Level 2 | Level 3 |
| **March 31, 2017:** | | | | | |
| *Financial assets:* | | | | | |
| Cash and cash equivalents | $ 3,795,679 | $ 3,795,679 | $ 3,795,679 | $ — | $ — |
| Held-to-maturity securities | 8,615,695 | 8,567,817 | — | 8,567,817 | — |
| Non-marketable securities (cost and equity method accounting) not measured at net asset value | 121,108 | 125,650 | — | — | 125,650 |
| Non-marketable securities (cost and equity method accounting) measured at net asset value | 239,275 | 346,890 | — | — | — |
| Net commercial loans | 17,953,251 | 18,165,969 | — | — | 18,165,969 |
| Net consumer loans | 2,231,070 | 2,267,387 | — | — | 2,267,387 |
| FHLB and Federal Reserve Bank stock | 57,592 | 57,592 | — | — | 57,592 |
| Accrued interest receivable | 110,949 | 110,949 | — | 110,949 | — |
| *Financial liabilities:* | | | | | |
| Other short-term borrowings | 5,163 | 5,163 | 5,163 | — | — |
| Non-maturity deposits (1) | 41,038,552 | 41,038,552 | 41,038,552 | — | — |
| Time deposits | 41,148 | 40,982 | — | 40,982 | — |
| 3.50% Senior Notes | 347,059 | 340,582 | — | 340,582 | — |
| 5.375% Senior Notes | 347,733 | 379,236 | — | 379,236 | — |
| 6.05% Subordinated Notes (2) | 46,223 | 46,587 | — | 46,587 | — |
| 7.0% Junior Subordinated Debentures | 54,450 | 54,021 | — | 54,021 | — |
| Accrued interest payable | 4,990 | 4,990 | — | 4,990 | — |
| *Off-balance sheet financial assets:* | | | | | |
| Commitments to extend credit | — | 21,127 | — | — | 21,127 |
| **December 31, 2016:** | | | | | |
| *Financial assets:* | | | | | |
| Cash and cash equivalents | $ 2,545,750 | $ 2,545,750 | $ 2,545,750 | $ — | $ — |
| Held-to-maturity securities | 8,426,998 | 8,376,138 | — | 8,376,138 | — |
| Non-marketable securities (cost and equity method accounting) not measured at net asset value | 120,037 | 127,343 | — | — | 127,343 |
| Non-marketable securities (cost and equity method accounting) measured at net asset value | 245,626 | 353,870 | — | — | — |
| Net commercial loans | 17,518,430 | 17,811,356 | — | — | 17,811,356 |
| Net consumer loans | 2,156,148 | 2,199,501 | — | — | 2,199,501 |
| FHLB and Federal Reserve Bank stock | 57,592 | 57,592 | — | — | 57,592 |
| Accrued interest receivable | 111,222 | 111,222 | — | 111,222 | — |
| *Financial liabilities:* | | | | | |
| Short-term FHLB advances | 500,000 | 500,000 | 500,000 | — | — |
| Other short-term borrowings | 12,668 | 12,668 | 12,668 | — | — |
| Non-maturity deposits (1) | 38,923,750 | 38,923,750 | 38,923,750 | — | — |
| Time deposits | 56,118 | 55,949 | — | 55,949 | — |
| 3.50% Senior Notes | 346,979 | 337,600 | — | 337,600 | — |
| 5.375% Senior Notes | 347,586 | 378,777 | — | 378,777 | — |
| 6.05% Subordinated Notes (2) | 46,646 | 47,489 | — | 47,489 | — |
| 7.0% Junior Subordinated Debentures | 54,493 | 53,140 | — | 53,140 | — |
| Accrued interest payable | 12,013 | 12,013 | — | 12,013 | — |
| *Off-balance sheet financial assets:* | | | | | |
| Commitments to extend credit | — | 22,074 | — | — | 22,074 |

(1) Includes noninterest-bearing demand deposits, interest-bearing checking accounts, money market accounts and interest-bearing sweep deposits.
(2) At March 31, 2017 and December 31, 2016, included in the carrying value and estimated fair value of our 6.05% Subordinated Notes was an interest rate swap valued at $0.3 million and $0.8 million, respectively, related to hedge accounting associated with the notes.

***Investments in Entities that Calculate Net Asset Value Per Share***

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

Our investments in debt funds and venture capital and private equity fund investments generally cannot be redeemed. Alternatively, we expect distributions, if any, to be received primarily through IPO and M&A activity of the underlying assets of the fund. Subject to applicable requirements under the Volcker Rule, we do not have any plans to sell any of these fund investments. If we decide to sell these investments in the future, the investee fund's management must approve of the buyer before the sale of the investments can be completed. The fair values of the fund investments have been estimated using the net asset value per share of the investments, adjusted for any differences between our measurement date and the date of the fund investment's net asset value by using the most recently available financial information from the investee general partner, for example December 31st, for our March 31st 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 March 31, 2017:

| (Dollars in thousands) | Carrying Amount | Fair Value | Unfunded Commitments |
|---|---|---|---|
| Non-marketable securities (fair value accounting): | | | |
| Venture capital and private equity fund investments (1) | $ 139,715 | $ 139,715 | $ 4,585 |
| Non-marketable securities (equity method accounting): | | | |
| Venture capital and private equity fund investments (2) | 85,529 | 85,529 | 4,953 |
| Debt funds (2) | 16,509 | 17,676 | — |
| Other investments (2) | 19,994 | 19,994 | 715 |
| Non-marketable securities (cost method accounting): | | | |
| Venture capital and private equity fund investments (2) | 117,243 | 223,691 | 9,633 |
| Total | $ 378,990 | $ 486,605 | $ 19,886 |

(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 $103.9 million and $3.5 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 and/or our affiliates, and we may from time to time be involved in other legal or regulatory proceedings. In accordance with applicable accounting guidance, we establish accruals for all such matters, including 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 matters 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 aim to disclose information relating to such potential loss. We also aim to disclose information relating to any material potential loss that is probable but not reasonably estimable. In such cases, where reasonably practicable, we aim to 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 any such matters, nor do we currently expect 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**

We have no material related party transactions requiring disclosure. In the ordinary course of business, the Bank extends credit to related parties, including executive officers, directors, principal shareholders and their related interests. Additionally, we provide real estate secured loans to eligible employees through our EHOP. For additional details, see Note 16—"Employee Compensation and Benefit Plans" under Part II, Item 8 of our 2016 Form 10-K.

## 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 safe harbor provisions 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:

- Financial projections, including with respect to 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; and
- Descriptions of assumptions underlying or relating to any of the foregoing.

You can identify these and other forward-looking statements by the use of words such as "becoming," "may," "will," "should," "could," "would," "predict," "potential," "continue," "anticipate," "believe," "estimate," "assume," "seek," "expect," "plan," "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 international market and economic events on us;
- The impact of governmental policy, legal requirements and regulations, including the Dodd-Frank Act, the Volcker Rule and Federal Reserve and other regulatory requirements;
- The impact of lawsuits and claims, as well as, legal or regulatory proceedings;
- 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; and
- Other factors as discussed in “Risk Factors” under Part I, Item 1A in our 2016 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 2016 Form 10-K.

**Volcker Rule**

SVB Financial is subject to the Volcker Rule and is required to come into conformance with the Rule’s requirements regarding covered funds by July 21, 2017 with respect to covered funds in which SVB Financial invested or SVB Financial sponsored as of December 31, 2013. 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 have applied for the maximum extension (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. See "Non-Marketable and Other Securities" in the "Consolidated Financial Condition" under Part I, Item 2 of this report for further details on Volcker Rule and our investments.

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 2016 Form 10-K.)

**Reclassifications**

Certain prior period amounts, primarily related to the changes to our income statement presentation of gains on derivative instruments, net and provision for unfunded credit commitments have been reclassified to conform to current period presentations.

**Management's Overview of First Quarter 2017 Performance**

Overall, we had a solid first quarter in 2017, which was marked by solid loan growth, healthy total client funds growth, driven by our off-balance sheet client investment funds, higher net interest income, stable credit quality, and higher investment securities and warrant gains. Additionally, we saw higher noninterest expense, primarily from increased compensation and benefits expenses as well as professional service expenses reflective of increased headcount and expenses to support our growth and regulatory compliance initiatives. Our core business continues to perform well as a result of our ongoing focus on innovation companies and their investors and continued efforts to secure client relationships. We saw continued success in working with private equity/venture capital firms as well as growth of our private banking division, which offers products and services to private equity/venture capital professionals and executive leaders of the innovation companies they support. Additionally, we saw strong borrowing activity from our life science/healthcare clients.

A summary of our performance for the three months ended March 31, 2017 (compared to the three months ended March 31, 2016, where applicable) is as follows:

**BALANCE SHEET**

**Assets.** $45.3 billion in average total assets (up 2.5%). $46.4 billion in period-end total assets (up 6.5%).

**Loans.** $20.1 billion in average total loan balances, net of unearned income (up 18.0%). $20.4 billion in period-end total loan balances, net of unearned income (up 15.2%).

**Deposits.** $40.0 billion in average total deposit balances (up 1.8%). $41.1 billion in period-end total deposit balances (up 6.0%).

**Off-Balance Sheet Client Investment Funds.** $46.1 billion in total average client investment fund balances (up 8.6%). $46.4 billion in total period-end client investment fund balances (up 9.8%).

**EARNINGS**

**EPS.** Earnings per diluted share of $1.91 (up 25.7%).

**Net Income.** Consolidated net income available to common stockholders of $101.5 million (up 28.2%).

- Net interest income of $310.0 million (up 10.2%).
- Net interest margin of 2.88% (up 21 bps).
- Noninterest income of $117.7 million (up 36.6%), with non-GAAP core fee income+ of $82.6 million (up 7.9%).
- Noninterest expense of $237.6 million (up 16.5%)

**ROE.** Return on average equity (annualized) ("*ROE*") performance of 11.03%.

**CAPITAL**

**Capital.** Continued strong capital 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 13.05% and 12.75%.
- Tier 1 risk-based capital ratio of 13.44% and 12.75%.
- Total risk-based capital ratio of 14.45% and 13.80%.
- Tier 1 leverage ratio of 8.51% and 7.81%.

**CREDIT QUALITY**

**Credit Quality.** Continued disciplined underwriting.

- Allowance for loan losses of 1.18% as a percentage of period-end total gross loans.
- Provision for loan losses of 0.59% as a percentage of period-end total gross loans (annualized).
- Net loan charge-offs of 0.25% as a percentage of average total gross loans (annualized).

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

A summary of our performance for the three months ended March 31, 2017 and 2016 is as follows:

| (Dollars in thousands, except per share data, employees and ratios) | Three months ended March 31, 2017 | 2016 | % Change |
|---|---|---|---|
| Diluted earnings per common share | $ 1.91 | $ 1.52 | 25.7 % |
| Net income available to common stockholders | 101,483 | 79,174 | 28.2 |
| Net interest income | 309,993 | 281,421 | 10.2 |
| Net interest margin | 2.88% | 2.67% | 21 bps |
| Provision for credit losses | $ 30,734 | $ 33,475 | (8.2) % |
| Noninterest income | 117,659 | 86,134 | 36.6 |
| Noninterest expense | 237,633 | 203,899 | 16.5 |
| Non-GAAP core fee income (1) | 82,578 | 76,542 | 7.9 |
| Non-GAAP noninterest income, net of noncontrolling interests (1) | 111,100 | 88,805 | 25.1 |
| Non-GAAP noninterest expense, net of noncontrolling interests (2) | 237,464 | 203,990 | 16.4 |
| **Balance Sheet:** | | | |
| Average available-for-sale securities | $ 12,550,264 | $ 14,692,632 | (14.6) % |
| Average held-to-maturity securities | 8,600,176 | 8,658,684 | (0.7) |
| Average loans, net of unearned income | 20,069,314 | 17,012,435 | 18.0 |
| Average noninterest-bearing demand deposits | 32,709,423 | 31,219,504 | 4.8 |
| Average interest-bearing deposits | 7,249,112 | 8,048,625 | (9.9) |
| Average total deposits | 39,958,535 | 39,268,129 | 1.8 |
| **Earnings Ratios:** | | | |
| Return on average assets (annualized) (3) | 0.91% | 0.72% | 26.4 % |
| Return on average SVBFG stockholders' equity (annualized) (4) | 11.03 | 9.59 | 15.0 |
| **Asset Quality Ratios:** | | | |
| Allowance for loan losses as a % of total period-end gross loans | 1.18% | 1.29% | (11) bps |
| Allowance for loan losses for performing loans as a % of total gross performing loans | 0.94 | 1.01 | (7) |
| Gross loan charge-offs as a % of average total gross loans (annualized) | 0.28 | 0.61 | (33) |
| Net loan charge-offs as a % of average total gross loans (annualized) | 0.25 | 0.50 | (25) |
| **Capital Ratios:** | | | |
| CET 1 risk-based capital ratio | 13.05% | 12.38% | 67 bps |
| Tier 1 risk-based capital ratio | 13.44 | 12.86 | 58 |
| Total risk-based capital ratio | 14.45 | 13.90 | 55 |
| Tier 1 leverage ratio | 8.51 | 7.69 | 82 |
| Tangible common equity to tangible assets (5) | 8.11 | 7.76 | 35 |
| Tangible common equity to risk-weighted assets (5) | 13.12 | 12.82 | 30 |
| Bank CET 1 risk-based capital ratio | 12.75 | 12.57 | 18 |
| Bank tier 1 risk-based capital ratio | 12.75 | 12.57 | 18 |
| Bank total risk-based capital ratio | 13.80 | 13.66 | 14 |
| Bank tier 1 leverage ratio | 7.81 | 7.19 | 62 |
| Bank tangible common equity to tangible assets (5) | 7.66 | 7.55 | 11 |
| Bank tangible common equity to risk-weighted assets (5) | 12.82 | 13.03 | (21) |
| **Other Ratios:** | | | |
| GAAP operating efficiency ratio (6) | 55.57% | 55.47% | 0.2 % |
| Non-GAAP operating efficiency ratio (2) | 56.35 | 55.05 | 2.4 |
| Book value per common share (7) | $ 71.80 | $ 65.40 | 9.8 |
| **Other Statistics:** | | | |
| Average full-time equivalent employees | 2,345 | 2,160 | 8.6 % |
| Period-end full-time equivalent employees | 2,347 | 2,170 | 8.2 |

(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 average assets.

(4) Ratio represents annualized consolidated net income available to common stockholders divided by quarterly 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 three months ended March 31, 2017 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 2016 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.

| (Dollars in thousands) | 2017 Compared to 2016<br>Three months ended March 31, increase (decrease) due to change in<br>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 | $ 458 | $ 608 | $ 1,066 |
| Fixed income investment portfolio (taxable) | (8,693) | 7,446 | (1,247) |
| Fixed income investment portfolio (non-taxable) | 388 | (312) | 76 |
| Loans, net of unearned income | 33,196 | (3,797) | 29,399 |
| Increase in interest income, net | 25,349 | 3,945 | 29,294 |
| Interest expense: | | | |
| Interest bearing checking and savings accounts | 16 | (2) | 14 |
| Money market deposits | (159) | 711 | 552 |
| Money market deposits in foreign offices | 2 | (1) | 1 |
| Time deposits | (4) | (2) | (6) |
| Sweep deposits in foreign offices | (32) | — | (32) |
| Total (decrease) increase in deposits expense | (177) | 706 | 529 |
| Short-term borrowings | 39 | 39 | 78 |
| 3.50% Senior Notes | 2 | — | 2 |
| 5.375% Senior Notes | 6 | 3 | 9 |
| Junior Subordinated Debentures | (4) | 5 | 1 |
| 6.05% Subordinated Notes | (10) | 87 | 77 |
| Total increase in borrowings expense | 33 | 134 | 167 |
| (Decrease) increase in interest expense, net | (144) | 840 | 696 |
| Increase in net interest income | $ 25,493 | $ 3,105 | $ 28,598 |

*Net Interest Income (Fully Taxable Equivalent Basis)*

*Three months ended March 31, 2017 and 2016*

Net interest income increased by $28.6 million to $310.3 million for the three months ended March 31, 2017, compared to $281.7 million for the comparable 2016 period. Overall, our net interest income increased primarily from interest earned on loans, reflective of higher average loan balances driven by strong loan growth from our private equity/venture capital and SVB Private Bank loan portfolios.

The main factors affecting interest income for the three months ended March 31, 2017, compared to the comparable 2016 period are discussed below:

- *Interest income* for the three months ended March 31, 2017 increased by $29.3 million due primarily to:
  - A $29.4 million increase in interest income on loans to $227.3 million for the three months ended March 31, 2017, compared to $197.9 million for the comparable 2016 period. The increase was reflective of an increase in average loan balances of $3.1 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 4.03 percent from 4.06 percent, reflective of a shift in the mix of our overall loan portfolio from the first quarter of 2016, as well as continued competition which has put downward pressure on the loan yields for newly originated loans and renewals of existing loans, primarily in the Private Equity Division, SVB Accelerator practice and Sponsored Finance group. The decreases in the shift in the mix of our portfolio and margin compression from competition were partially offset by the 25 basis point increase in the target federal funds rate by the Federal Reserve in both December 2016 and March 2017. The shift in the mix of loans primarily reflects growth in private equity/venture capital and SVB Private Bank loans, which tend to be higher credit quality, lower yielding loans. Loan fee yields decreased five basis points to 55 basis points, from 60 basis points in the comparable 2016 period. This decrease was a result of lower amortizing fee income as a percentage of our overall loan portfolio, primarily reflective of the growth of our private equity/venture capital and SVB Private Bank loans which tend to have lower fees.

- A $1.1 million increase in interest income from our Federal Reserve deposits to $3.1 million, compared to $2.1 million in 2016. The increase is reflective of the increase in the target federal funds rate by the Federal Reserve in December 2016 as well as higher average interest-earning cash balances in the first quarter of 2017 as compared to the first quarter of 2016.
- A $1.2 million decrease in interest income on fixed income investment securities to $90.8 million for the three months ended March 31, 2017, compared to $92.0 million for the comparable 2016 period. The decrease was reflective primarily of a decrease in average fixed income investment securities of $2.2 billion from the first quarter of 2016, as a result of our $2.9 billion of sales of investment securities during the first and second quarters of 2016 to fund loans and repay short-term borrowings. The decrease was partially offset by lower premium amortization expense and higher yields on our fixed income investment portfolio both reflective of higher market interest rates in the latter half of 2016 and during the first quarter of 2017.

*Net Interest Margin (Fully Taxable Equivalent Basis)*

*Three months ended March 31, 2017 and 2016*

- Our net interest margin increased by 21 basis points to 2.88 percent for the three months ended March 31, 2017, compared to 2.67 percent for the comparable 2016 period. The higher margin during the first quarter of 2017 was reflective primarily of a shift in the mix of our average interest-earning assets towards our loan portfolio as well as from the impact of the changes in the federal funds target rate from December 2015 through March 2017. The shift was reflective of the utilization of fixed income investment securities to fund loan growth in 2016 as a result of the tempered growth in average deposits. Average loans represented 46 percent of interest earning assets for the first quarter of 2017 compared to 40 percent for the comparable 2016 period.

***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 months ended March 31, 2017 and 2016:

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***Average Balances, Rates and Yields for the Three Months Ended March 31, 2017 and 2016***

| | Three months ended March 31, | | | | | |
|---|---|---|---|---|---|---|
| | 2017 | | | 2016 | | |
| (Dollars in thousands) | Average Balance | Interest Income/ Expense | Yield/ Rate | Average Balance | Interest Income/ Expense | Yield/ Rate |
| Interest-earning assets: | | | | | | |
| Federal Reserve deposits, federal funds sold, securities purchased under agreements to resell and other short-term investment securities (1) | $ 2,502,930 | $ 3,136 | 0.51% | $ 2,130,958 | $ 2,070 | 0.39% |
| Investment securities: (2) | | | | | | |
| Available-for-sale securities: | | | | | | |
| Taxable | 12,550,264 | 45,707 | 1.48 | 14,692,632 | 50,083 | 1.37 |
| Held-to-maturity securities: | | | | | | |
| Taxable | 8,495,674 | 44,096 | 2.10 | 8,595,081 | 40,967 | 1.92 |
| Non-taxable (3) | 104,502 | 994 | 3.86 | 63,603 | 918 | 5.81 |
| Total loans, net of unearned income (4) (5) | 20,069,314 | 227,341 | 4.59 | 17,012,435 | 197,942 | 4.68 |
| Total interest-earning assets | 43,722,684 | 321,274 | 2.98 | 42,494,709 | 291,980 | 2.76 |
| Cash and due from banks | 354,684 | | | 402,433 | | |
| Allowance for loan losses | (234,274) | | | (225,344) | | |
| Other assets (6) | 1,457,940 | | | 1,518,392 | | |
| Total assets | $ 45,301,034 | | | $ 44,190,190 | | |
| Funding sources: | | | | | | |
| Interest-bearing liabilities: | | | | | | |
| Interest bearing checking and savings accounts | $ 394,928 | $ 75 | 0.08% | $ 313,460 | $ 61 | 0.08% |
| Money market deposits | 5,525,682 | 1,498 | 0.11 | 6,097,575 | 946 | 0.06 |
| Money market deposits in foreign offices | 151,474 | 16 | 0.04 | 132,171 | 15 | 0.05 |
| Time deposits | 53,811 | 17 | 0.13 | 67,466 | 23 | 0.14 |
| Sweep deposits in foreign offices | 1,123,217 | 111 | 0.04 | 1,437,953 | 143 | 0.04 |
| Total interest-bearing deposits | 7,249,112 | 1,717 | 0.10 | 8,048,625 | 1,188 | 0.06 |
| Short-term borrowings | 67,471 | 120 | 0.72 | 44,752 | 42 | 0.38 |
| 3.50% Senior Notes | 347,008 | 3,142 | 3.67 | 346,693 | 3,140 | 3.64 |
| 5.375% Senior Notes | 347,636 | 4,851 | 5.66 | 347,063 | 4,842 | 5.61 |
| Junior Subordinated Debentures | 54,478 | 832 | 6.19 | 54,654 | 831 | 6.12 |
| 6.05% Subordinated Notes | 46,498 | 271 | 2.36 | 48,295 | 194 | 1.62 |
| Total interest-bearing liabilities | 8,112,203 | 10,933 | 0.55 | 8,890,082 | 10,237 | 0.46 |
| Portion of noninterest-bearing funding sources | 35,610,481 | | | 33,604,627 | | |
| Total funding sources | 43,722,684 | 10,933 | 0.10 | 42,494,709 | 10,237 | 0.09 |
| Noninterest-bearing funding sources: | | | | | | |
| Demand deposits | 32,709,423 | | | 31,219,504 | | |
| Other liabilities | 612,800 | | | 624,796 | | |
| SVBFG stockholders' equity | 3,732,134 | | | 3,322,362 | | |
| Noncontrolling interests | 134,474 | | | 133,446 | | |
| Portion used to fund interest-earning assets | (35,610,481) | | | (33,604,627) | | |
| Total liabilities, noncontrolling interest, and SVBFG stockholders' equity | $ 45,301,034 | | | $ 44,190,190 | | |
| Net interest income and margin | | $ 310,341 | 2.88% | | $ 281,743 | 2.67% |
| Total deposits | $ 39,958,535 | | | $ 39,268,129 | | |
| Reconciliation to reported net interest income: | | | | | | |
| Adjustments for taxable equivalent basis | | (348) | | | (322) | |
| Net interest income, as reported | | $ 309,993 | | | $ 281,421 | |

(1) Includes average interest-earning deposits in other financial institutions of $799 million and $566 million for the three months ended March 31, 2017 and 2016, respectively. For the three months ended March 31, 2017 and 2016, balances also include $1.6 billion and $1.5 billion, respectively, deposited at the FRB, earning interest at the Federal Funds target rate.
(2) Yields on interest-earning investment securities do not give effect to changes in fair value that are reflected in other comprehensive income.
(3) Interest income on non-taxable investment securities are presented on a fully taxable-equivalent basis using the federal statutory income tax rate of 35.0 percent for all periods presented.
(4) Nonaccrual loans are reflected in the average balances of loans.
(5) Interest income includes loan fees of $27 million and $25 million for the three months ended March 31, 2017 and 2016, respectively.
(6) Average investment securities of $658 million and $781 million for the three months ended March 31, 2017 and 2016, respectively, were classified as other assets as they were noninterest-earning assets. These investments consisted primarily of non-marketable and other securities.

***Provision for Credit Losses***

The provision for credit losses is the combination of both the provision for loan losses and the provision for unfunded credit commitments. Our provision for loan losses is 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. Our provision for unfunded credit commitments is determined using a methodology that is similar to the methodology used for calculating the allowance for loan losses, adjusted for factors specific to binding commitments, including the probability of funding and exposure at funding. Our provision for unfunded credit commitments equals our best estimate of probable credit losses that are inherent in the portfolio at the balance sheet date.

The following table summarizes our allowance for loan losses and the allowance for unfunded credit commitments for the three months ended March 31, 2017 and 2016:

| | Three months ended March 31, | |
|---|---|---|
| **(Dollars in thousands, except ratios)** | **2017** | **2016** |
| Allowance for loan losses, beginning balance | $ 225,366 | $ 217,613 |
| Provision for loan losses (1) | 29,679 | 33,341 |
| Gross loan charge-offs | (14,030) | (26,174) |
| Loan recoveries | 1,792 | 4,813 |
| Foreign currency translation adjustments (2) | 323 | 656 |
| Allowance for loan losses, ending balance | $ 243,130 | $ 230,249 |
| | | |
| Allowance for unfunded credit commitments, beginning balance | $ 45,265 | $ 34,415 |
| Provision for unfunded credit commitments (1) | 1,055 | 134 |
| Foreign currency translation adjustments | 15 | (8) |
| Allowance for unfunded credit commitments, ending balance (3) | $ 46,335 | $ 34,541 |
| Ratios and other information: | | |
| Provision for loan losses as a percentage of period-end total gross loans (annualized) | 0.59% | 0.75% |
| Gross loan charge-offs as a percentage of average total gross loans (annualized) | 0.28 | 0.61 |
| Net loan charge-offs as a percentage of average total gross loans (annualized) | 0.25 | 0.50 |
| Allowance for loan losses as a percentage of period-end total gross loans | 1.18 | 1.29 |
| Provision for credit losses (1) | $ 30,734 | $ 33,475 |
| Period-end total gross loans | 20,548,651 | 17,846,081 |
| Average total gross loans | 20,189,562 | 17,123,718 |

(1) Our consolidated statements of income were modified from prior periods' presentation to conform to the current period presentation, which reflect our provision for loan losses and provision for unfunded credit commitments together as our "provision for credit losses".
(2) Reflects foreign currency translation adjustments within the allowance for loan losses. Prior period amount was previously reported with loan recoveries and has been revised to conform to the current period presentation.
(3) The "allowance for unfunded credit commitments" is included as a component of "other liabilities."

*Three months ended March 31, 2017 and 2016*

Our provision for credit losses was $30.7 million for the first quarter of 2017, consisting of a provision for loan losses of $29.7 million and a provision for unfunded credit commitments of $1.0 million. Our provision for credit losses was $33.5 million for the first quarter of 2016, consisting of a provision for loan losses of $33.3 million and a provision for unfunded credit commitments of $0.2 million.

Our provision for loan losses was $29.7 million for the three months ended March 31, 2017, compared to a provision of $33.3 million for the comparable 2016 period. The provision of $29.7 million primarily reflected $25.4 million in specific reserves for net new nonaccrual loans and a $5.0 million increase in reserves for period-end loan growth.

The provision for loan losses of $33.3 million for the first quarter of 2016 was driven primarily by $9.5 million in increased reserves attributable to period-end loan growth and an increase in our overall reserves of $3.9 million for performing loans driven by a shift in the mix of our loan portfolio, as well as reflective of net charge-offs.

The provision for unfunded credit commitments of $1.0 million for the first quarter of 2017 was driven primarily by the increase in the large credit component of the unfunded credit commitment portfolio, partially offset by a decrease of $0.7 billion in unfunded credit commitment balances. The provision for unfunded credit commitments of $0.1 million for the first quarter of 2016 was driven primarily by an increase in unfunded credit commitments of $0.3 billion from the fourth quarter of 2015.

Gross loan charge-offs were $14.0 million for the first quarter of 2017, of which $5.4 million was not specifically reserved for at December 31, 2016. Our early-stage client portfolio included $12.4 million of gross loan charge-offs primarily from our software/internet loan portfolio.

Gross loan charge-offs of $26.2 million for the first quarter of 2016 included $15.4 million from early-stage client loans and $8.2 million from one late-stage client loan. These charge-offs were primarily from our software/internet loan portfolio.

Net loan charge-offs of $12.2 million represented 0.25 percent of average total gross loans, compared to net charge-offs of $21.4 million, or 0.50 percent of average total gross loans for the comparable 2016 period. The decrease in net loan charge-offs as a percentage of average total gross loans was reflective primarily of the decrease in gross loan charge-offs as discussed above.

See “Consolidated Financial Condition—Credit Quality and Allowance for Loan Losses” below and Note 7—"Loans and Allowance for Loan Losses and Allowance for Unfunded Credit Commitments" 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.

***Noninterest Income***

For the three months ended March 31, 2017, noninterest income was $117.7 million compared to $86.1 million for the comparable 2016 period. For the three months ended March 31, 2017, non-GAAP noninterest income, net of noncontrolling interests was $111.1 million compared to $88.8 million for the comparable 2016 period. For the three months ended March 31, 2017, non-GAAP core fee income was $82.6 million compared to $76.5 million for the comparable 2016 period. (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 of 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 months ended March 31, 2017 and 2016:

| | Three months ended March 31, | | |
|---|---|---|---|
| (Dollars in thousands) | 2017 | 2016 | % Change |
| GAAP noninterest income | $ 117,659 | $ 86,134 | 36.6% |
| Less: income (loss) attributable to noncontrolling interests, including carried interest allocation | 6,559 | (2,671) | NM |
| Non-GAAP noninterest income, net of noncontrolling interests | $ 111,100 | $ 88,805 | 25.1 |

NM—Not meaningful

The following table provides a reconciliation of GAAP noninterest income to non-GAAP core fee income for the three months ended March 31, 2017 and 2016:

| | Three months ended March 31, | | |
|---|---|---|---|
| (Dollars in thousands) | 2017 | 2016 | % Change |
| GAAP noninterest income | $ 117,659 | $ 86,134 | 36.6% |
| Less: gains (losses) on investment securities, net | 15,970 | (4,684) | NM |
| Less: gains on equity warrant assets, net | 6,690 | 6,606 | 1.3 |
| Less: other noninterest income | 12,421 | 7,670 | 61.9 |
| Non-GAAP core fee income (1) | $ 82,578 | $ 76,542 | 7.9 |

NM—Not meaningful

(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, credit card fees, deposit service charges, lending related fees, client investment fees and letters of credit fees.

*Gains on Investment Securities, Net*

Net gains and losses on investment securities include 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 represents primarily interest-earning fixed income investment securities and is managed to earn an appropriate portfolio yield over the long-term while maintaining sufficient liquidity and 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, SPD Silicon Valley Bank Co., Ltd. (the Bank's joint venture bank in China ("SPD-SVB")), debt funds, private and public portfolio companies and investments in qualified affordable housing projects. 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 and losses 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. 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 March 31, 2017 and 2016*

For the three months ended March 31, 2017, we had net gains on investment securities of $16.0 million, compared to net losses of $4.7 million for the comparable 2016 period. Net gains on investment securities, net of noncontrolling interests, were $9.5 million for the three months ended March 31, 2017, compared to net losses of $2.0 million for the comparable 2016 period.

Net gains on investment securities, net of noncontrolling interests, of $9.5 million for the three months ended March 31, 2017 were driven by the following:

- Gains of $5.7 million from our strategic and other investments portfolio, comprised of gains of $3.4 million related to the partial sale of shares of one of our direct equity investments as well as gains from distributions from our strategic venture capital fund investments, and
- Gains of $3.6 million from our managed funds of funds portfolio, related primarily to net unrealized valuation increases in the investments held by the funds driven by IPO, M&A and private equity-backed financing activity during the first quarter of 2017.

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 months ended March 31, 2017 and 2016:

| (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 March 31, 2017** | | | | | | |
| Total gains (losses) on investment securities, net | $ 10,033 | $ 96 | $ (431) | $ 608 | $ 5,664 | $ 15,970 |
| Less: income attributable to noncontrolling interests, including carried interest allocation | 6,420 | 42 | — | — | — | 6,462 |
| Non-GAAP net gains (losses) on investment securities, net of noncontrolling interests | $ 3,613 | $ 54 | $ (431) | $ 608 | $ 5,664 | $ 9,508 |
| | | | | | | |
| **Three months ended March 31, 2016** | | | | | | |
| Total (losses) gains on investment securities, net | $ (6,481) | $ (634) | $ 855 | $ (817) | $ 2,393 | $ (4,684) |
| Less: (losses) attributable to noncontrolling interests, including carried interest allocation | (2,587) | (129) | — | — | — | (2,716) |
| Non-GAAP net (losses) gains on investment securities, net of noncontrolling interests | $ (3,894) | $ (505) | $ 855 | $ (817) | $ 2,393 | $ (1,968) |

*Gains on Equity Warrant Assets, Net*

A summary of gains on equity warrant assets, net, for the three months ended March 31, 2017 and 2016 is as follows:

| | Three months ended March 31, | | |
|---|---|---|---|
| (Dollars in thousands) | 2017 | 2016 | % Change |
| Equity warrant assets (1) | | | |
| Gains on exercises, net | $ 7,956 | $ 6,849 | 16.2% |
| Cancellations and expirations | (634) | (615) | 3.1 |
| Changes in fair value | (632) | 372 | NM |
| Gains on equity warrant assets, net | $ 6,690 | $ 6,606 | 1.3 |

NM—Not meaningful

(1) At March 31, 2017, we held warrants in 1,762 companies, compared to 1,670 companies at March 31, 2016. The total value of our warrant portfolio was $124 million at March 31, 2017 and $131 million at March 31, 2016. Warrants in 13 companies each had values greater than $1.0 million and collectively represented $29.2 million, or 23.5 percent, of the fair value of the total warrant portfolio at March 31, 2017.

*Three months ended March 31, 2017 and 2016*

Net gains on equity warrant assets were $6.7 million for the three months ended March 31, 2017, compared to net gains of $6.6 million for the comparable 2016 period. Net gains on equity warrant assets consisted of:

- Net gains of $8.0 million from the exercise of equity warrant assets during the three months ended March 31, 2017, compared to net gains of $6.8 million for the comparable 2016 period, primarily reflective of increased M&A activity in the portfolio, and
- Net losses of $0.6 million from changes in warrant valuations for the three months ended March 31, 2017, compared to net gains of $0.4 million for the comparable 2016 period, primarily driven by a decline in valuation of one company in our private warrant portfolio of $1.9 million, partially offset by warrant valuation gains in the remaining portfolio.

*Non-GAAP Core Fee Income*

| | Three months ended March 31, | | |
|---|---|---|---|
| (Dollars in thousands) | 2017 | 2016 | % Change |
| Non-GAAP core fee income (1): | | | |
| Foreign exchange fees | $ 26,247 | $ 26,966 | (2.7)% |
| Credit card fees | 17,730 | 15,507 | 14.3 |
| Deposit service charges | 13,975 | 12,672 | 10.3 |
| Client investment fees | 9,026 | 7,995 | 12.9 |
| Lending related fees | 8,961 | 7,813 | 14.7 |
| Letters of credit and standby letters of credit fees | 6,639 | 5,589 | 18.8 |
| Total non-GAAP core fee income (1) | $ 82,578 | $ 76,542 | 7.9 |

(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 $26.2 million for the three months ended March 31, 2017, compared to $27.0 million for the comparable 2016 period. The decrease in foreign exchange fees was due primarily to a one-time reclassification of $2.9 million in foreign exchange fee income from noninterest income gains (losses) on derivative instruments for the three months ended March 31, 2016, offset by $2.0 million in increased revenues from our Corporate Finance client portfolio, for the three months ended March 31, 2017, reflective of increased foreign exchange activity post-Brexit.

*Credit Card Fees*

Credit card fees were $17.7 million for the three months ended March 31, 2017, compared to $15.5 million for the comparable 2016 period. The increase was primarily due to higher interchange fee income driven by an 18 percent increase in transaction volume reflective of higher spend by our commercial clients. The increase in interchange fee income was offset by a 42 percent increase in rebate/rewards expense for the three months ended March 31, 2017.

*Deposit Service Charges*

Deposit service charges were $14.0 million for the three months ended March 31, 2017, compared to $12.7 million for the comparable 2016 period. The increase was reflective of higher deposit client counts, as well as an increase in transaction volumes, during the three months ended March 31, 2017.

*Client Investment Fees*

Client investment fees were $9.0 million for the three months ended March 31, 2017, compared to $8.0 million for the comparable 2016 period. The increase was attributable primarily to an increase in average client investment fund balances of $3.6 billion driven by 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 through the first quarter of 2017.

The following table summarizes average client investment funds for the three months ended March 31, 2017 and 2016:

| (Dollars in millions) | Three months ended March 31, 2017 | 2016 | % Change |
|---|---|---|---|
| Client directed investment assets (1) | $ 5,364 | $ 7,318 | (26.7)% |
| Client investment assets under management (2) | 23,047 | 21,731 | 6.1 |
| Sweep money market funds | 17,719 | 13,423 | 32.0 |
| Total average client investment funds (3) | $ 46,130 | $ 42,472 | 8.6 |

(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 March 31, 2017 and December 31, 2016:

| (Dollars in millions) | March 31, 2017 | December 31, 2016 | % Change |
|---|---|---|---|
| Client directed investment assets (1) | $ 5,241 | $ 5,510 | (4.9)% |
| Client investment assets under management (2) | 23,292 | 23,115 | 0.8 |
| Sweep money market funds | 17,902 | 17,173 | 4.2 |
| Total period-end client investment funds (3) | $ 46,435 | $ 45,798 | 1.4 |

(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.

*Other Noninterest Income*

A summary of other noninterest income for the three months ended March 31, 2017 and 2016 is as follows:

| (Dollars in thousands) | Three months ended March 31, 2017 | 2016 | % Change |
|---|---|---|---|
| Fund management fees | $ 5,169 | $ 4,620 | 11.9 % |
| Service-based fee income | 1,895 | 2,092 | (9.4) |
| Gains on revaluation of client foreign currency instruments, net (1) | 2,754 | 3,653 | (24.6) |
| Losses on client foreign exchange forward contracts, net (1) | (2,289) | (5,654) | (59.5) |
| Gains on revaluation of internal foreign currency instruments, net (2) | 4,108 | 2,491 | 64.9 |
| Losses on internal foreign exchange contracts, net (2) | (3,245) | (2,208) | 47.0 |
| Other (3) | 4,029 | 2,676 | 50.6 |
| Total other noninterest income | $ 12,421 | $ 7,670 | 61.9 |

(1) Represents the net revaluation of client foreign currency denominated financial instruments. We enter into client foreign exchange forward contracts to economically reduce our foreign exchange exposure related to client foreign currency denominated financial instruments.
(2) Represents the net revaluation of foreign currency denominated financial instruments issued and held by us, primarily loans, deposits and cash. We enter into internal foreign exchange forward contracts to economically reduce our foreign exchange exposure related to these foreign currency denominated financial instruments issued and held by us.
(3) Includes dividends on FHLB/FRB stock, correspondent bank rebate income, incentive fees related to carried interest and other fee income.

*Three months ended March 31, 2017 and 2016*

Total other noninterest income was $12.4 million for the three months ended March 31, 2017, compared to noninterest income of $7.7 million for the comparable 2016 period. The increase of $4.7 million in other noninterest income was due to the following:

- Net gains of $0.5 million on client foreign exchange forward contracts and the revaluation of client foreign currency denominated cash for the three months ended March 31, 2017, compared to net losses of $2.0 million for the three months ended March 31, 2016 on client foreign exchange forward contracts and the revaluation of client foreign currency denominated cash. The net losses for the three months ended March 31, 2016 was primarily due to a reclassification of $2.8 million in unrealized gains on forward contracts to foreign exchange fee income reflecting fees earned on forward contracts executed on behalf of our clients that were previously recorded in gains on derivative instruments.
- Fund management fees of $5.2 million as compared to fees of $4.6 million for the comparable 2016 period. The increase was due primarily to the addition of new managed funds at SVB Capital.

***Noninterest Expense***

A summary of noninterest expense for the three months ended March 31, 2017 and 2016 is as follows:

| | Three months ended March 31, | | |
|---|---|---|---|
| **(Dollars in thousands)** | **2017** | **2016** | **% Change** |
| Compensation and benefits | $ 147,176 | $ 122,262 | 20.4 % |
| Professional services | 25,419 | 19,000 | 33.8 |
| Premises and equipment | 15,858 | 14,984 | 5.8 |
| Business development and travel | 9,195 | 12,246 | (24.9) |
| Net occupancy | 11,651 | 10,035 | 16.1 |
| FDIC and state assessments | 8,682 | 6,927 | 25.3 |
| Correspondent bank fees | 3,445 | 3,652 | (5.7) |
| Other | 16,207 | 14,793 | 9.6 |
| Total noninterest expense (1) | $ 237,633 | $ 203,899 | 16.5 |

(1) Our consolidated statements of income were modified from prior periods' presentation to the current period presentation, which reflects our provision for loan losses and provision for unfunded credit commitments together as our "provision for credit losses". In prior periods, our provision for unfunded credit commitments were reported separately as a component of noninterest expense.

Included in noninterest expense is expense attributable to noncontrolling interests. See below for a description and reconciliation 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 months ended March 31, 2017 and 2016:

| | Three months ended March 31, | | |
|---|---|---|---|
| (Dollars in thousands, except ratios) | 2017 | 2016 | % Change |
| GAAP noninterest expense | $ 237,633 | $ 203,899 | 16.5% |
| Less: amounts attributable to noncontrolling interests | 169 | (91) | NM |
| Non-GAAP noninterest expense, net of noncontrolling interests | $ 237,464 | $ 203,990 | 16.4 |
| GAAP net interest income | $ 309,993 | $ 281,421 | 10.2 |
| Adjustments for taxable equivalent basis | 348 | 322 | 8.1 |
| Non-GAAP taxable equivalent net interest income | $ 310,341 | $ 281,743 | 10.2 |
| Less: income attributable to noncontrolling interests | 7 | 3 | 133.3 |
| Non-GAAP taxable equivalent net interest income, net of noncontrolling interests | $ 310,334 | $ 281,740 | 10.1 |
| GAAP noninterest income | $ 117,659 | $ 86,134 | 36.6 |
| Less: income attributable to noncontrolling interests | 6,559 | (2,671) | NM |
| Non-GAAP noninterest income, net of noncontrolling interests | $ 111,100 | $ 88,805 | 25.1 |
| GAAP total revenue | $ 427,652 | $ 367,555 | 16.4 |
| Non-GAAP taxable equivalent revenue, net of noncontrolling interests | $ 421,434 | $ 370,545 | 13.7 |
| GAAP operating efficiency ratio | 55.57% | 55.47% | 0.2 |
| Non-GAAP operating efficiency ratio (1) | 56.35 | 55.05 | 2.4 |

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 months ended March 31, 2017 and 2016:

| | Three months ended March 31, | | |
|---|---|---|---|
| (Dollars in thousands, except employees) | 2017 | 2016 | % Change |
| Compensation and benefits: | | | |
| Salaries and wages | $ 66,859 | $ 59,386 | 12.6% |
| Incentive compensation & ESOP | 33,819 | 26,628 | 27.0 |
| Other employee incentives and benefits (1) | 46,498 | 36,248 | 28.3 |
| Total compensation and benefits | $ 147,176 | $ 122,262 | 20.4 |
| Period-end full-time equivalent employees | 2,347 | 2,170 | 8.2 |
| Average full-time equivalent employees | 2,345 | 2,160 | 8.6 |

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

Compensation and benefits expense was $147.2 million for the three months ended March 31, 2017, compared to $122.3 million for the comparable 2016 period. The key changes in factors affecting compensation and benefits expense were as follows:

- An increase of $7.5 million in salaries and wages, reflective primarily of an increase in the number of average full-time equivalent employees ("FTE") by 185 to 2,345 FTEs for the first quarter of 2017 compared to the first quarter of 2016, and annual pay raises. The increase in headcount was primarily to support our product development, operations, sales and advisory functions, as well as to support our commercial banking and regulatory compliance initiatives.

- An increase of $7.2 million in expenses related to incentive compensation plans and ESOP. Our incentive compensation expense is higher in the first quarter of 2017 due to our expected full year performance for 2017 being higher than expectations for both our internal targets and as compared to selected peer banks ROE in comparison to expectations during the same period in 2016.
- An increase of $10.3 million in total other employee incentives and benefits, related to various expenses, particularly employer payroll taxes, group health and life insurance and agency fees reflective of our increased headcount in the first quarter of 2017 compared to the first quarter of 2016. The increase in other employee incentives and benefits also includes an increase of $2.3 million in share-based compensation expense, primarily due to our current vesting expectations for our outstanding performance-based restricted stock awards as compared to our estimate for the first quarter of 2016, reflective of the increase in our stock price relative to our peers.

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 2016 Form 10-K). Total costs incurred under these plans were $44.3 million for the three months ended March 31, 2017, compared to $35.6 million for the comparable 2016 period. These amounts are included in total compensation and benefits expense discussed above.

*Professional Services*

Professional services expense was $25.4 million for the three months ended March 31, 2017, compared to $19.0 million for the comparable 2016 period. The increase was due primarily to increases in consulting, and audit and tax, expenses related to our regulatory compliance initiatives.

*Net Occupancy*

Net occupancy expense was $11.7 million for the three months ended March 31, 2017, compared to $10.0 million for the comparable 2016 period. The increase was primarily due to lease renewals at higher costs, reflective of market conditions, and the expansion of certain offices to support our growth.

*FDIC and State Assessments*

FDIC and state assessments expense was $8.7 million for the three months ended March 31, 2017, compared to $6.9 million for the comparable 2016 period. The increase was due primarily to the increase in our average assets, as well as an increase in the federal assessment rate structure effective January 1, 2016.

*Other Noninterest Expense*

A summary of other noninterest expense for the three months ended March 31, 2017 and 2016 is as follows:

| | Three months ended March 31, | | |
|---|---|---|---|
| (Dollars in thousands) | 2017 | 2016 | % Change |
| Lending and other client related processing costs | $ 5,539 | $ 4,295 | 29.0 % |
| Telephone | 2,703 | 2,233 | 21.0 |
| Data processing services | 2,582 | 1,829 | 41.2 |
| Dues and publications | 795 | 802 | (0.9) |
| Postage and supplies | 749 | 790 | (5.2) |
| Other | 3,839 | 4,844 | (20.7) |
| Total other noninterest expense | $ 16,207 | $ 14,793 | 9.6 |

***Net (Income) Loss Attributable to Noncontrolling Interests***

Included in net income is income and expense attributable to noncontrolling interests. The relevant amounts allocated to investors in our consolidated subsidiaries, other than us, are reflected under “Net (income) loss attributable to noncontrolling interests” on our statements of income.

In the table below, noninterest income consists primarily of net investment gains and losses from our consolidated funds. Noninterest expense is primarily related to management fees paid by our managed funds to SVB Financial’s subsidiaries as the

funds' general partners. A summary of net income attributable to noncontrolling interests for the three months ended March 31, 2017 and 2016 is as follows:

| | Three months ended March 31, | | |
|---|---|---|---|
| (Dollars in thousands) | 2017 | 2016 | % Change |
| Net interest income (1) | $ (7) | $ (3) | 133.3% |
| Noninterest (income) loss (1) | (5,454) | 3,753 | NM |
| Noninterest expense (1) | 169 | (91) | NM |
| Carried interest allocation (2) | (1,105) | (1,082) | 2.1 |
| Net (income) loss attributable to noncontrolling interests | $ (6,397) | $ 2,577 | NM |

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 March 31, 2017 compared to the three months ended March 31, 2016*

Net income attributable to noncontrolling interests was $6.4 million for the first quarter of 2016, compared to net losses of $2.6 million for the comparable 2016 period. Net income attributable to noncontrolling interests of $6.4 million for the first quarter of 2017 was primarily a result of $6.5 million of net gains on investment securities (including carried interest allocation), of which, $6.4 million was from our managed funds of funds portfolio due to net unrealized valuation increases of investments held by the funds driven by increased IPO, M&A and private equity-backed financing activity during the first quarter of 2017. See "Results of Operations—Noninterest Income—Gains on Investment Securities, Net".

***Income Taxes***

Our effective income tax expense rate was 33.6 percent for the three months ended March 31, 2017, compared to 40.4 percent for the three months ended March 31, 2016. 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.

The reduction in the effective tax rate for the first quarter of 2017 resulted from the recognition of a tax benefit of $6.1 million due to the adoption and implementation of Accounting Standards Update ("ASU") 2016-09, Improvements to Employee Share-Based Payment Accounting. The new guidance requires tax impacts from employee share-based transactions to be recognized in the provision for income taxes rather than additional paid-in-capital in stockholders' equity required under the previous guidance.

The effective tax rate for the three months ended March 31, 2017 also included a tax benefit of $4.7 million for the return of tax funds related to a prior years' tax return.

Excluding the impact of these tax items, we expect the annual effective tax rate for 2017 to be comparable to the full-year 2016 effective tax rate.

***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 months ended March 31, 2017 and 2016:

*Global Commercial Bank*

| | Three months ended March 31, | | |
|---|---|---|---|
| (Dollars in thousands) | 2017 | 2016 | % Change |
| Net interest income | $ 275,684 | $ 256,178 | 7.6 % |
| Provision for credit losses | (28,889) | (32,703) | (11.7) |
| Noninterest income | 79,519 | 74,759 | 6.4 |
| Noninterest expense | (172,374) | (154,787) | 11.4 |
| Income before income tax expense | $ 153,940 | $ 143,447 | 7.3 |
| Total average loans, net of unearned income | $ 17,647,055 | $ 14,919,735 | 18.3 |
| Total average assets | 42,888,336 | 41,533,434 | 3.3 |
| Total average deposits | 38,296,563 | 37,837,645 | 1.2 |

*Three months ended March 31, 2017 compared to the three months ended March 31, 2016*

Income before income tax expense from our Global Commercial Bank ("GCB") increased to $153.9 million for the three months ended March 31, 2017, compared to $143.4 million for the comparable 2016 period, which reflected the continued acquisition of new clients and growth of our core commercial business. The key components of GCB's performance for the three months ended March 31, 2017 compared to the comparable 2016 period are discussed below.

Net interest income from GCB increased by $19.5 million for the three months ended March 31, 2017, due primarily to an increase in loan interest income resulting mainly from an increase in average loan balances, partially offset by lower yields.

GCB had a provision for credit losses of $28.9 million for the three months ended March 31, 2017, compared to $32.7 million for the comparable 2016 period. The provision of $28.9 million for the three months ended March 31, 2017 primarily reflected $25.4 million in specific reserves for net new nonaccrual loans and a $5.0 million increase in reserves for period-end loan growth.

The provision of $32.7 million for the three months ended March 31, 2016 was driven primarily by $9.5 million in increased reserves attributable to period-end loan growth and an increase in our overall reserves of $3.9 million for performing loans driven by a shift in the mix of our loan portfolio, as well as reflective of net charge-offs.

Noninterest income increased by $4.8 million for the three months ended March 31, 2017, related primarily to an increase across our core fees (higher credit card fees, deposit service charges, lending related fees and letters of credit/standby letters of credit).

Noninterest expense increased by $17.6 million for the three months ended March 31, 2017, due primarily to increased compensation and benefits and professional services expenses. Compensation and benefits expenses increased as a result of increased salaries and wages and higher incentive compensation expenses. The increase in GCB salaries and wages was due primarily to an increase in the average number of FTEs at GCB, which increased by 140 to 1,847 FTEs for the three months ended March 31, 2017, compared to 1,707 FTEs for the comparable 2016 period. The increase in incentive compensation expenses was due to the expectation of our performance to exceed budget for 2017. Professional services expense increased due to increases in consulting, audit and tax, and legal expenses related to our regulatory compliance initiatives.

*SVB Private Bank*

| (Dollars in thousands) | Three months ended March 31, 2017 | 2016 | % Change |
|---|---|---|---|
| Net interest income | $ 13,610 | $ 13,672 | (0.5)% |
| Provision for credit losses | (790) | (638) | 23.8 |
| Noninterest income | 718 | 627 | 14.5 |
| Noninterest expense | (3,919) | (3,405) | 15.1 |
| Income before income tax expense | $ 9,619 | $ 10,256 | (6.2) |
| Total average loans, net of unearned income | $ 2,245,317 | $ 1,871,820 | 20.0 |
| Total average assets | 2,259,018 | 1,893,413 | 19.3 |
| Total average deposits | 1,336,849 | 1,130,736 | 18.2 |

*Three months ended March 31, 2017 compared to the three months ended March 31, 2016*

Net interest income from SVB Private Bank decreased by $0.1 million for the three months ended March 31, 2017, due primarily to a higher funding charge for loans funded as loan growth exceeded deposit growth, offset by $2.5 million of higher interest income due to loan growth. SVB Private Bank loan yields were also lower due to continued competition.

Noninterest expense increased by $0.5 million for the three months ended March 31, 2017, due primarily to increased compensation and benefits expenses. Compensation and benefits expenses increased as a result of increased salaries and wages, reflective primarily of annual pay raises, and higher incentive compensation expenses due to the expectation of our performance to exceed budget for 2017.

*SVB Capital*

| (Dollars in thousands) | Three months ended March 31, 2017 | 2016 | % Change |
|---|---|---|---|
| Noninterest income | $ 16,775 | $ 2,453 | NM% |
| Noninterest expense | (3,472) | (3,913) | (11.3) |
| Income before income tax expense | $ 13,303 | $ (1,460) | NM |
| Total average assets | $ 372,876 | $ 349,011 | 6.8 |

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 March 31, 2017 compared to the three months ended March 31, 2016*

SVB Capital had noninterest income of $16.8 million for the three months ended March 31, 2017, compared to $2.5 million for the comparable 2016 period. The increase in noninterest income was due primarily to higher gains on investment securities compared to the comparable 2016 period. SVB Capital's components of noninterest income primarily include the following:

- Net gains on investment securities of $10.9 million for the three months ended March 31, 2017, compared to net losses of $1.9 million for the comparable 2016 period. The gains on investment securities of $10.9 million for the three months ended March 31, 2017 were related to the partial sale of shares of one of our direct equity investments as well as gains from distributions from our strategic venture capital fund investments and net unrealized valuation increases in the investments held by the funds driven by IPO, M&A and private equity-backed financing activity during the first quarter of 2017.

- Fund management fees of $5.2 million compared to $4.6 million for the comparable 2016 period. The increase was due primarily to the addition of new managed funds at SVB Capital.

**Consolidated Financial Condition**

Our total assets and total liabilities and stockholders' equity were $46.4 billion at March 31, 2017 compared to $44.7 billion at December 31, 2016, an increase of $1.7 billion, or 3.9 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 $3.8 billion at March 31, 2017, an increase of $1.2 billion, or 49.1 percent, compared to $2.5 billion at December 31, 2016. The increase in period-end cash balances was primarily due to growth in our deposit balances during the three months ended March 31, 2017.

As of March 31, 2017 and December 31, 2016, $2.4 billion and $1.1 billion, 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 $773 million and $721 million, respectively.

***Investment Securities***

Investment securities totaled $21.6 billion at March 31, 2017, a decrease of $0.1 billion, or 0.2 percent, compared to $21.7 billion at December 31, 2016. Our investment securities portfolio consists of: (i) an available-for-sale securities portfolio and a held-to-maturity securities portfolio, both of which represent primarily interest-earning fixed income investment securities; and (ii) a non-marketable and other securities portfolio, which represents primarily 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 to earn an appropriate portfolio yield over the long-term while maintaining sufficient liquidity and addressing our asset/liability management objectives. Period-end available-for-sale securities were $12.4 billion at March 31, 2017 compared to $12.6 billion at December 31, 2016, a decrease of $0.2 billion, or 1.9 percent. The $0.2 billion decrease in period-end AFS securities balances from the fourth quarter of 2016 to the first quarter of 2017 was due primarily to $0.8 billion in portfolio paydowns and maturities partially offset by purchases of $0.6 billion of agency backed mortgage securities.

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

The following table summarizes the remaining contractual principal maturities and fully taxable equivalent yields on fixed income securities, carried at fair value, classified as available-for-sale as of March 31, 2017. 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 remaining maturities for certain U.S. agency debentures may occur earlier than their contractual maturities because the note issuers have the right to call outstanding amounts ahead of their contractual maturity. 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.

| | March 31, 2017 | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 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 | $ 8,206,090 | 1.36% | $2,321,436 | 0.89% | $5,884,654 | 1.54% | $ — | —% | $ — | —% |
| U.S. agency debentures | 2,077,813 | 1.60 | 500,035 | 1.19 | 1,577,778 | 1.73 | — | — | — | — |
| Residential mortgage-backed securities: | | | | | | | | | | |
| Agency-issued collateralized mortgage obligations - fixed rate | 1,650,329 | 2.21 | — | — | — | — | 622,312 | 2.02 | 1,028,017 | 2.32 |
| Agency-issued collateralized mortgage obligations - variable rate | 445,581 | 0.71 | — | — | — | — | — | — | 445,581 | 0.71 |
| Total | $12,379,813 | 1.49 | $2,821,471 | 0.94 | $7,462,432 | 1.58 | $ 622,312 | 2.02 | $1,473,598 | 1.83 |

*Held-to-Maturity Securities*

Period-end held-to-maturity securities were $8.6 billion at March 31, 2017 compared to $8.4 billion at December 31, 2016, an increase of $0.2 billion, or 2.2 percent. The $0.2 billion increase in period-end HTM security balances from the fourth quarter of 2016 to the first quarter of 2017 was due to new purchases of $0.6 billion primarily in agency backed mortgage securities, partially offset by $0.4 billion in portfolio paydowns and maturities.

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 net unrealized gains at the date of transfer will continue to be reported as a separate component of shareholders' equity and amortized over the life of the securities in a manner consistent with the amortization of a premium or discount.

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 March 31, 2017. 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.

| | March 31, 2017 | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 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 | $ 641,421 | 2.63% | $ — | —% | $ 75,459 | 3.01% | $ 565,962 | 2.58% | $ — | —% |
| Residential mortgage-backed securities: | | | | | | | | | | |
| Agency-issued mortgage-backed securities | 3,020,929 | 2.49 | — | — | 317,056 | 2.23 | 77,461 | 2.03 | 2,626,412 | 2.53 |
| Agency-issued collateralized mortgage obligations - fixed rate | 3,223,055 | 1.74 | — | — | — | — | 160,700 | 1.62 | 3,062,355 | 1.75 |
| Agency-issued collateralized mortgage obligations - variable rate | 299,257 | 0.74 | — | — | — | — | — | — | 299,257 | 0.74 |
| Agency-issued commercial mortgage-backed securities | 1,292,744 | 2.25 | — | — | — | — | — | — | 1,292,744 | 2.25 |
| Municipal bonds and notes | 138,289 | 3.82 | 6,168 | 4.94 | 55,716 | 3.81 | 59,517 | 3.73 | 16,888 | 3.78 |
| Total | $8,615,695 | 2.14 | $ 6,168 | 4.94 | $ 448,231 | 2.56 | $ 863,640 | 2.43 | $7,297,656 | 2.08 |

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 investment securities portfolio duration was 2.5 years at both March 31, 2017 and December 31, 2016.

*Non-Marketable and Other Securities*

Our non-marketable and other securities portfolio primarily represents investments in venture capital and private equity funds, SPD Silicon Valley Bank Co., Ltd. (the Bank's joint venture bank in China ("SPD-SVB")), 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.

Period-end non-marketable and other securities were $635.6 million at March 31, 2017 compared to $622.6 million at December 31, 2016, an increase of $13.0 million, or 2.1 percent. Non-marketable and other securities, net of noncontrolling interests were $509.3 million at March 31, 2017, compared to $500.1 million at December 31, 2016. 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 March 31, 2017 and December 31, 2016:

| | March 31, 2017 | | December 31, 2016 | |
|---|---|---|---|---|
| (Dollars in thousands) | 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) | $ 139,715 | $ 35,819 | $ 141,649 | $ 40,464 |
| Other venture capital investments (2) | 2,040 | 218 | 2,040 | 218 |
| Other securities (fair value accounting) (3) | 646 | 119 | 753 | 138 |
| Non-marketable securities (equity method accounting): | | | | |
| Venture capital and private equity fund investments | 85,529 | 65,511 | 82,823 | 64,030 |
| Debt funds | 16,509 | 16,509 | 17,020 | 17,020 |
| Other investments (4) | 112,665 | 112,665 | 123,514 | 123,514 |
| Non-marketable securities (cost method accounting): | | | | |
| Venture capital and private equity fund investments | 117,243 | 117,243 | 114,606 | 114,606 |
| Other investments | 28,437 | 28,437 | 27,700 | 27,700 |
| Investments in qualified affordable housing projects, net | 132,766 | 132,766 | 112,447 | 112,447 |
| Total non-marketable and other securities | $ 635,550 | $ 509,287 | $ 622,552 | $ 500,137 |

(1) The following table shows the amounts of venture capital and private equity fund investments held by the following consolidated funds and amounts attributable to SVBFG for each fund at March 31, 2017 and December 31, 2016:

| | March 31, 2017 | | December 31, 2016 | |
|---|---|---|---|---|
| (Dollars in thousands) | Carrying value (as reported) | Amount attributable to SVBFG | Carrying value (as reported) | Amount attributable to SVBFG |
| Strategic Investors Fund, LP | $ 18,048 | $ 2,267 | $ 18,459 | $ 2,319 |
| Capital Preferred Return Fund, LP | 59,225 | 12,764 | 57,627 | 12,420 |
| Growth Partners, LP | 62,442 | 20,788 | 59,718 | 19,880 |
| Other private equity fund (i) | — | — | 5,845 | 5,845 |
| Total venture capital and private equity fund investments | $ 139,715 | $ 35,819 | $ 141,649 | $ 40,464 |

(i) On January 3, 2017, the other private equity fund was closed resulting in an immaterial impact on the Company's financial statements for the three months ended March 31, 2017.

(2) The following table shows the amounts of other venture capital investments held by the following consolidated funds and amounts attributable to SVBFG for each fund at March 31, 2017 and December 31, 2016:

| | March 31, 2017 | | December 31, 2016 | |
|---|---|---|---|---|
| (Dollars in thousands) | Carrying value (as reported) | Amount attributable to SVBFG | Carrying value (as reported) | Amount attributable to SVBFG |
| CP I, 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 March 31, 2017 and December 31, 2016:

| | March 31, 2017 | | December 31, 2016 | |
|---|---|---|---|---|
| (Dollars in thousands) | Carrying value (as reported) | Amount attributable to SVBFG | Carrying value (as reported) | Amount attributable to SVBFG |
| Other investments: | | | | |
| SPD Silicon Valley Bank Co., Ltd. | $ 75,316 | $ 75,316 | $ 75,296 | $ 75,296 |
| Other investments | 37,349 | 37,349 | 48,218 | 48,218 |
| Total other investments | $ 112,665 | $ 112,665 | $ 123,514 | $ 123,514 |

*Volcker Rule*

As discussed in Business - “Supervision and Regulation” under Item 1 of Part I of our 2016 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 Commodity Futures Trading Commission (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. 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 have applied for the maximum extension (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 March 31, 2017, an aggregate carrying value of approximately $179 million (and an aggregate fair value of $278 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 2016 Form 10-K.)

***Loans***

Loans, net of unearned income increased by $0.5 billion to $20.4 billion at March 31, 2017, compared to $19.9 billion at December 31, 2016. Unearned income was $121 million at March 31, 2017 and $125 million at December 31, 2016. Total gross loans were $20.5 billion at March 31, 2017, an increase of $0.5 billion, compared to $20.0 billion at December 31, 2016. Period-end loans increased compared to December 31, 2016, driven primarily by loan growth 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:

| | March 31, 2017 | | December 31, 2016 | |
|---|---|---|---|---|
| (Dollars in thousands) | Amount | Percentage | Amount | Percentage |
| Commercial loans: | | | | |
| Software/internet | $ 5,505,796 | 26.8% | $ 5,668,578 | 28.3% |
| Hardware | 1,108,735 | 5.4 | 1,189,114 | 5.9 |
| Private equity/venture capital | 8,437,354 | 41.1 | 7,747,911 | 38.7 |
| Life science/healthcare | 1,783,037 | 8.7 | 1,866,685 | 9.3 |
| Premium wine | 203,834 | 1.0 | 201,634 | 1.0 |
| Other | 480,912 | 2.3 | 396,458 | 2.0 |
| Total commercial loans | 17,519,668 | 85.3 | 17,070,380 | 85.2 |
| Real estate secured loans: | | | | |
| Premium wine | 672,831 | 3.3 | 678,745 | 3.5 |
| Consumer | 2,010,464 | 9.8 | 1,925,620 | 9.6 |
| Other | 43,459 | 0.2 | 43,807 | 0.2 |
| Total real estate secured loans | 2,726,754 | 13.3 | 2,648,172 | 13.3 |
| Construction loans | 71,268 | 0.3 | 64,957 | 0.3 |
| Consumer loans | 230,961 | 1.1 | 241,153 | 1.2 |
| Total gross loans | $ 20,548,651 | 100.0 | $ 20,024,662 | 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 March 31, 2017:

| | March 31, 2017 | | | | | |
|---|---|---|---|---|---|---|
| (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/internet | $ 1,350,895 | $ 797,917 | $ 1,397,247 | $ 939,218 | $ 1,020,519 | $ 5,505,796 |
| Hardware | 233,704 | 188,206 | 186,639 | 348,801 | 151,385 | 1,108,735 |
| Private equity/venture capital | 665,064 | 787,139 | 1,191,618 | 1,001,610 | 4,791,923 | 8,437,354 |
| Life science/healthcare | 361,657 | 351,181 | 476,867 | 421,192 | 172,140 | 1,783,037 |
| Premium wine | 66,817 | 30,561 | 81,723 | 24,733 | — | 203,834 |
| Other | 189,264 | 35,669 | 42,584 | 99,102 | 114,293 | 480,912 |
| Commercial loans | 2,867,401 | 2,190,673 | 3,376,678 | 2,834,656 | 6,250,260 | 17,519,668 |
| Real estate secured loans: | | | | | | |
| Premium wine | 156,030 | 190,651 | 219,485 | 106,665 | — | 672,831 |
| Consumer | 1,731,261 | 207,285 | 71,918 | — | — | 2,010,464 |
| Other | 7,952 | — | 14,574 | 20,933 | — | 43,459 |
| Real estate secured loans | 1,895,243 | 397,936 | 305,977 | 127,598 | — | 2,726,754 |
| Construction loans | 12,456 | 23,205 | 14,080 | 21,527 | — | 71,268 |
| Consumer loans | 97,880 | 39,925 | 2,297 | 57,214 | 33,645 | 230,961 |
| Total gross loans | $ 4,872,980 | $ 2,651,739 | $ 3,699,032 | $ 3,040,995 | $ 6,283,905 | $ 20,548,651 |

At March 31, 2017, gross loans equal to or greater than $20 million to any single client (individually or in the aggregate) totaled $9.3 billion, or 45 percent of our portfolio. These loans represented 243 clients, and of these loans, $79.7 million were on nonaccrual status as of both March 31, 2017 and December 31, 2016.

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, 2016:

| | December 31, 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/internet | $ 1,317,707 | $ 779,986 | $ 1,657,760 | $ 1,021,486 | $ 891,639 | $ 5,668,578 |
| Hardware | 252,339 | 160,534 | 223,781 | 244,988 | 307,472 | 1,189,114 |
| Private equity/venture capital | 635,838 | 668,998 | 1,182,427 | 888,916 | 4,371,732 | 7,747,911 |
| Life science/healthcare | 328,942 | 372,171 | 457,833 | 420,580 | 287,159 | 1,866,685 |
| Premium wine | 76,400 | 25,209 | 76,609 | 15,902 | 7,514 | 201,634 |
| Other | 124,650 | 40,950 | 61,228 | 26,320 | 143,310 | 396,458 |
| Commercial loans | 2,735,876 | 2,047,848 | 3,659,638 | 2,618,192 | 6,008,826 | 17,070,380 |
| Real estate secured loans: | | | | | | |
| Premium wine | 151,759 | 172,975 | 229,750 | 101,387 | 22,874 | 678,745 |
| Consumer loans | 1,664,432 | 196,345 | 64,843 | — | — | 1,925,620 |
| Other | 8,014 | — | 14,660 | 21,133 | — | 43,807 |
| Real estate secured loans | 1,824,205 | 369,320 | 309,253 | 122,520 | 22,874 | 2,648,172 |
| Construction loans | 23,976 | 6,685 | 14,016 | 20,280 | — | 64,957 |
| Consumer loans | 99,119 | 29,092 | 9,473 | 29,089 | 74,380 | 241,153 |
| Total gross loans | $ 4,683,176 | $ 2,452,945 | $ 3,992,380 | $ 2,790,081 | $ 6,106,080 | $ 20,024,662 |

At December 31, 2016, gross loans equal to or greater than $20 million to any single client (individually or in the aggregate) totaled $8.9 billion, or 44.4 percent of our portfolio. These loans represented 233 clients, and of these loans, $79.7 million were on nonaccrual status as of December 31, 2016.

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/ internet and hardware) and life science/healthcare, (ii) private equity/venture capital, and (iii) SVB 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 10 percent of total gross loans at March 31, 2017, compared to 11 percent at December 31, 2016. These loans are made to companies in both our Accelerator (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 12 percent of total gross loans at March 31, 2017 compared to 13 percent at December 31, 2016. 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 includes working capital lines and accounts receivable financing, represented seven and one percent of total gross loans as of March 31, 2017 and seven percent and two percent of total gross loans at December 31, 2016, respectively. 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 19 percent of total gross loans at March 31, 2017, compared to 20 percent of total gross loans at December 31, 2016. 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 10 percent of total gross loans at March 31, 2017, compared to 11 percent of total gross loans at December 31, 2016. 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 March 31, 2017, our lending to private equity/venture capital firms and funds represented 41 percent of total gross loans, compared to 39 percent of total gross loans at December 31, 2016. 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) SVB Private Bank*

Our SVB Private Bank clients are primarily private equity/venture capital professionals and executive leaders of the innovation companies they support. Our lending to SVB Private Bank clients represented 11 percent of total gross loans at both March 31, 2017 and December 31, 2016. Many of these clients have mortgages, which represented 87 percent of this portfolio at March 31, 2017; the balance of this portfolio consisted of home equity lines of credit, restricted stock purchase loans, capital call lines of credit, and other secured and unsecured lending.

*State Concentrations*

Approximately 31 percent and 11 percent of our outstanding total gross loan balances as of March 31, 2017 were to borrowers based in California and New York, respectively, compared to 33 percent and 11 percent as of December 31, 2016. 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 2016 Form 10-K.

*Credit Quality Indicators*

As of March 31, 2017 and December 31, 2016, our total criticized loans and impaired loans represented five percent and six percent of our total gross loans, respectively. Criticized and impaired loans to early-stage clients represented 15 percent of our total criticized and impaired loan balances at March 31, 2017 and December 31, 2016. Loans to early-stage clients represent a relatively small percentage of our overall portfolio at six percent of total gross loans. It is common for an 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 one to two quarters 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 reside in 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) | March 31, 2017 | December 31, 2016 |
|---|---|---|
| Gross nonaccrual, past due, and restructured loans: | | |
| Nonaccrual loans | $ 138,764 | $ 118,979 |
| Loans past due 90 days or more still accruing interest | 60 | 33 |
| Total nonperforming loans | 138,824 | 119,012 |
| OREO and other foreclosed assets | — | — |
| Total nonperforming assets | $ 138,824 | $ 119,012 |
| Performing TDRs | $ 16,505 | $ 33,732 |
| Nonperforming loans as a percentage of total gross loans | 0.68% | 0.59% |
| Nonperforming assets as a percentage of total assets | 0.30 | 0.27 |
| Allowance for loan losses | $ 243,130 | $ 225,366 |
| As a percentage of total gross loans | 1.18% | 1.13% |
| As a percentage of total gross nonperforming loans | 175.14 | 189.36 |
| Allowance for loan losses for nonaccrual loans | $ 50,395 | $ 37,277 |
| As a percentage of total gross loans | 0.25% | 0.19% |
| As a percentage of total gross nonperforming loans | 36.30 | 31.32 |
| Allowance for loan losses for total gross performing loans | $ 192,735 | $ 188,089 |
| As a percentage of total gross loans | 0.94% | 0.94% |
| As a percentage of total gross performing loans | 0.94 | 0.94 |
| Total gross loans | $ 20,548,651 | $ 20,024,662 |
| Total gross performing loans | 20,409,827 | 19,905,650 |
| Allowance for unfunded credit commitments (1) | 46,335 | 45,265 |
| As a percentage of total unfunded credit commitments | 0.29% | 0.27% |
| Total unfunded credit commitments (2) | $ 16,082,331 | $ 16,743,196 |

(1) The "allowance for unfunded credit commitments" is included as a component of other liabilities and any provision is included in the "provision for credit losses" in the statement of income. See "Provision for credit losses" for a discussion of the changes to the allowance.

(2) Includes unfunded loan commitments and letters of credit.

Our allowance for loan losses as a percentage of total gross loans increased five basis points to 1.18 percent at March 31, 2017. The increase of five basis points was reflective primarily of the increase in our allowance for nonaccrual loans as a percentage of total gross loans by six basis points, to 0.25 percent, at March 31, 2017.

Our allowance for loan losses for nonaccrual loans was $50.4 million at March 31, 2017, compared to $37.3 million at December 31, 2016. The $13.1 million increase in the allowance for nonaccrual loans includes $22.7 million of new nonaccrual loan reserves, partially offset by $8.6 million of charge-offs. New nonaccrual loan reserves of $22.7 million were mostly attributable to a new late-stage client and an early-stage client as well as increased reserves for one sponsored buyout loan.

The following table presents a summary of changes in nonaccrual loans:

| (Dollars in thousands) | March 31, 2017 | December 31, 2016 |
|---|---|---|
| Beginning balance | $ 118,979 | $ 123,392 |
| Additions | 34,324 | 128,338 |
| Paydowns | (4,327) | (81,997) |
| Charge-offs | (10,211) | (49,622) |
| Other reductions | (1) | (1,132) |
| Ending balance | $ 138,764 | $ 118,979 |

Our nonaccrual loans as of March 31, 2017 included $102.7 million from five clients (four software/internet clients represented $81.1 million and one life science/healthcare client represented $21.6 million). Two of these loans are sponsored buyout loans that were added to our nonaccrual portfolio in 2015, another is a Corporate Finance client that was a new nonaccrual loan in 2016, and includes two new nonaccrual loans added in 2017 (a late-stage client and an early-stage client). The total credit exposure for our five largest nonaccrual loans is $103.0 million, for which we have specifically reserved $38.7 million.

Average nonaccrual loans for the three months ended March 31, 2017 were $125.4 million compared to $111.5 million for the comparable 2016 period. The $13.9 million increase in average nonaccrual loans for the three months ended March 31, 2017 compared to March 31, 2016 was primarily from our software/internet loan portfolio. If the impaired loans had not been impaired, $1.8 million in interest income would have been recorded for the three months ended March 31, 2017, compared to $1.5 million for the comparable 2016 period.

***Accrued Interest Receivable and Other Assets***

A summary of accrued interest receivable and other assets at March 31, 2017 and December 31, 2016 is as follows:

| (Dollars in thousands) | March 31, 2017 | December 31, 2016 | % Change |
|---|---|---|---|
| Derivative assets, gross (1) | $ 190,164 | $ 210,070 | (9.5)% |
| Foreign exchange spot contract assets, gross | 76,430 | 53,058 | 44.0 |
| Accrued interest receivable | 110,949 | 111,222 | (0.2) |
| FHLB and Federal Reserve Bank stock | 57,592 | 57,592 | — |
| Accounts receivable | 59,224 | 62,569 | (5.3) |
| Net deferred tax assets | 90,934 | 71,840 | 26.6 |
| Other assets | 90,490 | 106,337 | (14.9) |
| Total accrued interest receivable and other assets | $ 675,783 | $ 672,688 | 0.5 |

(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 increase of $23.4 million was due primarily to an overall increase in activity at period-end.

*Net Deferred Tax Assets*

The increase of $19.1 million in net deferred tax assets primarily related to an increase in the allowance for loan losses, offset by decreases in future taxable income attributable to warrants, fair value changes of our AFS securities portfolio, and tax accounting method change adjustments.

***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 March 31, 2017 and December 31, 2016:

| (Dollars in thousands) | March 31, 2017 | December 31, 2016 | % Change |
|---|---|---|---|
| **Assets:** | | | |
| Equity warrant assets | $ 124,233 | $ 131,123 | (5.3)% |
| Foreign exchange forward and option contracts | 54,911 | 68,027 | (19.3) |
| Interest rate swaps | 318 | 810 | (60.7) |
| Client interest rate derivatives | 10,702 | 10,110 | 5.9 |
| Total derivative assets | $ 190,164 | $ 210,070 | (9.5) |
| **Liabilities:** | | | |
| Foreign exchange forward and option contracts | $ (45,157) | $ (54,668) | (17.4) |
| Client interest rate derivatives | (10,592) | (9,770) | 8.4 |
| Total derivative liabilities | $ (55,749) | $ (64,438) | (13.5) |

*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 March 31, 2017, we held warrants in 1,762 companies, compared to 1,739 companies at December 31, 2016. Warrants in 13 companies each had values greater than $1.0 million and collectively represented $29.2 million, or 23.5 percent, of the fair value of the total warrant portfolio at March 31, 2017. The change in fair value of equity warrant assets is recorded in gains on equity warrant assets, 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 months ended March 31, 2017 and 2016:

| | Three months ended March 31, | |
|---|---|---|
| (Dollars in thousands) | 2017 | 2016 |
| Balance, beginning of period | $ 131,123 | $ 137,105 |
| New equity warrant assets | 4,073 | 2,386 |
| Non-cash changes in fair value, net | (632) | 372 |
| Exercised equity warrant assets | (9,697) | (8,578) |
| Terminated equity warrant assets | (634) | (615) |
| Balance, end of period | $ 124,233 | $ 130,670 |

*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' needs. 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. Net gains and losses on the revaluation of foreign currency denominated instruments are recorded in 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 March 31, 2017 was $4.6 million and our net exposure at December 31, 2016 was $0.8 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 1 of this report.

*Client Interest Rate Derivatives*

We sell interest rate contracts to clients who wish to mitigate their interest rate exposure. We economically reduce the interest rate risk from this business by entering into opposite way contracts with correspondent banks. Our net exposure for client interest rate derivative contracts was $0.1 million at March 31, 2017 and our net exposure at December 31, 2016 was $0.3 million. For additional information on our client interest rate derivatives, see Note 9—"Derivative Financial Instruments" of the "Notes to Interim Consolidated Financial Statements (unaudited)" under Part I, Item 1 of this report.

***Deposits***

Deposits were $41.1 billion at March 31, 2017, an increase of $2.1 billion, or 5.4 percent, compared to $39.0 billion at December 31, 2016. The increase in deposits was driven primarily by new funds coming from existing clients in our private equity/venture capital portfolio towards the end of the first quarter of 2017. The increase in new funds in our private equity/venture capital portfolio was reflective of M&A and private equity-backed financing activity during the first quarter of 2017 for which distributions are expected in the second quarter of 2017.

At March 31, 2017, the aggregate balance of time deposit accounts individually equal to or greater than $100,000 totaled $33.9 million, compared to $48.3 million at December 31, 2016. At March 31, 2017, $33.9 million of the time deposit accounts individually equal to or greater than $100,000 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. Approximately 12 percent of our total deposits at both March 31, 2017 and December 31, 2016 were from our clients in Asia.

***Short-Term Borrowings***

We had $5.2 million in short-term borrowings at March 31, 2017, compared to $512.7 million at December 31, 2016. The decrease was due to the repayment, on January 6, 2017, of our short-term FHLB advances utilized and outstanding at December 31, 2016.

***Long-Term Debt***

Our long-term debt was $795.5 million at March 31, 2017 and $795.7 million at December 31, 2016.

As of March 31, 2017, 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 1 of this report.

Our 6.05% Subordinated Notes, issued by the Bank, will mature on June 1, 2017. The interest rate swap agreement relating to this issuance is expected to be terminated upon maturing of the notes.

***Other Liabilities***

A summary of other liabilities at March 31, 2017 and December 31, 2016 is as follows:

| (Dollars in thousands) | March 31, 2017 | December 31, 2016 | % Change |
|---|---|---|---|
| Foreign exchange spot contract liabilities, gross | $ 122,385 | $ 68,018 | 79.9 % |
| Accrued compensation | 46,189 | 135,842 | (66.0) |
| Allowance for unfunded credit commitments | 46,335 | 45,265 | 2.4 |
| Derivative liabilities, gross (1) | 55,749 | 64,438 | (13.5) |
| Other | 358,897 | 304,820 | 17.7 |
| Total other liabilities | $ 629,555 | $ 618,383 | 1.8 |

(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 $54.4 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 and other compensation arrangements. The decrease of $89.7 million was primarily the result of 2016 incentive compensation payouts during the first quarter of 2017, partially offset by higher accruals for the three months ended March 31, 2017 due to the expectation of our performance to exceed budget for 2017.

*Other*

Other includes various accrued liability amounts for other operational transactions. The increase of $54.1 million was reflective primarily of a $42.9 million increase in unsettled investment securities purchases at March 31, 2017 compared to December 31, 2016.

***Noncontrolling Interests***

Noncontrolling interests totaled $139.1 million and $134.5 million at March 31, 2017 and December 31, 2016, respectively. The $4.6 million increase was due primarily to income attributable to noncontrolling interests of $6.4 million, partially offset by net distributions of $1.8 million to limited partners from various managed funds of funds for the three months ended March 31, 2017.

***Fair Value Measurements***

The following table summarizes our financial assets and liabilities that are measured at fair value on a recurring basis as of March 31, 2017 and December 31, 2016:

| | March 31, 2017 | | December 31, 2016 | |
|---|---|---|---|---|
| (Dollars in thousands) | Total Balance | Level 3 | Total Balance | Level 3 |
| Assets carried at fair value | $ 12,716,572 | $ 124,239 | $ 12,974,923 | $ 130,853 |
| As a percentage of total assets | 27.4% | 0.3% | 29.0% | 0.3% |
| Liabilities carried at fair value | $ 55,749 | $ — | $ 64,438 | $ — |
| As a percentage of total liabilities | 0.1% | —% | 0.2% | —% |
| As a percentage of assets carried at fair value | | 1.0% | | 1.0% |

Financial assets valued using Level 3 measurements consist of our non-marketable investment securities in shares of private company stock 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 2016 Form 10-K.

During the three months ended March 31, 2017, the Level 3 assets that are measured at fair value on a recurring basis experienced net realized and unrealized gains of $6.6 million, primarily due to net gains realized on exercised warrant assets due primarily to M&A activity. During the three months ended March 31, 2016, the Level 3 assets that are measured at fair value on a recurring basis experienced net realized and unrealized gains of $7.1 million, primarily due to net gains realized on exercised warrant assets.

**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 in an effort to optimize the use of capital available to us and to appropriately plan for our future capital needs. The capital plan considers capital needs for the foreseeable future and allocates capital to both existing and future business activities. Expected future use or activities for which capital may be set aside include balance sheet growth and associated relative increases in market or credit exposure, investment activity, potential product and business expansions, acquisitions and strategic or infrastructure investments. In addition, we conduct capital stress tests as part of our annual capital planning process. The capital 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 $3.76 billion at March 31, 2017, an increase of $122 million, or 3.3 percent, compared to $3.64 billion at December 31, 2016. This increase was due primarily to net income of $101 million for the three months ended March 31, 2017 and an increase in additional paid-in capital of $26 million attributable primarily to amortization of share-based compensation expense and common stock issued under employee benefit plans.

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 March 31, 2017 and December 31, 2016. Capital ratios for SVB Financial and the Bank, compared to the minimum regulatory ratios applicable to bank holding companies and banks to be considered "well capitalized" and "adequately capitalized", are set forth below:

| | | | Minimum Ratios under Applicable Regulatory Capital Adequacy Requirements | |
|---|---|---|---|---|
| | March 31, 2017 | December 31, 2016 | "Well Capitalized" | "Adequately Capitalized" |
| **SVB Financial:** | | | | |
| CET 1 risk-based capital ratio | 13.05% | 12.80% | 6.5% | 4.5% |
| Tier 1 risk-based capital ratio | 13.44 | 13.26 | 8.0 | 6.0 |
| Total risk-based capital ratio | 14.45 | 14.21 | 10.0 | 8.0 |
| Tier 1 leverage ratio | 8.51 | 8.34 | N/A | 4.0 |
| Tangible common equity to tangible assets ratio (1) | 8.11 | 8.15 | N/A | N/A |
| Tangible common equity to risk-weighted assets ratio (1) | 13.12 | 12.89 | N/A | N/A |
| **Bank:** | | | | |
| CET 1 risk-based capital ratio | 12.75% | 12.65% | 6.5% | 4.5% |
| Tier 1 risk-based capital ratio | 12.75 | 12.65 | 8.0 | 6.0 |
| Total risk-based capital ratio | 13.80 | 13.66 | 10.0 | 8.0 |
| Tier 1 leverage ratio | 7.81 | 7.67 | 5.0 | 4.0 |
| Tangible common equity to tangible assets ratio (1) | 7.66 | 7.77 | N/A | N/A |
| Tangible common equity to risk-weighted assets ratio (1) | 12.82 | 12.75 | 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.

Capital ratios (CET 1, tier 1, total risk-based capital and tier 1 leverage) for both SVB Financial and Silicon Valley Bank increased as of March 31, 2017, compared to the same ratios as of December 31, 2016. The changes were driven by an increase in capital during the first quarter of 2017, primarily from net income. An increase in additional paid-in capital from share-based compensation expense during the quarter also resulted in a benefit to the capital ratios. The increases in capital were partially offset by an increase in risk weighted assets due to period-end loan growth. The increases to the Bank's capital ratios were

partially offset by a $20 million cash dividend paid by the Bank to our bank holding company, SVB Financial, during the first quarter of 2017. 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 March 31, 2017 and December 31, 2016:

| | SVB Financial | | Bank | |
|---|---|---|---|---|
| **Non-GAAP tangible common equity and tangible assets (Dollars in thousands, except ratios)** | **March 31, 2017** | **December 31, 2016** | **March 31, 2017** | **December 31, 2016** |
| GAAP SVBFG stockholders’ equity | $ 3,764,331 | $ 3,642,554 | $ 3,508,871 | $ 3,423,427 |
| Tangible common equity | $ 3,764,331 | $ 3,642,554 | $ 3,508,871 | $ 3,423,427 |
| GAAP Total assets | $ 46,413,339 | $ 44,683,660 | $ 45,807,551 | $ 44,059,340 |
| Tangible assets | $ 46,413,339 | $ 44,683,660 | $ 45,807,551 | $ 44,059,340 |
| Risk-weighted assets | $ 28,691,192 | $ 28,248,750 | $ 27,368,552 | $ 26,856,850 |
| Tangible common equity to tangible assets | 8.11% | 8.15% | 7.66% | 7.77% |
| Tangible common equity to risk-weighted assets | 13.12 | 12.89 | 12.82 | 12.75 |

The tangible common equity to tangible assets ratio decreased for SVB Financial and the Bank. The decreases were a result of the proportionally higher increase in our assets compared to the changes in common equity during the three months ended March 31, 2017. Increased capital was reflective primarily of net income through March 31, 2017. Total assets increased primarily as a result of higher cash balances and loan growth driven by increases in deposits. The tangible common equity to risk-weighted assets ratio increased for SVB Financial and the Bank. The increases were a result of the proportionally higher increase in net income compared to the changes in risk-weighted assets during the three months ended March 31, 2017. The growth in period-end risk-weighted assets was primarily from loan growth. 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 for our off-balance sheet products which may impact deposit levels. At March 31, 2017, our period-end total deposit balances were $41.1 billion, compared to $39.0 billion at December 31, 2016.

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.

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. We also pledge securities to the FHLB of San Francisco and the discount window at the Federal Reserve Bank. The fair value of collateral pledged to the FHLB of San Francisco (comprised primarily of U.S. Treasury securities) at March 31, 2017 totaled $1.7 billion, all of which was unused and available to support additional borrowings. The fair value of collateral pledged at the discount window of the Federal Reserve Bank at March 31, 2017 totaled $0.8 billion, all of which was unused and available to support additional borrowings.

On a stand-alone basis, SVB Financial's primary liquidity channels include cash flow from investments and interest in financial assets (including equity warrants) held by SVB Financial or its operating subsidiaries other than the Bank; to the extent declared, dividends from the Bank; and to the extent needed, capital market transactions offering debt and equity instruments in the public and private markets.

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 2016 Form 10-K.

*Consolidated Summary of Cash Flows*

Below is a summary of our average cash position and statement of cash flows for the three months ended March 31, 2017 and 2016. For further details, see our "Interim Consolidated Statements of Cash Flows (Unaudited)" under Part I, Item 1 of this report.

| | Three months ended March 31, | |
|---|---|---|
| **(Dollars in thousands)** | **2017** | **2016** |
| Average cash and cash equivalents | $ 2,857,614 | $ 2,533,391 |
| Percentage of total average assets | 6.3% | 5.7% |
| Net cash provided by operating activities | $ 96,731 | $ 56,061 |
| Net cash (used for) provided by investing activities | (446,211) | 1,474,078 |
| Net cash provided by (used for) financing activities | 1,599,409 | (1,164,884) |
| Net increase in cash and cash equivalents | $ 1,249,929 | $ 365,255 |

Average cash and cash equivalents increased by $0.4 billion, or 12.8 percent, to $2.9 billion for the three months ended March 31, 2017, compared to $2.5 billion for the comparable 2016 period.

Cash provided by operating activities was $96.7 million for the three months ended March 31, 2017, reflective primarily of net income before noncontrolling interests of $107.9 million.

Cash provided by investing activities of $0.4 billion for the three months ended March 31, 2017 was driven by $0.5 billion in loan growth, while $1.2 billion of proceeds from maturities and principal paydowns from our fixed income securities investment portfolio were mostly offset by $1.2 billion in purchases of fixed income securities.

Cash used for financing activities was $1.6 billion for the three months ended March 31, 2017, reflective primarily of a net increase of $2.1 billion in deposits, partially offset by $0.5 billion of payments on our overnight short-term borrowings.

Cash and cash equivalents were $3.8 billion and $1.9 billion, respectively, at March 31, 2017 and March 31, 2016.

**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, equity price risk, including the effect of competition on product pricing. While all of these risks are important considerations, all are inherently difficult to predict, and it is equally difficult to assess the impact of each on the overall simulation results. As a result, simulations used to analyze sensitivity to interest rate risk will differ from actual results due to differences in the timing, frequency, and magnitude of changes in market rates, the impact of competition, fluctuating business conditions, and the impact of strategies taken by management to mitigate these risks.

Interest rate risk is managed by our ALCO. ALCO reviews the sensitivity of the market valuation on earning assets and funding liabilities and 12-month forward looking net interest income from changes in interest rates, structural changes in investment and funding portfolios, loan and deposit activity and current market conditions. Adherence with relevant metrics included in our Interest Rate Risk Policy, which is approved by the Finance Committee of our Board of Directors, is monitored on an ongoing basis.

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

We utilize a simulation model to perform sensitivity analysis on the economic value of our equity and our net interest income under a variety of interest rate scenarios, balance sheet forecasts and business strategies. The simulation model provides a dynamic assessment of interest rate sensitivity embedded within our balance sheet which measures the potential variability in economic value and net interest income relating solely to changes in market interest rates over time. We review our interest rate risk position and sensitivity to market rates 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, if any. 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. Meaning, the size and composition of earning assets and funding liabilities are held constant over the simulation horizon. Simulated cash flows during the scenario horizon are assumed to be replaced as they occur, which restores the balance sheet to its original size and composition. More specifically, with respect to earning assets, loan maturities, principal maturities, paydowns and calls on investments are added back as replacement balances as they occur during the simulation horizon. Yield and spread assumptions on cash and investment balances reflect current market rates. Yield and spread assumptions on loans reflect recent market impacts on product pricing. Similarly, we make certain deposit decay rate assumptions on demand deposits and interest bearing deposits, which are replenished to hold the level and mix of funding liabilities constant. Changes in market interest rates that affect us are principally short-term interest rates and include the following benchmark indexes: (i) National and SVB Prime rates, (ii) 1-month and 3-month LIBOR, and (iii) the Federal 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, simulated changes in deposit pricing relative to changes in market rates, commonly referred to as deposit beta, generally follow overall changes in short-term interest rates, although actual changes may lag in terms of timing and magnitude. Overall, the assumed weighted deposit beta on interest bearing deposits is approximately 35 percent, which means deposit repricing is assumed to be approximately 35 percent of a given change in short-term interest rates. This repricing is reflected as a change in interest expense on interest bearing deposit balances.

The following table presents our EVE and NII sensitivity exposure related to an instantaneous and sustained parallel shift in market interest rates of 100 and 200 basis points at March 31, 2017 and at December 31, 2016:

| 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 |
| March 31, 2017: | | | | | | |
| 200 | $ 7,794,970 | $ 2,222,586 | 39.9 % | $ 1,782,573 | $ 425,822 | 31.4 % |
| 100 | 6,757,910 | 1,185,526 | 21.3 | 1,571,462 | 214,711 | 15.8 |
| — | 5,572,384 | — | — | 1,356,751 | — | — |
| -100 | 5,095,998 | (476,386) | (8.5) | 1,285,706 | (71,045) | (5.2) |
| -200 | 5,494,289 | (78,095) | (1.4) | 1,244,504 | (112,247) | (8.3) |
| | | | | | | |
| December 31, 2016: | | | | | | |
| 200 | $ 7,435,607 | $ 2,074,881 | 38.7 % | $ 1,628,400 | $ 376,020 | 30.0 % |
| 100 | 6,464,046 | 1,103,320 | 20.6 | 1,439,468 | 187,088 | 14.9 |
| — | 5,360,726 | — | — | 1,252,380 | — | — |
| -100 | 5,049,829 | (310,897) | (5.8) | 1,191,168 | (61,212) | (4.9) |
| -200 | 5,380,594 | 19,868 | 0.4 | 1,154,914 | (97,466) | (7.8) |

**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 to determine discounting factors on projected cash flows. The model simulations and calculations are highly assumption-dependent and will change regularly as the composition of earning assets and funding liabilities change (including the impact of changes in the value of interest rate derivatives, if any), as interest rate environments evolve, and as we change our assumptions in response to relevant market conditions, competition or business circumstances. These calculations do not reflect forecast changes in our balance sheet or changes we may make to reduce our EVE exposure 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, basis risk, and yield spread compression, 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 our estimate of the underlying value of equity or forecast of NII.

Our base case EVE as of March 31, 2017 increased from December 31, 2016 by $212 million primarily due to balance sheet mix changes as well as changes in the yield curve. Compared to December 31, 2016, period-end loans, as of March 31, 2017, net of unearned income, increased $528 million. Comparing the same periods, period-end total fixed income investment securities decreased $48 million and period-end cash and cash equivalents increased by $1.2 billion driven primarily by an increase in deposits balances of $2.1 billion.

Higher short-term LIBOR rates as of March 31, 2017, with only marginally higher long-term rates, contributed to a flattening of the yield curve compared to December 31, 2016. Changes in nominal rates and a change in the shape of the yield curve resulted in the market value of deposits decreasing in amounts greater than assets, which resulted in a higher base case EVE as of March 31, 2017. Compared to December 31, 2016, higher deposit balances and higher loan balances, as of March 31, 2017, contributed to an increase in EVE sensitivity of 0.7 percent, or an $82 million increase from the base case in the +100 bps rate shock scenario and a 2.7 percent increase in EVE sensitivity, or a $165 million decrease from the base case in the -100 bps scenario. The increase in sensitivity in the downward rate shock scenarios can be attributed to the increase in the level of rates across the yield curve, as described above, compared to the level of rates on December 31, 2016. The resulting discounting rates applied as of March 31, 2017 are higher than those from the prior period, which allows rates for loans and deposits to move further before hitting floors in the down rate scenarios. This results in a greater valuation impact on both assets and liabilities in the downward rate shocks, and therefore, greater EVE sensitivity.

**12-Month Net Interest Income Simulation**

Our simulated 12-month base case NII at March 31, 2017 increased from December 31, 2016 by $104 million, due to the impact of higher rates on LIBOR and Prime rate based loans, higher period-end loan growth as noted above, and a generally higher level of earning assets at March 31, 2017.

NII sensitivity as of March 31, 2017 in the +100 and +200 bps interest rate shock scenarios increased 0.7 percent and 1.4 percent, or $28 million and $50 million, respectively, compared to the base case as compared to December 31, 2016. These changes are due to an increase in short-term market rates, primarily LIBOR and the Prime rate, and from changes in balance sheet mix noted above. More specifically, an increase in yields and balances on floating-rate loans coupled with higher non-interest bearing deposit balances increases NII in a rising interest rate environment.

The simulation model used in the above analysis incorporates embedded floors on loans in our interest rate scenarios, which prevent model benchmark rates from moving below 0.0% in the down rate scenarios. The embedded floors are also a factor in the up rate scenarios to the extent a simulated increase in rates is needed before floored rates are cleared. 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 changes in client behavior and at management's discretion. Actual changes in our deposit pricing strategies may differ from our current model assumptions and may have an impact on our actual sensitivity overall.

**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 2016 Annual Report on 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 the end of the 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: May 10, 2017

/s/ MICHAEL DESCHENEAUX

Michael Descheneaux
Chief Financial Officer
(Principal Financial Officer)

SVB Financial Group

Date: May 10, 2017

/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 | |
| 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 |

**EXHIBIT 31.1**

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

I, Greg Becker, certify that:

1. I have reviewed this annual 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 periods 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: May 10, 2017

/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 annual 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 periods 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: May 10, 2017

/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 annual report of SVB Financial Group on Form 10-Q for the quarterly period ended March 31, 2017, (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: May 10, 2017

/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 annual report of SVB Financial Group on Form 10-Q for the quarterly period ended March 31, 2017, (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: May 10, 2017

/s/ MICHAEL DESCHENEAUX

Michael Descheneaux
Chief Financial Officer
(Principal Financial Officer)