SVB FINANCIAL GROUP
Form 10-Q
November 06, 2015
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2015
OR

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

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

Delaware	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 x No ¨
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No ¨
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):
Large accelerated filer x Accelerated filer ¨ Non-accelerated filer ¨ Smaller reporting company ¨
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ¨ No x
At October 31, 2015, 51,493,211 shares of the registrant's common stock ($0.001 par value) were outstanding.

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Glossary of Acronyms that may be used in this Report

ASC — Accounting Standards Codification
ASU – Accounting Standards Update
EHOP – Employee Home Ownership Program of the Company
EPS – Earnings Per Share
ESOP – Employee Stock Ownership Plan of the Company
ESPP – 1999 Employee Stock Purchase Plan of the Company
FASB – Financial Accounting Standards Board
FDIC – Federal Deposit Insurance Corporation
FHLB – Federal Home Loan Bank
FRB - Federal Reserve Bank
FTE - Full-Time Employee
FTP – Funds Transfer Pricing
GAAP - Accounting principles generally accepted in the United States of America
IASB – International Accounting Standards Board
IPO – Initial Public Offering
IRS – Internal Revenue Service
IT – Information Technology
LIBOR – London Interbank Offered Rate
M&A – Merger and Acquisition
OTTI – Other Than Temporary Impairment
SEC – Securities and Exchange Commission
TDR – Troubled Debt Restructuring
UK – United Kingdom
VIE – Variable Interest Entity

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

(Dollars in thousands, except par value and share data)	September 30, 2015 (Unaudited)	December 31, 2014
Assets		
Cash and cash equivalents	$1,674,145	$1,796,062
Available-for-sale securities, at fair value (cost of $15,167,233 and $13,497,945, respectively)	15,307,661	13,540,655
Held-to-maturity securities, at cost (fair value of $8,367,003 and $7,415,656, respectively)	8,306,526	7,421,042
Non-marketable and other securities (1)	650,555	1,728,140
Total investment securities	24,264,742	22,689,837
Loans, net of unearned income	15,314,580	14,384,276
Allowance for loan losses	(197,507)	(165,359)
Net loans	15,117,073	14,218,917
Premises and equipment, net of accumulated depreciation and amortization	94,652	79,845
Accrued interest receivable and other assets (1)	580,370	553,208
Total assets	$41,730,982	$39,337,869
Liabilities and total equity		
Liabilities:		
Noninterest-bearing demand deposits	$28,658,963	$24,583,682
Interest-bearing deposits	8,390,454	9,759,817
Total deposits	37,049,417	34,343,499
Short-term borrowings	3,756	7,781
Other liabilities	566,370	483,493
Long-term debt	797,211	451,362
Total liabilities	38,416,754	35,286,135
Commitments and contingencies (Note 13 and Note 16)		
SVBFG stockholders’ equity:		
Preferred stock, $0.001 par value, 20,000,000 shares authorized; no shares issued and outstanding	—	—
Common stock, $0.001 par value, 150,000,000 shares authorized; 51,488,985 shares and 50,924,925 shares outstanding, respectively	51	51
Additional paid-in capital	1,171,649	1,120,350
Retained earnings (1)	1,906,135	1,649,967
Accumulated other comprehensive income	97,064	42,704
Total SVBFG stockholders’ equity	3,174,899	2,813,072
Noncontrolling interests	139,329	1,238,662
Total equity	3,314,228	4,051,734
Total liabilities and total equity	$41,730,982	$39,337,869

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

this report.

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

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

	Three months ended September 30,		Nine months ended September 30,	
(Dollars in thousands, except per share amounts)	2015	2014	2015 (2)	2014
Interest income:				
Loans	$174,993	$153,292	$507,746	$449,144
Investment securities:				
Taxable	87,609	73,540	253,496	191,384
Non-taxable	707	772	2,220	2,362
Federal funds sold, securities purchased under agreements to resell and other short-term investment securities	1,482	1,722	4,071	5,301
Total interest income	264,791	229,326	767,533	648,191
Interest expense:				
Deposits	1,158	2,961	4,283	8,933
Borrowings	8,973	5,800	25,894	17,400
Total interest expense	10,131	8,761	30,177	26,333
Net interest income	254,660	220,565	737,356	621,858
Provision for loan losses	33,403	16,610	66,368	19,051
Net interest income after provision for loan losses	221,257	203,955	670,988	602,807
Noninterest income:				
Gains on investment securities, net	18,768	5,644	77,006	172,236
Gains on derivative instruments, net	10,244	26,538	66,290	63,480
Foreign exchange fees	22,995	17,911	63,037	53,035
Credit card fees	14,536	10,909	40,841	31,440
Deposit service charges	12,272	10,126	34,309	29,344
Lending related fees	7,561	6,029	23,746	18,208
Client investment fees	5,683	3,814	15,429	10,751
Letters of credit and standby letters of credit fees	5,341	4,557	15,315	11,507
Other	11,077	(5,361)	22,315	14,601
Total noninterest income	108,477	80,167	358,288	404,602
Noninterest expense:				
Compensation and benefits	109,345	99,932	350,030	302,259
Professional services	21,137	26,081	58,834	68,383
Premises and equipment	12,356	12,631	36,800	36,267
Business development and travel	8,028	10,022	28,904	29,465
Net occupancy	8,548	7,437	24,010	22,436
FDIC and state assessments	6,954	4,587	18,705	13,660
Correspondent bank fees	3,070	3,278	9,775	9,755
Provision for unfunded credit commitments	1,047	2,225	249	5,533
Other (1)	14,270	13,568	42,101	33,355
Total noninterest expense (1)	184,755	179,761	569,408	521,113
Income before income tax expense (1)	144,979	104,361	459,868	486,296
Income tax expense (1)	57,017	40,207	175,057	137,431
Net income before noncontrolling interests (1)	87,962	64,154	284,811	348,865
Net income attributable to noncontrolling interests	(6,229)	(177)	(28,419)	(142,985)
Net income available to common stockholders (1)	$81,733	$63,977	$256,392	$205,880

Earnings per common share—basic (1)	$1.59	$1.26	$5.00	$4.26
Earnings per common share—diluted	1.57	1.24	4.94	4.18

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

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

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

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

	Three months ended September 30,		Nine months ended September 30,	
(Dollars in thousands)	2015	2014	2015	2014
Net income before noncontrolling interests (1) (2)	$87,962	$64,154	$284,811	$348,865
Other comprehensive (loss) income, net of tax:				
Change in cumulative translation gains:				
Foreign currency translation gains (losses)	(102)	(2,259)	2,588	(638)
Related tax benefit (expense)	87	935	(1,054)	281
Change in unrealized gains on available-for-sale securities:				
Unrealized holding gains (losses)	58,902	(48,724)	100,468	62,669
Related tax (expense) benefit	(24,200)	19,716	(41,224)	(25,292)
Reclassification adjustment for (gains) losses included in net income	(13)	990	(2,750)	17,411
Related tax expense (benefit)	6	(400)	1,111	(7,030)
Cumulative-effect adjustment for unrealized gains on securities transferred from available-for-sale to held-to-maturity	—	—	—	37,700
Related tax expense	—	—	—	(15,178)
Amortization of unrealized losses on securities transferred from available-for-sale to held-to-maturity	(2,565)	(2,996)	(7,997)	(4,043)
Related tax benefit	1,032	1,206	3,218	1,628
Other comprehensive income (loss), net of tax	33,147	(31,532)	54,360	67,508
Comprehensive income	121,109	32,622	339,171	416,373
Comprehensive income attributable to noncontrolling interests (2)	(6,229)	(177)	(28,419)	(142,985)
Comprehensive income attributable to SVBFG	$114,880	$32,445	$310,752	$273,388

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

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

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

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

(Dollars in thousands)	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total SVBFG Stockholders' Equity	Noncontrolling Interests	Total Equity
Balance at December 31, 2013 (As Reported)	45,800,418	$46	$624,256	$1,390,732	$(48,764)	$1,966,270	$1,113,058	$3,079,328
Cumulative effective of adopting ASU 2014-01 (1)	—	—	—	(4,635)	—	(4,635)	—	(4,635)
Balance at December 31, 2013 (As Revised)	45,800,418	$46	$624,256	$1,386,097	$(48,764)	$1,961,635	$1,113,058	$3,074,693
Common stock issued under employee benefit plans, net of restricted stock cancellations	504,766	—	13,878	—	—	13,878	—	13,878
Common stock issued under ESOP	30,762	—	3,890	—	—	3,890	—	3,890
Income tax benefit from stock options exercised, vesting of restricted stock and other	—	—	7,973	—	—	7,973	—	7,973
Net income (1)	—	—	—	205,880	—	205,880	142,985	348,865
Capital calls and distributions, net	—	—	—	—	—	—	(37,984)	(37,984)
Net change in unrealized gains and losses on available-for-sale securities, net of tax	—	—	—	—	47,758	47,758	—	47,758
Cumulative-effect for unrealized gains on securities transferred from available-for-sale to held-to-maturity, net of tax	—	—	—	—	22,522	22,522	—	22,522
Amortization of unrealized gains on securities transferred from available-for-sale to held-to-maturity, net	—	—	—	—	(2,415)	(2,415)	—	(2,415)

of tax								
Foreign currency translation adjustments, net of tax	—	—	—	—	(357)	(357)	—	(357)
Common stock issued in public offering	4,485,000	5	434,861	—	—	434,866	—	434,866
Share-based compensation expense	—	—	22,479	—	—	22,479	$—	22,479
Balance at September 30, 2014 (1)	50,820,946	$51	$1,107,337	$1,591,977	$18,744	$2,718,109	$1,218,059	$3,936,168
Balance at December 31, 2014 (1)	50,924,925	$51	$1,120,350	$1,649,967	$42,704	$2,813,072	$1,238,662	$4,051,734
Common stock issued under employee benefit plans, net of restricted stock cancellations	536,635	—	14,712	—	—	14,712	—	14,712
Common stock issued under ESOP	27,425	—	3,512	—	—	3,512	—	3,512
Income tax benefit from stock options exercised, vesting of restricted stock and other	—	—	10,813	—	—	10,813	—	10,813
Deconsolidation of noncontrolling interest	—	—	—	—	—	—	(1,069,437)	(1,069,437)
Net income	—	—	—	256,392	—	256,392	28,419	284,811
Capital calls and distributions, net	—	—	—	—	—	—	(58,315)	(58,315)
Net change in unrealized gains and losses on available-for-sale securities, net of tax	—	—	—	—	57,605	57,605	—	57,605
Amortization of unrealized gains on securities transferred from available-for-sale to held-to-maturity, net of tax	—	—	—	—	(4,779)	(4,779)	—	(4,779)
Foreign currency translation adjustments, net of tax	—	—	—	—	1,534	1,534	—	1,534
Share-based compensation expense	—	—	22,262	—	—	22,262	—	22,262
Other, net	—	—	—	(224)	—	(224)	—	(224)
Balance at September 30, 2015	51,488,985	$51	$1,171,649	$1,906,135	$97,064	$3,174,899	$139,329	$3,314,228

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

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

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

(Dollars in thousands)	Nine months ended September 30, 2015	2014
Cash flows from operating activities:		
Net income before noncontrolling interests (1)	$284,811	$348,865
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	66,368	19,051
Provision for unfunded credit commitments	249	5,533
Changes in fair values of derivatives, net	(42,295)	2,028
Gains on investment securities, net	(77,006)	(172,236)
Depreciation and amortization (1)	28,504	29,273
Amortization of premiums and discounts on investment securities, net	14,659	18,700
Amortization of share-based compensation	24,174	22,285
Amortization of deferred loan fees	(64,275)	(59,550)
Pre-tax net gain on SVBIF sale transaction	(1,287)	—
Deferred income tax expense (benefit)	3,131	(18,916)
Changes in other assets and liabilities:		
Accrued interest receivable and payable, net	(6,312)	(17,488)
Accounts receivable and payable, net	(13,159)	(12,890)
Income tax payable and receivable, net (1)	(29,398)	(14,234)
Accrued compensation	(7,702)	(24,241)
Foreign exchange spot contracts, net	7,522	97,357
Other, net	57,445	12,837
Net cash provided by operating activities	245,429	236,374
Cash flows from investing activities:		
Purchases of available-for-sale securities	(2,911,486)	(8,060,750)
Proceeds from sales of available-for-sale securities	7,762	26,926
Proceeds from maturities and pay downs of available-for-sale securities	1,238,950	1,352,369
Purchases of held-to-maturity securities	(2,057,030)	(1,577,634)
Proceeds from maturities and pay downs of held-to-maturity securities	1,153,363	327,913
Purchases of non-marketable and other securities (cost and equity method accounting)	(15,856)	(47,923)
Proceeds from sales and distributions of non-marketable and other securities (cost and equity method accounting)	79,575	47,478
Purchases of non-marketable and other securities (fair value accounting)	(5,611)	(182,247)
Proceeds from sales and distributions of non-marketable and other securities (fair value accounting)	77,289	264,389
Net increase in loans	(911,694)	(1,103,447)
Proceeds from recoveries of charged-off loans	5,119	5,313
Effect of deconsolidation of noncontrolling interest	15,995	—
Purchases of premises and equipment	(37,465)	(29,332)
Net proceeds from SVBIF sale transaction (2)	39,284	—
Net cash used for investing activities	(3,321,805)	(8,976,945)
Cash flows from financing activities:		
Net increase in deposits	2,626,379	8,650,156
Net (decrease) increase in short-term borrowings	(4,025)	1,550
Net distributions to noncontrolling interests	(58,315)	(37,984)
Tax benefit from stock exercises	10,813	7,973

Proceeds from issuance of common stock, ESPP, and ESOP	18,224	17,768
Net proceeds from public equity offering	—	434,866
Proceeds from issuance of 3.50% Senior Notes	346,431	—
Net cash provided by financing activities	2,939,507	9,074,329
Net (decrease) increase in cash and cash equivalents	(136,869)	333,758
Cash and cash equivalents at beginning of period (1) (2)	1,811,014	1,538,779
Cash and cash equivalents at end of period (1)	$1,674,145	$1,872,537
Supplemental disclosures:		
Cash paid during the period for:		
Interest	$62,129	$30,259
Income taxes	182,479	154,746
Noncash items during the period:		
Changes in unrealized gains and losses on available-for-sale securities, net of tax	$57,605	$47,758
Distributions of stock from investments	24,778	21,385
Transfers from available-for-sale securities to held-to-maturity	—	5,418,572

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

(2) Cash and cash equivalents at December 31, 2014 included $15.0 million recognized in assets held-for-sale in conjunction with the SVBIF Sale Transaction. On April 13, 2015 we received net proceeds of $39.3 million consisting of the sales price of $48.6 million less $9.3 million of cash and cash equivalents held by SVBIF that were sold.

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

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SVB FINANCIAL GROUP AND SUBSIDIARIES
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
1. Basis of Presentation
SVB Financial Group is a diversified financial services company, as well as a bank holding company and financial holding company. SVB Financial was incorporated in the state of Delaware in March 1999. Through our various subsidiaries and divisions, we offer a variety of banking and financial products and services to support our clients of all sizes and stages throughout their life cycles. In these notes to our consolidated financial statements, when we refer to "SVB Financial Group," "SVBFG", the "Company," "we," "our," "us" or use similar words, we mean SVB Financial Group all of its subsidiaries collectively, including Silicon Valley Bank (the "Bank"), unless the context requires otherwise. When we refer to "SVB Financial" or the "Parent" we are referring only to the parent company, SVB Financial Group, unless the context requires otherwise.
The accompanying unaudited interim consolidated financial statements reflect all adjustments of a normal and recurring nature that are, in the opinion of management, necessary to fairly present our financial position, results of operations and cash flows in accordance with GAAP. Such unaudited interim consolidated financial statements have been prepared in accordance with the instructions to Form 10-Q pursuant to the rules and regulations of the SEC. Certain information and footnote disclosures normally included in financial statements prepared in accordance with GAAP have been condensed or omitted pursuant to such rules and regulations. The results of operations for the three and nine months ended September 30, 2015 are not necessarily indicative of results to be expected for any future periods. These unaudited interim consolidated financial statements should be read in conjunction with our Annual Report on Form 10-K for the year ended December 31, 2014 ("2014 Form 10-K").
The preparation of unaudited interim consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Estimates may change as new information is obtained. Significant items that are subject to such estimates include measurements of fair value, the valuation of non-marketable securities, the valuation of equity warrant assets, the adequacy of the allowance for loan losses and reserve for unfunded credit commitments, and the recognition and measurement of income tax assets and liabilities.
Principles of Consolidation and Presentation
Prior to April 1, 2015, the Company's consolidated financial statements included the accounts of SVB Financial Group and entities in which we had a controlling interest. The determination of whether we had controlling interest was based on consolidation principles prescribed by ASC Topic 810 and whether the controlling interest in an entity was a voting interest entity or a variable interest entity ("VIE"). However, during the three months ended June 30, 2015, we early adopted the provisions of ASU 2015-02, Amendments to the Consolidation Analysis (ASU 2015-02)(see "Adoption of New Accounting Standards" below), which simplifies consolidation accounting by reducing the number of consolidation models and changing various aspects of current GAAP, including certain consolidation criteria for variable interest entities. The new guidance eliminates the presumption that a general partner of a limited partnership arrangement should consolidate a limited partnership. The amendments to ASC Topic 810 in ASU 2015-02 modify the evaluation of whether limited partnerships and similar entities are VIEs or voting entities. With these changes, we determined that the majority of our investments in limited partnership arrangements are VIEs under the new guidance while these entities were typically voting interest entities under the prior guidance.
ASU 2015-02 provided a single model for evaluating VIE entities for consolidation. VIEs are entities where investors lack sufficient equity at risk for the entity to finance its activities without additional subordinated financial support or equity investors, as a group, lack one of the following characteristics: (a) the power to direct the activities that most significantly impact the entity's economic performance, (b) the obligation to absorb the expected losses of the entity, or (c) the right to receive the expected returns of the entity. We assess VIEs to determine if we are the primary beneficiary of a VIE. A primary beneficiary is defined as a variable interest holder that has a controlling financial interest. A controlling financial interest requires both: (a) power to direct the activities that most significantly impact the VIE's economic performance, and (b) obligation to absorb losses or receive benefits of a VIE that could potentially

be significant to a VIE. Under this analysis, we evaluate kick-out rights and other participating rights which could provide us a controlling financial interest. The primary beneficiary of a VIE is required to consolidate the VIE.
ASU 2015-02 also changed how we evaluate fees paid to managers of our limited partnership investments. Under the new guidance, we exclude those fee arrangements that are not deemed to be variable interests from the analysis of our interests in our investments in VIEs and the determination of a primary beneficiary, if any.
Our consolidated financial statements include the accounts of SVB Financial Group and consolidated entities. We consolidate voting entities in which we have control through voting interests. We determine whether we have a controlling financial interest in a VIE by determining if we have the power to direct the activities of the VIE that most significantly impact the entity’s economic performance and whether we have significant variable interests. Generally, we have significant variable

interests if our commitments to a limited partnership investment represent a significant amount of the total commitments to the entity. We also evaluate the impact of related parties on our determination of variable interests in our consolidation conclusions. We consolidate VIEs in which we are the primary beneficiary based on a controlling financial interest. If we are not the primary beneficiary of a VIE, we record our pro-rata interests or our cost basis in the VIE, as appropriate, based on other accounting guidance within GAAP.

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

Adoption of New Accounting Standards

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

In April 2015, the FASB issued a new accounting standard (ASU 2015-03, Interest- Imputation of Interest (Subtopic 835-30), which simplifies the presentation of debt issuance costs. The guidance will be effective for annual and quarterly periods beginning on January 1, 2016, with early adoption permitted. We early adopted this guidance in the third quarter of 2015 using the retrospective method, which required the restatement of prior period results. The adoption of this guidance impacted our statement of financial position, but had no impact on our results of operations or retained earnings. We reclassified $5.1 million and $2.1 million of debt issuance costs from other assets to a direct deduction from the carrying amounts of long-term debt for the periods ended September 30, 2015, and December 31, 2014, respectively.

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

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

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

Recent Accounting Pronouncements

In May 2014, the FASB issued a new accounting standard (ASU 2014-09, Revenue from Contracts with Customers (Topic 606)), which provides revenue recognition guidance that is intended to create greater consistency with respect to how and when revenue from contracts with customers is shown in the income statement. This guidance will be effective on a retrospective basis beginning on January 1, 2018. We do not expect the adoption of this guidance to have a material impact on our financial position, results of operations or stockholders' equity.

In August 2014, the FASB issued a new accounting standard (ASU 2014-15, Going Concern (Topic 205-40)), which requires management to evaluate for each annual and interim reporting period whether there is substantial doubt about an entity's ability to continue as a going concern. The guidance will be effective for annual and quarterly periods beginning on or after December 15, 2016, with early adoption permitted. We are currently developing processes and controls to adopt this guidance by the

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adoption deadline and do not expect the adoption of this guidance to have a material impact on our financial position, results of operations or stockholders' equity.

Reclassifications

Certain prior period amounts, including amounts related to the adoption of ASU 2014-01, ASU 2015-02 and ASU 2015-03, have been reclassified to conform to current period presentations.

2. Stockholders' Equity and EPS

Accumulated Other Comprehensive Income

The following table summarizes the items reclassified out of accumulated other comprehensive income into the Consolidated Statements of Income (unaudited) for the three and nine months ended September 30, 2015 and 2014:

		Three months ended September 30,		Nine months ended September 30,	
(Dollars in thousands)	Income Statement Location	2015	2014	2015	2014
Reclassification adjustment for (gains) losses included in net income	Gains (losses) on investment securities, net	$(13)	$990	$(2,750)	$17,411
Related tax expense (benefit)	Income tax expense	6	(400)	1,111	(7,030)
Total reclassification adjustment for (gains) losses included in net income, net of tax		$(7)	$590	$(1,639)	$10,381

EPS

Basic EPS is the amount of earnings available to each share of common stock outstanding during the reporting period. Diluted EPS is the amount of earnings available to each share of common stock outstanding during the reporting period adjusted to include the effect of potentially dilutive common shares. Potentially dilutive common shares include incremental shares issued for stock options and restricted stock units outstanding under our equity incentive plans and our ESPP. Potentially dilutive common shares are excluded from the computation of dilutive EPS in periods in which the effect would be antidilutive. The following is a reconciliation of basic EPS to diluted EPS for the three and nine months ended September 30, 2015 and 2014:

	Three months ended September 30,		Nine months ended September 30,	
(Dollars and shares in thousands, except per share amounts)	2015	2014	2015	2014
Numerator:				
Net income available to common stockholders (1)	$81,733	$63,977	$256,392	$205,880
Denominator:				
Weighted average common shares outstanding-basic	51,479	50,752	51,254	48,281
Weighted average effect of dilutive securities:				
Stock options and ESPP	382	534	411	580
Restricted stock units	187	285	213	339
Denominator for diluted calculation	52,048	51,571	51,878	49,200
Earnings per common share:				
Basic (1)	$1.59	$1.26	$5.00	$4.26
Diluted	$1.57	$1.24	$4.94	$4.18

(1) Prior period amounts have been revised to reflect the retrospective application of new accounting guidance adopted in the first quarter of 2015 related to our investments in qualified affordable housing projects (ASU 2014-01). See

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

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

	Three months ended September 30,		Nine months ended September 30,	
(Shares in thousands)	2015	2014	2015	2014
Stock options	142	241	169	140
Restricted stock units	1	1	—	2
Total	143	242	169	142

3. Share-Based Compensation

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

	Three months ended September 30,		Nine months ended September 30,	
(Dollars in thousands)	2015	2014	2015	2014
Share-based compensation expense	$8,188	$7,520	$24,174	$22,285
Income tax benefit related to share-based compensation expense	(3,051)	(2,676)	(8,381)	(7,351)

Unrecognized Compensation Expense

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

(Dollars in thousands)	Unrecognized Expense	Average Expected Recognition Period - in Years
Stock options	$12,756	2.45
Restricted stock units	41,726	2.64
Total unrecognized share-based compensation expense	$54,482	

Share-Based Payment Award Activity

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

	Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life in Years	Aggregate Intrinsic Value of In-The-Money Options
Outstanding at December 31, 2014	1,394,888	$66.03		
Granted	122,120	129.30		
Exercised	(311,575)	51.34		
Forfeited	(22,008)	84.40		
Expired	(1,520)	48.76		
Outstanding at September 30, 2015	1,181,905	76.12	4.00	$ 48,295,069
Vested and expected to vest at September 30, 2015	1,145,732	75.24	3.95	47,717,566
Exercisable at September 30, 2015	656,191	60.34	3.01	36,230,256

The aggregate intrinsic value of outstanding options shown in the table above represents the pretax intrinsic value based on our closing stock price of $115.54 as of September 30, 2015. The total intrinsic value of options exercised during the three and nine months ended September 30, 2015 was $2.2 million and $24.0 million, respectively, compared to $7.7 million and $18.4 million for the comparable 2014 periods.

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

	Shares	Weighted Average Grant Date Fair Value
Nonvested at December 31, 2014	614,666	$79.92
Granted	231,205	129.22
Vested	(211,652)	74.02
Forfeited	(19,292)	88.51
Nonvested at September 30, 2015	614,927	101.01

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 September 30, 2015:

(Dollars in thousands)	Consolidated VIEs	Unconsolidated VIEs (1)	Maximum Exposure to Loss in Unconsolidated VIEs
September 30, 2015:			
Assets:			
Cash and cash equivalents	$18,769	$—	$—
Non-marketable and other securities (2)	204,555	341,065	341,065
Accrued interest receivable and other assets	375	—	—
Total assets	$223,699	$341,065	$341,065
Liabilities:			
Other liabilities	421	—	—
Accrued expenses and other liabilities (2)	—	65,305	—
Total liabilities	$421	$65,305	$—

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

(2) Included in our non-marketable and other securities portfolio are investments in qualified affordable housing projects of $125.5 million and related unfunded commitments of $65.3 million.

Non-marketable and other securities

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

All investments are generally nonredeemable and distributions are expected to be received through the liquidation of the underlying investments throughout the life of the investment fund. Investments may be sold or transferred subject to the notice and approval provisions of the underlying investment agreement. Subject to applicable regulatory requirements, including the

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Volcker Rule, we also make commitments to invest in venture capital and private equity funds, but are not obligated to fund commitments beyond our initial investment. For additional details, see Note 13—"Off-Balance Sheet Arrangements, Guarantees, and Other Commitments" of the "Notes to Interim Consolidated Financial Statements (unaudited)" under Part I, Item 1 of this report.

The Bank also has variable interests in low income housing tax credit funds that are designed to generate a return primarily through the realization of federal tax credits. These investments are typically limited partnerships in which the general partner, other than the Bank, holds the power over significant activities of the VIE. We have not consolidated these investments in accordance with the new guidelines in ASU 2015-02. For additional information on our investments in qualified affordable housing projects see Note 6—“Investment Securities" of the "Notes to Interim Consolidated Financial Statements" under Part I, Item 1 of this report.

As of September 30, 2015, our exposure to loss with respect to the consolidated VIEs is limited to our net assets of $223.3 million and our exposure to loss for our unconsolidated VIEs is equal to our investment in these assets of $341.1 million.

5. Cash and Cash Equivalents

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

(Dollars in thousands)	September 30, 2015	December 31, 2014
Cash and due from banks (1)	$1,454,538	$1,694,329
Securities purchased under agreements to resell (2)	214,484	95,611
Other short-term investment securities	5,123	6,122
Total cash and cash equivalents	$1,674,145	$1,796,062

(1) At September 30, 2015 and December 31, 2014, $639 million and $861 million, respectively, of our cash and due from banks was deposited at the Federal Reserve Bank and was earning interest at the Federal Funds target rate, and interest-earning deposits in other financial institutions were $429 million and $440 million, respectively.

(2) At September 30, 2015 and December 31, 2014, securities purchased under agreements to resell were collateralized by U.S. Treasury securities and U.S. agency securities with aggregate fair values of $219 million and $98 million, respectively. None of these securities received as collateral were sold or pledged as of September 30, 2015 or December 31, 2014.

6. Investment Securities

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

Available-for-Sale Securities

The components of our available-for-sale investment securities portfolio at September 30, 2015 and December 31, 2014 are as follows:

	September 30, 2015			
(Dollars in thousands)	Amortized Cost	Unrealized Gains	Unrealized Losses	Carrying Value
Available-for-sale securities, at fair value:				
U.S. treasury securities	$10,103,580	$93,458	$(13)	$10,197,025
U.S. agency debentures	2,902,479	40,502	(13)	2,942,968
Residential mortgage-backed securities:				
Agency-issued collateralized mortgage obligations—fixed rate	1,513,691	10,652	(6,641)	1,517,702
Agency-issued collateralized mortgage obligations—variable rate	641,057	4,231	—	645,288
Equity securities	6,426	216	(1,964)	4,678

Total available-for-sale securities	$15,167,233	$149,059	$(8,631)	$15,307,661

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

The following table summarizes our unrealized losses on our available-for-sale securities portfolio into categories of less than 12 months and 12 months or longer as of September 30, 2015:

(Dollars in thousands)	September 30, 2015 Less than 12 months		12 months or longer		Total	
	Fair Value of Investments	Unrealized Losses	Fair Value of Investments	Unrealized Losses	Fair Value of Investments	Unrealized Losses
Available-for-sale securities:						
U.S. treasury securities	$51,576	$(13)	$—	$—	$51,576	$(13)
U.S. agency debentures	17,424	(13)	—	—	17,424	(13)
Residential mortgage-backed securities:						
Agency-issued collateralized mortgage obligations—fixed rate	230,141	(465)	396,781	(6,176)	626,922	(6,641)
Equity securities	3,222	(1,964)			3,222	(1,964)
Total temporarily impaired securities: (1)	$302,363	$(2,455)	$396,781	$(6,176)	$699,144	$(8,631)

(1) As of September 30, 2015, we identified a total of 43 investments that were in unrealized loss positions, of which 18 investments totaling $396.8 million with unrealized losses of $6.2 million have been in an impaired position for a period of time greater than 12 months. As of September 30, 2015, we do not intend to sell any impaired fixed income investment securities prior to recovery of our adjusted cost basis, and it is more likely than not that we will not be required to sell any of our securities prior to recovery of our adjusted cost basis. Based on our analysis as of September 30, 2015, we deem all impairments to be temporary, and therefore changes in value for our temporarily impaired securities as of the same date are included in other comprehensive income. Market valuations and impairment analyses on assets in the available-for-sale securities portfolio are reviewed and monitored on a quarterly basis.

The following table summarizes our unrealized losses on our available-for-sale securities portfolio into categories of less than 12 months and 12 months or longer as of December 31, 2014:

(Dollars in thousands)	December 31, 2014 Less than 12 months		12 months or longer		Total	
	Fair Value of Investments	Unrealized Losses	Fair Value of Investments	Unrealized Losses	Fair Value of Investments	Unrealized Losses
Available-for-sale securities:						
U.S. treasury securities	$2,297,895	$(4,386)	$—	$—	$2,297,895	$(4,386)

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

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

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The following table summarizes the remaining contractual principal maturities and fully taxable equivalent yields on fixed income investment securities classified as available-for-sale as of September 30, 2015. The weighted average yield is computed using the amortized cost of fixed income investment securities, which are reported at fair value. For U.S. treasury securities and U.S. Agency debentures, the expected maturity is the actual contractual maturity of the notes. Expected maturities for mortgage-backed securities may differ significantly from their contractual maturities because mortgage borrowers have the right to prepay outstanding loan obligations with or without penalties. Mortgage-backed securities classified as available-for-sale typically have original contractual maturities from 10 to 30 years whereas expected average lives of these securities tend to be significantly shorter and vary based upon structure and prepayments in lower rate environments.

	September 30, 2015									
	Total		One Year or Less		After One Year to Five Years		After Five Years to Ten Years		After Ten Years	
(Dollars in thousands)	Carrying Value	Weighted-Average Yield	Carrying Value	Weighted-Average Yield	Carrying Value	Weighted-Average Yield	Carrying Value	Weighted-Average Yield	Carrying Value	Weighted-Average Yield
U.S. treasury securities	$10,197,025	1.16%	$953,659	0.45%	$8,806,490	1.20%	$436,876	1.75%	$—	— %
U.S. agency debentures	2,942,968	1.63	821,073	1.73	1,971,243	1.53	150,652	2.49	—	—
Residential mortgage-backed securities:										
Agency-issued collateralized mortgage obligations - fixed rate	1,517,702	1.96	—	—	—	—	570,403	2.50	947,299	1.65
Agency-issued collateralized mortgage obligations - variable rate	645,288	0.71	—	—	—	—	—	—	645,288	0.71
Total	$15,302,983	1.31	$1,774,732	1.04	$10,777,733	1.26	$1,157,931	2.21	$1,592,587	1.27

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Held-to-Maturity Securities

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

(Dollars in thousands)	September 30, 2015 Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
Held-to-maturity securities, at cost:				
U.S. agency debentures (1)	$545,753	$11,923	$—	$557,676
Residential mortgage-backed securities:				
Agency-issued mortgage-backed securities	2,457,328	18,925	(1,005)	2,475,248
Agency-issued collateralized mortgage obligations—fixed rate	4,045,172	24,146	(5,372)	4,063,946
Agency-issued collateralized mortgage obligations—variable rate	109,478	577	—	110,055
Agency-issued commercial mortgage-backed securities	1,073,160	12,449	(309)	1,085,300
Municipal bonds and notes	75,635	36	(893)	74,778
Total held-to-maturity securities	$8,306,526	$68,056	$(7,579)	$8,367,003

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

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

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

The following table summarizes our unrealized losses on our held-to-maturity securities portfolio into categories of less than 12 months and 12 months or longer as of September 30, 2015:

(Dollars in thousands)	September 30, 2015 Less than 12 months Fair Value of Investments	Unrealized Losses	12 months or longer Fair Value of Investments	Unrealized Losses	Total Fair Value of Investments	Unrealized Losses
Held-to-maturity securities:						
Residential mortgage-backed securities:						
Agency-issued mortgage-backed securities	$308,687	$(438)	$23,732	$(567)	$332,419	$(1,005)
Agency-issued collateralized mortgage obligations—fixed rate	705,362	(5,264)	8,945	(108)	714,307	(5,372)
	—	—	42,179	(309)	42,179	(309)

Agency-issued commercial mortgage-backed securities						
Municipal bonds and notes	29,712	(235)	32,706	(658)	62,418	(893)
Total temporarily impaired securities (1):	$1,043,761	$(5,937)	$107,562	$(1,642)	$1,151,323	$(7,579)

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(1) As of September 30, 2015, we identified a total of 157 investments that were in unrealized loss positions, 63 of which have been in an impaired position for a period of time greater than 12 months. As of September 30, 2015, we do not intend to sell any impaired fixed income investment securities prior to recovery of our adjusted cost basis, and it is more likely than not that we will not be required to sell any of our securities prior to recovery of our adjusted cost basis, which is consistent with our classification of these securities. Based on our analysis as of September 30, 2015, we deem all impairments to be temporary. Market valuations and impairment analyses on assets in the held-to-maturity securities portfolio are reviewed and monitored on a quarterly basis.

The following table summarizes our unrealized losses on our held-to-maturity securities portfolio into categories of less than 12 months and 12 months or longer as of December 31, 2014:

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

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

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

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The following table summarizes the remaining contractual principal maturities and fully taxable equivalent yields on fixed income investment securities classified as held-to-maturity as of September 30, 2015. Interest income on certain municipal bonds and notes (non-taxable investments) are presented on a fully taxable equivalent basis using the federal statutory tax rate of 35%. The weighted average yield is computed using the amortized cost of fixed income investment securities. For U.S. Agency debentures, the expected maturity is the actual contractual maturity of the notes. Expected maturities for mortgage-backed securities may differ significantly from their contractual maturities because mortgage borrowers have the right to prepay outstanding loan obligations with or without penalties. Mortgage-backed securities classified as held-to-maturity typically have original contractual maturities from 10 to 30 years whereas expected average lives of these securities tend to be significantly shorter and vary based upon structure and prepayments in lower rate environments.

	September 30, 2015									
	Total		One Year or Less		After One Year to Five Years		After Five Years to Ten Years		After Ten Years	
(Dollars in thousands)	Amortized Cost	Weighted-Average Yield	Amortized Cost	Weighted-Average Yield	Amortized Cost	Weighted-Average Yield	Amortized Cost	Weighted-Average Yield	Amortized Cost	Weighted-Average Yield
U.S. agency debentures	$545,753	2.69 %		— %	$—	— %	$545,753	2.69 %	$—	— %
Residential mortgage-backed securities:										
Agency-issued mortgage-backed securities	2,457,328	2.43	—	—	39,527	2.38	674,584	2.20	1,743,217	2.52
Agency-issued collateralized mortgage obligations - fixed rate	4,045,172	1.70	—	—	—	—	—	—	4,045,172	1.70
Agency-issued collateralized mortgage obligations - variable rate	109,478	0.65	—	—	—	—	—	—	109,478	0.65
Agency-issued commercial mortgage-backed securities	1,073,160	2.12	—	—	—	—	—	—	1,073,160	2.12
Municipal bonds and notes	75,635	6.05	4,711	5.58	29,083	5.95	35,698	6.14	6,143	6.35
Total	$8,306,526	2.06	$4,711	5.58	$68,610	3.89	$1,256,035	2.53	$6,977,170	1.95

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Non-marketable and Other Securities

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

(Dollars in thousands)	September 30, 2015	December 31, 2014
Non-marketable and other securities (1):		
Non-marketable securities (fair value accounting):		
Venture capital and private equity fund investments (2)	$154,660	$1,130,882
Other venture capital investments (3)	3,390	71,204
Other securities (fair value accounting) (4)	779	108,251
Non-marketable securities (equity method accounting) (5):		
Venture capital and private equity fund investments	84,197	—
Debt funds	21,217	26,672
Other investments	119,731	116,002
Non-marketable securities (cost method accounting):		
Venture capital and private equity fund investments (6)	123,550	140,551
Other investments (7)	17,499	13,423
Investments in qualified affordable housing projects, net (7)	125,532	121,155
Total non-marketable and other securities	$650,555	$1,728,140

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

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

	September 30, 2015		December 31, 2014	
(Dollars in thousands)	Amount	Ownership %	Amount	Ownership %
SVB Strategic Investors Fund, LP	$23,229	12.6 %	$24,645	12.6 %
SVB Strategic Investors Fund II, LP (i)	—	—	97,250	8.6
SVB Strategic Investors Fund III, LP (i)	—	—	269,821	5.9
SVB Strategic Investors Fund IV, LP (i)	—	—	291,291	5.0
Strategic Investors Fund V Funds (i)	—	—	226,111	Various
Strategic Investors Fund VI Funds (i)	—	—	89,605	—
SVB Capital Preferred Return Fund, LP	61,869	20.0	62,110	20.0
SVB Capital—NT Growth Partners, LP	62,818	33.0	61,973	33.0
SVB Capital Partners II, LP (i)	—	—	302	5.1
Other private equity fund (ii)	6,744	58.2	7,774	58.2
Total venture capital and private equity fund investments	$154,660		$1,130,882	

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

(ii)

At September 30, 2015, we had a direct ownership interest of 41.5 percent in other private equity funds and an indirect ownership interest of 12.6 percent through our ownership interest of SVB Capital—NT Growth Partners, LP and an indirect ownership interest of 4.1 percent through our ownership interest of SVB Capital Preferred Return Fund, LP.

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

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

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

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

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

	September 30, 2015		December 31, 2014	
(Dollars in thousands)	Amount	Ownership %	Amount	Ownership %
Venture capital and private equity fund investments:				
SVB Strategic Investors Fund II, LP (i)	$11,204	8.6 %	$—	— %
SVB Strategic Investors Fund III, LP (i)	24,781	5.9	—	—
SVB Strategic Investors Fund IV, LP (i)	25,542	5.0	—	—
Other venture capital and private equity fund investments (i)	22,670	Various	—	—
Total venture capital and private equity fund investments	84,197		—	
Debt funds:				
Gold Hill Capital 2008, LP (ii)	$17,662	15.5	$21,294	15.5
Other debt funds	3,555	Various	5,378	Various
Total debt funds	21,217		26,672	
Other investments:				
China Joint Venture investment	79,299	50.0	79,569	50.0
Other investments	40,432	Various	36,433	Various
Total other investments	$119,731		$116,002	

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

(ii) At September 30, 2015, we had a direct ownership interest of 11.5 percent in the fund and an indirect interest in the fund through our investment in Gold Hill Capital 2008, LLC of 4.0 percent.

(6) Represents investments in 270 and 281 funds (primarily venture capital funds) at September 30, 2015 and December 31, 2014, respectively, where our ownership interest is typically less than 5% of the voting interests of each such fund and in which we do not have the ability to exercise significant influence over the partnerships operating activities and financial policies. The carrying value, and estimated fair value, of these venture capital and private equity fund investments (cost method accounting) was $124 million and $244 million, respectively, as of September 30, 2015. The carrying value, and

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

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

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

(Dollars in thousands)	September 30, 2015	December 31, 2014
Investments in qualified affordable housing projects, net	$125,532	$121,155
Accrued expenses and other liabilities	65,305	65,921

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

	Three months ended September 30,		Nine months ended September 30,	
(Dollars in thousands)	2015	2014	2015	2014
Tax credits and other tax benefits recognized	$4,780	$3,087	$11,207	$9,312
Amortization expense included in provision for income taxes (i)	2,011	1,246	7,549	5,971

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

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The following table presents the components of gains and losses (realized and unrealized) on investment securities for the three and nine months ended September 30, 2015 and 2014:

	Three months ended September 30,		Nine months ended September 30,	
(Dollars in thousands)	2015	2014	2015	2014
Gross gains on investment securities:				
Available-for-sale securities, at fair value (1)	$46	$45	$2,971	$642
Non-marketable securities (fair value accounting):				
Venture capital and private equity fund investments	6,746	69,044	24,767	268,483
Other venture capital investments	15	6,779	198	11,334
Other securities (fair value accounting)	40	5,444	9,108	136,010
Non-marketable securities (equity method accounting):				
Venture capital and private equity fund investments	7,655	275	22,111	1,284
Debt funds	379	1,037	2,067	4,076
Other investments	1,282	927	2,147	3,635
Non-marketable securities (cost method accounting):				
Venture capital and private equity fund investments	5,624	2,641	21,101	7,706
Other investments	—	19	576	5,174
Total gross gains on investment securities	21,787	86,211	85,046	438,344
Gross losses on investment securities:				
Available-for-sale securities, at fair value (1)	(33)	(1,035)	(221)	(18,052)
Non-marketable securities (fair value accounting):				
Venture capital and private equity fund investments	(1,148)	(25,584)	(2,695)	(76,243)
Other venture capital investments	—	(1,233)	(52)	(3,274)
Other securities (fair value accounting)	(325)	(52,264)	(1,117)	(166,051)
Non-marketable securities (equity method accounting):				
Venture capital and private equity fund investments	(914)	(115)	(1,351)	(231)
Debt funds	(1)	(64)	(589)	(457)
Other investments	(460)	—	(1,470)	(759)
Non-marketable securities (cost method accounting):				
Venture capital and private equity fund investments (2)	(132)	(272)	(530)	(781)
Other investments	(6)	—	(15)	(260)
Total gross losses on investment securities	(3,019)	(80,567)	(8,040)	(266,108)
Gains on investment securities, net	$18,768	$5,644	$77,006	$172,236

(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 September 30, 2015 and 2014, includes OTTI losses of $0.1 million from the declines in value for 4 of the 270 investments and $0.3 million from the declines in value for 5 of the 281 investments, respectively. For the nine months ended September 30, 2015 and 2014, includes OTTI losses of $0.4 million from the declines in value for 19 of the 270 investments and $0.7 million from the declines in value for 22 of the 281 investments, respectively. We concluded that any declines in value for the remaining investments were temporary, and as such, no OTTI was required to be recognized.

7. Loans and Allowance for Loan Losses

We serve a variety of clients in the technology and life science & healthcare industries. Our technology clients tend to be in the industries of: hardware (such as semiconductors, communications, data storage, and electronics); software and internet (such as infrastructure software, applications, software services, digital content and advertising technology), and energy and resource innovation ("ERI"). Because of the diverse nature of ERI products and services, for our loan-related reporting purposes, ERI-related loans are reported under hardware and software, as applicable. Our life science & healthcare clients primarily tend to be in the industries of biotechnology, medical devices, healthcare information technology and healthcare services. Loans made to private equity/venture capital firm clients typically enable them to fund investments prior to their receipt of funds from capital calls. Loans to the premium wine industry focus on vineyards and wineries that produce grapes and wines of high quality.

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

We also provide community development loans made as part of our responsibilities under the Community Reinvestment Act. These loans are included within “Construction loans” below and are primarily secured by real estate.

The composition of loans, net of unearned income of $115 million and $104 million at September 30, 2015 and December 31, 2014, respectively, is presented in the following table:

(Dollars in thousands)	September 30, 2015	December 31, 2014
Commercial loans:		
Software and internet	$5,272,825	$4,954,676
Hardware	962,295	1,131,006
Private equity/venture capital	4,571,102	4,582,906
Life science & healthcare	1,598,362	1,289,904
Premium wine	193,712	187,568
Other	295,550	234,551
Total commercial loans	12,893,846	12,380,611
Real estate secured loans:		
Premium wine (1)	633,248	606,753
Consumer loans (2)	1,444,067	1,118,115
Other	38,043	39,651
Total real estate secured loans	2,115,358	1,764,519
Construction loans	92,551	78,626
Consumer loans	212,825	160,520
Total loans, net of unearned income (3)	$15,314,580	$14,384,276

(1) Included in our premium wine portfolio are gross construction loans of $119 million and $112 million at September 30, 2015 and December 31, 2014, respectively.

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

(Dollars in thousands)	September 30, 2015	December 31, 2014
Loans for personal residence	$1,225,794	$918,629
Loans to eligible employees	149,612	133,568
Home equity lines of credit	68,661	65,918
Consumer loans secured by real estate	$1,444,067	$1,118,115

(3) Included within our total loan portfolio are credit card loans of $186 million and $131 million at September 30, 2015 and December 31, 2014, respectively.

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Credit Quality

The composition of loans, net of unearned income of $115 million and $104 million at September 30, 2015 and December 31, 2014, respectively, broken out by portfolio segment and class of financing receivable, is as follows:

(Dollars in thousands)	September 30, 2015	December 31, 2014
Commercial loans:		
Software and internet	$5,272,825	$4,954,676
Hardware	962,295	1,131,006
Private equity/venture capital	4,571,102	4,582,906
Life science & healthcare	1,598,362	1,289,904
Premium wine	826,960	794,321
Other	426,144	352,828
Total commercial loans	13,657,688	13,105,641
Consumer loans:		
Real estate secured loans	1,444,067	1,118,115
Other consumer loans	212,825	160,520
Total consumer loans	1,656,892	1,278,635
Total loans, net of unearned income	$15,314,580	$14,384,276

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The following table summarizes the aging of our gross loans, broken out by portfolio segment and class of financing receivable as of September 30, 2015 and December 31, 2014:

(Dollars in thousands)	30 - 59 Days Past Due	60 - 89 Days Past Due	Greater Than 90 Days Past Due	Total Past Due	Current	Loans Past Due 90 Days or More Still Accruing Interest
September 30, 2015:						
Commercial loans:						
Software and internet	$ 9,729	$ 1,168	$ 169	$ 11,066	$ 5,244,198	$ 169
Hardware	620	1,021	—	1,641	965,511	—
Private equity/venture capital	410	—	—	410	4,611,543	—
Life science & healthcare	377	729	—	1,106	1,566,185	—
Premium wine	295	—	—	295	827,709	—
Other	—	8	—	8	429,145	—
Total commercial loans	11,431	2,926	169	14,526	13,644,291	169
Consumer loans:						
Real estate secured loans	—	—	—	—	1,443,011	—
Other consumer loans	1,313	—	—	1,313	211,339	—
Total consumer loans	1,313	—	—	1,313	1,654,350	—
Total gross loans excluding impaired loans	12,744	2,926	169	15,839	15,298,641	169
Impaired loans	—	1,798	8,295	10,093	105,368	—
Total gross loans	$ 12,744	$ 4,724	$ 8,464	$ 25,932	$ 15,404,009	$ 169
December 31, 2014:						
Commercial loans:						
Software and internet	$ 10,989	$ 1,627	$ 52	$ 12,668	$ 4,950,291	$ 52
Hardware	13,424	126	—	13,550	1,124,423	—
Private equity/venture capital	40,773	—	—	40,773	4,580,526	—
Life science & healthcare	738	786	—	1,524	1,298,728	—
Premium wine	—	—	—	—	795,345	—
Other	178	3	—	181	354,939	—
Total commercial loans	66,102	2,542	52	68,696	13,104,252	52
Consumer loans:						
Real estate secured loans	1,592	341	1,250	3,183	1,114,286	1,250
Other consumer loans	—	—	—	—	160,212	—
Total consumer loans	1,592	341	1,250	3,183	1,274,498	1,250
Total gross loans excluding impaired loans	67,694	2,883	1,302	71,879	14,378,750	1,302
Impaired loans	598	1,293	22,320	24,211	13,926	—
Total gross loans	$ 68,292	$ 4,176	$ 23,622	$ 96,090	$ 14,392,676	$ 1,302

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The following table summarizes our impaired loans as they relate to our allowance for loan losses, broken out by portfolio segment and class of financing receivable as of September 30, 2015 and December 31, 2014:

(Dollars in thousands)	Impaired loans for which there is a related allowance for loan losses	Impaired loans for which there is no related allowance for loan losses	Total carrying value of impaired loans	Total unpaid principal of impaired loans
September 30, 2015:				
Commercial loans:				
Software and internet	$ 64,792	$ —	$ 64,792	$ 89,471
Hardware	3,586	177	3,763	3,802
Private equity/venture capital	—	—	—	—
Life science & healthcare	45,389	—	45,389	45,904
Premium wine	—	1,201	1,201	1,716
Other	157	—	157	157
Total commercial loans	113,924	1,378	115,302	141,050
Consumer loans:				
Real estate secured loans	—	159	159	1,399
Other consumer loans	—	—	—	—
Total consumer loans	—	159	159	1,399
Total	$ 113,924	$ 1,537	$ 115,461	$ 142,449
December 31, 2014:				
Commercial loans:				
Software and internet	$ 33,287	$ —	$ 33,287	$ 34,218
Hardware	1,403	1,118	2,521	2,535
Private equity/venture capital	—	—	—	—
Life science & healthcare	475	—	475	2,453
Premium wine	—	1,304	1,304	1,743
Other	233	—	233	233
Total commercial loans	35,398	2,422	37,820	41,182
Consumer loans:				
Real estate secured loans	—	192	192	1,412
Other consumer loans	125	—	125	305
Total consumer loans	125	192	317	1,717
Total	$ 35,523	$ 2,614	$ 38,137	$ 42,899

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The following table summarizes our average impaired loans, broken out by portfolio segment and class of financing receivable for the three and nine months ended September 30, 2015 and 2014:

	Three months ended September 30,		Nine months ended September 30,	
(Dollars in thousands)	2015	2014	2015	2014
Average impaired loans:				
Commercial loans:				
Software and internet	$77,156	$10,651	$54,543	$13,690
Hardware	2,796	1,540	1,944	8,140
Life science & healthcare	17,184	333	6,526	636
Premium wine	1,213	1,364	1,245	1,398
Other	3,132	674	3,498	1,383
Total commercial loans	101,481	14,562	67,756	25,247
Consumer loans:				
Real estate secured loans	162	212	180	224
Other consumer loans	—	261	55	375
Total consumer loans	162	473	235	599
Total average impaired loans	$101,643	$15,035	$67,991	$25,846

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

Three months ended September 30, 2015 (dollars in thousands)	Beginning Balance June 30, 2015	Charge-offs	Recoveries	Provision for (Reduction of) Loan Losses	Ending Balance September 30, 2015
Commercial loans:					
Software and internet	$106,728	$(24,815)	$195	$5,958	$88,066
Hardware	20,472	—	240	(70)	20,642
Private equity/venture capital	29,276	—	—	3,166	32,442
Life science & healthcare	17,233	(117)	50	19,793	36,959
Premium wine	4,409	—	—	253	4,662
Other	5,894	(4,186)	89	2,976	4,773
Total commercial loans	184,012	(29,118)	574	32,076	187,544
Consumer loans	8,632	—	4	1,327	9,963
Total allowance for loan losses	$192,644	$(29,118)	$578	$33,403	$197,507

Three months ended September 30, 2014 (dollars in thousands)	Beginning Balance June 30, 2014	Charge-offs	Recoveries	Provision for (Reduction of) Loan Losses	Ending Balance September 30, 2014
Commercial loans:					
Software and internet	$53,239	$(6,907)	$790	$11,078	$58,200
Hardware	24,780	(2,643)	113	2,491	24,741
Private equity/venture capital	19,004	—	—	845	19,849
Life science & healthcare	10,597	—	53	1,591	12,241
Premium wine	3,546	(35)	—	710	4,221
Other	3,218	(1,072)	1,306	(530)	2,922
Total commercial loans	114,384	(10,657)	2,262	16,185	122,174
Consumer loans	6,344	—	118	425	6,887
Total allowance for loan losses	$120,728	$(10,657)	$2,380	$16,610	$129,061

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Nine months ended September 30, 2015 (dollars in thousands)	Beginning Balance December 31, 2014	Charge-offs	Recoveries	Provision for (Reduction of) Loan Losses	Ending Balance September 30, 2015
Commercial loans:					
Software and internet	$80,981	$(26,980)	$1,239	$32,826	$88,066
Hardware	25,860	(4,049)	3,049	(4,218)	20,642
Private equity/venture capital	27,997	—	—	4,445	32,442
Life science & healthcare	15,208	(3,336)	129	24,958	36,959
Premium wine	4,473	—	7	182	4,662
Other	3,253	(4,974)	559	5,935	4,773
Total commercial loans	157,772	(39,339)	4,983	64,128	187,544
Consumer loans	7,587	—	136	2,240	9,963
Total allowance for loan losses	$165,359	$(39,339)	$5,119	$66,368	$197,507

Nine months ended September 30, 2014 (dollars in thousands)	Beginning Balance December 31, 2013	Charge-offs	Recoveries	Provision for (Reduction of) Loan Losses	Ending Balance September 30, 2014
Commercial loans:					
Software and internet	$64,084	$(18,932)	$1,023	$12,025	$58,200
Hardware	36,553	(15,230)	2,070	1,348	24,741
Private equity/venture capital	16,385	—	—	3,464	19,849
Life science & healthcare	11,926	(930)	341	904	12,241
Premium wine	3,914	(35)	238	104	4,221
Other	3,680	(3,062)	1,316	988	2,922
Total commercial loans	136,542	(38,189)	4,988	18,833	122,174
Consumer loans	6,344	—	325	218	6,887
Total allowance for loan losses	$142,886	$(38,189)	$5,313	$19,051	$129,061

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

	September 30, 2015				December 31, 2014			
	Individually Evaluated for Impairment		Collectively Evaluated for Impairment		Individually Evaluated for Impairment		Collectively Evaluated for Impairment	
(Dollars in thousands)	Allowance for loan losses	Recorded investment in loans	Allowance for loan losses	Recorded investment in loans	Allowance for loan losses	Recorded investment in loans	Allowance for loan losses	Recorded investment in loans
Commercial loans:								
Software and internet	$25,260	$64,792	$62,806	$5,208,033	$13,695	$33,287	$67,286	$4,921,389
Hardware	1,100	3,763	19,542	958,532	1,133	2,521	24,727	1,128,485
Private equity/venture capital	—	—	32,442	4,571,102	—	—	27,997	4,582,906
Life science & healthcare	19,739	45,389	17,220	1,552,973	121	475	15,087	1,289,429
Premium wine	—	1,201	4,662	825,759	—	1,304	4,473	793,017
Other	157	157	4,616	425,987	71	233	3,182	352,595

Total commercial loans	46,256	115,302	141,288	13,542,386	15,020	37,820	142,752	13,067,821
Consumer loans	—	159	9,963	1,656,733	31	317	7,556	1,278,318
Total	$46,256	$115,461	$151,251	$15,199,119	$15,051	$38,137	$150,308	$14,346,139

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Credit Quality Indicators

For each individual client, we establish an internal credit risk rating for that loan, which is used for assessing and monitoring credit risk as well as performance of the loan and the overall portfolio. Our internal credit risk ratings are also used to summarize the risk of loss due to failure by an individual borrower to repay the loan. For our internal credit risk ratings, each individual loan is given a risk rating of 1 through 10. Loans risk-rated 1 through 4 are performing loans and translate to an internal rating of “Pass”, with loans risk-rated 1 being cash secured. Loans risk-rated 5 through 7 are performing loans, however, we consider them as demonstrating higher risk, which requires more frequent review of the individual exposures; these translate to an internal rating of “Performing (Criticized)”. Loans risk-rated 8 and 9 are loans that are considered to be impaired and are on nonaccrual status. (For further description of nonaccrual loans, refer to Note 2—“Summary of Significant Accounting Policies” under Part II, Item 8 of our 2014 Form 10-K). Loans rated 10 are charged-off and are not included as part of our loan portfolio balance. We review our credit quality indicators for performance and appropriateness of risk ratings as part of our evaluation process for our allowance for loan losses.

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

(Dollars in thousands)	Pass	Performing (Criticized)	Impaired	Total
September 30, 2015:				
Commercial loans:				
Software and internet	$4,802,522	$452,742	$64,792	$5,320,056
Hardware	834,067	133,085	3,763	970,915
Private equity/venture capital	4,611,953	—	—	4,611,953
Life science & healthcare	1,446,972	120,319	45,389	1,612,680
Premium wine	804,411	23,593	1,201	829,205
Other	417,459	11,694	157	429,310
Total commercial loans	12,917,384	741,433	115,302	13,774,119
Consumer loans:				
Real estate secured loans	1,433,926	9,085	159	1,443,170
Other consumer loans	211,366	1,286	—	212,652
Total consumer loans	1,645,292	10,371	159	1,655,822
Total gross loans	$14,562,676	$751,804	$115,461	$15,429,941
December 31, 2014:				
Commercial loans:				
Software and internet	$4,611,253	$351,706	$33,287	$4,996,246
Hardware	945,998	191,975	2,521	1,140,494
Private equity/venture capital	4,615,231	6,068	—	4,621,299
Life science & healthcare	1,165,266	134,986	475	1,300,727
Premium wine	774,962	20,383	1,304	796,649
Other	346,153	8,967	233	355,353
Total commercial loans	12,458,863	714,085	37,820	13,210,768
Consumer loans:				
Real estate secured loans	1,112,396	5,073	192	1,117,661
Other consumer loans	158,162	2,050	125	160,337
Total consumer loans	1,270,558	7,123	317	1,277,998
Total gross loans	$13,729,421	$721,208	$38,137	$14,488,766

TDRs

As of September 30, 2015 we had thirteen TDRs with a total carrying value of $91.3 million where concessions have been granted to borrowers experiencing financial difficulties, in an attempt to maximize collection. There were less than $0.5 million of unfunded commitments available for funding to the clients associated with these TDRs as of September 30, 2015. The following table summarizes our loans modified in TDRs, broken out by portfolio segment and class of financing receivables at September 30, 2015 and December 31, 2014:

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(Dollars in thousands)	September 30, 2015	December 31, 2014
Loans modified in TDRs:		
Commercial loans:		
Software and internet	$57,766	$3,784
Hardware	2,301	1,118
Life science & healthcare	29,529	—
Premium wine	1,202	1,891
Other	518	233
Total commercial loans	91,316	7,026
Consumer loans:		
Other consumer loans	—	125
Total consumer loans	—	125
Total	$91,316	$7,151

The following table summarizes the recorded investment in loans modified in TDRs, broken out by portfolio segment and class of financing receivable, for modifications made during the three and nine months ended September 30, 2015 and 2014:

	Three months ended September 30,		Nine months ended September 30,	
(Dollars in thousands)	2015	2014	2015	2014
Loans modified in TDRs during the period:				
Commercial loans:				
Software and internet (1)	$51,749	$496	$57,766	$7,848
Hardware	—	—	2,031	—
Life science & healthcare	29,530	—	29,530	—
Premium wine	—	—	—	614
Other	518	—	518	—
Total loans modified in TDRs during the period (1)	$81,797	$496	$89,845	$8,462

(1) There were partial charge-offs of two loans classified as TDRs in our software and internet loan portfolio for $22.4 million during the three and nine months ended September 30, 2015 and no partial charge-offs during the three and nine months ended September 30, 2014.

During the three and nine months ended September 30, 2015, new TDRs of $81.8 million and $89.8 million were modified through payment deferrals granted to our clients.

During the three months ended September 30, 2014, new TDRs of $0.5 million were modified through payment deferrals granted to our clients. During the nine months ended September 30, 2014, new TDRs of $7.1 million were modified through payment deferrals granted to our clients and $1.3 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.

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The following table summarizes the recorded investment in loans modified in TDRs within the previous 12 months that subsequently defaulted during the three and nine months ended September 30, 2015. There were no loans modified in TDRs within the previous 12 months that subsequently defaulted during the three and nine months ended September 30, 2014.

(Dollars in thousands)	Three months ended September 30, 2015	Nine months ended September 30, 2015
TDRs modified within the previous 12 months that defaulted during the period:		
Commercial loans:		
Software and internet	$11,107	$17,124
Hardware	2,031	2,031
Life science & healthcare	958	958
Total TDRs modified within the previous 12 months that defaulted in the period	$14,096	$20,113

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 September 30, 2015.

8. Disposal - Assets Held-for-Sale

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

9. Short-Term Borrowings and Long-Term Debt

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

			Carrying Value	
(Dollars in thousands)	Maturity	Principal value at September 30, 2015	September 30, 2015	December 31, 2014
Short-term borrowings:				
Other short-term borrowings	(1)		$3,756	$7,781
Total short-term borrowings			$3,756	$7,781
Long-term debt:				
3.50% Senior Notes	January 29, 2025	$350,000	$346,591	$—
5.375% Senior Notes	September 15, 2020	350,000	346,878	346,477
6.05% Subordinated Notes (2)	June 1, 2017	45,964	49,028	50,040
7.0% Junior Subordinated Debentures	October 15, 2033	50,000	54,714	54,845
Total long-term debt			$797,211	$451,362

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

(2) At September 30, 2015 and December 31, 2014, included in the carrying value of our 6.05% Subordinated Notes was an interest rate swap valued at $3.5 million and $4.6 million, respectively, related to hedge accounting

associated with the notes.

Interest expense related to long-term debt was $9.0 million and $25.9 million for the three and nine months ended September 30, 2015, and $5.8 million and $17.4 million for the three and nine months ended September 30, 2014. Interest expense is net of the hedge accounting impact from our interest rate swap agreement related to our 6.05% Subordinated Notes. The weighted average interest rate associated with our short-term borrowings as of September 30, 2015 was 0.11 percent.

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3.50% Senior Notes

On January 29, 2015, the Company issued $350 million of 3.50% Senior Notes due in January 2025 (“3.50% Senior Notes”). We received net proceeds from this offering of approximately $346.4 million after deducting underwriting discounts and commissions and issuance costs. The balance of our 3.50% Senior Notes at September 30, 2015 was $346.6 million, which is reflective of $3.0 million of debt issuance costs and a $0.3 million discount.

Available Lines of Credit

We have certain facilities in place to enable us to access short-term borrowings on a secured (using high-quality fixed income securities as collateral) and an unsecured basis. These include repurchase agreements and uncommitted federal funds lines with various financial institutions. As of September 30, 2015, we did not borrow against our uncommitted federal funds lines. We also pledge securities to the FHLB of San Francisco and the discount window at the Federal Reserve Bank. The market value of collateral pledged to the FHLB of San Francisco (comprised primarily of U.S. Treasury securities) at September 30, 2015 totaled $1.3 billion, all of which was unused and available to support additional borrowings. The market value of collateral pledged at the discount window of the Federal Reserve Bank at September 30, 2015 totaled $920 million, all of which was unused and available to support additional borrowings.

10. Derivative Financial Instruments

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

Interest Rate Risk

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

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

Currency Exchange Risk

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

Other Derivative Instruments

Also included in our derivative instruments are equity warrant assets and client forward and option contracts, and client interest rate contracts. For further description of these other derivative instruments, refer to Note 2-“Summary of Significant Accounting Policies" under Part II, Item 8 of our 2014 Form 10-K.

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Counterparty Credit Risk

We are exposed to credit risk if counterparties to our derivative contracts do not perform as expected. We mitigate counterparty credit risk through credit approvals, limits, monitoring procedures and obtaining collateral, as appropriate. With respect to measuring counterparty credit risk for derivative instruments, we measure the fair value of a group of financial assets and financial liabilities on a net risk basis by counterparty portfolio.

The total notional or contractual amounts, fair value, collateral and net exposure of our derivative financial instruments at September 30, 2015 and December 31, 2014 were as follows:

(Dollars in thousands)	Balance Sheet Location	September 30, 2015 Notional or Contractual Amount	Fair Value	Collateral (1)	Net Exposure (2)	December 31, 2014 Notional or Contractual Amount	Fair Value	Collateral (1)	Net Exposure (2)
Derivatives designated as hedging instruments:									
Interest rate risks:									
Interest rate swaps	Other assets	$45,964	$3,485	$—	$3,485	$45,964	$4,609	$2,970	$1,639
Derivatives not designated as hedging instruments:									
Currency exchange risks:									
Foreign exchange forwards	Other assets	17,038	594	—	594	200,957	5,050	2,441	2,609
Foreign exchange forwards	Other liabilities	37,609	(1,075)	—	(1,075)	6,226	(489)	—	(489)
Net exposure			(481)	—	(481)		4,561	2,441	2,120
Other derivative instruments:									
Equity warrant assets	Other assets	208,270	130,091	—	130,091	197,878	116,604	—	116,604
Other derivatives:									
Client foreign exchange forwards	Other assets	733,204	32,431	3,756	28,675	801,487	28,954	2,370	26,584
Client foreign exchange forwards	Other liabilities	695,403	(27,618)	—	(27,618)	774,355	(27,647)	—	(27,647)
Client foreign currency options	Other assets	28,390	246	—	246	34,926	227	—	227
Client foreign currency options	Other liabilities	28,390	(246)	—	(246)	34,926	(227)	—	(227)
Client interest rate derivatives	Other assets	459,614	5,164	—	5,164	387,410	2,546	—	2,546
Client interest rate derivatives	Other liabilities	459,614	(5,719)	—	(5,719)	387,410	(2,748)	—	(2,748)
Net exposure			4,258	3,756	502		1,105	2,370	(1,265)
Net			$137,353	$3,756	$133,597		$126,879	$7,781	$119,098

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

(2) Net exposure for contracts in a gain position reflects the replacement cost in the event of nonperformance by all such counterparties. The credit ratings of our institutional counterparties as of September 30, 2015 remain at investment grade or higher and there were no material changes in their credit ratings during the three and nine months ended September 30, 2015.

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

(Dollars in thousands)	Statement of income location	Three months ended September 30, 2015	Three months ended September 30, 2014	Nine months ended September 30, 2015	Nine months ended September 30, 2014
Derivatives designated as hedging instruments:					
Interest rate risks:					
Net cash benefit associated with interest rate swaps	Interest expense—borrowings	$631	$638	$1,903	$1,915
Changes in fair value of interest rate swaps	Net gains on derivative instruments	(8)	(12)	(22)	(37)
Net gains associated with interest rate risk derivatives		$623	$626	$1,881	$1,878
Derivatives not designated as hedging instruments:					
Currency exchange risks:					
Gains (losses) on revaluations of foreign currency instruments	Other noninterest income	$186	$(12,640)	$(11,667)	$(12,347)
(Losses) gains on internal foreign exchange forward contracts, net	Net gains on derivative instruments	(218)	12,529	11,626	12,038
Net losses associated with currency risk		$(32)	$(111)	$(41)	$(309)
Other derivative instruments:					
Net gains on equity warrant assets	Net gains on derivative instruments	$10,685	$13,157	$54,579	$50,859
Gains on client foreign exchange forward contracts, net	Net gains on derivative instruments	$179	$886	$459	$1,358
Net losses on other derivatives (1)	Net gains on derivative instruments	$(394)	$(22)	$(352)	$(738)

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

Balance Sheet Offsetting

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

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

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(Dollars in thousands)	Gross Amounts of Recognized Assets	Gross Amounts offset in the Statement of Financial Position	Net Amounts of Assets Presented in the Statement of Financial Position	Gross Amounts Not Offset in the Statement of Financial Position But Subject to Master Netting Arrangements		Net Amount
				Financial Instruments	Cash Collateral Received	
September 30, 2015						
Derivative Assets:						
Interest rate swaps	$3,485	$—	$3,485	$(3,485)	$—	$—
Foreign exchange forwards	33,025	—	33,025	(19,373)	(3,756)	9,896
Foreign currency options	322	(76)	246	(152)	—	94
Client interest rate derivatives	5,164	—	5,164	(5,164)	—	—
Total derivative assets:	41,996	(76)	41,920	(28,174)	(3,756)	9,990
Reverse repurchase, securities borrowing, and similar arrangements	214,484	—	214,484	(214,484)	—	—
Total	$256,480	$(76)	$256,404	$(242,658)	$(3,756)	$9,990
December 31, 2014						
Derivative Assets:						
Interest rate swaps	$4,609	$—	$4,609	$(1,639)	$(2,970)	$—
Foreign exchange forwards	34,004	—	34,004	(17,843)	(4,811)	11,350
Foreign currency options	501	(274)	227	(144)	—	83
Client interest rate derivatives	2,546	—	2,546	(2,546)	—	—
Total derivative assets:	41,660	(274)	41,386	(22,172)	(7,781)	11,433
Reverse repurchase, securities borrowing, and similar arrangements	95,611	—	95,611	(95,611)	—	—
Total	$137,271	$(274)	$136,997	$(117,783)	$(7,781)	$11,433

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

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

			Position			
September 30, 2015						
Derivative Liabilities:						
Foreign exchange forwards	$28,693	$—	$28,693	$(10,329)	$—	$18,364
Foreign currency options	322	(76)	246	(94)	—	152
Client interest rate derivatives	5,719	—	5,719	(5,719)	—	—
Total derivative liabilities:	34,734	(76)	34,658	(16,142)	—	18,516
Repurchase, securities lending, and similar arrangements	—	—	—	—	—	—
Total	$34,734	$(76)	$34,658	$(16,142)	$—	$18,516
December 31, 2014						
Derivative Liabilities:						
Foreign exchange forwards	$28,136	$—	$28,136	$(16,808)	$—	$11,328
Foreign currency options	501	(274)	227	(83)	—	144
Client interest rate derivatives	2,748	—	2,748	(2,748)	—	—
Total derivative liabilities:	31,385	(274)	31,111	(19,639)	—	11,472
Repurchase, securities lending, and similar arrangements	—	—	—	—	—	—
Total	$31,385	$(274)	$31,111	$(19,639)	$—	$11,472

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11. Other Noninterest Income and Other Noninterest Expense

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

	Three months ended September 30,		Nine months ended September 30,	
(Dollars in thousands)	2015	2014	2015	2014
Fund management fees	$4,074	$3,574	$11,657	$9,888
Service-based fee income	1,931	2,180	6,450	6,459
Gains (losses) on revaluation of foreign currency instruments (1)	186	(12,640)	(11,667)	(12,347)
Other (2) (3)	4,886	1,525	15,875	10,601
Total other noninterest income	$11,077	$(5,361)	$22,315	$14,601

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

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

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

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

	Three months ended September 30,		Nine months ended September 30,	
(Dollars in thousands)	2015	2014	2015	2014
Lending and other client related processing costs	$3,608	$3,215	$10,861	$8,160
Telephone	2,224	1,931	6,727	5,217
Data processing services	2,083	2,229	5,274	6,497
Postage and supplies	728	763	2,220	2,248
Dues and publications	521	719	1,803	1,852
Other (1)	5,106	4,711	15,216	9,381
Total other noninterest expense (2)	$14,270	$13,568	$42,101	$33,355

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

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

12. Segment Reporting

We have three reportable segments for management reporting purposes: Global Commercial Bank, SVB Private Bank and SVB Capital. The results of our operating segments are based on our internal management reporting process.
Our operating segments' primary source of revenue is from net interest income, which is primarily the difference between interest earned on loans, net of funds transfer pricing ("FTP"), and interest paid on deposits, net of FTP. Accordingly, our segments are reported using net interest income, net of FTP. FTP is an internal measurement framework designed to assess the financial impact of a financial institution's sources and uses of funds. It is the mechanism by which an earnings credit is given for deposits raised, and an earnings charge is made for funded loans. FTP is calculated at an instrument level based on account characteristics.
We also evaluate performance based on provision for loan losses, noninterest income and noninterest expense, which are presented as components of segment operating profit or loss. In calculating each operating segment's noninterest expense, we

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consider the direct costs incurred by the operating segment as well as certain allocated direct costs. As part of this review, we allocate certain corporate overhead costs to a corporate account. We do not allocate income taxes to our segments. Additionally, our management reporting model is predicated on average asset balances; therefore, period-end asset balances are not presented for segment reporting purposes. Changes in an individual client's primary relationship designation have resulted, and in the future may result, in the inclusion of certain clients in different segments in different periods.

Unlike financial reporting, which benefits from the comprehensive structure provided by GAAP, our internal management reporting process is highly subjective, as there is no comprehensive, authoritative guidance for management reporting. Our management reporting process measures the performance of our operating segments based on our internal operating structure, which is subject to change from time to time, and is not necessarily comparable with similar information for other financial services companies.

For reporting purposes, SVB Financial Group has three operating segments for which we report our financial information:

- Global Commercial Bank is comprised of results from the following:

  Our Commercial Bank products and services are provided by the Bank and its subsidiaries to commercial clients in the technology, life science & healthcare and private equity/venture capital industries. The Bank provides solutions to the financial needs of commercial clients, through credit, global treasury management, foreign exchange, global trade finance, and other services. It serves clients within the United States, as well as non-U.S. clients in key international innovation markets. In addition, the Bank and its subsidiaries offer a variety of investment services and solutions to its clients that enable them to effectively manage their assets.

  Our Private Equity Division provides banking products and services primarily to our private equity and venture capital clients.

  Our Wine practice provides banking products and services to our premium wine industry clients, including vineyard development loans.

  SVB Analytics provides equity valuation services to companies and private equity/venture capital firms.

  Debt Fund Investments is comprised of our investments in certain debt funds in which we are a strategic investor.

- SVB Private Bank is the private banking division of the Bank, which provides a range of personal financial solutions for consumers. Our clients are primarily private equity/venture capital professionals and executive leaders of the innovation companies they support. We offer a customized suite of private banking services, including mortgages, home equity lines of credit, restricted stock purchase loans, capital call lines of credit and other secured and unsecured lending, as well as cash and wealth management services.

- SVB Capital is the venture capital investment arm of SVBFG, which focuses primarily on funds management. SVB Capital manages funds (primarily venture capital funds) on behalf of third party limited partners and, on a more limited basis, SVB Financial Group. The SVB Capital family of funds is comprised of direct venture funds that invest in companies and funds of funds that invest in other venture capital funds. SVB Capital generates income for the Company primarily from investment returns (including carried interest) and management fees.

The summary financial results of our operating segments are presented along with a reconciliation to our consolidated interim results.

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Our segment information for the three and nine months ended September 30, 2015 and 2014 is as follows:

(Dollars in thousands)	Global Commercial Bank (1)	SVB Private Bank	SVB Capital (1)	Other Items (2)	Total
Three months ended September 30, 2015					
Net interest income	$217,929	$11,667	$1	$25,063	$254,660
Provision for loan losses	(32,076)	(1,327)	—	—	(33,403)
Noninterest income	68,517	506	17,332	22,122	108,477
Noninterest expense (3)	(135,504)	(2,703)	(3,745)	(42,803)	(184,755)
Income before income tax expense (4)	$118,866	$8,143	$13,588	$4,382	$144,979
Total average loans, net of unearned income	$13,031,928	$1,669,858	$—	214,866	$14,916,652
Total average assets (5)	40,211,915	1,273,823	334,045	199,441	42,019,224
Total average deposits	36,149,772	1,041,773	—	191,522	37,383,067
Three months ended September 30, 2014					
Net interest income	$187,184	$7,344	$12	$26,025	$220,565
Provision for loan losses	(16,185)	(425)	—	—	(16,610)
Noninterest income	57,714	491	1,064	20,898	80,167
Noninterest expense (3)	(127,050)	(2,574)	(3,036)	(47,101)	(179,761)
Income before income tax expense (4)	$101,663	$4,836	$(1,960)	$(178)	$104,361
Total average loans, net of unearned income	$10,022,333	$1,189,976	$—	227,212	$11,439,521
Total average assets (5)	31,916,581	1,128,938	302,949	1,247,597	34,596,065
Total average deposits	28,795,499	877,701	—	53,084	29,726,284
Nine months ended September 30, 2015					
Net interest income	$625,618	$32,499	$3	$79,236	$737,356
Provision for loan losses	(64,128)	(2,240)	—	—	(66,368)
Noninterest income	197,740	1,498	57,919	101,131	358,288
Noninterest expense (3)	(415,245)	(8,589)	(10,935)	(134,639)	(569,408)
Income before income tax expense (4)	$343,985	$23,168	$46,987	$45,728	$459,868
Total average loans, net of unearned income	$12,721,208	$1,529,095	$—	181,482	$14,431,785
Total average assets (5)	37,954,846	1,659,981	335,136	(38,438)	39,911,525
Total average deposits	34,125,675	1,125,345	—	162,333	35,413,353
Nine months ended September 30, 2014					
Net interest income	$540,533	$23,529	$55	$57,741	$621,858
(Provision for) reduction of loan losses	(18,833)	(218)	—	—	(19,051)
Noninterest income	169,376	1,121	35,617	198,488	404,602
Noninterest expense (3)	(369,587)	(7,709)	(8,815)	(135,002)	(521,113)
Income before income tax expense (4)	$321,489	$16,723	$26,857	$121,227	$486,296
Total average loans, net of unearned income	$9,766,870	$1,119,618	$—	211,909	$11,098,397
Total average assets (5)	28,924,331	1,026,678	328,048	1,123,895	31,402,952
Total average deposits	26,020,715	805,167	—	56,231	26,882,113

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

(2) The "Other Items" column reflects the adjustments necessary to reconcile the results of the operating segments to the consolidated financial statements prepared in conformity with GAAP. Noninterest income is primarily attributable to noncontrolling interests and gains on equity warrant assets. Noninterest expense primarily consists of expenses associated with corporate support functions such as finance, human resources, marketing, legal and other expenses.

(3) The Global Commercial Bank segment includes direct depreciation and amortization of $4.7 million and $5.4 million for the three months September 30, 2015 and 2014, respectively, and $14.4 million and $15.4 million for the nine months ended September 30, 2015 and 2014, 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 which contributes to the negative balances reported in "Other Items" to reconcile the results to the consolidated financial statements prepared in conformity with GAAP.

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

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

Commitments to Extend Credit

The following table summarizes information related to our commitments to extend credit at September 30, 2015 and December 31, 2014:

(Dollars in thousands)	September 30, 2015	December 31, 2014
Loan commitments available for funding: (1)		
Fixed interest rate commitments	$1,393,396	$1,591,408
Variable interest rate commitments	13,302,099	11,860,039
Total loan commitments available for funding	14,695,495	13,451,447
Commercial and standby letters of credit (2)	1,391,812	1,254,338
Total unfunded credit commitments	$16,087,307	$14,705,785
Commitments unavailable for funding (3)	$2,141,183	$1,868,489
Maximum lending limits for accounts receivable factoring arrangements (4)	1,084,623	1,044,548
Reserve for unfunded credit commitments (5)	36,631	36,419

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

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

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

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

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

Commercial and Standby Letters of Credit

The table below summarizes our commercial and standby letters of credit at September 30, 2015. The maximum potential amount of future payments represents the amount that could be remitted under letters of credit if there were a total default by the guaranteed parties, without consideration of possible recoveries under recourse provisions or from the collateral held or pledged.

(Dollars in thousands)	Expires In One Year or Less	Expires After One Year	Total Amount Outstanding	Maximum Amount of Future Payments
Financial standby letters of credit	$1,251,147	$68,343	$1,319,490	$ 1,319,490
Performance standby letters of credit	50,220	10,209	60,429	60,429
Commercial letters of credit	11,893	—	11,893	11,893
Total	$1,313,260	$78,552	$1,391,812	$ 1,391,812

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Deferred fees related to financial and performance standby letters of credit were $8.9 million at September 30, 2015 and $8.4 million at December 31, 2014. At September 30, 2015, collateral in the form of cash of $587.5 million and available-for-sale securities of $0.6 million were available to us to reimburse losses, if any, under financial and performance standby letters of credit.

Commitments to Invest in Venture Capital and Private Equity Funds

Subject to applicable regulatory requirements, including the Volcker Rule, we make commitments to invest in venture capital and private equity funds, which in turn make investments generally in, or in some cases make loans to, privately-held companies. Commitments to invest in these funds are generally made for a 10-year period from the inception of the fund. Although the limited partnership agreements governing these investments typically do not restrict the general partners from calling 100% of committed capital in one year, it is customary for these funds to generally call most of the capital commitments over 5 to 7 years; however in certain cases, the funds may not call 100% of committed capital over the life of the fund. The actual timing of future cash requirements to fund these commitments is generally dependent upon the investment cycle, overall market conditions, and the nature and type of industry in which the privately held companies operate. The following table details our total capital commitments, unfunded capital commitments, and our ownership percentage in each fund at September 30, 2015:

Our Ownership in Venture Capital and Private Equity Funds (Dollars in thousands)	SVBFG Capital Commitments	SVBFG Unfunded Commitments	SVBFG Ownership of each Fund (4)
Silicon Valley BancVentures, LP	$6,000	$ 270	10.7 %
SVB Capital Partners II, LP (1)	1,200	162	5.1
SVB Capital Shanghai Yangpu Venture Capital Fund	935	—	6.8
SVB Strategic Investors Fund, LP	15,300	688	12.6
SVB Strategic Investors Fund II, LP	15,000	1,050	8.6
SVB Strategic Investors Fund III, LP	15,000	1,275	5.9
SVB Strategic Investors Fund IV, LP	12,239	2,325	5.0
Strategic Investors Fund V Funds	515	177	Various
SVB Capital Preferred Return Fund, LP	12,688	—	20.0
SVB Capital—NT Growth Partners, LP	24,670	1,340	33.0
Other private equity fund (2)	9,338	—	58.2
Debt funds	73,830	—	Various
Other fund investments (3)	299,977	12,064	Various
Total	$486,692	$ 19,351	

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

(2) Our ownership includes direct ownership of 41.5 percent and indirect ownership interests of 12.6 percent and 4.1 percent in the fund through our ownership interest of SVB Capital - NT Growth Partners, LP and SVB Capital Preferred Return Fund, LP, respectively.

(3) Represents commitments to 276 funds (primarily venture capital funds) where our ownership interest is generally less than 5 percent of the voting interests of each such fund.

(4) We are subject to the Volcker Rule, which restricts or limits us from sponsoring or having ownership interests in “covered” funds including venture capital and private equity funds. See “Business - Supervision and Regulation” under Item 1 of Part I of our 2014 Form 10-K.

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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 September 30, 2015:

Limited Partnership (Dollars in thousands)	Unfunded Commitments
SVB Strategic Investors Fund, LP	$ 2,250
SVB Capital Preferred Return Fund, LP	4,673
SVB Capital—NT Growth Partners, LP	3,878
Other private equity fund	77
Total	$ 10,878

14. Income Taxes

We are subject to income tax in the U.S. federal jurisdiction and various state and foreign jurisdictions and have identified our federal tax return and tax returns in California and Massachusetts as major tax filings. Our U.S. federal tax returns for 2012 and subsequent years remain open to full examination. Our California tax returns for 2010 and subsequent tax years remain open to full examination. Massachusetts tax returns for 2011 and subsequent years remain open to full examination.

At September 30, 2015, our unrecognized tax benefit was $3.5 million, the recognition of which would reduce our income tax expense by $2.3 million. We do not expect that our unrecognized tax benefit will materially change in the next 12 months.

We recognize interest and penalties related to income tax matters as part of income before income taxes. Interest and penalties were not material for the three and nine months ended September 30, 2015.

15. Fair Value of Financial Instruments

Fair Value Measurements

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

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

Level 1

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

Level 2

Fair value measurements based on quoted prices in markets that are not active or for which all significant inputs are observable, directly or indirectly. Valuations for the available-for-sale securities are provided by third party external pricing service providers. We review the methodologies used to determine the fair value, including understanding the nature and observability of the inputs used to determine the price. Additional corroboration, such as obtaining a non-binding price from a broker, may be obtained depending on the frequency of trades of the security and the level of liquidity or depth of the market. The valuation methodology that is generally used for the Level 2 assets is the income

approach. Below is a summary of the significant inputs used for each class of Level 2 assets and liabilities:
U.S. agency debentures: Fair value measurements of U.S. agency debentures are based on the characteristics specific to bonds held, such as issuer name, coupon rate, maturity date and any applicable issuer call option features. Valuations are based on market spreads relative to similar term benchmark market interest rates, generally U.S. Treasury securities.

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

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

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

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

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

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

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

Level 3

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

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

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

Equity warrant assets (public portfolio): Fair value measurements of equity warrant assets of publicly-traded portfolio companies are valued based on the Black-Scholes option pricing model. The model uses the price of publicly-traded companies (underlying stock price), stated strike prices, warrant expiration dates, the risk-free interest rate and market-observable option volatility assumptions. Modeled asset values are further adjusted by applying a discount of up to 20% for certain warrants that have lock-up restrictions or other features that indicate a discount to fair value is warranted. As a lock-up term nears, and other sale restrictions are lifted, discounts are adjusted downward to 0 percent once all restrictions expire or are removed.

Equity warrant assets (private portfolio): Fair value measurements of equity warrant assets of private portfolio companies are priced based on a modified Black-Scholes option pricing model to estimate the asset value by using stated strike prices,

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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.

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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 September 30, 2015:

(Dollars in thousands)	Level 1	Level 2	Level 3	Balance at September 30, 2015
Assets				
Available-for-sale securities:				
U.S. treasury securities	$10,197,025	$—	$—	$10,197,025
U.S. agency debentures	—	2,942,968	—	2,942,968
Residential mortgage-backed securities:				
Agency-issued collateralized mortgage obligations - fixed rate	—	1,517,702	—	1,517,702
Agency-issued collateralized mortgage obligations - variable rate	—	645,288	—	645,288
Equity securities	691	3,987	—	4,678
Total available-for-sale securities	10,197,716	5,109,945	—	15,307,661
Non-marketable and other securities (fair value accounting):				
Non-marketable securities:				
Venture capital and private equity fund investments measured at net asset value (1)	—	—	—	154,660
Other venture capital investments	—	—	3,390	3,390
Other securities	779	—	—	779
Total non-marketable and other securities (fair value accounting)	779	—	3,390	158,829
Other assets:				
Interest rate swaps	—	3,485	—	3,485
Foreign exchange forward and option contracts	—	33,271	—	33,271
Equity warrant assets	—	1,648	128,443	130,091
Client interest rate derivatives	—	5,164	—	5,164
Total assets (2)	$10,198,495	$5,153,513	$131,833	$15,638,501
Liabilities				
Foreign exchange forward and option contracts	$—	$28,939	$—	$28,939
Client interest rate derivatives	—	5,719	—	5,719
Total liabilities	$—	$34,658	$—	$34,658

(1) In accordance with the accounting standard (ASU 2015-07, Fair Value Measurement (Topic 820)), certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statement of financial position. See Note 1— "Basis of Presentation" of the "Notes to Interim Consolidated Financial Statements" under Part I, Item 1 in this report.

(2) Included in Level 1 and Level 3 assets are $0.6 million and $3 million, respectively, attributable to noncontrolling interests calculated based on the ownership percentages of the noncontrolling interests.

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The following fair value hierarchy table presents information about our assets and liabilities that are measured at fair value on a recurring basis as of December 31, 2014:

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

(1) In accordance with the accounting standard (ASU 2015-07, Fair Value Measurement (Topic 820)), certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. See Note 1— "Basis of Presentation" of the "Notes to Interim Consolidated Financial Statements" under Part I, Item 1 in this report.

(2) Included in Level 1 and Level 3 assets are $100 million and $69 million, respectively, attributable to noncontrolling interests calculated based on the ownership percentages of the noncontrolling interests.

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The following table presents additional information about Level 3 assets measured at fair value on a recurring basis for the three and nine months ended September 30, 2015 and 2014, respectively:

(Dollars in thousands)	Beginning Balance	Total Realized and Unrealized Gains Included in Income	Purchases	Sales	Issuances	Distributions and Other Settlements	Transfers Out of Level 3	Ending Balance
Three months ended September 30, 2015								
Non-marketable and other securities (fair value accounting):								
Other venture capital investments	$3,390	$15	$—	$—	$—	$(15)	$—	$3,390
Total non-marketable and other securities (fair value accounting) (1)	3,390	15	—	—	—	(15)	—	3,390
Other assets:								
Equity warrant assets (2)	120,037	11,551	—	(6,215)	3,057	499	(486)	128,443
Total assets	$123,427	$11,566	$—	$(6,215)	$3,057	$484	$(486)	$131,833
Three months ended September 30, 2014								
Non-marketable and other securities (fair value accounting):								
Other venture capital investments	$43,747	$5,546	$6,304	$(11,122)	$—	$(612)	$—	$43,863
Other securities (fair value accounting)	5,808	—	—	—	—	—	(5,808)	—
Total non-marketable and other securities (fair value accounting) (1)	49,555	5,546	6,304	(11,122)	—	(612)	(5,808)	43,863
Other assets:								
Equity warrant assets (2)	87,151	13,805	—	(10,564)	2,932	510	(437)	93,397
Total assets	$136,706	$19,351	$6,304	$(21,686)	$2,932	$(102)	$(6,245)	$137,260
Nine months ended September 30, 2015								
Non-marketable and other securities (fair value accounting):								
Other venture capital investments (3)	$3,291	$146	$—	$(32)	$—	$(15)	$—	$3,390
Total non-marketable and other securities (fair value accounting) (1)	3,291	146	—	(32)	—	(15)	—	3,390
Other assets:								
Equity warrant assets (2)	114,698	54,884	—	(48,374)	7,607	1,249	(1,621)	128,443

Total assets	$117,989	$55,030	$—	$(48,406)	$7,607	$ 1,234	$(1,621)	$131,833
Nine months ended September 30, 2014								
Non-marketable and other securities (fair value accounting):								
Other venture capital investments	$32,839	$8,060	$22,800	$(15,561)	$—	$ (4,149)	$(126)	$43,863
Other securities (fair value accounting)	319,249	104,310	—	(46,840)	—	3,417	(380,136)	—
Total non-marketable and other securities (fair value accounting) (1)	352,088	112,370	22,800	(62,401)	—	(732)	(380,262)	43,863
Other assets:								
Equity warrant assets (2)	99,891	51,325	—	(67,201)	9,098	1,718	(1,434)	93,397
Total assets	$451,979	$163,695	$22,800	$(129,602)	$9,098	$ 986	$(381,696)	$137,260

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

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

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

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The following table presents the amount of net unrealized gains and losses included in earnings (which is inclusive of noncontrolling interest) attributable to Level 3 assets still held at September 30, 2015 and 2014:

	Three months ended September 30,		Nine months ended September 30,	
(Dollars in thousands)	2015	2014	2015	2014
Non-marketable and other securities (fair value accounting):				
Other venture capital investments	—	(1,231)	158	78
Other securities	—	—	—	78,967
Total non-marketable and other securities (fair value accounting) (1)	—	(1,231)	158	79,045
Other assets:				
Equity warrant assets (2)	9,115	6,911	21,597	17,777
Total unrealized gains, net	$9,115	$5,680	$21,755	$96,822
Unrealized gains (losses) attributable to noncontrolling interests	$—	$(1,137)	$141	$72,574

(1) Unrealized gains (losses) are recorded in the line items "gains on investment securities, net", a component of noninterest income.

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

The following table presents quantitative information about the significant unobservable inputs used for certain of our Level 3 fair value measurements at September 30, 2015 and December 31, 2014. We have not included in this table our venture capital and private equity fund investments (fair value accounting) as we use net asset value per share (as obtained from the general partners of the investments) as a practical expedient to determine fair value.

(Dollars in thousands)	Fair value	Valuation Technique	Significant Unobservable Inputs	Weighted Average
September 30, 2015:				
Other venture capital investments (fair value accounting)	$3,390	Private company equity pricing	(1)	(1)
Equity warrant assets (public portfolio)	4,795	Modified Black-Scholes option pricing model	Volatility	39.4%
			Risk-Free interest rate	1.5%
			Sales restrictions discount (2)	14.2%
Equity warrant assets (private portfolio)	123,648	Modified Black-Scholes option pricing model	Volatility	37.1%
			Risk-Free interest rate	0.7%
			Marketability discount (3)	17.3%
			Remaining life assumption (4)	45.0%
December 31, 2014:				
Other venture capital investments (fair value accounting)	$71,204	Private company equity pricing	(1)	(1)
Equity warrant assets (public portfolio)	1,681	Modified Black-Scholes option pricing model	Volatility	42.6%
			Risk-Free interest rate	1.7%
			Sales restrictions discount (2)	17.8%
Equity warrant assets (private portfolio)	113,017	Modified Black-Scholes option pricing model	Volatility	38.3%
			Risk-Free interest rate	0.9%
			Marketability discount (3)	20.0%

Remaining life assumption (4)	45.0	%

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

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

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

(4) We adjust the contractual remaining term of private company warrants based on our estimate of the actual remaining life, which we determine by utilizing historical data on cancellations and exercises. At September 30, 2015, the weighted average contractual remaining term was 5.67 years, compared to our estimated remaining life of 2.55 years. On a quarterly basis, a sensitivity analysis is performed on our remaining life assumption.

For the three and nine months ended September 30, 2015 and 2014, we did not have any material transfers between Level 2 and Level 1. We did not have any transfers from Level 3 to Level 1 for the nine months ended September 30, 2015. Transfers from Level 3 to Level 1 for the nine months ended September 30, 2014 included $380.3 million as a result of the expiration of lock-up and other restrictions on certain of our other securities.

All other transfers from Level 3 to Level 2 for the three and nine months ended September 30, 2015 and 2014 were due to the transfer of equity warrant assets from our private portfolio to our public portfolio (see our Level 3 reconciliation above). All amounts reported as transfers represent the fair value as of the date of the change in circumstances that caused the transfer.

Financial Instruments not Carried at Fair Value

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

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

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

Financial Instruments for which Carrying Value Approximates Fair Value

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

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

Held-to-Maturity Securities

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

Non-Marketable Securities (Cost and Equity Method Accounting)

Non-marketable securities includes other investments (equity method accounting), venture capital and private equity fund investments (cost method accounting), and other venture capital investments (cost method accounting). Other investments (equity method accounting) includes our investment in our joint venture bank in China. At this time, the carrying value of our investment in our joint venture bank in China is a reasonable estimate of fair value. The fair value of the remaining other investments (equity method accounting) and the fair value of venture capital and private equity fund investments (cost method accounting) and other venture capital investments (cost method accounting) is based on financial information obtained from the investee or obtained from the fund investments' or debt fund investments' respective general partners. For private company

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investments, estimated fair value is based on consideration of a range of factors including, but not limited to, the price at which the investment was acquired, the term and nature of the investment, local market conditions, values for comparable securities, current and projected operating performance, exit strategies, and financing transactions subsequent to the acquisition of the investment. For our fund investments, we utilize the net asset value per share as obtained from the general partners of the investments. We adjust the net asset value per share for differences between our measurement date and the date of the fund investment's net asset value by using the most recently available financial information from the investee general partner, for example June 30th, for our September 30th consolidated financial statements, adjusted for any contributions paid, distributions received from the investment, and significant fund transactions or market events during the reporting period.

Loans

The fair value of fixed and variable rate loans is estimated by discounting contractual cash flows using rates that reflect current pricing for similar loans and the projected forward yield curve. This method is not based on the exit price concept of fair value required under ASC 820, Fair Value Measurements and Disclosures.

Long-Term Deposits

The fair value of long-term time deposits is estimated by discounting the cash flows using our cost of borrowings and the projected forward yield curve over their remaining contractual term.

Long-Term Debt

The fair value of long-term debt is generally based on quoted market prices, when available, or is estimated based on calculations utilizing third-party pricing services and current market spread, price indications from reputable dealers or observable market prices of the underlying instrument(s), whichever is deemed more reliable. Also included in the estimated fair value of our 6.05% Subordinated Notes are amounts related to hedge accounting associated with the notes.

Off-Balance Sheet Financial Instruments

The fair value of net available commitments to extend credit is estimated based on the average amount we would receive or pay to execute a new agreement with identical terms and pricing, while taking into account the counterparties' credit standing.

Letters of credit are carried at their fair value, which was equivalent to the residual premium or fee at September 30, 2015 and December 31, 2014. Commitments to extend credit and letters of credit typically result in loans with a market interest rate if funded.

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

(Dollars in thousands)	Carrying Amount	Estimated Fair Value Total	Level 1	Level 2	Level 3
September 30, 2015:					
Financial assets:					
Cash and cash equivalents	$1,674,145	$1,674,145	$1,674,145	$—	$—
Held-to-maturity securities	8,306,526	8,367,003	—	8,367,003	—
Non-marketable securities (cost and equity method accounting) not measured at net asset value	112,984	115,359	—	—	115,359
Non-marketable securities (cost and equity method) accounting measured at net asset value (1)	253,210	374,353	—	—	—
Net commercial loans	13,470,144	13,547,022	—	—	13,547,022
Net consumer loans	1,646,929	1,618,492	—	—	1,618,492
FHLB and Federal Reserve Bank stock	46,116	46,116	—	—	46,116
Accrued interest receivable	98,453	98,453	—	98,453	—
Financial liabilities:					
Other short-term borrowings	3,756	3,756	3,756	—	—
Non-maturity deposits (2)	36,977,199	36,977,199	36,977,199	—	—
Time deposits	72,218	72,218	—	72,218	—
3.50% Senior Notes	346,591	342,125	—	342,125	—
5.375% Senior Notes	346,878	391,286	—	391,286	—
6.05% Subordinated Notes (3)	49,028	51,000	—	51,000	—
7.0% Junior Subordinated Debentures	54,714	52,557	—	52,557	—
Accrued interest payable	4,992	4,992	—	4,992	—
Off-balance sheet financial assets:					
Commitments to extend credit	—	28,805	—	—	28,805
December 31, 2014:					
Financial assets:					
Cash and cash equivalents	$1,796,062	$1,796,062	$1,796,062	$—	$—
Held-to-maturity securities	7,421,042	7,415,656	—	7,415,656	—
Non-marketable securities (cost and equity method accounting) not measured at net asset value	108,221	107,451	—	—	107,451
Non-marketable securities (cost and equity method) accounting measured at net asset value (1)	188,427	283,119	—	—	—
Net commercial loans	12,947,869	13,082,487	—	—	13,082,487
Net consumer loans	1,271,048	1,247,336	—	—	1,247,336
FHLB and Federal Reserve Bank stock	53,496	53,496	—	—	53,496
Accrued interest receivable	94,180	94,180	—	94,180	—
Financial liabilities:					
Other short-term borrowings	7,781	7,781	7,781	—	—
Non-maturity deposits (2)	34,215,372	34,215,372	34,215,372	—	—
Time deposits	128,127	128,107	—	128,107	—
5.375% Senior Notes	346,477	392,616	—	392,616	—
6.05% Subordinated Notes (3)	50,040	53,537	—	53,537	—
7.0% Junior Subordinated Debentures	54,845	52,990	—	52,990	—

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

(1) In accordance with the accounting standard (ASU 2015-07, Fair Value Measurement (Topic 820)), certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. See Note 1— "Basis of Presentation" of the "Notes to Interim Consolidated Financial Statements" under Part I, Item 1 in this report.

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

(3) At September 30, 2015 and December 31, 2014, included in the carrying value and estimated fair value of our 6.05% Subordinated Notes was an interest rate swap valued at $3.5 million and $4.6 million, respectively, related to hedge accounting associated with the notes.

Investments in Entities that Calculate Net Asset Value Per Share

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

Our investments in debt funds and venture capital and private equity fund investments generally cannot be redeemed. Alternatively, we expect distributions, if any, to be received primarily through IPOs and M&A activity of the underlying assets of the fund. Subject to applicable requirements under the Volcker Rule, we do not have any plans to sell any of these fund investments. If we decide to sell these investments in the future, the investee fund's management must approve of the buyer before the sale of the investments can be completed. The fair values of the fund investments have been estimated using the net asset value per share of the investments, adjusted for any differences between our measurement date and the date of the fund investment's net asset value by using the most recently available financial information from the investee general partner, for example June 30th, for our September 30th consolidated financial statements, adjusted for any contributions paid, distributions received from the investment, and significant fund transactions or market events during the reporting period.

The following table is a summary of the estimated fair values of these investments and remaining unfunded commitments for each major category of these investments as of September 30, 2015:

(Dollars in thousands)	Carrying Amount	Fair Value	Unfunded Commitments
Non-marketable securities (fair value accounting):			
Venture capital and private equity fund investments (1)	$ 154,660	$154,660	$ 10,878
Non-marketable securities (equity method accounting):			
Venture capital and private equity fund investments (2)	84,197	84,197	4,989
Debt funds (2)	21,217	22,326	—
Other investments (2)	24,246	24,246	886
Non-marketable securities (cost method accounting):			
Venture capital and private equity fund investments (2)	123,550	243,584	9,381
Total	$ 407,870	$529,013	$ 26,134

(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 $111 million and $8 million, respectively, attributable to noncontrolling interests. It is estimated that we will receive distributions from the fund investments over the next 10 to 13 years, depending on the age of the funds and any potential extensions of terms of the funds.

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

16. Legal Matters

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

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

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

17. Related Parties

During the nine months ended September 30, 2015, the Bank made loans to related parties, including certain companies in which certain of our directors or their affiliated venture funds are beneficial owners of ten percent or more of the equity securities of such companies. Such loans: (a) were made in the ordinary course of business; (b) were made on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with other non-related persons; and (c) did not involve more than the normal risk of collectability or present other unfavorable features. Additionally, we also provide real estate secured loans to eligible employees through our EHOP.

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ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Forward-Looking Statements

This Quarterly Report on Form 10-Q, including in particular "Management's Discussion and Analysis of Financial Condition and Results of Operations" under Part I, Item 2 of this report, contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. In addition, management has in the past and might in the future make forward-looking statements orally to analysts, investors, the media and others. Forward-looking statements are statements that are not historical facts. Broadly speaking, forward-looking statements include, but are not limited to, the following:

Projections of our net interest income, noninterest income, earnings per share, noninterest expenses (including professional services, compliance, compensation and other costs), cash flows, balance sheet positions, capital expenditures, liquidity and capitalization or other financial items

Descriptions of our strategic initiatives, plans or objectives for future operations, including pending sales or acquisitions

Forecasts of private equity/venture capital funding and investment levels

Forecasts of future interest rates, economic performance, and income from investments

Forecasts of expected levels of provisions for loan losses, nonperforming loans, loan growth and client funds

Descriptions of assumptions underlying or relating to any of the foregoing

You can identify these and other forward-looking statements by the use of words such as "becoming," "may," "will," "should," "could," "would," "predict," "potential," "continue," "anticipate," "believe," "estimate," "seek," "expect," "plan," "intend," the such words, or comparable terminology. Forward-looking statements are neither historical facts nor assurances of future performance. Although we believe that the expectations reflected in these forward-looking statements are reasonable, we have based these expectations on our current beliefs as well as our assumptions, and such expectations may prove to be incorrect. Because forward-looking statements relate to the future, they are subject to inherent uncertainties, risks and changes in circumstances that are difficult to predict and many of which are outside of our control. Our actual results of operations and financial performance could differ significantly from those expressed in or implied by our management's forward-looking statements. Important factors that could cause our actual results and financial condition to differ from the expectations stated in the forward-looking statements include, among others:

- Market and economic conditions, including the interest rate environment, and the associated impact on us
- The credit profile and credit quality of our loan portfolio and volatility of our levels of nonperforming assets and charge-offs
- The adequacy of our allowance for loan losses and the need to make provisions for loan losses for any period
- The borrowing needs of our clients
- The sufficiency of our capital and liquidity positions
- The levels of loans, deposits and client investment fund balances
- The performance of our portfolio investments; the general condition of the public and private equity and mergers and acquisitions markets and their impact on our investments, including equity warrant assets, venture capital and private equity funds and direct equity investments
- Our overall investment plans and strategies; the realization, timing, valuation and performance of our equity or other investments
- The levels of public offerings, mergers and acquisitions and venture capital investment activity of our clients that may impact the borrowing needs of our clients
- The occurrence of fraudulent activity, including breaches of our information security or cyber security-related incidents
- Business disruptions and interruptions due to natural disasters and other external events
- The impact on our reputation and business from our interactions with business partners, counterparties, service providers and other third parties
- Expansion of our business internationally
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- The impact of legal requirements and regulations limiting or restricting our activities or resulting in higher costs or increased compliance responsibilities, including the Volcker rule
- The impact of lawsuits and claims
- Changes in accounting standards
- The levels of equity capital available to our client or portfolio companies
- Our ability to maintain or increase our market share, including through successfully implementing our business strategy and undertaking new business initiatives

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- Other factors as discussed in “Risk Factors” under Part I, Item 1A in our 2014 Form 10-K

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

The following discussion and analysis of financial condition and results of operations should be read in conjunction with our interim unaudited consolidated financial statements and accompanying notes as presented in Part I, Item 1 of this report and in conjunction with our 2014 Form 10-K.

Reclassifications

Certain prior period amounts, including amounts related to the adoption of ASU 2014-01, ASU 2015-02 and ASU 2015-03, have been reclassified to conform to current period presentations.

Management’s Overview of Third Quarter 2015 Performance

Overall, we had a solid third quarter in 2015, which was reflective of continued growth in total client funds, healthy average loan growth, higher core fee income, solid venture capital investment and warrant gains, and stable credit quality of our overall loan portfolio despite an increase in our loan loss provision, and a higher level of gross charge-offs. We continued to perform well as a result of our focus on innovation companies and their investors, continued positive business conditions for our clients, and our efforts to secure client relationships. We had net income available to common stockholders of $81.7 million and diluted EPS of $1.57 for the third quarter of 2015. This compares to net income of $64.0 million and diluted EPS of $1.24 in the third quarter of 2014. In the third quarter of 2015, we experienced solid growth in net interest income as a result of the increase in interest earned from our loan and fixed income investment portfolios. These increases are reflective of an increase in average loans of $3.5 billion and average investments of $4.7 billion, driven by our significant deposit growth. Our total client funds, which consist of on-balance sheet deposits and off-balance sheet client investment funds, also significantly increased, reflecting growth from our existing and new clients. Noninterest expense increased $5.0 million primarily from increases in compensation and benefits and FDIC and state assessments of $9.4 million and $2.4 million, respectively, offset by decreases in professional services and business development and travel expenses of $4.9 million and $2.0 million, respectively.

Third quarter 2015 results (compared to the third quarter 2014, where applicable) included:

Continued strong growth in our lending business with average loan balances of $14.9 billion, an increase of $3.5 billion, or 30.4 percent. Period-end loan balances were $15.3 billion, an increase of $3.3 billion, or 27.4 percent.

Average investment securities, excluding non-marketable and other securities, of $22.9 billion, an increase of $4.7 billion, or 25.7 percent. Period-end investment securities, excluding non-marketable and other securities, of $23.6 billion, an increase of $3.6 billion, or 18.1 percent.

Average deposit balances of $37.4 billion, an increase of $7.7 billion, or 25.8 percent. Period-end deposit balances of $37.0 billion, an increase of $5.9 billion, or 19.0 percent.

Average total client funds (comprised of on-balance sheet deposits and off-balance sheet client investment funds) were $79.4 billion, an increase of $18.6 billion, or 30.7 percent. Period-end total client funds were $80.6 billion, an increase of $18.3 billion, or 29.5 percent.

Net interest income (fully taxable equivalent basis) of $255.0 million, an increase of $34.1 million, or 15.4 percent, primarily due to an increase in interest income from fixed income investment securities and loans, attributable to growth in average investment and loan balances of $4.7 billion and $3.5 billion, respectively, driven by the average deposit growth mentioned above.

Net interest margin of 2.50 percent, compared to 2.73 percent, primarily due to a 67 basis point decrease in the overall yield of our loan portfolio and a 9 basis point decrease in our fixed income investment portfolio yield. These decreases were primarily a result of the shift in the mix of our overall loan portfolio into higher credit quality, lower yielding loans, the overall low rate market environment and increased competition in the marketplace.

Provision for loan losses of $33.4 million, compared to $16.6 million. The provision of $33.4 million was primarily driven by an increase of $17.8 million of additional specific reserves on two newly impaired loans, $10.4 million from the increase in period-end loan balances and an additional $3.8 million for the unreserved portion of a large charge-off during the quarter.

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Non-GAAP core fee income (deposit service charges, letters of credit fees, credit card fees, lending related fees, client investment fees, and foreign exchange fees) of $68.4 million, an increase of $15.0 million, or 28.2 percent, primarily reflective of increased client utilization of our foreign exchange services and credit card and payment products. (See non-GAAP reconciliation under the section "Results of Operations—Noninterest Income").
Net gains on investment securities of $18.8 million, compared to net gains of $5.6 million. [Non-GAAP net gains on investment securities, net of noncontrolling interests were $12.7 million, compared to net losses of $1.1 million (See non-GAAP reconciliation under the section "Results of Operations—Noninterest Income—Gains on Investment Securities, Net"). Net gains, net of noncontrolling interests, were primarily driven by $6.8 million gains from our strategic and other investments, reflective of strong distributions from our strategic venture capital fund investments and gains of $6.0 million from our managed fund of funds, primarily related to unrealized valuation increases.
Net gains on equity warrant assets of $10.7 million, a decrease of $2.5 million, or 18.8 percent, compared to $13.2 million. The gains of $10.7 million primarily included $8.9 million from changes in warrant valuations and net gains of $2.2 million from the exercise of equity warrant assets.
Noninterest expense of $184.8 million, an increase of $5.0 million, or 2.8 percent. This increase was primarily driven by a $9.4 million increase in compensation and benefits. The increase in compensation and benefits was primarily due to increased salaries and wages as a result of an increase in average FTEs. Average FTEs increased by 9.7 percent to 2,030 for the three months ended September 30, 2015, compared to 1,850 FTEs for the comparable 2014 period.

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

(Dollars in thousands, except per share data, employees and ratios)	Three months ended September 30, 2015	2014	% Change	Nine months ended September 30, 2015	2014	% Change
Diluted earnings per common share (1)	$1.57	$1.24	26.6 %	$4.94	$4.18	18.2 %
Net income available to common stockholders (1)	81,733	63,977	27.8	256,392	205,880	24.5
Net interest income	254,660	220,565	15.5	737,356	621,858	18.6
Net interest margin	2.50 %	2.73 %	(23) bps	2.57 %	2.87 %	(30) bps
Provision for loan losses	$33,403	$16,610	101.1	$66,368	$19,051	NM
Noninterest income (2)	108,477	80,167	35.3	358,288	404,602	(11.4) %
Noninterest expense (1) (2)	184,755	179,761	2.8 %	569,408	521,113	9.3
Non-GAAP core fee income (3)	68,388	53,346	28.2	192,677	154,285	24.9
Non-GAAP noninterest income, net of noncontrolling interests (1) (2) (3)	102,134	75,256	35.7	329,225	248,298	32.6
Non-GAAP noninterest expense, net of noncontrolling interests (1) (2) (4)	184,639	175,018	5.5	568,758	507,782	12.0
Balance Sheet:						
Average available-for-sale securities	$15,035,114	$12,446,821	20.8 %	$14,140,044	$12,698,395	11.4 %
Average held-to-maturity securities	7,878,963	5,775,602	36.4	7,697,302	2,544,256	NM
Average loans, net of unearned income (2)	14,916,652	11,439,521	30.4	14,431,785	11,098,397	30.0
Average noninterest-bearing demand deposits (2)	28,791,728	21,502,469	33.9	26,909,422	19,302,107	39.4
Average interest-bearing deposits	8,591,339	8,223,815	4.5	8,503,931	7,580,006	12.2
Average total deposits	37,383,067	29,726,284	25.8	35,413,353	26,882,113	31.7
Earnings Ratios:						
Return on average assets (annualized) (1) (2) (6)	0.77 %	0.73 %	5.5 %	0.86 %	0.88 %	(2.3) %
Return on average SVBFG stockholders' equity (annualized) (1) (7)	10.35	9.30	11.3	11.34	11.37	(0.3)
Asset Quality Ratios:						
Allowance for loan losses as a % of total period-end gross loans	1.28 %	1.07 %	21 bps	1.28 %	1.07 %	21 bps
Allowance for loan losses for performing loans as a %	0.99	1.05	(6)	0.99	1.05	(6)

of total gross performing loans												
Gross loan charge-offs as a % of average total gross loans (annualized)	0.77		0.37		40		0.36		0.46		(10	)
Net loan charge-offs as a % of average total gross loans (annualized)	0.75		0.28		47		0.31		0.39		(8	)
Capital Ratios:												
CET 1 risk-based capital ratio (8)	12.48	%	—	%	—	bps	12.48	%	—	%	—	bps
Tier 1 risk-based capital ratio (8)	13.07		14.03		(96	)	13.07		14.03		(96	)
Total risk-based capital ratio (8)	14.05		14.97		(92	)	14.05		14.97		(92	)
Tier 1 leverage ratio (8)	7.67		8.22		(55	)	7.67		8.22		(55	)
Tangible common equity to tangible assets (1) (9)	7.61		7.54		7		7.61		7.54		7	
Tangible common equity to risk-weighted assets (1) (8) (9)	12.87		13.95		(108	)	12.87		13.95		(108	)
Bank CET 1 risk-based capital ratio (8)	12.79		—		—		12.79		—		—	
Bank tier 1 risk-based capital ratio (8)	12.79		12.11		68		12.79		12.11		68	
Bank total risk-based capital ratio (8)	13.85		13.06		79		13.85		13.06		79	
Bank tier 1 leverage ratio (8)	7.13		7.05		8		7.13		7.05		8	
Bank tangible common equity to tangible assets (1) (9)	7.42		6.75		67		7.42		6.75		67	
Bank tangible common equity to risk-weighted assets (1) (8) (9)	13.21		12.12		109		13.21		12.12		109	
Other Ratios:												
GAAP operating efficiency ratio (1) (10)	50.88	%	59.77	%	(14.9	)%	51.97	%	50.77	%	2.4	%
Non-GAAP operating efficiency ratio (1) (3)	51.69		59.08		(12.5	)	53.27		58.27		(8.6	)
Book value per common share (1) (11)	$61.66		$53.48		15.3		$61.66		$53.48		15.3	
Other Statistics:												
Average full-time equivalent employees	2,030		1,850		9.7	%	1,981		1,784		11.0	%
Period-end full-time equivalent employees	2,054		1,881		9.2		2,054		1,881		9.2	

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NM - Not meaningful

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

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

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

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

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

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

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

(8) 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.

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

(10) Book value per common share is calculated by dividing total SVBFG stockholders' equity by total outstanding common shares at period-end.

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

Critical Accounting Policies and Estimates

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

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

There have been no other significant changes during the nine months ended September 30, 2015 to the items that we disclosed as our critical accounting policies and estimates in "Management's Discussion and Analysis of Financial Condition and Results of Operations" under Part II, Item 7 of our 2014 Form 10-K.

Results of Operations

Net Interest Income and Margin (Fully Taxable Equivalent Basis)

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

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

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

	2015 Compared to 2014 Three months ended September 30, increase (decrease) due to change in			2015 Compared to 2014 Nine months ended September 30, increase (decrease) due to change in		
(Dollars in thousands)	Volume	Rate	Total	Volume	Rate	Total
Interest income:						
Federal Reserve deposits, federal funds sold, securities purchased under agreements to resell, trade receivables purchased and other short-term investment securities	$83	$(323)	$(240)	$(1,239)	$9	$(1,230)
Fixed income investment portfolio (taxable)	15,366	(1,297)	14,069	63,772	(1,660)	62,112
Fixed income investment portfolio (non-taxable)	(122)	21	(101)	(126)	(92)	(218)
Loans, net of unearned income	40,792	(19,091)	21,701	117,277	(58,675)	58,602
Increase (decrease) in interest income, net	56,119	(20,690)	35,429	179,684	(60,418)	119,266
Interest expense:						
NOW deposits	20	(245)	(225)	77	(421)	(344)
Money market deposits	65	(1,530)	(1,465)	460	(4,457)	(3,997)
Money market deposits in foreign offices	(4)	(2)	(6)	1	(53)	(52)
Time deposits	(38)	(30)	(68)	(96)	(66)	(162)
Sweep deposits in foreign offices	(5)	(34)	(39)	24	(119)	(95)
Total increase (decrease) in deposits expense	38	(1,841)	(1,803)	466	(5,116)	(4,650)
Short-term borrowings	—	3	3	—	28	28
3.50% Senior Notes	3,138	—	3,138	8,401	—	8,401
5.375% Senior Notes	3	4	7	9	12	21
Junior Subordinated Debentures	(2)	(1)	(3)	(8)	(17)	(25)
6.05% Subordinated Notes	(5)	33	28	(15)	84	69
Total increase in borrowings expense	3,134	39	3,173	8,387	107	8,494
Increase (decrease) in interest expense, net	3,172	(1,802)	1,370	8,853	(5,009)	3,844
Increase (decrease) in net interest income	$52,947	$(18,888)	$34,059	$170,831	$(55,409)	$115,422

Net Interest Income (Fully Taxable Equivalent Basis)

Three months ended September 30, 2015 and 2014

Net interest income increased by $34.1 million to $255.0 million for the three months ended September 30, 2015, compared to $221.0 million for the comparable 2014 period. Overall, we saw an increase in our net interest income primarily from increased interest earned on our loan and fixed income investments portfolios, reflective of higher average loan and fixed income investment balances, as a result of our strong deposit growth. These increases were partially offset by an increase in interest expense due to the issuance of our 3.50% Senior Notes on January 29, 2015. Our loan and investment yields were also impacted by the overall low market rate environment and continued competition in the marketplace.

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

- Interest income for the three months ended September 30, 2015 increased by $35.4 million primarily due to:

A $21.7 million increase in interest income on loans to $175.0 million for the three months ended September 30, 2015, compared to $153.3 million for the comparable 2014 period. This increase was reflective of an increase in average loan balances of $3.5 billion, partially offset by a decrease in both gross loan and loan fee yields. Gross loan yields, excluding loan interest recoveries and loan fees, decreased to 3.99 percent from 4.39 percent, reflective of a shift in the mix of our overall loan portfolio from the third quarter of 2014. This shift primarily includes increased 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 24 basis points to 66 basis points, from 90 basis points in the comparable 2014 period. This decrease was a result of lower fee income from early repayments as a percentage of our overall loan portfolio, primarily reflective of the overall low market rate environment and continued competition in the marketplace.

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A $14.0 million increase in interest income on investment securities to $88.7 million for the three months ended September 30, 2015, compared to $74.7 million for the comparable 2014 period. The increase was reflective of an increase in average investment securities balances of $4.7 billion primarily as a result of our strong deposit growth.

- Interest expense for the three months ended September 30, 2015 increased to $10.1 million, compared to $8.8 million for the comparable 2014 period. The increase in interest expense was primarily attributable to the increase in long-term debt interest expense of $3.2 million reflective of the $350.0 million issuance of our 3.50% Senior Notes on January 29, 2015, partially offset by a decrease of $1.8 million in interest paid on our interest-bearing deposits as a result of market rate adjustments.

Nine months ended September 30, 2015 and 2014

Net interest income increased by $115.5 million to $738.6 million for the nine months ended September 30, 2015, compared to $623.1 million for the comparable 2014 period. Overall, we saw an increase in our net interest income primarily due to higher average loan balances and growth in our available-for-sale securities portfolio, which has increased as a result of our continued growth in deposits. These increases were partially offset by lower yields earned on our loans and fixed income investment portfolio.

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

- Interest income for the nine months ended September 30, 2015 increased by $119.3 million primarily due to:

A $61.9 million increase in interest income on investment securities with the majority of the increase due to a $6.6 billion increase in average balances due to strong deposit growth. Interest income was offset by a decrease in the overall yield of our fixed income investment portfolio, which decreased 14 basis points to 1.57 percent. The decrease in the fixed income investment portfolio yield was offset by a 7 basis point benefit from lower premium amortization expense, driven by a slowdown in prepayments as a result of increases in market rates.

A $58.6 million increase in interest income on loans, primarily due to an increase in average loan balances of $3.3 billion. These increases were partially offset by a decrease in both gross loan and loan fee yields. Gross loan yields, excluding loan interest recoveries and loan fees, decreased to 4.03 percent from 4.48 percent, reflective of a shift in the mix of our overall loan portfolio for the first three quarters of 2015. This shift primarily includes increased 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 20 basis points to 66 basis points, from 86 basis points in the comparable 2014 period. This decrease was a result of lower fee income from early repayments as a percentage of our overall loan portfolio, primarily reflective of the overall low market rate environment and increased competition.

- Interest expense for the nine months ended September 30, 2015 increased by $3.8 million primarily due to:

An increase in interest expense of $8.5 million related to our long-term debt, reflective of the $350.0 million issuance of our 3.50% Senior Notes on January 29, 2015.

A decrease in interest expense from interest-bearing deposits of $4.7 million, primarily due to decreases in rates paid on interest-bearing money market deposits as a result of market rate adjustments.

Net Interest Margin (Fully Taxable Equivalent Basis)

Our net interest margin decreased by 23 basis points to 2.50 percent for the three months ended September 30, 2015, compared to 2.73 percent for the comparable 2014 period.

Our net interest margin decreased to 2.57 percent for the nine months ended September 30, 2015, compared to 2.87 percent for the comparable 2014 period.

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

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Average Balances, Yields and Rates Paid (Fully Taxable Equivalent Basis)
The average yield earned on interest-earning assets is the amount of annualized fully taxable equivalent interest income expressed as a percentage of average interest-earning assets. The average rate paid on funding sources is the amount of annualized interest expense expressed as a percentage of average funding sources. The following tables set forth average assets, liabilities, noncontrolling interests and SVBFG stockholders' equity, interest income, interest expense, annualized yields and rates, and the composition of our annualized net interest margin for the three and nine months ended September 30, 2015 and 2014:

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

	Three months ended September 30,								
	2015				2014				
(Dollars in thousands)	Average Balance	Interest Income/ Expense	Yield/ Rate		Average Balance	Interest Income/ Expense	Yield/ Rate		
Interest-earning assets:									
Federal Reserve deposits, federal funds sold, securities purchased under agreements to resell and other short-term investment securities (1)	$2,618,582	$1,482	0.22	%	$2,472,205	$1,722	0.28	%	
Investment securities:									
Available-for-sale securities: (2)									
Taxable	15,035,114	49,027	1.29		12,446,821	43,519	1.39		
Held-to-maturity securities:									
Taxable	7,803,045	38,582	1.96		5,691,201	30,021	2.09		
Non-taxable (3)	75,918	1,087	5.68		84,401	1,188	5.58		
Total loans, net of unearned income (4) (5)	14,916,652	174,993	4.65		11,439,521	153,292	5.32		
Total interest-earning assets	40,449,311	265,171	2.60		32,134,149	229,742	2.84		
Cash and due from banks	349,072				299,964				
Allowance for loan losses	(200,683)				(128,598)				
Other assets (6)	1,421,524				2,290,550				
Total assets	$42,019,224				$34,596,065				
Funding sources:									
Interest-bearing liabilities:									
NOW deposits	$258,127	$54	0.08	%	$161,793	$279	0.68	%	
Money market deposits	6,109,030	867	0.06		5,649,971	2,332	0.16		
Money market deposits in foreign offices	192,859	20	0.04		228,142	26	0.05		
Time deposits	68,875	28	0.16		162,182	96	0.23		
Sweep deposits in foreign offices	1,962,448	189	0.04		2,021,727	228	0.04		
Total interest-bearing deposits	8,591,339	1,158	0.05		8,223,815	2,961	0.14		
Short-term borrowings	6,956	3	0.17		5,538	—	—		
3.50% Senior Notes	349,684	3,138	3.56		—	—	—		
5.375% Senior Notes	348,556	4,839	5.51		346,262	4,832	5.54		
Junior Subordinated Debentures	54,743	831	6.02		54,918	834	6.02		
6.05% Subordinated Notes	49,298	162	1.30		50,796	134	1.05		
Total interest-bearing liabilities	9,400,576	10,131	0.43		8,681,329	8,761	0.40		
Portion of noninterest-bearing funding sources	31,048,735				23,452,820				
Total funding sources	40,449,311	10,131	0.10		32,134,149	8,761	0.11		
Noninterest-bearing funding sources:									
Demand deposits	28,791,728				21,502,469				
Other liabilities	556,935				402,231				
SVBFG stockholders’ equity	3,131,687				2,729,862				
Noncontrolling interests	138,298				1,280,174				
Portion used to fund interest-earning assets	(31,048,735)				(23,452,820)				
Total liabilities, noncontrolling interest, and SVBFG stockholders’ equity	$42,019,224				$34,596,065				
Net interest income and margin		$255,040	2.50	%		$220,981	2.73	%	

Total deposits	$37,383,067		$29,726,284	
Reconciliation to reported net interest income:				
Adjustments for taxable equivalent basis		(380)		(416)
Net interest income, as reported		$254,660		$220,565

(1) Includes average interest-earning deposits in other financial institutions of $446 million and $408 million for the three months ended September 30, 2015 and 2014, respectively. For the three months ended September 30, 2015 and 2014, balances also include $2.1 billion and $2.0 billion, respectively, deposited at the Federal Reserve Bank, earning interest at the Federal Funds target rate.

(2) Yields on available-for-sale securities are based on amortized cost, and therefore do not give effect to unrealized changes in fair value that are reflected in other comprehensive income.

(3) Interest income on non-taxable investment securities are presented on a fully taxable-equivalent basis using the federal statutory income tax rate of 35.0 percent for all periods presented.

(4) Nonaccrual loans are reflected in the average balances of loans.

(5) Interest income includes loan fees of $24.7 million and $26.0 million for the three months ended September 30, 2015 and 2014, respectively.

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(6) Average investment securities of $0.7 billion and $1.8 billion for the three months ended September 30, 2015 and 2014, respectively, were classified as other assets as they were noninterest-earning assets. These investments primarily consisted of non-marketable and other securities. During the second quarter of 2015 we adopted new accounting guidance related to our consolidated variable interest entities (ASU 2015-02) under a modified retrospective approach. Periods prior to January 1, 2015 have not been revised. See Note 1— "Basis of Presentation" of the "Notes to Interim Consolidated Financial Statements (unaudited)" under Part I, Item 1 of this report for additional details.

Average Balances, Rates and Yields for the Nine Months Ended September 30, 2015 and 2014

	Nine months ended September 30,					
	2015			2014		
(Dollars in thousands)	Average Balance	Interest Income/ Expense	Yield/ Rate	Average Balance	Interest Income/ Expense	Yield/ Rate
Interest-earning assets:						
Federal Reserve deposits, federal funds sold, securities purchased under agreements to resell and other short-term investment securities (1)	$2,086,409	$4,071	0.26 %	$2,721,501	$5,301	0.26 %
Available-for-sale securities: (2)						
Taxable	14,140,044	139,734	1.32	12,653,194	151,854	1.60
Non-taxable (3)	—	—	—	45,201	2,040	6.03
Held-to-maturity securities:						
Taxable	7,617,112	113,762	2.00	2,506,315	39,530	2.11
Non-taxable (3)	80,190	3,416	5.70	37,941	1,594	5.62
Total loans, net of unearned income (4) (5)	14,431,785	507,746	4.70	11,098,397	449,144	5.41
Total interest-earning assets	38,355,540	768,729	2.68	29,062,549	649,463	2.99
Cash and due from banks	302,251			208,502		
Allowance for loan losses	(184,119)			(132,667)		
Other assets (5)	1,437,853			2,264,568		
Total assets	$39,911,525			$31,402,952		
Funding sources:						
Interest-bearing liabilities:						
NOW deposits	$239,292	$226	0.13 %	$157,322	$570	0.48 %
Money market deposits	6,033,935	3,308	0.07	5,194,449	7,305	0.19
Money market deposits in foreign offices	196,200	58	0.04	207,359	110	0.07
Time deposits	90,939	126	0.19	160,300	288	0.24
Sweep deposits in foreign offices	1,943,565	565	0.04	1,860,576	660	0.05
Total interest-bearing deposits	8,503,931	4,283	0.07	7,580,006	8,933	0.16
Short-term borrowings	25,505	28	0.15	5,027	—	—
3.5% Senior Notes	313,834	8,401	3.58	—	—	—
5.375% Senior Notes	348,509	14,511	5.57	346,136	14,490	5.60
Junior Subordinated Debentures	54,786	2,496	6.09	54,962	2,521	6.13
6.05% Subordinated Notes	49,726	458	1.23	51,302	389	1.01
Total interest-bearing liabilities	9,296,291	30,177	0.43	8,037,433	26,333	0.44
Portion of noninterest-bearing funding sources	29,059,249			21,025,116		
Total funding sources	38,355,540	30,177	0.11	29,062,549	26,333	0.12
Noninterest-bearing funding sources:						
Demand deposits	26,909,422			19,302,107		

Other liabilities	539,787			399,349		
SVBFG stockholders' equity	3,022,086			2,420,695		
Noncontrolling interests	143,939			1,243,368		
Portion used to fund interest-earning assets	(29,059,249)			(21,025,116)		
Total liabilities, noncontrolling interest, and SVBFG stockholders' equity	$39,911,525			$31,402,952		
Net interest income and margin		$738,552	2.57 %		$623,130	2.87 %
Total deposits	$35,413,353			$26,882,113		
Reconciliation to reported net interest income:						
Adjustments for taxable equivalent basis		(1,196)			(1,272)	
Net interest income, as reported		$737,356			$621,858	

(1) Includes average interest-earning deposits in other financial institutions of $467 million and $356 million for the nine months ended September 30, 2015 and 2014, respectively. For the nine months ended September 30, 2015 and 2014, balances also include $1.5 billion and $2.2 billion, respectively, deposited at the FRB, earning interest at the Federal Funds target rate.

(2) Yields on available-for-sale securities are based on amortized cost, and therefore do not give effect to unrealized changes in fair value that are reflected in other comprehensive income.

(3) Interest income on non-taxable available-for-sale securities is presented on a fully taxable-equivalent basis using the federal statutory income tax rate of 35.0 percent for all periods presented.

(4) Nonaccrual loans are reflected in the average balances of loans.

(5) Interest income includes loan fees of $71.4 million and $71.6 million for the nine months ended September 30, 2015 and 2014, respectively.

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

Provision for Loan Losses

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

	Three months ended September 30,		Nine months ended September 30,	
(Dollars in thousands)	2015	2014	2015	2014
Allowance for loan losses, beginning balance	$192,644	$120,728	$165,359	$142,886
Provision for loan losses	33,403	16,610	66,368	19,051
Gross loan charge-offs	(29,118)	(10,657)	(39,339)	(38,189)
Loan recoveries	578	2,380	5,119	5,313
Allowance for loan losses, ending balance	$197,507	$129,061	$197,507	$129,061
Provision for loan losses as a percentage of period-end total gross loans (annualized)	0.86 %	0.54 %	0.58 %	0.21 %
Gross loan charge-offs as a percentage of average total gross loans (annualized)	0.77	0.37	0.36	0.46
Net loan charge-offs as a percentage of average total gross loans (annualized)	0.75	0.28	0.31	0.39

Allowance for loan losses as a percentage of period-end total gross loans	1.28	1.07	1.28	1.07
Period-end total gross loans	$15,429,941	$12,112,474	$15,429,941	$12,112,474
Average total gross loans	15,026,206	11,528,172	14,537,874	11,184,840

Three months ended September 30, 2015 and 2014

Our provision for loan losses was $33.4 million for the three months ended September 30, 2015, compared to a provision of $16.6 million for the comparable 2014 period. The provision of $33.4 million primarily consisted of $17.8 million of additional specific reserves on two newly impaired loans, $10.4 million from the increase in period-end loan balances and an additional $3.8 million for the unreserved portion of a software and internet loan charge-off during the quarter.

The provision of $16.6 million for the third quarter of 2014 was primarily driven by $8.3 million in net charge-offs, $7.0 million from period-end loan growth and $3.7 million due to a change in the composition of our performing loan portfolio, offset by a $2.4 million decrease in the reserve for impaired loans resulting in lower impaired loan balances.

Gross loan charge-offs of $29.1 million for the third quarter of 2015 included $21.7 million from one growth stage client in our software and internet loan portfolio, of which a total of $17.9 million was previously reserved for in prior quarters.

Net loan charge-offs of $28.5 million represented 0.75 percent of average total gross loans, compared to net charge-offs of $8.3 million, or 0.28 percent of average total gross loans for the comparable 2014 period. The increase in net loan charge-offs as a percentage of average total gross loans was primarily reflective of the increase in gross loan charge-offs as discussed above.

Nine months ended September 30, 2015 and 2014

Our provision for loan losses was $66.4 million for the nine months ended September 30, 2015, compared to a provision of $19.1 million for the comparable 2014 period. The provision of $66.4 million for the nine months ended September 30, 2015 was primarily driven by $34.2 million for net charge-offs, an increase of $31.2 million in the reserve for impaired loans and $8.5 million from period-end loan growth. These increases were offset by a decrease of $7.6 million in the reserve for our performing

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loans due to improved credit quality. The provision of $19.1 million for the nine months ended September 30, 2014 was primarily due to $32.9 million of net charge-offs and $12.2 million from period-end loan growth, offset by a $19.0 million decrease in the reserve for impaired loans resulting from a decrease in impaired loan balances and a decrease of $7.1 million in the reserve of our performing loans due to improved credit quality.

Gross loan charge-offs of $39.3 million for the nine months ended September 30, 2015 primarily came from our software and internet loan portfolio. Net loan charge-offs of $34.2 million represented 0.31 percent of average total gross loans, compared to net charge offs of $32.9 million, or 0.39 percent of average total gross loans for the comparable 2014 period.

See “Consolidated Financial Condition—Credit Quality and Allowance for Loan Losses” below and Note 7—“Loans and Allowance for Loan Losses” of the “Notes to Interim Consolidated Financial Statements” under Part I, Item 1 of this report for further details on our allowance for loan losses.

Noninterest Income

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

	Three months ended September 30,			Nine months ended September 30,		
(Dollars in thousands)	2015	2014	% Change	2015	2014	% Change
Non-GAAP core fee income (1):						
Foreign exchange fees	$22,995	$17,911	28.4 %	$63,037	$53,035	18.9 %
Credit card fees	14,536	10,909	33.2	40,841	31,440	29.9
Deposit service charges	12,272	10,126	21.2	34,309	29,344	16.9
Lending related fees	7,561	6,029	25.4	23,746	18,208	30.4
Client investment fees	5,683	3,814	49.0	15,429	10,751	43.5
Letters of credit and standby letters of credit fees	5,341	4,557	17.2	15,315	11,507	33.1
Total non-GAAP core fee income	68,388	53,346	28.2	192,677	154,285	24.9
Gains on investment securities, net (2)	18,768	5,644	NM	77,006	172,236	(55.3)
Gains on derivative instruments, net	10,244	26,538	(61.4)	66,290	63,480	4.4
Other	11,077	(5,361)	NM	22,315	14,601	52.8
GAAP noninterest income	$108,477	$80,167	35.3	$358,288	$404,602	(11.4)

NM—Not meaningful

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

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

Included in net income is income and expense attributable to noncontrolling interests. We recognize, as part of our investment funds management business through SVB Capital, the entire income or loss from funds consolidated in accordance with ASC Topic 810 as discussed in Note 1— "Basis of Presentation" of the "Notes to Interim Consolidated Financial Statements" under Part I, Item 1 in this report. We are required under GAAP to consolidate 100% of the results of these entities, even though we may own less than 100% of such entities. The relevant amounts attributable to investors other than us are reflected under “Net Income Attributable to Noncontrolling Interests” on our statements of income. Where applicable, the non-GAAP tables presented below for noninterest income and net gains on investment securities exclude noncontrolling interests. We believe these non-GAAP financial measures, when taken together with the corresponding GAAP financial measures, provide meaningful supplemental information regarding our performance by excluding certain items that represent income attributable to investors other than us and our subsidiaries. Our management uses, and believes that investors benefit from referring to, these non-GAAP financial measures in assessing our operating results and when planning, forecasting and analyzing future periods. However, these non-GAAP financial measures should be considered in addition to, not as a substitute for or preferable to, financial measures prepared in accordance with GAAP.

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

Non-GAAP noninterest income, net of noncontrolling interests (Dollars in thousands)	Three months ended September 30, 2015	2014	% Change	Nine months ended September 30, 2015 (1)	2014	% Change
GAAP noninterest income (as reported)	$108,477	$80,167	35.3 %	$358,288	$404,602	(11.4)%
Less: income attributable to noncontrolling interests, including carried interest	6,343	4,911	29.2	29,063	156,304	(81.4)
Non-GAAP noninterest income, net of noncontrolling interests	$102,134	$75,256	35.7	$329,225	$248,298	32.6

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

Gains on Investment Securities, Net

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

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

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

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

For the three months ended September 30, 2015, we had net gains on investment securities of $18.8 million, compared to net gains of $5.6 million for the comparable 2014 period. Net gains on investment securities, net of noncontrolling interests, were $12.7 million for the three months ended September 30, 2015, compared to net losses of $1.1 million. The net losses for the comparable 2014 period were primarily reflective of the decrease in the public company stock price of FireEye, Inc. ("FireEye") .

Net gains on investment securities, net of noncontrolling interests, of $12.7 million for the three months ended September 30, 2015 were primarily driven by the following:

- Gains of $6.8 million from our strategic and other investments, primarily driven by distribution gains from our strategic venture capital fund investments due to mergers and acquisition activity and unrealized valuation increases from certain investments.
- Gains of $6.0 million from our managed funds of funds, primarily related to unrealized valuation increases.

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For the nine months ended September 30, 2015, we had net gains on investment securities of $77.0 million, compared to $172.2 million for the comparable 2014 period. Net gains on investment securities, net of noncontrolling interests, were $47.7 million for the nine months ended September 30, 2015, compared to net gains of $14.2 million for the comparable 2014 period.

The gains, net of noncontrolling interests, of $47.7 million for the nine months ended September 30, 2015 were primarily driven by the following:

- Gains of $23.7 million from strategic and other investments, primarily driven by distribution gains from our strategic venture capital fund investments due primarily to IPO and acquisition activity as well as unrealized valuation increases from certain investments;
- Gains of $14.9 million from our managed funds of funds, primarily related to unrealized valuation increases; and
- Gains of $4.9 million from our managed direct venture funds, primarily related to realized gains from distributions of investments, including the gains from remaining shares held in FireEye.

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

(Dollars in thousands)	Managed Funds of Funds	Managed Direct Venture Funds	Debt Funds	Available-For-Sale Securities	Strategic and Other Investments	Total
Three months ended September 30, 2015						
Total gains (losses) on investment securities, net	$11,786	$(186)	$378	$14	$6,776	$18,768
Less: income attributable to noncontrolling interests, including carried interest	5,816	286	—	—	—	6,102
Non-GAAP net gains (losses) on investment securities, net of noncontrolling interests	$5,970	$(472)	$378	$14	$6,776	$12,666
Three months ended September 30, 2014						
Total gains (losses) on investment securities, net	$42,159	$(39,973)	$973	$(990)	$3,475	$5,644
Less: income (losses) attributable to noncontrolling interests, including carried interest	38,187	(31,429)	(1)	—	—	6,757
Non-GAAP net gains (losses) on investment securities, net of noncontrolling interests	$3,972	$(8,544)	$974	$(990)	$3,475	$(1,113)
Nine months ended September 30, 2015 (1)						
Total gains on investment securities, net	$36,726	$12,352	$1,477	$2,751	$23,700	$77,006
Less: income attributable to noncontrolling interests, including carried interest	21,868	7,441	—	—	—	