SVB FINANCIAL GROUP
Form 10-Q
November 09, 2018
Table of Contents

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

FORM 10-Q
QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended September 30, 2018

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 every Interactive Data File required to be submitted 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 such files). Yes x No ¨
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company," in Rule 12b-2 of the Exchange Act. (Check one):

| | | | |
|---|---|---|---|
| Large accelerated filer | x | Accelerated filer | ¨ |
| Non-accelerated filer | ¨ | Smaller reporting company | ¨ |
| Emerging growth company | ¨ | | |

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ¨
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ¨ No x
At October 31, 2018, 53,250,854 shares of the registrant's common stock ($0.001 par value) were outstanding.
Available on the web at www.svb.com

Table of Contents

TABLE OF CONTENTS

Table of Contents

Glossary of Acronyms that may be used in this Report

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

Table of Contents

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

| (Dollars in thousands, except par value and share data) | September 30, 2018 | December 31, 2017 |
|---|---|---|
| Assets | | |
| Cash and cash equivalents | $3,819,141 | $2,923,075 |
| Available-for-sale securities, at fair value (cost of $9,236,301 and $11,131,008, respectively) | 9,087,609 | 11,120,664 |
| Held-to-maturity securities, at cost (fair value of $15,372,238 and $12,548,280, respectively) | 15,899,726 | 12,663,455 |
| Non-marketable and other equity securities | 896,249 | 651,053 |
| Total investment securities | 25,883,584 | 24,435,172 |
| Loans, net of unearned income | 27,494,915 | 23,106,316 |
| Allowance for loan losses | (285,713) | (255,024) |
| Net loans | 27,209,202 | 22,851,292 |
| Premises and equipment, net of accumulated depreciation and amortization | 121,890 | 128,682 |
| Accrued interest receivable and other assets | 1,105,917 | 876,246 |
| Total assets | $58,139,734 | $51,214,467 |
| Liabilities and total equity | | |
| Liabilities: | | |
| Noninterest-bearing demand deposits | $40,473,774 | $36,655,497 |
| Interest-bearing deposits | 8,122,337 | 7,598,578 |
| Total deposits | 48,596,111 | 44,254,075 |
| Short-term borrowings | 2,631,252 | 1,033,730 |
| Other liabilities | 1,146,109 | 911,755 |
| Long-term debt | 696,217 | 695,492 |
| Total liabilities | 53,069,689 | 46,895,052 |
| Commitments and contingencies (Note 13 and Note 16) | | |
| SVBFG stockholders’ equity: | | |
| Preferred stock, $0.001 par value, 20,000,000 shares authorized; no shares issued and outstanding | — | — |
| Common stock, $0.001 par value, 150,000,000 shares authorized; 53,250,255 shares and 52,835,188 shares outstanding, respectively | 53 | 53 |
| Additional paid-in capital | 1,360,030 | 1,314,377 |
| Retained earnings | 3,672,696 | 2,866,837 |
| Accumulated other comprehensive loss | (108,410) | (1,472) |
| Total SVBFG stockholders’ equity | 4,924,369 | 4,179,795 |
| Noncontrolling interests | 145,676 | 139,620 |
| Total equity | 5,070,045 | 4,319,415 |
| Total liabilities and total equity | $58,139,734 | $51,214,467 |

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

Table of Contents

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) | 2018 | 2017 | 2018 | 2017 |
| Interest income: | | | | |
| Loans | $352,353 | $268,445 | $979,724 | $745,983 |
| Investment securities: | | | | |
| Taxable | 142,075 | 109,443 | 403,702 | 294,768 |
| Non-taxable | 10,748 | 1,172 | 23,506 | 2,703 |
| Federal funds sold, securities purchased under agreements to resell and other short-term investment securities | 8,137 | 6,211 | 20,080 | 16,670 |
| Total interest income | 513,313 | 385,271 | 1,427,012 | 1,060,124 |
| Interest expense: | | | | |
| Deposits | 8,042 | 2,304 | 18,409 | 6,218 |
| Borrowings | 12,049 | 8,993 | 29,075 | 27,243 |
| Total interest expense | 20,091 | 11,297 | 47,484 | 33,461 |
| Net interest income | 493,222 | 373,974 | 1,379,528 | 1,026,663 |
| Provision for credit losses | 17,174 | 23,522 | 74,226 | 70,062 |
| Net interest income after provision for credit losses | 476,048 | 350,452 | 1,305,302 | 956,601 |
| Noninterest income: | | | | |
| Gains on investment securities, net | 32,193 | 15,238 | 77,365 | 48,838 |
| Gains on equity warrant assets, net | 34,141 | 24,922 | 72,393 | 42,432 |
| Foreign exchange fees | 32,656 | 29,671 | 100,560 | 82,026 |
| Credit card fees | 24,121 | 20,270 | 68,739 | 56,099 |
| Deposit service charges | 19,588 | 14,508 | 56,081 | 43,046 |
| Client investment fees | 36,265 | 15,563 | 88,592 | 37,571 |
| Lending related fees | 10,675 | 15,404 | 30,938 | 32,874 |
| Letters of credit and standby letters of credit fees | 8,409 | 7,306 | 24,938 | 20,951 |
| Other | 12,022 | 15,896 | 38,671 | 41,128 |
| Total noninterest income | 210,070 | 158,778 | 558,277 | 404,965 |
| Noninterest expense: | | | | |
| Compensation and benefits | 195,437 | 153,263 | 543,198 | 449,412 |
| Professional services | 36,542 | 32,987 | 112,080 | 86,331 |
| Premises and equipment | 19,858 | 18,937 | 57,576 | 53,753 |
| Net occupancy | 13,694 | 12,660 | 40,598 | 35,437 |
| Business development and travel | 12,712 | 10,329 | 35,998 | 30,913 |
| FDIC and state assessments | 9,550 | 8,359 | 29,306 | 26,354 |
| Correspondent bank fees | 3,513 | 3,162 | 10,200 | 9,770 |
| Other | 18,139 | 18,064 | 51,645 | 54,670 |
| Total noninterest expense | 309,445 | 257,761 | 880,601 | 746,640 |
| Income before income tax expense | 376,673 | 251,469 | 982,978 | 614,926 |
| Income tax expense | 95,308 | 97,351 | 246,561 | 220,412 |
| Net income before noncontrolling interests | 281,365 | 154,118 | 736,417 | 394,514 |
| Net income attributable to noncontrolling interests | (6,548) | (5,498) | (28,841) | (21,218) |
| Net income available to common stockholders | $274,817 | $148,620 | $707,576 | $373,296 |
| Earnings per common share—basic | $5.16 | $2.82 | $13.33 | $7.11 |
| Earnings per common share—diluted | 5.10 | 2.79 | 13.15 | 7.01 |

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

Table of Contents

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

| (Dollars in thousands) | Three months ended September 30, 2018 | Three months ended September 30, 2017 | Nine months ended September 30, 2018 | Nine months ended September 30, 2017 |
|---|---|---|---|---|
| Net income before noncontrolling interests | $281,365 | $154,118 | $736,417 | $394,514 |
| Other comprehensive loss, net of tax: | | | | |
| Change in foreign currency cumulative translation gains and losses: | | | | |
| Foreign currency translation (losses) gains | (3,259) | 1,928 | (5,337) | 4,463 |
| Related tax benefit (expense) | 905 | (787) | 1,482 | (1,821) |
| Change in unrealized gains and losses on available-for-sale securities: | | | | |
| Unrealized holding (losses) gains | (24,902) | 925 | (98,032) | (12,471) |
| Related tax benefit (expense) | 6,994 | (429) | 27,269 | 5,207 |
| Reclassification adjustment for losses (gains) included in net income (1) | — | 101 | — | (384) |
| Related tax (benefit) expense (1) | — | (41) | — | 157 |
| Reclassification of unrealized gains on equity securities to retained earnings for ASU 2016-01 (1) | — | — | (40,316) | — |
| Related tax expense (1) | — | — | 11,145 | — |
| Amortization of unrealized holding gains on securities transferred from available-for-sale to held-to-maturity | (1,777) | (1,594) | (3,915) | (4,931) |
| Related tax benefit | 494 | 641 | 1,085 | 1,984 |
| Reclassification of stranded tax effect to retained earnings for ASU 2018-02 (1) | — | — | (319) | — |
| Other comprehensive loss, net of tax | (21,545) | 744 | (106,938) | (7,796) |
| Comprehensive income | 259,820 | 154,862 | 629,479 | 386,718 |
| Comprehensive income attributable to noncontrolling interests | (6,548) | (5,498) | (28,841) | (21,218) |
| Comprehensive income attributable to SVBFG | $253,272 | $149,364 | $600,638 | $365,500 |

(1) See "Adoption of New Accounting Standards" in 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).

Table of Contents

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

| (Dollars in thousands) | Common Stock Shares | Amount | Additional Paid-in Capital | Retained Earnings | Accumulated Other Comprehensive Income (Loss) | Total SVBFG Stockholders' Equity | Noncontrolling Interests | Total Equity |
|---|---|---|---|---|---|---|---|---|
| Balance at December 31, 2016 | 52,254,074 | $52 | $1,242,741 | $2,376,331 | $23,430 | $3,642,554 | $134,483 | $3,777,037 |
| Common stock issued under employee benefit plans, net of restricted stock cancellations | 458,742 | 1 | 14,191 | — | — | 14,192 | — | 14,192 |
| Common stock issued under ESOP | 10,838 | — | 2,094 | — | — | 2,094 | — | 2,094 |
| Net income | — | — | — | 373,296 | — | 373,296 | 21,218 | 394,514 |
| Capital calls and distributions, net | — | — | — | — | — | — | (18,216) | (18,216) |
| Net change in unrealized gains and losses on AFS securities, net of tax | — | — | — | — | (7,491) | (7,491) | — | (7,491) |
| Amortization of unrealized holding gains on securities transferred from AFS to HTM, net of tax | — | — | — | — | (2,947) | (2,947) | — | (2,947) |
| Foreign currency translation adjustments, net of tax | — | — | — | — | 2,642 | 2,642 | — | 2,642 |
| Share-based compensation, net | — | — | 35,473 | — | — | 35,473 | — | 35,473 |
| Balance at September 30, 2017 | 52,723,654 | $53 | $1,294,499 | $2,749,627 | $15,634 | $4,059,813 | $137,485 | $4,197,298 |
| Balance at December 31, 2017 | 52,835,188 | $53 | $1,314,377 | $2,866,837 | $(1,472) | $4,179,795 | $139,620 | $4,319,415 |
| Cumulative adjustment for ASU 2014-09, net of tax (1) | — | — | — | (5,802) | — | (5,802) | — | (5,802) |
| Cumulative adjustment for ASU 2016-01, net of tax (1) | — | — | — | 103,766 | (29,171) | 74,595 | — | 74,595 |
| Reclassification of stranded tax effect for ASU 2018-02 (1) | — | — | — | 319 | (319) | — | — | — |
| | 405,395 | — | 9,108 | — | — | 9,108 | — | 9,108 |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Common stock issued under employee benefit plans, net of restricted stock cancellations | | | | | | | | |
| Common stock issued under ESOP | 9,672 | — | 2,577 | — | — | 2,577 | — | 2,577 |
| Net income | — | — | — | 707,576 | — | 707,576 | 28,841 | 736,417 |
| Capital calls and distributions, net | — | — | — | — | — | — | (22,785) | (22,785) |
| Net change in unrealized gains and losses on AFS securities, net of tax | — | — | — | — | (70,763) | (70,763) | — | (70,763) |
| Amortization of unrealized holding gains on securities transferred from AFS to HTM, net of tax | — | — | — | — | (2,830) | (2,830) | — | (2,830) |
| Foreign currency translation adjustments, net of tax | — | — | — | — | (3,855) | (3,855) | — | (3,855) |
| Share-based compensation, net | — | — | 33,968 | — | — | 33,968 | — | 33,968 |
| Balance at September 30, 2018 | 53,250,255 | $53 | $1,360,030 | $3,672,696 | $(108,410) | $4,924,369 | $145,676 | $5,070,045 |

(1) See "Adoption of New Accounting Standards" in 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).

Table of Contents

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

| | Nine months ended September 30, | |
|---|---|---|
| (Dollars in thousands) | 2018 | 2017 |
| Cash flows from operating activities: | | |
| Net income before noncontrolling interests | $736,417 | $394,514 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Provision for credit losses | 74,226 | 70,062 |
| Changes in fair values of equity warrant assets, net of proceeds from exercises | (24,462) | (29,666) |
| Changes in fair values of derivatives, net | 2,964 | 8,214 |
| Gains on investment securities, net (1) | (77,365) | (31,032) |
| Distributions of earnings from non-marketable and other equity securities (1) | 54,605 | 38,965 |
| Depreciation and amortization | 43,389 | 39,265 |
| Amortization of premiums and discounts on investment securities, net | (252) | 2,609 |
| Amortization of share-based compensation | 33,968 | 27,739 |
| Amortization of deferred loan fees | (94,771) | (81,060) |
| Deferred income tax (benefit) expense | (16,532) | 2,325 |
| Excess tax benefit from exercise of stock options and vesting of restricted shares | (17,543) | (14,399) |
| Losses from the write-off of premises and equipment | 7,117 | — |
| Other gains | — | (6,150) |
| Changes in other assets and liabilities: | | |
| Accrued interest receivable and payable, net | (51,521) | (26,092) |
| Accounts receivable and payable, net | 1,697 | 4,120 |
| Income tax receivable and payable, net | (12,962) | 30,069 |
| Accrued compensation | 5,505 | (11,731) |
| Foreign exchange spot contracts, net | 86,298 | 86,911 |
| Other, net | (46,874) | 16,410 |
| Net cash provided by operating activities | 703,904 | 521,073 |
| Cash flows from investing activities: | | |
| Purchases of available-for-sale securities | (662,458) | (2,420,741) |
| Proceeds from sales of available-for-sale securities | — | 7,311 |
| Proceeds from maturities and paydowns of available-for-sale securities | 2,529,666 | 2,434,039 |
| Purchases of held-to-maturity securities | (4,726,595) | (3,812,782) |
| Proceeds from maturities and paydowns of held-to-maturity securities | 1,482,204 | 1,283,764 |
| Purchases of non-marketable and other securities | (56,435) | (18,766) |
| Proceeds from sales and distributions of capital of non-marketable and other securities (1) | 83,020 | 35,821 |
| Net increase in loans | (4,356,980) | (2,263,600) |
| Purchases of premises and equipment | (28,718) | (35,470) |
| Proceeds from sale of equity valuation services business | — | 3,000 |
| Net cash used for investing activities | (5,736,296) | (4,787,424) |
| Cash flows from financing activities: | | |
| Net increase in deposits | 4,342,036 | 5,832,165 |
| Net increase (decrease) in short-term borrowings | 1,597,522 | (507,828) |
| Principal payments of long-term debt | — | (46,235) |
| (Distributions to noncontrolling interests), net of contributions from noncontrolling interests | (22,785) | (18,216) |
| Proceeds from issuance of common stock, ESPP and ESOP | 11,685 | 16,286 |
| Net cash provided by financing activities | 5,928,458 | 5,276,172 |

| | | |
|---|---|---|
| Net increase in cash and cash equivalents | 896,066 | 1,009,821 |
| Cash and cash equivalents at beginning of period | 2,923,075 | 2,545,750 |
| Cash and cash equivalents at end of period | $3,819,141 | $3,555,571 |
| Supplemental disclosures: | | |
| Cash paid during the period for: | | |
| Interest | $54,681 | $41,324 |
| Income taxes | 277,388 | 190,706 |
| Noncash items during the period: | | |
| Changes in unrealized gains and losses on available-for-sale securities, net of tax | $(70,763 ) | $(7,491 ) |
| Distributions of stock from investments | 4,368 | 5,360 |

(1) During the first quarter of 2018 we adopted ASU 2016-15, Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments. This guidance was adopted on a retrospective basis and impacted the presentation between investing and operating activities related to distributions and net gains from our nonmarketable and other securities portfolio. 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).

Table of Contents

SVB FINANCIAL GROUP AND SUBSIDIARIES
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

1. Basis of Presentation

SVB Financial Group is a diversified financial services company, as well as a bank holding company and a financial holding company. SVB Financial was incorporated in the state of Delaware in March 1999. Through our various subsidiaries and divisions, we offer a variety of banking and financial products and services to support our clients of all sizes and stages throughout their life cycles. In these notes to our consolidated financial statements, when we refer to “SVB Financial Group,” “SVBFG," the “Company,” “we,” “our,” “us” or use similar words, we mean SVB Financial Group and all of its subsidiaries collectively, including Silicon Valley Bank (the “Bank”), unless the context requires otherwise. When we refer to “SVB Financial” or the “Parent” we are referring only to the parent company, SVB Financial Group (not including subsidiaries).

The accompanying unaudited interim consolidated financial statements reflect all adjustments of a normal and recurring nature that are, in the opinion of management, necessary to fairly present our financial position, results of operations and cash flows in accordance with GAAP. Such unaudited interim consolidated financial statements have been prepared in accordance with the instructions to Form 10-Q pursuant to the rules and regulations of the SEC. Certain information and footnote disclosures normally included in financial statements prepared in accordance with GAAP have been condensed or omitted pursuant to such rules and regulations. The results of operations for the three and nine months ended September 30, 2018 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, 2017 (“2017 Form 10-K”).

The accompanying unaudited interim consolidated financial statements have been prepared on a consistent basis with the accounting policies described in Consolidated Financial Statements and Supplementary Data—Note 2—“Summary of Significant Accounting Policies” under Part II, Item 8 of our 2017 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 and other equity securities, the valuation of equity warrant assets, the adequacy of the allowance for loan losses and allowance for unfunded credit commitments, and the recognition and measurement of income tax assets and liabilities.

Principles of Consolidation and Presentation

Our consolidated financial statements include the accounts of SVB Financial Group and consolidated entities. We consolidate voting entities in which we have control through voting interests or entities through which we have a controlling financial interest in a variable interest entity (“VIE”). We determine whether we have a controlling financial interest in a VIE by determining if we have: (a) the power to direct the activities of the VIE that most significantly impact the entity’s economic performance, (b) the obligation to absorb the expected losses, or (c) the right to receive the expected returns of the entity. Generally, we have significant variable interests if our commitments to a limited partnership investment represent a significant amount of the total commitments to the entity. We also evaluate the impact of related parties on our determination of variable interests in our consolidation conclusions. We consolidate VIEs in which we are the primary beneficiary based on a controlling financial interest. If we are not the primary beneficiary of a VIE, we record our pro-rata interests based on our ownership percentage.

VIEs are entities where investors lack sufficient equity at risk for the entity to finance its activities without additional subordinated financial support or equity investors, as a group, lack one of the following characteristics: (a) the power to direct the activities that most significantly impact the entity’s economic performance, (b) the obligation to absorb the expected losses of the entity, or (c) the right to receive the expected returns of the entity. We assess VIEs to determine if we are the primary beneficiary of a VIE. A primary beneficiary is defined as a variable interest holder that has a controlling financial interest. A controlling financial interest requires both: (a) power to direct the activities that most significantly impact the VIE’s economic performance, and (b) obligation to absorb losses or receive benefits of a VIE that could potentially be significant to a VIE. Under this analysis, we also evaluate kick-out rights and other participating rights which could provide us a controlling financial interest. The primary beneficiary of a VIE is required to consolidate the VIE.

We also evaluate fees paid to managers of our limited partnership investments. We exclude those fee arrangements that are not deemed to be variable interests from the analysis of our interests in our investments in VIEs and the determination of a primary beneficiary, if any. Fee arrangements based on terms that are customary and commensurate with the services provided are deemed not to be variable interests and are, therefore, excluded.

Table of Contents

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 2014, the FASB issued a new accounting standard update (ASU 2014-09, Revenue from Contracts with Customers (Topic 606)), which provides revenue recognition guidance that is intended to create greater consistency with respect to how and when revenue from contracts with customers is shown in the income statement. The guidance requires that revenue from contracts with customers be recognized when transfer of control over goods or services is passed to customers in the amount of consideration expected to be received. Subsequent Accounting Standard Updates have been issued clarifying the original pronouncement (ASU 2016-08, ASU 2016-10, ASU 2016-12 and ASU 2016-20).

On January 1, 2018, we adopted the new accounting standard ASU 2014-09, Revenue from Contracts with Customers and all the related amendments ("new revenue standard," "ASC 606" or "ASU 2014-09") using the modified retrospective method applied to those contracts which were not completed as of January 1, 2018. We elected to apply the practical expedient which allows us to expense costs related to obtaining contracts as incurred because the amortization period would have been one year or less. We recognized the cumulative effect of initially applying the new revenue standard as an adjustment to the opening balance of retained earnings. The comparative information has not been restated and continues to be reported under the accounting standards in effect for those periods.

We completed a comprehensive scoping exercise to determine the revenue streams that are within the scope of this guidance. The scope of this guidance explicitly excludes net interest income, including interest income earned from our loan and fixed income securities portfolios, as well as certain other noninterest income earned from our lending-, investment- and derivative-related activities. Based on our completed assessment, we did not identify any material changes to the timing or the amounts of our revenue recognition, however, we identified a change in the timing of recognizing fund management fees in other noninterest income for a portion of our SVB Capital funds. Fund management fees for these certain SVB Capital funds will now be recognized at the time of distribution which typically occurs later in the life of the fund than had been previously recognized. The cumulative adjustment to retained earnings associated with this change was $5.8 million, net of tax, with an immaterial impact to our net income on an ongoing basis. The impacts to net income as a result of applying the new revenue standard were decreases of $0.5 million and $1.4 million for the three and nine months ended September 30, 2018, respectively.

The timing of revenue recognition may differ from the timing of cash settlements or invoicing to customers. We record a receivable when revenue is recognized prior to invoicing, and unearned revenue when revenue is recognized subsequent to receipt of consideration. These assets and liabilities are reported on the consolidated balance sheets on a contract-by-contract basis at the end of each reporting period. During the three and nine months ended September 30, 2018, changes in our contract assets, contract liabilities and receivables were not material. Additionally, revenues recognized during the three and nine months ended September 30, 2018 that were included in the corresponding contract liability balance at the beginning of the period were not material.

The cumulative effect of the changes to our consolidated balance sheets at January 1, 2018, for the adoption of the new revenue standard were as follows:

| (Dollars in thousands) | Balance at December 31, 2017 | Adjustments Due to Adoption of ASC 606 | Balance at January 1, 2018 |
|---|---|---|---|
| Accrued interest receivable and other assets: | | | |
| Accounts receivable | $ 55,946 | $ (34,340) | $ 21,606 |
| Other liabilities: | | | |
| Deferred revenue | 27,057 | (26,321) | 736 |
| Current taxes payable | 4,675 | (2,217) | 2,458 |
| Stockholders' Equity: | | | |
| Retained earnings | 2,866,837 | (5,802) | 2,861,035 |

Table of Contents

In accordance with the new revenue standard requirements, the disclosure of the impact of adoption on our consolidated balance sheets at September 30, 2018 and our statements of income for the three and nine months ended September 30, 2018, were as follows:

| | September 30, 2018 | | |
|---|---|---|---|
| (Dollars in thousands) | As Reported | Balances Without Adoption of ASC 606 | Effect of Change Higher/(Lower) |
| Accrued interest receivable and other assets: | | | |
| Accounts receivable | $61,090 | $100,470 | $ (39,380 ) |
| Other liabilities: | | | |
| Deferred fees | 556 | 28,379 | (27,823 ) |
| Current taxes payable (receivable) | 2,002 | (694 ) | 2,696 |
| Stockholders' Equity: | | | |
| Retained earnings | 3,672,696 | 3,678,020 | (5,324 ) |

| | Three months ended September 30, 2018 | | |
|---|---|---|---|
| (Dollars in thousands) | As Reported | Balances Without Adoption of ASC 606 | Effect of Change Higher/(Lower) |
| Other noninterest income: | | | |
| Fund management fees | $5,479 | $ 6,087 | $ (608 ) |
| Income tax expense | 95,308 | 95,463 | (155 ) |
| Net Income available to common stockholders | 274,817 | 275,270 | (453 ) |
| Diluted earnings per share | 5.10 | 5.11 | (0.01 ) |

| | Nine months ended September 30, 2018 | | |
|---|---|---|---|
| (Dollars in thousands) | As Reported | Balances Without Adoption of ASC 606 | Effect of Change Higher/(Lower) |
| Other noninterest income: | | | |
| Fund management fees | $17,144 | $ 19,001 | $ (1,857 ) |
| Income tax expense | 246,561 | 247,040 | (479 ) |
| Net Income available to common stockholders | 707,576 | 708,954 | (1,378 ) |
| Diluted earnings per share | 13.15 | 13.18 | (0.03 ) |

In February 2018, the FASB issued a new accounting standard update (ASU 2018-02, Income Statement - Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income (ASU "2018-02")) to address certain stranded income tax effects in accumulated other comprehensive income ("AOCI") resulting from H.R.1, known as the Tax Cuts and Jobs Act (the "TCJ Act"). ASU 2018-02 changed current accounting whereby an entity may elect to reclassify the stranded tax effect from AOCI to retained earnings in each period in which the effect of the change in the U.S. federal corporate income tax rate in the TCJ Act (or portion thereof) is recorded. ASU 2018-02 is effective for periods beginning after December 15, 2018 and early adoption is permitted. We have elected to early adopt ASU 2018-02 and reclassified approximately $0.3 million from accumulated other comprehensive income to retained earnings within our consolidated statements of stockholders' equity in the first quarter of 2018.

On January 1, 2018, we adopted the new accounting standard update ASU 2016-01, Recognition and Measurement of Financial Assets and Financial Liabilities (Topic 825), which addresses certain aspects of recognition, measurement, presentation and disclosure of financial instruments. This guidance requires equity investments (except those accounted for under the equity method of accounting) to be measured at fair value with changes in fair value recognized in net income. We adopted this guidance using the modified retrospective method and our equity investments carried at cost with readily determinable fair values were re-measured at fair value and the difference between cost and fair value was recorded as a cumulative-effect adjustment to opening retained earnings as of January 1, 2018. The adjustment to opening retained earnings for these investments was $74.6 million, net of tax, with subsequent changes in the fair value of these equity securities recorded as unrealized gains or losses in

Table of Contents

our consolidated statements of income. Additionally, in accordance with this guidance, net unrealized gains of $29.2 million, net of tax, included in accumulated other comprehensive income on January 1, 2018, related to our previously reported available-for-sale equity securities, were reclassified as an adjustment to retained earnings. Subsequent changes in the fair value of these equity securities were recorded as unrealized gains or losses in our consolidated statements of income. Furthermore, for purposes of disclosing the fair value of loans carried at amortized cost, our valuation methodology was updated to conform to an “exit price” concept as required by the standard update, resulting in an immaterial change in the fair value.

In August 2016, the FASB issued a new accounting standard update (ASU 2016-15, Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments), which clarifies the guidance on eight specific cash flow issues. We adopted the new accounting standard, specifically as it relates to distributions from our equity method investments, on January 1, 2018. We elected to adopt the nature of distribution approach and applied the guidance retrospectively. The new guidance had an immaterial impact on the presentation between investing and operating activities within our statements of cash flows related to distributions and net gains from our nonmarketable and other securities portfolio.

In November 2016, the FASB issued a new accounting standard update (ASU 2016-18, Statement of Cash Flows (Topic 230): Restricted Cash), which requires that a statement of cash flows explains the change during the period in the total cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning of period and end of period total amounts shown on the statement of cash flows. Previous to the update, there had been some diversity in practice. Given that we had already classified restricted cash such as cash reserves at the Federal Reserve as part of cash and cash equivalents on the cash flow statement, the update had no impact on how we were already reporting and presenting our statement of cash flows.

Recent Accounting Pronouncements

In February 2016, the FASB issued a new accounting standard update (ASU 2016-02, Leases (Topic 842)), which will require for all operating leases the recognition of a right-of-use asset and a corresponding lease liability, in the statement of financial position. The lease cost will be allocated over the lease term on a straight-line basis. There were further amendments, including practical expedients, with the issuance of ASU 2018-01, “Leases (Topic 842): Land Easement Practical Expedient for Transition to Topic 842” in January 2018. In July 2018 the FASB issued ASU No. 2018-11, "Leases (Topic 842): Targeted Improvements," which provides us with the option to apply the new leasing standard to all open leases as of the adoption date, on a prospective basis. This guidance will be effective on January 1, 2019, with early adoption permitted. We plan to adopt the lease accounting guidance on January 1, 2019, on a prospective basis. We intend to elect the transition "package of expedients" which will result in continuing to account for existing leases for which the commencement date is before January 1, 2019, in accordance with Leases (Topic 840) throughout the lease term, including periods after adoption of the new guidance. We expect the adoption of this standard to have an impact of less than one percent of total assets and liabilities on our consolidated balance sheets reflective of the recognition of right-of-use assets and related lease liabilities associated predominantly with noncancelable operating leases. In addition, we do not expect the adoption of this guidance to have a material impact on our consolidated statements of income.

In June 2016, the FASB issued a new accounting standard update (ASU 2016-13, Financial Instruments- Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments), which amends the incurred loss impairment methodology in current GAAP with a methodology that reflects expected credit losses over the life of the loan and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. This guidance will be effective January 1, 2020, on a modified retrospective approach, with early adoption permitted, but not before January 1, 2019. We currently have a project team in place and subject matter experts to assist with our review of key interpretive issues and the assessment of our existing credit loss forecasting models and processes against the new guidance to determine what modifications may be required. We are currently evaluating the impact this guidance will have on our financial position, results of operation and stockholders’ equity.

In August 2017, the FASB issued a new accounting standard update (ASU 2017-12, Targeted Improvements to Accounting for Hedging Activities (Topic 815)), which better aligns an entity's risk management activities and financial reporting for hedging relationships through changes to the designation and measurement guidance for qualifying hedging relationships and the presentation of hedge results. The targeted improvements in the ASU will allow increased flexibility to structure hedges of fixed rate instruments and floating rate instruments. Application of the ASU is expected to reduce the amount of ineffectiveness as the revised accounting guidance will better reflect the economics of risk management activities and will also reduce the volatility associated with foreign currency hedging. The ASU requires the hedging instrument to be presented in the same line item as the hedged item and requires expanded disclosures. There were further amendments, with the issuance of ASU 2018-16, "Derivatives and Hedging (Topic 815)," which provides us with the option to use the Overnight Index Swap ("OIS") rate based on the Secured Overnight Financing Rate ("SOFR") as a U.S. benchmark interest rate for purposes of applying hedge accounting under Topic 815. This guidance will be effective January 1, 2019, with early adoption permitted. We plan to early adopt this guidance in the fourth quarter of 2018, effective October 1, 2018. The accounting standard will not have a material impact on our consolidated financial position, results of operations or the disclosures in our Notes to the Consolidated Financial Statements.

In August 2018, the FASB issued a new accounting standard update (ASU No. 2018-13, Fair Value Measurement (Topic 820): Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement). The ASU primarily modifies certain disclosures with respect to Level 3 fair value measurements. This guidance will be effective January 1, 2020, with early adoption permitted. This guidance will not have an impact on our consolidated financial position or results of operations, and we do not expect the adoption of this standard to have a material impact on the disclosures in our Notes to the Consolidated Financial Statements.

Reclassifications

Certain prior period amounts, primarily related to the adoption of new accounting guidance, 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, 2018 and 2017:

| | | Three months ended September 30, | | Nine months ended September 30, | |
|---|---|---|---|---|---|
| (Dollars in thousands) | Income Statement Location | 2018 | 2017 | 2018 | 2017 |
| Reclassification adjustment for losses (gains) included in net income (1) | Gains on investment securities, net | $ — | $ 101 | $ — | $ (384 ) |
| Related tax (benefit) expense (1) | Income tax expense | — | (41 ) | — | 157 |
| Total reclassification adjustment for losses (gains) included in net income, net of tax (1) | | $ — | $ 60 | $ — | $ (227 ) |

(1) See "Adoption of New Accounting Standards" in 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.

Table of Contents

EPS

Basic EPS is the amount of earnings available to each share of common stock outstanding during the reporting period. Diluted EPS is the amount of earnings available to each share of common stock outstanding during the reporting period adjusted to include the effect of potentially dilutive common shares. Potentially dilutive common shares include incremental shares issuable for stock options and restricted stock units outstanding under our 2006 Equity Incentive Plan and our ESPP. Potentially dilutive common shares are excluded from the computation of dilutive EPS in periods in which the effect would be antidilutive. The following is a reconciliation of basic EPS to diluted EPS for the three and nine months ended September 30, 2018 and 2017:

| | Three months ended September 30, | | Nine months ended September 30, | |
|---|---|---|---|---|
| (Dollars and shares in thousands, except per share amounts) | 2018 | 2017 | 2018 | 2017 |
| Numerator: | | | | |
| Net income available to common stockholders | $274,817 | $148,620 | $707,576 | $373,296 |
| Denominator: | | | | |
| Weighted average common shares outstanding—basic | 53,235 | 52,705 | 53,062 | 52,530 |
| Weighted average effect of dilutive securities: | | | | |
| Stock options and ESPP | 383 | 343 | 404 | 381 |
| Restricted stock units | 301 | 257 | 334 | 319 |
| Weighted average common shares outstanding—diluted | 53,919 | 53,305 | 53,800 | 53,230 |
| Earnings per common share: | | | | |
| Basic | $5.16 | $2.82 | $13.33 | $7.11 |
| Diluted | 5.10 | 2.79 | 13.15 | 7.01 |

The following table summarizes the weighted-average common shares excluded from the diluted EPS calculation due to the antidilutive effect for the three and nine months ended September 30, 2018 and 2017:

| | Three months ended September 30, | | Nine months ended September 30, | |
|---|---|---|---|---|
| (Shares in thousands) | 2018 | 2017 | 2018 | 2017 |
| Stock options | 86 | 112 | 49 | 61 |
| Restricted stock units | 5 | 5 | 71 | 2 |
| Total | 91 | 117 | 120 | 63 |

Table of Contents

Consolidated Statement of Changes in Equity

The following table summarizes the changes in our consolidated equity for the three months ended September 30, 2018 and 2017:

| (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 June 30, 2017 | 52,684,159 | $ 53 | $ 1,283,485 | $ 2,601,007 | $ 14,890 | $ 3,899,435 | $ 140,600 | $ 4,040,035 |
| Common stock issued under employee benefit plans, net of restricted stock cancellations | 39,495 | — | 2,370 | — | — | 2,370 | — | 2,370 |
| Net income | — | — | — | 148,620 | — | 148,620 | 5,498 | 154,118 |
| Capital calls and distributions, net | — | — | — | — | — | — | (8,613 ) | (8,613 ) |
| Net change in unrealized gains and losses on AFS securities, net of tax | — | — | — | — | 556 | 556 | — | 556 |
| Amortization of unrealized holding gains on securities transferred from AFS to HTM, net of tax | — | — | — | — | (953 ) | (953 ) | — | (953 ) |
| Foreign currency translation adjustments, net of tax | — | — | — | — | 1,141 | 1,141 | — | 1,141 |
| Share-based compensation, net | — | — | 8,644 | — | — | 8,644 | — | 8,644 |
| Balance at September 30, 2017 | 52,723,654 | $ 53 | $ 1,294,499 | $ 2,749,627 | $ 15,634 | $ 4,059,813 | $ 137,485 | $ 4,197,298 |
| Balance at June 30, 2018 | 53,210,627 | $ 53 | $ 1,346,586 | $ 3,397,879 | $ (86,865 ) | $ 4,657,653 | $ 147,188 | $ 4,804,841 |
| Common stock issued under employee benefit plans, net of restricted stock cancellations | 39,628 | — | 1,943 | — | — | 1,943 | — | 1,943 |
| Net income | — | — | — | 274,817 | — | 274,817 | 6,548 | 281,365 |
| Capital calls and distributions, net | — | — | — | — | — | — | (8,060 ) | (8,060 ) |
| Net change in unrealized gains and losses on AFS securities, net of tax | — | — | — | — | (17,908 ) | (17,908 ) | — | (17,908 ) |
| | — | — | — | — | (1,283 ) | (1,283 ) | — | (1,283 ) |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Amortization of unrealized holding gains on securities transferred from AFS to HTM, net of tax | | | | | | | | |
| Foreign currency translation adjustments, net of tax | — | — | — | — | (2,354 ) | (2,354 ) | — | (2,354 ) |
| Share-based compensation, net | — | — | 11,501 | — | — | 11,501 | — | 11,501 |
| Balance at September 30, 2018 | 53,250,255 | $ 53 | $ 1,360,030 | $ 3,672,696 | $ (108,410 ) | $ 4,924,369 | $ 145,676 | $ 5,070,045 |

Table of Contents

3. Share-Based Compensation

For the three and nine months ended September 30, 2018 and 2017, we recorded share-based compensation and related tax benefits as follows:

| | Three months ended September 30, | | Nine months ended September 30, | |
|---|---|---|---|---|
| (Dollars in thousands) | 2018 | 2017 | 2018 | 2017 |
| Share-based compensation expense | $11,501 | $8,644 | $33,968 | $27,739 |
| Income tax benefit related to share-based compensation expense | (2,895 ) | (3,154 ) | (7,955 ) | (9,518 ) |

Unrecognized Compensation Expense

As of September 30, 2018, unrecognized share-based compensation expense was as follows:

| (Dollars in thousands) | Unrecognized Expense | Weighted Average Expected Recognition Period - in Years |
|---|---|---|
| Stock options | $ 13,525 | 2.91 |
| Restricted stock units | 73,037 | 2.74 |
| Total unrecognized share-based compensation expense | $ 86,562 | |

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, 2018:

| | Options | Weighted Average Exercise Price | Weighted Average Remaining Contractual Life - in Years | Aggregate Intrinsic Value of In-The-Money Options |
|---|---|---|---|---|
| Outstanding at December 31, 2017 | 808,049 | $ 105.68 | | |
| Granted | 89,616 | 305.71 | | |
| Exercised | (191,585) | 83.37 | | |
| Forfeited | (9,498 ) | 187.76 | | |
| Expired | (2,337 ) | 60.37 | | |
| Outstanding at September 30, 2018 | 694,245 | 136.68 | 3.76 | $ 120,932,288 |
| Vested and expected to vest at September 30, 2018 | 673,674 | 134.25 | 3.70 | 118,982,041 |
| Exercisable at September 30, 2018 | 415,993 | 99.63 | 2.66 | 87,856,349 |

The aggregate intrinsic value of outstanding options shown in the table above represents the pre-tax intrinsic value based on our closing stock price of $310.83 as of September 30, 2018. The total intrinsic value of options exercised during the three and nine months ended September 30, 2018 was $8.5 million and $39.5 million, respectively, compared to $3.8 million and $25.8 million for the comparable 2017 periods.

Table of Contents

The table below provides information for restricted stock units under the 2006 Equity Incentive Plan for the nine months ended September 30, 2018:

| | Shares | Weighted Average Grant Date Fair Value |
|---|---|---|
| Nonvested at December 31, 2017 | 637,667 | $ 135.86 |
| Granted | 193,405 | 302.53 |
| Vested | (213,944) | 130.20 |
| Forfeited | (37,080) | 170.97 |
| Nonvested at September 30, 2018 | 580,048 | 191.28 |

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, 2018 and December 31, 2017:

| (Dollars in thousands) | Consolidated VIEs | Unconsolidated VIEs | Maximum Exposure to Loss in Unconsolidated VIEs |
|---|---|---|---|
| September 30, 2018: | | | |
| Assets: | | | |
| Cash and cash equivalents | $ 5,470 | $ — | $ — |
| Non-marketable and other equity securities (1) | 212,514 | 524,812 | 524,812 |
| Accrued interest receivable and other assets | 298 | — | — |
| Total assets | $ 218,282 | $ 524,812 | $ 524,812 |
| Liabilities: | | | |
| Other liabilities (1) | 680 | 166,867 | — |
| Total liabilities | $ 680 | $ 166,867 | $ — |
| December 31, 2017: | | | |
| Assets: | | | |
| Cash and cash equivalents | $ 6,674 | $ — | $ — |
| Non-marketable and other equity securities (1) | 190,562 | 346,097 | 346,097 |
| Accrued interest receivable and other assets | 365 | — | — |
| Total assets | $ 197,601 | $ 346,097 | $ 346,097 |
| Liabilities: | | | |
| Other liabilities (1) | 990 | 100,891 | — |
| Total liabilities | $ 990 | $ 100,891 | $ — |

(1) Included in our unconsolidated non-marketable and other equity securities portfolio at September 30, 2018 and December 31, 2017 are investments in qualified affordable housing projects of $261.7 million and $174.2 million, respectively, and related other liabilities consisting of unfunded credit commitments of $166.9 million and $100.9 million, respectively.

Non-marketable and other equity securities

Our non-marketable and other equity securities portfolio primarily represents investments in venture capital and private equity funds, SPD Silicon Valley Bank Co., Ltd. (the Bank's joint venture bank in China (“SPD-SVB”)), debt funds, private and public portfolio companies and investments in qualified affordable housing projects. A majority of these investments are through third- party funds held by SVB Financial in which we do not have controlling or significant variable interests. These investments represent our unconsolidated VIEs in the table above. Our non-marketable and other equity securities portfolio also includes investments from SVB Capital. SVB Capital is the funds management business of SVB Financial Group, which focuses primarily on venture

Table of Contents

capital investments. The SVB Capital family of funds is comprised of direct venture funds that invest in companies and funds of funds that invest in other venture capital funds. We have a controlling and significant variable interest in four of these SVB Capital funds and consolidate these funds for financial reporting purposes.

All investments are generally nonredeemable and distributions are expected to be received through the liquidation of the underlying investments throughout the life of the investment fund. Investments may only be sold or transferred subject to the notice and approval provisions of the underlying investment agreement. Subject to applicable regulatory requirements, including the Volcker Rule, we also make commitments to invest in venture capital and private equity funds. For additional details, see Note 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, in connection with fulfilling its responsibilities under the Community Reinvestment Act (“CRA”), that are designed to generate a return primarily through the realization of federal tax credits. These investments are typically limited partnerships in which the general partner, other than the Bank, holds the power over significant activities of the VIE; therefore, these investments are not consolidated. For additional information on our investments in qualified affordable housing projects, see Note 6—“Investment Securities" of the “Notes to Interim Consolidated Financial Statements (unaudited)” under Part I, Item 1 of this report.

As of September 30, 2018, our exposure to loss with respect to the consolidated VIEs is limited to our net assets of $217.6 million and our exposure to loss for our unconsolidated VIEs is equal to our investment in these assets of $524.8 million.

## 5. Cash and Cash Equivalents

The following table details our cash and cash equivalents at September 30, 2018 and December 31, 2017:

| (Dollars in thousands) | September 30, 2018 | December 31, 2017 |
|---|---|---|
| Cash and due from banks (1) | $3,697,018 | $2,672,290 |
| Securities purchased under agreements to resell (2) | 119,181 | 247,876 |
| Other short-term investment securities | 2,942 | 2,909 |
| Total cash and cash equivalents | $3,819,141 | $2,923,075 |

(1) At September 30, 2018 and December 31, 2017, $2.1 billion and $0.6 billion, respectively, of our cash and due from banks was deposited at the Federal Reserve Bank and was earning interest at the Federal Funds target rate, and interest-earning deposits in other financial institutions were $1.1 billion at both September 30, 2018 and December 31, 2017.

(2) At September 30, 2018 and December 31, 2017, securities purchased under agreements to resell were collateralized by U.S. Treasury securities and U.S. agency securities with aggregate fair values of $124.5 million and $252.8 million, respectively. None of these securities were sold or repledged as of September 30, 2018 and December 31, 2017.

## 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 equity securities portfolio, which primarily represents investments managed as part of our funds management business as well as public equity securities held as a result of equity warrant assets exercised.

### Available-for-Sale Securities

The components of our available-for-sale investment securities portfolio at September 30, 2018 and December 31, 2017 are as follows:

| | September 30, 2018 | | | |
|---|---|---|---|---|
| (Dollars in thousands) | Amortized Cost | Unrealized Gains | Unrealized Losses | Carrying Value |
| Available-for-sale securities, at fair value: | | | | |

| | | | | |
|---|---|---|---|---|
| U.S. Treasury securities | $5,560,828 | $ 117 | $(59,071 ) | $5,501,874 |
| U.S. agency debentures | 1,357,069 | — | (10,397 ) | 1,346,672 |
| Residential mortgage-backed securities: | | | | |
| Agency-issued collateralized mortgage obligations—fixed rate | 2,001,048 | 3 | (80,510 ) | 1,920,541 |
| Agency-issued collateralized mortgage obligations—variable rate | 317,356 | 1,297 | (131 ) | 318,522 |
| Total available-for-sale securities | $9,236,301 | $ 1,417 | $(150,109) | $9,087,609 |

| | December 31, 2017 | | | |
|---|---|---|---|---|
| (Dollars in thousands) | Amortized Cost | Unrealized Gains | Unrealized Losses | Carrying Value |
| Available-for-sale securities, at fair value: | | | | |
| U.S. Treasury securities | $6,865,068 | $ 1,113 | $(25,679 ) | $6,840,502 |
| U.S. agency debentures | 1,569,195 | 3,569 | (5,636 ) | 1,567,128 |
| Residential mortgage-backed securities: | | | | |
| Agency-issued collateralized mortgage obligations—fixed rate | 2,292,311 | 258 | (25,534 ) | 2,267,035 |
| Agency-issued collateralized mortgage obligations—variable rate | 372,481 | 1,375 | (126 ) | 373,730 |
| Equity securities | 31,953 | 40,525 | (209 ) | 72,269 |
| Total available-for-sale securities | $11,131,008 | $ 46,840 | $(57,184 ) | $11,120,664 |

Table of Contents

The following table summarizes sale activity of available-for-sale securities during the three and nine months ended September 30, 2018 and 2017 as recorded in the line item "Gains on investment securities, net," a component of noninterest income:

| | Three months ended September 30, | | Nine months ended September 30, | |
|---|---|---|---|---|
| (Dollars in thousands) | 2018 | 2017 | 2018 | 2017 |
| Sales proceeds | $— | $2,287 | $— | $7,311 |
| Net realized gains and losses: | | | | |
| Gross realized gains | — | 38 | — | 1,131 |
| Gross realized losses | — | (139) | — | (747) |
| Net realized (losses) gains | $— | $(101) | $— | $384 |

The following tables summarize our unrealized losses on our available-for-sale securities portfolio into categories of less than 12 months, or 12 months or longer as of September 30, 2018 and December 31, 2017:

| | September 30, 2018 | | | | | |
|---|---|---|---|---|---|---|
| | Less than 12 months | | 12 months or longer | | Total | |
| (Dollars in thousands) | Fair Value of Investments | Unrealized Losses | Fair Value of Investments | Unrealized Losses | Fair Value of Investments | Unrealized Losses |
| Available-for-sale securities: | | | | | | |
| U.S. Treasury securities | $3,915,282 | $(46,503) | $1,438,839 | $(12,568) | $5,354,121 | $(59,071) |
| U.S. agency debentures | 838,609 | (4,615) | 508,062 | (5,782) | 1,346,671 | (10,397) |
| Residential mortgage-backed securities: | | | | | | |
| Agency-issued collateralized mortgage obligations—fixed rate | 812,726 | (30,350) | 1,103,803 | (50,160) | 1,916,529 | (80,510) |
| Agency-issued collateralized mortgage obligations—variable rate | 14,076 | (5) | 49,729 | (126) | 63,805 | (131) |
| Total temporarily impaired securities (1) | $5,580,693 | $(81,473) | $3,100,433 | $(68,636) | $8,681,126 | $(150,109) |

(1) As of September 30, 2018, we identified a total of 265 investments that were in unrealized loss positions, of which 109 investments totaling $3.1 billion with unrealized losses of $68.6 million have been in an impaired position for a period of time greater than 12 months. As of September 30, 2018, we do not intend to sell any of our impaired 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, 2018, we deem all impairments to be temporary, and therefore changes in value for our temporarily impaired securities as of the same date are included in other comprehensive income. Market valuations and impairment analyses on assets in the available-for-sale securities portfolio are reviewed and monitored on a quarterly basis.

| | December 31, 2017 | | | | | |
|---|---|---|---|---|---|---|
| | Less than 12 months | | 12 months or longer | | Total | |
| (Dollars in thousands) | Fair Value of Investments | Unrealized Losses | Fair Value of Investments | Unrealized Losses | Fair Value of Investments | Unrealized Losses |
| Available-for-sale securities: | | | | | | |
| U.S. Treasury securities | $5,968,914 | $(23,397) | $323,966 | $(2,282) | $6,292,880 | $(25,679) |
| U.S. agency debentures | 736,541 | (2,289) | 336,196 | (3,347) | 1,072,737 | (5,636) |
| Residential mortgage-backed securities: | | | | | | |
| Agency-issued collateralized mortgage obligations—fixed rate | 2,193,277 | (25,534) | — | — | 2,193,277 | (25,534) |

| | | | | | | |
|---|---|---|---|---|---|---|
| Agency-issued collateralized mortgage obligations—variable rate | 13,843 | (3) | 53,186 | (123) | 67,029 | (126) |
| Equity securities | 624 | (209) | — | — | 624 | (209) |
| Total temporarily impaired securities (1) | $8,913,199 | $(51,432) | $713,348 | $(5,752) | $9,626,547 | $(57,184) |

Table of Contents

(1) As of December 31, 2017, we identified a total of 268 investments that were in unrealized loss positions, of which 46 investments totaling $713.3 million with unrealized losses of $5.8 million have been in an impaired position for a period of time greater than 12 months.

The following table summarizes the fixed income securities, carried at fair value, classified as available-for-sale as of September 30, 2018 by the remaining contractual principal maturities. For U.S. Treasury securities and U.S. agency debentures, the expected maturity is the actual contractual maturity of the notes. Expected maturities for mortgage-backed securities may differ significantly from their contractual maturities because mortgage borrowers have the right to prepay outstanding loan obligations with or without penalties. Mortgage-backed securities classified as available-for-sale typically have original contractual maturities from 10 to 30 years whereas expected average lives of these securities tend to be significantly shorter and vary based upon structure and prepayments in lower interest rate environments.

| | September 30, 2018 | | | | |
|---|---|---|---|---|---|
| (Dollars in thousands) | Total | One Year or Less | After One Year to Five Years | After Five Years to Ten Years | After Ten Years |
| U.S. Treasury securities | $5,501,874 | $2,016,438 | $3,047,620 | $437,816 | $— |
| U.S. agency debentures | 1,346,672 | 653,271 | 693,401 | — | — |
| Residential mortgage-backed securities: | | | | | |
| Agency-issued collateralized mortgage obligations—fixed rate | 1,920,541 | — | — | 29,113 | 1,891,428 |
| Agency-issued collateralized mortgage obligations—variable rate | 318,522 | — | — | — | 318,522 |
| Total | $9,087,609 | $2,669,709 | $3,741,021 | $466,929 | $2,209,950 |

Held-to-Maturity Securities

The components of our held-to-maturity investment securities portfolio at September 30, 2018 and December 31, 2017 are as follows:

| | September 30, 2018 | | | |
|---|---|---|---|---|
| (Dollars in thousands) | Amortized Cost | Unrealized Gains | Unrealized Losses | Fair Value |
| Held-to-maturity securities, at cost: | | | | |
| U.S. agency debentures (1) | $641,134 | $ 85 | $(18,482 ) | $622,737 |
| Residential mortgage-backed securities: | | | | |
| Agency-issued mortgage-backed securities | 8,333,088 | 2 | (276,748 ) | 8,056,342 |
| Agency-issued collateralized mortgage obligations—fixed rate | 2,329,065 | — | (98,559 ) | 2,230,506 |
| Agency-issued collateralized mortgage obligations—variable rate | 223,374 | 667 | (32 ) | 224,009 |
| Agency-issued commercial mortgage-backed securities | 2,795,952 | — | (78,688 ) | 2,717,264 |
| Municipal bonds and notes | 1,577,113 | 161 | (55,894 ) | 1,521,380 |
| Total held-to-maturity securities | $15,899,726 | $ 915 | $(528,403) | $15,372,238 |

(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.

Table of Contents

| (Dollars in thousands) | December 31, 2017 Amortized Cost | Unrealized Gains | Unrealized Losses | Fair Value |
|---|---|---|---|---|
| Held-to-maturity securities, at cost: | | | | |
| U.S. agency debentures (1) | $659,979 | $ 3,167 | $(1,601) | $661,545 |
| Residential mortgage-backed securities: | | | | |
| Agency-issued mortgage-backed securities | 6,304,969 | 4,854 | (43,528) | 6,266,295 |
| Agency-issued collateralized mortgage obligations—fixed rate | 2,829,979 | 23 | (54,372) | 2,775,630 |
| Agency-issued collateralized mortgage obligations—variable rate | 255,782 | 733 | (34) | 256,481 |
| Agency-issued commercial mortgage-backed securities | 1,868,985 | 694 | (25,563) | 1,844,116 |
| Municipal bonds and notes | 743,761 | 3,452 | (3,000) | 744,213 |
| Total held-to-maturity securities | $12,663,455 | $ 12,923 | $(128,098) | $12,548,280 |

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

The following tables summarize our unrealized losses on our held-to-maturity securities portfolio into categories of less than 12 months and 12 months or longer as of September 30, 2018 and December 31, 2017:

| | September 30, 2018 | | | | | |
|---|---|---|---|---|---|---|
| | Less than 12 months | | 12 months or longer | | Total | |
| (Dollars in thousands) | Fair Value of Investments | Unrealized Losses | Fair Value of Investments | Unrealized Losses | Fair Value of Investments | Unrealized Losses |
| Held-to-maturity securities: | | | | | | |
| U.S. agency debentures | $549,916 | $(14,744) | $61,635 | $(3,738) | $611,551 | $(18,482) |
| Residential mortgage-backed securities: | | | | | | |
| Agency-issued mortgage-backed securities | 5,514,402 | (155,580) | 2,541,848 | (121,168) | 8,056,250 | (276,748) |
| Agency-issued collateralized mortgage obligations—fixed rate | 77,011 | (2,285) | 2,153,494 | (96,274) | 2,230,505 | (98,559) |
| Agency-issued collateralized mortgage obligations—variable rate | 3,504 | (1) | 8,445 | (31) | 11,949 | (32) |
| Agency-issued commercial mortgage-backed securities | 1,595,146 | (30,149) | 1,122,118 | (48,539) | 2,717,264 | (78,688) |
| Municipal bonds and notes | 1,429,117 | (51,806) | 83,486 | (4,088) | 1,512,603 | (55,894) |
| Total temporarily impaired securities (1) | $9,169,096 | $(254,565) | $5,971,026 | $(273,838) | $15,140,122 | $(528,403) |

(1) As of September 30, 2018, we identified a total of 1,433 investments that were in unrealized loss positions, of which 454 investments totaling $6.0 billion with unrealized losses of $273.8 million have been in an impaired position for a period of time greater than 12 months. As of September 30, 2018, we do not intend to sell any of our impaired 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, 2018, 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.

Table of Contents

| (Dollars in thousands) | December 31, 2017 | | | | | |
|---|---|---|---|---|---|---|
| | Less than 12 months | | 12 months or longer | | Total | |
| | Fair Value of Investments | Unrealized Losses | Fair Value of Investments | Unrealized Losses | Fair Value of Investments | Unrealized Losses |
| Held-to-maturity securities: | | | | | | |
| U.S. agency debentures | $104,688 | $(1,601) | $— | $— | $104,688 | $(1,601) |
| Residential mortgage-backed securities: | | | | | | |
| Agency-issued mortgage-backed securities | 4,270,377 | (34,092) | 408,913 | (9,436) | 4,679,290 | (43,528) |
| Agency-issued collateralized mortgage obligations—fixed rate | 1,011,709 | (13,631) | 1,741,614 | (40,741) | 2,753,323 | (54,372) |
| Agency-issued collateralized mortgage obligations—variable rate | — | — | 9,812 | (34) | 9,812 | (34) |
| Agency-issued commercial mortgage-backed securities | 979,361 | (11,566) | 773,712 | (13,997) | 1,753,073 | (25,563) |
| Municipal bonds and notes | 344,796 | (2,103) | 32,844 | (897) | 377,640 | (3,000) |
| Total temporarily impaired securities (1) | $6,710,931 | $(62,993) | $2,966,895 | $(65,105) | $9,677,826 | $(128,098) |

(1) As of December 31, 2017, we identified a total of 753 investments that were in unrealized loss positions, of which 237 investments totaling $3.0 billion with unrealized losses of $65.1 million have been in an impaired position for a period of time greater than 12 months.

Table of Contents

The following table summarizes the remaining contractual principal maturities on fixed income investment securities classified as held-to-maturity as of September 30, 2018. 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 interest rate environments.

| | September 30, 2018 | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Total | | One Year or Less | | After One Year to Five Years | | After Five Years to Ten Years | | After Ten Years | |
| (Dollars in thousands) | Amortized Cost | Fair Value | Amortized Cost | Fair Value | Amortized Cost | Fair Value | Amortized Cost | Fair Value | Amortized Cost | Fair |
| U.S. agency debentures | $641,134 | $622,737 | $— | $— | $104,550 | $102,498 | $536,584 | $520,239 | $— | $— |
| Residential mortgage-backed securities: | | | | | | | | | | |
| Agency-issued mortgage-backed securities | 8,333,088 | 8,056,342 | — | — | 179,847 | 174,664 | 859,233 | 821,883 | 7,294,008 | 7,05 |
| Agency-issued collateralized mortgage obligations—fixed rate | 2,329,065 | 2,230,506 | — | — | — | — | 474,668 | 452,428 | 1,854,397 | 1,77 |
| Agency-issued collateralized mortgage obligations—variable rate | 223,374 | 224,009 | — | — | — | — | — | — | 223,374 | 224 |
| Agency-issued commercial mortgage-backed securities | 2,795,952 | 2,717,264 | — | — | — | — | — | — | 2,795,952 | 2,71 |
| Municipal bonds and notes | 1,577,113 | 1,521,380 | 8,376 | 8,373 | 74,518 | 73,331 | 256,453 | 245,277 | 1,237,766 | 1,19 |
| Total | $15,899,726 | $15,372,238 | $8,376 | $8,373 | $358,915 | $350,493 | $2,126,938 | $2,039,827 | $13,405,497 | $12 |

Table of Contents

Non-marketable and Other Equity Securities

The components of our non-marketable and other equity securities portfolio at September 30, 2018 and December 31, 2017 are as follows:

| (Dollars in thousands) | September 30, 2018 | December 31, 2017 |
|---|---|---|
| Non-marketable and other equity securities: | | |
| Non-marketable securities (fair value accounting): | | |
| Consolidated venture capital and private equity fund investments (1) | $ 126,467 | $ 128,111 |
| Unconsolidated venture capital and private equity fund investments (2) | 208,953 | 98,548 |
| Other investments without a readily determinable fair value (3) | 25,253 | 27,680 |
| Other equity securities in public companies (fair value accounting) (4) | 30,460 | 310 |
| Non-marketable securities (equity method accounting) (5): | | |
| Venture capital and private equity fund investments | 112,537 | 89,809 |
| Debt funds | 5,241 | 21,183 |
| Other investments | 125,632 | 111,198 |
| Investments in qualified affordable housing projects, net (6) | 261,706 | 174,214 |
| Total non-marketable and other equity securities | $ 896,249 | $ 651,053 |

(1) The following table shows the amounts of venture capital and private equity fund investments held by the following consolidated funds and our ownership percentage of each fund at September 30, 2018 and December 31, 2017 (fair value accounting):

| | September 30, 2018 | | December 31, 2017 | |
|---|---|---|---|---|
| (Dollars in thousands) | Amount | Ownership % | Amount | Ownership % |
| Strategic Investors Fund, LP | $ 12,733 | 12.6 % | $ 14,673 | 12.6 % |
| Capital Preferred Return Fund, LP | 56,453 | 20.0 | 54,147 | 20.0 |
| Growth Partners, LP | 56,280 | 33.0 | 58,372 | 33.0 |
| CP I, LP | 1,001 | 10.7 | 919 | 10.7 |
| Total consolidated venture capital and private equity fund investments | $ 126,467 | | $ 128,111 | |

Table of Contents

(2) The carrying value represents investments in 220 and 235 funds (primarily venture capital funds) at September 30, 2018 and December 31, 2017, 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. Effective January 1, 2018, we adopted ASU 2016-01, Recognition and Measurement of Financial Assets and Financial Liabilities which eliminated the concept of cost method accounting. On a prospective basis, we will carry our unconsolidated venture capital and private equity fund investments at fair value based on the fund investments' net asset values per share as obtained from the general partners of the investments. For each fund investment, 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. We recorded a cumulative adjustment to opening retained earnings on January 1, 2018 for the difference between fair value and cost for these fund investments. The estimated fair value and carrying value of these venture capital and private equity fund investments was $209.0 million as of September 30, 2018. As of December 31, 2017, these investments were carried at cost and had a carrying value of $98.5 million.

(3) Effective January 1, 2018, we adopted ASU 2016-01, Recognition and Measurement of Financial Assets and Financial Liabilities which eliminated the concept of cost method accounting. On a prospective basis, we will report our other investments in the line item "Other investments without a readily determinable fair value". These investments include direct equity investments in private companies. The carrying value is based on the price at which the investment was acquired plus or minus changes resulting from observable price changes in orderly transactions for identical or similar investments. We consider a range of factors when adjusting the fair value of these investments, including, but not limited to, the term and nature of the investment, local market conditions, values for comparable securities, current and projected operating performance, exit strategies, financing transactions subsequent to the acquisition of the investment and a discount for certain investments that have lock-up restrictions or other features that indicate a discount to fair value is warranted. The following table shows the changes to the carrying amount of other investments without a readily determinable fair value for the nine months ended September 30, 2018:

| (Dollars in thousands) | Nine months ended September 30, 2018 |
|---|---|
| Carrying value as of January 1, 2018 | $ 27,680 |
| Upward carrying value adjustments | 4,854 |
| Downward carrying value adjustments | (1,729) |
| Additions | 3,870 |
| Sales and dispositions | (9,422) |
| Carrying value as of September 30, 2018 | $ 25,253 |

(4) Investments classified as other equity securities (fair value accounting) represent shares held in public companies as a result of exercising public equity warrant assets and direct equity investments in public companies held by our consolidated funds. Effective January 1, 2018 we adopted ASU 2016-01 Recognition and Measurement of Financial Assets and Financial Liabilities which requires equity securities to be measured at fair value with changes in the fair value recognized through net income. Prior to January 1, 2018 we reported equity securities in public companies that we held as a result of exercising public equity warrant assets in available-for-sale securities. On a prospective basis, these equity securities will be reported in non-marketable and other equity securities.

Table of Contents

(5) The following table shows the carrying value and our ownership percentage of each investment at September 30, 2018 and December 31, 2017 (equity method accounting):

| | September 30, 2018 | | December 31, 2017 | |
|---|---|---|---|---|
| (Dollars in thousands) | Amount | Ownership % | Amount | Ownership % |
| Venture capital and private equity fund investments: | | | | |
| Strategic Investors Fund II, LP | $4,739 | 8.6 % | $6,342 | 8.6 % |
| Strategic Investors Fund III, LP | 18,176 | 5.9 | 18,758 | 5.9 |
| Strategic Investors Fund IV, LP | 29,445 | 5.0 | 25,551 | 5.0 |
| Strategic Investors Fund V funds | 24,245 | Various | 16,856 | Various |
| CP II, LP (i) | 6,865 | 5.1 | 6,700 | 5.1 |
| Other venture capital and private equity fund investments | 29,067 | Various | 15,602 | Various |
| Total venture capital and private equity fund investments | $112,537 | | $89,809 | |
| Debt funds: | | | | |
| Gold Hill Capital 2008, LP (ii) | $3,267 | 15.5 % | $18,690 | 15.5 % |
| Other debt funds | 1,974 | Various | 2,493 | Various |
| Total debt funds | $5,241 | | $21,183 | |
| Other investments: | | | | |
| SPD Silicon Valley Bank Co., Ltd. | $75,314 | 50.0 % | $75,337 | 50.0 % |
| Other investments | 50,318 | Various | 35,861 | Various |
| Total other investments | $125,632 | | $111,198 | |

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

(ii) Our ownership includes 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) The following table presents the balances of our investments in qualified affordable housing projects and related unfunded commitments included as a component of “other liabilities” on our consolidated balance sheets at September 30, 2018 and December 31, 2017:

| (Dollars in thousands) | September 30, 2018 | December 31, 2017 |
|---|---|---|
| Investments in qualified affordable housing projects, net | $261,706 | $174,214 |
| Other liabilities | 166,867 | 100,891 |

The following table presents other information relating to our investments in qualified affordable housing projects for the three and nine months ended September 30, 2018 and 2017:

| | Three months ended September 30, | | Nine months ended September 30, | |
|---|---|---|---|---|
| (Dollars in thousands) | 2018 | 2017 | 2018 | 2017 |
| Tax credits and other tax benefits recognized | $6,283 | $4,539 | $16,912 | $13,199 |
| Amortization expense included in provision for income taxes (i) | 4,773 | 3,533 | 14,269 | 10,154 |

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

26

Table of Contents

The following table presents the net gains on non-marketable and other equity securities for the three and nine months ended September 30, 2018 and 2017 as recorded in the line item "Gains on investment securities, net," a component of noninterest income:

| | Three months ended September 30, | | Nine months ended September 30, | |
|---|---|---|---|---|
| (Dollars in thousands) | 2018 | 2017 | 2018 | 2017 |
| Net gains on non-marketable and other equity securities: | | | | |
| Non-marketable securities (fair value accounting): | | | | |
| Consolidated venture capital and private equity fund investments | $2,928 | $4,473 | $18,971 | $20,649 |
| Unconsolidated venture capital and private equity fund investments (1) | 6,240 | 4,697 | 37,095 | 13,928 |
| Other investments without a readily determinable fair value (1) | 2,509 | (49) | 4,310 | 3,354 |
| Other equity securities in public companies (fair value accounting) (1) | 4,407 | 387 | (17,786) | 280 |
| Non-marketable securities (equity method accounting): | | | | |
| Venture capital and private equity fund investments | 11,341 | 4,319 | 30,122 | 10,710 |
| Debt funds | 1,473 | 2,445 | (100) | 2,696 |
| Other investments | 3,295 | (933) | 4,753 | (3,163) |
| Total net gains on non-marketable and other equity securities | $32,193 | $15,339 | $77,365 | $48,454 |
| Less: Net gains (losses) on non-marketable and other equity securities sold | 357 | (49) | (20,806) | 3,355 |
| Unrealized net gains on non-marketable and other equity securities still held | $31,836 | $15,388 | $98,171 | $45,099 |

(1) Prior period amounts are not determined in a manner consistent with the current period presentation due to the adoption of accounting standard update (ASU 2016-01, Recognition and Measurement of Financial Assets and Financial Liabilities (Topic 825)).

7. Loans, Allowance for Loan Losses and Allowance for Unfunded Credit Commitments

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

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

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

The composition of loans, net of unearned income of $174 million and $148 million at September 30, 2018 and December 31, 2017, respectively, is presented in the following table:

Table of Contents

| (Dollars in thousands) | September 30, 2018 | December 31, 2017 |
|---|---|---|
| Commercial loans: | | |
| Software/internet | $6,258,724 | $6,172,531 |
| Hardware | 1,306,709 | 1,193,599 |
| Private equity/venture capital | 13,360,511 | 9,952,377 |
| Life science/healthcare | 2,302,453 | 1,808,827 |
| Premium wine | 227,498 | 204,105 |
| Other | 256,413 | 365,724 |
| Total commercial loans | 23,712,308 | 19,697,163 |
| Real estate secured loans: | | |
| Premium wine (1) | 685,941 | 669,053 |
| Consumer loans (2) | 2,556,906 | 2,300,506 |
| Other | 40,879 | 42,068 |
| Total real estate secured loans | 3,283,726 | 3,011,627 |
| Construction loans | 81,163 | 68,546 |
| Consumer loans | 417,718 | 328,980 |
| Total loans, net of unearned income (3) | $27,494,915 | $23,106,316 |

(1) Included in our premium wine portfolio are gross construction loans of $92 million and $100 million at September 30, 2018 and December 31, 2017, respectively.

(2) Consumer loans secured by real estate at September 30, 2018 and December 31, 2017 were comprised of the following:

| (Dollars in thousands) | September 30, 2018 | December 31, 2017 |
|---|---|---|
| Loans for personal residence | $2,196,948 | $1,995,840 |
| Loans to eligible employees | 285,186 | 243,118 |
| Home equity lines of credit | 74,772 | 61,548 |
| Consumer loans secured by real estate | $2,556,906 | $2,300,506 |

(3) Included within our total loan portfolio are credit card loans of $342 million and $270 million at September 30, 2018 and December 31, 2017, respectively.

Credit Quality

The composition of loans, net of unearned income of $174 million and $148 million at September 30, 2018 and December 31, 2017, respectively, broken out by portfolio segment and class of financing receivable, is as follows:

| (Dollars in thousands) | September 30, 2018 | December 31, 2017 |
|---|---|---|
| Commercial loans: | | |
| Software/internet | $6,258,724 | $6,172,531 |
| Hardware | 1,306,709 | 1,193,599 |
| Private equity/venture capital | 13,360,511 | 9,952,377 |
| Life science/healthcare | 2,302,453 | 1,808,827 |
| Premium wine | 913,439 | 873,158 |
| Other | 378,455 | 476,338 |
| Total commercial loans | 24,520,291 | 20,476,830 |
| Consumer loans: | | |
| Real estate secured loans | 2,556,906 | 2,300,506 |
| Other consumer loans | 417,718 | 328,980 |
| Total consumer loans | 2,974,624 | 2,629,486 |

| | | |
|---|---|---|
| Total loans, net of unearned income | $ 27,494,915 | $ 23,106,316 |

28

Table of Contents

The following table summarizes the aging of our gross loans, broken out by portfolio segment and class of financing receivable as of September 30, 2018 and December 31, 2017:

| (Dollars in thousands) | 30 - 59 Days Past Due | 60 - 89 Days Past Due | Equal to or Greater Than 90 Days Past Due | Total Past Due | Current | Loans Past Due 90 Days or More Still Accruing Interest |
|---|---|---|---|---|---|---|
| September 30, 2018: | | | | | | |
| Commercial loans: | | | | | | |
| Software/internet | $ 17,067 | $ 4,842 | $ 116 | $ 22,025 | $6,175,651 | $ 116 |
| Hardware | 491 | 99 | — | 590 | 1,298,215 | — |
| Private equity/venture capital | 7,556 | — | 2 | 7,558 | 13,357,777 | 2 |
| Life science/healthcare | 9,620 | 897 | 45 | 10,562 | 2,330,483 | 45 |
| Premium wine | 1,594 | — | — | 1,594 | 910,356 | — |
| Other | 340 | 27 | — | 367 | 400,547 | — |
| Total commercial loans | 36,668 | 5,865 | 163 | 42,696 | 24,473,029 | 163 |
| Consumer loans: | | | | | | |
| Real estate secured loans | 8,389 | — | — | 8,389 | 2,540,950 | — |
| Other consumer loans | 2,111 | — | — | 2,111 | 415,582 | — |
| Total consumer loans | 10,500 | — | — | 10,500 | 2,956,532 | — |
| Total gross loans excluding impaired loans | 47,168 | 5,865 | 163 | 53,196 | 27,429,561 | 163 |
| Impaired loans | 2,345 | 970 | 29,197 | 32,512 | 153,560 | — |
| Total gross loans | $ 49,513 | $ 6,835 | $ 29,360 | $ 85,708 | $27,583,121 | $ 163 |
| December 31, 2017: | | | | | | |
| Commercial loans: | | | | | | |
| Software/internet | $ 14,257 | $ 6,526 | $ 141 | $ 20,924 | $6,101,147 | $ 141 |
| Hardware | 1,145 | 77 | 50 | 1,272 | 1,163,278 | 50 |
| Private equity/venture capital | 86,566 | 38,580 | — | 125,146 | 9,835,317 | — |
| Life science/healthcare | 4,390 | 191 | — | 4,581 | 1,841,692 | — |
| Premium wine | 418 | — | — | 418 | 871,074 | — |
| Other | 445 | — | — | 445 | 490,292 | — |
| Total commercial loans | 107,221 | 45,374 | 191 | 152,786 | 20,302,800 | 191 |
| Consumer loans: | | | | | | |
| Real estate secured loans | 2,164 | 532 | — | 2,696 | 2,292,980 | — |
| Other consumer loans | 796 | — | — | 796 | 327,234 | — |
| Total consumer loans | 2,960 | 532 | — | 3,492 | 2,620,214 | — |
| Total gross loans excluding impaired loans | 110,181 | 45,906 | 191 | 156,278 | 22,923,014 | 191 |
| Impaired loans | 1,344 | 11,902 | 30,403 | 43,649 | 131,212 | — |
| Total gross loans | $ 111,525 | $ 57,808 | $ 30,594 | $ 199,927 | $23,054,226 | $ 191 |

Table of Contents

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, 2018 and December 31, 2017:

| (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, 2018: | | | | |
| Commercial loans: | | | | |
| Software/internet | $ 64,197 | $ 55,442 | $ 119,639 | $ 145,122 |
| Hardware | 2,431 | 17,249 | 19,680 | 31,804 |
| Private equity/venture capital | — | 3,700 | 3,700 | 3,700 |
| Life science/healthcare | 22,300 | 14,125 | 36,425 | 44,065 |
| Premium wine | 306 | 2,010 | 2,316 | 2,375 |
| Other | — | — | — | — |
| Total commercial loans | 89,234 | 92,526 | 181,760 | 227,066 |
| Consumer loans: | | | | |
| Real estate secured loans | 3,990 | 322 | 4,312 | 5,996 |
| Other consumer loans | — | — | — | — |
| Total consumer loans | 3,990 | 322 | 4,312 | 5,996 |
| Total | $ 93,224 | $ 92,848 | $ 186,072 | $ 233,062 |
| December 31, 2017: | | | | |
| Commercial loans: | | | | |
| Software/internet | $ 49,645 | $ 61,009 | $ 110,654 | $ 129,006 |
| Hardware | 15,637 | 20,713 | 36,350 | 41,721 |
| Private equity/venture capital | 658 | — | 658 | 984 |
| Life science/healthcare | 20,521 | 1,166 | 21,687 | 26,360 |
| Premium wine | — | 2,877 | 2,877 | 2,911 |
| Other | 32 | — | 32 | 165 |
| Total commercial loans | 86,493 | 85,765 | 172,258 | 201,147 |
| Consumer loans: | | | | |
| Real estate secured loans | 1,331 | 850 | 2,181 | 3,712 |
| Other consumer loans | 422 | — | 422 | 436 |
| Total consumer loans | 1,753 | 850 | 2,603 | 4,148 |
| Total | $ 88,246 | $ 86,615 | $ 174,861 | $ 205,295 |

Table of Contents

The following tables summarize our average impaired loans and interest income recognized on impaired loans, broken out by portfolio segment and class of financing receivable for the three and nine months ended September 30, 2018 and 2017:

| Three months ended September 30, | Average impaired loans | | Interest income recognized on impaired loans | |
|---|---|---|---|---|
| (Dollars in thousands) | 2018 | 2017 | 2018 | 2017 |
| Commercial loans: | | | | |
| Software/internet | $118,840 | $121,290 | $607 | $767 |
| Hardware | 27,922 | 35,932 | 410 | 419 |
| Private equity/venture capital | 1,233 | 644 | — | 3 |
| Life science/healthcare | 38,545 | 25,796 | 365 | 21 |
| Premium wine | 2,384 | 3,625 | 35 | 39 |
| Other | — | 348 | — | — |
| Total commercial loans | 188,924 | 187,635 | 1,417 | 1,249 |
| Consumer loans: | | | | |
| Real estate secured loans | 4,330 | 1,306 | 4 | 24 |
| Other consumer loans | — | 1,966 | — | — |
| Total consumer loans | 4,330 | 3,272 | 4 | 24 |
| Total average impaired loans | $193,254 | $190,907 | $1,421 | $1,273 |

| Nine months ended September 30, | Average impaired loans | | Interest income recognized on impaired loans | |
|---|---|---|---|---|
| (Dollars in thousands) | 2018 | 2017 | 2018 | 2017 |
| Commercial loans: | | | | |
| Software/internet | $112,576 | $122,527 | $991 | $1,646 |
| Hardware | 34,469 | 33,271 | 499 | 518 |
| Private equity/venture capital | 536 | 443 | — | 8 |
| Life science/healthcare | 27,671 | 33,590 | 376 | 60 |
| Premium wine | 2,586 | 3,353 | 103 | 115 |
| Other | 130 | 706 | — | — |
| Total commercial loans | 177,968 | 193,890 | 1,969 | 2,347 |
| Consumer loans: | | | | |
| Real estate secured loans | 3,953 | 1,385 | 12 | 24 |
| Other consumer loans | 477 | 1,931 | — | — |
| Total consumer loans | 4,430 | 3,316 | 12 | 24 |
| Total average impaired loans | $182,398 | $197,206 | $1,981 | $2,371 |

Table of Contents

The following tables summarize the activity relating to our allowance for loan losses for the three and nine months ended September 30, 2018 and 2017, broken out by portfolio segment:

| Three months ended September 30, 2018<br>(Dollars in thousands) | Beginning Balance June 30, 2018 | Charge-offs | Recoveries | Provision for (Reduction of) Loan Losses | Foreign Currency Translation Adjustments | Ending Balance September 30, 2018 |
|---|---|---|---|---|---|---|
| Commercial loans: | | | | | | |
| Software/internet | $ 102,648 | $ (6,304 ) | $ 841 | $ 16,640 | $ (335 ) | $ 113,490 |
| Hardware | 34,695 | (12,697 ) | 227 | (1,763 ) | 36 | 20,498 |
| Private equity/venture capital | 89,409 | — | 3 | 1,632 | (33 ) | 91,011 |
| Life science/healthcare | 35,064 | (2,076 ) | 189 | 2,322 | (47 ) | 35,452 |
| Premium wine | 3,438 | — | — | 125 | (3 ) | 3,560 |
| Other | 2,896 | (1,128 ) | 771 | 118 | (2 ) | 2,655 |
| Total commercial loans | 268,150 | (22,205 ) | 2,031 | 19,074 | (384 ) | 266,666 |
| Total consumer loans | 18,559 | — | 133 | 362 | (7 ) | 19,047 |
| Total allowance for loan losses | $ 286,709 | $ (22,205 ) | $ 2,164 | $ 19,436 | $ (391 ) | $ 285,713 |

| Three months ended September 30, 2017<br>(Dollars in thousands) | Beginning Balance June 30, 2017 | Charge-offs | Recoveries | Provision for (Reduction of) Loan Losses | Foreign Currency Translation Adjustments | Ending Balance September 30, 2017 |
|---|---|---|---|---|---|---|
| Commercial loans: | | | | | | |
| Software/internet | $ 92,937 | $ (8,791 ) | $ 426 | $ 7,241 | $ 199 | $ 92,012 |
| Hardware | 27,800 | (2,453 ) | 115 | 5,681 | 156 | 31,299 |
| Private equity/venture capital | 66,785 | — | — | 10,142 | 279 | 77,206 |
| Life science/healthcare | 27,730 | (1,083 ) | 63 | (1,621 ) | (45 ) | 25,044 |
| Premium wine | 3,133 | — | — | 362 | 10 | 3,505 |
| Other | 4,135 | — | 947 | (931 ) | (26 ) | 4,125 |
| Total commercial loans | 222,520 | (12,327 ) | 1,551 | 20,874 | 573 | 233,191 |
| Total consumer loans | 13,976 | (11 ) | 277 | 1,535 | 42 | 15,819 |
| Total allowance for loan losses | $ 236,496 | $ (12,338 ) | $ 1,828 | $ 22,409 | $ 615 | $ 249,010 |

| Nine months ended September 30, 2018<br>(Dollars in thousands) | Beginning Balance December 31, 2017 | Charge-offs | Recoveries | Provision for (Reduction of) Loan Losses | Foreign Currency Translation Adjustments | Ending Balance September 30, 2018 |
|---|---|---|---|---|---|---|
| Commercial loans: | | | | | | |
| Software/internet | $ 96,104 | $ (26,377 ) | $ 1,818 | $ 42,620 | $ (675 ) | $ 113,490 |
| Hardware | 27,614 | (16,111 ) | 1,458 | 7,788 | (251 ) | 20,498 |
| Private equity/venture capital | 82,468 | (112 ) | 13 | 8,200 | 442 | 91,011 |
| Life science/healthcare | 24,924 | (2,940 ) | 245 | 13,829 | (606 ) | 35,452 |
| Premium wine | 3,532 | — | — | 42 | (14 ) | 3,560 |
| Other | 3,941 | (2,391 ) | 1,874 | (775 ) | 6 | 2,655 |
| Total commercial loans | 238,583 | (47,931 ) | 5,408 | 71,704 | (1,098 ) | 266,666 |
| Total consumer loans | 16,441 | (289 ) | 470 | 2,384 | 41 | 19,047 |
| Total allowance for loan losses | $ 255,024 | $ (48,220 ) | $ 5,878 | $ 74,088 | $ (1,057 ) | $ 285,713 |

Table of Contents

| Nine months ended September 30, 2017 (Dollars in thousands) | Beginning Balance December 31, 2016 | Charge-offs | Recoveries | Provision for (Reduction of) Loan Losses | Foreign Currency Translation Adjustments | Ending Balance September 30, 2017 |
|---|---|---|---|---|---|---|
| Commercial loans: | | | | | | |
| Software/internet | $97,388 | $(36,172) | $2,833 | $27,487 | $476 | $92,012 |
| Hardware | 31,166 | (6,726) | 459 | 6,075 | 325 | 31,299 |
| Private equity/venture capital | 50,299 | — | — | 26,111 | 796 | 77,206 |
| Life science/healthcare | 25,446 | (7,493) | 107 | 6,906 | 78 | 25,044 |
| Premium wine | 4,115 | — | — | (567) | (43) | 3,505 |
| Other | 4,768 | (1,047) | 1,424 | (1,005) | (15) | 4,125 |
| Total commercial loans | 213,182 | (51,438) | 4,823 | 65,007 | 1,617 | 233,191 |
| Total consumer loans | 12,184 | (11) | 1,332 | 2,266 | 48 | 15,819 |
| Total allowance for loan losses | $225,366 | $(51,449) | $6,155 | $67,273 | $1,665 | $249,010 |

The following table summarizes the activity relating to our allowance for unfunded credit commitments for the three and nine months ended September 30, 2018 and 2017:

| | Three months ended September 30, | | Nine months ended September 30, | |
|---|---|---|---|---|
| (Dollars in thousands) | 2018 | 2017 | 2018 | 2017 |
| Allowance for unfunded credit commitments, beginning balance | $54,104 | $47,000 | $51,770 | $45,265 |
| (Reduction of) provision for unfunded credit commitments | (2,262) | 1,113 | 138 | 2,789 |
| Foreign currency translation adjustments | (34) | 59 | (100) | 118 |
| Allowance for unfunded credit commitments, ending balance (1) | $51,808 | $48,172 | $51,808 | $48,172 |

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

The following table summarizes the allowance for loan losses individually and collectively evaluated for impairment as of September 30, 2018 and December 31, 2017, broken out by portfolio segment:

| | September 30, 2018 | | | | December 31, 2017 | | | |
|---|---|---|---|---|---|---|---|---|
| | Individually Evaluated for Impairment | | Collectively Evaluated for Impairment | | Individually Evaluated for Impairment | | Collectively Evaluated for Impairment | |
| (Dollars in thousands) | Allowance for loan losses | Recorded investment in loans | Allowance for loan losses | Recorded investment in loans | Allowance for loan losses | Recorded investment in loans | Allowance for loan losses | Recorded investment in loans |
| Commercial loans: | | | | | | | | |
| Software/internet | $36,856 | $119,639 | $76,634 | $6,139,085 | $23,088 | $110,654 | $73,016 | $6,061,877 |
| Hardware | 764 | 19,680 | 19,734 | 1,287,029 | 8,450 | 36,350 | 19,164 | 1,157,249 |
| Private equity/venture capital | — | 3,700 | 91,011 | 13,356,811 | 330 | 658 | 82,138 | 9,951,719 |
| Life science/healthcare | 11,951 | 36,425 | 23,501 | 2,266,028 | 9,315 | 21,687 | 15,609 | 1,787,140 |
| Premium wine | 3 | 2,316 | 3,557 | 911,123 | — | 2,877 | 3,532 | 870,281 |
| Other | — | — | 2,655 | 378,455 | 32 | 32 | 3,909 | 476,306 |
| Total commercial loans | 49,574 | 181,760 | 217,092 | 24,338,531 | 41,215 | 172,258 | 197,368 | 20,304,572 |
| Total consumer loans | 418 | 4,312 | 18,629 | 2,970,312 | 578 | 2,603 | 15,863 | 2,626,883 |
| Total | $49,992 | $186,072 | $235,721 | $27,308,843 | $41,793 | $174,861 | $213,231 | $22,931,455 |

33

Table of Contents

Credit Quality Indicators

For each individual client, we establish an internal credit risk rating for that loan, which is used for assessing and monitoring credit risk as well as performance of the loan and the overall portfolio. Our internal credit risk ratings are also used to summarize the risk of loss due to failure by an individual borrower to repay the loan. For our internal credit risk ratings, each individual loan is given a risk rating of 1 through 10. Loans risk-rated 1 through 4 are performing loans and translate to an internal rating of “Pass," with loans risk-rated 1 being cash secured. Loans risk-rated 5 through 7 are performing loans; however, we consider them as demonstrating higher risk, which requires more frequent review of the individual exposures; these translate to an internal rating of “Performing (Criticized)." When full repayment of a criticized loan has been deemed improbable under the original contractual terms but full repayment remains probable overall, the loan is considered to be a “Performing Impaired (Criticized)” loan. All of our nonaccrual loans are risk-rated 8 or 9 and are classified under the nonperforming impaired category. (For further description of nonaccrual loans, refer to Note 2—“Summary of Significant Accounting Policies” under Part II, Item 8 of our 2017 Form 10-K). Loans rated 10 are charged-off and are not included as part of our loan portfolio balance. We review our credit quality indicators for performance and appropriateness of risk ratings as part of our evaluation process for our allowance for loan losses.

The following table summarizes the credit quality indicators, broken out by portfolio segment and class of financing receivables as of September 30, 2018 and December 31, 2017:

| (Dollars in thousands) | Pass | Performing (Criticized) | Performing Impaired (Criticized) | Nonperforming Impaired (Nonaccrual) | Total |
|---|---|---|---|---|---|
| September 30, 2018: | | | | | |
| Commercial loans: | | | | | |
| Software/internet | $5,613,023 | $ 584,653 | $ 37,204 | $ 82,435 | $6,317,315 |
| Hardware | 1,245,532 | 53,273 | 17,249 | 2,431 | 1,318,485 |
| Private equity/venture capital | 13,362,294 | 3,041 | — | 3,700 | 13,369,035 |
| Life science/healthcare | 2,172,679 | 168,366 | 14,125 | 22,300 | 2,377,470 |
| Premium wine | 862,311 | 49,639 | 2,010 | 306 | 914,266 |
| Other | 398,263 | 2,651 | — | — | 400,914 |
| Total commercial loans | 23,654,102 | 861,623 | 70,588 | 111,172 | 24,697,485 |
| Consumer loans: | | | | | |
| Real estate secured loans | 2,529,708 | 19,631 | 322 | 3,990 | 2,553,651 |
| Other consumer loans | 417,344 | 349 | — | — | 417,693 |
| Total consumer loans | 2,947,052 | 19,980 | 322 | 3,990 | 2,971,344 |
| Total gross loans | $26,601,154 | $ 881,603 | $ 70,910 | $ 115,162 | $27,668,829 |
| December 31, 2017: | | | | | |
| Commercial loans: | | | | | |
| Software/internet | $5,655,739 | $ 466,332 | $ 31,794 | $ 78,860 | $6,232,725 |
| Hardware | 1,112,574 | 51,976 | 20,165 | 16,185 | 1,200,900 |
| Private equity/venture capital | 9,955,082 | 5,381 | — | 658 | 9,961,121 |
| Life science/healthcare | 1,720,613 | 125,660 | 1,167 | 20,520 | 1,867,960 |
| Premium wine | 834,537 | 36,955 | 2,476 | 401 | 874,369 |
| Other | 469,721 | 21,016 | — | 32 | 490,769 |
| Total commercial loans | 19,748,266 | 707,320 | 55,602 | 116,656 | 20,627,844 |
| Consumer loans: | | | | | |
| Real estate secured loans | 2,282,375 | 13,301 | — | 2,181 | 2,297,857 |
| Other consumer loans | 326,851 | 1,179 | — | 422 | 328,452 |
| Total consumer loans | 2,609,226 | 14,480 | — | 2,603 | 2,626,309 |
| Total gross loans | $22,357,492 | $ 721,800 | $ 55,602 | $ 119,259 | $23,254,153 |

Table of Contents

Troubled Debt Restructurings

As of September 30, 2018, we had 20 TDRs with a total carrying value of $85.8 million where concessions have been granted to borrowers experiencing financial difficulties, in an attempt to maximize collection. There were $0.8 million of unfunded commitments available for funding to the clients associated with these TDRs as of September 30, 2018.

The following table summarizes our loans modified in TDRs, broken out by portfolio segment and class of financing receivables at September 30, 2018 and December 31, 2017:

| (Dollars in thousands) | September 30, 2018 | December 31, 2017 |
|---|---|---|
| Loans modified in TDRs: | | |
| Commercial loans: | | |
| Software/internet | $ 49,078 | $ 73,455 |
| Hardware | 12,499 | 51,132 |
| Private equity/venture capital | — | 350 |
| Life science/healthcare | 20,942 | 19,235 |
| Premium wine | 2,964 | 3,198 |
| Total commercial loans | 85,483 | 147,370 |
| Consumer loans: | | |
| Other consumer loans | 322 | 423 |
| Total | $ 85,805 | $ 147,793 |

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, 2018 and 2017:

| | Three months ended September 30, | | Nine months ended September 30, | |
|---|---|---|---|---|
| (Dollars in thousands) | 2018 | 2017 | 2018 | 2017 |
| Loans modified in TDRs during the period: | | | | |
| Commercial loans: | | | | |
| Software/internet | $— | $ 10,876 | $ 14,069 | $ 26,034 |
| Hardware | 10,398 | 396 | 12,347 | 396 |
| Life science/healthcare | — | — | 5,909 | — |
| Premium wine | — | — | — | 185 |
| Total commercial loans | 10,398 | 11,272 | 32,325 | 26,615 |
| Consumer loans: | | | | |
| Other consumer loans | — | — | 322 | — |
| Total loans modified in TDRs during the period (1) | $ 10,398 | $ 11,272 | $ 32,647 | $ 26,615 |

(1) There were $13.0 million and $21.5 million of partial charge-offs for the three and nine months ended September 30, 2018, respectively, and zero and $2.6 million of partial charge-offs during the three and nine months ended September 30, 2017, respectively.

During the three and nine months ended September 30, 2018, all new TDRs of $10.4 million and $32.6 million, respectively, were modified through payment deferrals granted to our clients. During the three and nine months ended September 30, 2017, all new TDRs of $11.3 million and $26.6 million, respectively, were modified through payment deferrals granted to our clients.

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

35

Table of Contents

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, 2018 and 2017:

| (Dollars in thousands) | Three months ended September 30, 2018 | 2017 | Nine months ended September 30, 2018 | 2017 |
|---|---|---|---|---|
| TDRs modified within the previous 12 months that defaulted during the period: | | | | |
| Commercial loans: | | | | |
| Software/internet | $18,911 | $1,234 | $41,568 | $1,234 |
| Hardware | 2,100 | — | 5,549 | — |
| Life science/healthcare | 5,909 | — | 7,139 | — |
| Premium wine | — | 186 | — | 186 |
| Total TDRs modified within the previous 12 months that defaulted in the period | $26,920 | $1,420 | $54,256 | $1,420 |

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 for TDRs was necessary to determine the allowance for loan losses as of September 30, 2018.

8. Short-Term Borrowings and Long-Term Debt

The following table represents outstanding short-term borrowings and long-term debt at September 30, 2018 and December 31, 2017:

| (Dollars in thousands) | Maturity | Principal value at September 30, 2018 | Carrying Value September 30, 2018 | December 31, 2017 |
|---|---|---|---|---|
| Short-term borrowings: | | | | |
| Short-term FHLB advances | (1) | $2,250,000 | $2,250,000 | $ 700,000 |
| Federal funds purchased | | — | — | 330,000 |
| Securities sold under agreement to repurchase | (2) | 371,539 | 371,539 | — |
| Other short-term borrowings | (3) | 9,713 | 9,713 | 3,730 |
| Total short-term borrowings | | | $2,631,252 | $ 1,033,730 |
| Long-term debt: | | | | |
| 3.50% Senior Notes | January 29, 2025 | $350,000 | $347,554 | $ 347,303 |
| 5.375% Senior Notes | September 15, 2020 | 350,000 | 348,663 | 348,189 |
| Total long-term debt | | | $696,217 | $ 695,492 |

(1) Represents advances from the FHLB at September 30, 2018 with maturity dates through November 26, 2018.

(2) Securities sold under repurchase agreements are effectively short-term collateralized borrowings. Gross repurchase agreements held at September 30, 2018 have maturity dates through October 17, 2018.

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

Interest expense related to short-term borrowings and long-term debt was $12.0 million and $29.1 million for the three and nine months ended September 30,2018, respectively, and $9.0 million and $27.2 million for the three and nine months ended September 30, 2017, respectively. The weighted average interest rate associated with our short-term borrowings was 2.31 percent as of September 30, 2018 and 1.39 percent as of December 31, 2017.

36

Table of Contents

Available Lines of Credit

We have certain facilities in place to enable us to access short-term borrowings on a secured (using loans and fixed income investment securities as collateral) and unsecured basis. These include repurchase agreements and federal funds lines with various financial institutions. As of September 30, 2018, we did not have any borrowings outstanding against our federal funds lines. We also pledge collateral to the FHLB of San Francisco (comprised primarily of loans and fixed income investment securities) and the discount window at the FRB (comprised primarily of fixed income investment securities) of which $2.0 billion and $1.0 billion, respectively, of our borrowing capacity, was unused and available to support additional borrowings at September 30, 2018.

9. Derivative Financial Instruments

We primarily use derivative financial instruments to manage interest rate risk, currency exchange rate risk and to assist customers with their risk management objectives, which may include currency exchange rate risks and interest rate risks. 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.

Currency Exchange Risk

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

Other Derivative Instruments

Also included in our derivative instruments are equity warrant assets and client forward and option contracts, and client interest rate contracts. For further description of these other derivative instruments, refer to Note 2-“Summary of Significant Accounting Policies" under Part II, Item 8 of our 2017 Form 10-K.

Counterparty Credit Risk

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

Table of Contents

The total notional or contractual amounts and fair value of our derivative financial instruments at September 30, 2018 and December 31, 2017 were as follows:

| (Dollars in thousands) | September 30, 2018 Notional or Contractual Amount | September 30, 2018 Fair Value Derivative Assets (1) | September 30, 2018 Fair Value Derivative Liabilities (1) | December 31, 2017 Notional or Contractual Amount | December 31, 2017 Fair Value Derivative Assets (1) | December 31, 2017 Fair Value Derivative Liabilities (1) |
|---|---|---|---|---|---|---|
| Derivatives not designated as hedging instruments: | | | | | | |
| Currency exchange risks: | | | | | | |
| Foreign exchange forwards | $241,360 | $2,842 | $— | $50,889 | $414 | $— |
| Foreign exchange forwards | 397,153 | — | 4,370 | 425,055 | — | 5,201 |
| Other derivative instruments: | | | | | | |
| Equity warrant assets | 223,868 | 146,967 | — | 211,253 | 123,763 | — |
| Client foreign exchange forwards | 2,523,524 | 77,585 | — | 2,203,643 | 95,035 | — |
| Client foreign exchange forwards | 2,390,294 | — | 70,317 | 2,092,207 | — | 90,253 |
| Client foreign currency options | 91,125 | 1,476 | — | 102,678 | 1,187 | — |
| Client foreign currency options | 91,149 | — | 1,478 | 102,678 | — | 1,187 |
| Client interest rate derivatives (2) | 937,808 | 6,262 | — | 726,984 | 11,753 | — |
| Client interest rate derivatives | 1,335,830 | — | 15,156 | 782,586 | — | 11,940 |
| Total Derivatives not designated as hedging instruments | | $235,132 | $ 91,321 | | $232,152 | $ 108,581 |

(1) Derivative assets and liabilities are included in "accrued interest receivable and other assets" and "other liabilities", respectively, on our consolidated balance sheets.

(2) The amount reported for September 30, 2018 reflects rule changes implemented by two central clearing houses that allow entities to elect to treat derivative assets, liabilities and the related variation margin as settlement of the related derivative fair values for legal and accounting purposes, as opposed to presenting gross derivative assets and liabilities. As a result, client interest rate derivatives at September 30, 2018, reflect reductions of approximately $8.7 million of derivative assets that previously would have been reported on a gross basis and approximately $302.4 million in related notional amounts for these derivative assets cleared through central clearing houses.

Table of Contents

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, 2018 and 2017 is as follows:

| | | Three months ended September 30, | | Nine months ended September 30, | |
|---|---|---|---|---|---|
| (Dollars in thousands) | Statement of income location | 2018 | 2017 | 2018 | 2017 |
| Derivatives designated as hedging instruments: | | | | | |
| Interest rate risks: | | | | | |
| Net cash benefit associated with interest rate swaps | Interest expense—borrowings | $— | $62 | $— | $997 |
| Changes in fair value of interest rate swaps | Other noninterest income | — | — | — | (7) |
| Net gains associated with interest rate risk derivatives | | $— | $62 | $— | $990 |
| Derivatives not designated as hedging instruments: | | | | | |
| Currency exchange risks: | | | | | |
| Gains on revaluations of internal foreign currency instruments, net | Other noninterest income | $5,412 | $10,561 | $8,019 | $29,265 |
| (Losses) on internal foreign exchange forward contracts, net | Other noninterest income | (5,002) | (10,550) | (8,055) | (28,349) |
| Net gains (losses) associated with internal currency risk | | $410 | $11 | $(36) | $916 |
| Other derivative instruments: | | | | | |
| (Losses) gains on revaluations of client foreign currency instruments, net | Other noninterest income | $(1,187) | $3,760 | $3,718 | $8,889 |
| Gains (losses) on client foreign exchange forward contracts, net | Other noninterest income | 1,573 | (3,871) | (2,697) | (8,350) |
| Net gains (losses) associated with client currency risk | | $386 | $(111) | $1,021 | $539 |
| Net gains on equity warrant assets | Gains on equity warrant assets, net | $34,141 | $24,922 | $72,393 | $42,432 |
| Net gains (losses) on other derivatives | Other noninterest income | $222 | $(38) | $643 | $(524) |

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.

Table of Contents

The following table summarizes our assets subject to enforceable master netting arrangements as of September 30, 2018 and December 31, 2017:

| (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 (1) | |
| September 30, 2018 | | | | | | |
| Derivative Assets: | | | | | | |
| Foreign exchange forwards | $ 80,427 | $ — | $ 80,427 | $ (29,400 ) | $ (6,816 ) | $ 44,211 |
| Foreign currency options | 1,476 | — | 1,476 | (811 ) | — | 665 |
| Client interest rate derivatives | 6,262 | — | 6,262 | (3,365 ) | (2,897 ) | — |
| Total derivative assets | 88,165 | — | 88,165 | (33,576 ) | (9,713 ) | 44,876 |
| Reverse repurchase, securities borrowing, and similar arrangements | 119,181 | — | 119,181 | (119,181 ) | — | — |
| Total | $ 207,346 | $ — | $ 207,346 | $ (152,757 ) | $ (9,713 ) | $ 44,876 |
| December 31, 2017 | | | | | | |
| Derivative Assets: | | | | | | |
| Foreign exchange forwards (2) | $ 95,449 | $ — | $ 95,449 | $ (14,570 ) | $ (3,616 ) | $ 77,263 |
| Foreign currency options | 1,187 | — | 1,187 | (557 ) | — | 630 |
| Client interest rate derivatives (2) | 11,753 | — | 11,753 | (11,627 ) | (114 ) | 12 |
| Total derivative assets | 108,389 | — | 108,389 | (26,754 ) | (3,730 ) | 77,905 |
| Reverse repurchase, securities borrowing, and similar arrangements | 247,876 | — | 247,876 | (247,876 ) | — | — |
| Total | $ 356,265 | $ — | $ 356,265 | $ (274,630 ) | $ (3,730 ) | $ 77,905 |

(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) For the period ending December 31, 2017, previously reported amounts for our foreign exchange forwards and client interest rate derivatives were reclassified between "Financial Instruments" and "Cash Collateral Received" to properly reflect cash collateral received for these derivative assets subject to master netting arrangements, respectively. The correction of this immaterial error had no impact on the "Net Amount" of derivative assets subject to enforceable master netting arrangements.

The following table summarizes our liabilities subject to enforceable master netting arrangements as of September 30, 2018 and December 31, 2017:

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

| | | | | | | |
|---|---|---|---|---|---|---|
| | | | Financial Position | | (1) | |
| September 30, 2018 | | | | | | |
| Derivative Liabilities: | | | | | | |
| Foreign exchange forwards | $ 74,687 | $ — | $ 74,687 | $ (22,038) | $ (20,036) | $ 32,613 |
| Foreign currency options | 1,478 | — | 1,478 | (666) | — | 812 |
| Client interest rate derivatives | 15,156 | — | 15,156 | (4,882) | (10,180) | 94 |
| Total derivative liabilities | 91,321 | — | 91,321 | (27,586) | (30,216) | 33,519 |
| Repurchase, securities lending, and similar arrangements | 371,539 | — | 371,539 | (147,757) | (750) | 223,032 |
| Total | $ 462,860 | $ — | $ 462,860 | $ (175,343) | $ (30,966) | $ 256,551 |
| December 31, 2017 | | | | | | |
| Derivative Liabilities: | | | | | | |
| Foreign exchange forwards (2) | $ 95,454 | $ — | $ 95,454 | $ (10,997) | $ (69,110) | $ 15,347 |
| Foreign currency options (2) | 1,187 | — | 1,187 | (501) | (130) | 556 |
| Client interest rate derivatives (2) | 11,940 | — | 11,940 | — | (11,924) | 16 |
| Total derivative liabilities (2) | 108,581 | — | 108,581 | (11,498) | (81,164) | 15,919 |
| Repurchase, securities lending, and similar arrangements | — | — | — | — | — | — |
| Total (2) | $ 108,581 | $ — | $ 108,581 | $ (11,498) | $ (81,164) | $ 15,919 |

Table of Contents

(1) Cash collateral pledged to our counterparties in relation to market value exposures of derivative contracts in a liability position and repurchase agreements are recorded as a component of “cash and cash equivalents" on our consolidated balance sheets.

(2) For the period ending December 31, 2017, previously reported amounts included in "Financial Instruments" were reclassified to "Cash Collateral Pledged" to properly reflect cash collateral pledged for these derivative liabilities subject to master netting arrangements. The correction of this immaterial error had no impact on the "Net Amount" of derivative liabilities subject to enforceable master netting arrangements.

10. Noninterest Income

On January 1, 2018, we adopted Topic 606 using the modified retrospective method applied to those contracts which were not completed as of January 1, 2018. Results for reporting periods beginning after January 1, 2018, are presented under Topic 606, while prior period amounts are not adjusted and continue to be reported in accordance with our previous accounting methodology under Topic 605. A summary of noninterest income for the three and nine months ended September 30, 2018 and 2017 is as follows:

| | Three months ended September 30, | | Nine months ended September 30, | |
|---|---|---|---|---|
| (Dollars in thousands) | 2018 | 2017 | 2018 | 2017 |
| Noninterest income: | | | | |
| Gains on investment securities, net | $32,193 | $15,238 | $77,365 | $48,838 |
| Gains on equity warrant assets, net | 34,141 | 24,922 | 72,393 | 42,432 |
| Foreign exchange fees | 32,656 | 29,671 | 100,560 | 82,026 |
| Credit card fees | 24,121 | 20,270 | 68,739 | 56,099 |
| Deposit service charges | 19,588 | 14,508 | 56,081 | 43,046 |
| Client investment fees | 36,265 | 15,563 | 88,592 | 37,571 |
| Lending related fees | 10,675 | 15,404 | 30,938 | 32,874 |
| Letters of credit and standby letters of credit fees | 8,409 | 7,306 | 24,938 | 20,951 |
| Other | 12,022 | 15,896 | 38,671 | 41,128 |
| Total noninterest income | $210,070 | $158,778 | $558,277 | $404,965 |

Gains on investment securities, net

Net gains on investment securities include both gains and losses from our non-marketable and other equity securities, which include public equity securities held as a result of exercised equity warrant assets, gains and losses from sales of our AFS debt securities portfolio, when applicable, and carried interest.

Our non-marketable and other equity securities portfolio primarily represents investments in venture capital and private equity funds, our China Joint Venture, debt funds, private and public portfolio companies and investments in qualified affordable housing projects. We experience variability in the performance of our non-marketable and other equity securities from period to period, 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 equity securities for any single period are typically driven by valuation changes, and are therefore subject to potential increases or decreases in future periods. Such variability may lead to volatility in the gains or losses from investment securities. As such, our results for a particular period are not necessarily indicative of our expected performance in a future period.

The extent to which any unrealized gains or losses will become realized is subject to a variety of factors, including, among other things, the expiration of certain sales restrictions to which these equity securities may be subject to (i.e., lock-up agreements), changes in prevailing market prices, market conditions, the actual sales or distributions of securities, and 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.

Carried interest is comprised of preferential allocations of profits recognizable when the return on assets of our individual managed fund of funds and direct venture funds exceeds certain performance targets and is payable to us, as the general partners of the managed funds. The carried interest we earn is often shared with employees, who are also members of the general partner entities. We record carried interest on a quarterly basis by measuring fund performance to date versus the performance target. For our unconsolidated managed funds, carried interest is recorded as gains on investment securities, net. For our consolidated managed funds, it is recorded as a component of net income attributable to noncontrolling interests. Carried interest allocated to others is recorded as a component of net income attributable to noncontrolling interests. Any carried interest paid to us (or

Table of Contents

our employees) may be subject to reversal to the extent fund performance declines to a level where inception to date carried interest is lower than actual payments made by the funds. The limited partnership agreements for our funds provide that carried interest is generally not paid to the general partners until the funds have provided a full return of contributed capital to the limited partners. Accrued, but unpaid carried interest may be subject to reversal to the extent that the fund performance declines to a level where inception-to-date carried interest is less than prior amounts recognized. Carried interest income is accounted for under an ownership model based on ASC 323 — Equity Method of Accounting and ASC 810 — Consolidation.

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

Gains on investment securities are outside of the scope of the new revenue standard as it explicitly excludes noninterest income earned from our investment-related activities. A summary of gains and losses on investment securities for the three and nine months ended September 30, 2018 and 2017 is as follows:

| | Three months ended September 30, | | Nine months ended September 30, | |
|---|---|---|---|---|
| (Dollars in thousands) | 2018 | 2017 | 2018 | 2017 |
| Gains on non-marketable and other equity securities, net | $32,193 | $15,339 | $77,365 | $48,454 |
| (Losses) gains on sales of available-for-sale securities, net | — | (101) | — | 384 |
| Total gains on investment securities, net | $32,193 | $15,238 | $77,365 | $48,838 |

Gains on equity warrant assets, net

In connection with negotiating credit facilities and certain other services, we often obtain rights to acquire stock in the form of equity warrant assets in primarily private, venture-backed companies in the technology and life science/healthcare industries. Any changes in fair value from the grant date fair value of equity warrant assets will be recognized as increases or decreases to other assets on our balance sheet and as net gains or losses on equity warrant assets, in noninterest income, a component of consolidated net income. Gains on equity warrant assets are recognized outside of the scope of the new revenue standard as it explicitly excludes noninterest income earned from our derivative-related activities. A summary of net gains on equity warrant assets for the three and nine months ended September 30, 2018 and 2017 is as follows:

| | Three months ended September 30, | | Nine months ended September 30, | |
|---|---|---|---|---|
| (Dollars in thousands) | 2018 | 2017 | 2018 | 2017 |
| Equity warrant assets: | | | | |
| Gains on exercises, net | $18,287 | $7,449 | $42,808 | $22,482 |
| Cancellations and expirations | (1,432) | (757) | (3,158) | (3,614) |
| Changes in fair value, net | 17,286 | 18,230 | 32,743 | 23,564 |
| Total net gains on equity warrant assets | $34,141 | $24,922 | $72,393 | $42,432 |

Foreign exchange fees

Foreign exchange fees represent the income differential between purchases and sales of foreign currency on behalf of our clients, primarily from spot contracts. Foreign exchange spot contract fees are recognized upon the completion of the single performance obligation, the execution of a spot trade in exchange for a fee. In line with customary business practice, the legal right transfers to the client upon execution of a foreign exchange contract on the trade date, and as such, we currently recognize our fees based on the trade date and are typically settled within two business days. Forward contract and option premium fees are recognized outside of the scope of the new revenue standard as it explicitly excludes noninterest income earned from our derivative-related activities. A summary of foreign exchange fee income by instrument type for the three and nine months ended September 30, 2018 and 2017 is as follows:

Table of Contents

| (Dollars in thousands) | Three months ended September 30, 2018 | 2017 | Nine months ended September 30, 2018 | 2017 |
|---|---|---|---|---|
| Foreign exchange fees by instrument type: | | | | |
| Spot contract commissions | $30,041 | $27,700 | $92,791 | $73,707 |
| Forward contract commissions | 2,534 | 1,877 | 7,474 | 7,948 |
| Option premium fees | 81 | 94 | 295 | 371 |
| Total foreign exchange fees | $32,656 | $29,671 | $100,560 | $82,026 |

Credit card fees

Credit card fees include interchange income from credit and debit cards and fees earned from processing transactions for merchants. Interchange income is earned after satisfying our performance obligation of providing nightly settlement services to a payment network. Costs related to rewards programs are recorded when the rewards are earned by the customer and presented as a reduction to interchange fee income. Rewards programs continue to be accounted for under ASC 310 - Receivables. Our performance obligations for merchant service fees are to transmit data and funds between the merchant and the payment network. Credit card interchange and merchant service fees are earned daily upon completion of transaction settlement services.

Annual card service fees are recognized on a straight-line basis over a 12-month period and continue to be accounted for under ASC 310 - Receivables.

A summary of credit card fees by instrument type for the three and nine months ended September 30, 2018 and 2017 is as follows:

| (Dollars in thousands) | Three months ended September 30, 2018 | 2017 | Nine months ended September 30, 2018 | 2017 |
|---|---|---|---|---|
| Credit card fees by instrument type: | | | | |
| Card interchange fees, net | $18,849 | $16,179 | $54,547 | $44,182 |
| Merchant service fees | 3,679 | 2,930 | 10,010 | 8,553 |
| Card service fees | 1,593 | 1,161 | 4,182 | 3,364 |
| Total credit card fees | $24,121 | $20,270 | $68,739 | $56,099 |

Deposit service charges

Deposit service charges include fees earned from performing cash management activities and other deposit account services. Deposit services include, but are not limited to, the following: receivables services, which include merchant services, remote capture, lockbox, electronic deposit capture, and fraud control services. Payment and cash management products and services include wire transfer and automated clearing house payment services to enable clients to transfer funds more quickly, as well as business bill pay, business credit and debit cards, account analysis, and disbursement services. Deposit service charges are recognized over the period in which the related performance obligation is provided, generally on a monthly basis.

Client investment fees

Client investment fees include fees earned from discretionary investment management services for substantially all clients, managing clients' portfolios based on their investment policies, strategies and objectives and investment advisory fees. Revenue is recognized on a monthly basis upon completion of our performance obligation and consideration is typically received in the subsequent month. Included in our sweep money market fees are Rule 12(b)-1 fees, revenue sharing and customer transactional-based fees. Rule 12(b)-1 fees and revenue sharing are recognized as earned based on client funds that are invested in the period, typically monthly. Transactional based fees are earned and recognized on fixed income securities when the transaction is executed on the clients' behalf. Amounts paid to third-party service providers are predominantly expensed, such that client investment fees are recorded gross of payments made to third parties. A summary of client investment fees by instrument type for the three and nine months ended September 30, 2018 and 2017, is as follows:

Table of Contents

| | Three months ended September 30, | | Nine months ended September 30, | |
|---|---|---|---|---|
| (Dollars in thousands) | 2018 | 2017 | 2018 | 2017 |
| Client investment fees by type: | | | | |
| Sweep money market fees | $21,105 | $7,968 | $50,605 | $18,838 |
| Asset management fees (1) | 6,358 | 4,177 | 17,447 | 11,666 |
| Repurchase agreement fees | 8,802 | 3,418 | 20,540 | 7,067 |
| Total client investment fees (2) | $36,265 | $15,563 | $88,592 | $37,571 |

(1) Represents fees earned from investments in third-party money market mutual funds and fixed-income securities managed by SVB Asset Management.

(2) Represents fees earned on client investment funds which are maintained at third-party financial institutions and are not recorded on our balance sheet.

Lending related fees

Unused commitment fees, minimum finance fees and unused line fees are recognized as earned on a monthly basis. Fees that qualify for syndication treatment are recognized at the completion of the syndicated loan deal for which the fees were received. Lending related fees are recognized outside of the scope of the new revenue standard as it explicitly excludes noninterest income earned from our lending-related activities. A summary of lending related fees by instrument type for the three and nine months ended September 30, 2018 and 2017 is as follows:

| | Three months ended September 30, | | Nine months ended September 30, | |
|---|---|---|---|---|
| (Dollars in thousands) | 2018 | 2017 | 2018 | 2017 |
| Lending related fees by instrument type: | | | | |
| Unused commitment fees | $8,410 | $12,334 | $24,994 | $25,923 |
| Other | 2,265 | 3,070 | 5,944 | 6,951 |
| Total lending related fees | $10,675 | $15,404 | $30,938 | $32,874 |

Letters of credit and standby letters of credit fees

Commercial and standby letters of credit represent conditional commitments issued by us on behalf of a client to guarantee the performance of the client to a third party when certain specified future events have occurred. Fees generated from letters of credit and standby letters of credit are deferred as a component of other liabilities and recognized in noninterest income over the commitment period using the straight-line method, based on the likelihood that the commitment being drawn down will be remote. Letters of credit and standby letters of credit fees are recognized outside of the scope of the new revenue standard as it explicitly excludes noninterest income earned from our lending related activities.

Other

Other noninterest income primarily includes income from fund management fees and service revenue. Fund management fees are comprised of fees charged directly to our managed funds of funds and direct venture funds. Fund management fees are based upon the contractual terms of the limited partnership agreements and are generally recognized as earned over the specified contract period, which is generally equal to the life of the individual fund. Fund management fees are calculated as a percentage of committed capital and collected in advance and are received quarterly. Fund management fees for certain of our limited partnership agreements are calculated as a percentage of distributions made by the funds and revenue is recorded only at the time of a distribution event. As distribution events are not predetermined for these certain funds, management fees are considered variable and constrained under the new revenue standard.

Other service revenue primarily consists of dividend income on FHLB/FRB stock, correspondent bank rebate income, incentive fees related to carried interest and other fee income. We recognize revenue when our performance obligations are met and record revenues on a daily/monthly basis, quarterly, semi-annually or annual basis. For event driven revenue sources, we recognize revenue when: (i) persuasive evidence of an arrangement exists, (ii) we have performed the service, provided we have no other remaining obligations to the customer, (iii) the fee is fixed or determinable and (iv) collectability is probable.

A summary of other noninterest income by instrument type for the three and nine months ended September 30, 2018 and 2017 is as follows:

Table of Contents

| (Dollars in thousands) | Three months ended September 30, 2018 | Three months ended September 30, 2017 | Nine months ended September 30, 2018 | Nine months ended September 30, 2017 |
|---|---|---|---|---|
| Other noninterest income by instrument type: | | | | |
| Fund management fees | $5,479 | $5,198 | $17,144 | $15,903 |
| Net gains (losses) on revaluation of foreign currency instruments, net of foreign exchange forward contracts(1) | 796 | (100) | 985 | 1,455 |
| Other service revenue | 5,747 | 10,798 | 20,542 | 23,770 |
| Total other noninterest income | $12,022 | $15,896 | $38,671 | $41,128 |

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

Disaggregation of Revenue from Contracts with Customers

The following tables present our revenues from contracts with customers disaggregated by revenue source and segment for the three and nine months ended September 30, 2018:

| Three months ended September 30, 2018 (Dollars in thousands) | Global Commercial Bank | SVB Private Bank | SVB Capital | Other Income | Total |
|---|---|---|---|---|---|
| Revenue from contracts with customers: | | | | | |
| Spot contract commissions | $ 29,776 | $ 184 | $— | $81 | $30,041 |
| Card interchange fees, gross | 33,905 | — | — | 108 | 34,013 |
| Merchant service fees | 3,677 | 2 | — | — | 3,679 |
| Deposit service charges | 19,207 | 24 | — | 357 | 19,588 |
| Client investment fees | 14,740 | 420 | — | 21,105 | 36,265 |
| Fund management fees | — | — | 5,479 | — | 5,479 |
| Correspondent bank rebates | 1,372 | — | — | — | 1,372 |
| Total revenue from contracts with customers | $ 102,677 | $ 630 | $5,479 | $21,651 | $130,437 |
| Revenues outside the scope of ASC 606 (1) | 11,446 | (25) | 18,944 | 49,268 | 79,633 |
| Total noninterest income | $ 114,123 | $ 605 | $24,423 | $70,919 | $210,070 |

(1) Amounts are accounted for under separate guidance than ASC 606.

| Nine months ended September 30, 2018 (Dollars in thousands) | Global Commercial Bank | SVB Private Bank | SVB Capital | Other Income | Total |
|---|---|---|---|---|---|
| Revenue from contracts with customers: | | | | | |
| Spot contract commissions | $ 92,098 | $ 507 | $— | $186 | $92,791 |
| Card interchange fees, gross | 95,088 | — | — | 311 | 95,399 |
| Merchant service fees | 10,008 | 2 | — | — | 10,010 |
| Deposit service charges | 54,633 | 83 | — | 1,365 | 56,081 |
| Client investment fees | 36,885 | 1,101 | — | 50,606 | 88,592 |
| Fund management fees | — | — | 17,144 | — | 17,144 |
| Correspondent bank rebates | 4,241 | — | — | — | 4,241 |
| Total revenue from contracts with customers | $ 292,953 | $ 1,693 | $17,144 | $52,468 | $364,258 |
| Revenues outside the scope of ASC 606 (1) | 33,761 | (16) | 64,688 | 95,586 | 194,019 |
| Total noninterest income | $ 326,714 | $ 1,677 | $81,832 | $148,054 | $558,277 |

(1) Amounts are accounted for under separate guidance than ASC 606.

Table of Contents

11. Other Noninterest Expense

A summary of other noninterest expense for the three and nine months ended September 30, 2018 and 2017 is as follows:

| | Three months ended September 30, | | Nine months ended September 30, | |
|---|---|---|---|---|
| (Dollars in thousands) | 2018 | 2017 | 2018 | 2017 |
| Lending and other client related processing costs | $5,698 | $6,935 | $16,301 | $18,806 |
| Data processing services | 2,740 | 2,244 | 7,934 | 7,254 |
| Telephone | 2,269 | 2,518 | 7,025 | 7,892 |
| Dues and publications | 1,387 | 883 | 3,081 | 2,355 |
| Postage and supplies | 652 | 612 | 2,133 | 2,013 |
| Other | 5,393 | 4,872 | 15,171 | 16,350 |
| Total other noninterest expense | $18,139 | $18,064 | $51,645 | $54,670 |

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

We also evaluate performance based on provision for credit losses, noninterest income and noninterest expense, which are presented as components of segment operating profit or loss. In calculating each operating segment's noninterest expense, we consider the direct costs incurred by the operating segment as well as certain allocated direct costs. As part of this review, we allocate certain corporate overhead costs to a corporate account. We do not allocate income tax expense or the provision for unfunded credit commitments (included in provision for credit losses) to our segments. Additionally, our management reporting model is predicated on average asset balances; therefore, period-end asset balances are not presented for segment reporting purposes. Changes in an individual client's primary relationship designation have resulted, and in the future may result, in the inclusion of certain clients in different segments in different periods.

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

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

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

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

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

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

SVB Analytics previously provided equity valuation services and currently provides research for investors and companies in the global innovation economy. In September 2017, SVB Analytics sold its equity valuation services business.

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

Table of Contents

- SVB Private Bank is the private banking division of the Bank, which provides a range of personal financial solutions for consumers. Our clients are primarily private equity/venture capital professionals and executive leaders of the innovation companies they support. We offer a customized suite of private banking services, including mortgages, home equity lines of credit, restricted stock purchase loans, capital call lines of credit and other secured and unsecured lending, as well as cash and wealth management services.
- SVB Capital is the funds management business of SVBFG, which focuses primarily on venture capital investments. SVB Capital manages funds (primarily venture capital funds) on behalf of third-party limited partners and, on a more limited basis, SVB Financial Group. The SVB Capital family of funds is comprised of direct venture funds that invest in companies and funds of funds that invest in other venture capital funds. SVB Capital generates income for the Company primarily from investment returns (including carried interest allocations) and management fees.

Table of Contents

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

Our segment information for the three and nine months ended September 30, 2018 and 2017 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, 2018 | | | | | |
| Net interest income | $431,036 | $14,919 | $6 | $47,261 | $493,222 |
| (Provision for) reduction of credit losses | (19,074) | (362) | — | 2,262 | (17,174) |
| Noninterest income | 114,123 | 605 | 24,423 | 70,919 | 210,070 |
| Noninterest expense (3) | (206,487) | (6,760) | (6,469) | (89,729) | (309,445) |
| Income before income tax expense (4) | $319,598 | $8,402 | $17,960 | $30,713 | $376,673 |
| Total average loans, net of unearned income | $22,925,909 | $2,928,576 | $— | $476,892 | $26,331,377 |
| Total average assets (5) | 54,296,808 | 2,538,662 | 388,531 | (758,964) | 56,465,037 |
| Total average deposits | 47,037,693 | 1,505,746 | — | 548,801 | 49,092,240 |
| Three months ended September 30, 2017 | | | | | |
| Net interest income | $337,860 | $14,600 | $15 | $21,499 | $373,974 |
| Provision for credit losses | (20,874) | (1,535) | — | (1,113) | (23,522) |
| Noninterest income | 97,227 | 460 | 13,913 | 47,178 | 158,778 |
| Noninterest expense (3) | (178,306) | (4,706) | (4,873) | (69,876) | (257,761) |
| Income (loss) before income tax expense (4) | $235,907 | $8,819 | $9,055 | $(2,312) | $251,469 |
| Total average loans, net of unearned income | $18,807,616 | $2,499,507 | $— | $277,769 | $21,584,892 |
| Total average assets (5) | 47,809,890 | 2,538,400 | 323,417 | (876,341) | 49,795,366 |
| Total average deposits | 42,376,024 | 1,231,390 | — | 435,428 | 44,042,842 |
| Nine months ended September 30, 2018 | | | | | |
| Net interest income | $1,209,960 | $46,811 | $22 | $122,735 | $1,379,528 |
| Provision for credit losses | (71,704) | (2,384) | — | (138) | (74,226) |
| Noninterest income | 326,714 | 1,677 | 81,832 | 148,054 | 558,277 |
| Noninterest expense (3) | (591,434) | (18,729) | (17,182) | (253,256) | (880,601) |
| Income before income tax expense (4) | $873,536 | $27,375 | $64,672 | $17,395 | $982,978 |
| Total average loans, net of unearned income | $21,781,557 | $2,791,910 | $— | $434,810 | $25,008,277 |
| Total average assets (5) | 52,277,701 | 2,548,184 | 379,809 | (773,042) | 54,432,652 |
| Total average deposits | 45,701,317 | 1,519,200 | — | 513,845 | 47,734,362 |
| Nine months ended September 30, 2017 | | | | | |
| Net interest income | $924,789 | $42,952 | $41 | $58,881 | $1,026,663 |
| Provision for credit losses | (65,007) | (2,266) | — | (2,789) | (70,062) |
| Noninterest income | 260,650 | 1,715 | 45,707 | 96,893 | 404,965 |
| Noninterest expense (3) | (528,807) | (12,675) | (14,537) | (190,621) | (746,640) |
| Income (loss) before income tax expense (4) | $591,625 | $29,726 | $31,211 | $(37,636) | $614,926 |
| Total average loans, net of unearned income | $18,125,020 | $2,371,027 | $— | $230,420 | $20,726,467 |
| Total average assets (5) | 45,408,476 | 2,403,777 | 333,439 | (580,641) | 47,565,051 |
| Total average deposits | 40,398,413 | 1,289,990 | — | 373,232 | 42,061,635 |

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

(2) The "Other Items" column reflects the adjustments necessary to reconcile the results of the operating segments to the consolidated financial statements prepared in conformity with GAAP. Net interest income consists primarily of

interest earned from our fixed income investment portfolio, net of FTP. Noninterest income consists primarily of gains on equity warrant assets and gains or losses on the sale of fixed income investments and equity securities from exercised warrant

Table of Contents

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

(3) The Global Commercial Bank segment includes direct depreciation and amortization of $5.5 million and $6.1 million for the three months ended September 30, 2018 and 2017, respectively, and $16.6 million and $19.4 million for the nine months ended September 30, 2018 and 2017, respectively.

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

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

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, to varying degrees, elements of credit risk. Credit risk is defined as the possibility of sustaining a loss because other parties to the financial instrument fail to perform in accordance with the terms of the contract.

Commitments to Extend Credit

The following table summarizes information related to our commitments to extend credit at September 30, 2018 and December 31, 2017:

| (Dollars in thousands) | September 30, 2018 | December 31, 2017 |
|---|---|---|
| Loan commitments available for funding: (1) | | |
| Fixed interest rate commitments | $ 1,768,904 | $ 1,478,157 |
| Variable interest rate commitments | 14,698,357 | 14,034,169 |
| Total loan commitments available for funding | 16,467,261 | 15,512,326 |
| Commercial and standby letters of credit (2) | 2,072,253 | 1,950,211 |
| Total unfunded credit commitments | $ 18,539,514 | $ 17,462,537 |
| Commitments unavailable for funding (3) | $ 2,458,846 | $ 2,117,057 |
| Allowance for unfunded credit commitments (4) | 51,808 | 51,770 |

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

Commercial and Standby Letters of Credit

The table below summarizes our commercial and standby letters of credit at September 30, 2018. 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 | $ 1,906,562 | $ 41,565 | $ 1,948,127 | $ 1,948,127 |
| Performance standby letters of credit | 84,402 | 15,666 | 100,068 | 100,068 |
| Commercial letters of credit | 23,707 | 351 | 24,058 | 24,058 |
| Total | $ 2,014,671 | $ 57,582 | $ 2,072,253 | $ 2,072,253 |

49

Table of Contents

Deferred fees related to financial and performance standby letters of credit were $11.9 million at September 30, 2018 and $12.4 million at December 31, 2017. At September 30, 2018, collateral in the form of cash of $1.1 billion was available to us to reimburse losses, if any, under financial and performance standby letters of credit.

Commitments to Invest in Venture Capital and Private Equity Funds

Subject to applicable regulatory requirements, including the Volcker Rule, we make commitments to invest in venture capital and private equity funds, which generally makes investments in privately-held companies. Commitments to invest in these funds are generally made for a 10-year period from the inception of the fund. Although the limited partnership agreements governing these investments typically do not restrict the general partners from calling 100% of committed capital in one year, it is customary for these funds to call most of the capital commitments over 5 to 7 years, and in certain cases, the funds may not call 100% of committed capital. The actual timing of future cash requirements to fund these commitments is generally dependent upon the investment cycle, overall market conditions, and the nature and type of industry in which the privately held companies operate. The following table details our total capital commitments, unfunded capital commitments, and our ownership percentage in each fund at September 30, 2018:

| (Dollars in thousands) | SVBFG Capital Commitments | SVBFG Unfunded Commitments | SVBFG Ownership of each Fund (3) |
|---|---|---|---|
| CP I, LP | $ 6,000 | $ 270 | 10.7 % |
| CP II, LP (1) | 1,200 | 162 | 5.1 |
| Shanghai Yangpu Venture Capital Fund (LP) | 844 | — | 6.8 |
| Strategic Investors Fund, LP | 15,300 | 688 | 12.6 |
| Strategic Investors Fund II, LP | 15,000 | 1,050 | 8.6 |
| Strategic Investors Fund III, LP | 15,000 | 1,275 | 5.9 |
| Strategic Investors Fund IV, LP | 12,239 | 2,325 | 5.0 |
| Strategic Investors Fund V funds | 515 | 131 | Various |
| Capital Preferred Return Fund, LP | 12,688 | — | 20.0 |
| Growth Partners, LP | 24,670 | 1,340 | 33.0 |
| Debt funds (equity method accounting) | 48,443 | — | Various |
| Other fund investments (2) | 298,168 | 8,366 | Various |
| Total | $ 450,067 | $ 15,607 | |

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

(2) Represents commitments to 223 funds (primarily venture capital funds) where our ownership interest is generally less than five percent of the voting interests of each such fund.

(3) We are subject to the Volcker Rule, which restricts or limits us from sponsoring or having ownership interests in "covered" funds including venture capital and private equity funds. See "Business - Supervision and Regulation" under Part 1, Item 1 of our 2017 Form 10-K.

The following table details the amounts of remaining unfunded commitments to venture capital and private equity funds by our consolidated managed funds of funds (including our interest and the noncontrolling interests) at September 30, 2018:

| (Dollars in thousands) | Unfunded Commitments |
|---|---|
| Strategic Investors Fund, LP | $ 1,338 |
| Capital Preferred Return Fund, LP | 2,658 |
| Growth Partners, LP | 1,779 |
| Total | $ 5,775 |

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 and California tax returns as major tax filings. Our U.S. federal tax returns for 2015 and subsequent tax years remain open to full examination. Our California tax returns for 2013 and subsequent tax years remain open to full examination.

Table of Contents

At September 30, 2018, our unrecognized tax benefit was $13.2 million, the recognition of which would reduce our income tax expense by $10.2 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 or nine months ended September 30, 2018.

## 15. Fair Value of Financial Instruments

### Fair Value Measurements

Our available-for-sale securities, derivative instruments and certain non-marketable and other equity 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 on the significance of those inputs in the fair value measurement. Observable inputs reflect market-derived or market-based information obtained from independent sources, while unobservable inputs reflect our estimates about market data and views of market participants. The three levels for measuring fair value are based on the reliability of inputs and are as follows:

Level 1

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

Level 2

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

U.S. agency debentures: Fair value measurements of U.S. agency debentures are based on the characteristics specific to bonds held, such as issuer name, coupon rate, maturity date and any applicable issuer call option features. Valuations are based on market spreads relative to similar term benchmark market interest rates, generally U.S. Treasury securities.

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

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

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

Table of Contents

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:
Venture capital and private equity fund investments not measured at net asset value: 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.
Equity warrant assets (public portfolio): Fair value measurements of equity warrant assets of publicly-traded portfolio companies are valued based on the Black-Scholes option pricing model. The model uses the price of publicly-traded companies (underlying stock price), stated strike prices, warrant expiration dates, the risk-free interest rate and market-observable option volatility assumptions. Modeled asset values are further adjusted by applying a discount of up to 20 percent for certain warrants that have lock-up restrictions or other features that indicate a discount to fair value is warranted. As a lock-up term nears, and other sale restrictions are lifted, discounts are adjusted downward to zero percent once all restrictions expire or are removed.
Equity warrant assets (private portfolio): Fair value measurements of equity warrant assets of private portfolio companies are priced based on a Black-Scholes option pricing model to estimate the asset value by using stated strike prices, option expiration dates, risk-free interest rates and option volatility assumptions. Option volatility assumptions used in the 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.

Table of Contents

The degree of management judgment involved in determining the fair value of a financial instrument is dependent upon the availability of quoted market prices or observable market parameters. For financial instruments that trade actively and have quoted market prices or observable market parameters, there is minimal subjectivity involved in measuring fair value. When observable market prices and parameters are not fully available, management judgment is necessary to estimate fair value. For inactive markets, there is little information, if any, to evaluate if individual transactions are orderly. Accordingly, we are required to estimate, based upon all available facts and circumstances, the degree to which orderly transactions are occurring and provide more weighting to price quotes that are based upon orderly transactions. In addition, changes in the market conditions may reduce the availability of quoted prices or observable data. For example, reduced liquidity in the capital markets or changes in secondary market activities could result in observable market inputs becoming unavailable. Therefore, when market data is not available, we use valuation techniques requiring more management judgment to estimate the appropriate fair value measurement. Accordingly, the degree of judgment exercised by management in determining fair value is greater for financial assets and liabilities categorized as Level 3.

The following fair value hierarchy table presents information about our assets and liabilities that are measured at fair value on a recurring basis as of September 30, 2018:

| (Dollars in thousands) | Level 1 | Level 2 | Level 3 | Balance at September 30, 2018 |
|---|---|---|---|---|
| Assets: | | | | |
| Available-for-sale securities: | | | | |
| U.S. Treasury securities | $5,501,874 | $— | $— | $5,501,874 |
| U.S. agency debentures | — | 1,346,672 | — | 1,346,672 |
| Residential mortgage-backed securities: | | | | |
| Agency-issued collateralized mortgage obligations—fixed rate | — | 1,920,541 | — | 1,920,541 |
| Agency-issued collateralized mortgage obligations—variable rate | — | 318,522 | — | 318,522 |
| Total available-for-sale securities | 5,501,874 | 3,585,735 | — | 9,087,609 |
| Non-marketable and other equity securities (fair value accounting): | | | | |
| Non-marketable securities: | | | | |
| Venture capital and private equity fund investments measured at net asset value | — | — | — | 334,419 |
| Venture capital and private equity fund investments not measured at net asset value (1) | — | — | 1,001 | 1,001 |
| Other equity securities in public companies | 2,184 | 28,276 | — | 30,460 |
| Total non-marketable and other equity securities (fair value accounting) | 2,184 | 28,276 | 1,001 | 365,880 |
| Other assets: | | | | |
| Foreign exchange forward and option contracts | — | 81,903 | — | 81,903 |
| Equity warrant assets | — | 6,478 | 140,489 | 146,967 |
| Client interest rate derivatives | — | 6,262 | — | 6,262 |
| Total assets | $5,504,058 | $3,708,654 | $141,490 | $9,688,621 |
| Liabilities: | | | | |
| Foreign exchange forward and option contracts | $— | $76,165 | $— | $76,165 |
| Client interest rate derivatives | — | 15,156 | — | 15,156 |
| Total liabilities | $— | $91,321 | $— | $91,321 |

(1) Included in Level 3 assets is $0.9 million attributable to noncontrolling interests calculated based on the ownership percentages of the noncontrolling interests.

53

Table of Contents

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, 2017:

| (Dollars in thousands) | Level 1 | Level 2 | Level 3 | Balance at December 31, 2017 |
|---|---|---|---|---|
| Assets: | | | | |
| Available-for-sale securities: | | | | |
| U.S. Treasury securities | $6,840,502 | $— | $— | $6,840,502 |
| U.S. agency debentures | — | 1,567,128 | — | 1,567,128 |
| Residential mortgage-backed securities: | | | | |
| Agency-issued collateralized mortgage obligations—fixed rate | — | 2,267,035 | — | 2,267,035 |
| Agency-issued collateralized mortgage obligations—variable rate | — | 373,730 | — | 373,730 |
| Equity securities | 158 | 72,111 | — | 72,269 |
| Total available-for-sale securities | 6,840,660 | 4,280,004 | — | 11,120,664 |
| Non-marketable and other equity securities (fair value accounting): | | | | |
| Non-marketable securities: | | | | |
| Venture capital and private equity fund investments measured at net asset value | — | — | — | 127,192 |
| Venture capital and private equity fund investments not measured at net asset value (1) | — | — | 919 | 919 |
| Other equity securities in public companies (1) | 310 | — | — | 310 |
| Total non-marketable and other equity securities (fair value accounting) | 310 | — | 919 | 128,421 |
| Other assets: | | | | |
| Foreign exchange forward and option contracts | — | 96,636 | — | 96,636 |
| Equity warrant assets | — | 2,432 | 121,331 | 123,763 |
| Client interest rate derivatives | — | 11,753 | — | 11,753 |
| Total assets | $6,840,970 | $4,390,825 | $122,250 | $11,481,237 |
| Liabilities: | | | | |
| Foreign exchange forward and option contracts | $— | $96,641 | $— | $96,641 |
| Client interest rate derivatives | — | 11,940 | — | 11,940 |
| Total liabilities | $— | $108,581 | $— | $108,581 |

(1) Included in Level 1 and Level 3 assets are $0.2 million and $0.8 million, respectively, attributable to noncontrolling interests calculated based on the ownership percentages of the noncontrolling interests.

Table of Contents

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, 2018 and 2017:

| (Dollars in thousands) | Beginning Balance | Total Realized and Unrealized Gains (Losses) Included in Income | Sales/Exits | Issuances | Distributions and Other Settlements | Transfers Out of Level 3 | Ending Balance |
|---|---|---|---|---|---|---|---|
| Three months ended September 30, 2018 | | | | | | | |
| Non-marketable and other securities (fair value accounting): | | | | | | | |
| Venture capital and private equity fund investments not measured at net asset value (1) | $ 1,001 | $ — | $ — | $ — | $ — | $ — | $ 1,001 |
| Other assets: | | | | | | | |
| Equity warrant assets (2) | 137,753 | 32,237 | (34,101 ) | 4,809 | — | (209 ) | 140,489 |
| Total assets | $ 138,754 | $ 32,237 | $ (34,101 ) | $ 4,809 | $ — | $ (209 ) | $ 141,490 |
| Three months ended September 30, 2017 | | | | | | | |
| Non-marketable and other securities (fair value accounting): | | | | | | | |
| Venture capital and private equity fund investments not measured at net asset value (1) | $ 1,897 | $ — | $ — | $ — | $ — | $ — | $ 1,897 |
| Other assets: | | | | | | | |
| Equity warrant assets (2) | 128,952 | 24,354 | (17,412 ) | | | | |