

SVB FINANCIAL GROUP

Form 10-Q

November 08, 2013

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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2013

OR

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_.

Commission File Number: 000-15637

SVB FINANCIAL GROUP

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of  
incorporation or organization)

3003 Tasman Drive, Santa Clara, California

(Address of principal executive offices)

(408) 654-7400

(Registrant's telephone number, including area code)

91-1962278

(I.R.S. Employer  
Identification No.)

95054-1191

(Zip Code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☒ Accelerated filer ☐ Non-accelerated filer ☐ Smaller reporting company ☐

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

At October 31, 2013, 45,666,482 shares of the registrant's common stock (\$0.001 par value) were outstanding.

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Glossary of Acronyms used in this Report

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

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## PART I - FINANCIAL INFORMATION

## ITEM 1. INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

## SVB FINANCIAL GROUP AND SUBSIDIARIES

## INTERIM CONSOLIDATED BALANCE SHEETS (UNAUDITED)

| (Dollars in thousands, except par value and share data)                                                                              | September 30,<br>2013 | December 31,<br>2012 |
|--------------------------------------------------------------------------------------------------------------------------------------|-----------------------|----------------------|
| Assets                                                                                                                               |                       |                      |
| Cash and cash equivalents                                                                                                            | \$1,942,744           | \$1,008,983          |
| Available-for-sale securities                                                                                                        | 10,209,917            | 11,343,177           |
| Non-marketable and other securities                                                                                                  | 1,425,138             | 1,184,265            |
| Investment securities                                                                                                                | 11,635,055            | 12,527,442           |
| Loans, net of unearned income                                                                                                        | 9,824,982             | 8,946,933            |
| Allowance for loan losses                                                                                                            | (124,734)             | (110,651)            |
| Net loans                                                                                                                            | 9,700,248             | 8,836,282            |
| Premises and equipment, net of accumulated depreciation and amortization                                                             | 65,385                | 66,545               |
| Accrued interest receivable and other assets                                                                                         | 397,432               | 326,871              |
| Total assets                                                                                                                         | \$23,740,864          | \$22,766,123         |
| Liabilities and total equity                                                                                                         |                       |                      |
| Liabilities:                                                                                                                         |                       |                      |
| Noninterest-bearing demand deposits                                                                                                  | \$14,105,728          | \$13,875,275         |
| Interest-bearing deposits                                                                                                            | 5,891,263             | 5,301,177            |
| Total deposits                                                                                                                       | 19,996,991            | 19,176,452           |
| Short-term borrowings                                                                                                                | 5,580                 | 166,110              |
| Other liabilities                                                                                                                    | 358,905               | 360,566              |
| Long-term debt                                                                                                                       | 455,744               | 457,762              |
| Total liabilities                                                                                                                    | 20,817,220            | 20,160,890           |
| Commitments and contingencies (Note 11 and Note 14)                                                                                  |                       |                      |
| SVBFG stockholders' equity:                                                                                                          |                       |                      |
| Preferred stock, \$0.001 par value, 20,000,000 shares authorized;<br>no shares issued and outstanding                                | —                     | —                    |
| Common stock, \$0.001 par value, 150,000,000 shares authorized; 45,608,370<br>shares and 44,627,182 shares outstanding, respectively | 46                    | 45                   |
| Additional paid-in capital                                                                                                           | 607,463               | 547,079              |
| Retained earnings                                                                                                                    | 1,331,975             | 1,174,878            |
| Accumulated other comprehensive income                                                                                               | 5,443                 | 108,553              |
| Total SVBFG stockholders' equity                                                                                                     | 1,944,927             | 1,830,555            |
| Noncontrolling interests                                                                                                             | 978,717               | 774,678              |
| Total equity                                                                                                                         | 2,923,644             | 2,605,233            |
| Total liabilities and total equity                                                                                                   | \$23,740,864          | \$22,766,123         |

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

Table of ContentsSVB FINANCIAL GROUP AND SUBSIDIARIES  
INTERIM CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

|                                                                                                                      | Three months ended<br>September 30, |            | Nine months ended<br>September 30, |            |
|----------------------------------------------------------------------------------------------------------------------|-------------------------------------|------------|------------------------------------|------------|
| (Dollars in thousands, except per share amounts)                                                                     | 2013                                | 2012       | 2013                               | 2012       |
| Interest income:                                                                                                     |                                     |            |                                    |            |
| Loans                                                                                                                | \$ 139,687                          | \$ 121,446 | \$ 395,216                         | \$ 344,842 |
| Available-for-sale securities:                                                                                       |                                     |            |                                    |            |
| Taxable                                                                                                              | 43,604                              | 38,493     | 134,013                            | 129,940    |
| Non-taxable                                                                                                          | 797                                 | 894        | 2,403                              | 2,693      |
| Federal funds sold, securities purchased under<br>agreements to resell and other short-term investment<br>securities | 1,152                               | 1,125      | 2,605                              | 3,075      |
| Total interest income                                                                                                | 185,240                             | 161,958    | 534,237                            | 480,550    |
| Interest expense:                                                                                                    |                                     |            |                                    |            |
| Deposits                                                                                                             | 2,397                               | 1,740      | 6,533                              | 4,835      |
| Borrowings                                                                                                           | 5,747                               | 5,788      | 17,358                             | 18,414     |
| Total interest expense                                                                                               | 8,144                               | 7,528      | 23,891                             | 23,249     |
| Net interest income                                                                                                  | 177,096                             | 154,430    | 510,346                            | 457,301    |
| Provision for loan losses                                                                                            | 10,638                              | 6,788      | 35,023                             | 29,316     |
| Net interest income after provision for loan losses                                                                  | 166,458                             | 147,642    | 475,323                            | 427,985    |
| Noninterest income:                                                                                                  |                                     |            |                                    |            |
| Gains on investment securities, net                                                                                  | 187,862                             | 20,228     | 255,861                            | 53,876     |
| Foreign exchange fees                                                                                                | 12,887                              | 12,211     | 39,113                             | 36,345     |
| Gains on derivative instruments, net                                                                                 | 10,202                              | 1,111      | 30,218                             | 15,800     |
| Deposit service charges                                                                                              | 8,902                               | 8,369      | 26,602                             | 24,834     |
| Credit card fees                                                                                                     | 8,188                               | 6,348      | 23,245                             | 18,185     |
| Letters of credit and standby letters of credit income                                                               | 3,790                               | 3,495      | 10,879                             | 10,427     |
| Client investment fees                                                                                               | 3,393                               | 3,954      | 10,392                             | 10,226     |
| Other                                                                                                                | 22,426                              | 13,423     | 38,183                             | 39,165     |
| Total noninterest income                                                                                             | 257,650                             | 69,139     | 434,493                            | 208,858    |
| Noninterest expense:                                                                                                 |                                     |            |                                    |            |
| Compensation and benefits                                                                                            | 96,869                              | 79,262     | 270,315                            | 243,384    |
| Professional services                                                                                                | 18,966                              | 17,759     | 52,759                             | 48,880     |
| Premises and equipment                                                                                               | 12,171                              | 11,247     | 34,298                             | 28,230     |
| Business development and travel                                                                                      | 7,378                               | 6,838      | 23,433                             | 21,743     |
| Net occupancy                                                                                                        | 5,898                               | 5,666      | 17,460                             | 16,667     |
| FDIC assessments                                                                                                     | 2,913                               | 2,836      | 9,148                              | 8,065      |
| Correspondent bank fees                                                                                              | 2,906                               | 3,000      | 9,009                              | 8,528      |
| Provision for (reduction of) unfunded credit<br>commitments                                                          | 2,774                               | (400       | ) 6,135                            | 1,264      |
| Other                                                                                                                | 10,649                              | 8,963      | 30,273                             | 26,188     |
| Total noninterest expense                                                                                            | 160,524                             | 135,171    | 452,830                            | 402,949    |
| Income before income tax expense                                                                                     | 263,584                             | 81,610     | 456,986                            | 233,894    |
| Income tax expense                                                                                                   | 47,404                              | 28,470     | 103,773                            | 83,743     |
| Net income before noncontrolling interests                                                                           | 216,180                             | 53,140     | 353,213                            | 150,151    |
| Net income attributable to noncontrolling interests                                                                  | (148,559                            | ) (10,851  | ) (196,117                         | ) (25,469  |
| Net income available to common stockholders                                                                          | \$67,621                            | \$42,289   | \$157,096                          | \$124,682  |

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|                                   |        |        |        |        |
|-----------------------------------|--------|--------|--------|--------|
| Earnings per common share—basic   | \$1.48 | \$0.95 | \$3.48 | \$2.82 |
| Earnings per common share—diluted | 1.46   | 0.94   | 3.43   | 2.79   |

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

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## SVB FINANCIAL GROUP AND SUBSIDIARIES

## INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)

|                                                                          | Three months ended<br>September 30, |           | Nine months ended<br>September 30, |           |   |
|--------------------------------------------------------------------------|-------------------------------------|-----------|------------------------------------|-----------|---|
| (Dollars in thousands)                                                   | 2013                                | 2012      | 2013                               | 2012      |   |
| Net income before noncontrolling interests                               | \$216,180                           | \$53,140  | \$353,213                          | \$150,151 |   |
| Other comprehensive income (loss), net of tax:                           |                                     |           |                                    |           |   |
| Change in cumulative translation (loss) income:                          |                                     |           |                                    |           |   |
| Foreign currency translation (loss) income                               | (1,540                              | ) 2,940   | (6,341                             | ) 755     |   |
| Related tax benefit (expense)                                            | 631                                 | (1,190    | ) 2,539                            | (314      | ) |
| Change in unrealized gains (losses) on<br>available-for-sale securities: |                                     |           |                                    |           |   |
| Unrealized holding gains (losses)                                        | 27,289                              | 27,596    | (167,021                           | ) 64,631  |   |
| Related tax (expense) benefit                                            | (11,032                             | ) (11,473 | ) 68,299                           | (26,290   | ) |
| Reclassification adjustment for (gains) losses included<br>in net income | (219                                | ) 101     | (949                               | ) (3,592  | ) |
| Related tax benefit (expense)                                            | 85                                  | (41       | ) 363                              | 1,421     |   |
| Other comprehensive income (loss), net of tax                            | 15,214                              | 17,933    | (103,110                           | ) 36,611  |   |
| Comprehensive income                                                     | 231,394                             | 71,073    | 250,103                            | 186,762   |   |
| Comprehensive income attributable to noncontrolling<br>interests         | (148,559                            | ) (10,851 | ) (196,117                         | ) (25,469 | ) |
| Comprehensive income attributable to SVBFG                               | \$82,835                            | \$60,222  | \$53,986                           | \$161,293 |   |

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



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## SVB FINANCIAL GROUP AND SUBSIDIARIES

## INTERIM CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (UNAUDITED)

| (Dollars in thousands)                                                                  | Common Stock<br>Shares | Amount | Additional<br>Paid-in<br>Capital | Retained<br>Earnings | Accumulated<br>Other<br>Comprehensive<br>Income | Total<br>SVBFG<br>Stockholders'<br>Equity | Noncontrolling<br>Interests | Total Equity |
|-----------------------------------------------------------------------------------------|------------------------|--------|----------------------------------|----------------------|-------------------------------------------------|-------------------------------------------|-----------------------------|--------------|
| Balance at December 31, 2011                                                            | 43,507,932             | \$44   | \$484,216                        | \$999,733            | \$85,399                                        | \$1,569,392                               | \$680,997                   | \$2,250,389  |
| Common stock issued under employee benefit plans, net of restricted stock cancellations | 929,032                | 1      | 27,350                           | —                    | —                                               | 27,351                                    | —                           | 27,351       |
| Common stock issued under ESOP                                                          | 73,560                 | —      | 4,345                            | —                    | —                                               | 4,345                                     | —                           | 4,345        |
| Income tax benefit from stock options exercised, vesting of restricted stock and other  | —                      | —      | 6,312                            | —                    | —                                               | 6,312                                     | —                           | 6,312        |
| Net income                                                                              | —                      | —      | —                                | 124,682              | —                                               | 124,682                                   | 25,469                      | 150,151      |
| Capital calls and distributions, net                                                    | —                      | —      | —                                | —                    | —                                               | —                                         | 63,956                      | 63,956       |
| Net change in unrealized gains on available-for-sale securities, net of tax             | —                      | —      | —                                | —                    | 36,170                                          | 36,170                                    | —                           | 36,170       |
| Foreign currency translation adjustments, net of tax                                    | —                      | —      | —                                | —                    | 441                                             | 441                                       | —                           | 441          |
| Share-based compensation expense                                                        | —                      | —      | 16,231                           | —                    | —                                               | 16,231                                    | —                           | 16,231       |
| Balance at September 30, 2012                                                           | 44,510,524             | \$45   | \$538,454                        | \$1,124,415          | \$122,010                                       | \$1,784,924                               | \$770,422                   | \$2,555,346  |
| Balance at December 31, 2012                                                            | 44,627,182             | \$45   | \$547,079                        | \$1,174,878          | \$108,553                                       | \$1,830,555                               | \$774,678                   | \$2,605,233  |
| Common stock issued under employee benefit plans, net of restricted stock cancellations | 906,242                | 1      | 33,241                           | —                    | —                                               | 33,242                                    | —                           | 33,242       |
| Common stock issued under ESOP                                                          | 74,946                 | —      | 5,166                            | —                    | —                                               | 5,166                                     | —                           | 5,166        |
| Income tax benefit from stock options exercised, vesting of restricted stock and other  | —                      | —      | 3,148                            | —                    | —                                               | 3,148                                     | —                           | 3,148        |
| Net income                                                                              | —                      | —      | —                                | 157,096              | —                                               | 157,096                                   | 196,117                     | 353,213      |
| Capital calls and distributions, net                                                    | —                      | —      | —                                | —                    | —                                               | —                                         | 7,922                       | 7,922        |
|                                                                                         | —                      | —      | —                                | —                    | (99,308 )                                       | (99,308 )                                 | —                           | (99,308 )    |

|                                                                                       |            |      |           |             |          |             |           |             |
|---------------------------------------------------------------------------------------|------------|------|-----------|-------------|----------|-------------|-----------|-------------|
| Net change in<br>unrealized losses on<br>available-for-sale<br>securities, net of tax |            |      |           |             |          |             |           |             |
| Foreign currency<br>translation adjustments, net of tax                               | —          | —    | —         | —           | (3,802 ) | (3,802 )    | —         | (3,802 )    |
| Share-based<br>compensation expense                                                   | —          | —    | 18,826    | —           | —        | 18,826      | —         | 18,826      |
| Other, net                                                                            | —          | —    | 3         | 1           | —        | 4           | —         | 4           |
| Balance at September<br>30, 2013                                                      | 45,608,370 | \$46 | \$607,463 | \$1,331,975 | \$5,443  | \$1,944,927 | \$978,717 | \$2,923,644 |

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

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## SVB FINANCIAL GROUP AND SUBSIDIARIES

## INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

|                                                                                                      | Nine months ended September 30, |               |
|------------------------------------------------------------------------------------------------------|---------------------------------|---------------|
| (Dollars in thousands)                                                                               | 2013                            | 2012          |
| Cash flows from operating activities:                                                                |                                 |               |
| Net income before noncontrolling interests                                                           | \$353,213                       | \$150,151     |
| Adjustments to reconcile net income to net cash provided by operating activities:                    |                                 |               |
| Provision for loan losses                                                                            | 35,023                          | 29,316        |
| Provision for unfunded credit commitments                                                            | 6,135                           | 1,264         |
| Changes in fair values of derivatives, net                                                           | (16,594)                        | ) (4,411)     |
| Gains on investment securities, net                                                                  | (255,861)                       | ) (53,876)    |
| Depreciation and amortization                                                                        | 26,474                          | 22,651        |
| Amortization of premiums and discounts on available-for-sale securities, net                         | 21,040                          | 42,511        |
| Tax (expense) benefit from stock exercises                                                           | (1,353)                         | ) 1,245       |
| Amortization of share-based compensation                                                             | 18,945                          | 16,594        |
| Amortization of deferred loan fees                                                                   | (51,941)                        | ) (42,308)    |
| Deferred income tax expense                                                                          | (3,488)                         | ) (997)       |
| Gain on the sale of certain assets related to our equity services management business                | —                               | (4,243)       |
| Losses from the write-off of premises and equipment                                                  | 1,273                           | 1,941         |
| Changes in other assets and liabilities:                                                             |                                 |               |
| Accrued interest receivable and payable, net                                                         | (5,183)                         | ) (9,084)     |
| Accounts receivable and payable, net                                                                 | 1,463                           | 33,277        |
| Income tax payable and receivable, net                                                               | (7,787)                         | ) 6,223       |
| Accrued compensation                                                                                 | (7,481)                         | ) (40,600)    |
| Foreign exchange spot contracts, net                                                                 | 12,442                          | (41,188)      |
| Other, net                                                                                           | (27,005)                        | ) 19,140      |
| Net cash provided by operating activities                                                            | 99,315                          | 127,606       |
| Cash flows from investing activities:                                                                |                                 |               |
| Purchases of available-for-sale securities                                                           | (906,495)                       | ) (2,859,155) |
| Proceeds from sales of available-for-sale securities                                                 | 10,207                          | 326,178       |
| Proceeds from maturities and pay downs of available-for-sale securities                              | 1,879,424                       | 2,047,753     |
| Purchases of non-marketable and other securities (cost and equity method accounting)                 | (20,019)                        | ) (114,134)   |
| Proceeds from sales of non-marketable and other securities (cost and equity method accounting)       | 47,069                          | 31,903        |
| Purchases of non-marketable and other securities (fair value accounting)                             | (108,663)                       | ) (99,062)    |
| Proceeds from sales and distributions of non-marketable and other securities (fair value accounting) | 103,105                         | 94,188        |
| Net increase in loans                                                                                | (867,075)                       | ) (1,218,366) |
| Proceeds from recoveries of charged-off loans                                                        | 8,163                           | 8,018         |
| Purchases of premises and equipment                                                                  | (22,110)                        | ) (33,489)    |
| Proceeds from the sale of certain assets related to our equity services management business          | —                               | 2,870         |
| Net cash provided by (used for) investing activities                                                 | 123,606                         | (1,813,296)   |
| Cash flows from financing activities:                                                                |                                 |               |
| Net increase in deposits                                                                             | 820,539                         | 1,015,530     |
| (Decrease) increase in short-term borrowings                                                         | (160,530)                       | ) 508,170     |
| Principal payments of other long term debt                                                           | —                               | (1,222)       |

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|                                                                           |             |            |   |
|---------------------------------------------------------------------------|-------------|------------|---|
| Capital contributions from noncontrolling interests, net of distributions | 7,922       | 63,956     |   |
| Tax benefit from stock exercises                                          | 4,501       | 5,067      |   |
| Proceeds from issuance of common stock and ESPP                           | 38,408      | 27,350     |   |
| Principal payments of 5.70% Senior Notes                                  | —           | (141,429   | ) |
| Net cash provided by financing activities                                 | 710,840     | 1,477,422  |   |
| Net increase (decrease) in cash and cash equivalents                      | 933,761     | (208,268   | ) |
| Cash and cash equivalents at beginning of period                          | 1,008,983   | 1,114,948  |   |
| Cash and cash equivalents at end of period                                | \$1,942,744 | \$906,680  |   |
| Supplemental disclosures:                                                 |             |            |   |
| Cash paid during the period for:                                          |             |            |   |
| Interest                                                                  | \$28,339    | \$28,000   |   |
| Income taxes                                                              | 107,282     | 69,094     |   |
| Noncash items during the period:                                          |             |            |   |
| Unrealized (losses) gains on available-for-sale securities, net of tax    | \$(99,308   | ) \$36,170 |   |

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

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### SVB FINANCIAL GROUP AND SUBSIDIARIES

#### NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

##### 1. Basis of Presentation

SVB Financial Group is a diversified financial services company, as well as a bank holding company and financial holding company. SVB Financial was incorporated in the state of Delaware in March 1999. Through our various subsidiaries and divisions, we offer a variety of banking and financial products and services to support our clients of all sizes and stages throughout their life cycles. In these notes to our consolidated financial statements, when we refer to “SVB Financial Group,” “SVBFG,” the “Company,” “we,” “our,” “us” or use similar words, we mean SVB Financial Group and all of its subsidiaries collectively, including Silicon Valley Bank (the “Bank”), unless the context requires otherwise. When we refer to “SVB Financial” or the “Parent” we are referring only to the parent company, SVB Financial Group, unless the context requires otherwise.

The accompanying unaudited interim consolidated financial statements reflect all adjustments of a normal and recurring nature that are, in the opinion of management, necessary to fairly present our financial position, results of operations and cash flows in accordance with GAAP. Such unaudited interim consolidated financial statements have been prepared in accordance with the instructions to Form 10-Q pursuant to the rules and regulations of the SEC. Certain information and footnote disclosures normally included in financial statements prepared in accordance with GAAP have been condensed or omitted pursuant to such rules and regulations. The results of operations for the three and nine months ended September 30, 2013 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, 2012 (“2012 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 2012 Form 10-K.

The preparation of unaudited interim consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Estimates may change as new information is obtained. Significant items that are subject to such estimates include measurements of fair value, the valuation of non-marketable securities, the valuation of equity warrant assets, the adequacy of the allowance for loan losses and reserve for unfunded credit commitments, and the recognition and measurement of income tax assets and liabilities.

##### Principles of Consolidation and Presentation

Our consolidated financial statements include the accounts of SVB Financial Group and entities in which we have a controlling financial interest. We determine whether we have a controlling financial interest in an entity by evaluating whether the entity is a voting interest entity or a variable interest entity and whether the applicable accounting guidance requires consolidation. All significant intercompany accounts and transactions have been eliminated. Voting interest entities are entities that have sufficient equity and provide the equity investors voting rights that enable them to make significant decisions relating to the entity’s operations. For these types of entities, the Company’s determination of whether it has a controlling interest is based on ownership of the majority of the entities’ voting equity interest or through control of management of the entities.

VIEs are entities that, by design, either (1) lack sufficient equity to permit the entity to finance its activities without additional subordinated financial support from other parties, or (2) have equity investors that do not have the ability to make significant decisions relating to the entity’s operations through voting rights, or do not have the obligation to absorb the expected losses, or do not have the right to receive the residual returns of the entity. We determine whether we have a controlling financial interest in a VIE by considering whether our involvement with the VIE is significant and whether we are the primary beneficiary based on the following:

1. We have the power to direct the activities of the VIE that most significantly impact the entity’s economic performance;
- 2.

The aggregate indirect and direct variable interests held by the Company have the obligation to absorb losses or the right to receive benefits from the entity that could be significant to the VIE; and,

3. Qualitative and quantitative factors regarding the nature, size, and form of our involvement with the VIE.

Voting interest entities in which we have a controlling financial interest or by which we control through management rights are consolidated into our financial statements.

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We have not provided financial or other support during the periods presented to any VIE that we were not previously contractually required to provide. We are variable interest holders in certain partnerships for which we are not the primary beneficiary. We perform on-going reassessments on the status of the entities and whether facts or circumstances have changed in relation to previously evaluated voting interest entities and our involvement in VIEs which could cause our consolidation conclusion to change.

### Impact of Adopting ASU No. 2011-11, Disclosures about Offsetting Assets and Liabilities

In December 2011, the Financial Accounting Standards Board (FASB) issued a new accounting standard, which requires new disclosures surrounding derivative instruments and certain financial instruments that are offset on the statement of financial position, or are eligible for offset subject to a master netting arrangement. This standard was issued concurrent with the IASB's issuance of a similar standard with the objective of converged disclosure guidance. The guidance is effective on a retrospective basis for the interim and annual reporting periods beginning on or after January 1, 2013, and was therefore adopted in the first quarter of 2013. The standard increased the disclosure requirements for derivative instruments and certain financial instruments that are subject to master netting arrangements, and did not have any impact on our financial position, results of operations or stockholders' equity. See Note 8 - "Derivative Financial Instruments" for further details.

### Impact of Adopting ASU No. 2013-02, Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income

In February 2013, the FASB issued a new accounting standard, which requires new disclosures surrounding the effect of reclassifications out of accumulated other comprehensive income. This standard requires entities to provide information about the amounts reclassified out of accumulated other comprehensive income by component and by the respective line items of net income. The guidance was effective on a prospective basis for the interim and annual reporting periods beginning after January 1, 2013, and was therefore adopted in the first quarter of 2013. This standard increased the disclosure requirements for reclassifications out of accumulated other comprehensive income, and did not have any impact on our financial position, results of operations or stockholders' equity. See Note 2 - "Stockholders' Equity and EPS" for further details.

### Recently Issued Accounting Pronouncements

In June 2013, the FASB issued Accounting Standards Update (ASU) 2013-08, Financial Services - Investment Companies (ASC Topic 946): Amendments to the Scope, Measurement and Disclosure Requirement. This ASU modifies the guidance in ASC 946 for determining whether an entity is an investment company, as well as the measurement and disclosure requirements for investment companies. The ASU does not change current accounting where a noninvestment company parent retains the specialized accounting applied by an investment company subsidiary in consolidation. ASU 2013-08 will be applied prospectively for all periods beginning after December 15, 2013. We do not expect this ASU to have a material effect on our results of operations or financial position.

### Reclassifications

Certain prior period amounts have been reclassified to conform to current period presentations.

### 2. Stockholders' Equity and EPS

#### EPS

Basic EPS is the amount of earnings available to each share of common stock outstanding during the reporting period. Diluted EPS is the amount of earnings available to each share of common stock outstanding during the reporting period adjusted to include the effect of potentially dilutive common shares. Potentially dilutive common shares include incremental shares issued for stock options and restricted stock units outstanding under our equity incentive plans and our ESPP. Potentially dilutive common shares are excluded from the computation of dilutive EPS in periods in which the effect would be antidilutive. The following is a reconciliation of basic EPS to diluted EPS for the three and nine months ended September 30, 2013 and 2012:

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|                                                             | Three months ended September 30, |          | Nine months ended September 30, |           |
|-------------------------------------------------------------|----------------------------------|----------|---------------------------------|-----------|
| (Dollars and shares in thousands, except per share amounts) | 2013                             | 2012     | 2013                            | 2012      |
| Numerator:                                                  |                                  |          |                                 |           |
| Net income available to common stockholders                 | \$67,621                         | \$42,289 | \$157,096                       | \$124,682 |
| Denominator:                                                |                                  |          |                                 |           |
| Weighted average common shares outstanding-basic            | 45,580                           | 44,449   | 45,180                          | 44,147    |
| Weighted average effect of dilutive securities:             |                                  |          |                                 |           |
| Stock options and ESPP                                      | 429                              | 346      | 405                             | 402       |
| Restricted stock units                                      | 193                              | 120      | 180                             | 143       |
| Denominator for diluted calculation                         | 46,202                           | 44,915   | 45,765                          | 44,692    |
| Earnings per common share:                                  |                                  |          |                                 |           |
| Basic                                                       | \$1.48                           | \$0.95   | \$3.48                          | \$2.82    |
| Diluted                                                     | \$1.46                           | \$0.94   | \$3.43                          | \$2.79    |

The following table summarizes the weighted-average common shares excluded from the diluted EPS calculation as they were deemed to be antidilutive for the three and nine months ended September 30, 2013 and 2012:

|                        | Three months ended September 30, |       | Nine months ended September 30, |      |
|------------------------|----------------------------------|-------|---------------------------------|------|
| (Shares in thousands)  | 2013                             | 2012  | 2013                            | 2012 |
| Stock options          | 343                              | 795   | 546                             | 658  |
| Restricted stock units | —                                | 220   | 1                               | —    |
| Total                  | 343                              | 1,015 | 547                             | 658  |

## Accumulated Other Comprehensive Income

The following table summarizes the items reclassified out of accumulated other comprehensive (loss) income into the Consolidated Statements of Income (unaudited) for the three and nine months ended September 30, 2013 and 2012:

|                                                                                |                                     | Three months ended September 30, |         | Nine months ended September 30, |             |
|--------------------------------------------------------------------------------|-------------------------------------|----------------------------------|---------|---------------------------------|-------------|
| (Dollars in thousands)                                                         | Income Statement Location           | 2013                             | 2012    | 2013                            | 2012        |
| Reclassification adjustment for (gains) losses included in net income          | Gains on investment securities, net | \$(219)                          | ) \$101 | \$(949)                         | ) \$(3,592) |
| Related tax benefit (expense)                                                  | Income tax expense                  | 85                               | (41)    | ) 363                           | 1,421       |
| Total reclassification adjustment for gains included in net income, net of tax |                                     | \$(134)                          | ) \$60  | \$(586)                         | ) \$(2,171) |

## 3. Share-Based Compensation

For the three and nine months ended September 30, 2013 and 2012, we recorded share-based compensation and related tax benefits as follows:

|                                                                | Three months ended September 30, |           | Nine months ended September 30, |           |
|----------------------------------------------------------------|----------------------------------|-----------|---------------------------------|-----------|
| (Dollars in thousands)                                         | 2013                             | 2012      | 2013                            | 2012      |
| Share-based compensation expense                               | \$6,723                          | \$5,617   | \$18,945                        | \$16,594  |
| Income tax benefit related to share-based compensation expense | (2,243)                          | ) (1,720) | ) (5,801)                       | ) (4,408) |





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## Unrecognized Compensation Expense

As of September 30, 2013, unrecognized share-based compensation expense was as follows:

| (Dollars in thousands)                              | Unrecognized Expense | Average Expected Recognition Period - in Years |
|-----------------------------------------------------|----------------------|------------------------------------------------|
| Stock options                                       | \$17,195             | 2.67                                           |
| Restricted stock units                              | 34,357               | 2.72                                           |
| Total unrecognized share-based compensation expense | \$51,552             |                                                |

## 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, 2013:

|                                                   | Options   | Weighted Average Exercise Price | Weighted Average Remaining Contractual Life in Years | Aggregate Intrinsic Value of In-The-Money Options |
|---------------------------------------------------|-----------|---------------------------------|------------------------------------------------------|---------------------------------------------------|
| Outstanding at December 31, 2012                  | 2,060,413 | \$ 49.15                        |                                                      |                                                   |
| Granted                                           | 311,692   | 71.54                           |                                                      |                                                   |
| Exercised                                         | (661,216) | 45.97                           |                                                      |                                                   |
| Forfeited                                         | (44,330)  | 55.85                           |                                                      |                                                   |
| Expired                                           | (953)     | 51.86                           |                                                      |                                                   |
| Outstanding at September 30, 2013                 | 1,665,606 | 54.42                           | 4.33 years                                           | \$ 53,233,391                                     |
| Vested and expected to vest at September 30, 2013 | 1,610,512 | 54.02                           | 4.28 years                                           | 52,113,576                                        |
| Exercisable at September 30, 2013                 | 789,760   | 44.89                           | 3.15 years                                           | 32,761,622                                        |

The aggregate intrinsic value of outstanding options shown in the table above represents the pretax intrinsic value based on our closing stock price of \$86.37 as of September 30, 2013. The total intrinsic value of options exercised during the three and nine months ended September 30, 2013 was \$6.5 million and \$18.4 million, respectively, compared to \$3.0 million and \$16.7 million for the comparable 2012 periods.

The table below provides information for restricted stock units under the 2006 Equity Incentive Plan for the nine months ended September 30, 2013:

|                                 | Shares    | Weighted Average Grant Date Fair Value |
|---------------------------------|-----------|----------------------------------------|
| Nonvested at December 31, 2012  | 585,543   | \$ 59.42                               |
| Granted                         | 328,245   | 71.52                                  |
| Vested                          | (166,617) | 56.41                                  |
| Forfeited                       | (34,351)  | 61.35                                  |
| Nonvested at September 30, 2013 | 712,820   | 65.60                                  |

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4. Cash and Cash Equivalents

The following table details our cash and cash equivalents at September 30, 2013 and December 31, 2012:

| (Dollars in thousands)                              | September 30,<br>2013 | December 31,<br>2012 |
|-----------------------------------------------------|-----------------------|----------------------|
| Cash and due from banks (1)                         | \$ 1,770,123          | \$ 752,056           |
| Securities purchased under agreements to resell (2) | 168,026               | 133,357              |
| Other short-term investment securities              | 4,595                 | 123,570              |
| Total cash and cash equivalents                     | \$ 1,942,744          | \$ 1,008,983         |

At September 30, 2013 and December 31, 2012, \$1.2 billion and \$72 million, respectively, of our cash and due (1) 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 \$222 million and \$283 million, respectively.

(2) At September 30, 2013 and December 31, 2012, securities purchased under agreements to resell were collateralized by U.S. treasury securities and U.S. agency securities with aggregate fair values of \$171 million and \$136 million, respectively. None of these securities received as collateral were sold or repledged as of September 30, 2013 or December 31, 2012.

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## 5. Investment Securities

Our investment securities portfolio consists of both an available-for-sale securities portfolio, which represents interest-earning investment securities, and a non-marketable and other securities portfolio, which primarily represents investments managed as part of our funds management business. The major components of our investment securities portfolio at September 30, 2013 and December 31, 2012 are as follows:

| (Dollars in thousands)                                          | September 30, 2013 |                     |                      |                   | December 31, 2012 |                     |                      |                   |
|-----------------------------------------------------------------|--------------------|---------------------|----------------------|-------------------|-------------------|---------------------|----------------------|-------------------|
|                                                                 | Amortized<br>Cost  | Unrealized<br>Gains | Unrealized<br>Losses | Carrying<br>Value | Amortized<br>Cost | Unrealized<br>Gains | Unrealized<br>Losses | Carrying<br>Value |
| Available-for-sale securities, at fair value:                   |                    |                     |                      |                   |                   |                     |                      |                   |
| U.S. treasury securities                                        | \$—                | \$—                 | \$—                  | \$—               | \$25,057          | \$190               | \$—                  | \$25,247          |
| U.S. agency debentures                                          | 3,602,585          | 46,412              | (24,177 )            | 3,624,820         | 3,370,455         | 77,173              | —                    | 3,447,628         |
| Residential mortgage-backed securities:                         |                    |                     |                      |                   |                   |                     |                      |                   |
| Agency-issued mortgage-backed securities                        | 1,493,666          | 28,013              | (2,981 )             | 1,518,698         | 1,428,682         | 44,858              | (107 )               | 1,473,433         |
| Agency-issued collateralized mortgage obligations—fixed rate    | 3,269,966          | 21,699              | (44,188 )            | 3,247,477         | 4,063,020         | 41,949              | (995 )               | 4,103,974         |
| Agency-issued collateralized mortgage obligations—variable rate | 1,286,547          | 3,452               | (149 )               | 1,289,850         | 1,760,551         | 12,201              | (4 )                 | 1,772,748         |
| Agency-issued commercial mortgage-backed securities             | 445,336            | 1,381               | (10,785 )            | 435,932           | 416,487           | 6,100               | (489 )               | 422,098           |
| Municipal bonds and notes                                       | 82,039             | 4,540               | —                    | 86,579            | 85,790            | 7,750               | (11 )                | 93,529            |
| Equity securities                                               | 6,722              | 807                 | (968 )               | 6,561             | 2,108             | 2,739               | (327 )               | 4,520             |
| Total available-for-sale securities                             | \$10,186,861       | \$106,304           | \$(83,248)           | \$10,209,917      | \$11,152,150      | \$192,960           | \$(1,933)            | \$11,343,177      |
| Non-marketable and other securities:                            |                    |                     |                      |                   |                   |                     |                      |                   |
| Non-marketable securities (fair value accounting):              |                    |                     |                      |                   |                   |                     |                      |                   |
| Venture capital and private equity fund investments (1)         |                    |                     |                      | 773,499           |                   |                     |                      | 665,921           |
|                                                                 |                    |                     |                      | 55,359            |                   |                     |                      | 127,091           |

|                                                         |               |               |
|---------------------------------------------------------|---------------|---------------|
| Other venture capital investments (2)                   |               |               |
| Other securities (fair value accounting) (3)            | 219,600       | —             |
| Non-marketable securities (equity method accounting):   |               |               |
| Other investments (4)                                   | 142,571       | 139,330       |
| Low income housing tax credit funds                     | 70,092        | 70,318        |
| Non-marketable securities (cost method accounting):     |               |               |
| Venture capital and private equity fund investments (5) | 149,602       | 161,884       |
| Other investments                                       | 14,415        | 19,721        |
| Total non-marketable and other securities               | 1,425,138     | 1,184,265     |
| Total investment securities                             | \$ 11,635,055 | \$ 12,527,442 |

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The following table shows the amounts of venture capital and private equity fund investments held by the (1) following consolidated funds and our ownership percentage of each fund at September 30, 2013 and December 31, 2012 (fair value accounting):

| (Dollars in thousands)                                    | September 30, 2013 |             | December 31, 2012 |             |
|-----------------------------------------------------------|--------------------|-------------|-------------------|-------------|
|                                                           | Amount             | Ownership % | Amount            | Ownership % |
| SVB Strategic Investors Fund, LP                          | \$30,265           | 12.6 %      | \$32,850          | 12.6 %      |
| SVB Strategic Investors Fund II, LP                       | 96,595             | 8.6         | 91,294            | 8.6         |
| SVB Strategic Investors Fund III, LP                      | 226,123            | 5.9         | 209,696           | 5.9         |
| SVB Strategic Investors Fund IV, LP                       | 209,368            | 5.0         | 169,931           | 5.0         |
| Strategic Investors Fund V Funds                          | 89,410             | Various     | 40,622            | Various     |
| Strategic Investors Fund VI Funds                         | 4,681              | 0.2         | —                 | —           |
| SVB Capital Preferred Return Fund, LP                     | 55,721             | 20.0        | 53,643            | 20.0        |
| SVB Capital—NT Growth Partners, LP                        | 55,836             | 33.0        | 60,120            | 33.0        |
| SVB Capital Partners II, LP (i)                           | 716                | 5.1         | 1,303             | 5.1         |
| Other private equity fund (ii)                            | 4,784              | 58.2        | 6,462             | 58.2        |
| Total venture capital and private equity fund investments | \$773,499          |             | \$665,921         |             |

(i) At September 30, 2013, we had a direct ownership interest of 1.3 percent and an indirect ownership interest of 3.8 percent in the fund through our ownership interest of SVB Strategic Investors Fund II, LP.

At September 30, 2013, we had a direct ownership interest of 41.5 percent and indirect ownership interests of 12.6 percent and 4.1 percent in the fund through our ownership interest of SVB Capital—NT Growth Partners, LP and SVB Capital Preferred Return Fund, LP, respectively.

The following table shows the amounts of other venture capital investments held by the following consolidated (2) funds and our ownership percentage of each fund at September 30, 2013 and December 31, 2012 (fair value accounting):

| (Dollars in thousands)                           | September 30, 2013 |             | December 31, 2012 |             |
|--------------------------------------------------|--------------------|-------------|-------------------|-------------|
|                                                  | Amount             | Ownership % | Amount            | Ownership % |
| Silicon Valley BancVentures, LP                  | \$7,383            | 10.7 %      | \$43,493          | 10.7 %      |
| SVB Capital Partners II, LP (i)                  | 43,682             | 5.1         | 79,761            | 5.1         |
| SVB Capital Shanghai Yangpu Venture Capital Fund | 4,294              | 6.8         | 3,837             | 6.8         |
| Total other venture capital investments          | \$55,359           |             | \$127,091         |             |

(i) At September 30, 2013, we had a direct ownership interest of 1.3 percent and an indirect ownership interest of 3.8 percent in the fund through our ownership of SVB Strategic Investors Fund II, LP.

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

(4) The following table shows the carrying value and our ownership percentage of each investment at September 30, 2013 and December 31, 2012 (equity method accounting):

| (Dollars in thousands)                             | September 30, 2013 |             | December 31, 2012 |             |
|----------------------------------------------------|--------------------|-------------|-------------------|-------------|
|                                                    | Amount             | Ownership % | Amount            | Ownership % |
| Gold Hill Venture Lending 03, LP (i)               | \$8,734            | 9.3 %       | \$9,413           | 9.3 %       |
| Gold Hill Capital 2008, LP (ii)                    | 21,318             | 15.5        | 20,893            | 15.5        |
| China Joint Venture investment                     | 80,346             | 50.0        | 78,545            | 50.0        |
| Other investments                                  | 32,173             | Various     | 30,479            | Various     |
| Total other investments (equity method accounting) | \$142,571          |             | \$139,330         |             |



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- (i) At September 30, 2013, we had a direct ownership interest of 4.8 percent in the fund and an indirect interest in the fund through our investment in Gold Hill Venture Lending Partners 03, LLC (“GHLLC”) of 4.5 percent.
- (ii) At September 30, 2013, we had a direct ownership interest of 11.5 percent in the fund and an indirect interest in the fund through our investment in Gold Hill Capital 2008, LLC of 4.0 percent.
- Represents investments in 293 and 324 funds (primarily venture capital funds) at September 30, 2013 and December 31, 2012, 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. For the three months ended September 30, 2013, we recognized OTTI losses of \$0.4 million resulting from other-than-temporary declines in value for 12 of the 293 investments. For the (5) nine months ended September 30, 2013, we recognized OTTI losses of \$1.2 million resulting from other-than-temporary declines in value for 37 of the investments. The OTTI losses are included in net gains on investment securities, a component of noninterest income. We concluded that any declines in value for the remaining investments were temporary and as such, no OTTI was required to be recognized. At September 30, 2013, the carrying value of these venture capital and private equity fund investments (cost method accounting) was \$150 million, and the estimated fair value was \$206 million.

The following table summarizes our unrealized losses on our available-for-sale securities portfolio into categories of less than 12 months and 12 months or longer as of September 30, 2013:

| (Dollars in thousands)                                          | September 30, 2013        |                   |                           |                   |                           |                   |
|-----------------------------------------------------------------|---------------------------|-------------------|---------------------------|-------------------|---------------------------|-------------------|
|                                                                 | 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 |
| U.S. agency debentures                                          | \$942,337                 | \$(24,177 )       | \$—                       | \$—               | \$942,337                 | \$(24,177 )       |
| Residential mortgage-backed securities:                         |                           |                   |                           |                   |                           |                   |
| Agency-issued mortgage-backed securities                        | 261,787                   | (2,981 )          | —                         | —                 | 261,787                   | (2,981 )          |
| Agency-issued collateralized mortgage obligations—fixed rate    | 1,886,229                 | (42,555 )         | 79,190                    | (1,633 )          | 1,965,419                 | (44,188 )         |
| Agency-issued collateralized mortgage obligations—variable rate | 147,218                   | (149 )            | —                         | —                 | 147,218                   | (149 )            |
| Agency-issued commercial mortgage-backed securities             | 232,474                   | (10,785 )         | —                         | —                 | 232,474                   | (10,785 )         |
| Equity securities                                               | 2,544                     | (968 )            | —                         | —                 | 2,544                     | (968 )            |
| Total temporarily impaired securities (1)                       | \$3,472,589               | \$(81,615 )       | \$79,190                  | \$(1,633 )        | \$3,551,779               | \$(83,248 )       |

- As of September 30, 2013, we identified a total of 134 investments that were in unrealized loss positions, of which 3 investments totaling \$79 million with unrealized losses of \$1.6 million have been in an impaired position for a period of time greater than 12 months. As of September 30, 2013, we do not intend to sell any impaired debt or equity securities prior to recovery of our adjusted cost basis, and it is more likely than not that we will not be (1) required to sell any of our securities prior to recovery of our adjusted cost basis. Based on our analysis as of September 30, 2013, 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.



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The following table summarizes our unrealized losses on our available-for-sale securities portfolio into categories of less than 12 months and 12 months or longer as of December 31, 2012:

| (Dollars in thousands)                                          | December 31, 2012         |                   |                           |                   |                           |                   |
|-----------------------------------------------------------------|---------------------------|-------------------|---------------------------|-------------------|---------------------------|-------------------|
|                                                                 | 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 |
| Residential mortgage-backed securities:                         |                           |                   |                           |                   |                           |                   |
| Agency-issued mortgage-backed securities                        | \$22,831                  | \$(107 )          | \$—                       | \$—               | \$22,831                  | \$(107 )          |
| Agency-issued collateralized mortgage obligations—fixed rate    | 461,397                   | (995 )            | —                         | —                 | 461,397                   | (995 )            |
| Agency-issued collateralized mortgage obligations—variable rate | —                         | —                 | 7,908                     | (4 )              | 7,908                     | (4 )              |
| Agency-issued commercial mortgage-backed securities             | 150,581                   | (489 )            | —                         | —                 | 150,581                   | (489 )            |
| Municipal bonds and notes                                       | 2,098                     | (11 )             | —                         | —                 | 2,098                     | (11 )             |
| Equity securities                                               | 97                        | (61 )             | 255                       | (266 )            | 352                       | (327 )            |
| Total temporarily impaired securities                           | \$637,004                 | \$(1,663 )        | \$8,163                   | \$(270 )          | \$645,167                 | \$(1,933 )        |

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The following table summarizes the remaining contractual principal maturities and fully taxable equivalent yields on debt securities classified as available-for-sale as of September 30, 2013. Interest income on certain municipal bonds and notes (non-taxable investments) are presented on a fully taxable equivalent basis using the federal statutory tax rate of 35.0 percent. The weighted average yield is computed using the amortized cost of debt securities, which are reported at fair value. For U.S. treasury securities, the expected maturity is the actual contractual maturity of the notes. Expected remaining maturities for certain U.S. agency debentures may occur earlier than their contractual maturities because the note issuers have the right to call outstanding amounts ahead of their contractual maturity. Expected maturities for mortgage-backed securities may differ significantly from their contractual maturities because mortgage borrowers have the right to prepay outstanding loan obligations with or without penalties. Mortgage-backed securities classified as available-for-sale typically have original contractual maturities from 10 to 30 years whereas expected average lives of these securities tend to be significantly shorter and vary based upon structure.

September 30, 2013

|                                                                               | Total             |                               | One Year<br>or Less |                               | After One<br>Year to<br>Five Years |                               | After Five<br>Years to<br>Ten Years |                               | After<br>Ten Years |                               |
|-------------------------------------------------------------------------------|-------------------|-------------------------------|---------------------|-------------------------------|------------------------------------|-------------------------------|-------------------------------------|-------------------------------|--------------------|-------------------------------|
| (Dollars in<br>thousands)                                                     | Carrying<br>Value | Weighted-<br>Average<br>Yield | Carrying<br>Value   | Weighted-<br>Average<br>Yield | Carrying<br>Value                  | Weighted-<br>Average<br>Yield | Carrying<br>Value                   | Weighted-<br>Average<br>Yield | Carrying<br>Value  | Weighted-<br>Average<br>Yield |
| U.S. agency<br>debentures                                                     | \$3,624,820       | 1.56%                         | \$248,124           | 1.34%                         | \$2,607,969                        | 1.49%                         | \$768,727                           | 1.87%                         | \$—                | — %                           |
| Residential<br>mortgage-backed<br>securities:                                 |                   |                               |                     |                               |                                    |                               |                                     |                               |                    |                               |
| Agency-issued<br>mortgage-backed<br>securities                                | 1,518,698         | 2.38                          | —                   | —                             | 889                                | 7.50                          | 1,024,091                           | 2.25                          | 493,718            | 2.63                          |
| Agency-issued<br>collateralized<br>mortgage<br>obligations -<br>fixed rate    | 3,247,477         | 1.90                          | —                   | —                             | —                                  | —                             | —                                   | —                             | 3,247,477          | 1.90                          |
| Agency-issued<br>collateralized<br>mortgage<br>obligations -<br>variable rate | 1,289,850         | 0.70                          | —                   | —                             | —                                  | —                             | —                                   | —                             | 1,289,850          | 0.70                          |
| Agency-issued<br>commercial<br>mortgage-backed<br>securities                  | 435,932           | 1.92                          | —                   | —                             | —                                  | —                             | —                                   | —                             | 435,932            | 1.92                          |
| Municipal bonds<br>and notes                                                  | 86,579            | 5.98                          | 1,334               | 5.44                          | 23,498                             | 5.69                          | 43,304                              | 6.03                          | 18,443             | 6.26                          |
| Total                                                                         | \$10,203,356      | 1.74                          | \$249,458           | 1.36                          | \$2,632,356                        | 1.53                          | \$1,836,122                         | 2.18                          | \$5,485,420        | 1.70                          |

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The following table presents the components of gains and losses (realized and unrealized) on investment securities for the three and nine months ended September 30, 2013 and 2012:

| (Dollars in thousands)                                                     | Three months ended<br>September 30, |           | Nine months ended<br>September 30, |           |
|----------------------------------------------------------------------------|-------------------------------------|-----------|------------------------------------|-----------|
|                                                                            | 2013                                | 2012      | 2013                               | 2012      |
| Gross gains on investment securities:                                      |                                     |           |                                    |           |
| Available-for-sale securities, at fair value (1)                           | \$317                               | \$20      | \$3,167                            | \$5,363   |
| Marketable securities (fair value accounting)                              | —                                   | 255       | 4,345                              | 3,874     |
| Non-marketable securities (fair value accounting):                         |                                     |           |                                    |           |
| Venture capital and private equity fund investments                        | 35,826                              | 28,639    | 107,546                            | 88,037    |
| Other venture capital investments                                          | 5,180                               | 2,515     | 8,020                              | 5,848     |
| Other investments                                                          | —                                   | —         | —                                  | 21        |
| Other securities (fair value accounting) (2)                               | 143,840                             | —         | 143,840                            | —         |
| Non-marketable securities (equity method accounting):                      |                                     |           |                                    |           |
| Other investments                                                          | 6,569                               | 5,571     | 14,038                             | 12,382    |
| Non-marketable securities (cost method accounting):                        |                                     |           |                                    |           |
| Venture capital and private equity fund investments                        | 5,016                               | 694       | 6,806                              | 1,639     |
| Other investments                                                          | 34                                  | 1,406     | 370                                | 1,712     |
| Total gross gains on investment securities                                 | 196,782                             | 39,100    | 288,132                            | 118,876   |
| Gross losses on investment securities:                                     |                                     |           |                                    |           |
| Available-for-sale securities, at fair value (1)                           | (98                                 | ) (121    | ) (2,218                           | ) (1,771  |
| Marketable securities (fair value accounting)                              | —                                   | (553      | ) (2,534                           | ) (1,307  |
| Non-marketable securities (fair value accounting):                         |                                     |           |                                    |           |
| Venture capital and private equity fund investments                        | (1,575                              | ) (16,557 | ) (17,020                          | ) (49,090 |
| Other venture capital investments                                          | (587                                | ) (125    | ) (2,241                           | ) (10,007 |
| Other securities (fair value accounting)                                   | (75                                 | ) —       | (75                                | ) —       |
| Non-marketable securities (equity method accounting):                      |                                     |           |                                    |           |
| Other investments                                                          | (1,944                              | ) (1,091  | ) (2,421                           | ) (1,794  |
| Non-marketable securities (cost method accounting):                        |                                     |           |                                    |           |
| Venture capital and private equity fund investments                        | (689                                | ) (423    | ) (1,462                           | ) (963    |
| Other investments                                                          | (3,952                              | ) (2      | ) (4,300                           | ) (68     |
| Total gross losses on investment securities                                | (8,920                              | ) (18,872 | ) (32,271                          | ) (65,000 |
| Gains on investment securities, net                                        | \$187,862                           | \$20,228  | \$255,861                          | \$53,876  |
| Gains attributable to noncontrolling interests, including carried interest | \$151,360                           | \$12,776  | \$204,723                          | \$34,616  |

Includes realized gains on sales of available-for-sale securities that are recognized in the income statement.

(1) Unrealized gains on available-for-sale securities are recognized in other comprehensive income and not shown in the table above. The cost basis of available-for-sale securities sold is determined on a specific identification basis.

(2) Other securities (fair value accounting) include unrealized valuation gains of \$139 million attributable to one of our portfolio companies, FireEye, Inc. ("FireEye"), after its IPO.

#### 6. Loans and Allowance for Loan Losses

We serve a variety of commercial clients in the technology, life science, venture capital/private equity and premium wine industries. Our technology clients generally tend to be in the industries of hardware (semiconductors, communications and electronics), software and related services, and clean technology. Because of the diverse nature of clean technology products and services, for our loan-related reporting purposes, cleantech-related loans are reported under our hardware, software, life science and other commercial loan categories, as applicable. Our life science clients are concentrated in the medical devices and biotechnology sectors. Loans made to venture capital/private equity 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 venture capital/private equity 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 \$89 million and \$77 million at September 30, 2013 and December 31, 2012, respectively, is presented in the following table:

| (Dollars in thousands)                  | September 30,<br>2013 | December 31,<br>2012 |
|-----------------------------------------|-----------------------|----------------------|
| Commercial loans:                       |                       |                      |
| Software                                | \$3,698,937           | \$3,261,489          |
| Hardware                                | 1,141,297             | 1,118,370            |
| Venture capital/private equity          | 1,932,822             | 1,732,699            |
| Life science                            | 1,096,440             | 1,066,199            |
| Premium wine                            | 149,257               | 143,511              |
| Other                                   | 287,352               | 315,453              |
| Total commercial loans                  | 8,306,105             | 7,637,721            |
| Real estate secured loans:              |                       |                      |
| Premium wine (1)                        | 492,677               | 413,513              |
| Consumer (2)                            | 831,644               | 685,300              |
| Other                                   | 28,233                | —                    |
| Total real estate secured loans         | 1,352,554             | 1,098,813            |
| Construction loans                      | 72,398                | 65,742               |
| Consumer loans                          | 93,925                | 144,657              |
| Total loans, net of unearned income (3) | \$9,824,982           | \$8,946,933          |

(1) Included in our premium wine portfolio are gross construction loans of \$132 million and \$148 million at September 30, 2013 and December 31, 2012, respectively.

(2) Consumer loans secured by real estate at September 30, 2013 and December 31, 2012 were comprised of the following:

| (Dollars in thousands)                | September 30,<br>2013 | December 31,<br>2012 |
|---------------------------------------|-----------------------|----------------------|
| Loans for personal residence          | \$643,345             | \$503,378            |
| Loans to eligible employees           | 119,371               | 110,584              |
| Home equity lines of credit           | 68,928                | 71,338               |
| Consumer loans secured by real estate | \$831,644             | \$685,300            |

(3) Included within our total loan portfolio are credit card loans of \$85 million and \$64 million at September 30, 2013 and December 31, 2012, respectively.

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## Credit Quality

The composition of loans, net of unearned income of \$89 million and \$77 million at September 30, 2013 and December 31, 2012, respectively, broken out by portfolio segment and class of financing receivable, is as follows:

| (Dollars in thousands)              | September 30, 2013 | December 31, 2012 |
|-------------------------------------|--------------------|-------------------|
| Commercial loans:                   |                    |                   |
| Software                            | \$3,698,937        | \$3,261,489       |
| Hardware                            | 1,141,297          | 1,118,370         |
| Venture capital/private equity      | 1,932,822          | 1,732,699         |
| Life science                        | 1,096,440          | 1,066,199         |
| Premium wine                        | 641,934            | 557,024           |
| Other                               | 387,983            | 381,195           |
| Total commercial loans              | 8,899,413          | 8,116,976         |
| Consumer loans:                     |                    |                   |
| Real estate secured loans           | 831,644            | 685,300           |
| Other consumer loans                | 93,925             | 144,657           |
| Total consumer loans                | 925,569            | 829,957           |
| Total loans, net of unearned income | \$9,824,982        | \$8,946,933       |

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The following table summarizes the aging of our gross loans, broken out by portfolio segment and class of financing receivable as of September 30, 2013 and December 31, 2012:

| (Dollars in thousands)                        | 30 - 59<br>Days Past<br>Due | 60 - 89<br>Days Past<br>Due | Greater<br>Than 90<br>Days Past<br>Due | Total Past<br>Due | Current      | Loans Past Due<br>90 Days or<br>More Still<br>Accruing<br>Interest |
|-----------------------------------------------|-----------------------------|-----------------------------|----------------------------------------|-------------------|--------------|--------------------------------------------------------------------|
| September 30, 2013:                           |                             |                             |                                        |                   |              |                                                                    |
| Commercial loans:                             |                             |                             |                                        |                   |              |                                                                    |
| Software                                      | \$ 1,546                    | \$ 171                      | \$ 24                                  | \$ 1,741          | \$ 3,733,358 | \$ 24                                                              |
| Hardware                                      | 29                          | 643                         | —                                      | 672               | 1,125,277    | —                                                                  |
| Venture capital/private equity                | 4                           | —                           | —                                      | 4                 | 1,953,111    | —                                                                  |
| Life science                                  | 153                         | 249                         | —                                      | 402               | 1,107,659    | —                                                                  |
| Premium wine                                  | 2,400                       | —                           | —                                      | 2,400             | 640,741      | —                                                                  |
| Other                                         | 71                          | 97                          | —                                      | 168               | 389,145      | —                                                                  |
| Total commercial loans                        | 4,203                       | 1,160                       | 24                                     | 5,387             | 8,949,291    | 24                                                                 |
| Consumer loans:                               |                             |                             |                                        |                   |              |                                                                    |
| Real estate secured loans                     | —                           | —                           | —                                      | —                 | 828,401      | —                                                                  |
| Other consumer loans                          | —                           | —                           | —                                      | —                 | 93,072       | —                                                                  |
| Total consumer loans                          | —                           | —                           | —                                      | —                 | 921,473      | —                                                                  |
| Total gross loans excluding<br>impaired loans | 4,203                       | 1,160                       | 24                                     | 5,387             | 9,870,764    | 24                                                                 |
| Impaired loans                                | 91                          | —                           | 5,678                                  | 5,769             | 32,279       | —                                                                  |
| Total gross loans                             | \$ 4,294                    | \$ 1,160                    | \$ 5,702                               | \$ 11,156         | \$ 9,903,043 | \$ 24                                                              |
| December 31, 2012:                            |                             |                             |                                        |                   |              |                                                                    |
| Commercial loans:                             |                             |                             |                                        |                   |              |                                                                    |
| Software                                      | \$ 5,890                    | \$ 238                      | \$ 19                                  | \$ 6,147          | \$ 3,284,489 | \$ 19                                                              |
| Hardware                                      | 167                         | 32                          | —                                      | 199               | 1,107,422    | —                                                                  |
| Venture capital/private equity                | 7                           | —                           | —                                      | 7                 | 1,749,896    | —                                                                  |
| Life science                                  | 207                         | 117                         | —                                      | 324               | 1,076,468    | —                                                                  |
| Premium wine                                  | —                           | —                           | —                                      | —                 | 554,886      | —                                                                  |
| Other                                         | 280                         | —                           | —                                      | 280               | 378,619      | —                                                                  |
| Total commercial loans                        | 6,551                       | 387                         | 19                                     | 6,957             | 8,151,780    | 19                                                                 |
| Consumer loans:                               |                             |                             |                                        |                   |              |                                                                    |
| Real estate secured loans                     | —                           | —                           | —                                      | —                 | 683,254      | —                                                                  |
| Other consumer loans                          | 111                         | —                           | —                                      | 111               | 143,867      | —                                                                  |
| Total consumer loans                          | 111                         | —                           | —                                      | 111               | 827,121      | —                                                                  |
| Total gross loans excluding<br>impaired loans | 6,662                       | 387                         | 19                                     | 7,068             | 8,978,901    | 19                                                                 |
| Impaired loans                                | 3,901                       | 9,676                       | 2,269                                  | 15,846            | 22,433       | —                                                                  |
| Total gross loans                             | \$ 10,563                   | \$ 10,063                   | \$ 2,288                               | \$ 22,914         | \$ 9,001,334 | \$ 19                                                              |

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The following table summarizes our impaired loans as they relate to our allowance for loan losses, broken out by portfolio segment and class of financing receivable as of September 30, 2013 and December 31, 2012:

| (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 (1) |
|--------------------------------|-----------------------------------------------------------------------|------------------------------------------------------------------------|----------------------------------------|----------------------------------------------|
| September 30, 2013:            |                                                                       |                                                                        |                                        |                                              |
| Commercial loans:              |                                                                       |                                                                        |                                        |                                              |
| Software                       | \$3,041                                                               | \$—                                                                    | \$3,041                                | \$4,185                                      |
| Hardware                       | 25,891                                                                | 1,555                                                                  | 27,446                                 | 46,744                                       |
| Venture capital/private equity | 47                                                                    | —                                                                      | 47                                     | 47                                           |
| Premium wine                   | —                                                                     | 1,476                                                                  | 1,476                                  | 1,786                                        |
| Other                          | 734                                                                   | 1,154                                                                  | 1,888                                  | 2,560                                        |
| Total commercial loans         | 29,713                                                                | 4,185                                                                  | 33,898                                 | 55,322                                       |
| Consumer loans:                |                                                                       |                                                                        |                                        |                                              |
| Real estate secured loans      | —                                                                     | 3,339                                                                  | 3,339                                  | 9,256                                        |
| Other consumer loans           | 811                                                                   | —                                                                      | 811                                    | 1,065                                        |
| Total consumer loans           | 811                                                                   | 3,339                                                                  | 4,150                                  | 10,321                                       |
| Total                          | \$30,524                                                              | \$7,524                                                                | \$38,048                               | \$65,643                                     |
| December 31, 2012:             |                                                                       |                                                                        |                                        |                                              |
| Commercial loans:              |                                                                       |                                                                        |                                        |                                              |
| Software                       | \$3,191                                                               | \$72                                                                   | \$3,263                                | \$4,475                                      |
| Hardware                       | 21,863                                                                | —                                                                      | 21,863                                 | 38,551                                       |
| Venture capital/private equity | —                                                                     | —                                                                      | —                                      | —                                            |
| Premium wine                   | —                                                                     | 4,398                                                                  | 4,398                                  | 4,716                                        |
| Other                          | —                                                                     | 5,415                                                                  | 5,415                                  | 9,859                                        |
| Total commercial loans         | 25,054                                                                | 9,885                                                                  | 34,939                                 | 57,601                                       |
| Consumer loans:                |                                                                       |                                                                        |                                        |                                              |
| Real estate secured loans      | —                                                                     | 2,239                                                                  | 2,239                                  | 7,341                                        |
| Other consumer loans           | 1,101                                                                 | —                                                                      | 1,101                                  | 1,300                                        |
| Total consumer loans           | 1,101                                                                 | 2,239                                                                  | 3,340                                  | 8,641                                        |
| Total                          | \$26,155                                                              | \$12,124                                                               | \$38,279                               | \$66,242                                     |

The unpaid principal balances for hardware and real estate secured consumer loans as of December 31, 2012 have (1) been corrected from previously reported amounts resulting in the total unpaid principal of impaired loans at December 31, 2012 changing from \$55.4 million to \$66.2 million.

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The following table summarizes our average impaired loans, broken out by portfolio segment and class of financing receivable for the three and nine months ended September 30, 2013 and 2012:

| (Dollars in thousands)         | Three months ended September 30, |          | Nine months ended September 30, |          |
|--------------------------------|----------------------------------|----------|---------------------------------|----------|
|                                | 2013                             | 2012     | 2013                            | 2012     |
| Average impaired loans:        |                                  |          |                                 |          |
| Commercial loans:              |                                  |          |                                 |          |
| Software                       | \$4,306                          | \$2,689  | \$4,631                         | \$2,040  |
| Hardware                       | 25,456                           | 18,490   | 24,536                          | 17,407   |
| Venture capital/private equity | 75                               | —        | 35                              | —        |
| Life science                   | —                                | —        | 303                             | 78       |
| Premium wine                   | 1,502                            | 3,093    | 2,458                           | 3,334    |
| Other                          | 3,648                            | 2,619    | 4,344                           | 3,590    |
| Total commercial loans         | 34,987                           | 26,891   | 36,307                          | 26,449   |
| Consumer loans:                |                                  |          |                                 |          |
| Real estate secured loans      | 3,426                            | 2,411    | 3,391                           | 5,967    |
| Other consumer loans           | 866                              | 1,266    | 1,021                           | 2,152    |
| Total consumer loans           | 4,292                            | 3,677    | 4,412                           | 8,119    |
| Total average impaired loans   | \$39,279                         | \$30,568 | \$40,719                        | \$34,568 |

The following tables summarize the activity relating to our allowance for loan losses for the three and nine months ended September 30, 2013 and 2012, broken out by portfolio segment:

| Three months ended September 30, 2013<br>(dollars in thousands) | Beginning<br>Balance June<br>30, 2013 | Charge-offs | Recoveries | Provision for<br>(Reduction of)<br>Loan Losses | Ending<br>Balance<br>September<br>30, 2013 |
|-----------------------------------------------------------------|---------------------------------------|-------------|------------|------------------------------------------------|--------------------------------------------|
| Commercial loans:                                               |                                       |             |            |                                                |                                            |
| Software                                                        | \$46,798                              | \$(2,527)   | ) \$816    | \$ 4,369                                       | \$49,456                                   |
| Hardware                                                        | 33,188                                | (5,544)     | ) 1,149    | 7,370                                          | 36,163                                     |
| Venture capital/private equity                                  | 13,593                                | —           | —          | 617                                            | 14,210                                     |
| Life science                                                    | 11,741                                | (57)        | ) 246      | (780)                                          | ) 11,150                                   |
| Premium wine                                                    | 3,793                                 | —           | 4          | 81                                             | 3,878                                      |
| Other                                                           | 3,654                                 | (21)        | ) 77       | (24)                                           | ) 3,686                                    |
| Total commercial loans                                          | 112,767                               | (8,149)     | ) 2,292    | 11,633                                         | 118,543                                    |
| Consumer loans                                                  | 6,804                                 | —           | 382        | (995)                                          | ) 6,191                                    |
| Total allowance for loan losses                                 | \$119,571                             | \$(8,149)   | ) \$2,674  | \$ 10,638                                      | \$124,734                                  |



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| Nine months ended September 30, 2013<br>(dollars in thousands) | Beginning<br>Balance<br>December 31,<br>2012 | Charge-offs | Recoveries | Provision for<br>(Reduction of)<br>Loan Losses | Ending<br>Balance<br>September<br>30, 2013 |
|----------------------------------------------------------------|----------------------------------------------|-------------|------------|------------------------------------------------|--------------------------------------------|
| Commercial loans:                                              |                                              |             |            |                                                |                                            |
| Software                                                       | \$42,648                                     | \$(7,619 )  | \$1,455    | \$ 12,972                                      | \$49,456                                   |
| Hardware                                                       | 29,761                                       | (11,975 )   | 1,998      | 16,379                                         | 36,163                                     |
| Venture capital/private equity                                 | 9,963                                        | —           | —          | 4,247                                          | 14,210                                     |
| Life science                                                   | 13,606                                       | (2,618 )    | 1,335      | (1,173 )                                       | 11,150                                     |
| Premium wine                                                   | 3,523                                        | —           | 135        | 220                                            | 3,878                                      |
| Other                                                          | 3,912                                        | (6,069 )    | 2,458      | 3,385                                          | 3,686                                      |
| Total commercial loans                                         | 103,413                                      | (28,281 )   | 7,381      | 36,030                                         | 118,543                                    |
| Consumer loans                                                 | 7,238                                        | (869 )      | 829        | (1,007 )                                       | 6,191                                      |
| Total allowance for loan losses                                | \$110,651                                    | \$(29,150 ) | \$8,210    | \$ 35,023                                      | \$124,734                                  |

| Three months ended September 30,<br>2012 (dollars in thousands) | Beginning<br>Balance June<br>30, 2012 | Charge-offs | Recoveries | Provision for<br>(Reduction of)<br>Loan Losses | Ending<br>Balance<br>September<br>30, 2012 |
|-----------------------------------------------------------------|---------------------------------------|-------------|------------|------------------------------------------------|--------------------------------------------|
| Commercial loans:                                               |                                       |             |            |                                                |                                            |
| Software                                                        | \$37,981                              | \$—         | \$374      | \$ (1,110 )                                    | \$37,245                                   |
| Hardware                                                        | 22,632                                | (1,849 )    | 106        | 6,796                                          | 27,685                                     |
| Venture capital/private equity                                  | 9,652                                 | —           | —          | 991                                            | 10,643                                     |
| Life science                                                    | 11,660                                | (2,781 )    | 3          | 3,281                                          | 12,163                                     |
| Premium wine                                                    | 3,396                                 | —           | 228        | (463 )                                         | 3,161                                      |
| Other                                                           | 4,942                                 | (7 )        | 30         | (1,708 )                                       | 3,257                                      |
| Total commercial loans                                          | 90,263                                | (4,637 )    | 741        | 7,787                                          | 94,154                                     |
| Consumer loans                                                  | 7,903                                 | —           | 466        | (999 )                                         | 7,370                                      |
| Total allowance for loan losses                                 | \$98,166                              | \$(4,637 )  | \$1,207    | \$ 6,788                                       | \$101,524                                  |

| Nine months ended September 30, 2012<br>(dollars in thousands) | Beginning<br>Balance<br>December 31,<br>2011 | Charge-offs | Recoveries | Provision for<br>(Reduction of)<br>Loan Losses | Ending<br>Balance<br>September<br>30, 2012 |
|----------------------------------------------------------------|----------------------------------------------|-------------|------------|------------------------------------------------|--------------------------------------------|
| Commercial loans:                                              |                                              |             |            |                                                |                                            |
| Software                                                       | \$38,263                                     | \$(2,977 )  | \$4,462    | \$(2,503 )                                     | \$37,245                                   |
| Hardware                                                       | 16,810                                       | (16,110 )   | 540        | 26,445                                         | 27,685                                     |
| Venture capital/private equity                                 | 7,319                                        | —           | —          | 3,324                                          | 10,643                                     |
| Life science                                                   | 10,243                                       | (3,016 )    | 316        | 4,620                                          | 12,163                                     |
| Premium wine                                                   | 3,914                                        | (584 )      | 493        | (662 )                                         | 3,161                                      |
| Other                                                          | 5,817                                        | (2,463 )    | 1,181      | (1,278 )                                       | 3,257                                      |
| Total commercial loans                                         | 82,366                                       | (25,150 )   | 6,992      | 29,946                                         | 94,154                                     |
| Consumer loans                                                 | 7,581                                        | (607 )      | 1,026      | (630 )                                         | 7,370                                      |
| Total allowance for loan losses                                | \$89,947                                     | \$(25,757 ) | \$8,018    | \$29,316                                       | \$101,524                                  |

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The following table summarizes the allowance for loan losses individually and collectively evaluated for impairment as of September 30, 2013 and December 31, 2012, broken out by portfolio segment:

| (Dollars in thousands)          | September 30, 2013                          |                                             | December 31, 2012                           |                                             |
|---------------------------------|---------------------------------------------|---------------------------------------------|---------------------------------------------|---------------------------------------------|
|                                 | Individually<br>Evaluated for<br>Impairment | Collectively<br>Evaluated for<br>Impairment | Individually<br>Evaluated for<br>Impairment | Collectively<br>Evaluated for<br>Impairment |
| Commercial loans:               |                                             |                                             |                                             |                                             |
| Software                        | \$705                                       | \$ 48,751                                   | \$762                                       | \$ 41,886                                   |
| Hardware                        | 12,392                                      | 23,771                                      | 5,251                                       | 24,510                                      |
| Venture capital/private equity  | 23                                          | 14,187                                      | —                                           | 9,963                                       |
| Life science                    | —                                           | 11,150                                      | —                                           | 13,606                                      |
| Premium wine                    | —                                           | 3,878                                       | —                                           | 3,523                                       |
| Other                           | 162                                         | 3,524                                       | —                                           | 3,912                                       |
| Total commercial loans          | 13,282                                      | 105,261                                     | 6,013                                       | 97,400                                      |
| Consumer loans                  | 187                                         | 6,004                                       | 248                                         | 6,990                                       |
| Total allowance for loan losses | \$13,469                                    | \$ 111,265                                  | \$6,261                                     | \$ 104,390                                  |

**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)”. A majority of our Performing (Criticized) loans are from our SVB Accelerator practice, serving our emerging or early stage clients. Loans risk-rated 8 and 9 are loans that are considered to be impaired and are on nonaccrual status. Loans are placed on nonaccrual status when they become 90 days past due as to principal or interest payments (unless the principal and interest are well secured and in the process of collection), or when we have determined, based upon most recent available information, that the timely collection of principal or interest is not probable; these loans are deemed “impaired” (For further description of nonaccrual loans, refer to Note 2—“Summary of Significant Accounting Policies” under Part II, Item 8 of our 2012 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, 2013 and December 31, 2012:

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| (Dollars in thousands)         | Pass        | Performing<br>(Criticized) | Impaired | Total       |
|--------------------------------|-------------|----------------------------|----------|-------------|
| September 30, 2013:            |             |                            |          |             |
| Commercial loans:              |             |                            |          |             |
| Software                       | \$3,442,540 | \$292,560                  | \$3,041  | \$3,738,141 |
| Hardware                       | 904,312     | 221,635                    | 27,446   | 1,153,393   |
| Venture capital/private equity | 1,952,680   | 434                        | 47       | 1,953,161   |
| Life science                   | 1,019,522   | 88,539                     | —        | 1,108,061   |
| Premium wine                   | 632,438     | 10,704                     | 1,476    | 644,618     |
| Other                          | 366,533     | 22,780                     | 1,888    | 391,201     |
| Total commercial loans         | 8,318,025   | 636,652                    | 33,898   | 8,988,575   |
| Consumer loans:                |             |                            |          |             |
| Real estate secured loans      | 822,148     | 6,252                      | 3,339    | 831,739     |
| Other consumer loans           | 89,036      | 4,038                      | 811      | 93,885      |
| Total consumer loans           | 911,184     | 10,290                     | 4,150    | 925,624     |
| Total gross loans              | \$9,229,209 | \$646,942                  | \$38,048 | \$9,914,199 |
| December 31, 2012:             |             |                            |          |             |
| Commercial loans:              |             |                            |          |             |
| Software                       | \$3,050,449 | \$240,187                  | \$3,263  | \$3,293,899 |
| Hardware                       | 970,802     | 136,819                    | 21,863   | 1,129,484   |
| Venture capital/private equity | 1,748,663   | 1,240                      | —        | 1,749,903   |
| Life science                   | 956,276     | 120,516                    | —        | 1,076,792   |
| Premium wine                   | 545,697     | 9,189                      | 4,398    | 559,284     |
| Other                          | 360,291     | 18,608                     | 5,415    | 384,314     |
| Total commercial loans         | 7,632,178   | 526,559                    | 34,939   | 8,193,676   |
| Consumer loans:                |             |                            |          |             |
| Real estate secured loans      | 663,911     | 19,343                     | 2,239    | 685,493     |
| Other consumer loans           | 132,818     | 11,160                     | 1,101    | 145,079     |
| Total consumer loans           | 796,729     | 30,503                     | 3,340    | 830,572     |
| Total gross loans              | \$8,428,907 | \$557,062                  | \$38,279 | \$9,024,248 |

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## TDRs

As of September 30, 2013 we had 21 TDRs with a total carrying value of \$29.3 million where concessions have been granted to borrowers experiencing financial difficulties, in an attempt to maximize collection. There were unfunded commitments available for funding of \$0.4 million to the clients associated with these TDRs as of September 30, 2013. The following table summarizes our loans modified in TDRs, broken out by portfolio segment and class of financing receivables at September 30, 2013 and December 31, 2012:

| (Dollars in thousands)          | September 30,<br>2013 | December 31,<br>2012 |
|---------------------------------|-----------------------|----------------------|
| Loans modified in TDRs:         |                       |                      |
| Commercial loans:               |                       |                      |
| Software                        | \$2,205               | \$2,021              |
| Hardware                        | 21,284                | 20,514               |
| Venture capital/ private equity | 88                    | —                    |
| Premium wine                    | 1,476                 | 2,593                |
| Other                           | 2,283                 | 5,900                |
| Total commercial loans          | 27,336                | 31,028               |
| Consumer loans:                 |                       |                      |
| Real estate secured loans       | 1,126                 | 2,199                |
| Other consumer loans            | 811                   | 1,101                |
| Total consumer loans            | 1,937                 | 3,300                |
| Total                           | \$29,273              | \$34,328             |

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, 2013 and 2012:

| (Dollars in thousands)                                 | Three months ended September<br>30, |         | Nine months ended September 30, |          |
|--------------------------------------------------------|-------------------------------------|---------|---------------------------------|----------|
|                                                        | 2013                                | 2012    | 2013                            | 2012     |
| Loans modified in TDRs during the period:              |                                     |         |                                 |          |
| Commercial loans:                                      |                                     |         |                                 |          |
| Software                                               | \$1,007                             | \$1,969 | \$1,007                         | \$1,969  |
| Hardware                                               | 6,330                               | —       | 7,783                           | 11,677   |
| Venture capital/ private equity                        | —                                   | —       | 88                              | —        |
| Premium wine                                           | —                                   | —       | —                               | 156      |
| Other                                                  | —                                   | —       | 734                             | 2,237    |
| Total commercial loans                                 | 7,337                               | 1,969   | 9,612                           | 16,039   |
| Consumer loans:                                        |                                     |         |                                 |          |
| Real estate secured loans                              | —                                   | —       | —                               | 392      |
| Other consumer loans                                   | —                                   | —       | 41                              | —        |
| Total consumer loans                                   | —                                   | —       | 41                              | 392      |
| Total loans modified in TDR's during the<br>period (1) | \$7,337                             | \$1,969 | \$9,653                         | \$16,431 |

There were partial charge-offs of \$1.2 million and \$2.4 million on loans classified as TDRs for the three and nine (1) months ended September 30, 2013, respectively. There were partial charge-offs of \$1.1 million and \$11.0 million, respectively, on loans classified as TDRs during the three and nine months ended September 30, 2012.

During the three and nine months ended September 30, 2013, all new TDRs of \$7.3 million and \$9.6 million, respectively, were modified through payment deferrals granted to our clients, and no principal or interest was forgiven.

During the three months ended September 30, 2012, all new TDRs of \$2.0 million were modified through payment deferrals granted to our client and no principal or interest was forgiven. During the nine months ended September 30, 2012, new TDRs

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totaling \$9.6 million and \$6.8 million were modified through partial forgiveness of principal and payment deferrals granted to our clients, respectively.

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

The following table summarizes the recorded investment in loans modified in TDRs within the previous 12 months that subsequently defaulted during the three and nine months ended September 30, 2013 and 2012, broken out by portfolio segment and class of financing receivable:

| (Dollars in thousands)                                                         | Three months ended September 30, |       | Nine months ended September 30, |       |
|--------------------------------------------------------------------------------|----------------------------------|-------|---------------------------------|-------|
|                                                                                | 2013                             | 2012  | 2013                            | 2012  |
| TDRs modified within the previous 12 months that defaulted during the period:  |                                  |       |                                 |       |
| Commercial loans:                                                              |                                  |       |                                 |       |
| Software                                                                       | \$—                              | \$—   | \$—                             | \$—   |
| Hardware                                                                       | —                                | 515   | —                               | 515   |
| Premium wine                                                                   | —                                | —     | —                               | —     |
| Other                                                                          | —                                | —     | —                               | —     |
| Total commercial loans                                                         | —                                | 515   | —                               | 515   |
| Consumer loans                                                                 | —                                | 120   | 41                              | 120   |
| Total TDRs modified within the previous 12 months that defaulted in the period | \$—                              | \$635 | \$41                            | \$635 |

Charge-offs and defaults on previously restructured loans are evaluated to determine the impact to the allowance for loan losses, if any. The evaluation of these defaults may impact the assumptions used in calculating the reserve on other TDRs and impaired loans as well as management's overall outlook of macroeconomic factors that affect the reserve on the loan portfolio as a whole. After evaluating the charge-offs and defaults experienced on our TDRs we determined that no change to our reserving methodology was necessary to determine the allowance for loan losses as of September 30, 2013.

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

The following table represents outstanding short-term borrowings and long-term debt at September 30, 2013 and December 31, 2012:

| (Dollars in thousands)              | Maturity           | Principal value at<br>September 30,<br>2013 | Carrying Value        |                      |
|-------------------------------------|--------------------|---------------------------------------------|-----------------------|----------------------|
|                                     |                    |                                             | September 30,<br>2013 | December 31,<br>2012 |
| Short-term borrowings:              |                    |                                             |                       |                      |
| Federal funds purchased             | —                  | —                                           | —                     | 160,000              |
| Other short-term borrowings         | (1)                | 5,580                                       | 5,580                 | 6,110                |
| Total short-term borrowings         |                    |                                             | \$5,580               | \$166,110            |
| Long-term debt:                     |                    |                                             |                       |                      |
| 5.375% Senior Notes                 | September 15, 2020 | \$350,000                                   | \$348,155             | \$347,995            |
| 6.05% Subordinated Notes (2)        | June 1, 2017       | 45,964                                      | 52,524                | 54,571               |
| 7.0% Junior Subordinated Debentures | October 15, 2033   | 50,000                                      | 55,065                | 55,196               |
| Total long-term debt                |                    |                                             | \$455,744             | \$457,762            |

(1) Represents cash collateral received from our counterparty for our interest rate swap agreement related to our 6.05% Subordinated Notes.

(2) At September 30, 2013 and December 31, 2012, included in the carrying value of our 6.05% Subordinated Notes were \$7.0 million and \$9.0 million, respectively, related to hedge accounting associated with the notes.

Interest expense related to short-term borrowings and long-term debt was \$5.7 million and \$17.4 million for the three and nine months ended September 30, 2013, respectively, and \$5.8 million and \$18.4 million for the three and nine months ended September 30, 2012, respectively. Interest expense is net of the hedge accounting impact from our interest rate swap agreements related to our 6.05% Subordinated Notes. The weighted average interest rate associated with our short-term borrowings as of September 30, 2013 was 0.06 percent.

## Available Lines of Credit

We have certain facilities in place to enable us to access short-term borrowings on a secured (using available-for-sale securities as collateral) and an unsecured basis. These include repurchase agreements and uncommitted federal funds lines with various financial institutions. As of September 30, 2013, we had no outstanding borrowings against our uncommitted federal funds lines. We also pledge securities to the FHLB of San Francisco and the discount window at the Federal Reserve Bank. The market value of collateral pledged to the FHLB of San Francisco (comprised primarily of U.S. agency debentures) at September 30, 2013 totaled \$1.4 billion, all of which was unused and available to support additional borrowings. The market value of collateral pledged at the discount window of the Federal Reserve Bank at September 30, 2013 totaled \$599 million, all of which was unused and available to support additional borrowings.

## 8. Derivative Financial Instruments

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

## Interest Rate Risk

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

counterparty risk. Changes in fair value of the interest rate swaps are reflected in either other assets (for swaps in an asset position) or other liabilities (for swaps in a liability position).



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

### Currency Exchange Risk

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

### Other Derivative Instruments

#### Equity Warrant Assets

Our equity warrant assets are concentrated in private, venture-backed companies in the technology and life science industries. Most of these warrant agreements contain net share settlement provisions, which permit us to pay the warrant exercise price using shares issuable under the warrant ("cashless exercise"). We value our equity warrant assets using a modified Black-Scholes option pricing model, which incorporates assumptions about the underlying asset value, volatility, and the risk-free rate. We make valuation adjustments for estimated remaining life and marketability for warrants issued by private companies. Equity warrant assets are recorded at fair value in other assets, while changes in their fair value are recorded through net gains on derivative instruments, in noninterest income, a component of consolidated net income.

#### Loan Conversion Options

In connection with negotiating certain credit facilities, we occasionally extend loan facilities which have convertible option features. The convertible loans may be converted into a certain number of shares determined by dividing the principal amount of the loan by the applicable conversion price. Because our loan conversion options have underlying and notional values and had no initial net investment, these assets qualify as derivative instruments. We value our loan conversion options using a modified Black-Scholes option pricing model, which incorporates assumptions about the underlying asset value, volatility, and the risk-free rate. Loan conversion options are recorded at fair value in other assets, while changes in their fair value are recorded through net gains on derivative instruments, in noninterest income, a component of consolidated net income.

### Other Derivatives

We sell forward and option contracts to clients who wish to mitigate their foreign currency exposure. We economically reduce the currency risk from this business by entering into opposite way contracts with correspondent banks. This relationship does not qualify for hedge accounting. The contracts generally have terms of one year or less, although we may have contracts extending for up to five years. Generally, we have not experienced nonperformance on these contracts, have not incurred credit losses, and anticipate performance by all counterparties to such agreements. Contracts in an asset position are included in other assets and contracts in a liability position are included in other liabilities. The net change in the fair value of these contracts is recorded through net gains on derivative instruments, in noninterest income, a component of consolidated net income.

We sell interest rate contracts to clients who wish to mitigate their interest rate exposure. We economically reduce the interest rate risk from this business by entering into opposite way contracts with correspondent banks. We do not designate any of these contracts (which are derivative instruments) as qualifying for hedge accounting. Contracts in an asset position are included in other assets and contracts in a liability position are included in other liabilities. The net change in the fair value of these derivatives is recorded through net gains on derivative instruments, in noninterest income, a component of consolidated net income.

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.

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The total notional or contractual amounts, fair value, collateral and net exposure of our derivative financial instruments at September 30, 2013 and December 31, 2012 were as follows:

|                                                    |                        | September 30, 2013             |            |                |                  | December 31, 2012              |            |                |                  |
|----------------------------------------------------|------------------------|--------------------------------|------------|----------------|------------------|--------------------------------|------------|----------------|------------------|
| (Dollars in thousands)                             | Balance Sheet Location | Notional or Contractual Amount | Fair Value | Collateral (1) | Net Exposure (2) | Notional or Contractual Amount | Fair Value | Collateral (1) | Net Exposure (2) |
| Derivatives designated as hedging instruments:     |                        |                                |            |                |                  |                                |            |                |                  |
| Interest rate risks:                               |                        |                                |            |                |                  |                                |            |                |                  |
| Interest rate swaps                                | Other assets           | \$45,964                       | \$7,027    | \$5,580        | \$1,447          | \$45,964                       | \$9,005    | \$6,110        | \$2,895          |
| Derivatives not designated as hedging instruments: |                        |                                |            |                |                  |                                |            |                |                  |
| Currency exchange risks:                           |                        |                                |            |                |                  |                                |            |                |                  |
| Foreign exchange forwards                          | Other assets           | 13,685                         | 789        | —              | 789              | 51,010                         | 488        | —              | 488              |
| Foreign exchange forwards                          | Other liabilities      | 208,712                        | (754 )     | —              | (754 )           | 102,956                        | (1,728 )   | —              | (1,728 )         |
| Net exposure                                       |                        |                                | 35         | —              | 35               |                                | (1,240 )   | —              | (1,240 )         |
| Other derivative instruments:                      |                        |                                |            |                |                  |                                |            |                |                  |
| Equity warrant assets                              | Other assets           | 180,861                        | 92,252     | —              | 92,252           | 164,332                        | 74,272     | —              | 74,272           |
| Other derivatives:                                 |                        |                                |            |                |                  |                                |            |                |                  |
| Client foreign exchange forwards                   | Other assets           | 459,501                        | 17,492     | —              | 17,492           | 385,470                        | 11,864     | —              | 11,864           |
| Client foreign exchange forwards                   | Other liabilities      | 482,755                        | (16,073 )  | —              | (16,073 )        | 356,026                        | (9,930 )   | —              | (9,930 )         |
| Client foreign currency options                    | Other assets           | 80,400                         | 182        | —              | 182              | 132,237                        | 1,189      | —              | 1,189            |
| Client foreign currency options                    | Other liabilities      | 80,400                         | (182 )     | —              | (182 )           | 132,237                        | (1,189 )   | —              | (1,189 )         |
| Loan conversion options                            | Other assets           | 8,877                          | 1,774      | —              | 1,774            | 9,782                          | 890        | —              | 890              |
| Client interest rate derivatives                   | Other assets           | 185,770                        | 1,237      | —              | 1,237            | 144,950                        | 558        | —              | 558              |
| Client interest rate derivatives                   | Other liabilities      | 185,770                        | (1,427 )   | —              | (1,427 )         | 144,950                        | (590 )     | —              | (590 )           |
| Net exposure                                       |                        |                                | 3,003      | —              | 3,003            |                                | 2,792      | —              | 2,792            |
| Net                                                |                        |                                | \$102,317  | \$5,580        | \$96,737         |                                | \$84,829   | \$6,110        | \$78,719         |

(1) Cash collateral received from our counterparty for our interest rate swap agreement is recorded as a component of “short-term borrowings” on our consolidated balance sheets.

(2) Net exposure for contracts in a gain position reflects the replacement cost in the event of nonperformance by all such counterparties. The credit ratings of our institutional counterparties as of September 30, 2013 remain at investment grade or higher and there were no material changes in their credit ratings during the three and nine

months ended September 30, 2013.

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A summary of our derivative activity and the related impact on our consolidated statements of income for the three and nine months ended September 30, 2013 and 2012 is as follows:

|                                                                    |                                     | Three months ended<br>September 30, |           | Nine months ended<br>September 30, |           |
|--------------------------------------------------------------------|-------------------------------------|-------------------------------------|-----------|------------------------------------|-----------|
| (Dollars in thousands)                                             | Statement of income location        | 2013                                | 2012      | 2013                               | 2012      |
| Derivatives designated as hedging instruments:                     |                                     |                                     |           |                                    |           |
| Interest rate risks:                                               |                                     |                                     |           |                                    |           |
| Net cash benefit associated with interest rate swaps               | Interest expense—borrowings         | \$634                               | \$612     | \$1,901                            | \$4,537   |
| Changes in fair value of interest rate swaps                       | Net gains on derivative instruments | (7                                  | ) 74      | 20                                 | 571       |
| Net gains associated with interest rate risk derivatives           |                                     | \$627                               | \$686     | \$1,921                            | \$5,108   |
| Derivatives not designated as hedging instruments:                 |                                     |                                     |           |                                    |           |
| Currency exchange risks:                                           |                                     |                                     |           |                                    |           |
| Gains on revaluations of foreign currency instruments              | Other noninterest income            | \$8,101                             | \$1,578   | \$451                              | \$96      |
| (Losses) gains on internal foreign exchange forward contracts, net | Net gains on derivative instruments | (8,423                              | ) 220     | (1,511                             | ) 1,162   |
| Net (losses) gains associated with currency risk                   |                                     | \$(322                              | ) \$1,798 | \$(1,060                           | ) \$1,258 |
| Other derivative instruments:                                      |                                     |                                     |           |                                    |           |
| Gains on equity warrant assets                                     | Net gains on derivative instruments | \$18,780                            | \$547     | \$29,475                           | \$12,358  |
| Gains on client foreign exchange forward contracts, net            | Net gains on derivative instruments | \$369                               | \$607     | \$2,179                            | \$3,002   |
| Net (losses) gains on other derivatives (1)                        | Net gains on derivative instruments | \$(517                              | ) \$(337  | ) \$55                             | \$(1,293  |

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

#### Balance Sheet Offsetting

Certain of our derivative and other financial instruments are subject to enforceable master netting arrangements with our counterparties. These agreements provide for the net settlement of multiple contracts with a single counterparty through a single payment, in a single currency, in the event of default on or termination of any one contract. The following table summarizes our assets subject to enforceable master netting arrangements as of September 30, 2013 and December 31, 2012:

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| (Dollars in thousands)                                                   | Gross<br>Amounts of<br>Recognized<br>Assets | Gross<br>Amounts<br>offset in the<br>Statement of<br>Financial<br>Position | Net<br>Amounts of<br>Assets<br>Presented in<br>the<br>Statement of<br>Financial<br>Position | Gross Amounts Not Offset<br>in the Statement of<br>Financial Position But<br>Subject to Master Netting<br>Arrangements |                                |  | Net Amount |
|--------------------------------------------------------------------------|---------------------------------------------|----------------------------------------------------------------------------|---------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------|--------------------------------|--|------------|
|                                                                          |                                             |                                                                            |                                                                                             | Financial<br>Instruments                                                                                               | Cash<br>Collateral<br>Received |  |            |
| September 30, 2013                                                       |                                             |                                                                            |                                                                                             |                                                                                                                        |                                |  |            |
| Derivative Assets:                                                       |                                             |                                                                            |                                                                                             |                                                                                                                        |                                |  |            |
| Interest rate swaps                                                      | \$7,027                                     | \$—                                                                        | \$7,027                                                                                     | \$(1,447 )                                                                                                             | \$(5,580 )                     |  | \$—        |
| Foreign exchange forwards                                                | 18,281                                      | —                                                                          | 18,281                                                                                      | (4,777 )                                                                                                               | —                              |  | 13,504     |
| Foreign currency options                                                 | 225                                         | (43 )                                                                      | 182                                                                                         | (11 )                                                                                                                  | —                              |  | 171        |
| Client interest rate derivatives                                         | 1,237                                       | —                                                                          | 1,237                                                                                       | (60 )                                                                                                                  | —                              |  | 1,177      |
| Total derivative assets:                                                 | 26,770                                      | (43 )                                                                      | 26,727                                                                                      | (6,295 )                                                                                                               | (5,580 )                       |  | 14,852     |
| Reverse repurchase, securities<br>borrowing, and similar<br>arrangements | 168,026                                     | —                                                                          | 168,026                                                                                     | (168,026 )                                                                                                             | —                              |  | —          |
| Total                                                                    | \$194,796                                   | \$(43 )                                                                    | \$194,753                                                                                   | \$(174,321 )                                                                                                           | \$(5,580 )                     |  | \$14,852   |
| December 31, 2012                                                        |                                             |                                                                            |                                                                                             |                                                                                                                        |                                |  |            |
| Derivative Assets:                                                       |                                             |                                                                            |                                                                                             |                                                                                                                        |                                |  |            |
| Interest rate swaps                                                      | \$9,005                                     | \$—                                                                        | \$9,005                                                                                     | \$(2,895 )                                                                                                             | \$(6,110 )                     |  | \$—        |
| Foreign exchange forwards                                                | 12,352                                      | —                                                                          | 12,352                                                                                      | (7,363 )                                                                                                               | —                              |  | 4,989      |
| Foreign currency options                                                 | 1,411                                       | (222 )                                                                     | 1,189                                                                                       | (556 )                                                                                                                 | —                              |  | 633        |
| Client interest rate derivatives                                         | 558                                         | —                                                                          | 558                                                                                         | (24 )                                                                                                                  | —                              |  | 534        |
| Total derivative assets:                                                 | 23,326                                      | (222 )                                                                     | 23,104                                                                                      | (10,838 )                                                                                                              | (6,110 )                       |  | 6,156      |
| Reverse repurchase, securities<br>borrowing, and similar<br>arrangements | 133,357                                     | —                                                                          | 133,357                                                                                     | (133,357 )                                                                                                             | —                              |  | —          |
| Total                                                                    | \$156,683                                   | \$(222 )                                                                   | \$156,461                                                                                   | \$(144,195 )                                                                                                           | \$(6,110 )                     |  | \$6,156    |

The following table summarizes our liabilities subject to enforceable master netting arrangements as of September 30, 2013 and December 31, 2012:

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

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Position

September 30, 2013

Derivative Liabilities:

|                                                             |           |         |           |             |     |         |
|-------------------------------------------------------------|-----------|---------|-----------|-------------|-----|---------|
| Foreign exchange forwards                                   | \$ 16,827 | \$—     | \$ 16,827 | \$(13,964 ) | \$— | \$2,863 |
| Foreign currency options                                    | 225       | (43 )   | 182       | (171 )      | —   | 11      |
| Client interest rate derivatives                            | 1,427     | —       | 1,427     | (1,362 )    | —   | 65      |
| Total derivative liabilities:                               | 18,479    | (43 )   | 18,436    | (15,497 )   | —   | 2,939   |
| Repurchase, securities lending,<br>and similar arrangements | —         | —       | —         | —           | —   | —       |
| Total                                                       | \$ 18,479 | \$(43 ) | \$ 18,436 | \$(15,497 ) | \$— | \$2,939 |

December 31, 2012

Derivative Liabilities:

|                                                             |           |          |           |            |     |         |
|-------------------------------------------------------------|-----------|----------|-----------|------------|-----|---------|
| Foreign exchange forwards                                   | \$ 11,658 | \$—      | \$ 11,658 | \$(5,720 ) | \$— | \$5,938 |
| Foreign currency options                                    | 1,411     | (222 )   | 1,189     | (633 )     | —   | 556     |
| Client interest rate derivatives                            | 590       | —        | 590       | (567 )     | —   | 23      |
| Total derivative assets:                                    | 13,659    | (222 )   | 13,437    | (6,920 )   | —   | 6,517   |
| Repurchase, securities lending,<br>and similar arrangements | —         | —        | —         | —          | —   | —       |
| Total                                                       | \$ 13,659 | \$(222 ) | \$ 13,437 | \$(6,920 ) | \$— | \$6,517 |

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## 9. Other Noninterest Income and Other Noninterest Expense

A summary of other noninterest income for the three and nine months ended September 30, 2013 and 2012 is as follows:

|                                                                                            | Three months ended September 30, |          | Nine months ended September 30, |          |
|--------------------------------------------------------------------------------------------|----------------------------------|----------|---------------------------------|----------|
| (Dollars in thousands)                                                                     | 2013                             | 2012     | 2013                            | 2012     |
| Unused commitment fees                                                                     | \$3,735                          | \$2,579  | \$10,582                        | \$9,312  |
| Fund management fees                                                                       | 2,822                            | 2,496    | 8,531                           | 8,448    |
| Service-based fee income (1)                                                               | 1,901                            | 1,651    | 5,706                           | 6,197    |
| Net gains on the sale of certain assets related to our equity management services business | —                                | —        | —                               | 4,243    |
| Loan syndication fees                                                                      | 1,102                            | 1,353    | 1,852                           | 2,853    |
| Gains on revaluation of foreign currency instruments (2)                                   | 8,101                            | 1,578    | 451                             | 96       |
| Currency revaluation (losses) gains (3)                                                    | (32                              | ) 845    | (7                              | ) (88    |
| Other                                                                                      | 4,797                            | 2,921    | 11,068                          | 8,104    |
| Total other noninterest income                                                             | \$22,426                         | \$13,423 | \$38,183                        | \$39,165 |

(1) Includes income from SVB Analytics.

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

Primarily represents the revaluation of foreign currency denominated investments in certain funds. Included in these amounts are losses of \$0.1 million and gains of \$0.1 million for the three and nine months ended

(3) September 30, 2013, respectively, attributable to noncontrolling interests calculated based on the ownership percentages of the noncontrolling interests. This compares to gains of \$0.8 million and losses of \$3.0 thousand for the comparable 2012 periods.

A summary of other noninterest expense for the three and nine months ended September 30, 2013 and 2012 is as follows:

|                                 | Three months ended September 30, |         | Nine months ended September 30, |          |
|---------------------------------|----------------------------------|---------|---------------------------------|----------|
| (Dollars in thousands)          | 2013                             | 2012    | 2013                            | 2012     |
| Telephone                       | \$1,571                          | \$1,619 | \$4,640                         | \$4,950  |
| Client services                 | 1,920                            | 1,804   | 5,711                           | 4,796    |
| Data processing services        | 2,020                            | 1,575   | 5,814                           | 4,290    |
| Tax credit fund amortization    | 1,519                            | 941     | 4,174                           | 2,961    |
| Postage and supplies            | 559                              | 591     | 1,777                           | 1,844    |
| Dues and publications           | 399                              | 472     | 1,302                           | 1,503    |
| Other                           | 2,661                            | 1,961   | 6,855                           | 5,844    |
| Total other noninterest expense | \$10,649                         | \$8,963 | \$30,273                        | \$26,188 |



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### 10. Segment Reporting

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

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

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

The following is a description of the services that our three reportable segments provide:

Global Commercial Bank provides solutions to the financial needs of commercial clients through lending, deposit products, cash management services, and global banking and trade products and services. It also serves the needs of our non-U.S. clients with global banking products, including loans, deposits and global finance, in key foreign entrepreneurial markets, where applicable. Our Global Commercial Bank segment is comprised of results from our Commercial Bank, and also includes SVB Specialty Lending, SVB Analytics and our Debt Fund Investments. (For further description of these operating segments, refer to Note 20—"Segment Reporting" under Part II, Item 8 of our 2012 Form 10-K.)

SVB Private Bank provides banking products and a range of credit services primarily to venture capital/private equity professionals using both long-term secured and short-term unsecured lines of credit.

SVB Capital is the venture capital investment arm of SVBFG, which focuses primarily on funds management. SVB Capital manages funds (primarily venture capital funds) on behalf of third party limited partners and SVB Financial Group. The SVB Capital family of funds is comprised of funds of funds and direct venture funds. SVB Capital generates income for the Company primarily through management fees, carried interest arrangements and returns through the Company's investments in the funds.

The summary financial results of our operating segments are presented along with a reconciliation to our consolidated interim results. The Other Items column reflects the adjustments necessary to reconcile the results of the operating segments to the consolidated financial statements prepared in conformity with GAAP. Noninterest income in the Other Items column is primarily attributable to noncontrolling interests and gains on equity warrant assets.

Noninterest expense in the Other Items column primarily consists of expenses associated with corporate support functions such as finance, human resources, marketing, legal and other expenses. Additionally, average assets in the Other Items column primarily consists of cash and cash equivalents.

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Our segment information for the three and nine months ended September 30, 2013 and 2012 is as follows:

| (Dollars in thousands)                      | Global<br>Commercial<br>Bank (1) | SVB Private<br>Bank | SVB<br>Capital (1) | Other<br>Items | Total       |
|---------------------------------------------|----------------------------------|---------------------|--------------------|----------------|-------------|
| Three months ended September 30, 2013       |                                  |                     |                    |                |             |
| Net interest income                         | \$162,781                        | \$6,195             | \$1                | \$8,119        | \$177,096   |
| Provision for loan losses                   | (11,633 )                        | 995                 | —                  | —              | (10,638 )   |
| Noninterest income                          | 50,814                           | 380                 | 35,457             | 170,999        | 257,650     |
| Noninterest expense (2)                     | (109,088 )                       | (3,960 )            | (2,728 )           | (44,748 )      | (160,524 )  |
| Income before income tax expense (3)        | \$92,874                         | \$3,610             | \$32,730           | \$134,370      | \$263,584   |
| Total average loans, net of unearned income | \$8,683,784                      | \$942,411           | \$—                | \$(80,254 )    | \$9,545,941 |
| Total average assets (4)                    | 21,331,760                       | 1,002,718           | 329,680            | 408,576        | 23,072,734  |
| Total average deposits                      | 18,994,576                       | 535,611             | —                  | 29,701         | 19,559,888  |
| Three months ended September 30, 2012       |                                  |                     |                    |                |             |
| Net interest income (loss)                  | \$151,858                        | \$5,666             | \$6                | \$(3,100 )     | \$154,430   |
| (Provision for) reduction of loan losses    | (7,787 )                         | 999                 | —                  | —              | (6,788 )    |
| Noninterest income                          | 46,965                           | 149                 | 4,330              | 17,695         | 69,139      |
| Noninterest expense (2)                     | (98,064 )                        | (3,603 )            | (3,562 )           | (29,942 )      | (135,171 )  |
| Income (loss) before income tax expense (3) | \$92,972                         | \$3,211             | \$774              | \$(15,347 )    | \$81,610    |
| Total average loans, net of unearned income | \$7,159,609                      | \$755,001           | \$—                | \$(7,004 )     | \$7,907,606 |
| Total average assets (4)                    | 19,860,340                       | 758,988             | 238,595            | 869,274        | 21,727,197  |
| Total average deposits                      | 17,881,175                       | 341,537             | —                  | 37,632         | 18,260,344  |
| Nine months ended September 30, 2013        |                                  |                     |                    |                |             |
| Net interest income                         | \$466,303                        | \$18,226            | \$5                | \$25,812       | \$510,346   |
| (Provision for) reduction of loan losses    | (36,030 )                        | 1,007               | —                  | —              | (35,023 )   |
| Noninterest income                          | 145,716                          | 867                 | 48,179             | 239,731        | 434,493     |
| Noninterest expense (2)                     | (316,949 )                       | (10,882 )           | (7,871 )           | (117,128 )     | (452,830 )  |
| Income (loss) before income tax expense (3) | \$259,040                        | \$9,218             | \$40,313           | \$148,415      | \$456,986   |
| Total average loans, net of unearned income | \$8,274,380                      | \$886,679           | \$—                | \$(74,880 )    | \$9,086,179 |
| Total average assets (4)                    | 20,723,037                       | 914,515             | 277,136            | 581,404        | 22,496,092  |
| Total average deposits                      | 18,480,757                       | 493,204             | —                  | 15,399         | 18,989,360  |
| Nine months ended September 30, 2012        |                                  |                     |                    |                |             |
| Net interest income                         | \$441,542                        | \$16,147            | \$22               | \$(410 )       | \$457,301   |
| Provision for loan losses                   | (29,946 )                        | 630                 | —                  | —              | (29,316 )   |
| Noninterest income                          | 139,387                          | 457                 | 12,474             | 56,540         | 208,858     |
| Noninterest expense (2)                     | (293,193 )                       | (9,952 )            | (8,970 )           | (90,834 )      | (402,949 )  |
| Income before income tax expense (3)        | \$257,790                        | \$7,282             | \$3,526            | \$(34,704 )    | \$233,894   |
| Total average loans, net of unearned income | \$6,559,036                      | \$745,069           | \$—                | \$14,432       | \$7,318,537 |
| Total average assets (4)                    | 19,149,134                       | 749,500             | 243,124            | 811,283        | 20,953,041  |
| Total average deposits                      | 17,240,715                       | 278,736             | —                  | 27,743         | 17,547,194  |

(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.

The Global Commercial Bank segment includes direct depreciation and amortization of \$5.6 million and \$4.5 million for the three months ended September 30, 2013 and 2012, respectively, and \$16.0 million and \$11.6 million for the nine months ended September 30, 2013 and 2012, respectively.

(3) 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.

(4) Total average assets equals the greater of total average assets or the sum of total liabilities and total stockholders' equity for each segment.

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## 11. Off-Balance Sheet Arrangements, Guarantees and Other Commitments

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

## Commitments to Extend Credit

The following table summarizes information related to our commitments to extend credit at September 30, 2013 and December 31, 2012:

| (Dollars in thousands)                                                    | September 30,<br>2013 | December 31,<br>2012 |
|---------------------------------------------------------------------------|-----------------------|----------------------|
| Loan commitments available for funding: (1)                               |                       |                      |
| Fixed interest rate commitments                                           | \$1,222,651           | \$862,120            |
| Variable interest rate commitments                                        | 8,571,795             | 6,906,580            |
| Total loan commitments available for funding                              | 9,794,446             | 7,768,700            |
| Commercial and standby letters of credit (2)                              | 881,123               | 842,091              |
| Total unfunded credit commitments                                         | \$10,675,569          | \$8,610,791          |
| Commitments unavailable for funding (3)                                   | \$1,340,102           | \$1,315,072          |
| Maximum lending limits for accounts receivable factoring arrangements (4) | 873,502               | 880,057              |
| Reserve for unfunded credit commitments (5)                               | 28,456                | 22,299               |

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

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

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

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

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

## Commercial and Standby Letters of Credit

The table below summarizes our commercial and standby letters of credit at September 30, 2013. 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<br>Year or Less | Expires After<br>One Year | Total Amount<br>Outstanding | Maximum Amount<br>of Future<br>Payments |
|---------------------------------------|--------------------------------|---------------------------|-----------------------------|-----------------------------------------|
| Financial standby letters of credit   | \$760,135                      | \$52,889                  | \$813,024                   | \$813,024                               |
| Performance standby letters of credit | 52,594                         | 9,671                     | 62,265                      | 62,265                                  |
| Commercial letters of credit          | 5,834                          | —                         | 5,834                       | 5,834                                   |
| Total                                 | \$818,563                      | \$62,560                  | \$881,123                   | \$881,123                               |

At September 30, 2013 and December 31, 2012, deferred fees related to financial and performance standby letters of credit were \$8.3 million and \$5.5 million, respectively. At September 30, 2013, collateral in the form of cash of \$341.0 million and available-for-sale securities of \$5.7 million were available to us to reimburse losses, if any, under financial and performance standby letters of credit.



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

We make commitments to invest in venture capital and private equity funds, which in turn make investments generally in, or in some cases make loans to, privately-held companies. Commitments to invest in these funds are generally made for a 10-year period from the inception of the fund. Although the limited partnership agreements governing these investments typically do not restrict the general partners from calling 100% of committed capital in one year, it is customary for these funds to generally call most of the capital commitments over 5 to 7 years; however in certain cases, the funds may not call 100% of committed capital over the life of the fund. The actual timing of future cash requirements to fund these commitments is generally dependent upon the investment cycle, overall market conditions, and the nature and type of industry in which the privately held companies operate. The following table details our total capital commitments, unfunded capital commitments, and our ownership percentage in each fund at September 30, 2013:

| Our Ownership in Venture Capital/Private Equity Funds<br>(Dollars in thousands) | SVBFG Capital<br>Commitments | SVBFG Unfunded<br>Commitments | SVBFG Ownership<br>of each Fund |   |
|---------------------------------------------------------------------------------|------------------------------|-------------------------------|---------------------------------|---|
| Silicon Valley BancVentures, LP                                                 | \$6,000                      | \$ 270                        | 10.7                            | % |
| SVB Capital Partners II, LP (1)                                                 | 1,200                        | 162                           | 5.1                             |   |
| SVB Capital Shanghai Yangpu Venture Capital Fund                                | 948                          | 163                           | 6.8                             |   |
| SVB Strategic Investors Fund, LP                                                | 15,300                       | 688                           | 12.6                            |   |
| SVB Strategic Investors Fund II, LP                                             | 15,000                       | 1,050                         | 8.6                             |   |
| SVB Strategic Investors Fund III, LP                                            | 15,000                       | 1,688                         | 5.9                             |   |
| SVB Strategic Investors Fund IV, LP                                             | 12,239                       | 3,060                         | 5.0                             |   |
| Strategic Investors Fund V Funds                                                | 515                          | 353                           | Various                         |   |
| Strategic Investors Fund VI Funds                                               | 500                          | 483                           | 0.2                             |   |
| SVB Capital Preferred Return Fund, LP                                           | 12,688                       | —                             | 20.0                            |   |
| SVB Capital—NT Growth Partners, LP                                              | 24,670                       | 1,340                         | 33.0                            |   |
| Other private equity fund (2)                                                   | 9,338                        | —                             | 58.2                            |   |
| Partners for Growth, LP                                                         | 25,000                       | 9,750                         | 50.0                            |   |
| Debt funds (equity method accounting)                                           | 65,253                       | 4,950                         | Various                         |   |
| Other fund investments (3)                                                      | 303,691                      | 51,460                        | Various                         |   |
| Total                                                                           | \$507,342                    | \$ 75,417                     |                                 |   |

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

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

(2) Represents commitments to 298 funds (primarily venture capital funds) where our ownership interest is generally less than 5 percent of the voting interests of each such fund.

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The following table details the amounts of remaining unfunded commitments to venture capital and private equity funds by our consolidated managed funds of funds (including our interest and the noncontrolling interests) at September 30, 2013:

| Limited Partnership<br>(Dollars in thousands) | Unfunded<br>Commitments |
|-----------------------------------------------|-------------------------|
| SVB Strategic Investors Fund, LP              | \$ 2,298                |
| SVB Strategic Investors Fund II, LP           | 7,501                   |
| SVB Strategic Investors Fund III, LP          | 25,575                  |
| SVB Strategic Investors Fund IV, LP           | 68,836                  |
| Strategic Investors Fund V Funds              | 253,323                 |
| Strategic Investors Fund VI Funds             | 49,277                  |
| SVB Capital Preferred Return Fund, LP         | 11,326                  |
| SVB Capital—NT Growth Partners, LP            | 12,651                  |
| Other private equity fund                     | 3,967                   |
| Total                                         | \$ 434,754              |

## 12. Income Taxes

We are subject to income tax in the U.S. federal jurisdiction and various state and foreign jurisdictions and have identified our federal tax return and tax returns in California and Massachusetts as “major” tax filings. U.S. federal tax examinations through 2009 have been concluded. Our U.S. federal tax returns for 2010 and subsequent years remain open to examination. Our California tax returns for 2008 and subsequent tax years remain open to examination. Massachusetts tax returns for 2008, 2010 and subsequent years remain open to examination.

During the quarter ended September 30, 2013, we recorded a one-time prior period tax adjustment of \$2.9 million. Prior period amounts have not been revised as the income tax amounts were not considered material, individually, or in the aggregate, to any of the prior reporting periods affected.

At September 30, 2013, our unrecognized tax benefit was \$0.5 million, the recognition of which would reduce our income tax expense by \$0.3 million. We do not expect that our unrecognized tax benefit will materially change in the next 12 months.

We recognize interest and penalties related to income tax matters as part of income before income taxes. Interest and penalties were not material for the three and nine month periods ending September 30, 2013.

## 13. Fair Value of Financial Instruments

## Fair Value Measurements

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

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

## Level 1

Fair value measurements based on quoted prices in active markets for identical assets or liabilities that we have the ability to access. Valuation adjustments and block discounts are not applied to instruments utilizing Level 1 inputs. 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 exchange-traded equity securities and certain marketable securities accounted for under fair value accounting.





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### Level 2

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

U.S. treasury securities: U.S. treasury securities are considered by most investors to be the most liquid fixed income investments available. These securities are priced relative to market prices on similar U.S. treasury securities.

U.S. agency debentures: Fair value measurements of U.S. agency debentures are based on the characteristics specific to bonds held, such as issuer name, coupon rate, maturity date and any applicable issuer call option features.

Valuations are based on market spreads relative to similar term benchmark market interest rates, generally U.S. treasury securities.

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

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

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

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

Interest rate swap assets: Fair value measurements of interest rate swaps 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 and the credit worthiness of the contract counterparty.

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: Fair value measurements are based on the net asset value per share as obtained from the investee funds' management, as the funds do not have a readily determinable fair value and

the funds prepare their financial statements using guidance consistent with the fair value accounting. We account for differences between our measurement date and the date of the fund investment's net asset value by using the most recent available financial information from the investee general partner, adjusted for any contributions paid, distributions received from the investment, and significant fund transactions or market events during the reporting period.

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

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

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

Equity warrant assets (private portfolio): Fair value measurements of equity warrant assets of private portfolio companies are priced based on a modified Black-Scholes option pricing model to estimate the asset value by using stated strike prices, option expiration dates, risk-free interest rates and option volatility assumptions. Option volatility assumptions used in the modified Black-Scholes model are based on public market indices whose members operate in similar industries as companies in our private company portfolio. Option expiration dates are modified to account for estimates to actual life relative to stated expiration. Overall model asset values are further adjusted for a general lack of liquidity due to the private nature of the associated underlying company. There is a direct correlation between changes in the volatility and remaining life assumptions in isolation and the fair value measurement while there is an inverse correlation between changes in the liquidity discount assumption and the fair value measurement.

It is our policy to maximize the use of observable inputs and minimize the use of unobservable inputs when developing fair value measurements. When available, we use quoted market prices to measure fair value. If market prices are not available, fair value measurement is based upon valuation techniques that use primarily market-based or independently-sourced market parameters, including interest rate yield curves, prepayment speeds, option volatilities and currency rates. Substantially all of our financial instruments use the foregoing methodologies, and are categorized as a Level 1 or Level 2 measurement in the fair value hierarchy. However, in certain cases, when market observable inputs for our valuation techniques may not be readily available, we are required to make judgments about assumptions we believe market participants would use in estimating the fair value of the financial instrument, and based on the significance of those judgments, the measurement may be determined to be a Level 3 fair value measurement.

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

valuation techniques requiring more management judgment to estimate the appropriate fair value measurement. Accordingly, the degree of judgment exercised by management in determining fair value is greater for financial assets and liabilities categorized as Level 3.

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The following fair value hierarchy table presents information about our assets and liabilities that are measured at fair value on a recurring basis as of September 30, 2013:

| (Dollars in thousands)                                            | Level 1 | Level 2      | Level 3     | Balance at<br>September 30,<br>2013 |
|-------------------------------------------------------------------|---------|--------------|-------------|-------------------------------------|
| <b>Assets</b>                                                     |         |              |             |                                     |
| Available-for-sale securities:                                    |         |              |             |                                     |
| U.S. treasury securities                                          | \$—     | \$—          | \$—         | \$—                                 |
| U.S. agency debentures                                            | —       | 3,624,820    | —           | 3,624,820                           |
| Residential mortgage-backed securities:                           |         |              |             |                                     |
| Agency-issued mortgage-backed securities                          | —       | 1,518,698    | —           | 1,518,698                           |
| Agency-issued collateralized mortgage obligations - fixed rate    | —       | 3,247,477    | —           | 3,247,477                           |
| Agency-issued collateralized mortgage obligations - variable rate | —       | 1,289,850    | —           | 1,289,850                           |
| Agency-issued commercial mortgage-backed securities               | —       | 435,932      | —           | 435,932                             |
| Municipal bonds and notes                                         | —       | 86,579       | —           | 86,579                              |
| Equity securities                                                 | 4,021   | 2,540        | —           | 6,561                               |
| Total available-for-sale securities                               | 4,021   | 10,205,896   | —           | 10,209,917                          |
| Non-marketable and other securities (fair value accounting):      |         |              |             |                                     |
| Non-marketable securities:                                        |         |              |             |                                     |
| Venture capital and private equity fund investments               | —       | —            | 773,499     | 773,499                             |
| Other venture capital investments                                 | —       | —            | 55,359      | 55,359                              |
| Other securities                                                  | 2,546   | —            | 217,054     | 219,600                             |
| Total non-marketable and other securities (fair value accounting) | 2,546   | —            | 1,045,912   | 1,048,458                           |
| Other assets:                                                     |         |              |             |                                     |
| Interest rate swaps                                               | —       | 7,027        | —           | 7,027                               |
| Foreign exchange forward and option contracts                     | —       | 18,463       | —           | 18,463                              |
| Equity warrant assets                                             | —       | 4,126        | 88,126      | 92,252                              |
| Loan conversion options                                           | —       | 1,774        | —           | 1,774                               |
| Client interest rate derivatives                                  | —       | 1,237        | —           | 1,237                               |
| Total assets (1)                                                  | \$6,567 | \$10,238,523 | \$1,134,038 | \$11,379,128                        |
| <b>Liabilities</b>                                                |         |              |             |                                     |
| Foreign exchange forward and option contracts                     | \$—     | \$17,009     | \$—         | \$17,009                            |
| Client interest rate derivatives                                  | —       | 1,427        | —           | 1,427                               |
| Total liabilities                                                 | \$—     | \$18,436     | \$—         | \$18,436                            |

(1) Included in Level 1 and Level 3 assets are \$2.4 million and \$953 million, respectively, attributable to noncontrolling interests calculated based on the ownership percentages of the noncontrolling interests.

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The following fair value hierarchy table presents information about our assets and liabilities that are measured at fair value on a recurring basis as of December 31, 2012:

| (Dollars in thousands)                                            | Level 1 | Level 2      | Level 3   | Balance at<br>December 31,<br>2012 |
|-------------------------------------------------------------------|---------|--------------|-----------|------------------------------------|
| <b>Assets</b>                                                     |         |              |           |                                    |
| Available-for-sale securities:                                    |         |              |           |                                    |
| U.S. treasury securities                                          | \$—     | \$25,247     | \$—       | \$25,247                           |
| U.S. agency debentures                                            | —       | 3,447,628    | —         | 3,447,628                          |
| Residential mortgage-backed securities:                           |         |              |           |                                    |
| Agency-issued mortgage-backed securities                          | —       | 1,473,433    | —         | 1,473,433                          |
| Agency-issued collateralized mortgage obligations - fixed rate    | —       | 4,103,974    | —         | 4,103,974                          |
| Agency-issued collateralized mortgage obligations - variable rate | —       | 1,772,748    | —         | 1,772,748                          |
| Agency-issued commercial mortgage-backed securities               | —       | 422,098      | —         | 422,098                            |
| Municipal bonds and notes                                         | —       | 93,529       | —         | 93,529                             |
| Equity securities                                                 | 4,520   | —            | —         | 4,520                              |
| Total available-for-sale securities                               | 4,520   | 11,338,657   | —         | 11,343,177                         |
| Non-marketable and other securities (fair value accounting):      |         |              |           |                                    |
| Venture capital and private equity fund investments               | —       | —            | 665,921   | 665,921                            |
| Other venture capital investments                                 | —       | —            | 127,091   | 127,091                            |
| Total non-marketable and other securities (fair value accounting) | —       | —            | 793,012   | 793,012                            |
| Other assets:                                                     |         |              |           |                                    |
| Marketable securities                                             | 1,144   | 9,184        | —         | 10,328                             |
| Interest rate swaps                                               | —       | 9,005        | —         | 9,005                              |
| Foreign exchange forward and option contracts                     | —       | 13,541       | —         | 13,541                             |
| Equity warrant assets                                             | —       | 8,143        | 66,129    | 74,272                             |
| Loan conversion options                                           | —       | 890          | —         | 890                                |
| Client interest rate derivatives                                  | —       | 558          | —         | 558                                |
| Total assets (1)                                                  | \$5,664 | \$11,379,978 | \$859,141 | \$12,244,783                       |
| <b>Liabilities</b>                                                |         |              |           |                                    |
| Foreign exchange forward and option contracts                     | \$—     | \$12,847     | \$—       | \$12,847                           |
| Client interest rate derivatives                                  | —       | 590          | —         | 590                                |
| Total liabilities                                                 | \$—     | \$13,437     | \$—       | \$13,437                           |

Included in Level 1, Level 2, and Level 3 assets are \$1.1 million, \$8.7 million, and \$708 million, respectively, (1) attributable to noncontrolling interests calculated based on the ownership percentages of the noncontrolling interests.

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The following table presents additional information about Level 3 assets measured at fair value on a recurring basis for the three and nine months ended September 30, 2013 and 2012, respectively:

| (Dollars in thousands)                                                | Beginning Balance | Total Realized and Unrealized Gains (Losses) Included in Income | Purchases | Sales      | Issuances | Distributions and Other Settlements | Transfers Into Level 3 | Transfers Out of Level 3 | Ending Balance |
|-----------------------------------------------------------------------|-------------------|-----------------------------------------------------------------|-----------|------------|-----------|-------------------------------------|------------------------|--------------------------|----------------|
| Three months ended September 30, 2013                                 |                   |                                                                 |           |            |           |                                     |                        |                          |                |
| Non-marketable and other securities (fair value accounting):          |                   |                                                                 |           |            |           |                                     |                        |                          |                |
| Venture capital and private equity fund investments                   | \$741,522         | \$34,288                                                        | \$41,704  | \$—        | \$—       | \$(44,015)                          | \$—                    | \$—                      | \$773,499      |
| Other venture capital investments                                     | 123,493           | 4,530                                                           | 1,016     | 4          | —         | (73,684)                            | —                      | —                        | 55,359         |
| Other securities (fair value accounting)                              | —                 | 143,301                                                         | —         | —          | —         | 73,753                              | —                      | —                        | 217,054        |
| Total non-marketable and other securities (fair value accounting)(1)  | 865,015           | 182,119                                                         | 42,720    | 4          | —         | (43,946)                            | —                      | —                        | 1,045,912      |
| Other assets:                                                         |                   |                                                                 |           |            |           |                                     |                        |                          |                |
| Equity warrant assets (2)                                             | 73,229            | 18,215                                                          | —         | (6,366)    | 2,995     | 365                                 | —                      | (312)                    | 88,126         |
| Total assets                                                          | \$938,244         | \$200,334                                                       | \$42,720  | \$(6,362)  | \$2,995   | \$(43,581)                          | \$—                    | \$(312)                  | \$1,134,038    |
| Three months ended September 30, 2012                                 |                   |                                                                 |           |            |           |                                     |                        |                          |                |
| Non-marketable and other securities (fair value accounting):          |                   |                                                                 |           |            |           |                                     |                        |                          |                |
| Venture capital and private equity fund investments                   | \$639,596         | \$12,104                                                        | \$35,092  | \$—        | \$—       | \$(28,383)                          | \$—                    | \$—                      | \$658,409      |
| Other venture capital investments                                     | 120,111           | 3,259                                                           | 953       | (5,202)    | —         | 479                                 | —                      | (978)                    | 118,622        |
| Other investments                                                     | —                 | —                                                               | —         | —          | —         | —                                   | —                      | —                        | —              |
| Total non-marketable and other securities (fair value accounting) (1) | 759,707           | 15,363                                                          | 36,045    | (5,202)    | —         | (27,904)                            | —                      | (978)                    | 777,031        |
| Other assets:                                                         |                   |                                                                 |           |            |           |                                     |                        |                          |                |
| Equity warrant assets (2)                                             | 68,619            | (800)                                                           | —         | (5,954)    | 2,994     | —                                   | —                      | (168)                    | 64,691         |
| Total assets                                                          | \$828,326         | \$14,563                                                        | \$36,045  | \$(11,156) | \$2,994   | \$(27,904)                          | \$—                    | \$(1,146)                | \$841,722      |
| Nine months ended September 30, 2013                                  |                   |                                                                 |           |            |           |                                     |                        |                          |                |

Non-marketable and  
other securities (fair  
value accounting):

Venture capital and  
private equity fund  
investments

|           |          |           |     |     |            |     |     |           |
|-----------|----------|-----------|-----|-----|------------|-----|-----|-----------|
| \$665,921 | \$90,526 | \$107,022 | \$— | \$— | \$(89,970) | \$— | \$— | \$773,499 |
|-----------|----------|-----------|-----|-----|------------|-----|-----|-----------|

Other venture capital  
investments

|         |       |       |       |     |          |     |         |          |
|---------|-------|-------|-------|-----|----------|-----|---------|----------|
| 127,091 | 5,779 | 1,210 | (381) | ) — | (74,779) | ) — | (3,561) | ) 55,359 |
|---------|-------|-------|-------|-----|----------|-----|---------|----------|

Other securities (fair  
value accounting)

|   |         |   |   |   |        |   |   |         |
|---|---------|---|---|---|--------|---|---|---------|
| — | 143,301 | — | — | — | 73,753 | — | — | 217,054 |
|---|---------|---|---|---|--------|---|---|---------|

Total non-marketable  
and other securities (fair  
value accounting) (1)

|         |         |         |       |     |          |     |         |             |
|---------|---------|---------|-------|-----|----------|-----|---------|-------------|
| 793,012 | 239,606 | 108,232 | (381) | ) — | (90,996) | ) — | (3,561) | ) 1,045,912 |
|---------|---------|---------|-------|-----|----------|-----|---------|-------------|

Other assets:

Equity warrant assets  
(2)

|        |        |   |          |         |       |   |         |          |
|--------|--------|---|----------|---------|-------|---|---------|----------|
| 66,129 | 26,142 | — | (10,805) | ) 7,309 | 1,743 | — | (2,392) | ) 88,126 |
|--------|--------|---|----------|---------|-------|---|---------|----------|

Total assets

|           |           |           |            |         |            |     |           |             |
|-----------|-----------|-----------|------------|---------|------------|-----|-----------|-------------|
| \$859,141 | \$265,748 | \$108,232 | \$(11,186) | \$7,309 | \$(89,253) | \$— | \$(5,953) | \$1,134,038 |
|-----------|-----------|-----------|------------|---------|------------|-----|-----------|-------------|

Nine months ended  
September 30, 2012

Non-marketable and  
other securities (fair  
value accounting):

Venture capital and  
private equity fund  
investments

|           |          |          |     |     |            |     |     |           |
|-----------|----------|----------|-----|-----|------------|-----|-----|-----------|
| \$611,824 | \$38,765 | \$90,173 | \$— | \$— | \$(82,353) | \$— | \$— | \$658,409 |
|-----------|----------|----------|-----|-----|------------|-----|-----|-----------|

Other venture capital  
investments

|         |         |         |         |     |     |   |         |           |
|---------|---------|---------|---------|-----|-----|---|---------|-----------|
| 124,121 | (3,868) | ) 8,888 | (9,441) | ) — | 495 | — | (1,573) | ) 118,622 |
|---------|---------|---------|---------|-----|-----|---|---------|-----------|

Other investments

|     |    |   |   |   |         |     |   |   |
|-----|----|---|---|---|---------|-----|---|---|
| 987 | 21 | — | — | — | (1,008) | ) — | — | — |
|-----|----|---|---|---|---------|-----|---|---|

Total non-marketable  
and other securities (fair  
value accounting) (1)

|         |        |        |         |     |          |     |         |           |
|---------|--------|--------|---------|-----|----------|-----|---------|-----------|
| 736,932 | 34,918 | 99,061 | (9,441) | ) — | (82,866) | ) — | (1,573) | ) 777,031 |
|---------|--------|--------|---------|-----|----------|-----|---------|-----------|

Other assets:

Equity warrant assets  
(2)

|        |       |   |          |         |   |   |       |          |
|--------|-------|---|----------|---------|---|---|-------|----------|
| 63,030 | 8,848 | — | (15,672) | ) 9,167 | 1 | — | (683) | ) 64,691 |
|--------|-------|---|----------|---------|---|---|-------|----------|

Total assets

|           |          |          |            |         |            |     |           |           |
|-----------|----------|----------|------------|---------|------------|-----|-----------|-----------|
| \$799,962 | \$43,766 | \$99,061 | \$(25,113) | \$9,167 | \$(82,865) | \$— | \$(2,256) | \$841,722 |
|-----------|----------|----------|------------|---------|------------|-----|-----------|-----------|



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- (1) Realized and unrealized gains (losses) are recorded on the line items “gains on investment securities, net”, and “other noninterest income”, components of noninterest income.
- (2) Realized and unrealized gains (losses) are recorded on the line item “gains on derivative instruments, net”, a component of noninterest income.

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The following table presents the amount of unrealized gains (losses) included in earnings (which is inclusive of noncontrolling interest) attributable to Level 3 assets still held at September 30, 2013:

| (Dollars in thousands)                                                | Three months ended<br>September 30,<br>2013 |          | Nine months ended<br>September 30,<br>2013 |          |
|-----------------------------------------------------------------------|---------------------------------------------|----------|--------------------------------------------|----------|
|                                                                       | 2013                                        | 2012     | 2013                                       | 2012     |
| Non-marketable and other securities (fair value accounting):          |                                             |          |                                            |          |
| Venture capital and private equity fund investments                   | \$32,694                                    | \$12,724 | \$89,705                                   | \$38,916 |
| Other venture capital investments                                     | 4,603                                       | (963 )   | 5,720                                      | 4,177    |
| Other securities                                                      | 143,301                                     | —        | 143,301                                    | —        |
| Total non-marketable and other securities (fair value accounting) (1) | 180,598                                     | 11,761   | 238,726                                    | 43,093   |
| Other assets:                                                         |                                             |          |                                            |          |
| Equity warrant assets (2)                                             | 14,205                                      | (2,480 ) | 19,788                                     | (2,505 ) |
| Total unrealized gains                                                | \$194,803                                   | \$9,281  | \$258,514                                  | \$40,588 |
| Unrealized gains attributable to noncontrolling interests             | \$164,871                                   | \$9,543  | \$215,340                                  | \$37,445 |

(1) Unrealized gains (losses) are recorded on the line items “gains on investment securities, net”, and “other noninterest income”, components of noninterest income.

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

The following table presents quantitative information about the significant unobservable inputs used for certain of our Level 3 fair value measurements at September 30, 2013. We have not included in this table our venture capital and private equity fund investments (fair value accounting) as we use net asset value per share (as obtained from the general partners of the investments) as a practical expedient to determine fair value.

| (Dollars in thousands)                                    | Fair value | Valuation Technique                         | Significant Unobservable Inputs | Weighted Average |
|-----------------------------------------------------------|------------|---------------------------------------------|---------------------------------|------------------|
| September 30, 2013:                                       |            |                                             |                                 |                  |
| Other venture capital investments (fair value accounting) | \$55,359   | Private company equity pricing              | (1)                             | (1 )             |
| Other securities                                          | 217,054    | Modified stock price                        | Marketability discount          | 20.0 %           |
| Equity warrant assets (public portfolio)                  | 12,618     | Modified Black-Scholes option pricing model | Marketability discount          | 20.0 %           |
| Equity warrant assets (private portfolio)                 | 75,508     |                                             | Volatility                      | 39.7 %           |
|                                                           |            | Modified Black-Scholes option pricing model | Risk-Free interest rate         | 0.8 %            |
|                                                           |            |                                             | Marketability discount (2)      | 22.5 %           |
|                                                           |            |                                             | Remaining life assumption (3)   | 45.0 %           |
| December 31, 2012:                                        |            |                                             |                                 |                  |
| Other venture capital investments (fair value accounting) | 127,091    | Private company equity pricing              | (1)                             | (1 )             |
| Equity warrant assets (private portfolio)                 | 66,129     |                                             | Volatility                      | 45.2 %           |
|                                                           |            | Modified Black-Scholes option pricing model | Risk-Free interest rate         | 0.4 %            |
|                                                           |            |                                             | Marketability discount (2)      | 22.5 %           |
|                                                           |            |                                             | Remaining life assumption (3)   | 45.0 %           |

- In determining the fair value of our other venture capital investment portfolio, we evaluate a variety of factors related to each underlying private portfolio company including, but not limited to, actual and forecasted results, cash position, recent or planned transactions and market comparable companies. Additionally, we have ongoing
- (1) communication with the portfolio companies and venture capital fund managers, to determine whether there is a material change in fair value. These factors are specific to each portfolio company and a weighted average or range of values of the unobservable inputs is not meaningful.
- Our marketability discount is applied to all private company warrants to account for a general lack of liquidity due
- (2) to the private nature of the associated underlying company. The quantitative measure used is based on long-run averages and is

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influenced over time by various factors, including market conditions. On a quarterly basis, a sensitivity analysis is performed on our marketability discount.

We adjust the contractual remaining term of private company warrants based on our estimate of the actual remaining life, which we determine by utilizing historical data on cancellations and exercises. At September 30, 2013, the weighted average contractual remaining term was 6.5 years, compared to our estimated remaining life of 2.9 years. On a quarterly basis, a sensitivity analysis is performed on our remaining life assumption.

For the three and nine months ended September 30, 2013 and 2012, we did not have any material transfers between Level 2 and Level 1. Transfers from Level 3 to Level 2 for the three and nine months ended September 30, 2013 included \$0.3 million and \$2.4 million, respectively, as a result of the expiration of lockup and other restrictions on certain of our equity warrant assets. Transfers from Level 3 to Level 1 for the nine months ended September 30, 2012 include \$3.6 million as a result of the expiration of lockup and other restrictions on certain of our other venture capital investments. All transfers from Level 3 to Level 2 for the three and nine months ended September 30, 2013 and 2012 were due to the transfer of equity warrant assets from our private portfolio to our public portfolio (see our Level 3 reconciliation above). All amounts reported as transfers represent the fair value as of the date of the change in circumstances that caused the transfer.

### Financial Instruments not Carried at Fair Value

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

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

The following describes the methods and assumptions used in estimating the fair values of financial instruments, excluding financial instruments already recorded at fair value as described above.

### Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, cash balances due from banks, interest-earning deposits, securities purchased under agreements to resell and other short-term investment securities. The carrying amount is a reasonable estimate of fair value because of the insignificant risk of changes in fair value due to changes in market interest rates, and the instruments are purchased in conjunction with our cash management activities.

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

Non-marketable securities includes other investments (equity method accounting), low income housing tax credit funds (equity method accounting), venture capital and private equity fund investments (cost method accounting), and other venture capital investments (cost method accounting). Other investments (equity method accounting) include our investment in SPD Silicon Valley Bank ("SPD-SVB"), our joint venture bank in China. At this time, the carrying value of our investment in SPD-SVB is a reasonable estimate of fair value. The fair value of the remaining other investments (equity method accounting) and the fair value of venture capital and private equity fund investments (cost method accounting) and other venture capital investments (cost method accounting) is based on financial information obtained from the investee or obtained from the fund investments' or debt fund investments' respective general partners. For private company investments, estimated fair value is based on consideration of a range of factors including, but not limited to, the price at which the investment was acquired, the term and nature of the investment, local market conditions, values for comparable securities, current and projected operating performance, exit strategies, and financing transactions subsequent to the acquisition of the investment. For our fund investments, we utilize the net asset value per share as obtained from the general partners of the investments. We adjust the net asset value per share for differences between our measurement date and the date of the fund investment's net asset value by using the most recently available financial information from the investee general partner, for example June 30<sup>th</sup> for our September 30<sup>th</sup> consolidated financial statements, adjusted for any contributions paid, distributions received from the investment, and significant fund transactions or market events during the reporting period. The carrying value of our low income

housing tax credit funds (equity method accounting) is a reasonable estimate of fair value.  
Loans

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

**FHLB and Federal Reserve Bank Stock**

Investments in FHLB and Federal Reserve Bank stock are recorded at cost. The carrying amounts of these investments are reasonable estimates of fair value because the securities are restricted to member banks and they do not have a readily determinable market value.

**Accrued Interest Receivable and Payable**

The carrying amounts of accrued interest receivable and payable are reasonable estimates of fair value due to the short-term nature of these balances.

**Deposits**

The fair value of deposits with no stated maturity, such as noninterest-bearing demand deposits, interest-bearing checking accounts, money market accounts and interest-bearing sweep deposits is equal to the amount payable on demand at the measurement date. The fair value of time deposits is estimated by discounting the cash flows using our cost of borrowings and the projected forward yield curve over their remaining contractual term.

**Short-Term Borrowings**

Short-term borrowings at both September 30, 2013 and December 31, 2012 included cash collateral received from our counterparty for our interest rate swap agreement related to our 6.05% Subordinated Notes. Short term-borrowings at December 31, 2012 also included federal funds purchased. The carrying amount of our federal funds purchased is a reasonable estimate of fair value because of the relatively short time between the origination of the instrument and its contractual maturity. The carrying amount of the cash collateral is a reasonable estimate of fair value.

**Long-Term Debt**

Long-term debt at September 30, 2013 and December 31, 2012 included our 5.375% Senior Notes, 7.0% Junior Subordinated Debentures and 6.05% Subordinated Notes. The fair value of long-term debt is generally based on quoted market prices, when available, or is estimated based on calculations utilizing third-party pricing services and current market spread, price indications from reputable dealers or observable market prices of the underlying instrument(s), whichever is deemed more reliable. Also included in the estimated fair value of our 6.05% Subordinated Notes are amounts related to hedge accounting associated with the note.

**Off-Balance Sheet Financial Instruments**

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

Letters of credit are carried at their fair value, which was equivalent to the residual premium or fee at September 30, 2013 and December 31, 2012. Commitments to extend credit and letters of credit typically result in loans with a market interest rate if funded.

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The following fair value hierarchy table presents the estimated fair values of our financial instruments that are not carried at fair value at September 30, 2013 and December 31, 2012:

|                                                                         |                 | Estimated Fair Value |         |           |
|-------------------------------------------------------------------------|-----------------|----------------------|---------|-----------|
| (Dollars in thousands)                                                  | Carrying Amount | Level 1              | Level 2 | Level 3   |
| September 30, 2013:                                                     |                 |                      |         |           |
| Financial assets:                                                       |                 |                      |         |           |
| Cash and cash equivalents                                               | \$ 1,942,744    | \$ 1,942,744         | \$—     | \$—       |
| Non-marketable and other securities (cost and equity method accounting) | 379,601         | —                    | —       | 442,620   |
| Net commercial loans                                                    | 8,780,870       | —                    | —       | 8,906,145 |
| Net consumer loans                                                      | 919,378         | —                    | —       | 989,546   |
| FHLB and Federal Reserve Bank stock                                     | 40,532          | —                    | —       | 40,532    |
| Accrued interest receivable                                             | 64,902          | —                    | 64,902  | —         |
| Financial liabilities:                                                  |                 |                      |         |           |
| Other short-term borrowings                                             | 5,580           | 5,580                | —       | —         |
| Non-maturity deposits (1)                                               | 19,822,370      | 19,822,370           | —       | —         |
| Time deposits                                                           | 174,620         | —                    | 174,658 | —         |
| 5.375% Senior Notes                                                     | 348,155         | —                    | 384,139 | —         |
| 6.05% Subordinated Notes (2)                                            | 52,524          | —                    | 57,646  | —         |
| 7.0% Junior Subordinated Debentures                                     | 55,065          | —                    | 53,761  | —         |
| Accrued interest payable                                                | 2,046           | —                    | 2,046   | —         |
| Off-balance sheet financial assets:                                     |                 |                      |         |           |
| Commitments to extend credit                                            | —               | —                    | —       | 23,568    |
| December 31, 2012:                                                      |                 |                      |         |           |
| Financial assets:                                                       |                 |                      |         |           |
| Cash and cash equivalents                                               | \$ 1,008,983    | \$ 1,008,983         | \$—     | \$—       |
| Non-marketable and other securities (cost and equity method accounting) | 391,253         | —                    | —       | 425,741   |
| Net commercial loans                                                    | 8,013,563       | —                    | —       | 8,180,597 |
| Net consumer loans                                                      | 822,719         | —                    | —       | 860,772   |
| FHLB and Federal Reserve Bank stock                                     | 39,806          | —                    | —       | 39,806    |
| Accrued interest receivable                                             | 64,167          | —                    | 64,167  | —         |
| Financial liabilities:                                                  |                 |                      |         |           |
| Federal funds purchased                                                 | 160,000         | 160,000              | —       | —         |
| Other short-term borrowings                                             | 6,110           | 6,110                | —       | —         |
| Non-maturity deposits (1)                                               | 19,021,264      | 19,021,264           | —       | —         |
| Time deposits                                                           | 155,188         | —                    | 155,027 | —         |
| 5.375% Senior Notes                                                     | 347,995         | —                    | 393,701 | —         |
| 6.05% Subordinated Notes (2)                                            | 54,571          | —                    | 61,639  | —         |
| 7.0% Junior Subordinated Debentures                                     | 55,196          | —                    | 51,959  | —         |
| Accrued interest payable                                                | 6,494           | —                    | 6,494   | —         |
| Off-balance sheet financial assets:                                     |                 |                      |         |           |
| Commitments to extend credit                                            | —               | —                    | —       | 20,562    |

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

(2)

At September 30, 2013 and December 31, 2012, included in the carrying value and estimated fair value of our 6.05% Subordinated Notes was \$7.0 million and \$9.0 million, respectively, related to hedge accounting associated with the notes.



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

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

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

The following table is a summary of the estimated fair values of these investments and remaining unfunded commitments for each major category of these investments as of September 30, 2013:

| (Dollars in thousands)                                          | Carrying Amount | Fair Value  | Unfunded Commitments |
|-----------------------------------------------------------------|-----------------|-------------|----------------------|
| Non-marketable and other securities (fair value accounting):    |                 |             |                      |
| Venture capital and private equity fund investments (1)         | \$ 773,499      | \$773,499   | \$ 434,754           |
| Non-marketable and other securities (equity method accounting): |                 |             |                      |
| Other investments (2)                                           | 52,265          | 53,766      | 15,436               |
| Non-marketable and other securities (cost method accounting):   |                 |             |                      |
| Venture capital and private equity fund investments (3)         | 149,602         | 206,254     | 39,765               |
| Total                                                           | \$ 975,366      | \$1,033,519 | \$ 489,955           |

- Venture capital and private equity fund investments within non-marketable securities (fair value accounting) include investments made by our managed funds of funds and one of our direct venture funds. These investments represent investments in venture capital and private equity funds that invest primarily in U.S. and global
- (1) technology and life sciences companies. Included in the fair value and unfunded commitments of fund investments under fair value accounting are \$700 million and \$428 million, respectively, attributable to noncontrolling interests. It is estimated that we will receive distributions from the fund investments over the next 10 to 13 years, depending on the age of the funds and any potential extensions of terms of the funds.
- Other investments within non-marketable securities (equity method accounting) include investments in debt funds and venture capital and private equity fund investments that invest in or lend money to primarily U.S. and global
- (2) technology and life sciences companies. It is estimated that we will receive distributions from the fund investments over the next 10 to 13 years, depending on the age of the funds.
- Venture capital and private equity fund investments within non-marketable securities (cost method accounting) include investments in venture capital and private equity fund investments that invest primarily in U.S. and global
- (3) technology and life sciences companies. It is estimated that we will receive distributions from the fund investments over the next 10 to 13 years, depending on the age of the funds and any potential extensions of the terms of the funds.

## 14. Legal Matters

Certain lawsuits and claims arising in the ordinary course of business have been filed or are pending against us or our affiliates. In accordance with applicable accounting guidance, we establish accruals for all lawsuits, claims and

expected settlements when we believe it is probable that a loss has been incurred and the amount of the loss is reasonably estimable. When a loss contingency is not both probable and estimable, we do not establish an accrual. Any such loss estimates are inherently uncertain, based on currently available information and are subject to management's judgment and various assumptions. Due to the inherent subjectivity of these estimates and unpredictability of outcomes of legal proceedings, any amounts accrued may not represent the ultimate resolution of such matters.

To the extent we believe any potential loss relating to such lawsuits and claims may have a material impact on our liquidity, consolidated financial position, results of operations, and/or our business as a whole and is reasonably possible but not probable,

we disclose information relating to any such potential loss, whether in excess of any established accruals or where there is no established accrual. We also disclose information relating to any material potential loss that is probable but not reasonably estimable. Where reasonably practicable, we will provide an estimate of loss or range of potential loss. No disclosures are generally made for any loss contingencies that are deemed to be remote.

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

#### 15. Related Parties

SVB Financial has commitments under two partially-syndicated revolving line of credit facilities totaling \$85 million to Gold Hill Capital 2008 LP, a venture debt fund, and Gold Hill Venture Lending 2008 LP, for which SVB Financial has ownership interests in each of the funds. Of the \$85 million, \$27 million is syndicated to another lender. SVB Financial has an 11.5 percent direct ownership interest and a 4.0 percent indirect ownership interest in Gold Hill Capital 08 LP through our 83.8 percent interest in its general partner, Gold Hill Capital 08, LLC. The line of credit is secured and bears an interest rate of national Prime plus one percent. The highest outstanding balance under SVB Financial's portion of the facility for the nine months ended September 30, 2013 was \$38 million. SVB Financial's portion of the outstanding balance was \$38 million at September 30, 2013, compared to \$31 million at December 31, 2012.

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During the nine months ended September 30, 2013, the Bank made loans to related parties, including certain companies in which certain of our directors or their affiliated venture funds are beneficial owners of ten percent or more of the equity securities of such companies. Such loans: (a) were made in the ordinary course of business; (b) were made on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with other non-related persons; and (c) did not involve more than the normal risk of collectability or present other unfavorable features. Additionally, we also provide real estate secured loans to eligible employees through our EHOP.

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

Forward-Looking Statements

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

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

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

- Forecasts of venture capital/private equity funding and investment levels

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

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

- Descriptions of assumptions underlying or relating to any of the foregoing

In this Quarterly Report on Form 10-Q, we make forward-looking statements, including, but not limited to, those discussing our management's expectations about:

- Market and economic conditions (including interest rate environment, and levels of public offerings, mergers/acquisitions and venture capital financing activities) and the associated impact on us

- The sufficiency of our capital, including sources of capital (such as funds generated through retained earnings) and the extent to which capital may be used or required

- The adequacy of our liquidity position, including sources of liquidity (such as funds generated through retained earnings)

- The realization, timing, valuation and performance of equity or other investments

- The likelihood that the market value of our impaired investments will recover

- Our intent to sell our investment securities prior to recovery of our cost basis, or the likelihood of such

- Expected cash requirements for unfunded commitments to certain investments, including capital calls

- Our overall management of interest rate risk, including managing the sensitivity of our interest-earning assets and interest-bearing liabilities to interest rates, and the impact to earnings from a change in interest rates

- The credit quality of our loan portfolio, including levels and trends of nonperforming loans, impaired loans, criticized loans and troubled debt restructurings

- The adequacy of reserves (including allowance for loan and lease losses) and the appropriateness of our methodology for calculating such reserves

- The level of loan and deposit balances

- The level of client investment fees and associated margins

- The profitability of our products and services

- Our strategic initiatives, including the expansion of operations in China, India, Israel, the UK and elsewhere (such as our joint venture bank in China and our branch in the UK)

- The expansion and growth of our noninterest income sources

- Our current expectation that we will exceed our internal performance targets for 2013





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Net interest margin of 3.32 percent, an increase of 20 basis points, primarily reflective of a favorable shift in the lower premium amortization expense on available-for-sale securities and growth in loans, partially offset by lower overall loan yield.

A provision for loan losses of \$10.6 million, compared to \$6.8 million. The provision of \$10.6 million for the third quarter of 2013 was primarily driven by \$5.5 million in net charge-offs, an increase of \$3.1 million in the reserve for impaired loans and \$2.3 million related to new loans during the quarter.

Core fee income (deposit service charges, letters of credit fees, credit card fees, client investment fees, and foreign exchange fees) of \$37.2 million, an increase of \$2.8 million, or 8.1 percent. This increase reflects increased client activity and continued growth in our business, primarily from credit card fees, foreign exchange fees and deposit service charges. See “Results of Operations—Noninterest Income” for a description and non-GAAP reconciliation of core fee income.

Gains on investment securities of \$187.9 million, compared to \$20.2 million. Non-GAAP gains on investment securities, net of noncontrolling interests, were \$36.5 million, compared to \$7.5 million. See “Results of Operations—Noninterest Income—Gains on Investment Securities, Net” for further details and a non-GAAP reconciliation of gains on investment securities, net of noncontrolling interests.

Gains on equity warrant assets of \$18.8 million, compared to \$0.5 million. This increase was primarily driven by IPO and M&A activity, and included \$8.1 million from a single warrant client, FireEye.

Noninterest expense of \$160.5 million, an increase of \$25.4 million, or 18.8 percent. The increase was primarily driven by higher incentive compensation and benefits expense as a result of our strong performance in the third quarter of 2013 and our current expectation that we will exceed our internal performance targets for 2013.

Compensation and benefits expense increased \$17.7M, or 22.3%, to \$96.9M for the three months ended September 30, 2013, compared to \$79.3M for the comparable 2012 period.

Overall, our liquidity remained strong based on the attributes of our period end available-for-sale securities portfolio, which totaled \$10.2 billion at September 30, 2013. Our available-for-sale securities portfolio continued to be a good source of liquidity as it was invested in high quality investments and generated steady monthly cash flows.

Additionally, our available-for-sale securities portfolio continued to provide us with the ability to secure wholesale borrowings, as needed.

Overall, SVB Financial and the Bank continued to maintain strong capital positions. Both SVB Financial's and Bank's Tier 1 leverage ratios increased from December 31, 2012 by 40 basis points to 7.46 percent and 69 basis points to 8.06 percent, respectively, at September 30, 2013, primarily reflective of strong earnings and additional-paid-capital, partially offset by the increase in risk-weighted assets.

A summary of our performance for the three and nine months ended September 30, 2013 and 2012 is as follows:

| (Dollars in thousands, except per share data and ratios) | Three months ended September 30, |          |          | Nine months ended September 30, |           |          |
|----------------------------------------------------------|----------------------------------|----------|----------|---------------------------------|-----------|----------|
|                                                          | 2013                             | 2012     | % Change | 2013                            | 2012      | % Change |
| Income Statement:                                        |                                  |          |          |                                 |           |          |
| Diluted earnings per share                               | \$ 1.46                          | \$ 0.94  | 55.3 %   | \$ 3.43                         | \$ 2.79   | 22.9 %   |
| Net income available to common stockholders              | 67,621                           | 42,289   | 59.9     | 157,096                         | 124,682   | 26.0     |
| Net interest income                                      | 177,096                          | 154,430  | 14.7     | 510,346                         | 457,301   | 11.6     |
| Net interest margin                                      | 3.32 %                           | 3.12 %   | 20 bps   | 3.32 %                          | 3.21 %    | 11 bps   |
| Provision for loan losses                                | \$ 10,638                        | \$ 6,788 | 56.7 %   | \$ 35,023                       | \$ 29,316 | 19.5 %   |
| Noninterest income                                       | 257,650                          | 69,139   | NM       | 434,493                         | 208,858   | 108.0    |
| Noninterest expense                                      | 160,524                          | 135,171  | 18.8     | 452,830                         | 402,949   | 12.4     |
| Non-GAAP net income available to common stockholders (1) | 67,621                           | 42,289   | 59.9     | 157,096                         | 119,148   | 31.8     |
| Non-GAAP diluted earnings per share (1)                  | 1.46                             | 0.94     | 55.3     | 3.43                            | 2.67      | 28.5     |

|                                                                                                                |         |         |      |         |         |      |
|----------------------------------------------------------------------------------------------------------------|---------|---------|------|---------|---------|------|
| Non-GAAP noninterest income, net of noncontrolling interest and excluding gains on sales of certain assets (2) | 105,820 | 55,615  | 90.3 | 229,422 | 164,834 | 39.2 |
| Non-GAAP noninterest expense, net of noncontrolling interest (3)                                               | 157,234 | 132,448 | 18.7 | 443,813 | 393,461 | 12.8 |

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## Balance Sheet:

|                                             |             |             |      |   |             |             |      |   |
|---------------------------------------------|-------------|-------------|------|---|-------------|-------------|------|---|
| Average loans, net of unearned income       | \$9,545,941 | \$7,907,606 | 20.7 | % | \$9,086,179 | \$7,318,537 | 24.2 | % |
| Average noninterest-bearing demand deposits | 13,665,460  | 12,914,697  | 5.8  |   | 13,437,503  | 12,403,438  | 8.3  |   |
| Average interest-bearing deposits           | 5,894,428   | 5,345,647   | 10.3 |   | 5,551,857   | 5,143,756   | 7.9  |   |
| Average total deposits                      | 19,559,888  | 18,260,344  | 7.1  |   | 18,989,360  | 17,547,194  | 8.2  |   |

## Earnings Ratios:

|                                                               |       |        |        |   |       |        |        |   |
|---------------------------------------------------------------|-------|--------|--------|---|-------|--------|--------|---|
| Return on average assets (annualized) (4)                     | 1.16  | % 0.77 | % 50.6 | % | 0.93  | % 0.79 | % 17.7 | % |
| Return on average SVBFG stockholders' equity (annualized) (5) | 14.05 | 9.44   | 48.8   |   | 11.06 | 9.77   | 13.2   |   |

## Asset Quality Ratios:

|                                                                                                |      |        |      |     |      |        |      |     |
|------------------------------------------------------------------------------------------------|------|--------|------|-----|------|--------|------|-----|
| Allowance for loan losses as a percentage of total period-end gross loans                      | 1.26 | % 1.23 | % 3  | bps | 1.26 | % 1.23 | % 3  | bps |
| Allowance for loan losses for performing loans as a percentage of total gross performing loans | 1.13 | 1.16   | (3 ) |     | 1.13 | 1.16   | (3 ) |     |
| Gross loan charge-offs as a percentage of average total gross loans (annualized)               | 0.34 | 0.23   | 11   |     | 0.43 | 0.47   | (4 ) |     |
| Net loan charge-offs as a percentage of average total gross loans (annualized)                 | 0.23 | 0.17   | 6    |     | 0.31 | 0.32   | (1 ) |     |

## Capital Ratios:

|                                                         |       |         |         |     |       |         |         |     |
|---------------------------------------------------------|-------|---------|---------|-----|-------|---------|---------|-----|
| Total risk-based capital ratio                          | 14.16 | % 14.34 | % (18 ) | bps | 14.16 | % 14.34 | % (18 ) | bps |
| Tier 1 risk-based capital ratio                         | 12.96 | 13.07   | (11 )   |     | 12.96 | 13.07   | (11 )   |     |
| Tier 1 leverage ratio                                   | 8.75  | 8.02    | 73      |     | 8.75  | 8.02    | 73      |     |
| Tangible common equity to tangible assets (6)           | 8.19  | 8.27    | (8 )    |     | 8.19  | 8.27    | (8 )    |     |
| Tangible common equity to risk-weighted assets (6)      | 12.96 | 13.93   | (97 )   |     | 12.96 | 13.93   | (97 )   |     |
| Bank total risk-based capital ratio                     | 12.31 | 12.70   | (39 )   |     | 12.31 | 12.70   | (39 )   |     |
| Bank tier 1 risk-based capital ratio                    | 11.08 | 11.41   | (33 )   |     | 11.08 | 11.41   | (33 )   |     |
| Bank tier 1 leverage ratio                              | 7.46  | 7.00    | 46      |     | 7.46  | 7.00    | 46      |     |
| Bank tangible common equity to tangible assets (6)      | 7.34  | 7.61    | (27 )   |     | 7.34  | 7.61    | (27 )   |     |
| Bank tangible common equity to risk-weighted assets (6) | 11.17 | 12.40   | (123 )  |     | 11.17 | 12.40   | (123 )  |     |

## Other Ratios:

|                                         |       |         |           |   |       |         |           |   |
|-----------------------------------------|-------|---------|-----------|---|-------|---------|-----------|---|
| Operating efficiency ratio (7)          | 36.89 | % 60.33 | % (38.9 ) | % | 47.86 | % 60.36 | % (20.7 ) | % |
| Non-GAAP operating efficiency ratio (3) | 55.50 | 62.93   | (11.8 )   |   | 59.89 | 63.11   | (5.1 )    |   |

|                                           |         |         |     |   |         |         |     |   |
|-------------------------------------------|---------|---------|-----|---|---------|---------|-----|---|
| Book value per common share (8)           | \$42.64 | \$40.10 | 6.3 |   | \$42.64 | \$40.10 | 6.3 |   |
| Other Statistics:                         |         |         |     |   |         |         |     |   |
| Average full-time equivalent employees    | 1,675   | 1,594   | 5.1 | % | 1,662   | 1,572   | 5.7 | % |
| Period-end full-time equivalent employees | 1,683   | 1,602   | 5.1 |   | 1,683   | 1,602   | 5.1 |   |

- See "Non-GAAP Net Income and Non-GAAP Diluted Earnings Per Common Share" for a description and
- (1) reconciliation of non-GAAP net income available to common stockholders and non-GAAP diluted earnings per share.
  - (2) See "Results of Operations–Noninterest Income" for a description and reconciliation of non-GAAP noninterest income.
  - (3) See "Results of Operations–Noninterest Expense" for a description and reconciliation of non-GAAP noninterest expense and non-GAAP operating efficiency ratio.
  - (4) Ratio represents annualized consolidated net income available to common stockholders divided by quarterly and year-to-date average assets.
  - (5) Ratio represents annualized consolidated net income available to common stockholders divided by quarterly and year-to-date average SVBFG stockholders' equity.
  - (6) See "Capital Resources–Capital Ratios" for a reconciliation of non-GAAP tangible common equity to tangible assets and tangible common equity to risk-weighted assets.
  - (7) The operating efficiency ratio is calculated by dividing total noninterest expense by total taxable-equivalent net interest income plus noninterest income.
  - (8) Book value per common share is calculated by dividing total SVBFG stockholders' equity by total outstanding common shares at period-end.

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## Non-GAAP Net Income and Non-GAAP Diluted Earnings Per Common Share

We use and report non-GAAP net income and non-GAAP diluted earnings per common share, which excludes gains from sales of certain available-for-sale securities and gains from the sale of certain assets related to our equity management services business. We believe these non-GAAP financial measures, when taken together with the corresponding GAAP financial measures, provide meaningful supplemental information regarding our performance by excluding certain items that do not occur every reporting period. Our management uses, and believes that investors benefit from referring to, these non-GAAP financial measures in assessing our operating results and related trends, and when planning, forecasting and analyzing future periods. However, these non-GAAP financial measures should be considered in addition to, not as a substitute for or preferable to, financial measures prepared in accordance with GAAP.

A reconciliation of GAAP to non-GAAP net income available to common stockholders and non-GAAP diluted earnings per common share for the three and nine months ended September 30, 2013 and 2012 is as follows:

|                                                                                                      | Three months ended September 30, |            | Nine months ended September 30, |            |
|------------------------------------------------------------------------------------------------------|----------------------------------|------------|---------------------------------|------------|
| (Dollars in thousands, except per share data and ratios)                                             | 2013                             | 2012       | 2013                            | 2012       |
| Net income available to common stockholders                                                          | \$67,621                         | \$42,289   | \$157,096                       | \$124,682  |
| Less: gains on sales of certain available-for-sale securities (1)                                    | —                                | —          | —                               | (4,955 )   |
| Tax impact of gains on sales of certain available-for-sale securities                                | —                                | —          | —                               | 1,974      |
| Less: gains on the sale of certain assets related to our equity management services business (2)     | —                                | —          | —                               | (4,243 )   |
| Tax impact of gains on the sale of certain assets related to our equity management services business | —                                | —          | —                               | 1,690      |
| Non-GAAP net income available to common stockholders                                                 | \$67,621                         | \$42,289   | \$157,096                       | \$119,148  |
| GAAP earnings per common share—diluted                                                               | \$1.46                           | \$0.94     | \$3.43                          | \$2.79     |
| Less: gains on sales of certain available-for-sale securities (1)                                    | —                                | —          | —                               | (0.11 )    |
| Tax impact of gains on sales of certain available-for-sale securities                                | —                                | —          | —                               | 0.05       |
| Less: gains on the sale of certain assets related to our equity management services business (2)     | —                                | —          | —                               | (0.10 )    |
| Tax impact of gains on the sale of certain assets related to our equity management services business | —                                | —          | —                               | 0.04       |
| Non-GAAP earnings per common share—diluted                                                           | \$1.46                           | \$0.94     | \$3.43                          | \$2.67     |
| Weighted average diluted common shares outstanding                                                   | 46,202,409                       | 44,914,564 | 45,765,307                      | 44,692,224 |

(1) Gains on the sale of \$316 million in certain available-for-sale securities in the second quarter of 2012.

(2) Net gains of \$4.2 million from the sale of certain assets related to our equity management services business in the second quarter of 2012.

## Critical Accounting Policies and Estimates

The accompanying management's discussion and analysis of results of operations and financial condition is based upon our unaudited interim consolidated financial statements, which have been prepared in accordance with GAAP. The preparation of these financial statements in accordance with GAAP requires management to make estimates and

judgments that affect the reported amounts of assets, liabilities, revenues, expenses and related disclosure of contingent assets and liabilities. Management evaluates estimates and assumptions on an ongoing basis. Management bases its estimates on historical experiences and various other factors and assumptions that are believed to be reasonable under the circumstances. Actual results may differ materially from these estimates under different assumptions or conditions.

There have been no significant changes during the nine months ended September 30, 2013 to the items that we disclosed as our critical accounting policies and estimates in “Management’s Discussion and Analysis of Financial Condition and Results of Operations” under Part II, Item 7 of our 2012 Form 10-K.

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## Results of Operations

## Net Interest Income and Margin (Fully Taxable Equivalent Basis)

Net interest income is defined as the difference between interest earned on loans, available-for-sale securities and short-term investment securities, and interest paid on funding sources. Net interest income is our principal source of revenue. Net interest margin is defined as the amount of annualized net interest income, on a fully taxable equivalent basis, expressed as a percentage of average interest-earning assets. Net interest income and net interest margin are presented on a fully taxable equivalent basis to consistently reflect income from taxable loans and securities and tax-exempt securities based on the federal statutory tax rate of 35.0 percent.

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

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

| (Dollars in thousands)                                                                                                                            | 2013 Compared to 2012<br>Three months ended September<br>30, increase (decrease) due to<br>change in |         |            | 2013 Compared to 2012<br>Nine months ended September 30,<br>increase (decrease) due to change in |            |            |
|---------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------|---------|------------|--------------------------------------------------------------------------------------------------|------------|------------|
|                                                                                                                                                   | Volume                                                                                               | Rate    | Total      | Volume                                                                                           | Rate       | Total      |
| Interest income:                                                                                                                                  |                                                                                                      |         |            |                                                                                                  |            |            |
| Federal Reserve deposits, federal funds sold,<br>securities purchased under agreements to<br>resell and other short-term investment<br>securities | \$384                                                                                                | \$(357) | ) \$27     | \$(200)                                                                                          | ) \$(270)  | ) \$(470)  |
| Available-for-sale securities (taxable)                                                                                                           | (1,810)                                                                                              | ) 6,921 | 5,111      | (2,454)                                                                                          | ) 6,527    | 4,073      |
| Available-for-sale securities (non-taxable)                                                                                                       | (140)                                                                                                | ) (9)   | ) (149)    | ) (409)                                                                                          | ) (37)     | ) (446)    |
| Loans, net of unearned income                                                                                                                     | 24,488                                                                                               | (6,247) | ) 18,241   | 78,159                                                                                           | (27,785)   | ) 50,374   |
| Increase (decrease) in interest income, net                                                                                                       | 22,922                                                                                               | 308     | 23,230     | 75,096                                                                                           | (21,565)   | ) 53,531   |
| Interest expense:                                                                                                                                 |                                                                                                      |         |            |                                                                                                  |            |            |
| NOW deposits                                                                                                                                      | 24                                                                                                   | 7       | 31         | 88                                                                                               | 24         | 112        |
| Money market deposits                                                                                                                             | 222                                                                                                  | 425     | 647        | 1,448                                                                                            | 253        | 1,701      |
| Money market deposits in foreign offices                                                                                                          | 8                                                                                                    | 11      | 19         | 13                                                                                               | (1)        | ) 12       |
| Time deposits                                                                                                                                     | 26                                                                                                   | 1       | 27         | 48                                                                                               | (40)       | ) 8        |
| Sweep deposits in foreign offices                                                                                                                 | (67)                                                                                                 | ) —     | (67)       | ) (134)                                                                                          | ) (1)      | ) (135)    |
| Total increase in deposits expense                                                                                                                | 213                                                                                                  | 444     | 657        | 1,463                                                                                            | 235        | 1,698      |
| Short-term borrowings                                                                                                                             | (9)                                                                                                  | ) —     | (9)        | ) (104)                                                                                          | ) 45       | (59)       |
| 5.375% Senior Notes                                                                                                                               | —                                                                                                    | (29)    | ) (29)     | ) 3                                                                                              | (19)       | ) (16)     |
| Junior Subordinated Debentures                                                                                                                    | —                                                                                                    | 3       | 3          | (9)                                                                                              | ) 13       | 4          |
| 5.70% Senior Notes                                                                                                                                | —                                                                                                    | —       | —          | (863)                                                                                            | ) —        | (863)      |
| 6.05% Subordinated Notes                                                                                                                          | (6)                                                                                                  | ) —     | (6)        | ) 1                                                                                              | (29)       | ) (28)     |
| Other long-term debt                                                                                                                              | —                                                                                                    | —       | —          | (94)                                                                                             | ) —        | (94)       |
| Total (decrease) increase in borrowings<br>expense                                                                                                | (15)                                                                                                 | ) (26)  | ) (41)     | ) (1,066)                                                                                        | ) 10       | (1,056)    |
| Increase in interest expense, net                                                                                                                 | 198                                                                                                  | 418     | 616        | 397                                                                                              | 245        | 642        |
| Increase (decrease) in net interest income                                                                                                        | \$22,724                                                                                             | \$(110) | ) \$22,614 | \$74,699                                                                                         | \$(21,810) | ) \$52,889 |



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### Net Interest Income (Fully Taxable Equivalent Basis)

#### Three months ended September 30, 2013 and 2012

Net interest income increased by \$22.6 million to \$177.5 million for the three months ended September 30, 2013, compared to \$154.9 million for the comparable 2012 period. Overall, we saw an increase in our net interest income primarily due to strong growth in average loan balances and lower premium amortization expense on available-for-sale-securities, partially offset by lower overall loan yield.

The main factors affecting interest income and interest expense for the three months ended September 30, 2013, compared to the comparable 2012 period are discussed below:

Interest income for the three months ended September 30, 2013 increased by \$23.2 million primarily due to:

An \$18.2 million increase in interest income on loans to \$139.7 million for the three months ended September 30, 2013, compared to \$121.4 million for the comparable 2012 period. Of this increase, \$24.5 million was driven by an increase in average loan balances of \$1.6 billion, partially offset by a decrease of \$6.2 million from lower overall loan yield. Overall loan yield decreased 30 basis points to 5.81 percent for the three months ended September 30, 2013, compared to 6.11 percent for the comparable 2012 period. The decrease in overall loan yield was reflective of a continued change in the mix of our loans that are indexed to the national Prime rate instead of the SVB Prime rate, as well as growth in our lower-yielding venture capital/private equity loan portfolio.

A \$5.0 million increase in interest income on available-for-sale securities to \$44.8 million for the three months ended September 30, 2013, compared to \$39.9 million for the comparable 2012 period. The increase was reflective of a 26 basis points increase in the overall yield of our available-for-sale securities portfolio, partially offset by a \$488 million decrease in average balances. The increase of 26 basis points in the overall yield was comprised of an increase of 41 basis points from lower premium amortization expense, partially offset by a 14 basis point decrease in coupon yields. Premium amortization expense decreased by \$11.1 million to \$6.2 million for the three months ended September 30, 2013, compared to \$17.2 million for the comparable 2012 period. As of September 30, 2013, the remaining unamortized premium balance on our available-for-sale securities portfolio was \$88 million. The decrease in coupon yields was driven by paydowns of higher-yielding securities.

- Interest expense for the three months ended September 30, 2013 increased to \$8.1 million, compared to \$7.5 million for the comparable 2012 period. The items impacting interest expense were as follows:

An increase in interest expense from interest-bearing deposits of \$0.7 million, mainly attributable to growth in our average interest-bearing deposits of \$549 million.

Interest expense from our long-term debt remained relatively flat at \$5.7 million, compared to \$5.8 million.

#### Nine months ended September 30, 2013 and 2012

Net interest income increased by \$52.9 million to \$511.6 million for the nine months ended September 30, 2013, compared to \$458.8 million for the comparable 2012 period. Overall, we saw an increase in our net interest income primarily due to strong growth in average loan balances and lower premium amortization expense on available-for-sale-securities, partially offset by lower overall loan yield.

The main factors affecting interest income and interest expense for the nine months ended September 30, 2013, compared to the comparable 2012 period are discussed below:

Interest income for the nine months ended September 30, 2013 increased by \$53.5 million primarily due to:

A \$50.4 million increase in interest income on loans to \$395.2 million for the nine months ended September 30, 2013, compared to \$344.8 million for the comparable 2012 period. \$78.2 million of this increase was driven by an increase in average loan balances of \$1.8 billion, partially offset by a decrease of \$27.8 million from lower overall loan yield. Overall loan yield decreased 47 basis points to 5.82 percent for the nine months ended September 30, 2013, compared to 6.29 percent for the comparable 2012 period. The decrease in overall loan yield was reflective of a continued change in the mix of our loans that are indexed to the national Prime rate instead of the SVB Prime rate, as well as growth in our lower-yielding venture capital/private equity loan portfolio. Additionally, the loan yield was impacted by our success in growing our later stage client portfolio, which typically is benchmarked to the three-month LIBOR and bears lower credit risk resulting in a lower relative yield.

A \$3.6 million increase in interest income on available-for-sale securities to \$137.7 million for the nine months ended September 30, 2013, compared to \$134.1 million for the comparable 2012 period. The increase was reflective an 8

basis point increase in the overall yield of our available-for-sale securities portfolio, partially offset

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by a decrease related to a \$2.9 million decrease in average balances. The increase of 8 basis points in the overall yield was comprised of an increase of 26 basis points from lower premium amortization expense, partially offset by a 18 basis point decrease in coupon yields. The decrease in coupon yields was driven by paydowns of higher-yielding securities. Premium amortization expense decreased by \$21.5 million to \$21.0 million for the nine months ended September 30, 2013, compared to \$42.5 million for the comparable 2012 period.

Interest expense for the nine months ended September 30, 2013 increased to \$23.9 million, compared to \$23.2 million for the comparable 2012 period. The items impacting interest expense were as follows:

An increase in interest expense from interest-bearing deposits of \$1.7 million, mainly attributable to growth in our average interest-bearing deposits of \$408 million.

A decrease of \$1.0 million in interest expense related to our long-term debt, mainly attributable to the repayment of our 5.70% Senior Notes, which matured on June 1, 2012.

### Net Interest Margin (Fully Taxable Equivalent Basis)

Our net interest margin increased by 20 basis points to 3.32 percent for the three months ended September 30, 2013, compared to 3.12 percent for the comparable 2012 period. The increase in our net interest margin was primarily reflective of a favorable shift in the mix of our interest-earning assets (higher average loan balances, lower average balances of cash and available-for-sale securities) and lower premium amortization expense on available-for-sale securities, partially offset by lower overall loan yield. Our loan portfolio (higher-yielding assets) comprised 45.0 percent of our average interest-earning assets during the three months ended September 30, 2013, compared to 40.0 percent for the comparable 2012 period.

Our net interest margin increased by 11 basis points to 3.32 percent for the nine months ended September 30, 2013, compared to 3.21 percent for the comparable 2012 period. The increase in our net interest margin was primarily reflective of a favorable shift in the mix of our interest-earning assets (higher average loan balances, lower average balances of cash and available-for-sale securities) and lower premium amortization expense on available-for-sale securities, partially offset by lower overall loan yield. Our loan portfolio (higher-yielding assets) comprised 44.1 percent of our average interest-earning assets during the nine months ended September 30, 2013, compared to 38.3 percent for the comparable 2012 period.

### Average Balances, Yields and Rates Paid (Fully Taxable Equivalent Basis)

The average yield earned on interest-earning assets is the amount of annualized fully taxable equivalent interest income expressed as a percentage of average interest-earning assets. The average rate paid on funding sources is the amount of annualized interest expense expressed as a percentage of average funding sources. The following tables set forth average assets, liabilities, noncontrolling interests and SVBFG stockholders' equity, interest income, interest expense, annualized yields and rates, and the composition of our annualized net interest margin for the three and nine months ended September 30, 2013 and 2012:

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## Average Balances, Rates and Yields for the Three Months Ended September 30, 2013 and 2012

| (Dollars in thousands)                                                                                                                       | Three months ended September 30,<br>2013 |                                |                | 2012               |                                |                |
|----------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------|--------------------------------|----------------|--------------------|--------------------------------|----------------|
|                                                                                                                                              | Average<br>Balance                       | Interest<br>Income/<br>Expense | Yield/<br>Rate | Average<br>Balance | Interest<br>Income/<br>Expense | Yield/<br>Rate |
| Interest-earning assets:                                                                                                                     |                                          |                                |                |                    |                                |                |
| Federal Reserve deposits, federal funds sold, securities purchased under agreements to resell and other short-term investment securities (1) | \$ 1,596,003                             | \$ 1,152                       | 0.29 %         | \$ 1,287,103       | \$ 1,125                       | 0.35 %         |
| Available-for-sale securities: (2)                                                                                                           |                                          |                                |                |                    |                                |                |
| Taxable                                                                                                                                      | 10,000,154                               | 43,604                         | 1.73           | 10,478,071         | 38,493                         | 1.46           |
| Non-taxable (3)                                                                                                                              | 82,048                                   | 1,226                          | 5.93           | 91,654             | 1,375                          | 5.97           |
| Total loans, net of unearned income (4) (5)                                                                                                  | 9,545,941                                | 139,687                        | 5.81           | 7,907,606          | 121,446                        | 6.11           |
| Total interest-earning assets                                                                                                                | 21,224,146                               | 185,669                        | 3.47           | 19,764,434         | 162,439                        | 3.27           |
| Cash and due from banks                                                                                                                      | 253,364                                  |                                |                | 309,934            |                                |                |
| Allowance for loan losses                                                                                                                    | (124,254 )                               |                                |                | (102,506 )         |                                |                |
| Other assets (6)                                                                                                                             | 1,719,478                                |                                |                | 1,755,335          |                                |                |
| Total assets                                                                                                                                 | \$ 23,072,734                            |                                |                | \$ 21,727,197      |                                |                |
| Funding sources:                                                                                                                             |                                          |                                |                |                    |                                |                |
| Interest-bearing liabilities:                                                                                                                |                                          |                                |                |                    |                                |                |
| NOW deposits                                                                                                                                 | \$ 134,545                               | \$ 119                         | 0.35 %         | \$ 105,302         | \$ 88                          | 0.33 %         |
| Money market deposits                                                                                                                        | 3,755,620                                | 1,866                          | 0.20           | 2,790,021          | 1,219                          | 0.17           |
| Money market deposits in foreign offices                                                                                                     | 194,870                                  | 48                             | 0.10           | 118,002            | 29                             | 0.10           |
| Time deposits                                                                                                                                | 165,632                                  | 157                            | 0.38           | 157,585            | 130                            | 0.33           |
| Sweep deposits in foreign offices                                                                                                            | 1,643,761                                | 207                            | 0.05           | 2,174,737          | 274                            | 0.05           |
| Total interest-bearing deposits                                                                                                              | 5,894,428                                | 2,397                          | 0.16           | 5,345,647          | 1,740                          | 0.13           |
| Short-term borrowings                                                                                                                        | 6,316                                    | 3                              | 0.19           | 26,751             | 12                             | 0.18           |
| 5.375% Senior Notes                                                                                                                          | 348,119                                  | 4,789                          | 5.46           | 347,910            | 4,818                          | 5.51           |
| Junior Subordinated Debentures                                                                                                               | 55,094                                   | 833                            | 6.00           | 55,269             | 830                            | 5.97           |
| 6.05% Subordinated Notes                                                                                                                     | 52,551                                   | 122                            | 0.92           | 55,214             | 128                            | 0.92           |
| Total interest-bearing liabilities                                                                                                           | 6,356,508                                | 8,144                          | 0.51           | 5,830,791          | 7,528                          | 0.51           |
| Portion of noninterest-bearing funding sources                                                                                               | 14,867,638                               |                                |                | 13,933,643         |                                |                |
| Total funding sources                                                                                                                        | 21,224,146                               | 8,144                          | 0.15           | 19,764,434         | 7,528                          | 0.15           |
| Noninterest-bearing funding sources:                                                                                                         |                                          |                                |                |                    |                                |                |
| Demand deposits                                                                                                                              | 13,665,460                               |                                |                | 12,914,697         |                                |                |
| Other liabilities                                                                                                                            | 298,455                                  |                                |                | 452,160            |                                |                |
| SVBFG stockholders' equity                                                                                                                   | 1,909,462                                |                                |                | 1,782,443          |                                |                |
| Noncontrolling interests                                                                                                                     | 842,849                                  |                                |                | 747,106            |                                |                |
| Portion used to fund interest-earning assets                                                                                                 | (14,867,638 )                            |                                |                | (13,933,643 )      |                                |                |
| Total liabilities, noncontrolling interest, and SVBFG stockholders' equity                                                                   | \$ 23,072,734                            |                                |                | \$ 21,727,197      |                                |                |
| Net interest income and margin                                                                                                               |                                          | \$ 177,525                     | 3.32 %         |                    | \$ 154,911                     | 3.12 %         |
| Total deposits                                                                                                                               | \$ 19,559,888                            |                                |                | \$ 18,260,344      |                                |                |
| Reconciliation to reported net interest income:                                                                                              |                                          |                                |                |                    |                                |                |
| Adjustments for taxable equivalent basis                                                                                                     |                                          | (429 )                         |                |                    | (481 )                         |                |

|                                  |            |            |
|----------------------------------|------------|------------|
| Net interest income, as reported | \$ 177,096 | \$ 154,430 |
|----------------------------------|------------|------------|

- (1) Includes average interest-earning deposits in other financial institutions of \$191 million and \$211 million for the three months ended September 30, 2013 and 2012, respectively. For the three months ended September 30, 2013 and 2012, balances also include \$1.3 billion and \$887 million, respectively, deposited at the Federal Reserve Bank, earning interest at the Federal Funds target rate.
- (2) Yields on available-for-sale securities are based on amortized cost, and therefore do not give effect to unrealized changes in fair value that are reflected in other comprehensive income.
- (3) Interest income on non-taxable available-for-sale securities is presented on a fully taxable-equivalent basis using the federal statutory income tax rate of 35.0 percent for all periods presented.
- (4) Nonaccrual loans are reflected in the average balances of loans.
- (5) Interest income includes loan fees of \$23.0 million and \$19.0 million for the three months ended September 30, 2013 and 2012, respectively.
- (6) Average investment securities of \$1.3 billion and \$1.4 billion for the three months ended September 30, 2013 and 2012, respectively, were classified as other assets as they were noninterest-earning assets. These investments primarily consisted of non-marketable securities.

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## Average Balances, Rates and Yields for the Nine Months Ended September 30, 2013 and 2012

| (Dollars in thousands)                                                                                                                       | Nine months ended September 30,<br>2013 |                                |                | 2012               |                                |                |
|----------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------|--------------------------------|----------------|--------------------|--------------------------------|----------------|
|                                                                                                                                              | Average<br>Balance                      | Interest<br>Income/<br>Expense | Yield/<br>Rate | Average<br>Balance | Interest<br>Income/<br>Expense | Yield/<br>Rate |
| Interest-earning assets:                                                                                                                     |                                         |                                |                |                    |                                |                |
| Federal Reserve deposits, federal funds sold, securities purchased under agreements to resell and other short-term investment securities (1) | \$1,040,073                             | \$2,605                        | 0.33 %         | \$1,115,192        | \$3,075                        | 0.37 %         |
| Available-for-sale securities: (2)                                                                                                           |                                         |                                |                |                    |                                |                |
| Taxable                                                                                                                                      | 10,379,311                              | 134,013                        | 1.73           | 10,574,021         | 129,940                        | 1.64           |
| Non-taxable (3)                                                                                                                              | 82,927                                  | 3,697                          | 5.96           | 92,002             | 4,143                          | 6.02           |
| Total loans, net of unearned income (4) (5)                                                                                                  | 9,086,179                               | 395,216                        | 5.82           | 7,318,537          | 344,842                        | 6.29           |
| Total interest-earning assets                                                                                                                | 20,588,490                              | 535,531                        | 3.48           | 19,099,752         | 482,000                        | 3.37           |
| Cash and due from banks                                                                                                                      | 277,382                                 |                                |                | 301,507            |                                |                |
| Allowance for loan losses                                                                                                                    | (119,491 )                              |                                |                | (100,795 )         |                                |                |
| Other assets (6)                                                                                                                             | 1,749,711                               |                                |                | 1,652,577          |                                |                |
| Total assets                                                                                                                                 | \$22,496,092                            |                                |                | \$20,953,041       |                                |                |
| Funding sources:                                                                                                                             |                                         |                                |                |                    |                                |                |
| Interest-bearing liabilities:                                                                                                                |                                         |                                |                |                    |                                |                |
| NOW deposits                                                                                                                                 | \$136,899                               | \$358                          | 0.35 %         | \$102,502          | \$246                          | 0.32 %         |
| Money market deposits                                                                                                                        | 3,342,363                               | 4,913                          | 0.20           | 2,646,272          | 3,212                          | 0.16           |
| Money market deposits in foreign offices                                                                                                     | 148,161                                 | 108                            | 0.10           | 130,257            | 96                             | 0.10           |
| Time deposits                                                                                                                                | 172,439                                 | 499                            | 0.39           | 156,321            | 491                            | 0.42           |
| Sweep deposits in foreign offices                                                                                                            | 1,751,995                               | 655                            | 0.05           | 2,108,404          | 790                            | 0.05           |
| Total interest-bearing deposits                                                                                                              | 5,551,857                               | 6,533                          | 0.16           | 5,143,756          | 4,835                          | 0.13           |
| Short-term borrowings                                                                                                                        | 34,840                                  | 74                             | 0.28           | 91,772             | 133                            | 0.19           |
| 5.375% Senior Notes                                                                                                                          | 348,067                                 | 14,433                         | 5.54           | 347,860            | 14,449                         | 5.55           |
| Junior Subordinated Debentures                                                                                                               | 55,137                                  | 2,497                          | 6.05           | 55,313             | 2,493                          | 6.02           |
| 5.70% Senior Notes                                                                                                                           | —                                       | —                              | —              | 79,312             | 863                            | 1.45           |
| 6.05% Subordinated Notes                                                                                                                     | 53,527                                  | 354                            | 0.88           | 55,122             | 382                            | 0.93           |
| Other long-term debt                                                                                                                         | —                                       | —                              | —              | 642                | 94                             | 19.56          |
| Total interest-bearing liabilities                                                                                                           | 6,043,428                               | 23,891                         | 0.53           | 5,773,777          | 23,249                         | 0.54           |
| Portion of noninterest-bearing funding sources                                                                                               | 14,545,062                              |                                |                | 13,325,975         |                                |                |
| Total funding sources                                                                                                                        | 20,588,490                              | 23,891                         | 0.16           | 19,099,752         | 23,249                         | 0.16           |
| Noninterest-bearing funding sources:                                                                                                         |                                         |                                |                |                    |                                |                |
| Demand deposits                                                                                                                              | 13,437,503                              |                                |                | 12,403,438         |                                |                |
| Other liabilities                                                                                                                            | 316,024                                 |                                |                | 355,571            |                                |                |
| SVBFG stockholders' equity                                                                                                                   | 1,899,783                               |                                |                | 1,704,957          |                                |                |
| Noncontrolling interests                                                                                                                     | 799,354                                 |                                |                | 715,298            |                                |                |
| Portion used to fund interest-earning assets                                                                                                 | (14,545,062 )                           |                                |                | (13,325,975 )      |                                |                |
| Total liabilities, noncontrolling interest, and SVBFG stockholders' equity                                                                   | \$22,496,092                            |                                |                | \$20,953,041       |                                |                |
| Net interest income and margin                                                                                                               |                                         | \$511,640                      | 3.32 %         |                    | \$458,751                      | 3.21 %         |
| Total deposits                                                                                                                               | \$18,989,360                            |                                |                | \$17,547,194       |                                |                |

Reconciliation to reported net interest  
income:

|                                          |           |           |
|------------------------------------------|-----------|-----------|
| Adjustments for taxable equivalent basis | (1,294 )  | (1,450 )  |
| Net interest income, as reported         | \$510,346 | \$457,301 |

(1) Includes average interest-earning deposits in other financial institutions of \$175 million and \$277 million for the nine months ended September 30, 2013 and 2012, respectively. For the nine months ended September 30, 2013 and 2012, balances also include \$687 million and \$626 million, respectively, deposited at the Federal Reserve Bank, earning interest at the Federal Funds target rate.

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

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

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

(5) Interest income includes loan fees of \$60.0 million and \$56.6 million for the nine months ended September 30, 2013 and 2012, respectively.

(6) Average investment securities of \$1.3 billion for both the nine months ended September 30, 2013 and 2012, were classified as other assets as they were noninterest-earning assets. These investments primarily consisted of non-marketable securities.

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## Provision for Loan Losses

Our provision for loan losses is based on our evaluation of the existing allowance for loan losses in relation to total gross loans using historical and other objective information, and on our qualitative assessment of the inherent and identified credit risks of the loan portfolio. The following table summarizes our allowance for loan losses for the three and nine months ended September 30, 2013 and 2012:

|                                                                                        | Three months ended September 30, |             | Nine months ended September 30, |             |
|----------------------------------------------------------------------------------------|----------------------------------|-------------|---------------------------------|-------------|
| (Dollars in thousands)                                                                 | 2013                             | 2012        | 2013                            | 2012        |
| Allowance for loan losses, beginning balance                                           | \$119,571                        | \$98,166    | \$110,651                       | \$89,947    |
| Provision for loan losses                                                              | 10,638                           | 6,788       | 35,023                          | 29,316      |
| Gross loan charge-offs                                                                 | (8,149 )                         | (4,637 )    | (29,150 )                       | (25,757 )   |
| Loan recoveries                                                                        | 2,674                            | 1,207       | 8,210                           | 8,018       |
| Allowance for loan losses, ending balance                                              | \$124,734                        | \$101,524   | \$124,734                       | \$101,524   |
| Provision for loan losses as a percentage of period-end total gross loans (annualized) | 0.43                             | % 0.33      | % 0.47                          | % 0.47      |
| Gross loan charge-offs as a percentage of average total gross loans (annualized)       | 0.34                             | 0.23        | 0.43                            | 0.47        |
| Net loan charge-offs as a percentage of average total gross loans (annualized)         | 0.23                             | 0.17        | 0.31                            | 0.32        |
| Allowance for loan losses as a percentage of period-end total gross loans              | 1.26                             | 1.23        | 1.26                            | 1.23        |
| Period-end total gross loans                                                           | \$9,914,199                      | \$8,266,168 | \$9,914,199                     | \$8,266,168 |
| Average total gross loans                                                              | 9,627,912                        | 7,976,257   | 9,164,538                       | 7,380,458   |

Our provision for loan losses was \$10.6 million for the three months ended September 30, 2013, compared to a provision of \$6.8 million for the comparable 2012 period. The provision of \$10.6 million for the three months ended September 30, 2013 was primarily driven by \$5.5 million in net charge-offs, an increase of \$3.1 million in the reserve for impaired loans and \$2.3 million related to new loans during the quarter. The provision of \$6.8 million for the three months ended September 30, 2012 was primarily attributable to period-end loan growth and net charge-offs of \$3.4 million. Gross loan charge-offs of \$8.1 million for the three months ended September 30, 2013 were primarily from our hardware and software portfolios. Loan recoveries of \$2.7 million for the three months ended September 30, 2013 were largely driven by a single recovery from our hardware portfolio.

Our provision for loan losses was \$35.0 million for the nine months ended September 30, 2013, compared to a provision of \$29.3 million for the comparable 2012 period. The provision of \$35.0 million for the nine months ended September 30, 2013 was primarily driven by net charge-offs of \$20.9 million and period-end loan growth. The provision of \$29.3 million for the nine months ended September 30, 2012 was primarily driven by net charge-offs of \$17.7 million and period-end loan growth.

See “Consolidated Financial Condition—Credit Quality and Allowance for Loan Losses” below and Note 6—“Loans and Allowance for Loan Losses” of the “Notes to Interim Consolidated Financial Statements (unaudited)” under Part I, Item 1 of this report for further details on our allowance for loan losses.

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## Noninterest Income

A summary of noninterest income for the three and nine months ended September 30, 2013 and 2012 is as follows:

|                                                        | Three months ended September 30, |          |          | Nine months ended September 30, |           |          |
|--------------------------------------------------------|----------------------------------|----------|----------|---------------------------------|-----------|----------|
| (Dollars in thousands)                                 | 2013                             | 2012     | % Change | 2013                            | 2012      | % Change |
| Core fee income:                                       |                                  |          |          |                                 |           |          |
| Foreign exchange fees                                  | \$12,887                         | \$12,211 | 5.5      | \$39,113                        | \$36,345  | 7.6      |
| Deposit service charges                                | 8,902                            | 8,369    | 6.4      | 26,602                          | 24,834    | 7.1      |
| Credit card fees                                       | 8,188                            | 6,348    | 29.0     | 23,245                          | 18,185    | 27.8     |
| Letters of credit and standby letters of credit income | 3,790                            | 3,495    | 8.4      | 10,879                          | 10,427    | 4.3      |
| Client investment fees                                 | 3,393                            | 3,954    | (14.2)   | 10,392                          | 10,226    | 1.6      |
| Total core fee income (1)                              | 37,160                           | 34,377   | 8.1      | 110,231                         | 100,017   | 10.2     |
| Gains on investment securities, net                    | 187,862                          | 20,228   | NM       | 255,861                         | 53,876    | NM       |
| Gains on derivative instruments, net                   | 10,202                           | 1,111    | NM       | 30,218                          | 15,800    | 91.3     |
| Other                                                  | 22,426                           | 13,423   | 67.1     | 38,183                          | 39,165    | (2.5)    |
| Total noninterest income                               | \$257,650                        | \$69,139 | NM       | \$434,493                       | \$208,858 | 108.0    |

Core fee income represents noninterest income, but excludes certain line items where performance is typically subject to market or other conditions beyond our control. We do not provide our outlook for the expected full year (1) results for these excluded items, which include gains on investment securities, net, gains on derivative instruments, net, and other noninterest income items. The following table provides a reconciliation of GAAP noninterest income to non-GAAP core fee income:

|                                            | Three months ended September 30, |          |          | Nine months ended September 30, |           |          |   |
|--------------------------------------------|----------------------------------|----------|----------|---------------------------------|-----------|----------|---|
| (Dollars in thousands)                     | 2013                             | 2012     | % Change | 2013                            | 2012      | % Change |   |
| GAAP noninterest income (as reported)      | \$257,650                        | \$69,139 | NM       | \$434,493                       | \$208,858 | 108.0    | % |
| Less: gains on investment securities, net  | 187,862                          | 20,228   | NM       | 255,861                         | 53,876    | NM       |   |
| Less: gains on derivative instruments, net | 10,202                           | 1,111    | NM       | 30,218                          | 15,800    | 91.3     |   |
| Less: other noninterest income             | 22,426                           | 13,423   | 67.1     | 38,183                          | 39,165    | (2.5     | ) |
| Non-GAAP core fee income                   | \$37,160                         | \$34,377 | 8.1      | \$110,231                       | \$100,017 | 10.2     |   |

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

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The following table provides a summary of non-GAAP noninterest income, net of noncontrolling interests:

|                                                                                                             | Three months ended September 30, |          |          | Nine months ended September 30, |           |          |   |
|-------------------------------------------------------------------------------------------------------------|----------------------------------|----------|----------|---------------------------------|-----------|----------|---|
| Non-GAAP noninterest income, net of noncontrolling interests (Dollars in thousands)                         | 2013                             | 2012     | % Change | 2013                            | 2012      | % Change |   |
| GAAP noninterest income (as reported)                                                                       | \$257,650                        | \$69,139 | NM       | \$434,493                       | \$208,858 | 108.0    | % |
| Less: income attributable to noncontrolling interests, including carried interest                           | 151,830                          | 13,524   | NM       | 205,071                         | 34,826    | NM       |   |
| Non-GAAP noninterest income, net of noncontrolling interests                                                | \$105,820                        | \$55,615 | 90.3     | 229,422                         | 174,032   | 31.8     |   |
| Less: gains on sales of certain available-for-sale securities                                               | —                                | —        | —        | —                               | 4,955     | (100.0)  | ) |
| Less: net gains on the sale of certain assets related to our equity management services business            | —                                | —        | —        | —                               | 4,243     | (100.0)  | ) |
| Non-GAAP noninterest income, net of noncontrolling interests and excluding gains on sales of certain assets | \$105,820                        | \$55,615 | 90.3     | \$229,422                       | \$164,834 | 39.2     |   |

#### Gains on Investment Securities, Net

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

Our available-for-sale securities portfolio is managed to optimize portfolio yield over the long-term in a manner consistent with our liquidity, credit diversification, and asset/liability strategies. Though infrequent, the sale of investments from our available-for-sale portfolio results in net gains or losses on investment securities.

We experience variability in the performance of our non-marketable and other securities from quarter to quarter, which results in net gains or losses on investment securities. This variability is due to a number of factors, including changes in the values of our investments, changes in the amount of distributions or liquidity events and general economic and market conditions. Such variability may lead to volatility in the gains from investment securities and as such our results for a particular period are not necessarily indicative of our expected performance in a future period. For the three months ended September 30, 2013, we had net gains on investment securities of \$187.9 million, compared to \$20.2 million for the comparable 2012 period. Gains on investment securities, net of noncontrolling interests, were \$36.5 million for the three months ended September 30, 2013, compared to \$7.5 million for the comparable 2012 period.

The gains, net of noncontrolling interests, of \$36.5 million for the three months ended September 30, 2013 were primarily driven by the following:

- Gains of \$28.2 million from our managed direct venture funds, primarily related to the increase in valuation and carried interest allocations related to FireEye after its IPO.

- Gains of \$3.5 million from our investments in debt funds, primarily related to the increase in gains associated with FireEye in one of our debt fund investments.

- Gains of \$3.1 million from our managed funds of funds, primarily related to unrealized valuation increases from three of our funds of funds.

- Gains of \$1.5 million from our strategic and other investments, primarily driven by \$4.7 million from distributions of strategic venture capital fund investments, partially offset by a \$3.9 million impairment recognized for a single direct equity investment.

For the nine months ended September 30, 2013, we had net gains on investment securities of \$255.9 million, compared to \$53.9 million for the comparable 2012 period. Gains on investment securities, net of noncontrolling interests, were \$51.1 million for the nine months ended September 30, 2013, compared to \$19.3 million for the comparable 2012 period. The gains, net of noncontrolling interests, of \$51.1 million for the nine months ended



September 30, 2013 were primarily driven by the following:

- Gains of \$28.5 million from our managed direct venture funds, primarily related to the increase in valuation and carried interest allocations related to FireEye after its IPO.

- Gains of \$8.7 million from our managed funds of funds, primarily related to unrealized valuation increases and carried interest from three of our funds of funds.

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Gains of \$7.1 million from our investments in debt funds, driven by our proportionate share of unrealized valuation increases from the investments within the funds as well as an increase in gains associated with FireEye in one of our debt fund investments.

Gains of \$6.0 million from our strategic and other investments, primarily related to gains from our proportionate share of profits from certain equity method investments and gains from distributions of strategic venture capital fund investments. These increases were partially offset by an impairment recognized for a single direct equity investment.

The following tables provide a summary of non-GAAP net gains on investment securities, net of noncontrolling interests, for the three and nine months ended September 30, 2013 and 2012:

| (Dollars in thousands)                                                                                                                                      | Managed<br>Funds of<br>Funds | Managed<br>Direct<br>Venture<br>Funds | Debt<br>Funds | Available-<br>For-Sale<br>Securities | Strategic<br>and Other<br>Investments | Total     |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------|---------------------------------------|---------------|--------------------------------------|---------------------------------------|-----------|
| Three months ended September 30, 2013                                                                                                                       |                              |                                       |               |                                      |                                       |           |
| Total gains on investment securities, net                                                                                                                   | \$34,633                     | \$147,976                             | \$3,508       | \$219                                | \$ 1,526                              | \$187,862 |
| Less: income (losses) attributable to noncontrolling interests, including carried interest                                                                  | 31,551                       | 119,810                               | (1 )          | —                                    | —                                     | 151,360   |
| Non-GAAP net gains on investment securities, net of noncontrolling interests                                                                                | \$3,082                      | \$28,166                              | \$3,509       | \$219                                | \$ 1,526                              | \$36,502  |
| Three months ended September 30, 2012                                                                                                                       |                              |                                       |               |                                      |                                       |           |
| Total gains (losses) on investment securities, net                                                                                                          | \$12,139                     | \$2,034                               | \$5,439       | \$(101 )                             | \$ 717                                | \$20,228  |
| Less: income (losses) attributable to noncontrolling interests, including carried interest                                                                  | 11,351                       | 1,427                                 | (2 )          | —                                    | —                                     | 12,776    |
| Non-GAAP net gains (losses) on investment securities, net of noncontrolling interests                                                                       | 788                          | 607                                   | 5,441         | (101 )                               | 717                                   | 7,452     |
| Less: gain on sales of certain available-for-sale securities                                                                                                | —                            | —                                     | —             | —                                    | —                                     | —         |
| Non-GAAP net gains (losses) on investment securities, net of noncontrolling interests and excluding gains on sales of certain available-for-sale securities | \$788                        | \$607                                 | \$5,441       | \$(101 )                             | \$ 717                                | \$7,452   |
| Nine months ended September 30, 2013                                                                                                                        |                              |                                       |               |                                      |                                       |           |
| Total gains on investment securities, net                                                                                                                   | \$91,061                     | \$150,819                             | \$7,060       | \$949                                | \$ 5,972                              | \$255,861 |
| Less: income (losses) attributable to noncontrolling interests, including carried interest                                                                  | 82,374                       | 122,353                               | (4 )          | —                                    | —                                     | 204,723   |
| Non-GAAP net gains on investment securities, net of noncontrolling interests                                                                                | \$8,687                      | \$28,466                              | \$7,064       | \$949                                | \$ 5,972                              | \$51,138  |
| Nine months ended September 30, 2012                                                                                                                        |                              |                                       |               |                                      |                                       |           |
| Total gains (losses) on investment securities, net                                                                                                          | \$38,908                     | \$(1,589 )                            | \$8,823       | \$3,592                              | \$ 4,142                              | \$53,876  |
| Less: income (losses) attributable to noncontrolling interests, including carried interest                                                                  | 35,919                       | (1,331 )                              | 28            | —                                    | —                                     | 34,616    |
| Non-GAAP net gains (losses) on investment securities, net of noncontrolling interests                                                                       | 2,989                        | (258 )                                | 8,795         | 3,592                                | 4,142                                 | 19,260    |

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|                                                                                                                                                             |         |        |           |          |            |          |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------|---------|--------|-----------|----------|------------|----------|
| Less: gain on sales of certain available-for-sale securities                                                                                                | —       | —      | —         | 4,955    | —          | 4,955    |
| Non-GAAP net gains (losses) on investment securities, net of noncontrolling interests and excluding gains on sales of certain available-for-sale securities | \$2,989 | \$(258 | ) \$8,795 | \$(1,363 | ) \$ 4,142 | \$14,305 |

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## Foreign Exchange Fees

Foreign exchange fees were \$12.9 million and \$39.1 million for the three and nine months ended September 30, 2013, respectively, compared to \$12.2 million and \$36.3 million for the comparable 2012 periods. The increases were primarily due to improved business conditions for our clients, which has resulted in an increase in the number of trades and commissioned notional volumes.

## Gains on Derivative Instruments, Net

A summary of gains on derivative instruments, net, for the three and nine months ended September 30, 2013 and 2012 is as follows:

| (Dollars in thousands)                                                 | Three months ended September 30, |          |          | Nine months ended September 30, |          |          |
|------------------------------------------------------------------------|----------------------------------|----------|----------|---------------------------------|----------|----------|
|                                                                        | 2013                             | 2012     | % Change | 2013                            | 2012     | % Change |
| Equity warrant assets (1)                                              |                                  |          |          |                                 |          |          |
| Gains on exercises, net                                                | \$4,458                          | \$2,417  | 84.4     | % \$6,883                       | \$7,577  | (9.2 )%  |
| Cancellations and expirations                                          | (149 )                           | (252 )   | (40.9 )  | (371 )                          | (1,424 ) | (73.9 )  |
| Changes in fair value                                                  | 14,471                           | (1,618 ) | NM       | 22,963                          | 6,205    | NM       |
| Net gains on equity warrant assets                                     | 18,780                           | 547      | NM       | 29,475                          | 12,358   | 138.5    |
| Gains on foreign exchange forward contracts, net:                      |                                  |          |          |                                 |          |          |
| Gains on client foreign exchange forward contracts, net (2)            | 369                              | 607      | (39.2 )  | 2,179                           | 3,002    | (27.4 )  |
| (Losses) gains on internal foreign exchange forward contracts, net (3) | (8,423 )                         | 220      | NM       | (1,511 )                        | 1,162    | NM       |
| Total (losses) gains on foreign exchange forward contracts, net        | (8,054 )                         | 827      | NM       | 668                             | 4,164    | (84.0 )  |
| Changes in fair value of interest rate swaps                           | (7 )                             | 74       | (109.5 ) | 20                              | 571      | (96.5 )  |
| Net (losses) gains on other derivatives (4)                            | (517 )                           | (337 )   | 53.4     | 55                              | (1,293 ) | (104.3 ) |
| Gains on derivative instruments, net                                   | \$10,202                         | \$1,111  | NM       | \$30,218                        | \$15,800 | 91.3     |

NM—Not meaningful

(1) At September 30, 2013, we held warrants in 1,309 companies, compared to 1,248 companies at September 30, 2012.

(2) Represents the net gains for foreign exchange forward contracts executed on behalf of clients.

(3) Represents the change in the fair value of foreign exchange forward contracts used to economically reduce our foreign exchange exposure related to certain foreign currency denominated instruments.

(4) Primarily represents the change in fair value of loan conversion options held by SVB Financial. As of September 30, 2013, the loan conversion options related to five clients.

Net gains on derivative instruments were \$10.2 million for the three months ended September 30, 2013, compared to net gains of \$1.1 million for the comparable 2012 period. The increase in net gains on derivative instruments was primarily attributable to the following:

Net gains on equity warrant assets of \$18.8 million for the three months ended September 30, 2013, compared to \$0.5 million for the comparable 2012 period. The increase was primarily reflective of net gains from warrant valuations of \$14.5 million for the three months ended September 30, 2013, compared to losses of \$1.6 million for the comparable 2012 period. The net gains from warrant valuations of \$14.5 million for the three months ended September 30, 2013 was driven by IPO and M&A activity, and included \$8.1 million from a single warrant client, FireEye. Net gains from the exercise of equity warrant assets were \$4.5 million for the three months ended September 30, 2013, compared to \$2.4 million for the comparable period.

Net losses of \$8.4 million on foreign exchange forward contracts hedging certain of our foreign currency denominated instruments for the three months ended September 30, 2013, compared to net gains of \$0.2 million for the comparable 2012 period. The losses for the three months ended September 30, 2013 were primarily attributable to the weakening of the U.S. Dollar against the Euro and Pound Sterling, and were offset by losses of \$8.1 million from the revaluation of foreign currency denominated instruments that are included in the line item "Other" within noninterest income as noted below.

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Net gains on derivative instruments were \$30.2 million for the nine months ended September 30, 2013, compared to net gains of \$15.8 million for the comparable 2012 period. The increase in net gains on derivative instruments was primarily attributable to the following:

Net gains on equity warrant assets of \$29.5 million for the nine months ended September 30, 2013, compared to net gains of \$12.4 million for the comparable 2012 period. The increase was primarily reflective of net gains from warrant valuations of \$23.0 million for the nine months ended September 30, 2013, compared to net gains of \$6.2 million for the comparable period. The net gains from warrant valuations of \$23.0 million for the nine months ended September 30, 2013 primarily related to our private warrant portfolio which was driven by IPO and M&A activity, and included \$8.1 million from a single warrant client, FireEye.

Net losses of \$1.5 million on foreign exchange forward contracts hedging certain of our foreign currency denominated instruments for the nine months ended September 30, 2013, compared to net gains of \$1.2 million for the comparable 2012 period. The losses for the nine months ended September 30, 2013 were primarily attributable to the weakening of the U.S. Dollar against the Euro and Pound Sterling, and were offset by gains of \$0.4 million from the revaluation of foreign currency denominated instruments that are included in the line item "Other" within noninterest income as noted below.

**Credit Card Fees**

Credit card fees were \$8.2 million and \$23.2 million for the three and nine months ended September 30, 2013, respectively, compared to \$6.3 million and \$18.2 million for the comparable 2012 periods. The increases were primarily due to an increase in client volumes and the addition of new credit card clients.

**Client Investment Fees**

Client investment fees were \$3.4 million and \$10.4 million for the three and nine months ended September 30, 2013, respectively, compared to \$4.0 million and \$10.2 million for the comparable 2012 periods. There was an increase in average client investment funds driven by our clients' increased utilization of our off-balance sheet sweep product. The increases in average balances were partially offset by historically low yields on certain products. The following table summarizes average client investment funds for the three and nine months ended September 30, 2013 and 2012:

|                                           | Three months ended September 30, |          |          | Nine months ended September 30, |        |          |
|-------------------------------------------|----------------------------------|----------|----------|---------------------------------|--------|----------|
| (Dollars in millions)                     | 2013                             | 2012     | % Change | 2013                            | 2012   | % Change |
| Client directed investment assets (1)     | \$7,412                          | \$7,528  | (1.5)%   | 7,052                           | 7,406  | (4.8)%   |
| Client investment assets under management | 11,925                           | 10,283   | 16.0     | 11,577                          | 10,247 | 13.0     |
| Sweep money market funds                  | 5,622                            | 3,118    | 80.3     | 4,920                           | 2,239  | 119.7    |
| Total average client investment funds (2) | \$24,959                         | \$20,929 | 19.3     | 23,549                          | 19,892 | 18.4     |

(1) Comprised of mutual funds and Repurchase Agreement Program assets.

(2) Client investment funds are maintained at third party financial institutions and are not recorded on our balance sheet.

The following table summarizes period-end client investment funds at September 30, 2013 and December 31, 2012:

| (Dollars in millions)                     | September 30, 2013 | December 31, 2012 | % Change |
|-------------------------------------------|--------------------|-------------------|----------|
| Client directed investment assets         | 7,319              | 7,604             | (3.7)%   |
| Client investment assets under management | 12,045             | 10,824            | 11.3     |
| Sweep money market funds                  | 5,954              | 4,085             | 45.8     |
| Total period-end client investment funds  | 25,318             | 22,513            | 12.5     |

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## Other Noninterest Income

A summary of other noninterest income for the three and nine months ended September 30, 2013 and 2012 is as follows:

|                                                                                            | Three months ended September 30, |          |          | Nine months ended September 30, |          |          |         |   |
|--------------------------------------------------------------------------------------------|----------------------------------|----------|----------|---------------------------------|----------|----------|---------|---|
| (Dollars in thousands)                                                                     | 2013                             | 2012     | % Change | 2013                            | 2012     | % Change |         |   |
| Unused commitment fees                                                                     | \$3,735                          | \$2,579  | 44.8     | %                               | \$10,582 | \$9,312  | 13.6    | % |
| Fund management fees                                                                       | 2,822                            | 2,496    | 13.1     |                                 | 8,531    | 8,448    | 1.0     |   |
| Service-based fee income (1)                                                               | 1,901                            | 1,651    | 15.1     |                                 | 5,706    | 6,197    | (7.9    | ) |
| Net gains on the sale of certain assets related to our equity management services business | —                                | —        | —        |                                 | —        | 4,243    | (100.0  | ) |
| Loan syndication fees                                                                      | 1,102                            | 1,353    | (18.6    | )                               | 1,852    | 2,853    | (35.1   | ) |
| Gains on revaluation of foreign currency instruments (2)                                   | 8,101                            | 1,578    | NM       |                                 | 451      | 96       | NM      |   |
| Currency revaluation (losses) gains (3)                                                    | (32                              | ) 845    | (103.8   | )                               | (7       | ) (88    | ) (92.0 | ) |
| Other                                                                                      | 4,797                            | 2,921    | 64.2     |                                 | 11,068   | 8,104    | 36.6    |   |
| Total other noninterest income                                                             | \$22,426                         | \$13,423 | 67.1     |                                 | \$38,183 | \$39,165 | (2.5    | ) |

NM—Not meaningful

(1) Includes income from SVB Analytics.

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

(3) Primarily represents the revaluation of foreign currency denominated investments in certain funds.

Other noninterest income was \$22.4 million and \$38.2 million for the three and nine months ended September 30, 2013, compared to \$13.4 million and \$39.2 million for the comparable 2012 periods. The increase of \$9.0 million for the three month period was primarily due to gains on the revaluation of foreign currency instruments of \$8.1 million for the three months ended September 30, 2013, compared to \$1.6 million for the comparable 2012 period. The gains for both periods were primarily attributable to the weakening of the U.S. Dollar against the Euro and Pound Sterling, and were offset by losses of \$8.4 million and gains of \$0.2 million, respectively, on internal foreign exchange forward contracts economically hedging certain of these instruments, which are included within noninterest income on the line item "gains on derivative instruments" as noted above.

The decrease of \$1.0 million of other noninterest income for the nine month period was primarily due to net gains of \$4.2 million from the sale of certain assets related to our equity management services business in the second quarter of 2012. This decrease was partially offset by increases in unused commitment fees for the nine months ended September 30, 2013, as well as gains on the revaluation of foreign currency instruments of \$0.5 million for the nine months ended September 30, 2013, compared to \$0.1 million for the comparable 2012 period. The gains for both periods were primarily attributable to the weakening of the U.S. Dollar against the Euro and Pound Sterling, and were offset by losses of \$1.5 million and gains of \$1.2 million, respectively, on internal foreign exchange forward contracts economically hedging certain of these instruments, which are included within noninterest income on the line item "gains on derivative instruments" as noted above.

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## Noninterest Expense

A summary of noninterest expense for the three and nine months ended September 30, 2013 and 2012 is as follows:

| (Dollars in thousands)                                   | Three months ended September 30, |           |          |    | Nine months ended September 30, |           |          |   |
|----------------------------------------------------------|----------------------------------|-----------|----------|----|---------------------------------|-----------|----------|---|
|                                                          | 2013                             | 2012      | % Change |    | 2013                            | 2012      | % Change |   |
| Compensation and benefits                                | \$96,869                         | \$79,262  | 22.2     | %  | \$270,315                       | \$243,384 | 11.1     | % |
| Professional services                                    | 18,966                           | 17,759    | 6.8      |    | 52,759                          | 48,880    | 7.9      |   |
| Premises and equipment                                   | 12,171                           | 11,247    | 8.2      |    | 34,298                          | 28,230    | 21.5     |   |
| Business development and travel                          | 7,378                            | 6,838     | 7.9      |    | 23,433                          | 21,743    | 7.8      |   |
| Net occupancy                                            | 5,898                            | 5,666     | 4.1      |    | 17,460                          | 16,667    | 4.8      |   |
| FDIC assessments                                         | 2,913                            | 2,836     | 2.7      |    | 9,148                           | 8,065     | 13.4     |   |
| Correspondent bank fees                                  | 2,906                            | 3,000     | (3.1     | )  | 9,009                           | 8,528     | 5.6      |   |
| Provision for (reduction of) unfunded credit commitments | 2,774                            | (400      | )        | NM | 6,135                           | 1,264     | NM       |   |
| Other                                                    | 10,649                           | 8,963     | 18.8     |    | 30,273                          | 26,188    | 15.6     |   |
| Total noninterest expense                                | \$160,524                        | \$135,171 | 18.8     |    | \$452,830                       | \$402,949 | 12.4     |   |

Included in noninterest expense is expense attributable to noncontrolling interests. See below for a summary of non-GAAP noninterest expense and non-GAAP operating efficiency ratio, both of which exclude noncontrolling interests.

## Non-GAAP Noninterest Expense

We use and report non-GAAP noninterest expense, non-GAAP taxable equivalent revenue and non-GAAP operating efficiency ratio, which excludes noncontrolling interests. We believe these non-GAAP financial measures, when taken together with the corresponding GAAP financial measures, provide meaningful supplemental information regarding our performance by: (i) excluding certain items that represent expenses attributable to investors other than us and our subsidiaries, or certain items that do not occur every reporting period; or (ii) providing additional information used by management that is not otherwise required by GAAP or other applicable requirements. Our management uses, and believes that investors benefit from referring to, these non-GAAP financial measures in assessing our operating results and when planning, forecasting and analyzing future periods. However, these non-GAAP financial measures should be considered in addition to, not as a substitute for or preferable to, financial measures prepared in accordance with GAAP. The table below provides a summary of non-GAAP noninterest expense and non-GAAP operating efficiency ratio, both net of noncontrolling interests:

| Non-GAAP operating efficiency ratio, net of noncontrolling interests (Dollars in thousands, except ratios) | Three months ended September 30, |           |          |   | Nine months ended September 30, |           |          |   |
|------------------------------------------------------------------------------------------------------------|----------------------------------|-----------|----------|---|---------------------------------|-----------|----------|---|
|                                                                                                            | 2013                             | 2012      | % Change |   | 2013                            | 2012      | % Change |   |
| GAAP noninterest expense                                                                                   | \$160,524                        | \$135,171 | 18.8     | % | \$452,830                       | \$402,949 | 12.4     | % |
| Less: amounts attributable to noncontrolling interests                                                     | 3,290                            | 2,723     | 20.8     |   | 9,017                           | 9,488     | (5.0     | ) |
| Non-GAAP noninterest expense, net of noncontrolling interests                                              | \$157,234                        | \$132,448 | 18.7     |   | \$443,813                       | \$393,461 | 12.8     |   |
| GAAP taxable equivalent net interest income                                                                | \$177,525                        | \$154,911 | 14.6     |   | \$511,640                       | \$458,751 | 11.5     |   |
| Less: income attributable to noncontrolling interests                                                      | 19                               | 50        | (62.0    | ) | 63                              | 131       | (51.9    | ) |
| Non-GAAP taxable equivalent net interest income, net of noncontrolling interests                           | 177,506                          | 154,861   | 14.6     |   | 511,577                         | 458,620   | 11.5     |   |
|                                                                                                            | 105,820                          | 55,615    | 90.3     |   | 229,422                         | 164,834   | 39.2     |   |



|                                                                            |           |           |           |           |           |          |  |
|----------------------------------------------------------------------------|-----------|-----------|-----------|-----------|-----------|----------|--|
| Non-GAAP noninterest income,<br>net of noncontrolling interests            |           |           |           |           |           |          |  |
| Non-GAAP taxable equivalent<br>revenue, net of noncontrolling<br>interests | \$283,326 | \$210,476 | 34.6      | \$740,999 | \$623,454 | 18.9     |  |
| Non-GAAP operating efficiency<br>ratio (1)                                 | 55.50     | % 62.93   | % (11.8 ) | 59.89     | % 63.11   | % (5.1 ) |  |

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(1) The non-GAAP operating efficiency ratio is calculated by dividing non-GAAP noninterest expense by non-GAAP total taxable-equivalent income.

**Compensation and Benefits Expense**

The following table provides a summary of our compensation and benefits expense:

| (Dollars in thousands)                    | Three months ended September 30, |          |          | Nine months ended September 30, |           |          |   |
|-------------------------------------------|----------------------------------|----------|----------|---------------------------------|-----------|----------|---|
|                                           | 2013                             | 2012     | % Change | 2013                            | 2012      | % Change |   |
| Compensation and benefits                 |                                  |          |          |                                 |           |          |   |
| Salaries and wages                        | \$39,926                         | \$37,769 | 5.7      | \$118,458                       | \$113,391 | 4.5      | % |
| Incentive compensation & ESOP             | 30,599                           | 20,185   | 51.6     | 74,452                          | 62,170    | 19.8     |   |
| Other employee benefits (1)               | 26,344                           | 21,308   | 23.6     | 77,405                          | 67,823    | 14.1     |   |
| Total compensation and benefits           | \$96,869                         | \$79,262 | 22.2     | \$270,315                       | \$243,384 | 11.1     |   |
| Period-end full-time equivalent employees | 1,683                            | 1,602    | 5.1      | 1,683                           | 1,602     | 5.1      |   |
| Average full-time equivalent employees    | 1,675                            | 1,594    | 5.1      | 1,662                           | 1,572     | 5.7      |   |

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

Compensation and benefits expense was \$96.9 million for the three months ended September 30, 2013, compared to \$79.3 million for the comparable 2012 period. The key changes in factors affecting compensation and benefits expense were as follows:

An increase of \$10.4 million in incentive compensation and ESOP/profit sharing expenses, primarily reflective of our strong performance in the third quarter of 2013 and our current expectation that we will exceed our internal performance targets for 2013.

An increase of \$5.0 million in other employee benefits, primarily due to warrant incentive compensation expense of \$1.4 million resulting from the gains recorded for the increase in valuation related to FireEye after its IPO.

Additionally, 401k related expenses increased by \$1.0 million. The remaining increases related various other employee benefits individually insignificant.

An increase of \$2.2 million in salaries and wages expense, primarily due to an increase in the number of average FTEs, which increased by 81 to 1,675 FTEs for the three months ended September 30, 2013, compared to 1,594 FTEs for the comparable 2012 period. The increase in headcount was primarily to support our product development, operational and sales and advisory teams, as well as to support our commercial banking operations and initiatives.

Compensation and benefits expense was \$270.3 million for the nine months ended September 30, 2013, compared to \$243.4 million for the comparable 2012 period. The key changes in factors affecting compensation and benefits expense were as follows:

An increase of \$12.3 million in incentive compensation and ESOP/profit sharing expenses, primarily reflective of our strong performance in the third quarter of 2013 and our current expectation that we will exceed our internal performance targets for 2013.

An increase of \$9.6 million in other employee benefits, primarily due to an increase in warrant incentive compensation expense of \$2.4 million resulting from \$1.4 million gains recorded for the increase in valuation related to FireEye after its IPO. Additionally, amortization of share-based compensation increased by \$2.4 million, as well as an increase of \$1.6 million in agency fees.

An increase of \$5.1 million in salaries and wages expense, primarily due to an increase in the number of average FTEs, which increased by 90 to 1,662 FTEs for the nine months ended September 30, 2013, compared to 1,572 FTEs for the comparable 2012 period.

Our variable compensation plans primarily consist of our Incentive Compensation Plan, Direct Drive Incentive Compensation Plan, 401(k) and ESOP Plan, Retention Program and Warrant Incentive Plan. Total costs incurred under these plans were \$36.4 million and \$89.4 million for the three and nine months ended September 30, 2013, respectively, compared to \$22.3 million and \$73.9 million for the comparable 2012 periods. These amounts are included in total compensation and benefits expense discussed above.

Table of Contents**Professional Services**

Professional services expense was \$19.0 million and \$52.8 million for the three and nine months ended September 30, 2013, respectively, compared to \$17.8 million and \$48.9 million for the comparable 2012 periods. The increases for the three and nine months period ended were primarily due to increased consulting fees related to our ongoing business and IT infrastructure initiatives.

**Premises and Equipment**

Premises and equipment expense was \$12.2 million and \$34.3 million for the three and nine months ended September 30, 2013, respectively, compared to \$11.2 million and \$28.2 million for the comparable 2012 periods. The increases for the three and nine month periods were primarily due to increased spending to enhance and maintain our IT infrastructure.

**Provision for (Reduction of) Unfunded Credit Commitments**

We recorded a provision for unfunded credit commitments of \$2.8 million for the three months ended September 30, 2013, compared to a reduction of \$0.4 million for the comparable 2012 period. The provision of \$2.8 million for the three months ended September 30, 2013 was primarily due to an increase in unfunded credit commitment balances of \$890 million from June 30, 2013 to September 30, 2013.

We recorded a provision for unfunded credit commitments of \$6.1 million for the nine months ended September 30, 2013, compared to \$1.3 million for the comparable 2012 period. The provision for the nine months ended September 30, 2013 was primarily reflective of an increase in unfunded credit commitments of \$2.1 billion from December 31, 2012 to September 30, 2013.

**Other Noninterest Expense**

A summary of other noninterest expense for the three and nine months ended September 30, 2013 and 2012 is as follows:

| (Dollars in thousands)          | Three months ended September 30, |         |          | Nine months ended September 30, |          |          |
|---------------------------------|----------------------------------|---------|----------|---------------------------------|----------|----------|
|                                 | 2013                             | 2012    | % Change | 2013                            | 2012     | % Change |
| Data processing services        | \$2,020                          | \$1,575 | 28.3 %   | \$5,814                         | \$4,290  | 35.5 %   |
| Client services                 | 1,920                            | 1,804   | 6.4      | 5,711                           | 4,796    | 19.1     |
| Telephone                       | 1,571                            | 1,619   | (3.0 )   | 4,640                           | 4,950    | (6.3 )   |
| Tax credit fund amortization    | 1,519                            | 941     | 61.4     | 4,174                           | 2,961    | 41.0     |
| Postage and supplies            | 559                              | 591     | (5.4 )   | 1,777                           | 1,844    | (3.6 )   |
| Dues and publications           | 399                              | 472     | (15.5 )  | 1,302                           | 1,503    | (13.4 )  |
| Other                           | 2,661                            | 1,961   | 35.7     | 6,855                           | 5,844    | 17.3     |
| Total other noninterest expense | \$10,649                         | \$8,963 | 18.8     | \$30,273                        | \$26,188 | 15.6     |

**Net Income Attributable to Noncontrolling Interests**

Included in net income is income and expense attributable to noncontrolling interests. The relevant amounts attributable to investors other than us are reflected under "Net Income Attributable to Noncontrolling Interests" on our statements of income.

In the table below, noninterest income consists primarily of investment gains and losses from our consolidated funds. Noninterest expense is primarily related to management fees paid by our managed funds to SVB Financial's subsidiaries as the funds' general partners. A summary of net income attributable to noncontrolling interests for the three and nine months ended September 30, 2013 and 2012, respectively, is as follows:

| (Dollars in thousands)                              | Three months ended September 30, |             |          | Nine months ended September 30, |             |          |
|-----------------------------------------------------|----------------------------------|-------------|----------|---------------------------------|-------------|----------|
|                                                     | 2013                             | 2012        | % Change | 2013                            | 2012        | % Change |
| Net interest income (1)                             | \$(19 )                          | \$(50 )     | (62.0 )% | \$(63 )                         | \$(131 )    | (51.9 )% |
| Noninterest income (1)                              | (169,126 )                       | (14,416 )   | NM       | (223,912 )                      | (32,258 )   | NM       |
| Noninterest expense (1)                             | 3,290                            | 2,723       | 20.8     | 9,017                           | 9,488       | (5.0 )   |
| Carried interest (2)                                | 17,296                           | 892         | NM       | 18,841                          | (2,568 )    | NM       |
| Net income attributable to noncontrolling interests | \$(148,559 )                     | \$(10,851 ) | NM       | \$(196,117 )                    | \$(25,469 ) | NM       |



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NM—Not meaningful

(1) Represents noncontrolling interests' share in net interest income, noninterest income and noninterest expense.

(2) Represents the preferred allocation of income earned by the general partners or limited partners of certain consolidated funds.

Income Taxes

Our effective income tax expense rate was 41.2 percent for the three months ended September 30, 2013, compared to 40.2 percent for the comparable 2012 period. Our effective income tax expense rate was 39.8 percent for the nine months ended September 30, 2013, compared to 40.2 percent for the comparable 2012 period. The increase in the tax rate for the third quarter of 2013 was primarily attributable to a one-time prior period tax adjustment of \$2.9 million recorded in the third quarter of 2013. Excluding the impact of the adjustment, our effective tax rate would have been 38.7 percent for both the third quarter of 2013 and nine months ended September 30, 2013. The decreases in the tax rates excluding the prior period adjustment, were primarily due to higher low-income housing credits and higher income generated from states with lower state tax rates.

Our effective tax rate is calculated by dividing income tax expense by the sum of income before income tax expense and the net income attributable to noncontrolling interests.

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## Operating Segment Results

We have three segments for which we report our financial information: Global Commercial Bank, SVB Private Bank and SVB Capital.

We report segment information based on the “management” approach. The management approach designates the internal reporting used by management for making decisions and assessing performance as the source of our reporting segments. Please refer to Note 10—“Segment Reporting” of the “Notes to Interim Consolidated Financial Statements (unaudited)” under Part I, Item 1 of this report for additional details.

Our primary source of revenue is from net interest income, which is primarily the difference between interest earned on loans, net of FTP, and interest paid on deposits, net of FTP. Accordingly, our segments are reported using net interest income, net of FTP. FTP is an internal measurement framework designed to assess the financial impact of a financial institution’s sources and uses of funds. It is the mechanism by which an earnings credit is given for deposits raised, and an earnings charge is made for funded loans.

We also evaluate performance based on provision for loan losses, noninterest income and noninterest expense, which are presented as components of segment operating profit or loss. In calculating each operating segment’s noninterest expense, we consider the direct costs incurred by the operating segment as well as certain allocated direct costs. As part of this review, we allocate certain corporate overhead costs to a corporate account. We do not allocate income taxes to our segments. Additionally, our management reporting model is predicated on average asset balances; therefore, period-end asset balances are not presented for segment reporting purposes.

Changes in an individual client’s primary relationship designation have resulted, and in the future may result, in the inclusion of certain clients in different segments in different periods. The following is our reportable segment information for the three and nine months ended September 30, 2013 and 2012:

## Global Commercial Bank

| (Dollars in thousands)                      | Three months ended September 30, |             |          |   | Nine months ended September 30, |             |          |   |
|---------------------------------------------|----------------------------------|-------------|----------|---|---------------------------------|-------------|----------|---|
|                                             | 2013                             | 2012        | % Change |   | 2013                            | 2012        | % Change |   |
| Net interest income                         | \$162,781                        | \$151,858   | 7.2      | % | \$466,303                       | \$441,542   | 5.6      | % |
| Provision for loan losses                   | (11,633 )                        | (7,787 )    | 49.4     |   | (36,030 )                       | (29,946 )   | 20.3     |   |
| Noninterest income                          | 50,814                           | 46,965      | 8.2      |   | 145,716                         | 139,387     | 4.5      |   |
| Noninterest expense                         | (109,088 )                       | (98,064 )   | 11.2     |   | (316,949 )                      | (293,193 )  | 8.1      |   |
| Income before income tax expense            | \$92,874                         | \$92,972    | (0.1 )   |   | \$259,040                       | \$257,790   | 0.5      |   |
| Total average loans, net of unearned income | \$8,683,784                      | \$7,159,609 | 21.3     |   | \$8,274,380                     | \$6,559,036 | 26.2     |   |
| Total average assets                        | 21,332,078                       | 19,860,340  | 7.4      |   | 20,723,144                      | 19,149,134  | 8.2      |   |
| Total average deposits                      | 18,994,576                       | 17,881,175  | 6.2      |   | 18,480,757                      | 17,240,715  | 7.2      |   |

## Three months ended September 30, 2013 compared to the three months ended September 30, 2012

Income before income tax expense from our Global Commercial Bank (“GCB”) held relatively flat at \$92.3 million for the three months ended September 30, 2013, compared to \$93.0 million for the comparable 2012 period. Income before income tax expense was primarily driven by higher interest income due to strong average loan growth and offset by a higher provision for loan losses and higher noninterest expense. The key components of GCB’s performance for the three months ended September 30, 2013 compared to the comparable 2012 period are discussed below:

Net interest income from our GCB increased by \$10.9 million for the three months ended September 30, 2013, primarily due to a \$16.4 million increase in loan interest income resulting mainly from an increase in average loan balances, partially offset by lower loan yields. Additionally, GCB had a \$2.4 million increase in the FTP earned for deposits due to average deposit growth. These increases were partially offset by a \$9.3 million decrease in the FTP earned for deposits from decreases in market interest rates.

GCB had a provision for loan losses of \$11.6 million for the three months ended September 30, 2013, compared to \$7.8 million for the comparable 2012 period. The provision of \$11.6 million for the three months ended

September 30, 2013 was primarily attributable to net charge-offs, an increase in our reserve for impaired loans and due to period-end loan growth. The provision of \$7.8 million for the three months ended September 30, 2012 was primarily attributable to period-end loan growth.



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Noninterest income increased by \$3.8 million for the three months ended September 30, 2013, primarily related to higher credit card fees and foreign exchange fees. The increase in credit card fees was primarily due to increases in client volumes and the addition of new credit card clients. The increase in foreign exchange fees was primarily due to improved business conditions for our clients, which has resulted in an increase in the number of trades and commissioned notional volumes.

Noninterest expense increased by \$11.0 million for the three months ended September 30, 2013, primarily due to increases in compensation and benefits expenses relating to incentive plan and salaries and wages expenses. The increase in our incentive plan expenses was primarily related to our strong performance in the third quarter of 2013 and our current expectation that we will exceed our internal performance targets for 2013. The increase in our salaries and wages expenses was primarily due to an increase in the average number of FTEs at our GCB, which increased by 69 to 1,333 FTEs for the three months ended September 30, 2013, compared to 1,264 FTEs for the comparable 2012 period. The increase in average FTEs was attributable to increases in positions for product development, operational and sales and advisory, as well as to support our commercial banking operations and initiatives.

Nine months ended September 30, 2013 compared to the nine months ended September 30, 2012

Income before income tax expense from our GCB increased slightly to \$258.4 million for the nine months ended September 30, 2013, compared to \$257.8 million for the comparable 2012 period. Income before income tax expense was primarily driven by an increase in net interest income driven by growth in average loans and an increase in noninterest income, partially offset by an increase in noninterest expense driven by growth in average FTEs. The key components of GCB's performance for the nine months ended September 30, 2013 compared to the comparable 2012 period are discussed below:

Net interest income from our GCB increased by \$24.8 million for the nine months ended September 30, 2013, primarily due to a \$45.9 million increase in loan interest income resulting mainly from an increase in average loan balances, partially offset by lower loan yields. Additionally, our GCB had an \$8.2 million increase in the FTP earned for deposits due to average deposit growth. This increase was partially offset by a \$31.2 million decrease in the FTP earned for deposits from decreases in market interest rates.

Our GCB had a provision for loan losses of \$36.0 million for the nine months ended September 30, 2013, compared to \$29.9 million for the comparable 2012 period. The provision of \$36.0 million for the nine months ended September 30, 2013 was primarily due to net charge-offs, an increase in our reserve for impaired loans, and due to period-end loan growth. The provision of \$29.9 million for the nine months ended September 30, 2012 was primarily due to net loan charge-offs of \$14.3 million, of which \$7.1 million related to a single nonperforming hardware loan that was specifically reserved for in the first quarter of 2012, as well as from period-end loan growth.

Noninterest income increased by \$6.3 million for the nine months ended September 30, 2013, primarily related to higher credit card fees and foreign exchange fees. The increase in credit card fees was primarily due to increases in client volumes and the addition of new credit card clients. The increase in foreign exchange fees was primarily due to improved business conditions for our clients, which has resulted in an increase in the number of trades and commissioned notional volumes.

Noninterest expense increased by \$23.8 million for the nine months ended September 30, 2013, primarily due to increases in compensation and benefits and premises and equipment expenses. Higher compensation and benefits expenses were attributable to increased incentive plan and salaries and wages expenses. The increase in our incentive plan expenses was primarily related to our strong performance in the third quarter of 2013 and our current expectation that we will exceed our internal performance targets for 2013. The increase in our salaries and wages expenses was primarily due to an increase in the average number of FTEs at GCB, which increased by 84 to 1,324 FTEs for the nine months ended September 30, 2013, compared to 1,239 FTEs for the comparable 2012 period. The increase in average FTEs was attributable to increases in positions for product development, operational and sales and advisory, as well as to support our commercial banking operations and initiatives. The increase in premises and equipment was primarily due to increased spending to enhance and maintain our IT infrastructure.

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## SVB Private Bank

| (Dollars in thousands)                      | Three months ended September 30, |           |          | Nine months ended September 30, |           |          |
|---------------------------------------------|----------------------------------|-----------|----------|---------------------------------|-----------|----------|
|                                             | 2013                             | 2012      | % Change | 2013                            | 2012      | % Change |
| Net interest income                         | \$6,195                          | \$5,666   | 9.3 %    | \$18,226                        | \$16,147  | 12.9 %   |
| Reduction of loan losses                    | 995                              | 999       | (0.4 )   | 1,007                           | 630       | 59.8     |
| Noninterest income                          | 380                              | 149       | 155.0    | 867                             | 457       | 89.7     |
| Noninterest expense                         | (3,960 )                         | (3,603 )  | 9.9      | (10,882 )                       | (9,952 )  | 9.3      |
| Income before income tax expense            | \$3,610                          | \$3,211   | 12.4     | \$9,218                         | \$7,282   | 26.6     |
| Total average loans, net of unearned income | \$942,411                        | \$755,001 | 24.8     | \$886,679                       | \$745,069 | 19.0     |
| Total average assets                        | 1,002,718                        | 758,988   | 32.1     | 914,408                         | 749,500   | 22.0     |
| Total average deposits                      | 535,611                          | 341,537   | 56.8     | 493,204                         | 28,736    | NM       |

Three months ended September 30, 2013 compared to the three months ended September 30, 2012

Net interest income from SVB Private Bank increased by \$0.5 million for the three months ended September 30, 2013, primarily due to a \$0.6 million increase in loan interest income resulting mainly from an increase in average loan balances, partially offset by lower loan yields.

Nine months ended September 30, 2013 compared to the nine months ended September 30, 2012

Net interest income from SVB Private Bank increased by \$2.1 million for the nine months ended September 30, 2013, primarily due to an increase in loan interest income from an increase in average loan balances and an increase in the FTP earned for deposits due to average deposit growth. These increases were partially offset by a decrease in the overall yield on our Private Bank loan portfolio, reflective of the current low interest rate environment.

SVB Private Bank had a reduction of loan losses of \$1.0 million for the nine months ended September 30, 2013, compared to a reduction of loan losses \$1.0 million for the comparable 2012 period. The reduction of loan losses of \$1.0 million for the nine months ended September 30, 2013 was primarily due to a reduction in the reserve for impaired loans, partially offset by period-end loan growth.

## SVB Capital

| (Dollars in thousands)           | Three months ended September 30, |           |          | Nine months ended September 30, |           |          |
|----------------------------------|----------------------------------|-----------|----------|---------------------------------|-----------|----------|
|                                  | 2013                             | 2012      | % Change | 2013                            | 2012      | % Change |
| Net interest income              | \$1                              | \$6       | (83.3 )% | \$5                             | \$22      | (77.3 )% |
| Noninterest income               | 35,457                           | 4,330     | NM       | 48,179                          | 12,474    | NM       |
| Noninterest expense              | (2,728 )                         | (3,562 )  | (23.4 )  | (7,871 )                        | (8,970 )  | (12.3 )  |
| Income before income tax expense | \$32,730                         | \$774     | NM       | \$40,313                        | \$3,526   | NM       |
| Total average assets             | \$329,680                        | \$238,595 | 38.2     | \$277,136                       | \$243,124 | 14.0     |

SVB Capital's components of noninterest income primarily include net gains and losses on non-marketable and other securities, carried interest and fund management fees. All components of income before income tax expense discussed below are net of noncontrolling interests.

We experience variability in the performance of SVB Capital from quarter to quarter due to a number of factors, including changes in the values of our funds' underlying investments, changes in the amount of distributions and general economic and market conditions. Such variability may lead to volatility in the gains and losses from investment securities and cause our results to differ from period to period. Results for a particular period may not be indicative of future performance.

Three months ended September 30, 2013 compared to the three months ended September 30, 2012

Noninterest income increased by \$31.1 million to \$35.5 million for the three months ended September 30, 2013, primarily due to higher net gains on investment securities. SVB Capital's components of noninterest income primarily include the following:

- Net gains on investment securities of \$31.8 million for the three months ended September 30, 2013, compared to net gains of \$1.7 million for the comparable 2012 period. The net gains on investment securities of \$31.8

million for the three months ended September 30, 2013 were primarily driven by unrealized valuation increases and carried

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interest allocations in two of our managed direct venture funds, related to FireEye after its IPO, as well as unrealized valuation increases from three of our funds of funds.

- Fund management fees of \$2.8 million for three months ended September 30, 2013, compared to \$2.5 million for the comparable 2012 period.

Nine months ended September 30, 2013 compared to the nine months ended September 30, 2012

Noninterest income increased by \$35.7 million to \$48.2 million for the nine months ended September 30, 2013, primarily due to higher net gains on investment securities. SVB Capital's components of noninterest income primarily include the following:

Net gains on investment securities of \$39.0 million for the nine months ended September 30, 2013, compared to net gains of \$4.0 million for the comparable 2012 period. The net gains on investment securities of \$39.0 million for the nine months ended September 30, 2013 were primarily driven by unrealized valuation increases and carried interest allocations, related to FireEye after its IPO, from two of our managed direct venture funds.

Fund management fees of \$8.5 million for the nine months ended September 30, 2013, compared to \$8.4 million for the comparable 2012 period.

### Consolidated Financial Condition

Our total assets were \$23.7 billion at September 30, 2013, an increase of \$975 million, or 4.3 percent, compared to \$22.8 billion at December 31, 2012. This increase was primarily driven by an increase in loans. Below is a summary of the individual components of total assets.

### Cash and Cash Equivalents

Cash and cash equivalents totaled \$1.9 billion at September 30, 2013, an increase of \$934 million, or 92.5 percent, compared to \$1.0 billion at December 31, 2012. The increase was primarily driven by higher than anticipated client deposit inflows during the period.

As of September 30, 2013 and December 31, 2012, \$1.2 billion and \$72 million, respectively, of our cash and due from banks was deposited at the Federal Reserve Bank and was earning interest at the Federal Funds target rate, and interest-earning deposits in other financial institutions were \$222 million and \$283 million, respectively.

### Investment Securities

Investment securities totaled \$11.6 billion at September 30, 2013, a decrease of \$0.9 billion, or 7.1 percent, compared to \$12.5 billion at December 31, 2012. Our investment securities portfolio consists of both an available-for-sale securities portfolio, which represents interest-earning investment securities, and a non-marketable and other securities portfolio, which primarily represents investments managed as part of our funds management business. The decrease of \$0.9 billion included a decrease of \$1.1 billion in available-for-sale securities, offset by an increase of \$241 million in non-marketable and other securities. The major components of the change are explained below.

### Available-for-Sale Securities

Our available-for-sale securities portfolio is a fixed income investment portfolio that is managed to optimize portfolio yield over the long-term consistent with our liquidity, credit diversification and asset/liability management strategies. Available-for-sale securities were \$10.2 billion at September 30, 2013, a decrease of \$1.1 billion, or 10.0 percent, compared to \$11.3 billion at December 31, 2012. The decrease was primarily due to paydowns, scheduled maturities and called maturities of \$1.9 billion, as well as a decrease of \$168 million in the fair value of our portfolio resulting from significant increases in period-end market interest rates. These decreases were partially offset by purchases of new investments of \$686 million. The paydowns of securities of \$1.9 billion were comprised of \$1.4 billion in fixed-rate securities and \$475 million in variable-rate securities. The purchases of new investments of \$906 million were primarily comprised of fixed-rate agency-issued mortgage securities and U.S. agency debentures.

Portfolio duration is a standard measure used to approximate changes in the market value of fixed income instruments due to a change in market interest rates. The measure is an estimate based on the level of current market interest rates, expectations for changes in the path of forward rates and the effect of forward rates on mortgage prepayment speed assumptions. As such, portfolio duration will fluctuate with changes in market interest rates. Changes in portfolio duration are also impacted by changes in the mix of longer versus shorter term-to-maturity securities. At September 30, 2013, our estimated portfolio duration was 2.7 years, compared to 2.2 years at December 31, 2012.



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## Non-Marketable and Other Securities

Our non-marketable and other securities portfolio primarily represents investments in venture capital funds, debt funds and private and public portfolio companies. A majority of these investments are managed through our SVB Capital funds business in funds of funds and direct venture funds. Included in our non-marketable and other securities carried under fair value accounting are amounts that are attributable to noncontrolling interests. We are required under GAAP to consolidate 100% of these investments that we are deemed to control, even though we may own less than 100% of such entities. See below for a summary of the carrying value (as reported) of non-marketable and other securities compared to the amounts attributable to SVBFG.

Non-marketable and other securities were \$1.4 billion at September 30, 2013, an increase of \$241 million, or 20.3 percent, compared to \$1.2 billion at December 31, 2012. The increase was primarily attributable to valuation gains in our managed direct venture funds, primarily driven by one of our portfolio companies, FireEye, after its IPO. The following table summarizes the carrying value (as reported) of non-marketable and other securities compared to the amounts attributable to SVBFG (which generally represents the carrying value times our ownership percentage) at September 30, 2013 and December 31, 2012:

| (Dollars in thousands)                                  | September 30, 2013              |                                    | December 31, 2012               |                                    |
|---------------------------------------------------------|---------------------------------|------------------------------------|---------------------------------|------------------------------------|
|                                                         | Carrying value<br>(as reported) | Amount<br>attributable<br>to SVBFG | Carrying value<br>(as reported) | Amount<br>attributable<br>to SVBFG |
| Non-marketable securities (fair value accounting):      |                                 |                                    |                                 |                                    |
| Venture capital and private equity fund investments (1) | \$773,499                       | \$ 73,064                          | \$665,921                       | \$ 75,893                          |
| Other venture capital investments (2)                   | 55,359                          | 3,298                              | 127,091                         | 8,962                              |
| Other securities (fair value accounting) (3)            | 219,600                         | 16,887                             | —                               | —                                  |
| Non-marketable securities (equity method accounting):   |                                 |                                    |                                 |                                    |
| Other investments                                       | 142,571                         | 142,571                            | 139,330                         | 139,330                            |
| Low income housing tax credit funds                     | 70,092                          | 70,092                             | 70,318                          | 70,318                             |
| Non-marketable securities (cost method accounting):     |                                 |                                    |                                 |                                    |
| Venture capital and private equity fund investments     | 149,602                         | 149,602                            | 161,884                         | 161,884                            |
| Other investments                                       | 14,415                          | 14,415                             | 19,721                          | 19,721                             |
| Total non-marketable and other securities               | \$1,425,138                     | \$ 469,929                         | \$1,184,265                     | \$ 476,108                         |

The following table shows the amounts of venture capital and private equity fund investments held by the (1) following consolidated funds and amounts attributable to SVBFG for each fund at September 30, 2013 and December 31, 2012:

| (Dollars in thousands)                | September 30, 2013              |                                    | December 31, 2012               |                                    |
|---------------------------------------|---------------------------------|------------------------------------|---------------------------------|------------------------------------|
|                                       | Carrying value<br>(as reported) | Amount<br>attributable<br>to SVBFG | Carrying value<br>(as reported) | Amount<br>attributable<br>to SVBFG |
| SVB Strategic Investors Fund, LP      | \$30,265                        | \$ 3,802                           | \$32,850                        | \$ 4,126                           |
| SVB Strategic Investors Fund II, LP   | 96,595                          | 8,280                              | 91,294                          | 7,825                              |
| SVB Strategic Investors Fund III, LP  | 226,123                         | 13,275                             | 209,696                         | 12,311                             |
| SVB Strategic Investors Fund IV, LP   | 209,368                         | 10,469                             | 169,931                         | 8,497                              |
| Strategic Investors Fund V Funds      | 89,410                          | 152                                | 40,622                          | 112                                |
| Strategic Investors Fund VI Funds     | 4,681                           | 7                                  | —                               | —                                  |
| SVB Capital Preferred Return Fund, LP | 55,721                          | 12,009                             | 53,643                          | 12,652                             |
| SVB Capital—NT Growth Partners, LP    | 55,836                          | 20,250                             | 60,120                          | 23,842                             |
| SVB Capital Partners II, LP           | 716                             | 36                                 | 1,303                           | 66                                 |

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|                                                           |            |           |            |           |
|-----------------------------------------------------------|------------|-----------|------------|-----------|
| Other private equity fund                                 | 4,784      | 4,784     | 6,462      | 6,462     |
| Total venture capital and private equity fund investments | \$ 773,499 | \$ 73,064 | \$ 665,921 | \$ 75,893 |

(2) The following table shows the amounts of other venture capital investments held by the following consolidated funds and amounts attributable to SVBFG for each fund at September 30, 2013 and December 31, 2012:

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| (Dollars in thousands)                           | September 30, 2013              |                                    | December 31, 2012               |                                    |
|--------------------------------------------------|---------------------------------|------------------------------------|---------------------------------|------------------------------------|
|                                                  | Carrying value<br>(as reported) | Amount<br>attributable<br>to SVBFG | Carrying value<br>(as reported) | Amount<br>attributable<br>to SVBFG |
| Silicon Valley BancVentures, LP                  | \$7,383                         | \$ 790                             | \$43,493                        | \$ 4,652                           |
| SVB Capital Partners II, LP                      | 43,682                          | 2,218                              | 79,761                          | 4,051                              |
| SVB Capital Shanghai Yangpu Venture Capital Fund | 4,294                           | 290                                | 3,837                           | 259                                |
| Total other venture capital investments          | \$55,359                        | \$ 3,298                           | \$127,091                       | \$ 8,962                           |

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

**Loans**

Loans, net of unearned income were \$9.8 billion at September 30, 2013, an increase of \$878 million, or 9.8 percent, compared to \$8.9 billion at December 31, 2012. Unearned income was \$89 million at September 30, 2013, compared to \$77 million at December 31, 2012. Total gross loans were \$9.9 billion at September 30, 2013, an increase of \$890 million, or 9.9 percent, compared to \$9.0 billion at December 31, 2012. The increase came primarily from later stage clients in our software portfolio, as well as from our venture capital/private equity portfolio for capital call lines of credit. The breakdown of total gross loans and total loans as a percentage of total gross loans by category is as follows:

|                                 | September 30, 2013 |            | December 31, 2012 |            |   |
|---------------------------------|--------------------|------------|-------------------|------------|---|
| (Dollars in thousands)          | Amount             | Percentage | Amount            | Percentage |   |
| Commercial loans:               |                    |            |                   |            |   |
| Software                        | \$3,738,142        | 37.7       | % \$3,293,899     | 36.5       | % |
| Hardware                        | 1,153,394          | 11.6       | 1,129,484         | 12.5       |   |
| Venture capital/private equity  | 1,953,161          | 19.7       | 1,749,903         | 19.4       |   |
| Life science                    | 1,108,061          | 11.2       | 1,076,792         | 11.9       |   |
| Premium wine                    | 150,838            | 1.5        | 144,937           | 1.6        |   |
| Other                           | 290,397            | 3.0        | 318,588           | 3.5        |   |
| Total commercial loans          | 8,393,993          | 84.7       | 7,713,603         | 85.5       |   |
| Real estate secured loans:      |                    |            |                   |            |   |
| Premium wine                    | 493,779            | 5.0        | 414,347           | 4.6        |   |
| Consumer                        | 831,739            | 8.4        | 685,493           | 7.6        |   |
| Other                           | 28,233             | 0.3        | —                 | —          |   |
| Total real estate secured loans | 1,353,751          | 13.7       | 1,099,840         | 12.2       |   |
| Construction loans              | 72,572             | 0.7        | 65,726            | 0.7        |   |
| Consumer loans                  | 93,883             | 0.9        | 145,079           | 1.6        |   |
| Total gross loans               | \$9,914,199        | 100.0      | % \$9,024,248     | 100.0      | % |



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## Loan Concentration

The following table provides a summary of loans by size and category. The breakout of the categories is based on total client balances (individually or in the aggregate) as of September 30, 2013:

September 30, 2013

| (Dollars in thousands)         | Less than<br>Five Million | Five to Ten<br>Million | Ten to Twenty<br>Million | Twenty to<br>Thirty<br>Million | Thirty Million<br>or More | Total       |
|--------------------------------|---------------------------|------------------------|--------------------------|--------------------------------|---------------------------|-------------|
| Commercial loans:              |                           |                        |                          |                                |                           |             |
| Software                       | \$1,042,448               | \$606,908              | \$ 784,911               | \$736,573                      | \$ 567,302                | \$3,738,142 |
| Hardware                       | 286,606                   | 201,144                | 177,417                  | 261,728                        | 226,499                   | 1,153,394   |
| Venture capital/private equity | 297,768                   | 222,743                | 357,044                  | 241,520                        | 834,086                   | 1,953,161   |
| Life science                   | 311,013                   | 255,418                | 172,144                  | 188,689                        | 180,797                   | 1,108,061   |
| Premium wine (1)               | 72,983                    | 29,928                 | 25,202                   | 22,725                         | —                         | 150,838     |
| Other                          | 113,763                   | 46,923                 | 12,107                   | 82,604                         | 35,000                    | 290,397     |
| Commercial loans               | 2,124,581                 | 1,363,064              | 1,528,825                | 1,533,839                      | 1,843,684                 | 8,393,993   |
| Real estate secured loans:     |                           |                        |                          |                                |                           |             |
| Premium wine (1)               | 123,757                   | 121,325                | 141,660                  | 75,852                         | 31,185                    | 493,779     |
| Consumer (2)                   | 718,112                   | 83,769                 | 9,858                    | 20,000                         | —                         | 831,739     |
| Other                          | 4,500                     | —                      | —                        | 23,733                         | —                         | 28,233      |
| Real estate secured loans      | 846,369                   | 205,094                | 151,518                  | 119,585                        | 31,185                    | 1,353,751   |
| Construction loans             | 10,217                    | 50,879                 | 11,476                   | —                              | —                         | 72,572      |
| Consumer loans (2)             | 29,766                    | 20,301                 | 690                      | 2,126                          | 41,000                    | 93,883      |
| Total gross loans              | \$3,010,933               | \$1,639,338            | \$ 1,692,509             | \$1,655,550                    | \$ 1,915,869              | \$9,914,199 |

(1) Premium wine clients can have loan balances included in both commercial loans and real estate secured loans, the total of which are used for the breakout of the above categories.

(2) Consumer loan clients have loan balances included in both real estate secured loans and other consumer loans, the total of which are used for the breakout of the above categories.

At September 30, 2013, gross loans (individually or in the aggregate) totaling \$3.6 billion, or 36.0 percent of our portfolio, were equal to or greater than \$20 million to any single client. These loans represented 112 clients, and of these loans, none were on nonaccrual status as of September 30, 2013.

The following table provides a summary of loans by size and category. The breakout of the categories is based on total client balances (individually or in the aggregate) as of December 31, 2012:

December 31, 2012

| (Dollars in thousands)         | Less than<br>Five Million | Five to Ten<br>Million | Ten to Twenty<br>Million | Twenty to<br>Thirty<br>Million | Thirty Million<br>or More | Total       |
|--------------------------------|---------------------------|------------------------|--------------------------|--------------------------------|---------------------------|-------------|
| Commercial loans:              |                           |                        |                          |                                |                           |             |
| Software                       | \$991,011                 | \$575,721              | \$ 601,400               | \$731,840                      | \$ 393,927                | \$3,293,899 |
| Hardware                       | 295,981                   | 203,813                | 176,854                  | 229,913                        | 222,923                   | 1,129,484   |
| Venture capital/private equity | 298,299                   | 194,717                | 285,914                  | 301,061                        | 669,912                   | 1,749,903   |
| Life science                   | 280,100                   | 221,399                | 223,104                  | 200,056                        | 152,133                   | 1,076,792   |
| Premium wine (1)               | 71,472                    | 24,986                 | 41,979                   | 6,500                          | —                         | 144,937     |
| Other                          | 89,703                    | 56,078                 | 55,608                   | 54,620                         | 62,579                    | 318,588     |
| Commercial loans               | 2,026,566                 | 1,276,714              | 1,384,859                | 1,523,990                      | 1,501,474                 | 7,713,603   |
| Real estate secured loans:     |                           |                        |                          |                                |                           |             |
| Premium wine (1)               | 101,501                   | 110,080                | 128,950                  | 42,316                         | 31,500                    | 414,347     |
| Consumer loans (2)             | 563,319                   | 78,531                 | 43,643                   | —                              | —                         | 685,493     |

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|                           |             |             |             |             |             |             |
|---------------------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Real estate secured loans | 664,820     | 188,611     | 172,593     | 42,316      | 31,500      | 1,099,840   |
| Construction loans        | 17,182      | 33,928      | 14,616      | —           | —           | 65,726      |
| Consumer loans (2)        | 29,436      | 46,152      | 24,491      | —           | 45,000      | 145,079     |
| Total gross loans         | \$2,738,004 | \$1,545,405 | \$1,596,559 | \$1,566,306 | \$1,577,974 | \$9,024,248 |

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(1) Premium wine clients can have loan balances included in both commercial loans and real estate secured loans, the total of which are used for the breakout of the above categories.

(2) Consumer loan clients have loan balances included in both real estate secured loans and other consumer loans, the total of which are used for the breakout of the above categories.

At December 31, 2012, gross loans (individually or in the aggregate) totaling \$3.1 billion, or 34.8 percent of our portfolio, were equal to or greater than \$20 million to any single client. These loans represented 102 clients, and of these loans, none were on nonaccrual status as of December 31, 2012.

The credit profile of our clients varies across our loan portfolio, based on the nature of the lending we do for different market segments. Our technology and life sciences loan portfolio includes loans to clients at all stages of their life cycles, beginning with our SVB Accelerator practice, which serves our emerging or early-stage clients. Loans provided to early-stage clients represent a relatively small percentage of our overall portfolio at 9.2 percent of total gross loans at September 30, 2013, compared to 8.8 percent at December 31, 2012. Typically these loans are made to companies with modest or negative cash flows and no established record of profitable operations. Repayment of these loans may be dependent upon receipt by borrowers of additional equity financing from venture capitalists or others, or in some cases, a successful sale to a third party or a public offering. Venture capital firms may provide financing at lower levels, more selectively or on less favorable terms, which may have an adverse effect on our borrowers that are otherwise dependent on such financing to repay their loans to us. When repayment is dependent upon the next round of venture investment and there is an indication that further investment is unlikely or will not occur, it is often likely the company would need to be sold to repay debt in full. If reasonable efforts have not yielded a likely buyer willing to repay all debt at the close of the sale or on commercially viable terms, the account will most likely be deemed to be impaired.

At September 30, 2013, our lending to venture capital/private equity firms represented 19.7 percent of total gross loans, compared to 19.4 percent of total gross loans at December 31, 2012. Many of these clients have capital call lines of credit, the repayment of which is dependent on the payment of capital calls by the underlying limited partner investors in the funds managed by these firms.

At September 30, 2013, sponsor-led buyout loans represented 11.6 percent of total gross loans, compared to 11.8 percent of total gross loans at December 31, 2012. These loans are typically larger in nature and repayment is generally dependent upon the cash flows of the acquired company. However, these loans are typically highly-secured and therefore carry lower credit risk.

At September 30, 2013, our asset-based lending, which consists primarily of working capital lines and accounts receivable factoring represented 7.1 percent and 4.1 percent, respectively, of total gross loans, compared to 7.0 percent and 4.8 percent, respectively at December 31, 2012. The repayment of these arrangements is dependent on the financial condition, and payment ability, of third parties with whom our clients do business.

Approximately 42.0 percent of our outstanding total gross loan balances as of September 30, 2013 were to borrowers based in California compared to 38.5 percent as of December 31, 2012. Other than California, there are no states with balances greater than 10 percent.

See generally “Risk Factors—Credit Risks” set forth under Item 1A, Part I in our 2012 Form 10-K.

### Credit Quality Indicators

As of September 30, 2013, our criticized and impaired loans represented 6.9 percent of our total gross loans. This compares to 6.6 percent at December 31, 2012. A majority of our criticized loans are from our SVB Accelerator portfolio, serving our emerging or early stage clients. Loans to early stage clients make up 9.2 percent of our loan portfolio. It is common for an emerging or early stage client’s remaining liquidity to fall temporarily below the threshold for a pass-rated credit during its capital-raising period for a new round of funding. This situation typically lasts only a few weeks and, in our experience, generally resolves itself with a subsequent round of venture funding. As a result, we expect that each of our early-stage clients will be managed through our criticized portfolio during a portion of their life cycle. Criticized loan levels will continue to vary but are expected to remain within the current

range.

Credit Quality and Allowance for Loan Losses

Nonperforming assets consist of loans past due 90 days or more that are still accruing interest and loans on nonaccrual status. We measure all loans placed on nonaccrual status for impairment based on the fair value of the underlying collateral or the net present value of the expected cash flows. The table below sets forth certain data and ratios between nonperforming loans, nonperforming assets and the allowance for loan losses:

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| (Dollars in thousands)                                     | September 30,<br>2013 | December 31, 2012 |  |   |
|------------------------------------------------------------|-----------------------|-------------------|--|---|
| Gross nonperforming, past due, and restructured loans:     |                       |                   |  |   |
| Loans past due 90 days or more still accruing interest     | \$24                  | \$19              |  |   |
| Impaired loans                                             | 38,048                | 38,279            |  |   |
| Performing TDRs                                            | 437                   | 734               |  |   |
| Nonperforming loans as a percentage of total gross loans   | 0.38                  | % 0.42            |  | % |
| Nonperforming assets as a percentage of total assets       | 0.16                  | 0.17              |  |   |
| Allowance for loan losses                                  | \$124,734             | \$110,651         |  |   |
| As a percentage of total gross loans                       | 1.26                  | % 1.23            |  | % |
| As a percentage of total gross nonperforming loans         | 327.83                | 289.06            |  |   |
| Allowance for loan losses for impaired loans               | \$13,469              | \$6,261           |  |   |
| As a percentage of total gross loans                       | 0.14                  | % 0.07            |  | % |
| As a percentage of total gross nonperforming loans         | 35.40                 | 16.36             |  |   |
| Allowance for loan losses for total gross performing loans | \$111,265             | \$104,390         |  |   |
| As a percentage of total gross loans                       | 1.12                  | % 1.16            |  | % |
| As a percentage of total gross performing loans            | 1.13                  | 1.16              |  |   |
| Total gross loans                                          | \$9,914,199           | \$9,024,248       |  |   |
| Total gross performing loans                               | 9,876,151             | 8,985,969         |  |   |
| Reserve for unfunded credit commitments (1)                | 28,456                | 22,299            |  |   |
| As a percentage of total unfunded credit commitments       | 0.27                  | % 0.26            |  | % |
| Total unfunded credit commitments (2)                      | \$10,675,569          | \$8,610,791       |  |   |

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

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

Our allowance for loan losses as a percentage of total gross loans increased to 1.26 percent at September 30, 2013, compared to 1.23 percent at December 31, 2012. Our reserve percentage for performing loans decreased to 1.13 percent at September 30, 2013, compared to 1.16 percent at December 31, 2012.

Our nonperforming loans were \$38.0 million at September 30, 2013, compared to \$38.3 million at December 31, 2012. The allowance for loan losses related to impaired loans was \$13.5 million at September 30, 2013 compared to \$6.3 million at December 31, 2012.

Average impaired loans for the three and nine months ended September 30, 2013 were \$39.3 million and \$40.7 million, respectively, compared to \$30.6 million and \$34.6 million for the comparable 2012 periods. If the impaired loans had not been impaired, \$0.2 million and \$1.4 million in interest income would have been recorded for the three and nine months ended September 30, 2013 and 2012, respectively, compared to \$0.7 million and \$1.8 million for the comparable 2012 periods.

## Accrued Interest Receivable and Other Assets

A summary of accrued interest receivable and other assets at September 30, 2013 and December 31, 2012 is as follows:

| (Dollars in thousands)                       | September 30,<br>2013 | December 31,<br>2012 | % Change |   |
|----------------------------------------------|-----------------------|----------------------|----------|---|
| Derivative assets, gross (1)                 | \$120,753             | \$98,266             | 22.9     | % |
| Accrued interest receivable                  | 64,902                | 64,167               | 1.1      |   |
| Deferred tax assets                          | 48,916                | —                    | —        |   |
| FHLB and Federal Reserve Bank stock          | 40,532                | 39,806               | 1.8      |   |
| Foreign exchange spot contract assets, gross | 59,163                | 42,653               | 38.7     |   |

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|                                                    |           |           |         |
|----------------------------------------------------|-----------|-----------|---------|
| Accounts receivable                                | 13,686    | 15,650    | (12.5 ) |
| Other assets                                       | 49,475    | 66,329    | (25.4 ) |
| Total accrued interest receivable and other assets | \$397,427 | \$326,871 | 21.6    |

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(1) See “Derivatives” section below.

#### Deferred Tax Assets

Our deferred taxes moved to a net asset position as of September 30, 2013, was primarily due to a decrease in the fair value of our available-for-sale securities portfolio resulting from significant increases in period-end market interest rates.

#### Foreign Exchange Spot Contract Assets

Foreign exchange spot contract assets represent unsettled client trades at the end of the period. The increase of \$17 million was primarily due to increased client trade activity at period-end, and is consistent with the increase in foreign exchange spot contract liabilities (see “Other Liabilities” section below).

#### Derivatives

Derivative instruments are recorded as a component of other assets and other liabilities on the balance sheet. The following table provides a summary of derivative assets and liabilities, net at September 30, 2013 and December 31, 2012:

| (Dollars in thousands)                        | September 30,<br>2013 | December 31,<br>2012 | % Change |
|-----------------------------------------------|-----------------------|----------------------|----------|
| Assets:                                       |                       |                      |          |
| Equity warrant assets                         | \$92,252              | \$74,272             | 24.2 %   |
| Foreign exchange forward and option contracts | 18,463                | 13,541               | 36.3     |
| Interest rate swaps                           | 7,027                 | 9,005                | (22.0 )  |
| Loan conversion options                       | 1,774                 | 890                  | 99.3     |
| Client interest rate derivatives              | 1,237                 | 558                  | 121.7    |
| Total derivative assets                       | \$120,753             | \$98,266             | 22.9     |
| Liabilities:                                  |                       |                      |          |
| Foreign exchange forward and option contracts | \$(17,009 )           | \$(12,847 )          | 32.4     |
| Client interest rate derivatives              | (1,427 )              | (590 )               | 141.9    |
| Total derivative liabilities                  | \$(18,436 )           | \$(13,437 )          | 37.2     |

#### Equity Warrant Assets

In connection with negotiating credit facilities and certain other services, we often obtain rights to acquire stock in the form of equity warrant assets in primarily private, venture-backed companies in the technology and life science industries. At September 30, 2013, we held warrants in 1,309 companies, compared to 1,270 companies at December 31, 2012. The change in fair value of equity warrant assets is recorded in gains on derivatives instruments, net, in noninterest income, a component of consolidated net income. The following table provides a summary of transactions and valuation changes for equity warrant assets for the three and nine months ended September 30, 2013 and 2012:

| (Dollars in thousands)                       | Three months ended September 30, |          | Nine months ended September 30, |           |
|----------------------------------------------|----------------------------------|----------|---------------------------------|-----------|
|                                              | 2013                             | 2012     | 2013                            | 2012      |
| Balance, beginning of period                 | \$76,584                         | \$74,405 | \$74,272                        | \$66,953  |
| New equity warrant assets                    | 4,490                            | 3,649    | 10,934                          | 10,803    |
| Non-cash increases (decreases) in fair value | 14,471                           | (1,618 ) | 22,963 )                        | 6,205     |
| Exercised equity warrant assets              | (3,144 )                         | (5,706 ) | (15,546 )                       | (12,059 ) |
| Terminated equity warrant assets             | (149 )                           | (252 )   | (371 )                          | (1,424 )  |
| Balance, end of period                       | \$92,252                         | \$70,478 | \$92,252                        | \$70,478  |

#### Interest Rate Swaps

For information on our interest rate swaps, see Note 8–“Derivative Financial Instruments” of the “Notes to Interim Consolidated Financial Statements (unaudited)” under Part I, Item 1 of this report.





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## Foreign Exchange Forward and Foreign Currency Option Contracts

We enter into foreign exchange forward contracts and foreign currency option contracts with clients involved in foreign activities, either as the purchaser or seller, depending upon the clients' need. For each forward or option contract entered into with our clients, we enter into an opposite way forward or option contract with a correspondent bank, which mitigates the risk of fluctuations in currency rates. We also enter into forward contracts with correspondent banks to economically reduce our foreign exchange exposure related to certain foreign currency denominated instruments. Revaluations of foreign currency denominated instruments are recorded on the line item "Other" as part of noninterest income, a component of consolidated net income. We have not experienced nonperformance by a counterparty and therefore have not incurred related losses. Further, we anticipate performance by all counterparties. Our net exposure for foreign exchange forward and foreign currency option contracts at September 30, 2013 and December 31, 2012 amounted to \$1.5 million and \$0.7 million, respectively. For additional information on our foreign exchange forward contracts and foreign currency option contracts, see Note 8- "Derivative Financial Instruments" of the "Notes to the Consolidated Financial Statements" under Part I, Item I in this report.

## Deposits

Deposits were \$20.0 billion at September 30, 2013, an increase of \$821 million, or 4.3 percent, compared to \$19.2 billion at December 31, 2012. The increase was driven by an increase of \$590 million in an interest-bearing demand deposits and an increase of \$231 million in noninterest-demand deposits. These increases were primarily as a result of strong levels of early-stage and venture capital/private equity client additions. At September 30, 2013, 29.5 percent of our total deposits were interest-bearing deposits, compared to 27.6 percent at December 31, 2012.

At September 30, 2013, the aggregate balance of time deposit accounts individually equal to or greater than \$100,000 totaled \$157 million, compared to \$133 million at December 31, 2012. At September 30, 2013, all time deposit accounts individually equal to or greater than \$100,000 were scheduled to mature within one year. No material portion of our deposits has been obtained from a single depositor and the loss of any one depositor would not materially affect our business.

## Short-Term Borrowings

Short-term borrowings were \$5.6 million at September 30, 2013, compared to \$166.1 million at December 31, 2012. The decrease was primarily due to overnight borrowings of \$160 million at December 31, 2012, which were repaid early in 2013. Overnight borrowings are utilized for daily cash management purposes and are a normal part of our liquidity management practices.

## Long-Term Debt

At September 30, 2013, we had long-term debt of \$456 million, compared to \$458 million at December 31, 2012. At both September 30, 2013 and December 31, 2012, long-term debt included our 5.375% Senior Notes, 6.05% Subordinated Notes and 7.0% Junior Subordinated Debentures. For more information on our long-term debt, see Note 7—"Short-term Borrowings and Long-Term Debt" of the "Notes to Interim Consolidated Financial Statements (unaudited)" under Part I, Item 1 of this report.

## Other Liabilities

A summary of other liabilities at September 30, 2013 and December 31, 2012 is as follows:

| (Dollars in thousands)                            | September 30,<br>2013 | December 31,<br>2012 | % Change |   |
|---------------------------------------------------|-----------------------|----------------------|----------|---|
| Foreign exchange spot contract liabilities, gross | \$86,821              | \$57,868             | 50.0     | % |
| Accrued compensation                              | 86,728                | 94,209               | (7.9     | ) |
| Reserve for unfunded credit commitments           | 28,456                | 22,299               | 27.6     |   |
| Derivative liabilities, gross (1)                 | 18,436                | 13,437               | 37.2     |   |
| Deferred tax liabilities                          | —                     | 25,580               | (100.0   | ) |
| Other                                             | 138,464               | 147,173              | (5.9     | ) |
| Total other liabilities                           | \$358,905             | \$360,566            | (0.5     | ) |

(1) See "Derivatives" section above.



Table of Contents**Foreign Exchange Spot Contract Liabilities**

Foreign exchange spot contract liabilities represent unsettled client trades at the end of the period. The increase of \$29 million was primarily due to increased client trade activity at period-end, and is consistent with the increase in foreign exchange spot contract assets. (See “Accrued Interest Receivable and Other Assets” section above).

**Accrued Compensation**

Accrued compensation includes amounts for our Incentive Compensation Plans, Direct Drive Incentive Compensation Plan, Long-Term Cash Incentive Plan, Retention Program, Warrant Incentive Plan, ESOP/profit sharing and other compensation arrangements. The decrease of \$7 million was primarily the result of 2012 incentive compensation payouts during the first quarter of 2013, partially offset by additional accruals for the nine months ended September 30, 2013.

**Deferred Tax Liabilities**

Our deferred taxes moved to a net asset position as of September 30, 2013, primarily due to a decrease in the fair value of our available-for-sale securities portfolio resulting from significant increases in period-end market interest rates. See "Other Assets" above.

**Noncontrolling Interests**

Noncontrolling interests totaled \$979 million and \$775 million at September 30, 2013 and December 31, 2012, respectively. The increase of \$204 million was primarily due to net income attributable to noncontrolling interests of \$196 million for the nine months ended September 30, 2013, primarily related to unrealized gains from the FireEye IPO.

**Fair Value Measurements**

The following table summarizes our financial assets and liabilities that are measured at fair value on a recurring basis as of September 30, 2013 and December 31, 2012.

| (Dollars in thousands)                      | September 30, 2013 |             | December 31, 2012 |           |
|---------------------------------------------|--------------------|-------------|-------------------|-----------|
|                                             | Total Balance      | Level 3     | Total Balance     | Level 3   |
| Assets carried at fair value                | \$11,379,128       | \$1,134,038 | \$12,244,783      | \$859,141 |
| As a percentage of total assets             | 47.9               | % 4.8       | % 53.8            | % 3.8     |
| Liabilities carried at fair value           | \$18,436           | \$—         | \$13,437          | \$—       |
| As a percentage of total liabilities        | 0.1                | % —         | % 0.1             | % —       |
|                                             | Level 1 and 2      | Level 3     | Level 1 and 2     | Level 3   |
| Percentage of assets measured at fair value | 90.0               | % 10.0      | % 93.0            | % 7.0     |

As of September 30, 2013, our available-for-sale securities, consisting primarily of agency-issued mortgage-backed securities and debentures issued by the U.S. government and its agencies, totaled \$10.2 billion, or 89.7 percent of our portfolio of assets measured at fair value on a recurring basis, compared to \$11.3 billion, or 92.6 percent, as of December 31, 2012. These instruments were classified as Level 2 because their valuations were based on indicative prices corroborated by observable market quotes or valuation techniques with all significant inputs derived from or corroborated by observable market data. The fair value of our available-for-sale securities portfolio is sensitive to changes in levels of market interest rates and market perceptions of credit quality of the underlying securities. Market valuations and impairment analyses on assets in the available-for-sale securities portfolio are reviewed and monitored on a quarterly basis. Assets valued using Level 2 measurements also include equity warrant assets in shares of public company capital stock, marketable securities, interest rate swaps, foreign exchange forward and option contracts, loan conversion options and client interest rate derivatives.

Financial assets valued using Level 3 measurements consist of our investments in venture capital and private equity funds and direct equity investments in privately and publicly held companies, as well as equity warrant assets in shares of private and public company capital stock.

During the three and nine months ended September 30, 2013, the Level 3 assets that are measured at fair value on a recurring basis experienced net realized and unrealized gains of \$200.3 million and \$265.7 million (which is inclusive of noncontrolling interest), respectively, primarily due to valuation increases in underlying fund investments in our managed funds and from our equity warrant assets, as well as gains from liquidity events and distributions. During the three and nine months ended September 30, 2012, the Level 3 assets that are measured at fair value on a recurring

basis experienced net realized and unrealized gains of \$14.6 million and \$43.8 million, (which is inclusive of noncontrolling interest), respectively.

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The valuation of non-marketable securities and equity warrant assets in shares of private company capital stock is subject to significant judgment. The inherent uncertainty in the process of valuing securities for which a ready market does not exist may cause our estimated values of these securities to differ significantly from the values that would have been derived had a ready market for the securities existed, and those differences could be material. The timing and amount of changes in fair value, if any, of these financial instruments depend upon factors beyond our control, including the performance of the underlying companies, fluctuations in the market prices of the preferred or common stock of the underlying companies, general volatility and interest rate market factors, and legal and contractual restrictions. The timing and amount of actual net proceeds, if any, from the disposition of these financial instruments depend upon factors beyond our control, including investor demand for IPOs, levels of M&A activity, legal and contractual restrictions on our ability to sell, and the perceived and actual performance of portfolio companies. All of these factors are difficult to predict and there can be no assurances that we will realize the full value of these securities, which could result in significant losses. (see “Risk Factors” set forth in our 2012 Form 10-K).

### Capital Resources

Our management seeks to maintain adequate capital to support anticipated asset growth, operating needs and unexpected credit risks, and to ensure that SVB Financial and the Bank are in compliance with all regulatory capital guidelines. Our primary sources of new capital include retained earnings and proceeds from the sale and issuance of capital stock or other securities. Our management engages, in consultation with the Finance Committee of our Board of Directors, in a regular capital planning process in an effort to optimize the use of the capital available to us and to appropriately plan for our future capital needs. The capital plan considers capital needs for the foreseeable future and allocates capital to both existing and future business activities. Expected future use or activities for which capital may be set aside include balance sheet growth and associated relative increases in market or credit exposure, investment activity, potential product and business expansions, acquisitions and strategic or infrastructure investments.

### SVBFG Stockholders’ Equity

SVBFG stockholders’ equity totaled \$1.9 billion at September 30, 2013, an increase of \$114 million, or 6.2 percent, compared to \$1.8 billion at December 31, 2012. This increase was primarily the result of net income of \$157.1 million for the nine months ended September 30, 2013, and an increase in additional-paid-in-capital of \$60 million primarily from stock option exercises and ESOP contributions during the nine months ended September 30, 2013. These increases were largely offset by a decrease in accumulated other comprehensive income of \$103 million primarily due to a decrease in the fair value of our available-for-sale securities portfolio as a result of significant increases in period-end market interest rates.

Funds generated through retained earnings are a significant source of capital and liquidity and are expected to continue to be so in the future.

### Capital Ratios

Both SVB Financial and the Bank are subject to various capital adequacy guidelines issued by the Federal Reserve Board and the California Department of Financial Institutions. To be classified as “adequately capitalized” under these capital guidelines, minimum ratios for total risk-based capital, Tier 1 risk-based capital and Tier 1 leverage ratio for bank holding companies and banks are 8.0%, 4.0% and 4.0%, respectively.

To be classified as “well capitalized” under these capital guidelines, minimum ratios for total risk-based capital and Tier 1 risk-based capital for bank holding companies and banks are 10.0% and 6.0%, respectively. Under the same capital adequacy guidelines, a well-capitalized state member bank must maintain a minimum Tier 1 leverage ratio of 5.0%.

There is no Tier 1 leverage requirement for a holding company to be deemed well-capitalized.

The Federal Reserve has not issued any minimum guidelines for the tangible common equity to tangible assets ratio or the tangible common equity to risk-weighted assets ratio. However, we believe these ratios provide meaningful supplemental information regarding our capital levels and are therefore provided below.

Regulatory capital ratios for SVB Financial and the Bank exceeded minimum federal regulatory guidelines for a well-capitalized depository institution as of September 30, 2013 and December 31, 2012. Capital ratios for SVB Financial and the Bank, compared to the minimum regulatory ratios to be considered “well capitalized” and “adequately capitalized”, are set forth below:



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|                                                             | September<br>30, 2013 |   | December 31,<br>2012 |   | Minimum ratio to be<br>“Well Capitalized” |   | Minimum ratio to be<br>“Adequately Capitalized” |   |
|-------------------------------------------------------------|-----------------------|---|----------------------|---|-------------------------------------------|---|-------------------------------------------------|---|
| SVB Financial:                                              |                       |   |                      |   |                                           |   |                                                 |   |
| Total risk-based capital ratio                              | 14.16                 | % | 14.05                | % | 10.0                                      | % | 8.0                                             | % |
| Tier 1 risk-based capital ratio                             | 12.95                 |   | 12.79                |   | 6.0                                       |   | 4.0                                             |   |
| Tier 1 leverage ratio                                       | 8.75                  |   | 8.06                 |   | N/A                                       |   | 4.0                                             |   |
| Tangible common equity to tangible assets ratio (1)(2)      | 8.19                  |   | 8.04                 |   | N/A                                       |   | N/A                                             |   |
| Tangible common equity to risk-weighted assets ratio (1)(2) | 12.96                 |   | 13.53                |   | N/A                                       |   | N/A                                             |   |
| Bank:                                                       |                       |   |                      |   |                                           |   |                                                 |   |
| Total risk-based capital ratio                              | 12.31                 | % | 12.53                | % | 10.0                                      | % | 8.0                                             | % |
| Tier 1 risk-based capital ratio                             | 11.08                 |   | 11.24                |   | 6.0                                       |   | 4.0                                             |   |
| Tier 1 leverage ratio                                       | 7.46                  |   | 7.06                 |   | 5.0                                       |   | 4.0                                             |   |
| Tangible common equity to tangible assets ratio (1)(2)      | 7.34                  |   | 7.41                 |   | N/A                                       |   | N/A                                             |   |
| Tangible common equity to risk-weighted assets ratio (1)(2) | 11.17                 |   | 12.08                |   | N/A                                       |   | N/A                                             |   |

(1) See below for a reconciliation of non-GAAP tangible common equity to tangible assets and tangible common equity to risk-weighted assets.

The Federal Reserve Bank has not issued any minimum guidelines for the tangible common equity to tangible (2) assets ratio or the tangible common equity to risk-weighted assets ratio. However, we believe these ratios provide meaningful supplemental information regarding our capital levels and are therefore provided above.

Our total and tier 1 risk-based capital ratios for SVB Financial increased from December 31, 2012 reflective of growth in retained earnings and additional paid-in-capital, partially offset by the increase in risk-weighted assets. Our total and tier 1 risk-based capital ratios for the Bank decreased from December 31, 2012 reflective of increases in risk-weighted assets and a \$10.0 million dividend paid to the parent company. The growth in risk-weighted assets was primarily due to growth in our loan balances during the three and nine months ended September 30, 2013. Our tier 1 leverage ratios for both SVB Financial and the Bank increased compared to December 31, 2012 due to growth in retained earnings and additional-paid-in-capital, partially offset by an increase in average assets. All of our capital ratios are above the levels to be considered “well capitalized”.

The tangible common equity to tangible assets ratio and the tangible common equity to risk-weighted assets ratios are not required by GAAP or applicable bank regulatory requirements. However, we believe these ratios provide meaningful supplemental information regarding our capital levels. Our management uses, and believes that investors benefit from referring to, these ratios in evaluating the adequacy of the Company’s capital levels; however, this financial measure should be considered in addition to, not as a substitute for or preferable to, comparable financial measures prepared in accordance with GAAP. These ratios are calculated by dividing total SVBFG stockholder’s equity, by total period-end assets and risk-weighted assets, after reducing both amounts by acquired intangibles, if any. The manner in which this ratio is calculated varies among companies. Accordingly, our ratio is not necessarily comparable to similar measures of other companies. The following table provides a reconciliation of non-GAAP financial measures with financial measures defined by GAAP:

|                                                                                           | SVB Financial         |                      | Bank                  |                      |
|-------------------------------------------------------------------------------------------|-----------------------|----------------------|-----------------------|----------------------|
| Non-GAAP tangible common equity and tangible assets (dollars in thousands, except ratios) | September 30,<br>2013 | December 31,<br>2012 | September 30,<br>2013 | December 31,<br>2012 |
| GAAP SVBFG stockholders’ equity                                                           | \$1,944,927           | \$1,830,555          | \$1,640,387           | \$1,591,643          |

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|                                                |              |              |              |              |
|------------------------------------------------|--------------|--------------|--------------|--------------|
| Less:                                          |              |              |              |              |
| Intangible assets                              | —            | —            | —            | —            |
| Tangible common equity                         | \$1,944,927  | \$1,830,555  | \$1,640,387  | \$1,591,643  |
| GAAP Total assets                              | \$23,740,864 | \$22,766,123 | \$22,337,190 | \$21,471,111 |
| Less:                                          |              |              |              |              |
| Intangible assets                              | —            | —            | —            | —            |
| Tangible assets                                | \$23,740,864 | \$22,766,123 | \$22,337,190 | \$21,471,111 |
| Risk-weighted assets                           | \$15,004,072 | \$13,532,984 | \$14,679,608 | \$13,177,887 |
| Tangible common equity to tangible assets      | 8.19         | % 8.04       | % 7.34       | % 7.41       |
| Tangible common equity to risk-weighted assets | 12.96        | 13.53        | 11.17        | 12.08        |



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The tangible common equity to tangible assets ratio increased for SVB Financial due to increases in total equity, while the ratio decreased for the Bank due to growth in total assets while total equity remained relatively flat. See "SVBFG Stockholders' Equity" above for further details on changes to the individual components of our equity balance.

For both SVB Financial and the Bank, the tangible common equity to risk-weighted assets ratios decreased due to increases in risk-weighted assets, which primarily reflects our growth in period-end loan balances.

### Off-Balance Sheet Arrangements

In the normal course of business, we use financial instruments with off-balance sheet risk to meet the financing needs of our customers. These financial instruments include commitments to extend credit, commercial and standby letters of credit and commitments to invest in venture capital and private equity fund investments. These instruments involve, to varying degrees, elements of credit risk. Credit risk is defined as the possibility of sustaining a loss because other parties to the financial instrument fail to perform in accordance with the terms of the contract. For details of our commitments to extend credit, and commercial and standby letters of credit, please refer to Note 11—"Off-Balance Sheet Arrangements, Guarantees, and Other Commitments" of the "Notes to Interim Consolidated Financial Statements (unaudited)" under Part I, Item 1 of this report.

### Commitments to Invest in Venture Capital/Private Equity Funds

We make commitments to invest in venture capital and private equity funds, which in turn make investments generally in, or in some cases make loans to, privately-held companies. Commitments to invest in these funds are generally made for a 10-year period from the inception of the fund. Although the limited partnership agreements governing these investments typically do not restrict the general partners from calling 100% of committed capital in one year, it is customary for these funds to generally call most of the capital commitments over 5 to 7 years; however in certain cases, the funds may not call 100% of committed capital over the life of the fund. The actual timing of future cash requirements to fund these commitments is generally dependent upon the investment cycle, overall market conditions, and the nature and type of industry in which the privately held companies operate.

For further details on our commitments to invest in private equity funds, refer to Note 11—"Off-Balance Sheet Arrangements, Guarantees, and Other Commitments" of the "Notes to Interim Consolidated Financial Statements (unaudited)" under Part I, Item 1 of this report.

### Liquidity

The objective of liquidity management is to ensure that funds are available in a timely manner to meet our financial obligations, including, as necessary, paying creditors, meeting depositors' needs, accommodating loan demand and growth, funding investments, repurchasing securities and other operating or capital needs, without incurring undue cost or risk, or causing a disruption to normal operating conditions.

We regularly assess the amount and likelihood of projected funding requirements through a review of factors such as historical deposit volatility and funding patterns, present and forecasted market and economic conditions, individual client funding needs, and existing and planned business activities. Our Asset/Liability Committee ("ALCO"), which is a management committee, provides oversight to the liquidity management process and recommends policy guidelines for the approval of the Finance Committee of our Board of Directors, and courses of action to address our actual and projected liquidity needs.

Our deposit base is, and historically has been, our primary source of liquidity. Our deposit levels and cost of deposits may fluctuate from time to time due to a variety of factors, including market conditions, prevailing interest rates, changes in client deposit behaviors, availability of insurance protection, and our offering of deposit products. At September 30, 2013, our period-end total deposit balances increased by \$821 million to \$20.0 billion, compared to \$19.2 billion at December 31, 2012. This increase was primarily as a result of strong levels of early-stage and venture capital/private equity client additions.

Our liquidity requirements can also be met through the use of our portfolio of liquid assets. Our definition of liquid assets includes cash and cash equivalents in excess of the minimum levels necessary to carry out normal business operations, short-term investment securities maturing within one year, available-for-sale securities eligible and available for financing or pledging purposes with a maturity in excess of one year and anticipated near-term cash flows from investments.

On a stand-alone basis, SVB Financial's primary liquidity channels include dividends from the Bank, its portfolio of liquid assets, and its ability to raise debt and capital. The ability of the Bank to pay dividends is subject to certain regulations described in "Business—Supervision and Regulation—Restriction on Dividends" under Part I, Item 1 of our 2012 Form 10-K.

Consolidated Summary of Cash Flows

Below is a summary of our average cash position and statement of cash flows for the nine months ended September 30, 2013 and 2012. For further details, see our "Interim Consolidated Statements of Cash Flows" under Part I, Item 1 of this report.

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| (Dollars in thousands)                               | Nine months ended September 30, |   |             |   |
|------------------------------------------------------|---------------------------------|---|-------------|---|
|                                                      | 2013                            |   | 2012        |   |
| Average cash and cash equivalents                    | \$1,317,455                     |   | \$1,416,699 |   |
| Percentage of total average assets                   | 5.9                             | % | 6.8         | % |
| Net cash provided by operating activities            | \$99,315                        |   | \$125,665   |   |
| Net cash provided by (used for) investing activities | 123,606                         |   | (1,811,355) | ) |
| Net cash provided by financing activities            | 710,840                         |   | 1,477,422   |   |
| Net increase (decrease) in cash and cash equivalents | \$933,761                       |   | \$(208,268) | ) |

Average cash and cash equivalents decreased by \$99.2 million, or 7.0 percent, to \$1.3 billion for the nine months ended September 30, 2013, compared to \$1.4 billion for the comparable 2012 period. The decrease was primarily due to the funding of loan growth and the investment of cash and cash equivalents into available-for-sale securities.

Net cash provided by operating activities was \$99 million for the nine months ended September 30, 2013, primarily reflective of net income of \$157 million, partially offset by net gains on investment securities, net of noncontrolling interests of \$51 million.

Net cash provided by investing activities of \$124 million for the nine months ended September 30, 2013 included \$1.9 billion from sales, maturities and paydowns of available-for-sale securities, partially offset by a \$867 million net increase in loans and \$907 million for purchases of available-for-sale securities.

Net cash provided by financing activities was \$711 million for the nine months ended September 30, 2013, reflective of a net increase of \$821 million in deposits and proceeds of \$38 million from the issuance of common stock and ESPP, partially offset by \$161 million in repayment of overnight borrowings.

Cash and cash equivalents at September 30, 2013 were \$1.9 billion, compared to \$906.7 million at September 30, 2012.

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## ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

## Interest Rate Risk Management

Market risk is defined as the risk of adverse fluctuations in the market value of financial instruments due to changes in market interest rates. Interest rate risk is our primary market risk and can result from timing and volume differences in the repricing of our rate-sensitive assets and liabilities, widening or tightening of credit spreads, changes in the general level of market interest rates and changes in the shape and level of the benchmark LIBOR/SWAP yield curve.

Additionally, changes in interest rates can influence the rate of principal prepayments on mortgage securities which affects the rate of amortization of purchase premiums and discounts. Other market risks include foreign currency exchange risk and equity price risk. These risks are not considered significant and no separate quantitative information concerning them is presented herein.

Interest rate risk is managed by our ALCO. ALCO reviews the market valuation and 12-month forward looking earnings sensitivity of assets and liabilities to changes in interest rates, structural changes in investment and funding portfolios, loan and deposit activity and current market conditions. Adherence to relevant policies, which are approved by the Finance Committee of our Board of Directors, is monitored on an ongoing basis.

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

We utilize a simulation model to perform sensitivity analysis on the economic value of equity and net interest income under a variety of interest rate scenarios, balance sheet forecasts and proposed strategies. The simulation model provides a dynamic assessment of interest rate sensitivity embedded in our balance sheet which measures the potential variability in forecasted results relating to changes in market interest rates over time. We review our interest rate risk position on a quarterly basis at a minimum.

## Model Simulation and Sensitivity Analysis

One application of the aforementioned simulation model involves measurement of the impact of market interest rate changes on our economic value of equity ("EVE"). EVE is defined as the market value of assets, less the market value of liabilities, adjusted for any off-balance sheet items. A second application of the simulation model measures the impact of market interest rate changes on our net interest income ("NII") assuming a static balance sheet as of the period-end reporting date. The market interest rate changes that affect us are principally short-term interest rates and include the following: (1) National Prime and SVB Prime rates; (2) 1-month and 3-month LIBOR; and (3) Fed Funds target rate. Changes in these short-term rates impact interest earned on our variable rate loans, variable rate available-for-sale securities and balances held as cash and cash equivalents. Additionally, deposit pricing generally follows overall changes in short-term interest rates.

The following table presents our EVE and NII sensitivity exposure at September 30, 2013 and December 31, 2012, related to an instantaneous and sustained parallel shift in market interest rates of 100 and 200 basis points.

|                                         | Estimated<br>EVE<br>(Dollars in thousands) | Estimated Increase In<br>Amount<br>Percent |        | Estimated<br>NII | Estimated Increase/<br>(Decrease) In NII<br>Amount<br>Percent |        |
|-----------------------------------------|--------------------------------------------|--------------------------------------------|--------|------------------|---------------------------------------------------------------|--------|
| Change in interest rates (basis points) |                                            |                                            |        |                  |                                                               |        |
| September 30, 2013:                     |                                            |                                            |        |                  |                                                               |        |
| +200                                    | \$4,276,130                                | \$535,333                                  | 14.3   | \$906,094        | \$148,634                                                     | 19.6 % |
| +100                                    | 3,968,383                                  | 227,586                                    | 6.1    | 822,467          | 65,007                                                        | 8.6    |
| —                                       | 3,740,797                                  | —                                          | —      | 757,460          | —                                                             | —      |
| -100                                    | 3,570,247                                  | (170,550 )                                 | (4.6 ) | 750,013          | (7,447 )                                                      | (1.0 ) |
| -200                                    | 3,675,165                                  | (65,632 )                                  | (1.8 ) | 746,058          | (11,402 )                                                     | (1.5 ) |
| December 31, 2012:                      |                                            |                                            |        |                  |                                                               |        |
| +200                                    | \$3,176,231                                | \$345,925                                  | 12.2 % | \$834,208        | \$137,021                                                     | 19.7 % |
| +100                                    | 2,862,361                                  | 32,055                                     | 1.1    | 757,662          | 60,475                                                        | 8.7    |
| —                                       | 2,830,306                                  | —                                          | —      | 697,187          | —                                                             | —      |
| -100                                    | 2,981,216                                  | 150,910                                    | 5.3    | 671,976          | (25,211 )                                                     | (3.6 ) |

|      |           |         |     |         |           |        |
|------|-----------|---------|-----|---------|-----------|--------|
| -200 | 3,012,121 | 181,815 | 6.4 | 670,445 | (26,742 ) | (3.8 ) |
|------|-----------|---------|-----|---------|-----------|--------|

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### Economic Value of Equity

The estimated EVE in the preceding table is based on a combination of valuation methodologies including a discounted cash flow analysis and a multi-path lattice based valuation. Both methodologies use publicly available market interest rates. The model simulations and calculations are highly assumption-dependent and will change regularly as our asset/liability structure changes, as interest rate environments evolve, and as we change our assumptions in response to relevant market or business circumstances. These calculations do not reflect the changes that we anticipate or may make to reduce our EVE exposure in response to a change in market interest rates as a part of our overall interest rate risk management strategy.

As with any method of measuring interest rate risk, certain limitations are inherent in the method of analysis presented in the preceding table. We are exposed to yield curve risk, prepayment risk and basis risk, which cannot be fully modeled and expressed using the above methodology. Accordingly, the results in the preceding table should not be relied upon as a precise indicator of actual results in the event of changing market interest rates. Additionally, the resulting EVE and NII estimates are not intended to represent, and should not be construed to represent the underlying value. In addition, we assume different rates of deposit balance decrease for each interest rate scenario based on a long-term historical deposit study of our clients.

Our base case EVE at September 30, 2013 increased from December 31, 2012 by \$910 million, primarily due to the change in balance sheet mix and steeper market yield curves. The steeper market yield curve has a \$453 million positive impact on the EVE. The change in balance sheet mix was primarily reflective of an increase of \$878 million in our loan portfolio, partially offset by a decrease of \$1.1 billion in available-for-sale securities. EVE sensitivity slightly increased in the simulated upward interest rate movements due to a decrease in fixed rate available-for-sale securities. In the simulated downward interest rate movements, EVE sensitivity decreased due to steeper and higher market yield curves. The higher yield curve had a bigger reduction impact on non-interest bearing deposits, which more than offset the asset value increase from the down rate scenarios.

### 12-Month Net Interest Income Simulation

Our expected 12-month NII at September 30, 2013 increased from December 31, 2012 by \$60 million, primarily due to an increase of \$878 million in our loan portfolio which is partially offset by an increase of \$590 million in interest-bearing deposits. NII sensitivity stays relatively unchanged in the simulated upward interest rate movements, while NII sensitivity decreased in the simulated downward interest rate movements. The NII sensitivity decreased due to a lower short-end market yield curve, which reduced the negative impact of rate reset from the variable rate assets. The simulation model used in the above analysis embeds floors in our interest rate scenarios, which prevent model benchmark rates from moving below 0.0%. In addition, we assume different deposit balance decay rates for each interest rate scenario based on a long-term historical deposit study of our clients. These assumptions may change in future periods based on management discretion. Actual changes in our deposit pricing strategies may differ from our current model assumptions and may have an impact on our overall sensitivity.

## ITEM 4. CONTROLS AND PROCEDURES

### Disclosure Controls and Procedures

Disclosure controls and procedures are the controls and other procedures that are designed to ensure that information required to be disclosed in the reports that we file or submit under the Securities Exchange Act of 1934, as amended (the "Exchange Act") is recorded, processed, summarized, and reported within the time periods specified in SEC rules and forms. Disclosure controls and procedures include, among other things, processes, controls and procedures designed to ensure that information required to be disclosed in the reports that we file or submit under the Exchange Act is accumulated and communicated to management, including the Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

We carried out an evaluation, under the supervision and with the participation of management, including the Chief Executive Officer and the Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures as of our most recently completed fiscal quarter, pursuant to Exchange Act Rule 13a-15(b). Based upon this evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of the period covered by this report, the Company's disclosure controls and procedures were effective.

### Changes in Internal Control

There were no changes in our internal control over financial reporting identified in management's evaluation pursuant to Rules 13a-15(d) or 15d-15(d) of the Exchange Act during the period covered by this Quarterly Report on Form 10-Q that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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**PART II—OTHER INFORMATION**

**ITEM 1. LEGAL PROCEEDINGS**

Please refer to Note 14—“Legal Matters” of the “Notes to Interim Consolidated Financial Statements (unaudited)” under Part I, Item 1 of this report.

**ITEM 1A. RISK FACTORS**

There are no material changes from the risk factors set forth in our 2012 Form 10-K.

**ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS**

**Recent Sales of Unregistered Securities**

During the first quarter of 2013, we discovered that we sold shares of our common stock that were not registered with the SEC to certain participants, through their investment in our unitized common stock fund, under our SVB Financial Group 401(k) and Employee Stock Ownership Plan (“401(k) Plan”). The common stock fund is comprised primarily of shares of our common stock, and to a lesser extent, cash; and participants may invest 401(k) Plan contributions for an interest in the fund. With respect to the purchases that were not registered, the shares of our common stock held in the common stock fund are purchased by our 401(k) Plan trustee from the open market; hence, these purchases do not represent any additional equity dilution of our outstanding shares. We do not receive any proceeds from these transactions.

Under applicable federal securities laws, certain participants may have a right to rescind, and to require us to repurchase, their purchases of our common stock (through their investment in the common stock fund) for an amount equal to the price paid for the securities, plus interest. Generally, the federal statute of limitations applicable to such rescission rights is one year. Additionally, we may be subject to potential civil and other penalties by regulatory authorities as a result of this registration issue.

Based on our estimates, we do not believe the amount of potential liability associated with the securities subject to rescission rights is material to our financial condition or results of operations. As of September 30, 2013, we estimate that there were less than 40,000 shares of our common stock (over the one-year period preceding such date) that would be subject to rescission rights; substantially none of which, based on our closing stock price of \$96.18 as of November 6, 2013 would be economically advantageous for participants to exercise any such rescission rights. These securities continue to be reflected in stockholders' equity in our balance sheet.

We filed a new registration statement on Form S-8 on May 20, 2013 to register future sales of our common stock through our common stock fund under the 401(k) Plan.

**Issuer Purchases of Equity Securities**

None.

**ITEM 3. DEFAULTS UPON SENIOR SECURITIES**

None.

**ITEM 4. MINE SAFETY DISCLOSURES**

Not applicable.

**ITEM 5. OTHER INFORMATION**

None.

**ITEM 6. EXHIBITS**

See Index to Exhibits at end of report.



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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

SVB Financial Group

Date: November 8, 2013

/s/ MICHAEL DESCHENEAUX  
Michael Descheneaux  
Chief Financial Officer  
(Principal Financial Officer)

SVB Financial Group

Date: November 8, 2013

/s/ KAMRAN HUSAIN  
Kamran Husain  
Chief Accounting Officer  
(Principal Accounting Officer)

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## INDEX TO EXHIBITS

| Exhibit Number | Exhibit Description                                                                                                                                                                                                                                    | Incorporated by Reference |           |         | Filing Date       | Filed Herewith |
|----------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------|-----------|---------|-------------------|----------------|
|                |                                                                                                                                                                                                                                                        | Form                      | File No.  | Exhibit |                   |                |
| 3.1            | Restated Certificate of Incorporation                                                                                                                                                                                                                  | 8-K                       | 000-15637 | 3.1     | May 31, 2005      |                |
| 3.2            | Amended and Restated Bylaws                                                                                                                                                                                                                            | 8-K                       | 000-15637 | 3.2     | July 27, 2010     |                |
| 3.3            | Certificate of Designation of Rights, Preferences and Privileges of Series A Participating Preferred Stock                                                                                                                                             | 8-K                       | 000-15637 | 3.3     | December 8, 2008  |                |
| 3.4            | Certificate of Designations of Fixed Rate Cumulative Perpetual Preferred Stock, Series B                                                                                                                                                               | 8-K                       | 000-15637 | 3.4     | December 15, 2008 |                |
| 4.1            | Junior Subordinated Indenture, dated as of October 30, 2003 between SVB Financial and Wilmington Trust Company, as trustee                                                                                                                             | 8-K                       | 000-15637 | 4.12    | November 19, 2003 |                |
| 4.2            | 7.0% Junior Subordinated Deferrable Interest Debenture due October 15, 2033 of SVB Financial                                                                                                                                                           | 8-K                       | 000-15637 | 4.13    | November 19, 2003 |                |
| 4.3            | Amended and Restated Trust Agreement, dated as of October 30, 2003, by and among SVB Financial as Depositor, Wilmington Trust Company as Property Trustee, Wilmington Trust Company as Delaware Trustee, and the Administrative Trustees named therein | 8-K                       | 000-15637 | 4.14    | November 19, 2003 |                |
| 4.4            | Certificate Evidencing 7% Cumulative Trust Preferred Securities of SVB Capital II, dated as of October 30, 2003                                                                                                                                        | 8-K                       | 000-15637 | 4.15    | November 19, 2003 |                |
| 4.5            | Guarantee Agreement, dated as of October 30, 2003, between SVB Financial and Wilmington Trust Company, as Trustee                                                                                                                                      | 8-K                       | 000-15637 | 4.16    | November 19, 2003 |                |
| 4.6            | Agreement as to Expenses and Liabilities, dated as of October 30, 2003, between SVB Financial and SVB Capital II                                                                                                                                       | 8-K                       | 000-15637 | 4.17    | November 19, 2003 |                |
| 4.7            | Certificate Evidencing 7% Common Securities of SVB Capital II, dated as of October 30, 2003                                                                                                                                                            | 8-K                       | 000-15637 | 4.18    | November 19, 2003 |                |
| 4.8            | Officers' Certificate and Company Order, dated as of October 30, 2003, relating to the 7.0% Junior Subordinated Deferrable Interest Debentures due October 15, 2033                                                                                    | 8-K                       | 000-15637 | 4.19    | November 19, 2003 |                |
| 4.9            | Amended and Restated Preferred Stock Rights Agreement, dated as of                                                                                                                                                                                     | 8-A12G/A                  | 000-15637 | 4.20    | February 27, 2004 |                |

January 29, 2004, between SVB  
Financial and Wells Fargo Bank  
Minnesota, N.A.

|      |                                                                                                                                                                           |          |           |      |                  |
|------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------|-----------|------|------------------|
| 4.10 | Amendment No. 1 to Amended &<br>Restated Preferred Stock Rights<br>Agreement, dated as of August 2,<br>2004, by and between SVB Financial<br>and Wells Fargo Bank, N.A.   | 8-A12G/A | 000-15637 | 4.13 | August 3, 2004   |
| 4.11 | Amendment No. 2 to Amended &<br>Restated Preferred Stock Rights<br>Agreement, dated as of January 29,<br>2008, by and between SVB Financial<br>and Wells Fargo Bank, N.A. | 8-A/A    | 000-15637 | 4.14 | January 29, 2008 |
| 4.12 | Amendment No. 3 to Amended and<br>Restated Preferred Stock Rights<br>Agreement, dated as of April 30,<br>2008, by and between SVB Financial<br>and Wells Fargo Bank, N.A. | 8-A/A    | 000-15637 | 4.20 | April 30, 2008   |

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| Exhibit<br>Number | Exhibit Description                                                                                                                                                                                           | Incorporated by Reference |           |         | Filing Date        | Filed<br>Herewith |
|-------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------|-----------|---------|--------------------|-------------------|
|                   |                                                                                                                                                                                                               | Form                      | File No.  | Exhibit |                    |                   |
| 4.13              | Amendment No. 4 to Amended and Restated Preferred Stock Rights Agreement, dated as of January 15, 2010, by and between SVB Financial, Wells Fargo Bank, N.A. and American Stock Transfer & Trust Company, LLC | 8-A/A                     | 000-15637 | 4.22    | January 19, 2010   |                   |
| 4.14              | Indenture, dated September 20, 2010, by and between SVB Financial Group and U.S. Bank National Association, as trustee                                                                                        | 8-K                       | 000-15637 | 4.1     | September 20, 2010 |                   |
| 4.15              | Form of 5.375% Senior Note due 2020                                                                                                                                                                           | 8-K                       | 000-15637 | 4.2     | September 20, 2010 |                   |
| *10.8             | Deferred Compensation Plan                                                                                                                                                                                    |                           |           |         |                    | X                 |
| *10.33            | 2013 International Assignment Agreement for David Jones                                                                                                                                                       | 8-K                       | 000-15637 | 10.1    | August 8, 2013     |                   |
| *10.34            | Incentive Compensation Plan (replaces Senior Management Incentive Compensation Plan)                                                                                                                          |                           |           |         |                    | X                 |
| 31.1              | Rule 13a-14(a) / 15(d)-14(a) Certification of Principal Executive Officer                                                                                                                                     |                           |           |         |                    | X                 |
| 31.2              | Rule 13a-14(a) / 15(d)-14(a) Certification of Principal Financial Officer                                                                                                                                     |                           |           |         |                    | X                 |
| 32.1              | Section 1350 Certifications                                                                                                                                                                                   |                           |           |         |                    | **                |
| 101.INS           | XBRL Instance Document                                                                                                                                                                                        |                           |           |         |                    | X                 |
| 101.SCH           | XBRL Taxonomy Extension Schema Document                                                                                                                                                                       |                           |           |         |                    | X                 |
| 101.CAL           | XBRL Taxonomy Extension Calculation Linkbase Document                                                                                                                                                         |                           |           |         |                    | X                 |
| 101.DEF           | XBRL Taxonomy Extension Definition Linkbase Document                                                                                                                                                          |                           |           |         |                    | X                 |
| 101.LAB           | XBRL Taxonomy Extension Label Linkbase Document                                                                                                                                                               |                           |           |         |                    | X                 |
| 101.PRE           | XBRL Taxonomy Extension Presentation Linkbase Document                                                                                                                                                        |                           |           |         |                    | X                 |

\* Denotes management contract or any compensatory plan, contract or arrangement

\*\* Furnished herewith