SVB FINANCIAL GROUP
Form 10-Q
November 07, 2014
Table of Contents

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2014
OR

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

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

Delaware	91-1962278
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
3003 Tasman Drive, Santa Clara, California	95054-1191
(Address of principal executive offices)	(Zip Code)

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

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

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

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

Large accelerated filer x Accelerated filer ¨ Non-accelerated filer ¨ Smaller reporting company ¨

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

At October 31, 2014, 50,849,278 shares of the registrant's common stock ($0.001 par value) were outstanding.

Table of Contents

TABLE OF CONTENTS

Table of Contents

Glossary of Acronyms that may be used in this Report

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

Table of Contents

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

(Dollars in thousands, except par value and share data)	September 30, 2014 (Unaudited)	December 31, 2013
Assets		
Cash and cash equivalents	$1,872,537	$1,538,779
Available-for-sale securities, at fair value (cost of $13,322,059 and $12,055,524, respectively)	13,333,436	11,986,821
Held-to-maturity securities, at cost (fair value of $6,613,893 and $0, respectively)	6,662,025	—
Non-marketable and other securities	1,703,550	1,595,494
Total investment securities	21,699,011	13,582,315
Loans, net of unearned income	12,017,181	10,906,386
Allowance for loan losses	(129,061)	(142,886)
Net loans	11,888,120	10,763,500
Premises and equipment, net of accumulated depreciation and amortization	74,375	67,485
Accrued interest receivable and other assets	506,964	465,110
Total assets	$36,041,007	$26,417,189
Liabilities and total equity		
Liabilities:		
Noninterest-bearing demand deposits	$22,461,068	$15,894,360
Interest-bearing deposits	8,662,067	6,578,619
Total deposits	31,123,135	22,472,979
Short-term borrowings	6,630	5,080
Other liabilities	517,462	404,586
Long-term debt	453,764	455,216
Total liabilities	32,100,991	23,337,861
Commitments and contingencies (Note 11 and Note 14)		
SVBFG stockholders' equity:		
Preferred stock, $0.001 par value, 20,000,000 shares authorized; no shares issued and outstanding	—	—
Common stock, $0.001 par value, 150,000,000 shares authorized; 50,820,946 shares and 45,800,418 shares outstanding, respectively	51	46
Additional paid-in capital	1,107,337	624,256
Retained earnings	1,595,825	1,390,732
Accumulated other comprehensive income (loss)	18,744	(48,764)
Total SVBFG stockholders' equity	2,721,957	1,966,270
Noncontrolling interests	1,218,059	1,113,058
Total equity	3,940,016	3,079,328
Total liabilities and total equity	$36,041,007	$26,417,189

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

Table of Contents

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

	Three months ended September 30,		Nine months ended September 30,	
(Dollars in thousands, except per share amounts)	2014	2013	2014	2013
Interest income:				
Loans	$153,292	$139,687	$449,144	$395,216
Investment securities:				
Taxable	73,540	43,604	191,384	134,013
Non-taxable	772	797	2,362	2,403
Federal funds sold, securities purchased under agreements to resell and other short-term investment securities	1,722	1,152	5,301	2,605
Total interest income	229,326	185,240	648,191	534,237
Interest expense:				
Deposits	2,961	2,397	8,933	6,533
Borrowings	5,800	5,747	17,400	17,358
Total interest expense	8,761	8,144	26,333	23,891
Net interest income	220,565	177,096	621,858	510,346
Provision for loan losses	16,610	10,638	19,051	35,023
Net interest income after provision for loan losses	203,955	166,458	602,807	475,323
Noninterest income:				
Gains on investment securities, net	5,644	187,862	172,236	255,861
Gains on derivative instruments, net	26,538	9,422	63,480	27,802
Foreign exchange fees	17,911	13,667	53,035	41,529
Credit card fees	10,909	8,188	31,440	23,245
Deposit service charges	10,126	8,902	29,344	26,602
Lending related fees	6,029	5,265	18,208	13,835
Letters of credit and standby letters of credit fees	4,557	3,790	11,507	10,879
Client investment fees	3,814	3,393	10,751	10,392
Other	(5,361)	17,161	14,601	24,348
Total noninterest income	80,167	257,650	404,602	434,493
Noninterest expense:				
Compensation and benefits	99,932	96,869	302,259	270,315
Professional services	26,081	18,966	68,383	52,759
Premises and equipment	12,631	12,171	36,267	34,298
Business development and travel	10,022	7,378	29,465	23,433
Net occupancy	7,437	5,898	22,436	17,460
FDIC assessments	4,587	2,913	13,660	9,148
Correspondent bank fees	3,278	2,906	9,755	9,009
Provision for unfunded credit commitments	2,225	2,774	5,533	6,135
Other	15,796	10,649	40,113	30,273
Total noninterest expense	181,989	160,524	527,871	452,830
Income before income tax expense	102,133	263,584	479,538	456,986
Income tax expense	38,961	47,404	131,460	103,773
Net income before noncontrolling interests	63,172	216,180	348,078	353,213
Net income attributable to noncontrolling interests	(177)	(148,559)	(142,985)	(196,117)
Net income available to common stockholders	$62,995	$67,621	$205,093	$157,096

Earnings per common share—basic	$1.24	$1.48	$4.25	$3.48
Earnings per common share—diluted	1.22	1.46	4.17	3.43

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

Table of Contents

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

	Three months ended September 30,		Nine months ended September 30,	
(Dollars in thousands)	2014	2013	2014	2013
Net income before noncontrolling interests	$63,172	$216,180	$348,078	$353,213
Other comprehensive (loss) income, net of tax:				
Change in cumulative translation (loss) income:				
Foreign currency translation loss	(2,259)	(1,540)	(638)	(6,341)
Related tax benefit	935	631	281	2,539
Change in unrealized (losses) gains on available-for-sale securities:				
Unrealized holding (losses) gains	(48,724)	27,289	62,669	(167,021)
Related tax benefit (expense)	19,716	(11,032)	(25,292)	68,299
Reclassification adjustment for losses (gains) included in net income	990	(219)	17,411	(949)
Related tax (benefit) expense	(400)	85	(7,030)	363
Cumulative-effect adjustment for unrealized gains on securities transferred from available-for-sale to held-to-maturity	—	—	37,700	—
Related tax expense	—	—	(15,178)	—
Amortization of unrealized gains on securities transferred from available-for-sale to held-to-maturity	(2,996)	—	(4,043)	—
Related tax benefit	1,206	—	1,628	—
Other comprehensive (loss) income, net of tax	(31,532)	15,214	67,508	(103,110)
Comprehensive income	31,640	231,394	415,586	250,103
Comprehensive income attributable to noncontrolling interests	(177)	(148,559)	(142,985)	(196,117)
Comprehensive income attributable to SVBFG	$31,463	$82,835	$272,601	$53,986

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

Table of Contents

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

(Dollars in thousands)	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total SVBFG Stockholders' Equity	Noncontrolling Interests	Total Equity
Balance at December 31, 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
Net change in unrealized gains and losses on available-for-sale securities, net of tax	—	—	—	—	(99,308)	(99,308)	—	(99,308)
Foreign currency translation adjustments, net of tax	—	—	—	—	(3,802)	(3,802)	—	(3,802)
Share-based compensation expense	—	—	18,826	—	—	18,826	—	18,826
Other, net	—	—	3	1	—	4	—	4
Balance at September 30, 2013	45,608,370	$46	$607,463	$1,331,975	$5,443	$1,944,927	$978,717	$2,923,644
Balance at December 31, 2013	45,800,418	$46	$624,256	$1,390,732	$(48,764)	$1,966,270	$1,113,058	$3,079,328
Common stock issued under employee benefit plans, net of restricted stock cancellations	504,766	—	13,878	—	—	13,878	—	13,878
Common stock issued under ESOP	30,762	—	3,890	—	—	3,890	—	3,890
Income tax benefit from stock options	—	—	7,973	—	—	7,973	—	7,973

exercised, vesting of restricted stock and other								
Net income	—	—	—	205,093	—	205,093	142,985	348,078
Capital calls and distributions, net	—	—	—	—	—	—	(37,984)	(37,984)
Net change in unrealized gains and losses on available-for-sale securities, net of tax	—	—	—	—	47,758	47,758	—	47,758
Cumulative-effect for unrealized gains on securities transferred from available-for-sale to held-to-maturity, net of tax	—	—	—	—	22,522	22,522	—	22,522
Amortization of unrealized gains on securities transferred from available-for-sale to held-to-maturity, net of tax	—	—	—	—	(2,415)	(2,415)	—	(2,415)
Foreign currency translation adjustments, net of tax	—	—	—	—	(357)	(357)	—	(357)
Common stock issued in public offering	4,485,000	5	434,861	—	—	434,866	—	434,866
Share-based compensation expense	—	—	22,479	—	—	22,479	—	22,479
Balance at September 30, 2014	50,820,946	$51	$1,107,337	$1,595,825	$18,744	$2,721,957	$1,218,059	$3,940,016

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

7

Table of Contents

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

(Dollars in thousands)	Nine months ended September 30, 2014	2013
Cash flows from operating activities:		
Net income before noncontrolling interests	$348,078	$353,213
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	19,051	35,023
Provision for unfunded credit commitments	5,533	6,135
Changes in fair values of derivatives, net	11,087	(16,594)
Gains on investment securities, net	(172,236)	(255,861)
Depreciation and amortization	29,041	26,474
Amortization of premiums and discounts on investment securities, net	18,700	21,040
Tax expense from stock exercises	(1)	(1,353)
Amortization of share-based compensation	22,285	18,945
Amortization of deferred loan fees	(59,550)	(51,941)
Deferred income tax benefit	(17,897)	(3,488)
Changes in other assets and liabilities:		
Accrued interest receivable and payable, net	(17,488)	(5,183)
Accounts receivable and payable, net	(12,890)	1,463
Income tax payable and receivable, net	(14,234)	(7,787)
Accrued compensation	(24,241)	(7,481)
Foreign exchange spot contracts, net	97,357	12,442
Other, net	(25,388)	(27,005)
Net cash provided by operating activities	207,207	98,042
Cash flows from investing activities:		
Purchases of available-for-sale securities	(8,060,750)	(906,495)
Proceeds from sales of available-for-sale securities	32,135	10,207
Proceeds from maturities and pay downs of available-for-sale securities	1,352,369	1,879,424
Purchases of held-to-maturity securities	(1,577,634)	—
Proceeds from maturities and pay downs of held-to-maturity securities	327,913	—
Purchases of non-marketable and other securities (cost and equity method accounting)	(23,965)	(20,019)
Proceeds from sales and distributions of non-marketable and other securities (cost and equity method accounting)	47,478	47,069
Purchases of non-marketable and other securities (fair value accounting)	(182,247)	(108,663)
Proceeds from sales and distributions of non-marketable and other securities (fair value accounting)	264,389	103,105
Net increase in loans	(1,103,447)	(867,075)
Proceeds from recoveries of charged-off loans	5,313	8,163
Purchases of premises and equipment	(29,332)	(20,837)
Net cash (used for) provided by investing activities	(8,947,778)	124,879
Cash flows from financing activities:		
Net increase in deposits	8,650,156	820,539
Increase (decrease) in short-term borrowings	1,550	(160,530)
Capital contributions from noncontrolling interests, net of distributions	(37,984)	7,922
Tax benefit from stock exercises	7,973	4,501
Proceeds from issuance of common stock, ESPP, and ESOP	17,768	38,408

Net proceeds from public equity offering	434,866	—
Net cash provided by financing activities	9,074,329	710,840
Net increase in cash and cash equivalents	333,758	933,761
Cash and cash equivalents at beginning of period	1,538,779	1,008,983
Cash and cash equivalents at end of period	$1,872,537	$1,942,744
Supplemental disclosures:		
Cash paid during the period for:		
Interest	$30,259	$28,339
Income taxes	154,746	107,282
Noncash items during the period:		
Changes in unrealized gains and losses on available-for-sale securities, net of tax	$47,758	$(99,308)
Transfers from available-for-sale securities to held-to-maturity	5,418,572	—

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

Table of Contents

SVB FINANCIAL GROUP AND SUBSIDIARIES
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of Presentation

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

The accompanying unaudited interim consolidated financial statements reflect all adjustments of a normal and recurring nature that are, in the opinion of management, necessary to fairly present our financial position, results of operations and cash flows in accordance with GAAP. Such unaudited interim consolidated financial statements have been prepared in accordance with the instructions to Form 10-Q pursuant to the rules and regulations of the SEC. Certain information and footnote disclosures normally included in financial statements prepared in accordance with GAAP have been condensed or omitted pursuant to such rules and regulations. The results of operations for the three and nine months ended September 30, 2014 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, 2013 (“2013 Form 10-K”).

During the second quarter of 2014, we re-designated certain securities from the classification of "available-for-sale" ("AFS") to "held-to-maturity" ("HTM"). Transfers of investment securities into the held-to-maturity category from the available-for-sale category are made at fair value at the date of transfer. The unrealized gains (losses), net of tax, are retained in other comprehensive income, and the carrying value of the held-to-maturity securities are amortized over the life of the securities in a manner consistent with the amortization of a premium or discount. Our decision to re-designate the securities was based on our ability and intent to hold these securities to maturity. Other than the re-designation of securities from AFS to HTM, 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 2013 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 VIE 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;

Table of Contents

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.

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. 2013-08, Amendments to the Scope, Measurement and Disclosure Requirement for Investment Companies

In June 2013, the FASB issued an accounting standards update, which modified 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 was effective on a prospective basis for the interim and annual reporting periods beginning after December 15, 2013, and was therefore adopted in the first quarter of 2014. This standard did not have any impact on our financial position, results of operations or stockholders' equity.

Impact of Adopting ASU No. 2013-11, Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists

In July 2013, the FASB issued a new accounting standard which requires an unrecognized tax benefit to be presented as a reduction to a deferred tax asset for a net operating loss carryforward, a similar tax loss or a tax credit carryforward that the entity intends to use and is available for settlement at the reporting date. ASU 2013-11 was effective for, and adopted by the Company, in the first quarter of 2014. The adoption of ASU 2013-11 did not have a material impact on our financial position, results of operations or stockholders' equity.

Recently Issued Accounting Pronouncements

In January 2014, the FASB issued a new accounting standard (ASU 2014-01, Investments - Equity Method and Joint Ventures (Topic 323), Accounting for Investments in Qualified Affordable Housing Projects), which permits entities that invest in qualified affordable housing projects through limited liability entities that are flow-through entities for tax purposes to make an accounting policy election to use proportional amortization method or apply an equity or cost method. If the proportional amortization method is elected, retrospective presentation is required for prior periods. The guidance is effective on a retrospective basis for the interim and annual reporting periods beginning after December 15, 2014, with early adoption available. We are currently assessing the impact of this guidance, however, we do not expect it to have a material impact on our financial position, results of operations or stockholders' equity.

In May 2014, the FASB issued a new accounting standard (ASU 2014-09, Revenue from Contracts with Customers (Topic 606)), which provides revenue recognition guidance that is intended to create greater consistency with respect to how and when revenue from contracts with customers is shown in the income statement. The guidance requires that revenue from contracts with customers be recognized upon delivery of a good or service based on the amount of consideration expected to be received, and requires additional disclosures about revenue. The guidance will be effective on a retrospective basis beginning on January 1, 2017. We do not expect the adoption of this guidance to have a material impact on our financial position, results of operations or stockholders' equity.

In August 2014, the FASB issued a new accounting standard (ASU 2014-15, Going Concern (Topic 205-40)), which requires management to evaluate for each annual and interim reporting period whether there is substantial doubt about an entity's ability to continue as a going concern. The guidance will be effective for annual and quarterly periods ending after December 15, 2016 with early adoption permitted. We are currently developing processes and controls to adopt this guidance by the adoption period and do not expect the adoption of this guidance to have a material impact on our financial position, results of operations or stockholders' equity.

Reclassifications

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

Table of Contents

2. Stockholders' Equity and EPS

Common Stock

In the second quarter of 2014, to support the continued growth of our balance sheet, we completed a registered public offering of 4,485,000 shares of our common stock at an offering price of $101.00 per share. We received net proceeds of $434.9 million after deducting underwriting discounts and commissions.

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, 2014 and 2013:

	Three months ended September 30,		Nine months ended September 30,	
(Dollars and shares in thousands, except per share amounts)	2014	2013	2014	2013
Numerator:				
Net income available to common stockholders	$62,995	$67,621	$205,093	$157,096
Denominator:				
Weighted average common shares outstanding-basic	50,752	45,580	48,281	45,180
Weighted average effect of dilutive securities:				
Stock options and ESPP	534	429	580	405
Restricted stock units	285	193	339	180
Denominator for diluted calculation	51,571	46,202	49,200	45,765
Earnings per common share:				
Basic	$1.24	$1.48	$4.25	$3.48
Diluted	$1.22	$1.46	$4.17	$3.43

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, 2014 and 2013:

	Three months ended September 30,		Nine months ended September 30,	
(Shares in thousands)	2014	2013	2014	2013
Stock options	241	343	140	546
Restricted stock units	1	—	2	1
Total	242	343	142	547

Accumulated Other Comprehensive Income

The following table summarizes the items reclassified out of accumulated other comprehensive income into the Consolidated Statements of Income (unaudited) for the three and nine months ended September 30, 2014 and 2013:

		Three months ended September 30,		Nine months ended September 30,	
(Dollars in thousands)	Income Statement Location	2014	2013	2014	2013
Reclassification adjustment for losses (gains) included in net income	Gains on investment securities, net	$990	$(219)	$17,411	$(949)
Related tax (benefit) expense	Income tax expense	(400)	85	(7,030)	363
Total reclassification adjustment for losses (gains) included in net income, net		$590	$(134)	$10,381	$(586)

of tax

11

Table of Contents

3. Share-Based Compensation

For the three and nine months ended September 30, 2014 and 2013, we recorded share-based compensation and related tax benefits as follows:

	Three months ended September 30,		Nine months ended September 30,	
(Dollars in thousands)	2014	2013	2014	2013
Share-based compensation expense	$7,520	$6,723	$22,285	$18,945
Income tax benefit related to share-based compensation expense	(2,676)	(2,243)	(7,351)	(5,801)

Unrecognized Compensation Expense

As of September 30, 2014, unrecognized share-based compensation expense was as follows:

(Dollars in thousands)	Unrecognized Expense	Average Expected Recognition Period - in Years
Stock options	$16,282	2.64
Restricted stock units	35,324	2.56
Total unrecognized share-based compensation expense	$51,606	

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, 2014:

	Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life in Years	Aggregate Intrinsic Value of In-The-Money Options
Outstanding at December 31, 2013	1,514,159	$55.27		
Granted	239,383	108.27		
Exercised	(283,498)	47.56		
Forfeited	(21,975)	71.17		
Outstanding at September 30, 2014	1,448,069	65.30	4.25	$ 67,825,947
Vested and expected to vest at September 30, 2014	1,397,466	64.55	4.20	66,495,669
Exercisable at September 30, 2014	727,829	50.48	3.08	44,843,070

The aggregate intrinsic value of outstanding options shown in the table above represents the pretax intrinsic value based on our closing stock price of $112.09 as of September 30, 2014. The total intrinsic value of options exercised during the three and nine months ended September 30, 2014 was $7.7 million and $18.4 million, respectively, compared to $6.5 million and $18.4 million for the comparable 2013 period.

The table below provides information for restricted stock units under the 2006 Equity Incentive Plan for the nine months ended September 30, 2014:

	Shares	Weighted Average Grant Date Fair Value
Nonvested at December 31, 2013	682,347	$65.93
Granted	197,687	107.85
Vested	(200,856)	64.05
Forfeited	(25,268)	73.02
Nonvested at September 30, 2014	653,910	78.91

4. Cash and Cash Equivalents

The following table details our cash and cash equivalents at September 30, 2014 and December 31, 2013:

(Dollars in thousands)	September 30, 2014	December 31, 2013
Cash and due from banks (1)	$1,815,581	$1,349,688
Securities purchased under agreements to resell (2)	50,834	172,989
Other short-term investment securities	6,122	16,102
Total cash and cash equivalents	$1,872,537	$1,538,779

(1) At September 30, 2014 and December 31, 2013, $883 million and $715 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 $442 million and $300 million, respectively.

(2) At September 30, 2014 and December 31, 2013, securities purchased under agreements to resell were collateralized by U.S. Treasury securities and U.S. agency securities with aggregate fair values of $52 million and $176 million, respectively. None of these securities received as collateral were sold or repledged as of September 30, 2014 or December 31, 2013.

5. Investment Securities

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

Available-for-Sale Securities

The major components of our available-for-sale investment securities portfolio at September 30, 2014 and December 31, 2013 are as follows:

	September 30, 2014			
(Dollars in thousands)	Amortized Cost	Unrealized Gains	Unrealized Losses	Carrying Value
Available-for-sale securities, at fair value:				
U.S. treasury securities	$6,886,952	$2,245	$(12,898)	$6,876,299
U.S. agency debentures	3,592,129	28,744	(15,040)	3,605,833
Residential mortgage-backed securities:				
Agency-issued collateralized mortgage obligations—fixed rate	2,003,337	20,671	(18,075)	2,005,933
Agency-issued collateralized mortgage obligations—variable rate	830,139	5,818	—	835,957
Equity securities	9,502	749	(837)	9,414
Total available-for-sale securities	$13,322,059	$58,227	$(46,850)	$13,333,436

	December 31, 2013			
(Dollars in thousands)	Amortized Cost	Unrealized Gains	Unrealized Losses	Carrying Value
Available-for-sale securities, at fair value:				
U.S. agency debentures	$4,344,652	$41,365	$(40,785)	$4,345,232
Residential mortgage-backed securities:				
Agency-issued mortgage-backed securities	2,472,528	17,189	(16,141)	2,473,576
Agency-issued collateralized mortgage obligations—fixed rate	3,386,670	24,510	(85,422)	3,325,758
Agency-issued collateralized mortgage obligations—variable rate	1,183,333	3,363	(123)	1,186,573
Agency-issued commercial mortgage-backed securities	581,475	552	(17,423)	564,604
Municipal bonds and notes	82,024	4,024	(21)	86,027
Equity securities	4,842	692	(483)	5,051

Total available-for-sale securities	$12,055,524	$91,695	$(160,398)	$11,986,821

12

Table of Contents

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, 2014:

	September 30, 2014					
	Less than 12 months		12 months or longer		Total	
(Dollars in thousands)	Fair Value of Investments	Unrealized Losses	Fair Value of Investments	Unrealized Losses	Fair Value of Investments	Unrealized Losses
Available-for-sale securities:						
U.S. treasury securities	$4,736,436	$(12,898)	$—	$—	$4,736,436	$(12,898)
U.S. agency debentures	688,808	(2,373)	553,231	(12,667)	1,242,039	(15,040)
Residential mortgage-backed securities:						
Agency-issued collateralized mortgage obligations—fixed rate	659,886	(2,523)	469,850	(15,552)	1,129,736	(18,075)
Equity securities	5,546	(837)	—	—	5,546	(837)
Total temporarily impaired securities: (1)	$6,090,676	$(18,631)	$1,023,081	$(28,219)	$7,113,757	$(46,850)

(1) As of September 30, 2014, we identified a total of 182 investments that were in unrealized loss positions, of which 34 investments totaling $1.0 billion with unrealized losses of $28.2 million have been in an impaired position for a period of time greater than 12 months. As of September 30, 2014, we do not intend to sell any impaired fixed income investment securities prior to recovery of our adjusted cost basis, and it is more likely than not that we will not be required to sell any of our securities prior to recovery of our adjusted cost basis. Based on our analysis as of September 30, 2014, we deem all impairments to be temporary, and therefore changes in value for our temporarily impaired securities as of the same date are included in other comprehensive income. Market valuations and impairment analyses on assets in the available-for-sale securities portfolio are reviewed and monitored on a quarterly basis.

The following table summarizes our unrealized losses on our available-for-sale securities portfolio into categories of less than 12 months and 12 months or longer as of December 31, 2013:

	December 31, 2013					
	Less than 12 months		12 months or longer		Total	
(Dollars in thousands)	Fair Value of Investments	Unrealized Losses	Fair Value of Investments	Unrealized Losses	Fair Value of Investments	Unrealized Losses
U.S. agency debentures	$1,821,045	$(40,785)	$—	$—	$1,821,045	$(40,785)
Residential mortgage-backed securities:						
Agency-issued mortgage-backed securities	1,480,870	(14,029)	19,830	(2,112)	1,500,700	(16,141)
Agency-issued collateralized mortgage obligations—fixed rate	2,098,137	(79,519)	134,420	(5,903)	2,232,557	(85,422)
Agency-issued collateralized mortgage obligations—variable rate	109,699	(123)	—	—	109,699	(123)
Agency-issued commercial mortgage-backed securities	464,171	(17,423)	—	—	464,171	(17,423)
Municipal bonds and notes	3,404	(21)	—	—	3,404	(21)
Equity securities	910	(483)	—	—	910	(483)
Total temporarily impaired securities	$5,978,236	$(152,383)	$154,250	$(8,015)	$6,132,486	$(160,398)

Table of Contents

The following table summarizes the remaining contractual principal maturities and fully taxable equivalent yields on fixed income investment securities classified as available-for-sale as of September 30, 2014. The weighted average yield is computed using the amortized cost of fixed income investment securities, which are reported at fair value. For U.S. Treasury securities, the expected maturity is the actual contractual maturity of the notes. Expected remaining maturities for certain U.S. agency debentures may occur earlier than their contractual maturities because the note issuers have the right to call outstanding amounts ahead of their contractual maturity. Expected maturities for mortgage-backed securities may differ significantly from their contractual maturities because mortgage borrowers have the right to prepay outstanding loan obligations with or without penalties. Mortgage-backed securities classified as available-for-sale typically have original contractual maturities from 10 to 30 years whereas expected average lives of these securities tend to be significantly shorter and vary based upon structure and prepayments in lower rate environments.

	September 30, 2014									
	Total		One Year or Less		After One Year to Five Years		After Five Years to Ten Years		After Ten Years	
(Dollars in thousands)	Carrying Value	Weighted-Average Yield	Carrying Value	Weighted-Average Yield	Carrying Value	Weighted-Average Yield	Carrying Value	Weighted-Average Yield	Carrying Value	Weighted-Average Yield
U.S. treasury securities	$6,876,299	1.08%	$100,189	0.15%	$6,041,278	0.99%	$734,832	1.97%	$—	— %
U.S. agency debentures	3,605,833	1.63	695,199	1.64	2,225,869	1.52	684,765	2.01	—	—
Residential mortgage-backed securities:										
Agency-issued collateralized mortgage obligations - fixed rate	2,005,933	2.01	—	—	—	—	483,473	2.59	1,522,460	1.83
Agency-issued collateralized mortgage obligations - variable rate	835,957	0.71	—	—	—	—	—	—	835,957	0.71
Total	$13,324,022	1.35	$795,388	1.45	$8,267,147	1.13	$1,903,070	2.14	$2,358,417	1.43

Held-to-Maturity Securities

During the second quarter of 2014, we re-designated certain securities from the classification of “available-for-sale” to “held-to-maturity." The securities re-designated primarily consisted of agency-issued mortgage securities and collateralized mortgage obligations ("CMOs") with a total carrying value of $5.4 billion at June 1, 2014. At the time of re-designation the securities had net unrealized gains totaling $22.5 million, net of tax, recorded in other comprehensive income and are being amortized over the life of the securities in a manner consistent with the amortization of a premium or discount. Our decision to re-designate the securities was based on our ability and intent to hold these securities to maturity. Factors used in assessing the ability to hold these securities to maturity were future liquidity needs and sources of funding. Held-to-maturity securities are carried on the balance sheet at amortized cost and the changes in the value of these securities, other than impairment charges, are not reported on the financial statements.

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

	September 30, 2014			
(Dollars in thousands)	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
Held-to-maturity securities, at cost:				
U.S. agency debentures (1)	$349,993	$1,588	$(1,165)	$350,416
Residential mortgage-backed securities:				
Agency-issued mortgage-backed securities	2,919,715	16	(20,712)	2,899,019
Agency-issued collateralized mortgage obligations—fixed rate	2,489,538	384	(24,052)	2,465,870
Agency-issued collateralized mortgage obligations—variable rate	139,182	7	(14)	139,175
Agency-issued commercial mortgage-backed securities	679,379	350	(4,391)	675,338
Municipal bonds and notes	84,218	81	(224)	84,075
Total held-to-maturity securities	$6,662,025	$2,426	$(50,558)	$6,613,893

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

The following table summarizes our unrealized losses on our held-to-maturity securities portfolio into categories of less than 12 months and 12 months or longer as of September 30, 2014:

	September 30, 2014					
	Less than 12 months		12 months or longer (1)		Total	
(Dollars in thousands)	Fair Value of Investments	Unrealized Losses	Fair Value of Investments	Unrealized Losses	Fair Value of Investments	Unrealized Losses
Held-to-maturity securities:						
U.S. agency debentures	$205,383	$(837)	$47,987	$(328)	$253,370	$(1,165)
Residential mortgage-backed securities:						
Agency-issued mortgage-backed securities	2,890,039	(20,712)	—	—	2,890,039	(20,712)
Agency-issued collateralized mortgage obligations—fixed rate	1,316,900	(12,438)	806,042	(11,614)	2,122,942	(24,052)
Agency-issued collateralized mortgage obligations—variable rate	77,567	(14)	—	—	77,567	(14)
Agency-issued commercial mortgage-backed securities	578,687	(4,391)	—	—	578,687	(4,391)
Municipal bonds and notes	55,365	(224)	—	—	55,365	(224)
Total temporarily impaired securities (2):	$5,123,941	$(38,616)	$854,029	$(11,942)	$5,977,970	$(50,558)

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

Table of Contents

(2) As of September 30, 2014, we identified a total of 329 investments that were in unrealized loss positions, of which 28 investments totaling $854.0 million with unrealized losses of $11.9 million have been in an impaired position for a period of time greater than 12 months. As of September 30, 2014, we do not intend to sell any impaired fixed income investment securities prior to recovery of our adjusted cost basis, and it is more likely than not that we will not be required to sell any of our securities prior to recovery of our adjusted cost basis, which is consistent with our classification of these securities. Based on our analysis as of September 30, 2014, we deem all impairments to be temporary. Market valuations and impairment analyses on assets in the held-to-maturity securities portfolio are reviewed and monitored on a quarterly basis.

Table of Contents

The following table summarizes the remaining contractual principal maturities and fully taxable equivalent yields on fixed income investment securities classified as held-to-maturity as of September 30, 2014. Interest income on certain municipal bonds and notes (non-taxable investments) are presented on a fully taxable equivalent basis using the federal statutory tax rate of 35%. The weighted average yield is computed using the amortized cost of fixed income investment securities, which are reported at fair value. 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 held-to-maturity typically have original contractual maturities from 10 to 30 years whereas expected average lives of these securities tend to be significantly shorter and vary based upon structure and prepayments in lower rate environments.

	September 30, 2014									
	Total		One Year or Less		After One Year to Five Years		After Five Years to Ten Years		After Ten Years	
(Dollars in thousands)	Amortized Cost	Weighted-Average Yield	Amortized Cost	Weighted-Average Yield	Amortized Cost	Weighted-Average Yield	Amortized Cost	Weighted-Average Yield	Amortized Cost	Weighted-Average Yield
U.S. agency debentures	$349,993	2.90 %	$—	— %	$—	— %	$349,993	2.90 %	$—	— %
Residential mortgage-backed securities:										
Agency-issued mortgage-backed securities	2,919,715	2.42	—	—	45,081	2.39	901,721	2.20	1,972,913	2.52
Agency-issued collateralized mortgage obligations - fixed rate	2,489,538	1.68	—	—	—	—	—	—	2,489,538	1.68
Agency-issued collateralized mortgage obligations - variable rate	139,182	0.65	—	—	—	—	—	—	139,182	0.65
Agency-issued commercial mortgage-backed securities	679,379	2.16	—	—	—	—	—	—	679,379	2.16
Municipal bonds and notes	84,218	6.00	3,470	5.37	27,900	5.84	40,475	6.07	12,373	6.30
Total	$6,662,025	2.15	$3,470	5.37	$72,981	3.71	$1,292,189	2.51	$5,293,385	2.03

Table of Contents

Non-marketable and Other Securities

The major components of our non-marketable and other investment securities portfolio at September 30, 2014 and December 31, 2013 are as follows:

(Dollars in thousands)	September 30, 2014	December 31, 2013
Non-marketable and other securities:		
Non-marketable securities (fair value accounting):		
Venture capital and private equity fund investments (1)	$1,078,911	$862,972
Other venture capital investments (2)	43,863	32,839
Other securities (fair value accounting) (3)	181,265	321,374
Non-marketable securities (equity method accounting):		
Other investments (4)	141,913	142,883
Low income housing tax credit funds	98,417	72,241
Non-marketable securities (cost method accounting):		
Venture capital and private equity fund investments (5)	142,710	148,994
Other investments	16,471	14,191
Total non-marketable and other securities	$1,703,550	$1,595,494

(1) The following table shows the amounts of venture capital and private equity fund investments held by the following consolidated funds and our ownership percentage of each fund at September 30, 2014 and December 31, 2013 (fair value accounting):

	September 30, 2014		December 31, 2013	
(Dollars in thousands)	Amount	Ownership %	Amount	Ownership %
SVB Strategic Investors Fund, LP	$25,625	12.6 %	$29,104	12.6 %
SVB Strategic Investors Fund II, LP	92,681	8.6	96,185	8.6
SVB Strategic Investors Fund III, LP	248,816	5.9	260,272	5.9
SVB Strategic Investors Fund IV, LP	308,332	5.0	226,729	5.0
Strategic Investors Fund V Funds	214,863	Various	118,181	Various
Strategic Investors Fund VI Funds	56,958	0.2	7,944	0.2
SVB Capital Preferred Return Fund, LP	61,876	20.0	59,028	20.0
SVB Capital—NT Growth Partners, LP	61,818	33.0	61,126	33.0
SVB Capital Partners II, LP (i)	302	5.1	708	5.1
Other private equity fund (ii)	7,640	58.2	3,695	58.2
Total venture capital and private equity fund investments	$1,078,911		$862,972	

(i) At September 30, 2014, 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.

(ii) At September 30, 2014, 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.

(2) The following table shows the amounts of other venture capital investments held by the following consolidated funds and our ownership percentage of each fund at September 30, 2014 and December 31, 2013 (fair value accounting):

	September 30, 2014			December 31, 2013		
(Dollars in thousands)	Amount	Ownership %		Amount	Ownership %	
Silicon Valley BancVentures, LP	$5,616	10.7	%	$6,564	10.7	%
SVB Capital Partners II, LP (i)	17,802	5.1		22,684	5.1	
Capital Partners III, LP	15,000	0.4		—	—	
SVB Capital Shanghai Yangpu Venture Capital Fund	5,445	6.8		3,591	6.8	
Total other venture capital investments	$43,863			$32,839		

(i) At September 30, 2014, 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 direct equity investments in public companies held by our consolidated funds. At September 30, 2014, the amount primarily includes total unrealized gains of $143.8 million in one public company, FireEye, Inc. ("FireEye"). The extent to which any unrealized gains (or losses) will become realized is subject to a variety of factors, including among other things, changes in prevailing market prices and the timing of any sales or distribution of securities, which are subject to our funds' separate discretionary securities sales/distribution and governance processes and may also be constrained by lock-up agreements. None of the FireEye related investments currently are subject to a lock-up agreement.

(4) The following table shows the carrying value and our ownership percentage of each investment at September 30, 2014 and December 31, 2013 (equity method accounting):

	September 30, 2014			December 31, 2013		
(Dollars in thousands)	Amount	Ownership %		Amount	Ownership %	
Gold Hill Capital 2008, LP (i)	$20,685	15.5	%	$21,867	15.5	%
China Joint Venture investment	79,457	50.0		79,940	50.0	
Other investments	41,771	Various		41,076	Various	
Total other investments (equity method accounting)	$141,913			$142,883		

(i) At September 30, 2014, we had a direct ownership interest of 11.5 percent in the fund and an indirect interest in the fund through our investment in Gold Hill Capital 2008, LLC of 4.0 percent.

(5) Represents investments in 281 and 288 funds (primarily venture capital funds) at September 30, 2014 and December 31, 2013, respectively, where our ownership interest is typically less than 5% of the voting interests of each such fund and in which we do not have the ability to exercise significant influence over the partnerships operating activities and financial policies. The carrying value, and estimated fair value, of these venture capital and private equity fund investments (cost method accounting) was $143 million, and $240 million, respectively, as of September 30, 2014. The carrying value, and estimated fair value, of these venture capital and private equity fund investments (cost method accounting) was $149 million and $215 million, respectively, as of December 31, 2013.

Table of Contents

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, 2014 and 2013:

	Three months ended September 30,		Nine months ended September 30,	
(Dollars in thousands)	2014	2013	2014	2013
Gross gains on investment securities:				
Available-for-sale securities, at fair value (1)	$45	$317	$642	$3,167
Non-marketable securities (fair value accounting):				
Venture capital and private equity fund investments	69,044	35,826	268,483	107,546
Other venture capital investments	6,779	5,180	11,334	8,020
Other securities (fair value accounting) (2)	5,444	143,840	136,010	148,185
Non-marketable securities (equity method accounting):				
Other investments	2,239	6,569	8,767	14,038
Non-marketable securities (cost method accounting):				
Venture capital and private equity fund investments	2,641	5,016	7,706	6,806
Other investments	19	34	5,174	370
Total gross gains on investment securities	86,211	196,782	438,116	288,132
Gross losses on investment securities:				
Available-for-sale securities, at fair value (1)	(1,035)	(98)	(18,052)	(2,218)
Non-marketable securities (fair value accounting):				
Venture capital and private equity fund investments	(25,584)	(1,575)	(76,243)	(17,020)
Other venture capital investments	(1,233)	(587)	(3,274)	(2,241)
Other securities (fair value accounting) (2)	(52,264)	(75)	(166,051)	(2,609)
Non-marketable securities (equity method accounting):				
Other investments	(179)	(1,944)	(1,219)	(2,421)
Non-marketable securities (cost method accounting):				
Venture capital and private equity fund investments (3)	(272)	(689)	(781)	(1,462)
Other investments	—	(3,952)	(260)	(4,300)
Total gross losses on investment securities	(80,567)	(8,920)	(265,880)	(32,271)
Gains on investment securities, net	$5,644	$187,862	$172,236	$255,861

(1) Includes realized gains (losses) on sales of available-for-sale equity securities that are recognized in the income statement. Unrealized gains (losses) on available-for-sale fixed income and equity securities are recognized in other comprehensive income. The cost basis of available-for-sale securities sold is determined on a specific identification basis.

(2) Other securities (fair value accounting) includes net losses of $49.8 million for the three months ended September 30, 2014, and net losses of $21.7 million (including $66.5 million of realized gains) for the nine months ended September 30, 2014, attributable to one public company, FireEye. The extent to which any unrealized gains (or losses) will become realized is subject to a variety of factors, including among other things, changes in prevailing market prices and the timing of any sales or distribution of securities, which are subject to our securities sales and governance processes and may also be constrained by lock-up agreements. None of the FireEye related investments currently are subject to a lock-up agreement.

(3) For the three months ended September 30, 2014 and 2013, includes OTTI losses of $0.3 million from the declines in value for 5 of the 281 investments and $0.4 million from the declines in value for 12 of the 293 investments, respectively. For the nine months ended September 30, 2014 and 2013, includes OTTI losses of $0.7 million from the declines in value for 22 of the 281 investments and $1.2 million from the declines in value for 37 of the 293 investments, respectively. We concluded that any declines in value for the remaining investments were temporary, and as such, no OTTI was required to be recognized.

19

Table of Contents

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 energy and resource innovation ("ERI"). Because of the diverse nature of ERI products and services, for our loan-related reporting purposes, ERI-related loans are reported under our hardware, software, 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 $95 million and $89 million at September 30, 2014 and December 31, 2013, respectively, is presented in the following table:

(Dollars in thousands)	September 30, 2014	December 31, 2013
Commercial loans:		
Software	$4,503,369	$4,102,636
Hardware	1,072,102	1,213,032
Venture capital/private equity	2,921,184	2,386,054
Life science	1,245,527	1,170,220
Premium wine	186,675	149,841
Other	241,815	288,904
Total commercial loans	10,170,672	9,310,687
Real estate secured loans:		
Premium wine (1)	562,893	514,993
Consumer loans (2)	1,047,935	873,255
Other	30,152	30,743
Total real estate secured loans	1,640,980	1,418,991
Construction loans	80,102	76,997
Consumer loans	125,427	99,711
Total loans, net of unearned income (3)	$12,017,181	$10,906,386

(1) Included in our premium wine portfolio are gross construction loans of $111 million and $112 million at September 30, 2014 and December 31, 2013, respectively.

(2) Consumer loans secured by real estate at September 30, 2014 and December 31, 2013 were comprised of the following:

(Dollars in thousands)	September 30, 2014	December 31, 2013
Loans for personal residence	$860,024	$685,327
Loans to eligible employees	129,979	121,548
Home equity lines of credit	57,932	66,380

Consumer loans secured by real estate	$1,047,935	$873,255

(3) Included within our total loan portfolio are credit card loans of $122 million and $85 million at September 30, 2014 and December 31, 2013, respectively.

20

Table of Contents

Credit Quality

The composition of loans, net of unearned income of $95 million and $89 million at September 30, 2014 and December 31, 2013, respectively, broken out by portfolio segment and class of financing receivable, is as follows:

(Dollars in thousands)	September 30, 2014	December 31, 2013
Commercial loans:		
Software	$4,503,369	$4,102,636
Hardware	1,072,102	1,213,032
Venture capital/private equity	2,921,184	2,386,054
Life science	1,245,527	1,170,220
Premium wine	749,568	664,834
Other	352,069	396,644
Total commercial loans	10,843,819	9,933,420
Consumer loans:		
Real estate secured loans	1,047,935	873,255
Other consumer loans	125,427	99,711
Total consumer loans	1,173,362	972,966
Total loans, net of unearned income	$12,017,181	$10,906,386

Table of Contents

The following table summarizes the aging of our gross loans, broken out by portfolio segment and class of financing receivable as of September 30, 2014 and December 31, 2013:

(Dollars in thousands)	30 - 59 Days Past Due	60 - 89 Days Past Due	Greater Than 90 Days Past Due	Total Past Due	Current	Loans Past Due 90 Days or More Still Accruing Interest
September 30, 2014:						
Commercial loans:						
Software	$4,565	$4,334	$125	$9,024	$4,527,570	$ 125
Hardware	247	3,609	—	3,856	1,078,234	—
Venture capital/private equity	5	3	—	8	2,948,327	—
Life science	265	2,573	—	2,838	1,253,292	—
Premium wine	5	—	—	5	750,726	—
Other	66	65	—	131	354,456	—
Total commercial loans	5,153	10,584	125	15,862	10,912,605	125
Consumer loans:						
Real estate secured loans	1,250	—	—	1,250	1,046,029	—
Other consumer loans	32	1	—	33	125,008	—
Total consumer loans	1,282	1	—	1,283	1,171,037	—
Total gross loans excluding impaired loans	6,435	10,585	125	17,145	12,083,642	125
Impaired loans	251	211	1,062	1,524	10,163	—
Total gross loans	$6,686	$10,796	$1,187	$18,669	$12,093,805	$ 125
December 31, 2013:						
Commercial loans:						
Software	$9,804	$1,291	$99	$11,194	$4,102,546	$ 99
Hardware	2,679	3,965	—	6,644	1,198,169	—
Venture capital/private equity	4	—	—	4	2,408,382	—
Life science	395	131	—	526	1,179,462	—
Premium wine	—	—	—	—	665,755	—
Other	1,580	142	—	1,722	397,416	—
Total commercial loans	14,462	5,529	99	20,090	9,951,730	99
Consumer loans:						
Real estate secured loans	240	—	—	240	872,586	—
Other consumer loans	8	—	—	8	98,965	—
Total consumer loans	248	—	—	248	971,551	—
Total gross loans excluding impaired loans	14,710	5,529	99	20,338	10,923,281	99
Impaired loans	4,657	7,043	4,339	16,039	35,610	—
Total gross loans	$19,367	$12,572	$4,438	$36,377	$10,958,891	$ 99

Table of Contents

The following table summarizes our impaired loans as they relate to our allowance for loan losses, broken out by portfolio segment and class of financing receivable as of September 30, 2014 and December 31, 2013:

(Dollars in thousands)	Impaired loans for which there is a related allowance for loan losses	Impaired loans for which there is no related allowance for loan losses	Total carrying value of impaired loans	Total unpaid principal of impaired loans
September 30, 2014:				
Commercial loans:				
Software	$ 8,730	$ —	$ 8,730	$ 12,069
Life science	1,000	—	1,000	1,000
Premium wine	—	1,339	1,339	1,752
Other	186	—	186	798
Total commercial loans	9,916	1,339	11,255	15,619
Consumer loans:				
Real estate secured loans	—	208	208	1,416
Other consumer loans	224	—	224	526
Total consumer loans	224	208	432	1,942
Total	$ 10,140	$ 1,547	$ 11,687	$ 17,561
December 31, 2013:				
Commercial loans:				
Software	$ 27,308	$ 310	$ 27,618	$ 28,316
Hardware	19,329	338	19,667	35,317
Venture capital/private equity	40	—	40	40
Life science	—	1,278	1,278	4,727
Premium wine	—	1,442	1,442	1,778
Other	690	—	690	718
Total commercial loans	47,367	3,368	50,735	70,896
Consumer loans:				
Real estate secured loans	—	244	244	1,434
Other consumer loans	670	—	670	941
Total consumer loans	670	244	914	2,375
Total	$ 48,037	$ 3,612	$ 51,649	$ 73,271

Table of Contents

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, 2014 and 2013:

	Three months ended September 30,		Nine months ended September 30,	
(Dollars in thousands)	2014	2013	2014	2013
Average impaired loans:				
Commercial loans:				
Software	$10,651	$4,306	$13,690	$4,631
Hardware	1,540	25,456	8,140	24,536
Venture capital/private equity	—	75	—	35
Life science	333	—	636	303
Premium wine	1,364	1,502	1,398	2,458
Other	674	3,648	1,383	4,344
Total commercial loans	14,562	34,987	25,247	36,307
Consumer loans:				
Real estate secured loans	212	3,426	224	3,391
Other consumer loans	261	866	375	1,021
Total consumer loans	473	4,292	599	4,412
Total average impaired loans	$15,035	$39,279	$25,846	$40,719

The following tables summarize the activity relating to our allowance for loan losses for the three and nine months ended September 30, 2014 and 2013, broken out by portfolio segment:

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

Table of Contents

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

Three months ended September 30, 2013 (dollars in thousands)	Beginning Balance June 30, 2013	Charge-offs	Recoveries	Provision for (Reduction of) Loan Losses	Ending Balance September 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

Nine months ended September 30, 2013 (dollars in thousands)	Beginning Balance December 31, 2012	Charge-offs	Recoveries	Provision for (Reduction of) Loan Losses	Ending Balance September 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

Table of Contents

The following table summarizes the allowance for loan losses individually and collectively evaluated for impairment as of September 30, 2014 and December 31, 2013, broken out by portfolio segment:

	September 30, 2014				December 31, 2013			
	Individually Evaluated for Impairment		Collectively Evaluated for Impairment		Individually Evaluated for Impairment		Collectively Evaluated for Impairment	
(Dollars in thousands)	Allowance for loan losses	Recorded investment in loans	Allowance for loan losses	Recorded investment in loans	Allowance for loan losses	Recorded investment in loans	Allowance for loan losses	Recorded investment in loans
Commercial loans:								
Software	$2,057	$ 8,730	$56,143	$4,494,639	$11,261	$ 27,617	$52,823	$4,075,019
Hardware	—	—	24,741	1,072,102	9,673	19,667	26,880	1,193,365
Venture capital/private equity	—	—	19,849	2,921,184				