SVB FINANCIAL GROUP
Form 10-Q
May 10, 2016
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended March 31, 2016
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 April 30, 2016, 51,805,114 shares of the registrant’s common stock ($0.001 par value) were outstanding.

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Glossary of Acronyms that may be used in this Report

AFS — Available-for-Sale
APIC— Additional Paid-in Capital
ASC — Accounting Standards Codification
ASU – Accounting Standards Update
CET - Common Equity Tier
EHOP – Employee Home Ownership Program of the Company
EPS – Earnings Per Share
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
NIB - Non-Interest Bearing
M&A – Merger and Acquisition
OTTI – Other Than Temporary Impairment
SEC – Securities and Exchange Commission
SPD-SVB - SPD Silicon Valley Bank
TDR – Troubled Debt Restructuring
UK – United Kingdom
VIE – Variable Interest Entity

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

(Dollars in thousands, except par value and share data)	March 31, 2016	December 31, 2015
Assets		
Cash and cash equivalents	$1,868,512	$1,503,257
Available-for-sale securities, at fair value (cost of $14,150,695 and $16,375,941, respectively)	14,327,079	16,380,748
Held-to-maturity securities, at cost (fair value of $8,630,952 and $8,758,622, respectively)	8,548,238	8,790,963
Non-marketable and other securities	668,497	674,946
Total investment securities	23,543,814	25,846,657
Loans, net of unearned income	17,735,147	16,742,070
Allowance for loan losses	(230,249)	(217,613)
Net loans	17,504,898	16,524,457
Premises and equipment, net of accumulated depreciation and amortization	108,570	102,625
Accrued interest receivable and other assets	548,108	709,707
Total assets	$43,573,902	$44,686,703
Liabilities and total equity		
Liabilities:		
Noninterest-bearing demand deposits	$30,933,256	$30,867,497
Interest-bearing deposits	7,826,465	8,275,279
Total deposits	38,759,721	39,142,776
Short-term borrowings	—	774,900
Other liabilities	506,571	639,094
Long-term debt	796,570	796,702
Total liabilities	40,062,862	41,353,472
Commitments and contingencies (Note 12 and Note 15)		
SVBFG stockholders’ equity:		
Preferred stock, $0.001 par value, 20,000,000 shares authorized; no shares issued and outstanding	—	—
Common stock, $0.001 par value, 150,000,000 shares authorized; 51,701,312 shares and 51,610,226 shares outstanding, respectively	52	52
Additional paid-in capital	1,192,782	1,189,032
Retained earnings	2,072,820	1,993,646
Accumulated other comprehensive income	115,390	15,404
Total SVBFG stockholders’ equity	3,381,044	3,198,134
Noncontrolling interests	129,996	135,097
Total equity	3,511,040	3,333,231
Total liabilities and total equity	$43,573,902	$44,686,703

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

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

	Three months ended March 31,	
(Dollars in thousands, except per share amounts)	2016	2015
Interest income:		
Loans (1)	$197,942	$165,501
Investment securities:		
Taxable	91,050	81,274
Non-taxable	596	772
Federal funds sold, securities purchased under agreements to resell and other short-term investment securities (1)	2,070	1,269
Total interest income	291,658	248,816
Interest expense:		
Deposits	1,188	1,943
Borrowings (1)	9,049	7,948
Total interest expense	10,237	9,891
Net interest income	281,421	238,925
Provision for loan losses	33,341	6,452
Net interest income after provision for loan losses	248,080	232,473
Noninterest income:		
(Losses) gains on investment securities, net (1)	(4,684)	33,263
(Losses) gains on derivative instruments, net	(1,695)	39,729
Foreign exchange fees	26,966	17,678
Credit card fees	15,507	12,090
Deposit service charges	12,672	10,736
Client investment fees	7,995	4,482
Lending related fees	7,813	8,022
Letters of credit and standby letters of credit fees	5,589	5,202
Other (1)	15,971	(7,678)
Total noninterest income	86,134	123,524
Noninterest expense:		
Compensation and benefits	122,262	115,770
Professional services (1)	19,000	18,747
Premises and equipment	14,984	12,657
Business development and travel	12,246	11,112
Net occupancy	10,035	7,313
FDIC and state assessments	6,927	5,789
Correspondent bank fees (1)	3,652	3,368
Provision for unfunded credit commitments	134	2,263
Other (1)	14,793	13,522
Total noninterest expense	204,033	190,541
Income before income tax expense	130,181	165,456
Income tax expense	53,584	63,066
Net income before noncontrolling interests	76,597	102,390
Net loss (income) attributable to noncontrolling interests (1)	2,577	(13,874)
Net income available to common stockholders	$79,174	$88,516
Earnings per common share—basic	$1.53	$1.74

Earnings per common share—diluted	1.52	1.71

(1) Amounts for the three months ended March 31, 2015, have been revised to reflect the retrospective application of new accounting guidance adopted in the second quarter of 2015 related to our consolidated variable interest entities (ASU 2015-02).

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 March 31,	
(Dollars in thousands)	2016	2015
Net income before noncontrolling interests (1)	$76,597	$102,390
Other comprehensive income, net of tax:		
Change in cumulative translation gains and (losses):		
Foreign currency translation (losses) gains (1)	(254)	2,161
Related tax benefit (expense)	104	(820)
Change in unrealized gains on available-for-sale securities:		
Unrealized holding gains	170,831	87,107
Related tax expense	(69,603)	(35,215)
Reclassification adjustment for losses (gains) included in net income	746	(2,596)
Related tax (benefit) expense	(304)	1,048
Amortization of unrealized gains on securities transferred from available-for-sale to held-to-maturity	(2,567)	(2,828)
Related tax benefit	1,033	1,139
Other comprehensive income, net of tax	99,986	49,996
Comprehensive income	176,583	152,386
Comprehensive loss (income) attributable to noncontrolling interests (1)	2,577	(13,874)
Comprehensive income attributable to SVBFG	$179,160	$138,512

(1) Amounts for the three months ended March 31, 2015, have been revised to reflect the retrospective application of new accounting guidance adopted in the second quarter of 2015 related to our consolidated variable interest entities (ASU 2015-02).

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

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

(Dollars in thousands)	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income	Total SVBFG Stockholders' Equity	Noncontrolling Interests	Total Equity
Balance at December 31, 2014	50,924,925	$51	$1,120,350	$1,649,967	$42,704	$2,813,072	$1,238,662	$4,051,734
Common stock issued under employee benefit plans, net of restricted stock cancellations	142,991	—	6,595	—	—	6,595	—	6,595
Common stock issued under ESOP	27,425	—	3,512	—	—	3,512	—	3,512
Income tax benefit from stock options exercised, vesting of restricted stock and other (1)	—	—	2,537	—	—	2,537	—	2,537
Deconsolidation of noncontrolling interest (1)	—	—	—	—	—	—	(1,069,437)	(1,069,437)
Net income (1)	—	—	—	88,516	—	88,516	13,874	102,390
Capital calls and distributions, net (1)	—	—	—	—	—	—	(40,823)	(40,823)
Net change in unrealized gains and losses on available-for-sale securities, net of tax	—	—	—	—	50,344	50,344	—	50,344
Amortization of unrealized gains on securities transferred from available-for-sale to held-to-maturity, net of tax	—	—	—	—	(1,689)	(1,689)	—	(1,689)
Foreign currency translation adjustments, net of tax (1)	—	—	—	—	1,341	1,341	—	1,341
Share-based compensation expense	—	—	7,464	—	—	7,464	—	7,464
Balance at March 31, 2015	51,095,341	$51	$1,140,458	$1,738,483	$92,700	$2,971,692	$142,276	$3,113,968
	51,610,226	$52	$1,189,032	$1,993,646	$15,404	$3,198,134	$135,097	$3,333,231

Balance at December 31, 2015								
Common stock issued under employee benefit plans, net of restricted stock cancellations	47,921	—	(250)	—	—	(250)	—	(250)
Common stock issued under ESOP	43,165	—	4,328	—	—	4,328	—	4,328
Income tax effect from stock options exercised, vesting of restricted stock and other	—	—	(8,483)	—	—	(8,483)	—	(8,483)
Net income (loss)	—	—	—	79,174	—	79,174	(2,577)	76,597
Capital calls and distributions, net	—	—	—	—	—	—	(2,524)	(2,524)
Net change in unrealized gains and losses on available-for-sale securities, net of tax	—	—	—	—	101,670	101,670	—	101,670
Amortization of unrealized gains on securities transferred from available-for-sale to held-to-maturity, net of tax	—	—	—	—	(1,534)	(1,534)	—	(1,534)
Foreign currency translation adjustments, net of tax	—	—	—	—	(150)	(150)	—	(150)
Share-based compensation expense	—	—	8,155	—	—	8,155	—	8,155
Balance at March 31, 2016	51,701,312	$52	$1,192,782	$2,072,820	$115,390	$3,381,044	$129,996	$3,511,040

(1) Amounts for the three months ended March 31, 2015, have been revised to reflect the retrospective application of new accounting guidance adopted in the second quarter of 2015 related to our consolidated variable interest entities (ASU 2015-02).

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)

	March 31,	
(Dollars in thousands)	2016	2015
Cash flows from operating activities:		
Net income before noncontrolling interests (1)	$76,597	$102,390
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	33,341	6,452
Provision for unfunded credit commitments	134	2,263
Changes in fair values of derivatives, net	842	(20,404)
Losses (gains) on investment securities, net	4,684	(33,263)
Depreciation and amortization (1)	11,536	9,892
Amortization of premiums and discounts on investment securities, net	4,931	6,418
Amortization of share-based compensation	6,877	7,771
Amortization of deferred loan fees	(24,042)	(21,169)
Pre-tax net gain on SVBIF sale transaction	—	(887)
Deferred income tax (benefit) expense	(5,982)	1,311
Changes in other assets and liabilities:		
Accrued interest receivable and payable, net	(4,628)	772
Accounts payable and receivable, net	552	(9,141)
Income tax payable and receivable, net (1)	28,711	9,283
Accrued compensation	(101,241)	(74,614)
Foreign exchange spot contracts, net	9,541	33,934
Other, net	14,208	32,198
Net cash provided by operating activities (1)	56,061	53,206
Cash flows from investing activities:		
Purchases of available-for-sale securities	—	(552,573)
Proceeds from sales of available-for-sale securities	1,864,396	5,612
Proceeds from maturities and pay downs of available-for-sale securities	364,101	424,713
Purchases of held-to-maturity securities	(98,199)	(739,291)
Proceeds from maturities and pay downs of held-to-maturity securities	351,834	336,511
Purchases of non-marketable and other securities	(12,412)	(9,924)
Proceeds from sales and distributions of non-marketable and other securities	9,977	45,120
Net increase in loans	(997,408)	(53,886)
Proceeds from recoveries of charged-off loans	5,469	1,551
Effect of deconsolidation of noncontrolling interest	—	15,995
Purchases of premises and equipment	(13,680)	(12,038)
Net cash provided by (used for) investing activities	1,474,078	(538,210)
Cash flows from financing activities:		
Net decrease in deposits	(383,055)	(491,924)
Net (decrease) increase in short-term borrowings	(774,900)	69,985
(Distributions to noncontrolling interests), net of contributions from noncontrolling interests	(2,524)	703
Tax benefit from stock exercises	(8,483)	2,534
Proceeds from issuance of common stock, ESPP, and ESOP	4,078	10,107
Proceeds from issuance of 3.50% Senior Notes	—	346,431
Net cash used for financing activities	(1,164,884)	(62,164)
Net increase (decrease) in cash and cash equivalents	365,255	(547,168)
Cash and cash equivalents at beginning of period (1) (2)	1,503,257	1,811,014

Cash and cash equivalents at end of period (1) (2)	$1,868,512	$1,263,846
Supplemental disclosures:		
Cash paid during the period for:		
Interest	$17,407	$11,859
Income taxes	35,778	46,599
Noncash items during the period:		
Changes in unrealized gains and losses on available-for-sale securities, net of tax	$101,670	$50,344
Distributions of stock from investments (3)	34	61,649

(1) Amounts for the three months ended March 31, 2015, have been revised to reflect the retrospective application of new accounting guidance adopted in the second quarter of 2015 related to our consolidated variable interest entities (ASU 2015-02).

(2) Cash and cash equivalents at March 31, 2015 and December 31, 2014 included $9.3 million and $15.0 million, respectively, recognized in assets held-for-sale in conjunction with the SVBIF sale transaction.

(3) For the quarter ended March 31, 2015, includes distributions to noncontrolling interests of $41.5 million.

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 months ended March 31, 2016 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, 2015 (“2015 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 2015 Form 10-K.

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

Principles of Consolidation and Presentation

Prior to April 1, 2015, the Company’s consolidated financial statements included the accounts of SVB Financial Group and entities in which we had a controlling interest. The determination of whether we had controlling interest was based on consolidation principles prescribed by ASC Topic 810 and whether the controlling interest in an entity was a voting interest entity or a variable interest entity (“VIE”). However, during the three months ended June 30, 2015, we early adopted the provisions of ASU 2015-02, Amendments to the Consolidation Analysis (ASU 2015-02), which simplifies consolidation accounting by reducing the number of consolidation models and changing various aspects of current GAAP, including certain consolidation criteria for variable interest entities. The new guidance eliminates the presumption that a general partner of a limited partnership arrangement should consolidate a limited partnership. The amendments to ASC Topic 810 in ASU 2015-02 modify the evaluation of whether limited partnerships and similar entities are VIEs or voting entities. With these changes, we determined that the majority of our investments in limited partnership arrangements are VIEs under the new guidance while these entities were typically voting interest entities under the prior guidance.

ASU 2015-02 provided a single model for evaluating VIE entities for consolidation. VIEs are entities where investors lack sufficient equity at risk for the entity to finance its activities without additional subordinated financial support or equity investors, as a group, lack one of the following characteristics: (a) the power to direct the activities that most significantly impact the entity’s economic performance, (b) the obligation to absorb the expected losses of the entity, or (c) the right to receive the expected returns of the entity. We assess VIEs to determine if we are the primary beneficiary of a VIE. A primary beneficiary is defined as a variable interest holder that has a controlling financial interest. A controlling financial interest requires both: (a) power to direct the activities that most significantly impact the VIE's economic performance, and (b) obligation to absorb losses or receive benefits of a VIE that could potentially be significant to a VIE. Under this analysis, we evaluate kick-out rights and other participating rights which could provide us a controlling financial interest. The primary beneficiary of a VIE is required to consolidate the VIE.

ASU 2015-02 also changed how we evaluate fees paid to managers of our limited partnership investments. Under the new guidance, we exclude those fee arrangements that are not deemed to be variable interests from the analysis of our interests in our investments in VIEs and the determination of a primary beneficiary, if any.

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Our consolidated financial statements include the accounts of SVB Financial Group and consolidated entities. We consolidate voting entities in which we have control through voting interests. We determine whether we have a controlling financial interest in a VIE by determining if we have the power to direct the activities of the VIE that most significantly impact the entity's economic performance and whether we have significant variable interests. Generally, we have significant variable interests if our commitments to a limited partnership investment represent a significant amount of the total commitments to the entity. We also evaluate the impact of related parties on our determination of variable interests in our consolidation conclusions. We consolidate VIEs in which we are the primary beneficiary based on a controlling financial interest. If we are not the primary beneficiary of a VIE, we record our pro-rata interests or our cost basis in the VIE, as appropriate, based on other accounting guidance within GAAP.

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

Recent Accounting Pronouncements

In May 2014, the FASB issued a new accounting standard update (ASU 2014-09, Revenue from Contracts with Customers (Topic 606)), which provides revenue recognition guidance that is intended to create greater consistency with respect to how and when revenue from contracts with customers is shown in the income statement. This guidance will be effective January 1, 2018, either on a full retrospective approach or a modified retrospective approach, with early adoption permitted, but not before January 1, 2017. We are currently evaluating the impact this guidance will have on our financial position, results of operation and stockholders' equity.

In January 2016, the FASB issued a new accounting standard update (ASU 2016-01, Recognition and Measurement of Financial Assets and Financial Liabilities (Topic 825)), which will significantly change the income statement impact of equity investments, and the recognition of changes in fair value of financial liabilities. This guidance will be effective on January 1, 2018, on a prospective basis with a cumulative-effect adjustment to the balance sheet as of the beginning of the fiscal year of adoption. We are currently evaluating the impact this guidance will have on our financial position, results of operation and stockholders' equity.

In February 2016, the FASB issued a new accounting standard update (ASU 2016-02, Leases (Topic 842)), which will require for all operating leases the recognition of a right-of-use asset and a lease liability, in the statement of financial position. The lease cost will be allocated over the lease term on a straight-line basis. This guidance will be effective on January 1, 2019, on a modified retrospective basis, with early adoption permitted. We are currently evaluating the impact this guidance will have on our financial position, results of operation and stockholders' equity.

In March 2016, the FASB issued a new accounting standard update (ASU 2016-07, Investments—Equity Method and Joint Ventures (Topic 323)), which eliminates the requirement that when an investment qualifies for use of the equity method due to an increase in level of ownership or influence, an investor must adjust the investment, results of operations, and retained earnings retroactively on a step-by step basis as if the equity method had been in effect during all previous periods that the investment had been held. This guidance will be effective January 1, 2017, on a prospective basis, with early adoption permitted. We are currently evaluating the impact this guidance will have on our financial position, results of operation and stockholders' equity.

In March 2016, the FASB issued a new accounting standard update (ASU 2016-08, Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations (Reporting Revenue Gross versus Net)), which is intended to improve the operability and understandability of the implementation guidance by clarifying the following: how an entity should identify the unit of accounting for the principal versus agent evaluation; how the control principle applies to transactions, such as service arrangements; reframes the indicators to focus on a principal rather than an agent, removes the credit risk and commission indicators and clarifies the relationship between the control principle and the indicators; and revises the existing illustrative examples and adds new illustrative examples. This guidance will be effective January 1, 2018, either on a full retrospective approach or a modified retrospective approach, with early adoption permitted, but not before January 1, 2017. We are currently evaluating the impact this guidance will have on our financial position, results of operation and stockholders' equity.

In March 2016, the FASB issued a new accounting standard update (ASU No. 2016-09, Improvements to Employee Share-Based Payment Accounting (Topic 718)), which includes provisions intended to simplify various aspects related to how share-based payments are accounted for and presented in the financial statements, including the accounting for income taxes, forfeitures, and statutory tax withholding requirements, as well as classification in the statement of cash flows. Under the ASU, an entity recognizes all excess tax benefits and tax deficiencies as income tax expense or benefit in the income statement. This guidance eliminates the notion of the APIC pool and significantly reduces the complexity and cost of accounting for excess tax benefits and tax deficiencies. Additionally, the ASU eliminates the requirement to defer recognition of an excess tax benefit until the benefit is realized through a reduction to taxes payable. This guidance will be effective January 1, 2017. Early adoption is

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permitted, but all of the guidance must be adopted in the same period. We are currently evaluating the impact this guidance will have on our financial position, results of operation and stockholders' equity.

In April 2016, the FASB issued a new accounting standard update (ASU 2016-10, Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing), which amends the new revenue recognition guidance on accounting for licenses of intellectual property and identifying performance obligations. The amendments clarify how an entity should evaluate the nature of its promise in granting a license of intellectual property, which will determine whether it recognizes revenue over time or a point in time. The amendments also clarify when a promised good or service is separately identifiable, that is distinct within the context of the contract, and allow entities to disregard items that are immaterial in the context of a contract. The effective date and transition requirements for this update are the same as those of the new standard. This guidance is effective January 1, 2018, on either a full retrospective approach or a modified retrospective approach, with early adoption permitted, but not before January 1, 2017. We are currently evaluating the impact this guidance will have on our financial position, results of operation and stockholders' equity.

Reclassifications

Certain amounts for the three months ended March 31, 2015, have been revised to reflect the retrospective application of new accounting guidance adopted in the second quarter of 2015 related to our consolidated variable interest entities (ASU 2015-02).

2. Stockholders' Equity and EPS

Accumulated Other Comprehensive Income

The following table summarizes the items reclassified out of accumulated other comprehensive income into the Consolidated Statements of Income (unaudited) for the three months ended March 31, 2016 and 2015:

(Dollars in thousands)	Income Statement Location	Three months ended March 31, 2016	2015
Reclassification adjustment for losses (gains) included in net income	(Losses) gains on investment securities, net	$746	$(2,596)
Related tax (benefit) expense	Income tax expense	(304)	1,048
Total reclassification adjustment for losses (gains) included in net income, net of tax		$442	$(1,548)

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 months ended March 31, 2016 and 2015:

(Dollars and shares in thousands, except per share amounts)	Three months ended March 31, 2016	2015
Numerator:		
Net income available to common stockholders	$79,174	$88,516
Denominator:		
Weighted average common shares outstanding-basic	51,646	51,009
Weighted average effect of dilutive securities:		
Stock options and ESPP	264	445
Restricted stock units	175	265
Denominator for diluted calculation	52,085	51,719

Earnings per common share:		
Basic	$1.53	$1.74
Diluted	$1.52	$1.71

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The following table summarizes the weighted-average common shares excluded from the diluted EPS calculation due to the antidilutive effect for the three months ended March 31, 2016 and 2015:

	Three months ended March 31,	
(Shares in thousands)	2016	2015
Stock options	351	241
Restricted stock units	14	2
Total	365	243

3. Share-Based Compensation

For the three months ended March 31, 2016 and 2015, we recorded share-based compensation and related tax benefits as follows:

	Three months ended March 31,	
(Dollars in thousands)	2016	2015
Share-based compensation expense	$6,877	$7,771
Income tax benefit related to share-based compensation expense	(2,117)	(2,638)

Unrecognized Compensation Expense

As of March 31, 2016, unrecognized share-based compensation expense was as follows:

(Dollars in thousands)	Unrecognized Expense	Average Expected Recognition Period - in Years
Stock options	$ 9,444	2.18
Restricted stock units	39,942	2.50
Total unrecognized share-based compensation expense	$ 49,386	

Share-Based Payment Award Activity

The table below provides stock option information related to the 2006 Equity Incentive Plan for the three months ended March 31, 2016:

	Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life - in Years	Aggregate Intrinsic Value of In-The-Money Options
Outstanding at December 31, 2015	1,137,228	$ 77.12		
Exercised	(31,006)	25.17		
Forfeited	(4,154)	87.99		
Outstanding at March 31, 2016	1,102,068	78.54	3.65	$ 30,595,989
Vested and expected to vest at March 31, 2016	1,078,583	77.88	3.61	30,455,095
Exercisable at March 31, 2016	589,043	63.10	2.68	23,310,253

The aggregate intrinsic value of outstanding options shown in the table above represents the pre-tax intrinsic value based on our closing stock price of $102.05 as of March 31, 2016. The total intrinsic value of options exercised during the three months ended March 31, 2016 was $2.0 million, compared to $10.2 million for the comparable 2015 period.

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The table below provides information for restricted stock units under the 2006 Equity Incentive Plan for the three months ended March 31, 2016:

	Shares	Weighted Average Grant Date Fair Value
Nonvested at December 31, 2015	572,038	$ 103.50
Granted	95,464	87.22
Vested	(28,638)	60.63
Forfeited	(4,113)	101.31
Nonvested at March 31, 2016	634,751	103.00

4. Variable Interest Entities

Our involvement with VIEs includes our investments in venture capital and private equity funds, debt funds, private and public portfolio companies and our investments in qualified affordable housing projects.

The following table presents the carrying amounts and classification of significant variable interests in consolidated and unconsolidated VIEs as of March 31, 2016 and December 31, 2015:

(Dollars in thousands)	Consolidated VIEs	Unconsolidated VIEs	Maximum Exposure to Loss in Unconsolidated VIEs
March 31, 2016:			
Assets:			
Cash and cash equivalents	$ 10,855	$ —	$ —
Non-marketable and other securities (1)	196,789	362,470	362,470
Accrued interest receivable and other assets	614	—	—
Total assets	$ 208,258	$ 362,470	$ 362,470
Liabilities:			
Other liabilities	$ 563	$ —	$ —
Accrued expenses and other liabilities (1)	—	87,754	—
Total liabilities	$ 563	$ 87,754	$ —
December 31, 2015:			
Assets:			
Cash and cash equivalents	$ 11,811	$ —	$ —
Non-marketable and other securities (1)	203,714	364,450	364,450
Accrued interest receivable and other assets	494	—	—
Total assets	$ 216,019	$ 364,450	$ 364,450
Liabilities:			
Other liabilities	$ 433	$ —	$ —
Accrued expenses and other liabilities (1)	—	90,978	—
Total liabilities	$ 433	$ 90,978	$ —

(1) Included in our unconsolidated non-marketable and other securities portfolio at March 31, 2016 and December 31, 2015 are investments in qualified affordable housing projects of $157.7 million and $154.4 million, respectively and related unfunded commitments of $87.8 million and $91.0 million, respectively.

Non-marketable and other securities

Our non-marketable and other securities portfolio primarily represents investments in venture capital and private equity funds, debt funds, private and public portfolio companies and investments in qualified affordable housing projects. A majority of these investments are through third party funds held by SVB Financial in which we do not have controlling or significant variable interests. These investments represent our unconsolidated VIEs in the table above. Our non-marketable and other securities

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portfolio also includes investments from SVB Capital. SVB Capital is the venture capital investment arm of SVB Financial, which focuses primarily on funds management. The SVB Capital family of funds is comprised of direct venture funds that invest in companies and funds of funds that invest in other venture capital funds. We have a controlling and significant variable interest in five of these SVB Capital funds and consolidate these funds for financial reporting purposes.

All investments are generally nonredeemable and distributions are expected to be received through the liquidation of the underlying investments throughout the life of the investment fund. Investments may be sold or transferred subject to the notice and approval provisions of the underlying investment agreement. Subject to applicable regulatory requirements, including the Volcker Rule, we also make commitments to invest in venture capital and private equity funds, but are not obligated to fund commitments beyond our initial investment. For additional details, see Note 12—"Off-Balance Sheet Arrangements, Guarantees, and Other Commitments" of the "Notes to Interim Consolidated Financial Statements (unaudited)" under Part I, Item 1 of this report.

The Bank also has variable interests in low income housing tax credit funds, in connection with fulfilling its responsibilities under the Community Reinvestment Act ("CRA"), that are designed to generate a return primarily through the realization of federal tax credits. These investments are typically limited partnerships in which the general partner, other than the Bank, holds the power over significant activities of the VIE; therefore, these investments are not consolidated. For additional information on our investments in qualified affordable housing projects see Note 6—"Investment Securities" of the "Notes to Interim Consolidated Financial Statements (unaudited)" under Part I, Item 1 of this report.

As of March 31, 2016, our exposure to loss with respect to the consolidated VIEs is limited to our net assets of $207.7 million and our exposure to loss for our unconsolidated VIEs is equal to our investment in these assets of $362.5 million.

5. Cash and Cash Equivalents

The following table details our cash and cash equivalents at March 31, 2016 and December 31, 2015:

(Dollars in thousands)	March 31, 2016	December 31, 2015
Cash and due from banks (1)	$1,574,966	$1,372,743
Securities purchased under agreements to resell (2)	288,421	125,391
Other short-term investment securities	5,125	5,123
Total cash and cash equivalents	$1,868,512	$1,503,257

(1) At March 31, 2016 and December 31, 2015, $479 million and $405 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 $793 million and $500 million, respectively.

(2) At March 31, 2016 and December 31, 2015, securities purchased under agreements to resell were collateralized by U.S. Treasury securities and U.S. agency securities with aggregate fair values of $295 million and $128 million, respectively. None of these securities received as collateral were sold or pledged as of March 31, 2016 or December 31, 2015.

6. Investment Securities

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

Available-for-Sale Securities

The components of our available-for-sale investment securities portfolio at March 31, 2016 and December 31, 2015 are as follows:

	March 31, 2016			
(Dollars in thousands)	Amortized Cost	Unrealized Gains	Unrealized Losses	Carrying Value

Available-for-sale securities, at fair value:				
U.S. Treasury securities	$9,824,755	$ 129,634	$ (35)	$9,954,354
U.S. agency debentures	2,444,137	41,294	—	2,485,431
Residential mortgage-backed securities:				
Agency-issued collateralized mortgage obligations—fixed rate	1,308,859	7,414	(4,256)	1,312,017
Agency-issued collateralized mortgage obligations—variable rate	570,740	2,421	(127)	573,034
Equity securities	2,204	242	(203)	2,243
Total available-for-sale securities	$14,150,695	$ 181,005	$ (4,621)	$14,327,079

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(Dollars in thousands)	December 31, 2015 Amortized Cost	Unrealized Gains	Unrealized Losses	Carrying Value
Available-for-sale securities, at fair value:				
U.S. Treasury securities	$11,679,450	$ 19,134	$(20,549)	$11,678,035
U.S. agency debentures	2,677,453	17,684	(5,108)	2,690,029
Residential mortgage-backed securities:				
Agency-issued collateralized mortgage obligations—fixed rate	1,408,206	6,591	(15,518)	1,399,279
Agency-issued collateralized mortgage obligations—variable rate	604,236	3,709	(9)	607,936
Equity securities	6,596	460	(1,587)	5,469
Total available-for-sale securities	$16,375,941	$ 47,578	$(42,771)	$16,380,748

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 March 31, 2016:

	March 31, 2016					
	Less than 12 months		12 months or longer		Total	
(Dollars in thousands)	Fair Value of Investments	Unrealized Losses	Fair Value of Investments	Unrealized Losses	Fair Value of Investments	Unrealized Losses
Available-for-sale securities:						
U.S. Treasury securities	$201,215	$ (35)	$—	$—	$201,215	$ (35)
Residential mortgage-backed securities:						
Agency-issued collateralized mortgage obligations—fixed rate	176,469	(157)	462,143	(4,099)	638,612	(4,256)
Agency-issued collateralized mortgage obligations—variable rate	103,900	(127)	—	—	103,900	(127)
Equity securities	1,561	(203)	—	—	1,561	(203)
Total temporarily impaired securities: (1)	$483,145	$ (522)	$462,143	$ (4,099)	$945,288	$ (4,621)

(1) As of March 31, 2016, we identified a total of 70 investments that were in unrealized loss positions, of which 24 investments totaling $462.1 million with unrealized losses of $4.1 million have been in an impaired position for a period of time greater than 12 months. As of March 31, 2016, we do not intend to sell any impaired fixed income investment securities prior to recovery of our adjusted cost basis, and it is more likely than not that we will not be required to sell any of our securities prior to recovery of our adjusted cost basis. Based on our analysis as of March 31, 2016, 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, 2015:

	December 31, 2015					
	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	$7,467,519	$(20,549)	$—	$—	$7,467,519	$(20,549)
U.S. agency debentures	760,071	(5,108)	—	—	760,071	(5,108)
Residential mortgage-backed securities:						
Agency-issued collateralized mortgage obligations—fixed rate	545,404	(4,681)	373,284	(10,837)	918,688	(15,518)

Agency-issued collateralized mortgage obligations—variable rate	7,776	(9)	—	—	7,776	(9)
Equity securities	2,955	(1,587)	—	—	2,955	(1,587)
Total temporarily impaired securities (1):	$8,783,725	$(31,934)	$373,284	$(10,837)	$9,157,009	$(42,771)

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(1) As of December 31, 2015, we identified a total of 243 investments that were in unrealized loss positions, of which 18 investments totaling $373.3 million with unrealized losses of $10.8 million have been in an impaired position for a period of time greater than 12 months.

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The following table summarizes the remaining contractual principal maturities and fully taxable equivalent yields on fixed income investment securities classified as available-for-sale as of March 31, 2016. The weighted average yield is computed using the amortized cost of fixed income investment securities, which are reported at fair value. For U.S. Treasury securities and U.S. agency debentures, the expected maturity is the actual contractual maturity of the notes. Expected maturities for mortgage-backed securities may differ significantly from their contractual maturities because mortgage borrowers have the right to prepay outstanding loan obligations with or without penalties. Mortgage-backed securities classified as available-for-sale typically have original contractual maturities from 10 to 30 years whereas expected average lives of these securities tend to be significantly shorter and vary based upon structure and prepayments in lower rate environments.

	March 31, 2016									
	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	$9,954,354	1.31%	$651,416	0.73%	$9,302,938	1.35%	$—	— %	$—	— %
U.S. agency debentures	2,485,431	1.60	382,836	1.57	2,102,595	1.60	—	—	—	—
Residential mortgage-backed securities:										
Agency-issued collateralized mortgage obligations - fixed rate	1,312,017	1.95	—	—	—	—	884,785	2.15	427,232	1.53
Agency-issued collateralized mortgage obligations - variable rate	573,034	0.71	—	—	—	—	—	—	573,034	0.71
Total	$14,324,836	1.39	$1,034,252	1.04	$11,405,533	1.40	$884,785	2.15	$1,000,266	1.06

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Held-to-Maturity Securities

The components of our held-to-maturity investment securities portfolio at March 31, 2016 and December 31, 2015 are as follows:

	March 31, 2016			
(Dollars in thousands)	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
Held-to-maturity securities, at cost:				
U.S. agency debentures (1)	$589,076	$ 15,170	$ —	$604,246
Residential mortgage-backed securities:				
Agency-issued mortgage-backed securities	2,308,454	26,627	(622)	2,334,459
Agency-issued collateralized mortgage obligations—fixed rate	4,047,342	32,071	(4,483)	4,074,930
Agency-issued collateralized mortgage obligations—variable rate	359,244	387	(352)	359,279
Agency-issued commercial mortgage-backed securities	1,181,904	14,773	(203)	1,196,474
Municipal bonds and notes	62,218	113	(767)	61,564
Total held-to-maturity securities	$8,548,238	$ 89,141	$ (6,427)	$8,630,952

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

	December 31, 2015			
(Dollars in thousands)	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
Held-to-maturity securities, at cost:				
U.S. agency debentures (1)	$545,473	$ 8,876	$—	$554,349
Residential mortgage-backed securities:				
Agency-issued mortgage-backed securities	2,366,627	546	(11,698)	2,355,475
Agency-issued collateralized mortgage obligations—fixed rate	4,225,781	3,054	(32,999)	4,195,836
Agency-issued collateralized mortgage obligations—variable rate	370,779	758	(33)	371,504
Agency-issued commercial mortgage-backed securities	1,214,716	3,405	(3,475)	1,214,646
Municipal bonds and notes	67,587	55	(830)	66,812
Total held-to-maturity securities	$8,790,963	$ 16,694	$(49,035)	$8,758,622

(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.

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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 March 31, 2016:

(Dollars in thousands)	March 31, 2016					
	Less than 12 months		12 months or longer		Total	
	Fair Value of Investments	Unrealized Losses	Fair Value of Investments	Unrealized Losses	Fair Value of Investments	Unrealized Losses
Held-to-maturity securities:						
Residential mortgage-backed securities:						
Agency-issued mortgage-backed securities	$31,969	$ (147)	$42,989	$ (475)	$74,958	$ (622)
Agency-issued collateralized mortgage obligations—fixed rate	181,655	(1,466)	358,847	(3,017)	540,502	(4,483)
Agency-issued collateralized mortgage obligations—variable rate	177,805	(352)	—	—	177,805	(352)
Agency-issued commercial mortgage-backed securities	31,913	(19)	26,907	(184)	58,820	(203)
Municipal bonds and notes	25,875	(168)	27,982	(599)	53,857	(767)
Total temporarily impaired securities (1):	$449,217	$ (2,152)	$456,725	$ (4,275)	$905,942	$ (6,427)

(1) As of March 31, 2016, we identified a total of 161 investments that were in unrealized loss positions, of which 72 investments totaling $456.7 million with unrealized losses of $4.3 million have been in an impaired position for a period of time greater than 12 months. As of March 31, 2016, we do not intend to sell any impaired fixed income investment securities prior to recovery of our adjusted cost basis, and it is more likely than not that we will not be required to sell any of our securities prior to recovery of our adjusted cost basis, which is consistent with our classification of these securities. Based on our analysis as of March 31, 2016, we deem all impairments to be temporary. Market valuations and impairment analyses on assets in the held-to-maturity securities portfolio are reviewed and monitored on a quarterly basis.

The following table summarizes our unrealized losses on our held-to-maturity securities portfolio into categories of less than 12 months and 12 months or longer as of December 31, 2015:

(Dollars in thousands)	December 31, 2015					
	Less than 12 months		12 months or longer		Total	
	Fair Value of Investments	Unrealized Losses	Fair Value of Investments	Unrealized Losses	Fair Value of Investments	Unrealized Losses
Held-to-maturity securities:						
Residential mortgage-backed securities:						
Agency-issued mortgage-backed securities	$2,121,258	$(10,860)	$22,507	$ (838)	$2,143,765	$(11,698)
Agency-issued collateralized mortgage obligations—fixed rate	3,153,483	(30,230)	150,058	(2,769)	3,303,541	(32,999)
Agency-issued collateralized mortgage obligations—variable rate	170,350	(33)	—	—	170,350	(33)
Agency-issued commercial mortgage-backed securities	823,414	(2,994)	40,276	(481)	863,690	(3,475)
Municipal bonds and notes	34,278	(274)	25,509	(556)	59,787	(830)
Total temporarily impaired securities (1):	$6,302,783	$(44,391)	$238,350	$ (4,644)	$6,541,133	$(49,035)

(1) As of December 31, 2015, we identified a total of 384 investments that were in unrealized loss positions, of which 58 investments totaling $238.4 million with unrealized losses of $4.6 million have been in an impaired position for a period of time greater than 12 months.

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The following table summarizes the remaining contractual principal maturities and fully taxable equivalent yields on fixed income investment securities classified as held-to-maturity as of March 31, 2016. Interest income on certain municipal bonds and notes (non-taxable investments) are presented on a fully taxable equivalent basis using the federal statutory tax rate of 35 percent. The weighted average yield is computed using the amortized cost of fixed income investment securities. For U.S. agency debentures, the expected maturity is the actual contractual maturity of the notes. Expected maturities for mortgage-backed securities may differ significantly from their contractual maturities because mortgage borrowers have the right to prepay outstanding loan obligations with or without penalties. Mortgage-backed securities classified as held-to-maturity typically have original contractual maturities from 10 to 30 years whereas expected average lives of these securities tend to be significantly shorter and vary based upon structure and prepayments in lower rate environments.

	March 31, 2016									
	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	$589,076	2.70 %	$—	— %	$16,702	4.07 %	$572,374	2.66 %	$—	— %
Residential mortgage-backed securities:										
Agency-issued mortgage-backed securities	2,308,454	2.44	—	—	222,948	2.78	350,836	1.84	1,734,670	2.51
Agency-issued collateralized mortgage obligations - fixed rate	4,047,342	1.73	—	—	—	—	25,320	1.75	4,022,022	1.73
Agency-issued collateralized mortgage obligations - variable rate	359,244	0.74	—	—	—	—	—	—	359,244	0.74
Agency-issued commercial mortgage-backed securities	1,181,904	2.12	—	—	—	—	—	—	1,181,904	2.12
Municipal bonds and notes	62,218	6.03	5,192	5.59	28,710	5.98	25,700	6.14	2,616	6.46
Total	$8,548,238	2.03	$5,192	5.59	$268,360	3.20	$974,230	2.43	$7,300,456	1.93

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Non-marketable and Other Securities

The components of our non-marketable and other investment securities portfolio at March 31, 2016 and December 31, 2015 are as follows:

(Dollars in thousands)	March 31, 2016	December 31, 2015
Non-marketable and other securities:		
Non-marketable securities (fair value accounting):		
Venture capital and private equity fund investments (1)	$145,649	$152,237
Other venture capital investments (2)	2,040	2,040
Other securities (fair value accounting) (3)	468	548
Non-marketable securities (equity method accounting) (4):		
Venture capital and private equity fund investments	83,555	85,705
Debt funds	21,809	21,970
Other investments	120,026	118,532
Non-marketable securities (cost method accounting):		
Venture capital and private equity fund investments (5)	117,409	120,676
Other investments	19,797	18,882
Investments in qualified affordable housing projects, net (6)	157,744	154,356
Total non-marketable and other securities	$668,497	$674,946

(1) The following table shows the amounts of venture capital and private equity fund investments held by the following funds and our ownership percentage of each fund at March 31, 2016 and December 31, 2015 (fair value accounting):

	March 31, 2016		December 31, 2015	
(Dollars in thousands)	Amount	Ownership %	Amount	Ownership %
SVB Strategic Investors Fund, LP	$20,538	12.6 %	$20,794	12.6 %
SVB Capital Preferred Return Fund, LP	58,156	20.0	60,619	20.0
SVB Capital—NT Growth Partners, LP	59,744	33.0	62,983	33.0
Other private equity fund (i)	7,211	58.2	7,841	58.2
Total venture capital and private equity fund investments	$145,649		$152,237	

(i) At March 31, 2016, we had a direct ownership interest of 41.5 percent in other private equity funds and an indirect ownership interest of 12.6 percent through our ownership interest of SVB Capital—NT Growth Partners, LP and an indirect ownership interest of 4.1 percent through our ownership interest of SVB Capital Preferred Return Fund, LP.

(2) The following table shows the amounts of other venture capital investments held by the following funds and our ownership percentage of each fund at March 31, 2016 and December 31, 2015 (fair value accounting):

	March 31, 2016		December 31, 2015	
(Dollars in thousands)	Amount	Ownership %	Amount	Ownership %
Silicon Valley BancVentures, LP	$2,040	10.7 %	$2,040	10.7 %
Total other venture capital investments	$2,040		$2,040	

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

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(4) The following table shows the carrying value and our ownership percentage of each investment at March 31, 2016 and December 31, 2015 (equity method accounting):

	March 31, 2016			December 31, 2015		
(Dollars in thousands)	Amount	Ownership	%	Amount	Ownership	%
Venture capital and private equity fund investments:						
SVB Strategic Investors Fund II, LP	$9,326	8.6	%	$10,035	8.6	%
SVB Strategic Investors Fund III, LP	22,225	5.9		23,926	5.9	
SVB Strategic Investors Fund IV, LP	25,570	5.0		26,411	5.0	
Other venture capital and private equity fund investments	26,434	Various		25,333	Various	
Total venture capital and private equity fund investments	$83,555			$85,705		
Debt funds:						
Gold Hill Capital 2008, LP (i)	$18,106	15.5	%	$17,453	15.5	%
Other debt funds	3,703	Various		4,517	Various	
Total debt funds	$21,809			$21,970		
Other investments:						
China Joint Venture investment	$79,260	50.0	%	$78,799	50.0	%
Other investments	40,766	Various		39,733	Various	
Total other investments	$120,026			$118,532		

(i) At March 31, 2016, 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 267 funds (primarily venture capital funds) at both March 31, 2016 and December 31, 2015, where our ownership interest is typically less than 5% of the voting interests of each such fund and in which we do not have the ability to exercise significant influence over the partnerships operating activities and financial policies. The carrying value, and estimated fair value, of these venture capital and private equity fund investments (cost method accounting) was $117 million and $233 million, respectively, as of March 31, 2016. The carrying value, and estimated fair value, of these venture capital and private equity fund investments (cost method accounting) was $121 million and $233 million, respectively, as of December 31, 2015.

(6) The following table presents the balances of our investments in qualified affordable housing projects and related unfunded commitments at March 31, 2016 and December 31, 2015:

(Dollars in thousands)	March 31, 2016	December 31, 2015
Investments in qualified affordable housing projects, net	$157,744	$154,356
Accrued expenses and other liabilities	87,754	90,978

The following table presents other information relating to our investments in qualified affordable housing projects for the three months ended March 31, 2016 and 2015:

	Three months ended March 31,	
(Dollars in thousands)	2016	2015
Tax credits and other tax benefits recognized	$4,207	$3,213
Amortization expense included in provision for income taxes (i)	3,612	2,797

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

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The following table presents the components of gains and losses (realized and unrealized) on investment securities for the three months ended March 31, 2016 and 2015:

(Dollars in thousands)	Three months ended March 31, 2016	2015
Gross gains on investment securities:		
Available-for-sale securities, at fair value (1)	$1,753	$2,690
Non-marketable securities (fair value accounting):		
Venture capital and private equity fund investments	2,823	8,822
Other venture capital investments	8	183
Other securities (fair value accounting)	63	8,787
Non-marketable securities (equity method accounting):		
Venture capital and private equity fund investments	1,694	7,832
Debt funds	900	1,505
Other investments	810	865
Non-marketable securities (cost method accounting):		
Venture capital and private equity fund investments	2,338	4,833
Other investments	—	358
Total gross gains on investment securities	10,389	35,875
Gross losses on investment securities:		
Available-for-sale securities, at fair value (1)	(2,570)	(94)
Non-marketable securities (fair value accounting):		
Venture capital and private equity fund investments	(7,893)	(948)
Other venture capital investments	(38)	(52)
Other securities (fair value accounting)	(157)	(672)
Non-marketable securities (equity method accounting):		
Venture capital and private equity fund investments	(3,863)	(28)
Debt funds	(45)	(588)
Other investments	(336)	—
Non-marketable securities (cost method accounting):		
Venture capital and private equity fund investments (2)	(171)	(224)
Other investments	—	(6)
Total gross losses on investment securities	(15,073)	(2,612)
(Losses) gains on investment securities, net	$(4,684)	$33,263

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

(2) For the three months ended March 31, 2016 and 2015, includes OTTI losses of $0.2 million from the declines in value for 10 of the 267 investments and $0.1 million from the declines in value for 9 of the 277 investments, respectively. We concluded that any declines in value for the remaining investments were temporary, and as such, no OTTI was required to be recognized.

7. Loans and Allowance for Loan Losses

We serve a variety of commercial clients in the technology, life science/healthcare, private equity/venture capital and premium wine industries. Our technology clients generally tend to be in the industries of hardware (semiconductors, communications 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 and internet, life science/healthcare and other commercial loan categories, as applicable. Our life science/healthcare clients primarily tend to be in the industries of biotechnology, medical devices, healthcare information technology and healthcare services. Loans made to private equity/venture capital firm clients typically enable them to fund investments prior to their receipt of funds from capital calls. Loans to the premium wine industry focus on vineyards and wineries that produce grapes and wines of high quality.

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

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

The composition of loans, net of unearned income of $111 million and $115 million at March 31, 2016 and December 31, 2015, respectively, is presented in the following table:

(Dollars in thousands)	March 31, 2016	December 31, 2015
Commercial loans:		
Software and internet	$5,454,552	$5,437,915
Hardware	1,056,933	1,071,528
Private equity/venture capital	6,299,608	5,467,577
Life science/healthcare	1,727,992	1,710,642
Premium wine	183,917	201,175
Other	357,600	312,278
Total commercial loans	15,080,602	14,201,115
Real estate secured loans:		
Premium wine (1)	653,993	646,120
Consumer loans (2)	1,653,531	1,544,440
Other	44,603	44,830
Total real estate secured loans	2,352,127	2,235,390
Construction loans	74,003	78,682
Consumer loans	228,415	226,883
Total loans, net of unearned income (3)	$17,735,147	$16,742,070

(1) Included in our premium wine portfolio are gross construction loans of $106 million and $121 million at March 31, 2016 and December 31, 2015, respectively.

(2) Consumer loans secured by real estate at March 31, 2016 and December 31, 2015 were comprised of the following:

(Dollars in thousands)	March 31, 2016	December 31, 2015
Loans for personal residence	$1,414,665	$1,312,818
Loans to eligible employees	167,818	156,001
Home equity lines of credit	71,048	75,621
Consumer loans secured by real estate	$1,653,531	$1,544,440

(3) Included within our total loan portfolio are credit card loans of $193 million and $177 million at March 31, 2016 and December 31, 2015, respectively.

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Credit Quality

The composition of loans, net of unearned income of $111 million and $115 million at March 31, 2016 and December 31, 2015, respectively, broken out by portfolio segment and class of financing receivable, is as follows:

(Dollars in thousands)	March 31, 2016	December 31, 2015
Commercial loans:		
Software and internet	$5,454,552	$5,437,915
Hardware	1,056,933	1,071,528
Private equity/venture capital	6,299,608	5,467,577
Life science/healthcare	1,727,992	1,710,642
Premium wine	837,910	847,295
Other	476,206	435,790
Total commercial loans	15,853,201	14,970,747
Consumer loans:		
Real estate secured loans	1,653,531	1,544,440
Other consumer loans	228,415	226,883
Total consumer loans	1,881,946	1,771,323
Total loans, net of unearned income	$17,735,147	$16,742,070

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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 March 31, 2016 and December 31, 2015:

(Dollars in thousands)	30 - 59 Days Past Due	60 - 89 Days Past Due	Greater Than 90 Days Past Due	Total Past Due	Current	Loans Past Due 90 Days or More Still Accruing Interest
March 31, 2016:						
Commercial loans:						
Software and internet	$ 13,989	$ 2,578	$ 2	$ 16,569	$5,368,871	$ 2
Hardware	1,181	149	20	1,350	1,035,479	20
Private equity/venture capital	21,212	29	—	21,241	6,324,848	—
Life science/healthcare	6,978	37	—	7,015	1,700,711	—
Premium wine	712	—	—	712	836,496	—
Other	850	89	5	944	472,921	5
Total commercial loans	44,922	2,882	27	47,831	15,739,326	27
Consumer loans:						
Real estate secured loans	7,166	—	—	7,166	1,645,047	—
Other consumer loans	80	1,800	—	1,880	226,369	—
Total consumer loans	7,246	1,800	—	9,046	1,871,416	—
Total gross loans excluding impaired loans	52,168	4,682	27	56,877	17,610,742	27
Impaired loans	1,575	—	13,237	14,812	163,650	—
Total gross loans	$ 53,743	$ 4,682	$ 13,264	$ 71,689	$17,774,392	$ 27
December 31, 2015:						
Commercial loans:						
Software and internet	$ 3,384	$ 6,638	$ —	$ 10,022	$5,371,222	$ —
Hardware	1,061	66	—	1,127	1,051,368	—
Private equity/venture capital	—	17	—	17	5,511,912	—
Life science/healthcare	853	6,537	—	7,390	1,665,801	—
Premium wine	16	65	—	81	847,249	—
Other	14	22	—	36	438,313	—
Total commercial loans	5,328	13,345	—	18,673	14,885,865	—
Consumer loans:						
Real estate secured loans	4,911	865	—	5,776	1,537,421	—
Other consumer loans	228	115	—	343	226,369	—
Total consumer loans	5,139	980	—	6,119	1,763,790	—
Total gross loans excluding impaired loans	10,467	14,325	—	24,792	16,649,655	—
Impaired loans	333	—	7,221	7,554	175,130	—
Total gross loans	$ 10,800	$ 14,325	$ 7,221	$ 32,346	$16,824,785	$ —

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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 March 31, 2016 and December 31, 2015:

(Dollars in thousands)	Impaired loans for which there is a related allowance for loan losses	Impaired loans for which there is no related allowance for loan losses	Total carrying value of impaired loans	Total unpaid principal of impaired loans
March 31, 2016:				
Commercial loans:				
Software and internet	$ 108,871	$ 561	$ 109,432	$ 122,585
Hardware	27,702	214	27,916	28,764
Private equity/venture capital	—	—	—	—
Life science/healthcare	33,040	—	33,040	34,205
Premium wine	1,295	1,132	2,427	2,991
Other	5,516	—	5,516	5,516
Total commercial loans	176,424	1,907	178,331	194,061
Consumer loans:				
Real estate secured loans	131	—	131	1,388
Other consumer loans	—	—	—	—
Total consumer loans	131	—	131	1,388
Total	$ 176,555	$ 1,907	$ 178,462	$ 195,449
December 31, 2015:				
Commercial loans:				
Software and internet	$ 100,866	$ —	$ 100,866	$ 125,494
Hardware	27,736	—	27,736	27,869
Private equity/venture capital	—	—	—	—
Life science/healthcare	50,429	925	51,354	55,310
Premium wine	898	1,167	2,065	2,604
Other	520	—	520	520
Total commercial loans	180,449	2,092	182,541	211,797
Consumer loans:				
Real estate secured loans	143	—	143	1,393
Other consumer loans	—	—	—	—
Total consumer loans	143	—	143	1,393
Total	$ 180,592	$ 2,092	$ 182,684	$ 213,190

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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 months ended March 31, 2016 and 2015:

Three months ended March 31,	Average impaired loans		Interest income on impaired loans	
(dollars in thousands)	2016	2015	2016	2015 (1)
Commercial loans:				
Software and internet	$ 89,367	$ 33,725	$ 421	$ —
Hardware	24,426	1,643	397	—
Life science/healthcare	39,690	400	133	—
Premium wine	2,171	1,282	17	—
Other	3,853	2,139	7	—
Total commercial loans	159,507	39,189	975	—
Consumer loans:				
Real estate secured loans	135	195	—	—
Other consumer loans	34	88	—	—
Total consumer loans	169	283	—	—
Total average impaired loans	$ 159,676	$ 39,472	$ 975	$ —

(1) For the three months ended March 31, 2015 all impaired loans were nonaccrual loans and no interest income was recognized.

The following tables summarize the activity relating to our allowance for loan losses for the three months ended March 31, 2016 and 2015, broken out by portfolio segment:

Three months ended March 31, 2016 (dollars in thousands)	Beginning Balance December 31, 2015	Charge-offs	Recoveries	Provision for (Reduction of) Loan Losses	Ending Balance March 31, 2016
Commercial loans:					
Software and internet	$ 103,045	$ (22,161)	$ 3,960	$ 22,054	$ 106,898
Hardware	23,085	(1,486)	239	1,998	23,836
Private equity/venture capital	35,282	—	—	8,404	43,686
Life science/healthcare	36,576	(2,395)	491	(4,387)	30,285
Premium wine	5,205	—	—	39	5,244
Other	4,252	(30)	730	4,595	9,547
Total commercial loans	207,445	(26,072)	5,420	32,703	219,496
Consumer loans	10,168	(102)	49	638	10,753
Total allowance for loan losses	$ 217,613	$ (26,174)	$ 5,469	$ 33,341	$ 230,249

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Three months ended March 31, 2015 (dollars in thousands)	Beginning Balance December 31, 2014	Charge-offs	Recoveries	Provision for (Reduction of) Loan Losses	Ending Balance March 31, 2015
Commercial loans:					
Software and internet	$ 80,981	$ (1,403)	$ 447	$ 2,067	$ 82,092
Hardware	25,860	(3,210)	928	(2,320)	21,258
Private equity/venture capital	27,997	—	—	2,840	30,837
Life science/healthcare	15,208	(225)	34	306	15,323
Premium wine	4,473	—	—	30	4,503
Other	3,253	(649)	10	3,537	6,151
Total commercial loans	157,772	(5,487)	1,419	6,460	160,164
Consumer loans	7,587	—	132	(8)	7,711
Total allowance for loan losses	$ 165,359	$ (5,487)	$ 1,551	$ 6,452	$ 167,875

The following table summarizes the allowance for loan losses individually and collectively evaluated for impairment as of March 31, 2016 and December 31, 2015, broken out by portfolio segment:

	March 31, 2016				December 31, 2015			
	Individually Evaluated for Impairment		Collectively Evaluated for Impairment		Individually Evaluated for Impairment		Collectively Evaluated for Impairment	
(Dollars in thousands)	Allowance for loan losses	Recorded investment in loans	Allowance for loan losses	Recorded investment in loans	Allowance for loan losses	Recorded investment in loans	Allowance for loan losses	Recorded investment in loans
Commercial loans:								
Software and internet	$ 36,886	$ 109,432	$ 70,012	$ 5,345,120	$ 34,098	$ 100,866	$ 68,947	$ 5,337,049
Hardware	2,872	27,916	20,964	1,029,017	3,160	27,736	19,925	1,043,792
Private equity/venture capital	—	—	43,686	6,299,608	—	—	35,282	5,467,577
Life science/healthcare	11,735	33,040	18,550	1,694,952	20,230	51,354	16,346	1,659,288
Premium wine	129	2,427	5,115	835,483	90	2,065	5,115	845,230
Other	5,052	5,516	4,495	470,690	52	520	4,200	435,270
Total commercial loans	56,674	178,331	162,822	15,674,870	57,630	182,541	149,815	14,788,206
Consumer loans	131	131	10,622	1,881,815	143	143	10,025	1,771,180
Total	$ 56,805	$ 178,462	$ 173,444	$ 17,556,685	$ 57,773	$ 182,684	$ 159,840	$ 16,559,386

Credit Quality Indicators

For each individual client, we establish an internal credit risk rating for that loan, which is used for assessing and monitoring credit risk as well as performance of the loan and the overall portfolio. Our internal credit risk ratings are also used to summarize the risk of loss due to failure by an individual borrower to repay the loan. For our internal credit risk ratings, each individual loan is given a risk rating of 1 through 10. Loans risk-rated 1 through 4 are performing loans and translate to an internal rating of “Pass”, with loans risk-rated 1 being cash secured. Loans risk-rated 5 through 7 are performing loans, however, we consider them as demonstrating higher risk, which requires more frequent review of the individual exposures; these translate to an internal rating of “Performing (Criticized)”. When a significant payment delay occurs on a criticized loan, the loan is impaired. The loan is also considered for nonaccrual status if full repayment is determined to be improbable. All of our nonaccrual loans are risk-rated 8 or 9 and are classified under the nonperforming impaired category. (For further description of nonaccrual loans, refer to Note 2—“Summary of Significant Accounting Policies” under Part II, Item 8 of our 2015 Form 10-K). Loans rated 10 are charged-off and are not included as part of our loan portfolio balance. We review our credit quality indicators for performance and appropriateness of risk ratings as part of our evaluation process for our allowance for loan losses.

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The following table summarizes the credit quality indicators, broken out by portfolio segment and class of financing receivables as of March 31, 2016 and December 31, 2015:

(Dollars in thousands)	Pass	Performing (Criticized)	Performing Impaired (Criticized)	Nonperforming Impaired (Nonaccrual)	Total
March 31, 2016:					
Commercial loans:					
Software and internet	$4,832,174	$ 553,266	$ 27,657	$ 81,775	$5,494,872
Hardware	882,651	154,178	27,589	327	1,064,745
Private equity/venture capital	6,345,463	626	—	—	6,346,089
Life science/healthcare	1,557,912	149,814	7,461	25,579	1,740,766
Premium wine	797,390	39,818	1,294	1,133	839,635
Other	466,715	7,150	516	5,000	479,381
Total commercial loans	14,882,305	904,852	64,517	113,814	15,965,488
Consumer loans:					
Real estate secured loans	1,652,213	—	—	131	1,652,344
Other consumer loans	227,463	786	—	—	228,249
Total consumer loans	1,879,676	786	—	131	1,880,593
Total gross loans	$16,761,981	$ 905,638	$ 64,517	$ 113,945	$17,846,081
December 31, 2015:					
Commercial loans:					
Software and internet	$4,933,179	$ 448,065	$ 23,321	$ 77,545	$5,482,110
Hardware	955,675	96,820	27,306	430	1,080,231
Private equity/venture capital	5,474,929	37,000	—	—	5,511,929
Life science/healthcare	1,544,555	128,636	7,247	44,107	1,724,545
Premium wine	825,058	22,272	898	1,167	849,395
Other	429,481	8,868	520	—	438,869
Total commercial loans	14,162,877	741,661	59,292	123,249	15,087,079
Consumer loans:					
Real estate secured loans	1,539,468	3,729	—	143	1,543,340
Other consumer loans	224,601	2,111	—	—	226,712
Total consumer loans	1,764,069	5,840	—	143	1,770,052
Total gross loans	$15,926,946	$ 747,501	$ 59,292	$ 123,392	$16,857,131

TDRs

As of March 31, 2016 we had 17 TDRs with a total carrying value of $86.0 million where concessions have been granted to borrowers experiencing financial difficulties, in an attempt to maximize collection. There were less than $0.1 million of unfunded commitments available for funding to the clients associated with these TDRs as of March 31, 2016.

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The following table summarizes our loans modified in TDRs, broken out by portfolio segment and class of financing receivables at March 31, 2016 and December 31, 2015:

(Dollars in thousands)	March 31, 2016	December 31, 2015
Loans modified in TDRs:		
Commercial loans:		
Software and internet	$57,836	$56,790
Hardware	155	473
Life science/healthcare	25,104	51,878
Premium wine	2,427	2,065
Other	517	519
Total commercial loans	86,039	111,725
Consumer loans:		
Other consumer loans	—	—
Total consumer loans	—	—
Total	$86,039	$111,725

The following table summarizes the recorded investment in loans modified in TDRs, broken out by portfolio segment and class of financing receivable, for modifications made during the three months ended March 31, 2016 and 2015:

	Three months ended March 31,	
(Dollars in thousands)	2016	2015
Loans modified in TDRs during the period:		
Commercial loans:		
Software and internet (1)	$10,854	$—
Hardware	—	4,000
Premium wine	505	—
Total commercial loans	11,359	4,000
Consumer loans:		
Real estate secured loans	—	1,280
Total consumer loans	—	1,280
Total loans modified in TDRs during the period (1)	$11,359	$5,280

(1) There were $3.8 million of partial charge-offs during the three months ended March 31, 2016 and no partial charge-offs during the three months ended March 31, 2015.

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

During the three months ended March 31, 2015, new TDRs of $5.3 million were modified through payment deferrals granted to our clients.

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

There were no loans modified in TDRs within the previous 12 months that subsequently defaulted during the three months ended March 31, 2016. We had $30 thousand of consumer real estate secured loans modified within the previous 12 months that defaulted during the three months ended March 31, 2015.

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Charge-offs and defaults on previously restructured loans are evaluated to determine the impact to the allowance for loan losses, if any. The evaluation of these defaults may impact the assumptions used in calculating the reserve on other TDRs and impaired loans as well as management's overall outlook of macroeconomic factors that affect the reserve on the loan portfolio as a whole. After evaluating the charge-offs and defaults experienced on our TDRs we determined that no change to our reserving methodology was necessary to determine the allowance for loan losses as of March 31, 2016.

8. Short-Term Borrowings and Long-Term Debt

The following table represents outstanding short-term borrowings and long-term debt at March 31, 2016 and December 31, 2015:

(Dollars in thousands)	Maturity	Principal value at March 31, 2016	Carrying Value March 31, 2016	Carrying Value December 31, 2015
Short-term borrowings:				
Short-term FHLB advances		$—	$—	$ 638,000
Federal funds purchased		—	—	135,000
Other short-term borrowings	(1)	—	—	1,900
Total short-term borrowings			$—	$ 774,900
Long-term debt:				
3.50% Senior Notes	January 29, 2025	$350,000	$346,744	$ 346,667
5.375% Senior Notes	September 15, 2020	350,000	347,155	347,016
6.05% Subordinated Notes (2)	June 1, 2017	45,964	48,045	48,350
7.0% Junior Subordinated Debentures	October 15, 2033	50,000	54,626	54,669
Total long-term debt			$796,570	$ 796,702

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

(2) At March 31, 2016 and December 31, 2015, included in the carrying value of our 6.05% Subordinated Notes was an interest rate swap valued at $2.4 million and $2.8 million, respectively, related to hedge accounting associated with the notes.

Interest expense related to long-term debt was $9.0 million for the three months ended March 31, 2016, and $8.0 million for the three months ended March 31, 2015. Interest expense is net of the hedge accounting impact from our interest rate swap agreement related to our 6.05% Subordinated Notes.

Available Lines of Credit

We have certain facilities in place to enable us to access short-term borrowings on a secured (using high-quality fixed income securities as collateral) and an unsecured basis. These include repurchase agreements and uncommitted federal funds lines with various financial institutions. As of March 31, 2016, we did not borrow against our uncommitted federal funds lines. We also pledge securities to the FHLB of San Francisco and the discount window at the Federal Reserve Bank. The market value of collateral pledged to the FHLB of San Francisco (comprised primarily of U.S. Treasury securities) at March 31, 2016 totaled $1.8 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 March 31, 2016 totaled $0.9 billion, all of which was unused and available to support additional borrowings.

9. Derivative Financial Instruments

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

Interest Rate Risk

Interest rate risk is our primary market risk and can result from timing and volume differences in the repricing of our interest rate sensitive assets and liabilities and changes in market interest rates. To manage interest rate risk for our 6.05% Subordinated Notes, we entered into a fixed-for-floating interest rate swap agreement at the time of debt issuance based upon LIBOR with

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matched-terms. Net cash benefits associated with our interest rate swap is recorded as a reduction in "Interest expense—Borrowings," a component of net interest income. The fair value of our interest rate swaps is calculated using a discounted cash flow method and adjusted for credit valuation associated with counterparty risk. Changes in fair value of the interest rate swaps are reflected in either other assets (for swaps in an asset position) or other liabilities (for swaps in a liability position).

We assess hedge effectiveness under ASC 815, Derivatives and Hedging, using the long-haul method. Any differences associated with our interest rate swap that arise as a result of hedge ineffectiveness 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. We do not designate any foreign exchange forward contracts as derivative instruments that qualify for hedge accounting. Gains or losses from changes in currency rates on foreign currency denominated instruments are included in other noninterest income, a component of noninterest income. We may experience ineffectiveness in the economic hedging relationship, because the instruments are revalued based upon changes in the currency's spot rate on the principal value, while the forwards are revalued on a discounted cash flow basis. We record forward agreements in gain positions in other assets and loss positions in other liabilities, while net changes in fair value are recorded through net gains on derivative instruments, in noninterest income, a component of consolidated net income. Additionally, through our global banking operations we maintain customer deposits denominated in a variety of global currencies, which are used to fund certain loans in these currencies to limit our exposure to currency fluctuations.

Other Derivative Instruments

Also included in our derivative instruments are equity warrant assets and client forward and option contracts, and client interest rate contracts. For further description of these other derivative instruments, refer to Note 2-"Summary of Significant Accounting Policies" under Part II, Item 8 of our 2015 Form 10-K.

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Counterparty Credit Risk

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

The total notional or contractual amounts, fair value, collateral and net exposure of our derivative financial instruments at March 31, 2016 and December 31, 2015 were as follows:

(Dollars in thousands)	Balance Sheet Location	March 31, 2016 Notional or Contractual Amount	Fair Value	Collateral (1)	Net Exposure (2)	December 31, 2015 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	$2,400	$ —	$2,400	$45,964	$2,768	$—	$2,768
Derivatives not designated as hedging instruments:									
Currency exchange risks:									
Foreign exchange forwards	Other assets	17,808	306	—	306	49,287	809	—	809
Foreign exchange forwards	Other liabilities	78,440	(2,932)	—	(2,932)	6,586	(669)	—	(669)
Net exposure			(2,626)	—	(2,626)		140	—	140
Other derivative instruments:									
Equity warrant assets	Other assets	207,504	130,670	—	130,670	210,102	137,105	—	137,105
Other derivatives:									
Client foreign exchange forwards	Other assets	1,369,777	46,713	—	46,713	935,514	29,722	1,900	27,822
Client foreign exchange forwards	Other liabilities	1,160,600	(41,896)	—	(41,896)	841,182	(24,978)	—	(24,978)
Client foreign currency options	Other assets	30,568	600	—	600	46,625	706	—	706
Client foreign currency options	Other liabilities	30,568	(600)	—	(600)	46,625	(706)	—	(706)
Client interest rate derivatives	Other assets	299,750	6,432	—	6,432	422,741	3,973	—	3,973
Client interest rate derivatives	Other liabilities	339,685	(7,263)	—	(7,263)	422,741	(4,384)	—	(4,384)
Net exposure			3,986	—	3,986		4,333	1,900	2,433
Net			$134,430	$ —	$134,430		$144,346	$1,900	$142,446

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

(2) Net exposure for contracts in a gain position reflects the replacement cost in the event of nonperformance by all such counterparties. The credit ratings of our institutional counterparties as of March 31, 2016 remain at investment grade or higher and there were no material changes in their credit ratings during the three months ended March 31, 2016.

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A summary of our derivative activity and the related impact on our consolidated statements of income for the three months ended March 31, 2016 and 2015 is as follows:

(Dollars in thousands)	Statement of income location	Three months ended March 31, 2016	2015
Derivatives designated as hedging instruments:			
Interest rate risks:			
Net cash benefit associated with interest rate swaps	Interest expense—borrowings	$609	$638
Changes in fair value of interest rate swaps	Net (losses) gains on derivative instruments	(17)	(3)
Net gains associated with interest rate risk derivatives		$592	$635
Derivatives not designated as hedging instruments:			
Currency exchange risks:			
Gains (losses) on revaluations of foreign currency instruments	Other noninterest income	$2,491	$(20,159)
(Losses) gains on internal foreign exchange forward contracts, net	Net (losses) gains on derivative instruments	(2,208)	20,018
Net losses associated with currency risk		$283	$(141)
Other derivative instruments:			
Gains on revaluations of client foreign exchange forward contracts, net	Other noninterest income	$3,653	$624
Losses on client foreign exchange forward contracts, net	Net (losses) gains on derivative instruments	(5,654)	(507)
Net (losses) gains associated with client foreign exchange forward contracts		$(2,001)	$117
Net gains on equity warrant assets	Net (losses) gains on derivative instruments	$6,605	$20,278
Net losses on other derivatives	Net (losses) gains on derivative instruments	$(421)	$(57)

Balance Sheet Offsetting

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

The following table summarizes our assets subject to enforceable master netting arrangements as of March 31, 2016 and December 31, 2015:

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(Dollars in thousands)	Gross Amounts of Recognized Assets	Gross Amounts offset in the Statement of Financial Position	Net Amounts of Assets Presented in the Statement of Financial Position	Gross Amounts Not Offset in the Statement of Financial Position But Subject to Master Netting Arrangements		
				Financial Instruments	Cash Collateral Received	Net Amount
March 31, 2016						
Derivative Assets:						
Interest rate swaps	$ 2,400	$ —	$ 2,400	$ (2,400)	$ —	$ —
Foreign exchange forwards	47,019	—	47,019	(20,366)	—	26,653
Foreign currency options	600	—	600	(220)	—	380
Client interest rate derivatives	6,432	—	6,432	(6,406)	—	26
Total derivative assets:	56,451	—	56,451	(29,392)	—	27,059
Reverse repurchase, securities borrowing, and similar arrangements	288,421	—	288,421	(288,421)	—	—
Total	$ 344,872	$ —	$ 344,872	$ (317,813)	$ —	$ 27,059
December 31, 2015						
Derivative Assets:						
Interest rate swaps	$ 2,768	$ —	$ 2,768	$ (2,768)	$ —	$ —
Foreign exchange forwards	30,531	—	30,531	(18,141)	(1,900)	10,490
Foreign currency options	711	(5)	706	(706)	—	—
Client interest rate derivatives	3,973	—	3,973	(3,973)	—	—
Total derivative assets:	37,983	(5)	37,978	(25,588)	(1,900)	10,490
Reverse repurchase, securities borrowing, and similar arrangements	125,391	—	125,391	(125,391)	—	—
Total	$ 163,374	$ (5)	$ 163,369	$ (150,979)	$ (1,900)	$ 10,490

The following table summarizes our liabilities subject to enforceable master netting arrangements as of March 31, 2016 and December 31, 2015:

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

		of Financial Position	in the Statement of Financial Position			
March 31, 2016						
Derivative Liabilities:						
Foreign exchange forwards	$ 44,828	$ —	$ 44,828	$ (32,507)	$ —	$ 12,321
Foreign currency options	600	—	600	(380)	—	220
Client interest rate derivatives	7,263	—	7,263	(7,263)	—	—
Total derivative liabilities:	52,691	—	52,691	(40,150)	—	12,541
Repurchase, securities lending, and similar arrangements	—	—	—	—	—	—
Total	$ 52,691	$ —	$ 52,691	$ (40,150)	$ —	$ 12,541
December 31, 2015						
Derivative Liabilities:						
Foreign exchange forwards	$ 25,647	$ —	$ 25,647	$ (10,818)	$ —	$ 14,829
Foreign currency options	711	(5)	706	—	—	706
Client interest rate derivatives	4,384	—	4,384	(4,384)	—	—
Total derivative liabilities:	30,742	(5)	30,737	(15,202)	—	15,535
Repurchase, securities lending, and similar arrangements	—	—	—	—	—	—
Total	$ 30,742	$ (5)	$ 30,737	$ (15,202)	$ —	$ 15,535

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10. Other Noninterest Income (Loss) and Other Noninterest Expense

A summary of other noninterest income for the three months ended March 31, 2016 and 2015 is as follows:

	Three months ended March 31,	
(Dollars in thousands)	2016	2015
Fund management fees	$4,620	$3,722
Service-based fee income	2,092	2,106
Gains (losses) on revaluation of foreign currency instruments (1)	2,491	(20,159)
Other (2) (3)	6,768	6,653
Total other noninterest income (loss)	$15,971	$(7,678)

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

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

(3) Amount for the three months ended March 31, 2015, has been revised to reflect the retrospective application of new accounting guidance adopted in the second quarter of 2015 related to our consolidated variable interest entities (ASU 2015-02).

A summary of other noninterest expense for the three months ended March 31, 2016 and 2015 is as follows:

	Three months ended March 31,	
(Dollars in thousands)	2016	2015
Lending and other client related processing costs	$4,295	$3,549
Telephone	2,233	1,959
Data processing services	1,829	1,833
Dues and publications	802	585
Postage and supplies	790	765
Other (1)	4,844	4,831
Total other noninterest expense	$14,793	$13,522

(1) Amount for the three months ended March 31, 2015, has been revised to reflect the retrospective application of new accounting guidance adopted in the second quarter of 2015 related to our consolidated variable interest entities (ASU 2015-02).

11. Segment Reporting

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

Our 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.

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

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

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

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

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

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

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

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

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

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

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

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Our segment information for the three months ended March 31, 2016 and 2015 is as follows:

(Dollars in thousands)	Global Commercial Bank (1)	SVB Private Bank	SVB Capital (1)	Other Items (2)	Total
Three months ended March 31, 2016					
Net interest income	$256,178	$13,672	$—	$11,571	$281,421
Provision for loan losses	(32,703)	(638)	—	—	(33,341)
Noninterest income	74,759	627	2,453	8,295	86,134
Noninterest expense (3)	(154,206)	(3,405)	(3,913)	(42,509)	(204,033)
Income before income tax expense (4)	$144,028	$10,256	$(1,460)	$(22,643)	$130,181
Total average loans, net of unearned income	$14,919,735	$1,871,820	$—	$220,880	$17,012,435
Total average assets (5)	41,533,434	1,893,413	349,011	414,332	44,190,190
Total average deposits	37,837,645	1,130,736	—	299,748	39,268,129
Three months ended March 31, 2015					
Net interest income	$203,749	$9,723	$1	$25,452	$238,925
Provision for loan losses	(6,460)	8	—	—	(6,452)
Noninterest income	63,193	397	20,678	39,256	123,524
Noninterest expense (3)	(138,448)	(2,876)	(3,486)	(45,731)	(190,541)
Income before income tax expense (4)	$122,034	$7,252	$17,193	$18,977	$165,456
Total average loans, net of unearned income	$12,505,385	$1,373,149	$—	$169,751	$14,048,285
Total average assets (5)	35,581,252	1,445,871	269,982	924,236	38,221,341
Total average deposits	32,469,427	1,251,939	—	140,870	33,862,236

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

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

(3) The Global Commercial Bank segment includes direct depreciation and amortization of $5.7 million and $5.3 million for the three months March 31, 2016 and 2015, respectively.

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

(5) Total average assets equal the greater of total average assets or the sum of total average liabilities and total average stockholders’ equity for each segment which contributes to the negative balances reported in "Other Items" to reconcile the results to the consolidated financial statements prepared in conformity with GAAP.

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

In the normal course of business we use financial instruments with off-balance sheet risk to meet the financing needs of our customers. These financial instruments include commitments to extend credit, commercial and standby letters of credit and commitments to invest in venture capital and private equity fund investments. These instruments involve 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.

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Commitments to Extend Credit

The following table summarizes information related to our commitments to extend credit at March 31, 2016 and December 31, 2015:

(Dollars in thousands)	March 31, 2016	December 31, 2015
Loan commitments available for funding: (1)		
Fixed interest rate commitments	$1,257,696	$1,312,734
Variable interest rate commitments	13,091,598	12,822,461
Total loan commitments available for funding	14,349,294	14,135,195
Commercial and standby letters of credit (2)	1,530,904	1,479,164
Total unfunded credit commitments	$15,880,198	$15,614,359
Commitments unavailable for funding (3)	$1,975,551	$2,026,532
Maximum lending limits for accounts receivable factoring arrangements (4)	960,071	1,006,404
Reserve for unfunded credit commitments (5)	34,541	34,415

(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 March 31, 2016. The maximum potential amount of future payments represents the amount that could be remitted under letters of credit if there were a total default by the guaranteed parties, without consideration of possible recoveries under recourse provisions or from the collateral held or pledged.

(Dollars in thousands)	Expires In One Year or Less	Expires After One Year	Total Amount Outstanding	Maximum Amount of Future Payments
Financial standby letters of credit	$ 1,421,632	$ 25,365	$ 1,446,997	$ 1,446,997
Performance standby letters of credit	67,298	5,223	72,521	72,521
Commercial letters of credit				