SVB FINANCIAL GROUP
Form 10-Q
November 09, 2012
Table of Contents

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

FORM 10-Q

(Mark One)

x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended September 30, 2012
OR

¨ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to .
Commission File Number: 000-15637
SVB FINANCIAL GROUP
(Exact name of registrant as specified in its charter)

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

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No ¨
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No ¨
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):
Large accelerated filer x Accelerated filer ¨ Non-accelerated filer ¨ Smaller reporting company ¨
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ¨ No x
At October 31, 2012, 44,517,133 shares of the registrant's common stock ($0.001 par value) were outstanding.

Table of Contents

TABLE OF CONTENTS

Table of Contents

Glossary of Acronyms used in this Report

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

Table of Contents

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

(Dollars in thousands, except par value and share data)	September 30, 2012	December 31, 2011
Assets		
Cash and cash equivalents	$906,680	$1,114,948
Available-for-sale securities	11,047,730	10,536,046
Non-marketable securities	1,163,815	1,004,440
Investment securities	12,211,545	11,540,486
Loans, net of unearned income	8,192,369	6,970,082
Allowance for loan losses	(101,524)	(89,947)
Net loans	8,090,845	6,880,135
Premises and equipment, net of accumulated depreciation and amortization	68,270	56,471
Accrued interest receivable and other assets	299,594	376,854
Total assets	$21,576,934	$19,968,894
Liabilities and total equity		
Liabilities:		
Noninterest-bearing demand deposits	$12,598,639	$11,861,888
Interest-bearing deposits	5,126,427	4,847,648
Total deposits	17,725,066	16,709,536
Short-term borrowings	508,170	—
Other liabilities	330,038	405,321
Long-term debt	458,314	603,648
Total liabilities	19,021,588	17,718,505
Commitments and contingencies (Note 11 and Note 14)		
SVBFG stockholders' equity:		
Preferred stock, $0.001 par value, 20,000,000 shares authorized; no shares issued and outstanding	—	—
Common stock, $0.001 par value, 150,000,000 shares authorized; 44,510,524 shares and 43,507,932 shares outstanding, respectively	45	44
Additional paid-in capital	538,454	484,216
Retained earnings	1,124,415	999,733
Accumulated other comprehensive income	122,010	85,399
Total SVBFG stockholders' equity	1,784,924	1,569,392
Noncontrolling interests	770,422	680,997
Total equity	2,555,346	2,250,389
Total liabilities and total equity	$21,576,934	$19,968,894

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

Table of Contents

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

(Dollars in thousands, except per share amounts)	Three months ended September 30, 2012	2011	Nine months ended September 30, 2012	2011
Interest income:				
Loans	$121,446	$101,693	$344,842	$284,935
Available-for-sale securities:				
Taxable	38,493	39,357	129,940	124,956
Non-taxable	894	899	2,693	2,723
Federal funds sold, securities purchased under agreements to resell and other short-term investment securities	1,125	1,375	3,075	4,972
Total interest income	161,958	143,324	480,550	417,586
Interest expense:				
Deposits	1,740	1,715	4,835	7,379
Borrowings	5,788	6,154	18,414	24,000
Total interest expense	7,528	7,869	23,249	31,379
Net interest income	154,430	135,455	457,301	386,207
Provision for (reduction of) loan losses	6,788	769	29,316	(2,144)
Net interest income after provision for loan losses	147,642	134,686	427,985	388,351
Noninterest income:				
Gains on investment securities, net	20,228	52,262	53,876	175,279
Foreign exchange fees	12,211	11,546	36,345	32,397
Deposit service charges	8,369	8,259	24,834	23,214
Credit card fees	6,348	4,506	18,185	12,687
Gains on derivative instruments, net	1,111	9,951	15,800	24,153
Letters of credit and standby letters of credit income	3,495	3,040	10,427	8,452
Client investment fees	3,954	2,939	10,226	9,707
Other	13,423	3,108	39,165	23,384
Total noninterest income	69,139	95,611	208,858	309,273
Noninterest expense:				
Compensation and benefits	79,262	77,009	243,384	232,529
Professional services	17,759	16,122	48,880	43,000
Premises and equipment	11,247	7,220	28,230	19,572
Business development and travel	6,838	5,886	21,743	17,429
Net occupancy	5,666	4,967	16,667	14,163
Correspondent bank fees	3,000	2,336	8,528	6,701
FDIC assessments	2,836	2,302	8,065	7,940
(Reduction of) provision for unfunded credit commitments	(400)	2,055	1,264	2,131
Other	8,963	9,554	26,188	22,453
Total noninterest expense	135,171	127,451	402,949	365,918
Income before income tax expense	81,610	102,846	233,894	331,706
Income tax expense	28,470	26,770	83,743	92,803
Net income before noncontrolling interests	53,140	76,076	150,151	238,903
Net income attributable to noncontrolling interests	(10,851)	(38,505)	(25,469)	(102,575)
Net income available to common stockholders	$42,289	$37,571	$124,682	$136,328

Earnings per common share—basic	$0.95	$0.87	$2.82	$3.18
Earnings per common share—diluted	0.94	0.86	2.79	3.12

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

Table of Contents

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

	Three months ended September 30,		Nine months ended September 30,	
(Dollars in thousands)	2012	2011	2012	2011
Net income before noncontrolling interests	$53,140	$76,076	$150,151	$238,903
Other comprehensive income, net of tax:				
Change in cumulative translation gains:				
Foreign currency translation gains (losses)	2,940	(5,573)	755	(3,682)
Related tax (expense) benefit	(1,190)	2,280	(314)	1,506
Change in unrealized gains on available-for-sale securities:				
Unrealized holding gains	27,596	93,701	64,631	168,378
Related tax expense	(11,473)	(38,329)	(26,290)	(68,858)
Reclassification adjustment for losses (gains) included in net income	101	(5)	(3,592)	(37,288)
Related tax (benefit) expense	(41)	2	1,421	15,254
Other comprehensive income, net of tax	17,933	52,076	36,611	75,310
Comprehensive income	71,073	128,152	186,762	314,213
Comprehensive income attributable to noncontrolling interests	(10,851)	(38,505)	(25,469)	(102,575)
Comprehensive income attributable to SVBFG	$60,222	$89,647	$161,293	$211,638

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

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, 2010	42,268,201	$ 42	$ 422,334	$ 827,831	$ 24,143	$ 1,274,350	$ 473,928	$ 1,748,278
Common stock issued under employee benefit plans, net of restricted stock cancellations	999,655	1	30,271	—	—	30,272	—	30,272
Common stock issued upon settlement of 3.875% Convertible Notes, net of shares received from associated convertible note hedge	1,024	—	—	—	—	—	—	—
Income tax benefit from stock options exercised, vesting of restricted stock and other	—	—	6,548	—	—	6,548	—	6,548
Net income	—	—	—	136,328	—	136,328	102,575	238,903
Capital calls and distributions, net	—	—	—	—	—	—	79,727	79,727
Net change in unrealized gains on available-for-sale securities, net of tax	—	—	—	—	77,486	77,486	—	77,486
Foreign currency translation adjustments, net of tax	—	—	—	—	(2,176)	(2,176)	—	(2,176)
Share-based compensation expense	—	—	13,290	—	—	13,290	—	13,290
Balance at September 30, 2011	43,268,880	$ 43	$ 472,443	$ 964,159	$ 99,453	$ 1,536,098	$ 656,230	$ 2,192,328
Balance at December 31, 2011	43,507,932	$ 44	$ 484,216	$ 999,733	$ 85,399	$ 1,569,392	$ 680,997	$ 2,250,389
Common stock issued under employee benefit plans, net of restricted stock cancellations	929,032	1	27,350	—	—	27,351	—	27,351
Common stock issued under ESOP	73,560	—	4,345	—	—	4,345	—	4,345
Income tax benefit from stock options exercised, vesting of restricted stock and other	—	—	6,312	—	—	6,312	—	6,312

Net income	—	—	—	124,682	—	124,682	25,469	150,151
Capital calls and distributions, net	—	—	—	—	—	—	63,956	63,956
Net change in unrealized gains on available-for-sale securities, net of tax	—	—	—	—	36,170	36,170	—	36,170
Foreign currency translation adjustments, net of tax	—	—	—	—	441	441	—	441
Share-based compensation expense	—	—	16,231	—	—	16,231	—	16,231
Balance at September 30, 2012	44,510,524	$ 45	$ 538,454	$ 1,124,415	$ 122,010	$ 1,784,924	$ 770,422	$ 2,555,346

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

Table of Contents

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

	Nine months ended September 30,	
(Dollars in thousands)	2012	2011
Cash flows from operating activities:		
Net income before noncontrolling interests	$150,151	$238,903
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for (reduction of) loan losses	29,316	(2,144)
Provision for unfunded credit commitments	1,264	2,131
Changes in fair values of derivatives, net	(4,411)	(20,334)
Gains on investment securities, net	(53,876)	(175,279)
Depreciation and amortization	22,651	19,999
Amortization of premiums and discounts on available-for-sale securities, net	42,511	18,170
Tax benefit from stock exercises	1,245	854
Amortization of share-based compensation	16,594	13,501
Amortization of deferred loan fees	(42,308)	(43,806)
Deferred income tax expense	(997)	3,135
Gain on the sale of certain assets related to our equity services management business	(4,243)	—
Net gain from note repurchases and termination of corresponding interest rate swaps	—	(3,123)
Changes in other assets and liabilities:		
Accrued interest receivable and payable, net	(9,084)	(13,919)
Accounts receivable and payable, net	33,277	(3,441)
Income tax payable and receivable, net	6,223	8,174
Prepaid FDIC assessments and amortization	6,896	6,468
Accrued compensation	(40,600)	9,968
Foreign exchange spot contracts, net	(41,188)	10,587
Other, net	12,244	20,344
Net cash provided by operating activities	125,665	90,188
Cash flows from investing activities:		
Purchases of available-for-sale securities	(2,859,155)	(5,034,425)
Proceeds from sales of available-for-sale securities	326,178	1,414,794
Proceeds from maturities and pay downs of available-for-sale securities	2,047,753	2,048,439
Purchases of nonmarketable securities (cost and equity method accounting)	(114,134)	(43,260)
Proceeds from sales of nonmarketable securities (cost and equity method accounting)	31,903	21,524
Purchases of nonmarketable securities (fair value accounting)	(99,062)	(127,362)
Proceeds from sales and distributions of nonmarketable securities (fair value accounting)	94,188	66,541
Net increase in loans	(1,218,366)	(792,169)
Proceeds from recoveries of charged-off loans	8,018	21,626
Purchases of premises and equipment	(31,548)	(21,600)
Proceeds from the sale of certain assets related to our equity services management business	2,870	—
Net cash used for investing activities	(1,811,355)	(2,445,892)
Cash flows from financing activities:		
Net increase in deposits	1,015,530	1,802,281
Increase (decrease) in short-term borrowings	508,170	(37,245)
Principal payments of other long term debt	(1,222)	—
Capital contributions from noncontrolling interests, net of distributions	63,956	79,727
Tax benefit from stock exercises	5,067	5,694

Proceeds from issuance of common stock and ESPP	27,350	30,271
Principal payments of 5.70% Senior Notes	(141,429)	—
Payments for repurchases of portions of 5.70% Senior Notes and 6.05% Subordinated Notes, including repurchase premiums and associated fees	—	(346,443)
Proceeds from termination of portions of interest rate swaps associated with 5.70% Senior Notes and 6.05% Subordinated Notes	—	36,959
Payments for settlement of 3.875% Convertible Notes	—	(250,000)
Net cash provided by financing activities	1,477,422	1,321,244
Net decrease in cash and cash equivalents	(208,268)	(1,034,460)
Cash and cash equivalents at beginning of period	1,114,948	3,076,432
Cash and cash equivalents at end of period	$906,680	$2,041,972
Supplemental disclosures:		
Cash paid during the period for:		
Interest	$28,000	$37,776
Income taxes	69,094	74,313
Noncash items during the period:		
Unrealized gains on available-for-sale securities, net of tax	$36,170	$77,486

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

Table of Contents

SVB FINANCIAL GROUP AND SUBSIDIARIES
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
1. Basis of Presentation
SVB Financial Group is a diversified financial services company, as well as a bank holding company and financial holding company. SVB Financial was incorporated in the state of Delaware in March 1999. Through our various subsidiaries and divisions, we offer a variety of banking and financial products and services to support our clients of all sizes and stages throughout their life cycles. In these notes to our consolidated financial statements, when we refer to "SVB Financial Group," "SVBFG", the "Company," "we," "our," "us" or use similar words, we mean SVB Financial Group all of its subsidiaries collectively, including Silicon Valley Bank (the "Bank"), unless the context requires otherwise. When we refer to "SVB Financial" or the "Parent" we are referring only to the parent company, SVB Financial Group, unless the context requires otherwise.
The accompanying unaudited interim consolidated financial statements reflect all adjustments of a normal and recurring nature that are, in the opinion of management, necessary to fairly present our financial position, results of operations and cash flows in accordance with GAAP. Such unaudited interim consolidated financial statements have been prepared in accordance with the instructions to Form 10-Q pursuant to the rules and regulations of the SEC. Certain information and footnote disclosures normally included in financial statements prepared in accordance with GAAP have been condensed or omitted pursuant to such rules and regulations. The results of operations for the three and nine months ended September 30, 2012 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, 2011 ("2011 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 2011 Form 10-K.
The preparation of unaudited interim consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Estimates may change as new information is obtained. Significant items that are subject to such estimates include measurements of fair value, the valuation of non-marketable securities, the valuation of equity warrant assets, the adequacy of the allowance for loan losses and reserve for unfunded credit commitments, and the recognition and measurement of income tax assets and liabilities.
Principles of Consolidation and Presentation
Our consolidated financial statements include the accounts of SVB Financial Group and entities in which we have a controlling financial interest. We determine whether we have a controlling financial interest in an entity by evaluating whether the entity is a voting interest entity or a variable interest entity and whether the accounting guidance requires consolidation. All significant intercompany accounts and transactions have been eliminated.
Voting interest entities are entities that have sufficient equity and provide the equity investors voting rights that enable them to make significant decisions relating to the entity's operations. For these types of entities, the Company's determination of whether it has a controlling interest is based on ownership of the majority of the entities' voting equity interest or through control of management of the entities.
VIEs are entities that, by design, either (1) lack sufficient equity to permit the entity to finance its activities without additional subordinated financial support from other parties, or (2) have equity investors that do not have the ability to make significant decisions relating to the entity's operations through voting rights, or do not have the obligation to absorb the expected losses, or do not have the right to receive the residual returns of the entity. We determine whether we have a controlling financial interest in a VIE by considering whether our involvement with the VIE is significant and designates us as the primary beneficiary based on the following:
1. We have the power to direct the activities of the VIE that most significantly impact the entity's economic performance;
2.

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

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

Voting interest entities in which we have a controlling financial interest or VIEs in which we are the primary beneficiary are consolidated into our financial statements.

We have not provided financial or other support during the periods presented to any VIE that we were not previously contractually required to provide. We are variable interest holders in certain partnerships for which we are the primary beneficiary.

9

Table of Contents

We perform on-going reassessments on the status of the entities and whether facts or circumstances have changed in relation to previously evaluated voting interest entities and our involvement in VIEs which could cause our consolidation conclusion to change.

Impact of Adopting ASU No. 2011-04, Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRS

In May 2011, the FASB issued a new accounting standard which requires new disclosures and clarifies existing guidance surrounding fair value measurement. This standard was issued concurrently with the IASB’s issuance of a fair value measurement standard with the objective of a converged definition of fair value measurement and disclosure guidance. The new guidance clarified that the principal market for a financial instrument should be determined based on the market with the greatest volume and level of activity. This new guidance was effective on a prospective basis for interim and annual reporting periods beginning after December 15, 2011, and was therefore adopted effective January 1, 2012. This standard clarified how fair value is measured and increased the disclosure requirements for fair value measurements, and did not have a material impact on our financial position, results of operations or stockholders’ equity. See Note 13 – “Fair Value of Financial Instruments” for further details.

Impact of Adopting ASU No. 2011-05, Presentation of Comprehensive Income

In June 2011, the FASB issued a new accounting standard, which requires presentation of the components of total comprehensive income in either a single continuous statement of comprehensive income or in two separate but consecutive statements. Regardless of which option is chosen, reclassification adjustments for items that are reclassified from other comprehensive income to net income are required to be shown on the face of the financial statements. In December 2011, the FASB approved a proposed update, which indefinitely defers the requirements of ASU No. 2011-05 to present components of reclassifications of other comprehensive income on the face of the income statement. This new guidance did not change the items that must be reported in other comprehensive income or when an item of other comprehensive income must be reclassified to net income. The guidance was effective on a retrospective basis for the interim and annual reporting periods beginning after December 15, 2011, and was therefore adopted effective January 1, 2012. This standard only clarified the presentation of comprehensive income and did not affect our financial position, results of operations or stockholders’ equity.

Recent Accounting Pronouncements

In December 2011, the FASB issued a new accounting standard (ASU No. 2011-11, Disclosures about Offsetting Assets and Liabilities), which requires new disclosures surrounding financial instruments and derivative instruments that are offset on the statement of financial position, or are eligible for offset subject to a master netting arrangement. This standard was issued concurrent with the IASB’s issuance of a similar standard with the objective of converged disclosure guidance. The guidance is effective on a retrospective basis for the interim and annual reporting periods beginning after January 1, 2013. We are currently assessing the impact of this guidance, however we do not expect it to have a material impact on our financial position, results of operations or stockholders’ equity.

Reclassifications

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

2. Stockholders’ Equity and EPS

EPS

Basic EPS is the amount of earnings available to each share of common stock outstanding during the reporting period. Diluted EPS is the amount of earnings available to each share of common stock outstanding during the reporting period adjusted to include the effect of potentially dilutive common shares. Potentially dilutive common shares include incremental shares issued for stock options and restricted stock units outstanding under our equity incentive plans, our ESPP, and for certain prior periods, our 3.875% convertible senior notes (“3.875% Convertible Notes”). Potentially dilutive common shares are excluded from the computation of dilutive EPS in periods in which the effect would be antidilutive. The following is a reconciliation of basic EPS to diluted EPS for the three and nine months ended September 30, 2012 and 2011:

Table of Contents

(Dollars and shares in thousands, except per share amounts)	Three months ended September 30, 2012	2011	Nine months ended September 30, 2012	2011
Numerator:				
Net income available to common stockholders	$42,289	$37,571	$124,682	$136,328
Denominator:				
Weighted average common shares outstanding-basic	44,449	43,233	44,147	42,882
Weighted average effect of dilutive securities:				
Stock options and ESPP	346	452	402	610
Restricted stock units	120	106	143	122
3.875% Convertible Notes (1)	—	—	—	27
Denominator for diluted calculation	44,915	43,791	44,692	43,641
Earnings per common share:				
Basic	$0.95	$0.87	$2.82	$3.18
Diluted	$0.94	$0.86	$2.79	$3.12

(1) Our $250 million 3.875% Convertible Notes matured on April 15, 2011.

The following table summarizes the weighted-average common shares excluded from the diluted EPS calculation as they were deemed to be antidilutive for the three and nine months ended September 30, 2012 and 2011:

(Shares in thousands)	Three months ended September 30, 2012	2011	Nine months ended September 30, 2012	2011
Stock options	795	1,264	658	663
Restricted stock units	220	279	—	128
Total	1,015	1,543	658	791

3. Share-Based Compensation

For the three and nine months ended September 30, 2012 and 2011, we recorded share-based compensation and related tax benefits as follows:

(Dollars in thousands)	Three months ended September 30, 2012	2011	Nine months ended September 30, 2012	2011
Share-based compensation expense	$5,617	$4,552	$16,594	$13,501
Income tax benefit related to share-based compensation expense	(1,720)	(1,256)	(4,408)	(3,532)

Unrecognized Compensation Expense

As of September 30, 2012, unrecognized share-based compensation expense was as follows:

(Dollars in thousands)	Unrecognized Expense	Average Expected Recognition Period - in Years
Stock options	$17,308	2.80
Restricted stock units	26,662	2.81
Total unrecognized share-based compensation expense	$43,970	

Share-Based Payment Award Activity

The table below provides stock option information related to the 1997 Equity Incentive Plan and the 2006 Equity Incentive Plan for the nine months ended September 30, 2012:

Table of Contents

	Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life in Years	Aggregate Intrinsic Value of In-The-Money Options
Outstanding at December 31, 2011	2,439,360	$42.64		
Granted	395,563	63.90		
Exercised	(680,929)	35.28		
Forfeited	(56,996)	47.90		
Expired	(4,568)	42.50		
Outstanding at September 30, 2012	2,092,430	48.91	4.14	$25,582,079
Vested and expected to vest at September 30, 2012	2,003,907	48.50	4.07	25,221,007
Exercisable at September 30, 2012	1,088,716	44.35	2.88	17,542,729

The aggregate intrinsic value of outstanding options shown in the table above represents the pretax intrinsic value based on our closing stock price of $60.46 as of September 30, 2012. The total intrinsic value of options exercised during the three and nine months ended September 30, 2012 was $3.0 million and $16.7 million, respectively, compared to $3.2 million and $19.0 million for the comparable 2011 periods.

The table below provides information for restricted stock units under the 2006 Equity Incentive Plan for the nine months ended September 30, 2012:

	Shares	Weighted Average Grant Date Fair Value
Nonvested at December 31, 2011	499,119	$52.72
Granted	313,040	63.83
Vested	(144,953)	51.25
Forfeited	(26,700)	54.89
Nonvested at September 30, 2012	640,506	58.39

4. Cash and Cash Equivalents

The following table details our cash and cash equivalents at September 30, 2012 and December 31, 2011:

(Dollars in thousands)	September 30, 2012	December 31, 2011
Cash and due from banks (1)	$678,239	$852,010
Securities purchased under agreements to resell (2)	116,276	175,553
Other short-term investment securities	112,165	87,385
Total cash and cash equivalents	$906,680	$1,114,948

(1) At September 30, 2012 and December 31, 2011, $139.1 million and $100.1 million, respectively, of our cash and due from banks was deposited at the FRB and was earning interest at the Federal Funds target rate, and interest-earning deposits in other financial institutions were $187.6 million and $371.5 million, respectively.

(2) At September 30, 2012 and December 31, 2011, securities purchased under agreements to resell were collateralized by U.S. treasury securities and U.S. agency securities with aggregate fair values of $118.6 million and $179.1 million, respectively. None of these securities received as collateral were sold or repledged as of September 30, 2012 and December 31, 2011.

5. Investment Securities

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

Table of Contents

The major components of our investment securities portfolio at September 30, 2012 and December 31, 2011 are as follows:

(Dollars in thousands)	September 30, 2012 Amortized Cost	Unrealized Gains	Unrealized Losses	Carrying Value	December 31, 2011 Amortized Cost	Unrealized Gains	Unrealized Losses	Carrying Value
Available-for-sale securities, at fair value:								
U.S. treasury securities	$25,101	$328	$—	$25,429	$25,233	$731	$—	$25,964
U.S. agency debentures	2,857,336	78,814	—	2,936,150	2,822,158	52,864	(90)	2,874,932
Residential mortgage-backed securities:								
Agency-issued mortgage-backed securities	1,535,934	54,648	—	1,590,582	1,529,466	34,926	(106)	1,564,286
Agency-issued collateralized mortgage obligations—fixed rate	4,119,707	49,160	(742)	4,168,125	3,317,285	56,546	(71)	3,373,760
Agency-issued collateralized mortgage obligations—variable rate	1,928,853	10,951	(5)	1,939,799	2,416,158	1,554	(4,334)	2,413,378
Agency-issued commercial mortgage-backed securities	273,021	6,486	—	279,507	176,646	2,047	—	178,693
Municipal bonds and notes	91,643	8,578	—	100,221	92,241	8,257	—	100,498
Equity securities	3,941	4,265	(289)	7,917	5,554	180	(1,199)	4,535
Total available-for-sale securities	$10,835,536	$213,230	$(1,036)	$11,047,730	$10,384,741	$157,105	$(5,800)	$10,536,046
Non-marketable securities:								
Non-marketable securities (fair value accounting):								
Venture capital and private equity fund investments (1)				658,409				611,824
Other venture capital investments (2)				118,622				124,121
Other investments				—				987

Non-marketable securities (equity method accounting):		
Other investments (3)	141,761	68,252
Low income housing tax credit funds	66,806	34,894
Non-marketable securities (cost method accounting):		
Venture capital and private equity fund investments (4)	158,275	145,007
Other investments	19,942	19,355
Total non-marketable securities	1,163,815	1,004,440
Total investment securities	$12,211,545	$11,540,486

(1) The following table shows the amounts of venture capital and private equity fund investments held by the following consolidated funds and our ownership percentage of each fund at September 30, 2012 and December 31, 2011 (fair value accounting):

Table of Contents

	September 30, 2012		December 31, 2011	
(Dollars in thousands)	Amount	Ownership %	Amount	Ownership %
SVB Strategic Investors Fund, LP	$35,963	12.6 %	$39,567	12.6 %
SVB Strategic Investors Fund II, LP	103,302	8.6	122,619	8.6
SVB Strategic Investors Fund III, LP	208,809	5.9	218,429	5.9
SVB Strategic Investors Fund IV, LP	161,082	5.0	122,076	5.0
Strategic Investors Fund V Funds	28,908	Various	8,838	0.3
SVB Capital Preferred Return Fund, LP	51,460	20.0	42,580	20.0
SVB Capital—NT Growth Partners, LP	61,253	33.0	43,958	33.0
SVB Capital Partners II, LP (i)	1,341	5.1	2,390	5.1
Other private equity fund (ii)	6,291	58.2	11,367	58.2
Total venture capital and private equity fund investments	$658,409		$611,824	

(i) At September 30, 2012, we had a direct ownership interest of 1.3 percent and an indirect ownership interest of 3.8 percent in the fund through our ownership interest of SVB Strategic Investors Fund II, LP.

(ii) At September 30, 2012, we had a direct ownership interest of 41.5 percent and indirect ownership interests of 12.6 percent and 4.1 percent in the fund through our ownership interest of SVB Capital—NT Growth Partners, LP and SVB Capital Preferred Return Fund, LP, respectively.

(2) The following table shows the amounts of other venture capital investments held by the following consolidated funds and our ownership percentage of each fund at September 30, 2012 and December 31, 2011 (fair value accounting):

	September 30, 2012		December 31, 2011	
(Dollars in thousands)	Amount	Ownership %	Amount	Ownership %
Silicon Valley BancVentures, LP	$16,737	10.7 %	$17,878	10.7 %
SVB Capital Partners II, LP (i)	55,686	5.1	61,099	5.1
SVB India Capital Partners I, LP	42,713	14.4	42,832	14.4
SVB Capital Shanghai Yangpu Venture Capital Fund	3,486	6.8	2,312	6.8
Total other venture capital investments	$118,622		$124,121	

(i) At September 30, 2012, we had a direct ownership interest of 1.3 percent and an indirect ownership interest of 3.8 percent in the fund through our ownership of SVB Strategic Investors Fund II, LP.

(3) The following table shows the carrying value and our ownership percentage of each investment at September 30, 2012 and December 31, 2011 (equity method accounting):

	September 30, 2012		December 31, 2011	
(Dollars in thousands)	Amount	Ownership %	Amount	Ownership %
Gold Hill Venture Lending 03, LP (i)	$9,187	9.3 %	$16,072	9.3 %
Gold Hill Capital 2008, LP (ii)	20,491	15.5	19,328	15.5
Partners for Growth II, LP	3,199	24.2	3,785	24.2
China Joint Venture investment (iii)	78,484	50.0	—	—
Other investments	30,400	N/A	29,067	N/A
Total other investments (equity method accounting)	$141,761		$68,252	

(i) At September 30, 2012, we had a direct ownership interest of 4.8 percent in the fund and an indirect interest in the fund through our investment in Gold Hill Venture Lending Partners 3, LLC (“GHLLC”) of 4.5 percent.

(ii)

At September 30, 2012, 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.

(iii) On May 3, 2012, we contributed $79.7 million to SPD Silicon Valley Bank Co., Ltd. ("SPD-SVB"), our joint venture bank in China.

14

(4) Represents investments in 325 and 329 funds (primarily venture capital funds) at September 30, 2012 and December 31, 2011, respectively, where our ownership interest is less than 5% of the voting interests of each such fund and in which we do not have the ability to exercise significant influence over the partnerships operating activities and financial policies. For the three months ended September 30, 2012, we recognized OTTI losses of $0.4 million resulting from other-than-temporary declines in value for 17 of the 325 investments. For the nine months ended September 30, 2012, we recognized OTTI losses of $0.9 million resulting from other-than-temporary declines in value for 43 of the 325 investments. The OTTI losses are included in net gains on investment securities, a component of noninterest income. We concluded that any declines in value for the remaining investments were temporary and as such, no OTTI was required to be recognized. At September 30, 2012, the carrying value of these venture capital and private equity fund investments (cost method accounting) was $158.3 million, and the estimated fair value was $190.0 million.

The following table summarizes our unrealized losses on our available-for-sale securities portfolio into categories of less than 12 months, or 12 months or longer as of September 30, 2012:

	September 30, 2012					
	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
Residential mortgage-backed securities:						
Agency-issued collateralized mortgage obligations—fixed rate	$205,942	$(742)	$—	$—	$205,942	$(742)
Agency-issued collateralized mortgage obligations—variable rate	10,611	(5)	—	—	10,611	(5)
Equity securities	1,551	(95)	250	(194)	1,801	(289)
Total temporarily impaired securities (1)	$218,104	$(842)	$250	$(194)	$218,354	$(1,036)

(1) As of September 30, 2012, we identified a total of 10 investments that were in unrealized loss positions, of which three investments totaling $0.3 million with unrealized losses of $0.2 million have been in an impaired position for a period of time greater than 12 months. As of September 30, 2012, we do not intend to sell any impaired debt or equity securities prior to recovery of our adjusted cost basis, and it is more likely than not that we will not be required to sell any of our securities prior to recovery of our adjusted cost basis. Based on our analysis as of September 30, 2012, 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, or 12 months or longer as of December 31, 2011:

	December 31, 2011					
	Less than 12 months		12 months or longer		Total	
(Dollars in thousands)	Fair Value of Investments	Unrealized Losses	Fair Value of Investments	Unrealized Losses	Fair Value of Investments	Unrealized Losses
U.S. agency debentures	$50,994	$(90)	$—	$—	$50,994	$(90)
Residential mortgage-backed securities:						
Agency-issued mortgage-backed securities	54,588	(106)	—	—	54,588	(106)
	50,125	(71)	—	—	50,125	(71)

Agency-issued collateralized mortgage obligations—fixed rate						
Agency-issued collateralized mortgage obligations—variable rate	1,521,589	(4,334)	—	—	1,521,589	(4,334)
Equity securities	3,831	(1,199)	—	—	3,831	(1,199)
Total temporarily impaired securities	$1,681,127	$(5,800)	$—	$—	$1,681,127	$(5,800)

15

Table of Contents

The following table summarizes the remaining contractual principal maturities and fully taxable equivalent yields on debt securities classified as available-for-sale as of September 30, 2012. Interest income on certain municipal bonds and notes (non-taxable investments) are presented on a fully taxable equivalent basis using the federal statutory tax rate of 35.0 percent. The weighted average yield is computed using the amortized cost of debt securities, which are reported at fair value. For U.S. treasury securities, the expected maturity is the actual contractual maturity of the notes. Expected remaining maturities for certain U.S. agency debentures may occur earlier than their contractual maturities because the note issuers have the right to call outstanding amounts ahead of their contractual maturity. Expected maturities for mortgage-backed securities may differ significantly from their contractual maturities because mortgage borrowers have the right to prepay outstanding loan obligations with or without penalties. Mortgage-backed securities classified as available-for-sale typically have original contractual maturities from 10 to 30 years whereas expected average lives of these securities tend to be significantly shorter and vary based upon structure.

	September 30, 2012									
	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	$25,429	2.39%	$25,429	2.39%	$—	— %	$—	— %	$—	— %
U.S. agency debentures	2,936,150	1.56	51,027	1.05	2,653,180	1.49	231,943	2.43	—	—
Residential mortgage-backed securities:										
Agency-issued mortgage-backed securities	1,590,582	2.34	—	—	—	—	1,470,437	2.27	120,145	3.29
Agency-issued collateralized mortgage obligations - fixed rate	4,168,125	2.06	—	—	—	—	—	—	4,168,125	2.06
Agency-issued collateralized mortgage obligations - variable rate	1,939,799	0.70	—	—	—	—	—	—	1,939,799	0.70
Agency-issued commercial mortgage-backed securities	279,507	2.01	—	—	—	—	—	—	279,507	2.01
Municipal bonds and notes	100,221	4.99	933	5.20	17,333	5.60	49,532	6.02	32,423	6.24
Total	$11,039,813	1.75	$77,389	1.54	$2,670,513	1.52	$1,751,912	2.39	$6,539,999	1.70

Table of Contents

The following table presents the components of gains and losses (realized and unrealized) on investment securities for the three and nine months ended September 30, 2012 and 2011:

	Three months ended September 30,		Nine months ended September 30,	
(Dollars in thousands)	2012	2011	2012	2011
Gross gains on investment securities:				
Available-for-sale securities, at fair value (1)	$20	$5	$5,363	$37,382
Marketable securities (fair value accounting)	255	470	3,874	912
Non-marketable securities (fair value accounting):				
Venture capital and private equity fund investments	28,639	34,640	88,037	117,344
Other venture capital investments	2,515	22,058	5,848	29,077
Other investments	—	—	21	20
Non-marketable securities (equity method accounting):				
Other investments	5,571	2,192	12,382	8,708
Non-marketable securities (cost method accounting):				
Venture capital and private equity fund investments	694	735	1,639	1,791
Other investments	1,406	8	1,712	2,437
Total gross gains on investment securities	39,100	60,108	118,876	197,671
Gross losses on investment securities:				
Available-for-sale securities, at fair value (1)	(121)	—	(1,771)	(94)
Marketable securities (fair value accounting)	(553)	(1,691)	(1,307)	(5,806)
Non-marketable securities (fair value accounting):				
Venture capital and private equity fund investments	(16,557)	(2,373)	(49,090)	(9,274)
Other venture capital investments	(125)	(3,351)	(10,007)	(5,015)
Other investments	—	(16)	—	(16)
Non-marketable securities (equity method accounting):				
Other investments	(1,091)	(50)	(1,794)	(1,359)
Non-marketable securities (cost method accounting):				
Venture capital and private equity fund investments	(423)	(365)	(963)	(797)
Other investments	(2)	—	(68)	(31)
Total gross losses on investment securities	(18,872)	(7,846)	(65,000)	(22,392)
Gains on investment securities, net	$20,228	$52,262	$53,876	$175,279
Gains attributable to noncontrolling interests, including carried interest	$12,776	$42,961	$34,616	$112,783

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

6. Loans and Allowance for Loan Losses

We serve a variety of commercial clients in the technology, life science, venture capital/private equity and premium wine industries. Our technology clients generally tend to be in the industries of hardware (semiconductors, communications and electronics), software and related services, and clean technology. Because of the diverse nature of clean technology products and services, for our loan-related reporting purposes, cleantech-related loans are reported under our hardware, software, life science and other commercial loan categories, as applicable. Our life science clients are concentrated in the medical devices and biotechnology sectors. Loans made to venture capital/private equity firm clients typically enable them to fund investments prior to their receipt of funds from capital calls. Loans to the premium wine industry focus on vineyards and wineries that produce grapes and wines of high quality.

In addition to commercial loans, we make loans through SVB Private Bank primarily to venture capital/private equity

17

professionals. 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 real estate secured loans to eligible employees through our EHOP.

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 $73.8 million and $60.2 million at September 30, 2012 and December 31, 2011, respectively, is presented in the following table:

(Dollars in thousands)	September 30, 2012	December 31, 2011
Commercial loans:		
Software	$2,952,866	$2,492,849
Hardware	1,192,716	952,303
Venture capital/private equity	1,393,943	1,117,419
Life science	1,027,693	863,737
Premium wine	133,810	130,245
Other	309,970	342,147
Total commercial loans	7,010,998	5,898,700
Real estate secured loans:		
Premium wine (1)	379,837	345,988
Consumer loans (2)	609,370	534,001
Total real estate secured loans	989,207	879,989
Construction loans	48,558	30,256
Consumer loans	143,606	161,137
Total loans, net of unearned income (3)	$8,192,369	$6,970,082

(1) Included in our premium wine portfolio are gross construction loans of $148.4 million and $110.8 million at September 30, 2012 and December 31, 2011, respectively.

(2) Consumer loans secured by real estate at September 30, 2012 and December 31, 2011 were comprised of the following:

(Dollars in thousands)	September 30, 2012	December 31, 2011
Loans for personal residence	$432,004	$350,359
Loans to eligible employees	107,969	99,704
Home equity lines of credit	69,397	83,938
Consumer loans secured by real estate	$609,370	$534,001

(3) Included within our total loan portfolio are credit card loans of $66.2 million and $49.7 million at September 30, 2012 and December 31, 2011, respectively.

Table of Contents

Credit Quality

The composition of loans, net of unearned income of $73.8 million and $60.2 million at September 30, 2012 and December 31, 2011, respectively, broken out by portfolio segment and class of financing receivable is as follows:

(Dollars in thousands)	September 30, 2012	December 31, 2011
Commercial loans:		
Software	$2,952,866	$2,492,849
Hardware	1,192,716	952,303
Venture capital/private equity	1,393,943	1,117,419
Life science	1,027,693	863,737
Premium wine	513,647	476,233
Other	358,528	372,403
Total commercial loans	7,439,393	6,274,944
Consumer loans:		
Real estate secured loans	609,370	534,001
Other consumer loans	143,606	161,137
Total consumer loans	752,976	695,138
Total loans, net of unearned income	$8,192,369	$6,970,082

Table of Contents

The following table summarizes the aging of our gross loans, broken out by portfolio segment and class of financing receivable as of September 30, 2012 and December 31, 2011:

(Dollars in thousands)	30 - 59 Days Past Due	60 - 89 Days Past Due	Greater Than 90 Days Past Due	Total Past Due	Current	Loans Past Due 90 Days or More Still Accruing Interest
September 30, 2012:						
Commercial loans:						
Software	$ 5,323	$ 273	$ —	$ 5,596	$ 2,975,008	$ —
Hardware	8,901	181	5,000	14,082	1,163,848	5,000
Venture capital/private equity	1,651	—	—	1,651	1,406,695	—
Life science	8,646	1,875	—	10,521	1,027,806	—
Premium wine	49	—	—	49	512,621	—
Other	74	—	—	74	358,862	—
Total commercial loans	24,644	2,329	5,000	31,973	7,444,840	5,000
Consumer loans:						
Real estate secured loans	—	—	—	—	607,117	—
Other consumer loans	—	—	—	—	142,841	—
Total consumer loans	—	—	—	—	749,958	—
Total gross loans excluding impaired loans	24,644	2,329	5,000	31,973	8,194,798	5,000
Impaired loans	331	501	2,953	3,785	35,612	—
Total gross loans	$ 24,975	$ 2,830	$ 7,953	$ 35,758	$ 8,230,410	$ 5,000
December 31, 2011:						
Commercial loans:						
Software	$ 415	$ 1,006	$ —	$ 1,421	$ 2,515,327	$ —
Hardware	1,951	45	—	1,996	954,690	—
Venture capital/private equity	45	—	—	45	1,128,475	—
Life science	398	78	—	476	871,626	—
Premium wine	1	174	—	175	475,406	—
Other	15	—	—	15	370,539	—
Total commercial loans	2,825	1,303	—	4,128	6,316,063	—
Consumer loans:						
Real estate secured loans	—	—	—	—	515,534	—
Other consumer loans	590	—	—	590	157,389	—
Total consumer loans	590	—	—	590	672,923	—
Total gross loans excluding impaired loans	3,415	1,303	—	4,718	6,988,986	—
Impaired loans	1,350	1,794	6,613	9,757	26,860	—
Total gross loans	$ 4,765	$ 3,097	$ 6,613	$ 14,475	$ 7,015,846	$ —

Table of Contents

The following table summarizes our impaired loans as they relate to our allowance for loan losses, broken out by portfolio segment and class of financing receivable as of September 30, 2012 and December 31, 2011:

(Dollars in thousands)	Impaired loans for which there is a related allowance for loan losses	Impaired loans for which there is no related allowance for loan losses	Total carrying value of impaired loans	Total unpaid principal of impaired loans
September 30, 2012:				
Commercial loans:				
Software	$2,634	$182	$2,816	$3,324
Hardware	27,129	—	27,129	42,415
Life Science	—	—	—	—
Premium wine	—	3,079	3,079	3,317
Other	—	2,745	2,745	6,894
Total commercial loans	29,763	6,006	35,769	55,950
Consumer loans:				
Real estate secured loans	120	2,288	2,408	7,407
Other consumer loans	1,220	—	1,220	1,371
Total consumer loans	1,340	2,288	3,628	8,778
Total	$31,103	$8,294	$39,397	$64,728
December 31, 2011:				
Commercial loans:				
Software	$1,142	$—	$1,142	$1,540
Hardware	4,754	429	5,183	8,843
Life science	—	311	311	523
Premium wine	—	3,212	3,212	3,341
Other	4,303	1,050	5,353	9,104
Total commercial loans	10,199	5,002	15,201	23,351
Consumer loans:				
Real estate secured loans	—	18,283	18,283	22,410
Other consumer loans	3,133	—	3,133	3,197
Total consumer loans	3,133	18,283	21,416	25,607
Total	$13,332	$23,285	$36,617	$48,958

Table of Contents

The following table summarizes our average impaired loans, broken out by portfolio segment and class of financing receivable during the three and nine months ended September 30, 2012 and 2011:

	Three months ended September 30,		Nine months ended September 30,	
(Dollars in thousands)	2012	2011	2012	2011
Average impaired loans:				
Commercial loans:				
Software	$2,689	$2,562	$2,040	$2,652
Hardware	18,490	7,071	17,407	6,086
Life science	—	827	78	1,498
Premium wine	3,093	1,954	3,334	2,345
Other	2,619	7,604	3,590	4,453
Total commercial loans	26,891	20,018	26,449	17,034
Consumer loans:				
Real estate secured loans	2,411	18,746	5,967	19,476
Other consumer loans	1,266	1,107	2,152	369
Total consumer loans	3,677	19,853	8,119	19,845
Total average impaired loans	$30,568	$39,871	$34,568	$36,879

The following tables summarize the activity relating to our allowance for loan losses for the three and nine months ended September 30, 2012 and 2011, broken out by portfolio segment:

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

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

22

Table of Contents

Three months ended September 30, 2011 (dollars in thousands)	Beginning Balance June 30, 2011	Charge-offs	Recoveries	Provision for (Reduction of) Loan Losses	Ending Balance September 30, 2011
Commercial loans:					
Software	$31,873	$(3,125)	$2,718	$4,899	$36,365
Hardware	16,042	(4,813)	44	2,304	13,577
Venture capital/private equity	8,307	—	—	(497)	7,810
Life science	7,225	(310)	3,359	(2,110)	8,164
Premium wine	4,009	—	360	(354)	4,015
Other	5,869	—	64	(359)	5,574
Total commercial loans	73,325	(8,248)	6,545	3,883	75,505
Consumer loans	8,830	—	4,025	(3,114)	9,741
Total allowance for loan losses	$82,155	$(8,248)	$10,570	$769	$85,246

Nine months ended September 30, 2011 (dollars in thousands)	Beginning Balance December 31, 2010	Charge-offs	Recoveries	Provision for (Reduction of) Loan Losses	Ending Balance September 30, 2011
Commercial loans:					
Software	$29,288	$(4,747)	$10,638	$1,186	$36,365
Hardware	14,688	(4,828)	356	3,361	13,577
Venture capital/private equity	8,241	—	—	(431)	7,810
Life science	9,077	(3,972)	4,487	(1,428)	8,164
Premium wine	5,492	(449)	1,090	(2,118)	4,015
Other	5,318	(2,867)	471	2,652	5,574
Total commercial loans	72,104	(16,863)	17,042	3,222	75,505
Consumer loans	10,523	—	4,584	(5,366)	9,741
Total allowance for loan losses	$82,627	$(16,863)	$21,626	$(2,144)	$85,246

The following table summarizes the allowance for loan losses individually and collectively evaluated for impairment as of September 30, 2012 and December 31, 2011, broken out by portfolio segment:

(Dollars in thousands)	September 30, 2012		December 31, 2011	
	Individually Evaluated for Impairment	Collectively Evaluated for Impairment	Individually Evaluated for Impairment	Collectively Evaluated for Impairment
Commercial loans:				
Software	$653	$ 36,592	$526	$ 37,737
Hardware	5,061	22,624	1,261	15,549
Venture capital/private equity	—	10,643	—	7,319
Life science	—	12,163	—	10,243
Premium wine	—	3,161	—	3,914
Other	—	3,257	1,180	4,637
Total commercial loans	5,714	88,440	2,967	79,399
Consumer loans	289	7,081	740	6,841
Total allowance for loan losses	$6,003	$ 95,521	$3,707	$ 86,240

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

Table of Contents

is given a risk rating of 1 through 10. Loans risk-rated 1 through 4 are performing loans and translate to an internal rating of "Pass", with loans risk-rated 1 being cash secured. Loans risk-rated 5 through 7 are performing loans, however, we consider them as demonstrating higher risk which requires more frequent review of the individual exposures; these translate to an internal rating of "Performing (Criticized)". A majority of our Performing (Criticized) loans are from our SVB Accelerator practice, serving our emerging or early stage clients. Loans risk-rated 8 and 9 are loans that are considered to be impaired and are on nonaccrual status. Loans are placed on nonaccrual status when they become 90 days past due as to principal or interest payments (unless the principal and interest are well secured and in the process of collection), or when we have determined, based upon most recent available information, that the timely collection of principal or interest is not probable; these loans are deemed "impaired" (For further description of nonaccrual loans, refer to Note 2—"Summary of Significant Accounting Policies" under Part II, Item 8 of our 2011 Form 10-K). Loans rated 10 are charged-off and are not included as part of our loan portfolio balance. We review our credit quality indicators for performance and appropriateness of risk ratings as part of our evaluation process for our allowance for loan losses.
The following table summarizes the credit quality indicators, broken out by portfolio segment and class of financing receivables as of September 30, 2012 and December 31, 2011:

(Dollars in thousands)	Pass	Performing (Criticized)	Impaired	Total
September 30, 2012:				
Commercial loans:				
Software	$2,751,238	$229,366	$2,816	$2,983,420
Hardware	1,069,973	107,957	27,129	1,205,059
Venture capital/private equity	1,406,746	1,600	—	1,408,346
Life science	939,092	99,235	—	1,038,327
Premium wine	501,507	11,163	3,079	515,749
Other	335,201	23,735	2,745	361,681
Total commercial loans	7,003,757	473,056	35,769	7,512,582
Consumer loans:				
Real estate secured loans	588,678	18,439	2,408	609,525
Other consumer loans	131,548	11,293	1,220	144,061
Total consumer loans	720,226	29,732	3,628	753,586
Total gross loans	$7,723,983	$502,788	$39,397	$8,266,168
December 31, 2011:				
Commercial loans:				
Software	$2,290,497	$226,251	$1,142	$2,517,890
Hardware	839,230	117,456	5,183	961,869
Venture capital/private equity	1,120,373	8,147	—	1,128,520
Life science	748,129	123,973	311	872,413
Premium wine	434,309	41,272	3,212	478,793
Other	353,434	17,120	5,353	375,907
Total commercial loans	5,785,972	534,219	15,201	6,335,392
Consumer loans:				
Real estate secured loans	497,060	18,474	18,283	533,817
Other consumer loans	151,101	6,878	3,133	161,112
Total consumer loans	648,161	25,352	21,416	694,929
Total gross loans	$6,434,133	$559,571	$36,617	$7,030,321

TDRs

As of September 30, 2012 we had TDRs of $23.5 million where concessions have been granted to borrowers experiencing financial difficulties, in an attempt to maximize collection. There were unfunded commitments available for funding of $0.1 million to the clients associated with these TDRs as of September 30, 2012. The following table summarizes our loans modified in TDRs, broken out by portfolio segment and class of financing receivables at

September 30, 2012 and December 31, 2011:

24

Table of Contents

(Dollars in thousands)	September 30, 2012	December 31, 2011
Loans modified in TDRs:		
Commercial loans:		
Software	$2,459	$1,142
Hardware	12,193	5,183
Premium wine	1,971	1,949
Other	3,281	4,934
Total commercial loans	19,904	13,208
Consumer loans:		
Real estate secured loans	2,363	17,934
Other consumer loans	1,220	3,133
Total consumer loans	3,583	21,067
Total	$23,487	$34,275

The following table summarizes the recorded investment in loans modified in TDRs, broken out by portfolio segment and class of financing receivable, for modifications made during the three and nine months ended September 30, 2012 and 2011:

	Three months ended September 30,		Nine months ended September 30,	
(Dollars in thousands)	2012	2011	2012	2011
Loans modified in TDRs during the period:				
Commercial loans:				
Software	$1,969	$381	$1,969	$941
Hardware	—	801	11,677	2,674
Premium wine	—	—	156	1,993
Other	—	2,247	2,237	2,247
Total commercial loans	1,969	3,429	16,039	7,855
Consumer loans:				
Real estate secured loans	—	—	392	—
Other consumer loans	—	—	—	3,322
Total consumer loans	—	—	392	3,322
Total loans modified in TDR's during the period (1)	$1,969	$3,429	$16,431	$11,177

(1) During the three and nine months ended September 30, 2012, we had partial charge-offs of $1.1 million and $11.0 million, respectively, on loans classified as TDRs. There were $0.6 million partial charge-offs on loans classified as TDRs during the three and nine months ended September 30, 2011.

During the three months ended September 30, 2012 all new TDRs were modified through payment deferrals granted to our clients and no principal or interest was forgiven. During the nine months ended September 30, 2012 new TDRs totaling $9.6 million and $6.8 million were modified through forgiveness of principal and payment deferrals granted to our clients, respectively. During the three and nine months ended September 30, 2011 all new TDRs were modified through payment deferrals granted to our clients and no principal or interest was forgiven.

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

The following table summarizes the recorded investment in loans modified in TDRs within the previous 12 months that subsequently defaulted during the three and nine months ended September 30, 2012 and 2011, broken out by portfolio segment and class of financing receivable:

25

Table of Contents

(Dollars in thousands)	Three months ended September 30, 2012	2011	Nine months ended September 30, 2012	2011
TDRs modified within the previous 12 months that defaulted during the period:				
Commercial loans:				
Software	$—	$64	$—	$64
Hardware	515	1,206	515	3,079
Premium wine	—	1,993	—	1,993
Total commercial loans	515	3,263	515	5,136
Consumer loans:				
Real estate secured loans	120	—	120	—
Other consumer loans	—	3,322	—	3,322
Total consumer loans	120	3,322	120	3,322
Total TDRs modified within the previous 12 months that defaulted in the period	$635	$6,585	$635	$8,458

Charge-offs and defaults on previously restructured loans are evaluated to determine the impact to the allowance for loan losses, if any. The evaluation of these defaults may impact the assumptions used in calculating the reserve on other TDRs and impaired loans as well as management’s overall outlook of macroeconomic factors that affect the reserve on the loan portfolio as a whole. After evaluating the charge-offs and defaults experienced on our TDRs we determined that no change to our reserving methodology was necessary to determine the allowance for loan losses as of September 30, 2012.

7. Short-Term Borrowings and Long-Term Debt

The following table represents outstanding short-term borrowings and long-term debt at September 30, 2012 and December 31, 2011:

(Dollars in thousands)	Maturity	Principal value at September 30, 2012	Carrying Value September 30, 2012	Carrying Value December 31, 2011
Short-term borrowings:				
Short-term FHLB advances	October 1, 2012	$215,000	$215,000	$—
Federal funds purchased	October 1, 2012	287,000	287,000	—
Other short-term borrowings	(1)	6,170	6,170	—
Total short-term borrowings			$508,170	$—
Long-term debt:				
5.375% Senior Notes	September 15, 2020	$350,000	$347,944	$347,793
5.70% Senior Notes (2)	June 1, 2012	—	—	143,969
6.05% Subordinated Notes (3)	June 1, 2017	45,964	55,130	55,075
7.0% Junior Subordinated Debentures	October 15, 2033	50,000	55,240	55,372
Other long-term debt	(4)	—	—	1,439
Total long-term debt			$458,314	$603,648

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

(2) At December 31, 2011, included in the carrying value of our 5.70% Senior Notes was $2.6 million related to the fair value of the interest rate swap associated with the notes.

(3) At September 30, 2012 and December 31, 2011, included in the carrying value of our 6.05% Subordinated Notes were $9.5 million and $8.8 million, respectively, related to the fair value of the interest rate swap associated with

the notes.

(4) Represents long-term notes payable related to one of our debt fund investments. The last payment related to the notes was made in April 2012.

Interest expense related to short-term borrowings and long-term debt was $5.8 million and $18.4 million for the three and nine months ended September 30, 2012, respectively, and $6.2 million and $24.0 million for the three and nine months ended

September 30, 2011, respectively. Interest expense is net of the cash flow impact from our interest rate swap agreements related to our 5.70% Senior Notes and 6.05% Subordinated Notes. The weighted average interest rate associated with our short-term borrowings as of September 30, 2012 was 0.17 percent.

5.70% Senior Notes

Our remaining $141.4 million 5.70% Senior Notes matured on June 1, 2012 and we repaid all outstanding principal, including unpaid and accrued interest, in cash upon maturity. In connection with the maturity, we also terminated the interest rate swap associated with these notes (see Note 8—"Derivative Financial Instruments").

3.875% Convertible Notes

Our $250 million 3.875% Convertible Notes matured on April 15, 2011. The effective interest rate for our 3.875% Convertible Notes for the nine months ended September 30, 2011 was 5.92 percent and interest expense was $4.2 million.

Available Lines of Credit

We have certain facilities in place to enable us to access short-term borrowings on a secured (using available-for-sale securities as collateral) and an unsecured basis. These include repurchase agreements and uncommitted federal funds lines with various financial institutions. As of September 30, 2012, we borrowed $287.0 million against our uncommitted federal funds lines. We also pledge securities to the FHLB of San Francisco and the discount window at the FRB. The market value of collateral pledged to the FHLB of San Francisco (comprised primarily of U.S. agency debentures) at September 30, 2012 totaled $1.5 billion, of which $1.3 billion was unused and available to support additional borrowings. The market value of collateral pledged at the discount window of the FRB at September 30, 2012 totaled $604.5 million, all of which was unused and available to support additional borrowings.

8. Derivative Financial Instruments

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

Interest Rate Risk

Interest rate risk is our primary market risk and can result from timing and volume differences in the repricing of our interest rate-sensitive assets and liabilities and changes in market interest rates. To manage interest rate risk for our 5.70% Senior Notes and 6.05% Subordinated Notes, we entered into fixed-for-floating interest rate swap agreements at the time of debt issuance based upon LIBOR with matched-terms. Prior to our termination of portions of our interest rate swap agreements (discussed below), we used the shortcut method to assess hedge effectiveness and evaluate the hedging relationships for qualification under the shortcut method requirements for each reporting period. Net cash benefits associated with our interest rate swaps were recorded as a reduction in "Interest expense—Borrowings," a component of net interest income. The fair value of our interest rate swaps was calculated using a discounted cash flow method and adjusted for credit valuation associated with counterparty risk. Increases from changes in fair value were included in other assets and decreases from changes in fair value were included in other liabilities.

In connection with the repurchase of portions of our 5.70% Senior Notes and 6.05% Subordinated Notes in May 2011, we terminated corresponding amounts of the associated interest rate swaps. As a result of these terminations, the remaining portions of the interest rate swaps no longer qualify for the shortcut method to assess hedge effectiveness under ASC 815, Derivatives and Hedging, and are accounted for under the long-haul method. Any differences associated with our interest rate swaps that arise as a result of hedge ineffectiveness are recorded through net gains on derivative instruments, in noninterest income, a component of consolidated net income. Our 5.70% Senior Notes matured and were repaid on June 1, 2012, at which time the remaining portion of the associated interest rate swap expired.

Currency Exchange Risk

We enter into foreign exchange forward contracts to economically reduce our foreign exchange exposure risk related to certain of our client loans that are denominated in foreign currencies, primarily in Pound Sterling and Euro. We do not designate any foreign exchange forward contracts as derivative instruments that qualify for hedge accounting. Changes in currency rates on the loans are included in other noninterest income, a component of noninterest income.

We may experience ineffectiveness in the economic hedging relationship, because the loans 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

27

Table of Contents

in other assets and loss positions in other liabilities, while net changes in fair value are recorded through net gains on derivative instruments, in noninterest income, a component of consolidated net income. Additionally, through our global banking operations we maintain customer deposits denominated in the Euro and Pound Sterling which are used to fund certain loans in these currencies to limit our exposure to currency fluctuations.

Other Derivative Instruments

Equity Warrant Assets

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

Loan Conversion Options

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

Other Derivatives

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

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

Counterparty Credit Risk

We are exposed to credit risk if counterparties to our derivative contracts do not perform as expected. We mitigate counterparty credit risk through credit approvals, limits, monitoring procedures and obtaining collateral, as appropriate. Consistent with the clarification guidance included in ASU 2011-4, we made an accounting policy decision effective January 1, 2012 to use the exception in the guidance with respect to measuring counterparty credit risk for derivative instruments, which allows us to continue to measure the fair value of a group of financial assets and financial liabilities on a net risk basis by counterparty portfolio.

Table of Contents

The total notional or contractual amounts, fair value, collateral and net exposure of our derivative financial instruments at September 30, 2012 and December 31, 2011 were as follows:

(Dollars in thousands)	Balance Sheet Location	September 30, 2012 Notional or Contractual Amount	Fair Value	Collateral (1)	Net Exposure (2)	December 31, 2011 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	$9,508	$6,170	$3,338	$187,393	$11,441	$—	$11,441
Derivatives not designated as hedging instruments:									
Currency exchange risks:									
Foreign exchange forwards	Other assets	23,441	548	—	548	68,518	514	—	514
Foreign exchange forwards	Other liabilities	38,593	(1,373)	—	(1,373)	6,822	(199)	—	(199)
Net exposure			(825)	—	(825)		315	—	315
Other derivative instruments:									
Equity warrant assets	Other assets	162,471	70,478	—	70,478	144,586	66,953	—	66,953
Other derivatives:									
Foreign exchange forwards	Other assets	419,005	11,581	—	11,581	387,714	17,541	—	17,541
Foreign exchange forwards	Other liabilities	393,426	(10,116)	—	(10,116)	366,835	(16,346)	—	(16,346)
Foreign currency options	Other assets	127,379	987	—	987	75,600	271	—	271
Foreign currency options	Other liabilities	127,379	(987)	—	(987)	75,600	(271)	—	(271)
Loan conversion options	Other assets	9,778	1,240	—	1,240	14,063	923	—	923
Client interest rate derivatives	Other assets	62,120	236	—	236	39,713	50	—	50
Client interest rate derivatives	Other liabilities	62,120	(247)	—	(247)	39,713	(52)	—	(52)
Net exposure			2,694	—	2,694		2,116	—	2,116
Net			$81,855	$6,170	$75,685		$80,825	$—	$80,825

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

(2) Net exposure for contracts in a gain position reflects the replacement cost in the event of nonperformance by all such counterparties. The credit ratings of our institutional counterparties as of September 30, 2012 remain at investment grade or higher and there were no material changes in their credit ratings for the three and nine months

ended September 30, 2012.

Table of Contents

A summary of our derivative activity and the related impact on our consolidated statements of income for the three and nine months ended September 30, 2012 and 2011 is as follows:

(Dollars in thousands)	Statement of income location	Three months ended September 30, 2012	Three months ended September 30, 2011	Nine months ended September 30, 2012	Nine months ended September 30, 2011
Derivatives designated as hedging instruments:					
Interest rate risks:					
Net cash benefit associated with interest rate swaps	Interest expense—borrowings	$612	$2,337	$4,537	$12,205
Changes in fair value of interest rate swaps	Net gains on derivative instruments	74	(400)	571	(467)
Net gains associated with interest rate risk derivatives		$686	$1,937	$5,108	$11,738
Derivatives not designated as hedging instruments:					
Currency exchange risks:					
Gains (losses) on revaluations of foreign currency instruments	Other noninterest income	$1,578	$(3,931)	$96	$(733)
Gains on internal foreign exchange forward contracts, net	Net gains on derivative instruments	220	3,591	1,162	540
Net gains (losses) associated with currency risk		$1,798	$(340)	$1,258	$(193)
Other derivative instruments:					
Gains on equity warrant assets	Net gains on derivative instruments	$547	$5,518	$12,358	$23,375
Gains on client foreign exchange forward contracts, net	Net gains on derivative instruments	$607	$658	$3,002	$1,448
Net (losses) gains on other derivatives (1)	Net gains on derivative instruments	$(337)	$584	$(1,293)	$(743)

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

9. Other Noninterest Income and Other Noninterest Expense

A summary of other noninterest income for the three and nine months ended September 30, 2012 and 2011 is as follows:

(Dollars in thousands)	Three months ended September 30, 2012	Three months ended September 30, 2011	Nine months ended September 30, 2012	Nine months ended September 30, 2011
Unused commitment fees	$2,579	$1,900	$9,312	$5,194
Fund management fees	2,496	2,671	8,448	8,022
Service-based fee income	1,651	2,339	6,197	7,151
Net gains on the sale of certain assets related to our equity management services business	—	—	4,243	—
Loan syndication fees	1,353	50	2,853	920
Gains (losses) on revaluation of foreign currency instruments (1)	1,578	(3,931)	96	(733)
Currency revaluation gains (losses) (2)	845	(1,551)	(88)	(2,672)

Other	2,921	1,630	8,104	5,502
Total other noninterest income	$13,423	$3,108	$39,165	$23,384

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

(2) Represents the revaluation of foreign currency denominated financial statements of certain funds. Included in these amounts are gains of $0.8 million and losses of $3 thousand for the three and nine months ended September 30, 2012, respectively, attributable to noncontrolling interests calculated based on the ownership percentages of the noncontrolling interests. This compares to losses of $1.7 million and $1.6 million for the comparable 2011 periods.

30

Table of Contents

A summary of other noninterest expense for the three and nine months ended September 30, 2012: and 2011 is as follows:

	Three months ended September 30,		Nine months ended September 30,	
(Dollars in thousands)	2012	2011	2012	2011
Telephone	$1,619	$1,610	$4,950	$4,376
Client services	1,804	1,289	4,796	3,128
Data processing services	1,575	1,097	4,290	3,589
Tax credit fund amortization	941	1,212	2,961	3,366
Postage and supplies	591	641	1,844	1,725
Dues and publications	472	465	1,503	1,166
Net gain from note repurchases and termination of corresponding interest rate swaps	—	—	—	(3,123)
Other	1,961	3,240	5,844	8,226
Total other noninterest expense	$8,963	$9,554	$26,188	$22,453

10. Segment Reporting

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

Our operating segments' primary source of revenue is from net interest income, which is primarily the difference between interest earned on loans, net of funds transfer pricing ("FTP"), and interest paid on deposits, net of FTP. Accordingly, our segments are reported using net interest income, net of FTP. FTP is an internal measurement framework designed to assess the financial impact of a financial institution's sources and uses of funds. It is the mechanism by which an earnings credit is given for deposits raised, and an earnings charge is made for funded loans. Effective January 1, 2012, FTP is calculated at an instrument level based on account characteristics. Prior to January 1, 2012, FTP was calculated by applying a transfer rate to pooled, or aggregated, loan and deposit volumes. We have reclassified all prior period amounts to conform to the current period's methodology and presentation.

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

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

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

- Global Commercial Bank provides solutions to the financial needs of commercial clients through lending, deposit products, cash management services, and global banking and trade products and services. It also serves the needs of our non-U.S. clients with global banking products, including loans, deposits and global finance, in key foreign entrepreneurial markets, where applicable. Our Global Commercial Bank segment is comprised of results from our Commercial Bank, and also includes SVB Specialty Lending, SVB Analytics and our Debt Fund Investments. (For further description of these operating segments, refer to Note 20—"Segment Reporting" under Part II, Item 8 of our 2011 Form 10-K.) As a result of the change in FTP methodology discussed above, our Global Commercial Bank segment's total net interest income for the three and nine months ended September 30, 2011 was increased by $18.6 million and $52.9 million, respectively (offset is included within “Other Items”), due to the reclassification of all prior periods to reflect the current period’s methodology and presentation.

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

Table of Contents

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

The summary financial results of our operating segments are presented along with a reconciliation to our consolidated interim results. The Other Items column reflects the adjustments necessary to reconcile the results of the operating segments to the consolidated financial statements prepared in conformity with GAAP. Noninterest income in the Other Items column is primarily attributable to noncontrolling interests and gains on equity warrant assets. Noninterest expense in the Other Items column primarily consists of expenses associated with corporate support functions such as finance, human resources, marketing, legal and other expenses. Additionally, average assets in the Other Items column primarily consists of cash and cash equivalents.

Our segment information for the three and nine months ended September 30, 2012 and 2011 is as follows:

(Dollars in thousands)	Global Commercial Bank (1)	SVB Private Bank	SVB Capital (1)	Other Items	Total
Three months ended September 30, 2012					
Net interest income (loss)	$151,858	$5,666	$6	$(3,100)	$154,430
(Provision for) reduction of loan losses	(7,787)	999	—	—	(6,788)
Noninterest income	46,965	149	4,330	17,695	69,139
Noninterest expense (2)	(97,846)	(3,749)	(3,562)	(30,014)	(135,171)
Income (loss) before income tax expense (3)	$93,190	$3,065	$774	$(15,419)	$81,610
Total average loans, net of unearned income	$7,159,609	$755,001	$—	$(7,004)	$7,907,606
Total average assets (4)	19,861,275	758,988	238,595	868,339	21,727,197
Total average deposits	17,881,175	341,537	—	37,632	18,260,344
Three months ended September 30, 2011					
Net interest income (loss)	$133,946	$5,513	$2	$(4,006)	$135,455
(Provision for) reduction of loan losses	(3,883)	3,114	—	—	(769)
Noninterest income	39,189	128	9,873	46,421	95,611
Noninterest expense (2)	(92,350)	(2,846)	(3,860)	(28,395)	(127,451)
Income before income tax expense (3)	$76,902	$5,909	$6,015	$14,020	$102,846
Total average loans, net of unearned income	$5,263,448	$684,613	$—	$58,553	$6,006,614
Total average assets (4)	17,347,197	685,308	238,949	525,056	18,796,510
Total average deposits	15,573,886	200,547	—	29,603	15,804,036
Nine months ended September 30, 2012					
Net interest income (loss)	$441,542	$16,147	$22	$(410)	$457,301
(Provision for) reduction of loan losses	(29,946)	630	—	—	(29,316)
Noninterest income	139,387	457	12,474	56,540	208,858
Noninterest expense (2)	(292,580)	(10,338)	(8,970)	(91,061)	(402,949)
Income (loss) before income tax expense (3)	$258,403	$6,896	$3,526	$(34,931)	$233,894
Total average loans, net of unearned income	$6,559,036	$745,069	$—	$14,432	$7,318,537
Total average assets (4)	19,149,952	749,500	243,124	810,465	20,953,041
Total average deposits	17,240,715	278,736	—	27,743	17,547,194
Nine months ended September 30, 2011					
Net interest income (loss)	$380,461	$14,567	$6	$(8,827)	$386,207
(Provision for) reduction of loan losses	(3,222)	5,366	—	—	2,144
Noninterest income	110,604	351	23,879	174,439	309,273
Noninterest expense (2)	(262,932)	(7,326)	(10,113)	(85,547)	(365,918)
Income before income tax expense (3)	$224,911	$12,958	$13,772	$80,065	$331,706

Total average loans, net of unearned income	$4,933,707	$ 637,443	$ —	$48,559	$5,619,709
Total average assets (4)	16,788,462	637,854	225,041	685,491	18,336,848
Total average deposits	15,063,215	169,368	—	18,355	15,250,938

32

Table of Contents

(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.

(2) The Global Commercial Bank segment includes direct depreciation and amortization of $4.5 million and $3.1 million for the three months ended September 30, 2012 and 2011, respectively, and $11.6 million and $8.7 million for the nine months ended September 30, 2012 and 2011, respectively.

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

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

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

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

Commitments to Extend Credit

The following table summarizes information related to our commitments to extend credit at September 30, 2012 and December 31, 2011:

(Dollars in thousands)	September 30, 2012	December 31, 2011
Loan commitments available for funding: (1)		
Fixed interest rate commitments	$855,885	$658,377
Variable interest rate commitments	6,965,078	6,548,002
Total loan commitments available for funding	7,820,963	7,206,379
Commercial and standby letters of credit (2)	889,265	861,191
Total unfunded credit commitments	$8,710,228	$8,067,570
Commitments unavailable for funding (3)	$994,888	$841,439
Maximum lending limits for accounts receivable factoring arrangements (4)	888,463	747,392
Reserve for unfunded credit commitments (5)	23,075	21,811

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

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

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

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

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

Commercial and Standby Letters of Credit

The table below summarizes our commercial and standby letters of credit at September 30, 2012. 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.

Table of Contents

(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	$696,922	$60,234	$ 757,156	$ 757,156
Performance standby letters of credit	63,336	11,677	75,013	75,013
Commercial letters of credit	57,096	—	57,096	57,096
Total	$817,354	$71,911	$ 889,265	$ 889,265

At September 30, 2012 and December 31, 2011, deferred fees related to financial and performance standby letters of credit were $5.0 million and $6.1 million, respectively. At September 30, 2012, collateral in the form of cash of $347.7 million and available-for-sale securities of $13.2 million were available to us to reimburse losses, if any, under financial and performance standby letters of credit.

Commitments to Invest in Venture Capital and Private Equity Funds

We make commitments to invest in venture capital and private equity funds, which in turn make investments generally in, or in some cases make loans to, privately-held companies. Commitments to invest in these funds are generally made for a 10-year period from the inception of the fund. Although the limited partnership agreements governing these investments typically do not restrict the general partners from calling 100% of committed capital in one year, it is customary for these funds to generally call most of the capital commitments over 5 to 7 years; however in certain cases, the funds may not call 100% of committed capital over the life of the fund. The actual timing of future cash requirements to fund these commitments is generally dependent upon the investment cycle, overall market conditions, and the nature and type of industry in which the privately held companies operate. The following table details our total capital commitments, unfunded capital commitments, and our ownership percentage in each fund at September 30, 2012:

Our Ownership in Limited Partnership (Dollars in thousands)	SVBFG Capital Commitments	SVBFG Unfunded Commitments	SVBFG Ownership of each Fund	
Silicon Valley BancVentures, LP	$ 6,000	$ 270	10.7	%
SVB Capital Partners II, LP (1)	1,200	162	5.1	
SVB India Capital Partners I, LP	7,750	1,015	14.4	
SVB Capital Shanghai Yangpu Venture Capital Fund	923	159	6.8	
SVB Strategic Investors Fund, LP	15,300	688	12.6	
SVB Strategic Investors Fund II, LP	15,000	1,200	8.6	
SVB Strategic Investors Fund III, LP	15,000	2,700	5.9	
SVB Strategic Investors Fund IV, LP	12,239	4,284	5.0	
Strategic Investors Fund V Funds	1,000	833	Various	
SVB Capital Preferred Return Fund, LP	12,687	—	20.0	
SVB Capital—NT Growth Partners, LP	24,670	1,340	33.0	
Other private equity fund (2)	9,338	—	58.2	
Partners for Growth, LP	25,000	9,750	50.0	
Partners for Growth II, LP	15,000	4,950	24.2	
Gold Hill Venture Lending 03, LP (3)	20,000	—	9.3	
Other fund investments (4)	331,902	64,435	Various	
Total	$ 513,009	$ 91,786		

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

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

(3) Our ownership includes 4.8 percent direct ownership and 4.5 percent indirect ownership interest through GHLLC.

(4) Represents commitments to 331 funds (primarily venture capital funds) where our ownership interest is generally less than 5 percent of the voting interests of each such fund.

Table of Contents

The following table details the amounts of remaining unfunded commitments to venture capital and private equity funds by our consolidated managed funds of funds (including our interest and the noncontrolling interests) at September 30, 2012:

Limited Partnership (Dollars in thousands)	Unfunded Commitments
SVB Strategic Investors Fund, LP	$ 2,307
SVB Strategic Investors Fund II, LP	10,345
SVB Strategic Investors Fund III, LP	43,865
SVB Strategic Investors Fund IV, LP	102,650
Strategic Investors Fund V Funds	230,629
SVB Capital Preferred Return Fund, LP	17,688
SVB Capital—NT Growth Partners, LP	18,867
Other private equity fund	4,447
Total	$ 430,798

12. Income Taxes

We are subject to income tax in the U.S. federal jurisdiction and various state and foreign jurisdictions and have identified our federal tax return and tax returns in California and Massachusetts as “major” tax filings. U.S. federal tax examinations through 1998 have been concluded. Our U.S. federal tax returns for the years 1999 through 2006 were not reviewed and are no longer open to examination by the IRS. Our U.S. federal tax returns for 2007 and subsequent years remain open to examination. Our California tax returns for 2006 and subsequent years remain open to examination. Our Massachusetts tax returns for 2008 and subsequent years remain open to examination.

We are currently under audit examination by the IRS for the 2008 and 2009 tax years, which began in July 2011. To the extent the final tax liabilities are different from the amounts originally accrued, the increases or decreases will be recorded as income tax expense or benefit in the consolidated statements of operations. While the actual outcome is subject to the completion of these audits, we do not believe there will be a material adverse impact on our results of operations.

At September 30, 2012, our unrecognized tax benefit was $0.7 million, the recognition of which would reduce our income tax expense by $0.6 million. We expect that our unrecognized tax benefit will change in the next 12 months; however we do not expect the change to have a significant impact on our financial position or our results of operations.

13. Fair Value of Financial Instruments

Fair Value Measurements

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

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

Level 1

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

Level 2
Fair value measurements based on quoted prices in markets that are not active or for which all significant inputs are observable, directly or indirectly. Valuations for the available-for-sale securities are provided by independent external pricing

Table of Contents

service providers. We review the methodologies used to determine the fair value, including understanding the nature and observability of the inputs used to determine the price. Additional corroboration, such as obtaining a non-binding price from a broker, may be required depending on the frequency of trades of the security and the level of liquidity or depth of the market. The valuation methodology that is generally used for the Level 2 assets is the income approach. Below is a summary of the significant inputs used for each class of Level 2 assets and liabilities:

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

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

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

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

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

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

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

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

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

Level 3

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

Venture capital and private equity fund investments: Fair value measurements are based on the information provided by the investee funds’ management, which reflects our share of the fair value of the net assets of the investment fund on the valuation date. We account for differences between our measurement date and the date of the fund investment’s net asset value by using the most recent available financial information from the investee general partner, adjusted for any contributions paid, distributions received from the investment, and significant fund transactions or market events

during the reporting period.
Other venture capital investments: Fair value measurements are based on consideration of a range of factors including, but not limited to, the price at which the investment was acquired, the term and nature of the investment, local market conditions, values for comparable securities, and as it relates to the private company, the current and projected operating performance, exit strategies and financing transactions subsequent to the acquisition of the investment. The significant unobservable inputs used in the fair value measurement include the information about each portfolio company, including

Table of Contents

actual and forecasted results, cash position, recent or planned transactions and market comparable companies. Significant changes to any one of these inputs in isolation could result in a significant change in the fair value measurement, however, we generally consider all factors available through ongoing communication with the portfolio companies and venture capital fund managers to determine whether there are changes to the portfolio company or the environment that indicate a change in the fair value measurement.

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

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

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

Table of Contents

The following fair value hierarchy table presents information about our assets and liabilities that are measured at fair value on a recurring basis as of September 30, 2012:

(Dollars in thousands)	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance as of September 30, 2012
Assets				
Available-for-sale securities:				
U.S. treasury securities	$—	$ 25,429	$—	$25,429
U.S. agency debentures	—	2,936,150	—	2,936,150
Residential mortgage-backed securities:				
Agency-issued mortgage-backed securities	—	1,590,582	—	1,590,582
Agency-issued collateralized mortgage obligations - fixed rate	—	4,168,125	—	4,168,125
Agency-issued collateralized mortgage obligations - variable rate	—	1,939,799	—	1,939,799
Agency-issued commercial mortgage-backed securities	—	279,507	—	279,507
Municipal bonds and notes	—	100,221	—	100,221
Equity securities	7,917	—	—	7,917
Total available-for-sale securities	7,917	11,039,813	—	11,047,730
Non-marketable securities (fair value accounting):				
Venture capital and private equity fund investments	—	—	658,409	658,409
Other venture capital investments	—	—	118,622	118,622
Total non-marketable securities (fair value accounting)	—	—	777,031	777,031
Other assets:				
Marketable securities	3,807	1,609	—	5,416
Interest rate swaps	—	9,508	—	9,508
Foreign exchange forward and option contracts	—	13,116	—	13,116
Equity warrant assets	—	5,787	64,691	70,478
Loan conversion options	—	1,240	—	1,240
Client interest rate derivatives	—	236	—	236
Total assets (1)	$11,724	$ 11,071,309	$841,722	$11,924,755
Liabilities				
Foreign exchange forward and option contracts	$—	$ 12,476	$—	$12,476
Client interest rate derivatives	—	247	—	247
Total liabilities	$—	$ 12,723	$—	$12,723

(1) Included in Level 1, Level 2, and Level 3 assets are $3.4 million, $1.5 million, and $689.6 million, respectively, attributable to noncontrolling interests calculated based on the ownership percentages of the noncontrolling interests.

Table of Contents

The following fair value hierarchy table presents information about our assets and liabilities that are measured at fair value on a recurring basis as of December 31, 2011:

(Dollars in thousands)	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance as of December 31, 2011
Assets				
Available-for-sale securities:				
U.S. treasury securities	$—	$ 25,964	$—	$25,964
U.S. agency debentures	—	2,874,932	—	2,874,932
Residential mortgage-backed securities:				
Agency-issued mortgage-backed securities	—	1,564,286	—	1,564,286
Agency-issued collateralized mortgage obligations - fixed rate	—	3,373,760	—	3,373,760
Agency-issued collateralized mortgage obligations - variable rate	—	2,413,378	—	2,413,378
Agency-issued commercial mortgage-backed securities	—	178,693	—	178,693
Municipal bonds and notes	—	100,498	—	100,498
Equity securities	4,535	—	—	4,535
Total available-for-sale securities	4,535	10,531,511	—	10,536,046
Non-marketable securities (fair value accounting):				
Venture capital and private equity fund investments	—	—	611,824	611,824
Other venture capital investments	—	—	124,121	124,121
Other investments	—	—	987	987
Total non-marketable securities (fair value accounting)	—	—	736,932	736,932
Other assets:				
Marketable securities	1,410	—	—	1,410
Interest rate swaps	—	11,441	—	11,441
Foreign exchange forward and option contracts	—	18,326	—	18,326
Equity warrant assets	—	3,923	63,030	66,953
Loan conversion options	—	923	—	923
Client interest rate derivatives	—	50	—	50
Total assets (1)	$5,945	$ 10,566,174	$799,962	$11,372,081
Liabilities				
Foreign exchange forward and option contracts	$—	$ 16,816	$—	$16,816
Client interest rate derivatives	—	52	—	52
Total liabilities	$—	$ 16,868	$—	$16,868

(1) Included in Level 1 and Level 3 assets are $1.2 million and $647.5 million, respectively, attributable to noncontrolling interests calculated based on the ownership percentages of the noncontrolling interests.

Table of Contents

The following table presents additional information about Level 3 assets measured at fair value on a recurring basis for the three and nine months ended September 30, 2012 and 2011, respectively:

(Dollars in thousands)	Beginning Balance	Total Realized and Unrealized Gains (Losses) Included in Income	Purchases	Sales	Issuances	Distributions and Other Settlements	Transfers Into Level 3	Transfers Out of Level 3	Ending Balance
Three months ended September 30, 2012									
Non-marketable securities (fair value accounting):									
Venture capital and private equity fund investments	$639,596	$12,104	$35,092	$—	$—	$(28,383)	$—	$—	$658,409
Other venture capital investments	120,111	3,259	953	(5,202)	—	479	—	(978)	118,622
Total non-marketable securities (fair value accounting) (1)	759,707	15,363	36,045	(5,202)	—	(27,904)	—	(978)	777,031
Other assets:									
Equity warrant assets (2)	68,619	(800)	—	(5,954)	2,994	—	—	(168)	64,691
Total assets	$828,326	$14,563	$36,045	$(11,156)	$2,994	$(27,904)	$—	$(1,146)	$841,722
Three months ended September 30, 2011									
Non-marketable securities (fair value accounting):									
Venture capital and private equity fund investments	$515,118	$32,041	$42,590	$—	$—	$(11,623)	$—	$—	$578,126
Other venture capital investments	114,070	17,237	2,193	(9,335)	—	(4,005)	—	—	120,160
Other investments	995	(16)	—	—	—	(6)	—	—	973
Total non-marketable securities (fair value accounting) (1)	630,183	49,262	44,783	(9,335)	—	(15,634)	—	—	699,259
Other assets:									
Equity warrant assets (2)	49,777	8,192	—	(6,427)	2,876	—	—	—	54,418
Total assets	$679,960	$57,454	$44,783	$(15,762)	$2,876	$(15,634)	$—	$—	$753,677
Nine months ended September 30, 2012									
Non-marketable securities (fair value accounting):									
	$611,824	$38,765	$90,173	$—	$—	$(82,353)	$—	$—	$658,409

Venture capital and private equity fund investments									
Other venture capital investments	124,121	(3,868)	8,888	(9,441)	—	495	—	(1,573)	118,622
Other investments	987	21	—	—	—	(1,008)	—	—	—
Total non-marketable securities (fair value accounting) (1)	736,932	34,918	99,061	(9,441)	—	(82,866)	—	(1,573)	777,031
Other assets:									
Equity warrant assets (2)	63,030	8,848	—	(15,672)	9,167	1	—	(683)	64,691
Total assets	$799,962	$43,766	$99,061	$(25,113)	$9,167	$(82,865)	$—	$(2,256)	$841,722
Nine months ended September 30, 2011									
Non-marketable securities (fair value accounting):									
Venture capital and private equity fund investments	$391,247	$108,032	$119,990	$—	$—	$(41,143)	$—	$—	$578,126
Other venture capital investments	111,843	22,608	12,939	(27,513)	—	283	—	—	120,160
Other investments	981	4	—	—	—	(12)	—	—	973
Total non-marketable securities (fair value accounting) (1)	504,071	130,644	132,929	(27,513)	—	(40,872)	—	—	699,259
Other assets:									
Equity warrant assets (2)	43,537	21,403	—	(19,889)	10,058	(63)	—	(628)	54,418
Total assets	$547,608	$152,047	$132,929	$(47,402)	$10,058	$(40,935)	$—	$(628)	$753,677

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

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

Table of Contents

The following table presents the amount of unrealized gains (losses) included in earnings (which is inclusive of noncontrolling interest) attributable to Level 3 assets still held at September 30, 2012:

	Three months ended September 30, 2012	Nine months ended September 30, 2012
Non-marketable securities (fair value accounting):		
Venture capital and private equity fund investments (1)	$12,724	$38,916
Other venture capital investments	(963)	4,177
Total non-marketable securities (fair value accounting) (2)	11,761	43,093
Other assets:		
Equity warrant assets (3)	(2,480)	(2,505)
Total unrealized gains	$9,281	$40,588
Unrealized gains attributable to noncontrolling interests (1)	$9,543	$37,445

(1) In the third quarter of 2012, for purposes of this disclosure we have revised our methodology to exclude reclassifications of previously recorded unrealized gains (losses) as a result of distributions.

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

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

The following table presents quantitative information about the significant unobservable inputs used for certain of our Level 3 fair value measurements at September 30, 2012. We have not included in this table our venture capital and private equity fund investments (fair value accounting) as we use net asset value per share (as obtained from the general partners of the investments) as a practical expedient to determine fair value.

(Dollars in thousands)	Fair value at September 30, 2012	Valuation Technique	Significant Unobservable Inputs	Weighted Average
Other venture capital investments (fair value accounting)	$118,622	Private company equity pricing	(1)	(1)
Equity warrant assets (private portfolio)	64,691	Modifed Black-Scholes option pricing model	Volatility	49.8 %
			Risk-Free interest rate	0.3 %
			Marketability discount (2)	22.5 %
			Remaining life assumption (3)	45.0 %

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

(2) Our marketability discount is applied to all private company warrants to account for a general lack of liquidity due to the private nature of the associated underlying company. The quantitative measure used is based on long-run averages and is influenced over time by various factors, including market conditions. On a quarterly basis, a sensitivity analysis is performed on our marketability discount. In the third quarter of 2012, we increased the marketability discount from 15.0 percent to 22.5 percent to reflect market conditions and trends.

(3) We adjust the contractual remaining term of private company warrants based on our best estimate of the actual remaining life, which we determine by utilizing historical data on cancellations and exercises. At September 30, 2012, the weighted average contractual remaining term was 6.6 years, compared to our estimated remaining life of 3.0 years. On a quarterly basis, a sensitivity analysis is performed on our remaining life assumption. In the third quarter of 2012, we increased the remaining life assumption from 40.0 percent to 45.0 percent of the contractual term to reflect market conditions and trends.

As a result of the changes made to our marketability discount and remaining life assumption in the third quarter of 2012 (discussed above), our private warrant portfolio valuation decreased by $3.4 million.

For the three and nine months ended September 30, 2012, we had transfers of $2.1 million from Level 2 to Level 1. For

Table of Contents

the three and nine months ended September 30, 2011 we had no transfers between Level 1 and Level 2. Transfers from Level 3 to Level 2 for the three and nine months ended September 30, 2012 included $1.0 million and $1.6 million, respectively, due to IPOs of certain of our portfolio companies, which were included in our non-marketable securities portfolio. All other transfers from Level 3 to Level 2 for the three and nine months ended September 30, 2012 and all transfers for the three and nine months ended September 30, 2011 were due to the transfer of equity warrant assets from our private portfolio to our public portfolio (See our Level 3 reconciliation above). All amounts reported as transfers represent the fair value as of the date of the change in circumstances that caused the transfer.

Financial Instruments not Carried at Fair Value

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

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

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

Cash and Cash Equivalents

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

Non-Marketable Securities (Cost and Equity Method Accounting)

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

Loans

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

FHLB and FRB stock

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

Accrued Interest Receivable and Payable

Table of Contents

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

Deposits

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

Short-Term Borrowings

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

Long-Term Debt

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

Off-Balance Sheet Financial Instruments

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

Letters of credit are carried at their fair value, which is equivalent to the residual premium or fee at September 30, 2012 or December 31, 2011. Commitments to extend credit and letters of credit typically result in loans with a market interest rate if funded.

Table of Contents

The following fair value hierarchy table presents the estimated fair values of our financial instruments that are not carried at fair value at September 30, 2012 and December 31, 2011:

(Dollars in thousands)	Carrying Amount	Estimated Fair Value Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
September 30, 2012:				
Financial assets:				
Cash and cash equivalents	$906,680	$906,680	$—	$—
Non-marketable securities (cost and equity method accounting)	386,784	—	—	421,123
Net commercial loans	7,345,239	—	—	7,542,349
Net consumer loans	745,606	—	—	766,903
FHLB and FRB stock	39,301	—	—	39,301
Accrued interest receivable	62,441	—	62,441	—
Financial liabilities:				
Short-term FHLB advances	215,000	215,000	—	—
Federal funds purchased	287,000	287,000	—	—
Other short-term borrowings	6,170	6,170	—	—
Non-maturity deposits (1)	17,575,816	17,575,816	—	—
Time deposits	149,250	—	149,031	—
5.375% Senior Notes	347,944	—	398,220	—
6.05% Subordinated Notes (2)	55,130	—	62,486	—
7.0% Junior Subordinated Debentures	55,240	—	52,268	—
Accrued interest payable	1,938	—	1,938	—
Off-balance sheet financial assets:				
Commitments to extend credit	—	—	—	21,467
December 31, 2011:				
Financial assets:				
Cash and cash equivalents	$1,114,948	$1,114,948	$—	$—
Non-marketable securities (cost and equity method accounting)	267,508	—	—	290,393
Net commercial loans	6,192,578	—	—	6,336,705
Net consumer loans	687,557	—	—	627,733
FHLB and FRB stock	39,189	—	—	39,189
Accrued interest receivable	58,108	—	58,108	—
Financial liabilities:				
Non-maturity deposits (1)	16,553,787	16,553,787	—	—
Time deposits	155,749	—	155,346	—
5.375% Senior Notes	347,793	—	362,786	—
6.05% Subordinated Notes (2)	55,075	—	57,746	—
5.70% Senior Notes (3)	143,969	—	145,184	—
7.0% Junior Subordinated Debentures	55,372	—	51,526	—
Other long-term debt	1,439	—	—	1,439
Accrued interest payable	6,689	—	6,689	—
Off-balance sheet financial assets:				

Commitments to extend credit	—	—	—	21,232

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

(2) At September 30, 2012 and December 31, 2011, included in the carrying value and estimated fair value of our 6.05% Subordinated Notes was $9.5 million and $8.8 million, respectively, related to the fair value of the interest rate swap associated with the notes.

(3) At December 31, 2011, included in the carrying value and estimated fair value of our 5.70% Senior Notes was $2.6 million related to the fair value of the interest rate swap associated with the notes.

Table of Contents

Investments in Entities that Calculate Net Asset Value Per Share

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

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

The following table is a summary of the estimated fair values of these investments and remaining unfunded commitments for each major category of these investments as of September 30, 2012:

(Dollars in thousands)	Carrying Amount	Fair Value	Unfunded Commitments
Non-marketable securities (fair value accounting):			
Venture capital and private equity fund investments (1)	$ 658,409	$ 658,409	$ 430,798
Non-marketable securities (equity method accounting):			
Other investments (2)	54,288	55,715	6,750
Non-marketable securities (cost method accounting):			
Venture capital and private equity fund investments (3)	158,275	190,033	60,809
Total	$ 870,972	$ 904,157	$ 498,357

(1) Venture capital and private equity fund investments within non-marketable securities (fair value accounting) include investments made by our managed funds of funds, one of our direct venture funds and one other private equity fund. These investments represent investments in venture capital and private equity funds that invest primarily in U.S. and global technology and life sciences companies. Included in the fair value and unfunded commitments of fund investments under fair value accounting are $581.9 million and $420.0 million, respectively, attributable to noncontrolling interests. It is estimated that we will receive distributions from the fund investments over the next 10 to 13 years, depending on the age of the funds and any potential extensions of terms of the funds.

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

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

14. Legal Matters

Certain lawsuits and claims arising in the ordinary course of business have been filed or are pending against us or our affiliates. In accordance with applicable accounting guidance, we establish accruals for all lawsuits, claims and expected settlements when we believe it is probable that a loss has been incurred and the amount of the loss is reasonably estimable. When a loss contingency is not both probable and estimable, we do not establish an accrual.

Any such loss estimates are inherently uncertain, based on currently available information and are subject to management's judgment and various assumptions. Due to the inherent subjectivity of these estimates and unpredictability of outcomes of legal proceedings, any amounts accrued may not represent the ultimate resolution of such matters.

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

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

15. Related Parties

During the nine months ended September 30, 2012, the Bank made loans to related parties, including certain companies in which certain of our directors or their affiliated venture funds are beneficial owners of ten percent or more of the equity securities of such companies. Such loans: (a) were made in the ordinary course of business; (b) were made on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with other persons; and (c) did not involve more than the normal risk of collectability or present other unfavorable features. Additionally, we also provide real estate secured loans to eligible employees through our EHOP.

16. Subsequent Events

We have evaluated all material subsequent events and determined there are no events that require disclosure.

Table of Contents

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

Forward-Looking Statements

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

- Projections of our net interest income, noninterest income, earnings per share, noninterest expenses (including professional services, compliance, compensation and other costs), cash flows, balance sheet positions, capital expenditures, liquidity and capitalization or other financial items
- Descriptions of our strategic initiatives, plans or objectives for future operations, including pending sales or acquisitions
- Forecasts of venture capital/private equity funding and investment levels
- Forecasts of future interest rates, economic performance, and income from investments
- Forecasts of expected levels of provisions for loan losses, loan growth and client funds
- Descriptions of assumptions underlying or relating to any of the foregoing

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

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

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

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

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

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

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

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

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

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

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

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

The level of loan and deposit balances

The level of client investment fees and associated margins

The profitability of our products and services

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

The expansion and growth of our noninterest income sources
Distributions of venture capital, private equity or debt fund investment proceeds; intentions to sell such fund investments
The changes in, or adequacy of, our unrecognized tax benefits and any associated impact
The impact from the IRS audit examination results
The extent to which counterparties, including those to our forward and option contracts, will perform their contractual obligations
The effect of application of certain accounting pronouncements
The effect of lawsuits and claims
Regulatory developments, including the nature and timing of the adoption and effectiveness of new requirements under the Dodd-Frank Act (as defined below), Basel guidelines, and other applicable laws and regulations

You can identify these and other forward-looking statements by the use of words such as "becoming," "may," "will," "should," "predicts," "potential," "continue," "anticipates," "believes," "estimates," "seeks," "expects," "plans," "intends," the negative c or comparable terminology. Although we believe that the expectations reflected in these forward-looking statements are reasonable, we have based these expectations on our beliefs as well as our assumptions, and such expectations may prove to be incorrect. Our actual results of operations and financial performance could differ significantly from those expressed in or implied by our management's forward-looking statements.

For information with respect to factors that could cause actual results to differ from the expectations stated in the forward-looking statements, see "Risk Factors" set forth in our Annual Report on Form 10-K for the year ended December 31, 2011 ("2011 Form 10-K"), as filed with the SEC. We urge investors to consider all of these factors carefully in evaluating the forward-looking statements contained in this report. All subsequent written or oral forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by these cautionary statements. The forward-looking statements included in this filing are made only as of the date of this filing. We assume no obligation and do not intend to revise or update any forward-looking statements contained in this Quarterly Report on Form 10-Q.

The following discussion and analysis of financial condition and results of operations should be read in conjunction with our interim unaudited consolidated financial statements and accompanying notes as presented in Part I, Item 1 of this report and in conjunction with our 2011 Form 10-K.

Reclassifications

Certain reclassifications have been made to prior period results to conform to the current period's presentations. Such reclassifications had no effect on our results of operations or stockholders' equity.

Management's Overview of Third Quarter 2012 Performance

Overall, we had a strong third quarter of 2012, which reflected the strength of our clients and our business. We had net income available to common stockholders of $42.3 million and diluted earnings per common share of $0.94. In the third quarter of 2012, compared to the third quarter of 2011, we experienced strong growth in net interest income as a result of exceptional loan growth during the quarter with record high average balances of $7.9 billion. Our total client funds, which consists of on-balance sheet deposits and off-balance sheet client investment funds, also increased reflecting growth from our existing clients and the addition of new clients. In addition, overall credit quality remains strong, and we saw continued growth in fee income and solid gains from our investment securities portfolio. Additionally, our liquidity and capital ratios continued to remain strong.

Third quarter 2012 results (compared to the third quarter 2011, where applicable) included:

Continued strong growth in our lending business with record high average loan balances of $7.9 billion, an increase of $1.9 billion, or 31.6 percent.
A provision for loan losses of $6.8 million, primarily attributable to loan growth. Net charge-offs of $3.4 million (or 0.17 percent of average total gross loans-annualized) for the third quarter of 2012 reflects the strong overall credit quality of our portfolio.
Average deposit balances of $18.3 billion, an increase of $2.5 billion, or 15.5 percent. Average total client funds

Table of Contents

(including both average on-balance sheet deposits and off-balance sheet client investment funds) were $39.2 billion, an increase of $5.5 billion, or 16.2 percent.

Net interest income (fully taxable equivalent basis) of $154.9 million, an increase of $19.0 million, primarily due to an increase in interest income from loans mainly attributable to growth in average balances of $1.9 billion. These increases were partially offset by lower yields earned on our overall loan portfolio.

Our net interest margin remained relatively flat at 3.12 percent, compared to 3.13 percent. Our net interest margin was impacted by decrease in the overall yield of our available-for-sale securities due to increased premium amortization expense from increasing prepayment rates on our mortgage-backed securities and a decrease in the yield of our loan portfolio. The decrease in yields was largely offset by strong growth in average loan balances, which has resulted in a favorable change in our mix of interest-earning assets.

Core fee income (deposit service charges, letters of credit fees, credit card fees, client investment fees, and foreign exchange fees) of $34.4 million, an increase of $4.1 million, or 13.5 percent. This increase reflects increased client activity and continued growth in our business, primarily from credit card fees, client investments fees and foreign exchange fees. See "Results of Operations—Noninterest Income" for a description and reconciliation of core fee income.

Gains on investment securities, net of noncontrolling interests, of $7.5 million, compared to $9.3 million. See "Results of Operations—Noninterest Income—Gains on Investment Securities, Net" for further details and a reconciliation of gains on investment securities, net of noncontrolling interests.

Noninterest expense of $135.2 million, an increase of $7.7 million, or 6.1 percent. The increase was primarily due to increased premises and equipment and professional services expenses to support continued growth in our business and IT infrastructure initiatives. In addition, average full-time equivalent employees ("FTEs") increased by 7.8 percent to 1,594 average FTEs, compared to 1,478 average FTEs, which contributed to an increase in salaries and wages expense.

Overall, our liquidity remained strong based on our period end available-for-sale securities portfolio of $11.0 billion at September 30, 2012. Our available-for-sale securities portfolio continues to be a good source of liquidity as it is invested in high quality investments and generates substantial monthly cash flows. Additionally, our available-for-sale securities portfolio provides us the ability to secure wholesale borrowings, if needed.

A summary of our performance for the three and nine months ended September 30, 2012 and 2011 is as follows:

(Dollars in thousands, except per share data and ratios)	Three months ended September 30, 2012	2011	% Change	Nine months ended September 30, 2012	2011	% Change
Income Statement:						
Diluted earnings per share	$0.94	$0.86	9.3 %	$2.79	$3.12	(10.6) %
Net income available to common stockholders	42,289	37,571	12.6	124,682	136,328	(8.5)
Net interest income	154,430	135,455	14.0	457,301	386,207	18.4
Net interest margin	3.12 %	3.13 %	(1) bps	3.21 %	3.07 %	14 bps
Provision for (reduction of) loan losses	$6,788	$769	NM %	$29,316	$(2,144)	NM %
Noninterest income	69,139	95,611	(27.7)	208,858	309,273	(32.5)
Noninterest expense	135,171	127,451	6.1	402,949	365,918	10.1
Non-GAAP net income available to common stockholders (1)	42,289	37,571	12.6	119,148	111,941	6.4
Non-GAAP diluted earnings per share (1)	0.94	0.86	9.3	2.67	2.57	3.9
Non-GAAP noninterest income, net of noncontrolling interest and excluding gains on sales of	55,615	54,372	2.3	164,834	160,600	2.6

available-for-sale-securities (2)						
Non-GAAP noninterest expense, net of noncontrolling interest and excluding net gains from debt repurchases (3)	132,448	124,685	6.2	393,461	360,173	9.2
Balance Sheet:						
Average loans, net of unearned income	$7,907,606	$6,006,614	31.6 %	$7,318,537	$5,619,709	30.2 %
Average noninterest-bearing demand deposits	12,914,697	10,634,757	21.4	12,403,438	9,783,426	26.8
Average interest-bearing deposits	5,345,647	5,169,279	3.4	5,143,756	5,467,512	(5.9)
Average total deposits	18,260,344	15,804,036	15.5	17,547,194	15,250,938	15.1

Table of Contents

Earnings Ratios:						
Return on average assets (annualized) (4)	0.77 %	0.79 %	(2.5) %	0.79 %	0.99 %	(20.2) %
Return on average common SVBFG stockholders' equity (annualized) (5)	9.44	9.93	(4.9)	9.77	12.95	(24.6)
Asset Quality Ratios:						
Allowance for loan losses as a percentage of total period-end gross loans	1.23 %	1.34 %	(11) bps	1.23 %	1.34 %	(11) bps
Allowance for loan losses for performing loans as a percentage of total gross performing loans	1.16	1.25	(9)	1.16	1.25	(9)
Gross loan charge-offs as a percentage of average total gross loans (annualized)	0.23	0.54	(31)	0.47	0.40	7
Net loan charge-offs (recoveries) as a percentage of average total gross loans (annualized)	0.17	(0.15)	32	0.32	(0.11)	43
Capital Ratios:						
Total risk-based capital ratio (6)	14.34 %	14.81 %	(47) bps	14.34 %	14.81 %	(47) bps
Tier 1 risk-based capital ratio (6)	13.07	13.42	(35)	13.07	13.42	(35)
Tier 1 leverage ratio	8.02	8.01	1	8.02	8.01	1
Tangible common equity to tangible assets (7)	8.27	8.00	27	8.27	8.00	27
Tangible common equity to risk-weighted assets (6) (7)	13.93	14.21	(28)	13.93	14.21	(28)
Bank total risk-based capital ratio (6)	12.70	13.07	(37)	12.70	13.07	(37)
Bank tier 1 risk-based capital ratio (6)	11.41	11.63	(22)	11.41	11.63	(22)
Bank tier 1 leverage ratio	7.00	6.93	7	7.00	6.93	7
Bank tangible common equity to tangible assets (7)	7.61	7.31	30	7.61	7.31	30
Bank tangible common equity to risk-weighted assets (6) (7)	12.40	12.60	(20)	12.40	12.60	(20)
Other Ratios:						
Operating efficiency ratio (8)	60.33 %	55.04 %	9.6 %	60.36 %	52.50 %	15.0 %
Non-GAAP operating efficiency ratio (3)	62.93 %	65.53 %	(4.0)	63.11 %	65.70 %	(3.9)
Book value per common share (9)	$40.10	$35.50	13.0	$40.10	$35.50	13.0
Other Statistics:						
Average full-time equivalent employees	1,594	1,478	7.8 %	1,572	1,428	10.1 %
Period-end full-time equivalent employees	1,602	1,504	6.5	1,602	1,504	6.5

NM–Not meaningful

(1) See "Non-GAAP Net Income and Non-GAAP Diluted Earnings Per Common Share” for a description and reconciliation of non-GAAP net income available to common stockholders and non-GAAP diluted earnings per share.

(2) See “Results of Operations–Noninterest Income” for a description and reconciliation of non-GAAP noninterest income.

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

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

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

(6) Our risk-weighted assets at September 30, 2012 reflect a refinement in our determination of certain unfunded credit commitments related to the contractual borrowing base.

(7) See “Capital Resources–Capital Ratios” for a reconciliation of non-GAAP tangible common equity to tangible assets and tangible common equity to risk-weighted assets.

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

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

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

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

Table of Contents

accordance with GAAP.

A reconciliation of GAAP to non-GAAP net income available to common stockholders and non-GAAP diluted earnings per common share for the three and nine months ended September 30, 2012 and 2011 is as follows:

	Three months ended September 30,		Nine months ended September 30,	
(Dollars in thousands, except per share data and ratios)	2012	2011	2012	2011
Net income available to common stockholders	$42,289	$37,571	$124,682	$136,328
Less: gains on sales of available-for-sale securities (1)	—	—	(4,955)	(37,314)
Tax impact of gains on sales of available-for-sale securities	—	—	1,974	14,810
Less: gains on the sale of certain assets related to our equity management services business (2)	—	—	(4,243)	—
Tax impact of gains on the sale of certain assets related to our equity management services business	—	—	1,690	—
Less: net gain from note repurchases and termination of corresponding interest rate swaps (3)	—	—	—	(3,123)
Tax impact of net gain from note repurchases and termination of corresponding interest rate swaps	—	—	—	1,240
Non-GAAP net income available to common stockholders	$42,289	$37,571	$119,148	$111,941
GAAP earnings per common share—diluted	0.94	0.86	2.79	3.12
Less: gains on sales of available-for-sale securities (1)	—	—	(0.11)	(0.85)
Tax impact of gains on sales of available-for-sale securities	—	—	0.05	0.34
Less: gains on the sale of certain assets related to our equity management services business (2)	—	—	(0.10)	—
Tax impact of gains on the sale of certain assets related to our equity management services business	—	—	0.04	—
Less: net gain from note repurchases and termination of corresponding interest rate swaps (3)	—	—	—	(0.07)
Tax impact of net gain from note repurchases and termination of corresponding interest rate swaps	—	—	—	0.03
Non-GAAP earnings per common share—diluted	0.94	0.86	2.67	2.57
Weighted average diluted common shares outstanding	44,914,564	43,791,238	44,692,224	43,641,185

(1) Gains on the sales of $315.7 million and $1.4 billion in certain available-for-sale securities in the second quarters of 2012 and 2011, respectively.

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

(3) Net gains of $3.1 million from the repurchase of $108.6 million of our 5.70% Senior Notes and $204.0 million of our 6.05% Subordinated Notes and the termination of the corresponding portions of interest rate swaps in the second quarter of 2011.

Critical Accounting Policies and Estimates

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

There have been no significant changes during the nine months ended September 30, 2012 to the items that we disclosed as our critical accounting policies and estimates in “Management’s Discussion and Analysis of Financial Condition and Results of Operations” under Part II, Item 7 of our 2011 Form 10-K.

Table of Contents

Results of Operations

Net Interest Income and Margin (Fully Taxable Equivalent Basis)

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

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

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

	2012 Compared to 2011 Three months ended September 30, increase (decrease) due to change in			2012 Compared to 2011 Nine months ended September 30, increase (decrease) due to change in		
(Dollars in thousands)	Volume	Rate	Total	Volume	Rate	Total
Interest income:						
Federal Reserve deposits, federal funds sold, securities purchased under agreements to resell and other short-term investment securities	$(273)	$23	$(250)	$(2,279)	$382	$(1,897)
Available-for-sale securities (taxable)	3,656	(4,520)	(864)	17,718	(12,734)	4,984
Available-for-sale securities (non-taxable)	(13)	6	(7)	(95)	49	(46)
Loans, net of unearned income	29,624	(9,871)	19,753	81,439	(21,532)	59,907
Increase (decrease) in interest income, net	32,994	(14,362)	18,632	96,783	(33,835)	62,948
Interest expense:						
NOW deposits	10	25	35	57	(9)	48
Money market deposits	98	(4)	94	254	(1,228)	(974)
Money market deposits in foreign offices	3	—	3	(8)	(160)	(168)
Time deposits	(66)	(40)	(106)	(428)	6	(422)
Sweep deposits in foreign offices	1	(2)	(1)	(239)	(789)	(1,028)
Total increase (decrease) in deposits expense	46	(21)	25	(364)	(2,180)	(2,544)
Short-term borrowings	1	11	12	100	10	110
5.375% Senior Notes	1	5	6	17	1	18
3.875% Convertible Notes	—	—	—	(4,210)	—	(4,210)
Junior Subordinated Debentures	(3)	4	1	(7)	6	(1)