SVB FINANCIAL GROUP
Form 10-Q
August 07, 2017
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended June 30, 2017
OR

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

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

(408) 654-7400
(Registrant's telephone number, including area code)
Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No ¨
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No ¨
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company," in Rule 12b-2 of the Exchange Act. (Check one):
Large accelerated filer x Accelerated filer ¨
Non-accelerated filer ¨ (Do not check if a smaller reporting company)
Smaller reporting company ¨ Emerging growth company ¨
If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ¨
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ¨ No x
At July 31, 2017, 52,693,155 shares of the registrant's common stock ($0.001 par value) were outstanding.

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Glossary of Acronyms that may be used in this Report

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

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

(Dollars in thousands, except par value and share data)	June 30, 2017	December 31, 2016
Assets		
Cash and cash equivalents	$3,854,244	$2,545,750
Available-for-sale securities, at fair value (cost of $12,053,305 and $12,588,783, respectively)	12,071,052	12,620,411
Held-to-maturity securities, at cost (fair value of $9,910,504 and $8,376,138, respectively)	9,938,371	8,426,998
Non-marketable and other securities	630,670	622,552
Total investment securities	22,640,093	21,669,961
Loans, net of unearned income	20,976,466	19,899,944
Allowance for loan losses	(236,496)	(225,366)
Net loans	20,739,970	19,674,578
Premises and equipment, net of accumulated depreciation and amortization	121,947	120,683
Accrued interest receivable and other assets	1,044,125	672,688
Total assets	$48,400,379	$44,683,660
Liabilities and total equity		
Liabilities:		
Noninterest-bearing demand deposits	$35,046,371	$31,975,457
Interest-bearing deposits	7,418,920	7,004,411
Total deposits	42,465,291	38,979,868
Short-term borrowings	470	512,668
Other liabilities	1,145,154	618,383
Long-term debt	749,429	795,704
Total liabilities	44,360,344	40,906,623
Commitments and contingencies (Note 12 and Note 15)		
SVBFG stockholders’ equity:		
Preferred stock, $0.001 par value, 20,000,000 shares authorized; no shares issued and outstanding	—	—
Common stock, $0.001 par value, 150,000,000 shares authorized; 52,684,159 shares and 52,254,074 shares outstanding, respectively	53	52
Additional paid-in capital	1,283,485	1,242,741
Retained earnings	2,601,007	2,376,331
Accumulated other comprehensive income	14,890	23,430
Total SVBFG stockholders’ equity	3,899,435	3,642,554
Noncontrolling interests	140,600	134,483
Total equity	4,040,035	3,777,037
Total liabilities and total equity	$48,400,379	$44,683,660

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

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

	Three months ended June 30,		Six months ended June 30,	
(Dollars in thousands, except per share amounts)	2017	2016	2017	2016
Interest income:				
Loans	$250,197	$205,287	$477,538	$403,229
Investment securities:				
Taxable	95,522	86,603	185,325	177,653
Non-taxable	885	575	1,531	1,171
Federal funds sold, securities purchased under agreements to resell and other short-term investment securities	7,323	1,527	10,459	3,597
Total interest income	353,927	293,992	674,853	585,650
Interest expense:				
Deposits	2,197	1,261	3,914	2,449
Borrowings	9,034	9,395	18,250	18,444
Total interest expense	11,231	10,656	22,164	20,893
Net interest income	342,696	283,336	652,689	564,757
Provision for credit losses (1)	15,806	36,746	46,540	70,221
Net interest income after provision for credit losses	326,890	246,590	606,149	494,536
Noninterest income:				
Gains on investment securities, net	17,630	23,270	33,600	18,586
Gains on equity warrant assets, net (2)	10,820	5,089	17,510	11,695
Foreign exchange fees	26,108	24,088	52,355	51,054
Credit card fees	18,099	15,424	35,829	30,931
Deposit service charges	14,563	13,114	28,538	25,786
Client investment fees	12,982	8,012	22,008	16,007
Lending related fees	8,509	7,802	17,470	15,615
Letters of credit and standby letters of credit fees	7,006	6,014	13,645	11,603
Other (2)	12,811	9,963	25,232	17,633
Total noninterest income	128,528	112,776	246,187	198,910
Noninterest expense:				
Compensation and benefits	148,973	115,580	296,149	237,842
Professional services	27,925	25,516	53,344	44,516
Premises and equipment	18,958	16,586	34,816	31,570
Net occupancy	11,126	9,359	22,777	19,394
Business development and travel	11,389	9,327	20,584	21,573
FDIC and state assessments	9,313	6,892	17,995	13,819
Correspondent bank fees	3,163	2,713	6,608	6,365
Other	20,399	13,966	36,606	28,759
Total noninterest expense (1)	251,246	199,939	488,879	403,838
Income before income tax expense	204,172	159,427	363,457	289,608
Income tax expense (3)	71,656	65,047	123,061	118,631
Net income before noncontrolling interests	132,516	94,380	240,396	170,977
Net (income) loss attributable to noncontrolling interests	(9,323)	(1,416)	(15,720)	1,161
Net income available to common stockholders (3)	$123,193	$92,964	$224,676	$172,138
Earnings per common share—basic (3)	$2.34	$1.79	$4.28	$3.33
Earnings per common share—diluted (3)	2.32	1.78	4.22	3.30

(1) Our consolidated statements of income for the three and six months ended June 30, 2016 were modified from prior period's presentation to conform to the current period's presentation, which reflects our provision for loan losses and provision for unfunded credit commitments together as our “provision for credit losses”. In prior periods, our provision for unfunded credit commitments were reported as a component of noninterest expense.

(2) Our consolidated statements of income for the three and six months ended June 30, 2016 were modified from prior period's presentation to conform to the current period's presentation, which reflects a new line item to separately disclose net gains on equity warrant assets. In prior periods, net gains on equity warrant assets were reported as a component of gains on derivative instruments, net. We removed the line item gains on derivative instruments, net and reclassified all other gains on derivative instruments, net to other noninterest income.

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(3) Included in income tax expense, net income available to common shareholders, earnings per common share-basic and earnings for common share-diluted, for the three and six months ended June 30, 2017, are tax benefits recognized associated with the adoption of Accounting Standards Update ("ASU") 2016-09, Improvements to Employee Share-Based Payment Accounting in the first quarter of 2017. This guidance was adopted on a prospective basis with no change to prior period amounts.

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

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

	Three months ended June 30,		Six months ended June 30,	
(Dollars in thousands)	2017	2016	2017	2016
Net income before noncontrolling interests	$132,516	$94,380	$240,396	$170,977
Other comprehensive (loss) income, net of tax:				
Change in cumulative translation gains (losses):				
Foreign currency translation gains (losses)	1,578	(1,795)	2,535	(2,049)
Related tax (expense) benefit	(644)	731	(1,034)	835
Change in unrealized (losses) gains on available-for-sale securities:				
Unrealized holding (losses) gains	(5,639)	40,937	(13,396)	211,768
Related tax benefit (expense)	2,500	(16,686)	5,636	(86,289)
Reclassification adjustment for losses (gains) included in net income	123	(12,328)	(485)	(11,582)
Related tax (benefit) expense	(50)	5,017	198	4,713
Amortization of unrealized gains on securities transferred from available-for-sale to held-to-maturity	(1,566)	(2,250)	(3,337)	(4,817)
Related tax benefit	630	905	1,343	1,938
Other comprehensive (loss) income, net of tax	(3,068)	14,531	(8,540)	114,517
Comprehensive income	129,448	108,911	231,856	285,494
Comprehensive (income) loss attributable to noncontrolling interests	(9,323)	(1,416)	(15,720)	1,161
Comprehensive income attributable to SVBFG	$120,125	$107,495	$216,136	$286,655

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

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

	Common Stock							
(Dollars in thousands)	Shares	Amount	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income	Total SVBFG Stockholders' Equity	Noncontrolling Interests	Total Equity
Balance at December 31, 2015	51,610,226	$ 52	$ 1,189,032	$ 1,993,646	$ 15,404	$ 3,198,134	$ 135,097	$ 3,333,231
Common stock issued under employee benefit plans, net of restricted stock cancellations	372,282	—	6,852	—	—	6,852	—	6,852
Common stock issued under ESOP	43,165	—	4,328	—	—	4,328	—	4,328
Income tax effect from stock options exercised, vesting of restricted stock and other (1)	—	—	(6,587)	—	—	(6,587)	—	(6,587)
Net income (loss)	—	—	—	172,138	—	172,138	(1,161)	170,977
Capital calls and distributions, net	—	—	—	—	—	—	(5,721)	(5,721)
Net change in unrealized gains and losses on AFS securities, net of tax	—	—	—	—	118,610	118,610	—	118,610
Amortization of unrealized gains on securities transferred from AFS to HTM, net of tax	—	—	—	—	(2,879)	(2,879)	—	(2,879)
Foreign currency translation adjustments, net of tax	—	—	—	—	(1,214)	(1,214)	—	(1,214)
Share-based compensation, net	—	—	16,196	—	—	16,196	—	16,196
Balance at June 30, 2016	52,025,673	$ 52	$ 1,209,821	$ 2,165,784	$ 129,921	$ 3,505,578	$ 128,215	$ 3,633,793
Balance at December 31, 2016	52,254,074	$ 52	$ 1,242,741	$ 2,376,331	$ 23,430	$ 3,642,554	$ 134,483	$ 3,777,037
Common stock issued under employee benefit plans, net of restricted stock cancellations	419,247	1	11,821	—	—	11,822	—	11,822
Common stock issued under ESOP	10,838	—	2,094	—	—	2,094	—	2,094

Income tax effect from stock options exercised, vesting of restricted stock and other (1)	—	—	—	—	—	—	—	—
Net income	—	—	—	224,676	—	224,676	15,720	240,396
Capital calls and distributions, net	—	—	—	—	—	—	(9,603)	(9,603)
Net change in unrealized gains and losses on AFS securities, net of tax	—	—	—	—	(8,047)	(8,047)	—	(8,047)
Amortization of unrealized gains on securities transferred from AFS to HTM, net of tax	—	—	—	—	(1,994)	(1,994)	—	(1,994)
Foreign currency translation adjustments, net of tax	—	—	—	—	1,501	1,501	—	1,501
Share-based compensation, net	—	—	26,829	—	—	26,829	—	26,829
Balance at June 30, 2017	52,684,159	$ 53	$ 1,283,485	$ 2,601,007	$ 14,890	$ 3,899,435	$ 140,600	$ 4,040,035

(1) During the first quarter of 2017 we adopted ASU 2016-09, Improvements to Employee Share-Based Payment Accounting. The amendments in this ASU require that all excess tax benefits and tax deficiencies associated with share-based compensation be recognized in income tax expense or benefit in the income statement. Previously, tax effects resulting from changes in the Company's share price subsequent to grant date of share-based compensation awards were recorded through additional paid-in-capital in stockholders' equity at the time of vesting and exercise. This guidance was adopted on a prospective basis with no change to prior period amounts. See Note 1—“Basis of Presentation” of the “Notes to Interim Consolidated Financial Statements (unaudited)” under Part I, Item 1 of this report for additional details.

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

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

	Six months ended June 30,	
(Dollars in thousands)	2017	2016
Cash flows from operating activities:		
Net income before noncontrolling interests	$240,396	$170,977
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for credit losses	46,540	70,221
Changes in fair values of equity warrant assets, net of proceeds from exercises	(9,053)	(1,803)
Changes in fair values of derivatives, net	8,505	(1,636)
Gains on investment securities, net	(33,600)	(18,586)
Depreciation and amortization	26,268	23,768
Amortization of premiums and discounts on investment securities, net	1,747	7,923
Amortization of share-based compensation	19,095	14,425
Amortization of deferred loan fees	(51,869)	(46,896)
Deferred income tax benefit	(9,827)	(6,374)
Excess tax benefit from exercise of stock options and vesting of restricted shares (1)	(13,028)	—
Changes in other assets and liabilities:		
Accrued interest receivable and payable, net	(8,852)	232
Accounts receivable and payable, net	(6,227)	(2,598)
Income tax receivable and payable, net	840	(32,915)
Accrued compensation	(51,636)	(79,858)
Foreign exchange spot contracts, net	159,607	53,870
Other, net	41,172	(8,683)
Net cash provided by operating activities	360,078	142,067
Cash flows from investing activities:		
Purchases of available-for-sale securities	(1,174,666)	—
Proceeds from sales of available-for-sale securities	5,024	2,878,272
Proceeds from maturities and pay downs of available-for-sale securities	1,715,291	660,464
Purchases of held-to-maturity securities	(2,298,290)	(140,641)
Proceeds from maturities and pay downs of held-to-maturity securities	806,386	743,117
Purchases of non-marketable and other securities	(9,435)	(31,239)
Proceeds from sales and distributions of non-marketable and other securities	60,355	28,064
Net increase in loans	(1,066,056)	(2,085,829)
Purchases of premises and equipment	(21,496)	(24,057)
Net cash (used for) provided by investing activities	(1,982,887)	2,028,151
Cash flows from financing activities:		
Net increase (decrease) in deposits	3,485,423	(1,546,209)
Net decrease in short-term borrowings	(512,198)	(271,681)
Principal payments of long-term debt	(46,235)	—
(Distributions to noncontrolling interests), net of contributions from noncontrolling interests	(9,603)	(5,721)
Tax effect from stock exercises (1)	—	(6,587)
Proceeds from issuance of common stock, ESPP and ESOP	13,916	11,180
Net cash provided by (used for) financing activities	2,931,303	(1,819,018)
Net increase in cash and cash equivalents	1,308,494	351,200
Cash and cash equivalents at beginning of period	2,545,750	1,503,257
Cash and cash equivalents at end of period	$3,854,244	$1,854,457

Supplemental disclosures:		
Cash paid during the period for:		
Interest	$22,293	$20,942
Income taxes	137,371	157,825
Noncash items during the period:		
Changes in unrealized gains and losses on available-for-sale securities, net of tax	$(8,047)	$118,610
Distributions of stock from investments	2,514	265

(1) During the first quarter of 2017 we adopted ASU 2016-09, Improvements to Employee Share-Based Payment Accounting. This guidance was adopted on a prospective basis with no change to prior period amounts. See Note 1—“Basis of Presentation” of the “Notes to Interim Consolidated Financial Statements (unaudited)” under Part I, Item 1 of this report for additional details.

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

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SVB FINANCIAL GROUP AND SUBSIDIARIES
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
1. Basis of Presentation
SVB Financial Group is a diversified financial services company, as well as a bank holding company and a financial holding company. SVB Financial was incorporated in the state of Delaware in March 1999. Through our various subsidiaries and divisions, we offer a variety of banking and financial products and services to support our clients of all sizes and stages throughout their life cycles. In these notes to our consolidated financial statements, when we refer to "SVB Financial Group," "SVBFG", the "Company," "we," "our," "us" or use similar words, we mean SVB Financial Group all of its subsidiaries collectively, including Silicon Valley Bank (the "Bank"), unless the context requires otherwise. When we refer to "SVB Financial" or the "Parent" we are referring only to the parent company, SVB Financial Group (not including subsidiaries).
The accompanying unaudited interim consolidated financial statements reflect all adjustments of a normal and recurring nature that are, in the opinion of management, necessary to fairly present our financial position, results of operations and cash flows in accordance with GAAP. Such unaudited interim consolidated financial statements have been prepared in accordance with the instructions to Form 10-Q pursuant to the rules and regulations of the SEC. Certain information and footnote disclosures normally included in financial statements prepared in accordance with GAAP have been condensed or omitted pursuant to such rules and regulations. The results of operations for the three and six months ended June 30, 2017 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, 2016 ("2016 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 2016 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 allowance for unfunded credit commitments, and the recognition and measurement of income tax assets and liabilities.
Principles of Consolidation and Presentation
Our consolidated financial statements include the accounts of SVB Financial Group and consolidated entities. We consolidate voting entities in which we have control through voting interests or entities through which we have a controlling financial interest in a variable interest entity ("VIE"). We determine whether we have a controlling financial interest in a VIE by determining if we have: (a) the power to direct the activities of the VIE that most significantly impact the entity's economic performance, (b) the obligation to absorb the expected losses, or (c) the right to receive the expected returns of the entity. Generally, we have significant variable interests if our commitments to a limited partnership investment represent a significant amount of the total commitments to the entity. We also evaluate the impact of related parties on our determination of variable interests in our consolidation conclusions. We consolidate VIEs in which we are the primary beneficiary based on a controlling financial interest. If we are not the primary beneficiary of a VIE, we record our pro-rata interests or our cost basis in the VIE, as appropriate, based on other accounting guidance within GAAP.
VIEs are entities where investors lack sufficient equity at risk for the entity to finance its activities without additional subordinated financial support or equity investors, as a group, lack one of the following characteristics: (a) the power to direct the activities that most significantly impact the entity's economic performance, (b) the obligation to absorb the expected losses of the entity, or (c) the right to receive the expected returns of the entity. We assess VIEs to determine if we are the primary beneficiary of a VIE. A primary beneficiary is defined as a variable interest holder that has a controlling financial interest. A controlling financial interest requires both: (a) power to direct the activities that most

significantly impact the VIE's economic performance, and (b) obligation to absorb losses or receive benefits of a VIE that could potentially be significant to a VIE. Under this analysis, we also evaluate kick-out rights and other participating rights which could provide us a controlling financial interest. The primary beneficiary of a VIE is required to consolidate the VIE.

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

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

Adoption of New Accounting Standards

In March 2016, the FASB issued a new accounting standard update (ASU 2016-09, Improvements to Employee Share-Based Payment Accounting (Topic 718)), which includes provisions intended to simplify various aspects related to how share-based payments are accounted for and presented in the financial statements, including the accounting for income taxes, forfeitures, and statutory tax withholding requirements, as well as classification in the statement of cash flows. Under the ASU, an entity recognizes all excess tax benefits and tax deficiencies as income tax expense or benefit in the income statement in the period when the awards vest or are settled. The guidance also permits an entity to make an accounting policy election to either estimate the number of awards that are expected to vest or account for forfeitures when they occur. We adopted this guidance on January 1, 2017 and elected to estimate the number of awards that are expected to vest which, is consistent with the previous accounting guidance. In addition, we also elected to apply the amendments related to the presentation of excess tax benefits on the statement of cash flows using the prospective transition method.

Previously, tax effects resulting from changes in the Company's share price subsequent to grant date of share-based compensation awards were recorded through additional paid-in capital in stockholders' equity at the time of vesting and exercise. The adoption of the amended accounting guidance resulted in a $7.0 million and $13.1 million reduction of income tax expense (that previously would have been reflected as additional paid-in capital), or a benefit of $0.13 and $0.25 per diluted common share, for the three and six months ended June 30, 2017, respectively. We expect the impact of this amendment will vary period to period depending on the volatility of the Company's stock price and the timing of vesting and/or settlement of awards.

Recent Accounting Pronouncements

In May 2014, the FASB issued a new accounting standard update (ASU 2014-09, Revenue from Contracts with Customers (Topic 606)), which provides revenue recognition guidance that is intended to create greater consistency with respect to how and when revenue from contracts with customers is shown in the income statement. In March 2016, the FASB issued a new accounting standard update (ASU 2016-08, Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations (Reporting Revenue Gross versus Net)), which further clarifies ASU 2014-09 by providing implementation guidance on principal versus agent evaluation. In April 2016, the FASB issued a new accounting standard update (ASU 2016-10, Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing), which amends the new revenue recognition guidance on accounting for licenses of intellectual property and identifying performance obligations. These amendments will be effective January 1, 2018, either on a full retrospective approach or a modified retrospective approach. This guidance is not applicable to financial instruments (i.e. loans and fixed income securities) and as such, is not expected to impact a majority of our revenue, which is primarily net interest income. Our initial assessment has identified our credit card products and our carried interest allocations from our venture capital investments as revenue sources most likely to be impacted by the new guidance. We continue to evaluate the impact of this guidance to our noninterest income, on our presentation and disclosures and on timing of revenue recognition.

In January 2016, the FASB issued a new accounting standard update (ASU 2016-01, Recognition and Measurement of Financial Assets and Financial Liabilities (Topic 825)), which will significantly change the income statement impact of equity investments, and the recognition of changes in fair value of financial liabilities. This guidance will be effective on January 1, 2018, on a prospective basis with a cumulative-effect adjustment to the balance sheet as of the beginning of the fiscal year of adoption for our cost method venture capital and private equity fund investments with readily determinable fair values. Our cost method venture capital and private equity fund investments that do not have readily determinable fair values will be carried at cost, minus impairment, if any, and remeasured at fair value either upon the occurrence of an observable price change or upon identification of impairment. The actual adjustment to opening retained earnings will depend upon the fair value of our investments at the adoption date.

In February 2016, the FASB issued a new accounting standard update (ASU 2016-02, Leases (Topic 842)), which will require for all operating leases the recognition of a right-of-use asset and a lease liability, in the statement of financial position. The lease cost will be allocated over the lease term on a straight-line basis. This guidance will be effective on January 1, 2019, on a modified retrospective basis, with early adoption permitted. We plan to adopt the lease accounting guidance in the first quarter of 2019 and are currently evaluating the impact this guidance will have on our consolidated financial statements by reviewing our existing lease contracts and service contracts that may include embedded leases. We expect to recognize right-of-use assets and related lease liabilities associated predominantly with noncancelable operating leases included in the table of minimum future payments in the amount of $217 million as disclosed in Note 18 of our 2016 Form 10-K.

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

In August 2016, the FASB issued a new accounting standard update (ASU 2016-15, Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments), which clarifies the guidance on eight specific cash flow issues. This guidance will be effective January 1, 2018 on a full retrospective approach, with early adoption permitted. Our preliminary evaluation has resulted in the expectation that this guidance will primarily impact the presentation between investing and operating activities within our statements of cash flows related to distributions and net gains from our nonmarketable and other securities portfolio. We are continuing to evaluate any further impact of this guidance to the presentation of our operating, investing and financing activities within our statements of cash flows.

Reclassifications

Certain prior period amounts, primarily related to the changes to our income statement presentation of net gains on derivative instruments and provision for unfunded credit commitments have been reclassified to conform to current period presentations.

2. Stockholders' Equity and EPS

Accumulated Other Comprehensive Income

The following table summarizes the items reclassified out of accumulated other comprehensive income into the Consolidated Statements of Income (unaudited) for the three and six months ended June 30, 2017 and 2016:

		Three months ended June 30,		Six months ended June 30,	
(Dollars in thousands)	Income Statement Location	2017	2016	2017	2016
Reclassification adjustment for losses (gains) included in net income	Gains on investment securities, net	$123	$(12,328)	$(485)	$(11,582)
Related tax (benefit) expense	Income tax expense	(50)	5,017	198	4,713
Total reclassification adjustment for losses (gains) included in net income, net of tax		$73	$(7,311)	$(287)	$(6,869)

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EPS

Basic EPS is the amount of earnings available to each share of common stock outstanding during the reporting period. Diluted EPS is the amount of earnings available to each share of common stock outstanding during the reporting period adjusted to include the effect of potentially dilutive common shares. Potentially dilutive common shares include incremental shares issuable for stock options and restricted stock units outstanding under our 2006 Equity Incentive Plan and our ESPP. Potentially dilutive common shares are excluded from the computation of dilutive EPS in periods in which the effect would be antidilutive. The following is a reconciliation of basic EPS to diluted EPS for the three and six months ended June 30, 2017 and 2016:

	Three months ended June 30,		Six months ended June 30,	
(Dollars and shares in thousands, except per share amounts)	2017	2016	2017	2016
Numerator:				
Net income available to common stockholders	$123,193	$92,964	$224,676	$172,138
Denominator:				
Weighted average common shares outstanding—basic	52,537	51,831	52,441	51,739
Weighted average effect of dilutive securities:				
Stock options and ESPP	368	238	397	246
Restricted stock units	289	118	342	145
Weighted average common shares outstanding—diluted	53,194	52,187	53,180	52,130
Earnings per common share:				
Basic	$2.34	$1.79	$4.28	$3.33
Diluted	$2.32	$1.78	$4.22	$3.30

The following table summarizes the weighted-average common shares excluded from the diluted EPS calculation due to the antidilutive effect for the three and six months ended June 30, 2017 and 2016:

	Three months ended June 30,		Six months ended June 30,	
(Shares in thousands)	2017	2016	2017	2016
Stock options	73	462	36	407
Restricted stock units	—	143	—	88
Total	73	605	36	495

3. Share-Based Compensation

For the three and six months ended June 30, 2017 and 2016, we recorded share-based compensation and related tax benefits as follows:

	Three months ended June 30,		Six months ended June 30,	
(Dollars in thousands)	2017	2016	2017	2016
Share-based compensation expense	$9,892	$7,548	$19,095	$14,425
Income tax benefit related to share-based compensation expense	(3,349)	(4,581)	(6,364)	(6,698)

Unrecognized Compensation Expense

As of June 30, 2017, unrecognized share-based compensation expense was as follows:

(Dollars in thousands)	Unrecognized Expense	Weighted Average Expected Recognition Period - in Years
Stock options	$ 12,309	2.88
Restricted stock units	62,942	2.89

Total unrecognized share-based compensation expense	$	75,251

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Share-Based Payment Award Activity

The table below provides stock option information related to the 2006 Equity Incentive Plan for the six months ended June 30, 2017:

	Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life - in Years	Aggregate Intrinsic Value of In-The-Money Options
Outstanding at December 31, 2016	1,010,557	$ 87.24		
Granted	111,855	178.16		
Exercised	(196,006)	69.93		
Forfeited	(3,662)	93.88		
Outstanding at June 30, 2017	922,744	101.91	4.00	$ 68,457,617
Vested and expected to vest at June 30, 2017	893,276	100.71	3.94	67,315,191
Exercisable at June 30, 2017	568,202	82.89	2.95	52,783,813

The aggregate intrinsic value of outstanding options shown in the table above represents the pre-tax intrinsic value based on our closing stock price of $175.79 as of June 30, 2017. The total intrinsic value of options exercised during the three and six months ended June 30, 2017 was $5.6 million and $22.1 million, compared to $4.6 million and $6.7 million for the comparable 2016 periods, respectively.

The table below provides information for restricted stock units under the 2006 Equity Incentive Plan for the six months ended June 30, 2017:

	Shares	Weighted Average Grant Date Fair Value
Nonvested at December 31, 2016	670,969	$ 106.64
Granted	230,822	179.94
Vested	(218,336)	102.07
Forfeited	(16,078)	117.29
Nonvested at June 30, 2017	667,377	133.23

4. Variable Interest Entities

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

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The following table presents the carrying amounts and classification of significant variable interests in consolidated and unconsolidated VIEs as of June 30, 2017 and December 31, 2016:

(Dollars in thousands)	Consolidated VIEs	Unconsolidated VIEs	Maximum Exposure to Loss in Unconsolidated VIEs
June 30, 2017:			
Assets:			
Cash and cash equivalents	$ 7,440	$ —	$ —
Non-marketable and other securities (1)	194,543	323,426	323,426
Accrued interest receivable and other assets	142	—	—
Total assets	$ 202,125	$ 323,426	$ 323,426
Liabilities:			
Other liabilities (1)	604	86,545	—
Total liabilities	$ 604	$ 86,545	$ —
December 31, 2016:			
Assets:			
Cash and cash equivalents	$ 11,469	$ —	$ —
Non-marketable and other securities (1)	196,140	314,810	314,810
Accrued interest receivable and other assets	294	—	—
Total assets	$ 207,903	$ 314,810	$ 314,810
Liabilities:			
Other liabilities (1)	517	58,095	—
Total liabilities	$ 517	$ 58,095	$ —

(1) Included in our unconsolidated non-marketable and other securities portfolio at June 30, 2017 and December 31, 2016 are investments in qualified affordable housing projects of $140.4 million and $112.4 million, respectively, and related unfunded credit commitments of $86.5 million and $58.1 million, respectively.

Non-marketable and other securities

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

All investments are generally nonredeemable and distributions are expected to be received through the liquidation of the underlying investments throughout the life of the investment fund. Investments may only be sold or transferred subject to the notice and approval provisions of the underlying investment agreement. Subject to applicable regulatory requirements, including the Volcker Rule, we also make commitments to invest in venture capital and private equity funds. For additional details, see Note 12—“Off-Balance Sheet Arrangements, Guarantees and Other Commitments” of the “Notes to Interim Consolidated Financial Statements (unaudited)” under Part I, Item 1 of this report.

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

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As of June 30, 2017, our exposure to loss with respect to the consolidated VIEs is limited to our net assets of $201.5 million and our exposure to loss for our unconsolidated VIEs is equal to our investment in these assets of $323.4 million.

5. Cash and Cash Equivalents

The following table details our cash and cash equivalents at June 30, 2017 and December 31, 2016:

(Dollars in thousands)	June 30, 2017	December 31, 2016
Cash and due from banks (1)	$3,658,927	$2,476,588
Securities purchased under agreements to resell (2)	192,421	64,028
Other short-term investment securities	2,896	5,134
Total cash and cash equivalents	$3,854,244	$2,545,750

(1) At June 30, 2017 and December 31, 2016, $1.8 billion and $1.1 billion, respectively, of our cash and due from banks was deposited at the Federal Reserve Bank and was earning interest at the Federal Funds target rate, and interest-earning deposits in other financial institutions were $1.2 billion and $721 million, respectively.

(2) At June 30, 2017 and December 31, 2016, securities purchased under agreements to resell were collateralized by U.S. Treasury securities and U.S. agency securities with aggregate fair values of $196 million and $66 million, respectively. None of these securities were sold or repledged as of June 30, 2017 and December 31, 2016.

6. Investment Securities

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

Available-for-Sale Securities

The components of our available-for-sale investment securities portfolio at June 30, 2017 and December 31, 2016 are as follows:

	June 30, 2017			
(Dollars in thousands)	Amortized Cost	Unrealized Gains	Unrealized Losses	Carrying Value
Available-for-sale securities, at fair value:				
U.S. Treasury securities	$7,785,838	$ 19,443	$(3,599)	$7,801,682
U.S. agency debentures	1,917,475	11,355	(1,577)	1,927,253
Residential mortgage-backed securities:				
Agency-issued collateralized mortgage obligations—fixed rate	1,925,216	3,885	(13,820)	1,915,281
Agency-issued collateralized mortgage obligations—variable rate	418,173	1,361	(147)	419,387
Equity securities	6,603	1,495	(649)	7,449
Total available-for-sale securities	$12,053,305	$ 37,539	$(19,792)	$12,071,052

	December 31, 2016			
(Dollars in thousands)	Amortized Cost	Unrealized Gains	Unrealized Losses	Carrying Value
Available-for-sale securities, at fair value:				
U.S. Treasury securities	$8,880,358	$ 30,323	$(1,190)	$8,909,491
U.S. agency debentures	2,065,535	14,443	(1,603)	2,078,375
Residential mortgage-backed securities:				
Agency-issued collateralized mortgage obligations—fixed rate	1,163,017	3,046	(13,398)	1,152,665
Agency-issued collateralized mortgage obligations—variable rate	474,238	685	(640)	474,283
Equity securities	5,635	748	(786)	5,597
Total available-for-sale securities	$12,588,783	$ 49,245	$(17,617)	$12,620,411

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The following tables summarize our unrealized losses on our available-for-sale securities portfolio into categories of less than 12 months, or 12 months or longer as of June 30, 2017 and December 31, 2016:

	June 30, 2017					
	Less than 12 months		12 months or longer		Total	
(Dollars in thousands)	Fair Value of Investments	Unrealized Losses	Fair Value of Investments	Unrealized Losses	Fair Value of Investments	Unrealized Losses
Available-for-sale securities:						
U.S. Treasury securities	$2,724,519	$(3,599)	$—	$—	$2,724,519	$(3,599)
U.S. agency debentures	762,920	(1,577)	—	—	762,920	(1,577)
Residential mortgage-backed securities:						
Agency-issued collateralized mortgage obligations—fixed rate	851,825	(7,849)	201,986	(5,971)	1,053,811	(13,820)
Agency-issued collateralized mortgage obligations—variable rate	6,185	(14)	69,706	(133)	75,891	(147)
Equity securities	3,561	(649)	—	—	3,561	(649)
Total temporarily impaired securities (1)	$4,349,010	$(13,688)	$271,692	$(6,104)	$4,620,702	$(19,792)

(1) As of June 30, 2017, we identified a total of 184 investments that were in unrealized loss positions, of which 44 investments totaling $271.7 million with unrealized losses of $6.1 million have been in an impaired position for a period of time greater than 12 months. As of June 30, 2017, we do not intend to sell any impaired fixed income investment securities prior to recovery of our adjusted cost basis, and it is more likely than not that we will not be required to sell any of our securities prior to recovery of our adjusted cost basis. Based on our analysis as of June 30, 2017, we deem all impairments to be temporary, and therefore changes in value for our temporarily impaired securities as of the same date are included in other comprehensive income. Market valuations and impairment analyses on assets in the available-for-sale securities portfolio are reviewed and monitored on a quarterly basis.

	December 31, 2016					
	Less than 12 months		12 months or longer		Total	
(Dollars in thousands)	Fair Value of Investments	Unrealized Losses	Fair Value of Investments	Unrealized Losses	Fair Value of Investments	Unrealized Losses
Available-for-sale securities:						
U.S. Treasury securities	$879,255	$(1,190)	$—	$—	$879,255	$(1,190)
U.S. agency debentures	513,198	(1,603)	—	—	513,198	(1,603)
Residential mortgage-backed securities:						
Agency-issued collateralized mortgage obligations—fixed rate	635,566	(6,704)	227,480	(6,694)	863,046	(13,398)
Agency-issued collateralized mortgage obligations—variable rate	258,325	(613)	6,068	(27)	264,393	(640)
Equity securities	3,693	(786)	—	—	3,693	(786)
Total temporarily impaired securities (1)	$2,290,037	$(10,896)	$233,548	$(6,721)	$2,523,585	$(17,617)

(1) As of December 31, 2016, we identified a total of 174 investments that were in unrealized loss positions, of which 20 investments totaling $233.5 million with unrealized losses of $6.7 million have been in an impaired position for a period of time greater than 12 months.

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The following table summarizes the fixed income securities, carried at fair value, classified as available-for-sale as of June 30, 2017 by the remaining contractual principal maturities. For U.S. Treasury securities and U.S. agency debentures, the expected maturity is the actual contractual maturity of the notes. Expected maturities for mortgage-backed securities may differ significantly from their contractual maturities because mortgage borrowers have the right to prepay outstanding loan obligations with or without penalties. Mortgage-backed securities classified as available-for-sale typically have original contractual maturities from 10 to 30 years whereas expected average lives of these securities tend to be significantly shorter and vary based upon structure and prepayments in lower rate environments.

	June 30, 2017				
(Dollars in thousands)	Total	One Year or Less	After One Year to Five Years	After Five Years to Ten Years	After Ten Years
U.S. Treasury securities	$7,801,682	$2,144,571	$5,657,111	$—	$—
U.S. agency debentures	1,927,253	424,613	1,502,640	—	—
Residential mortgage-backed securities:					
Agency-issued collateralized mortgage obligations—fixed rate	1,915,281	—	—	554,866	1,360,415
Agency-issued collateralized mortgage obligations—variable rate	419,387	—	—	—	419,387
Total	$12,063,603	$2,569,184	$7,159,751	$554,866	$1,779,802

Held-to-Maturity Securities

The components of our held-to-maturity investment securities portfolio at June 30, 2017 and December 31, 2016 are as follows:

	June 30, 2017			
(Dollars in thousands)	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
Held-to-maturity securities, at cost:				
U.S. agency debentures (1)	$641,191	$ 7,553	$(1,291)	$647,453
Residential mortgage-backed securities:				
Agency-issued mortgage-backed securities	4,170,585	12,047	(14,619)	4,168,013
Agency-issued collateralized mortgage obligations—fixed rate	3,240,643	853	(26,227)	3,215,269
Agency-issued collateralized mortgage obligations—variable rate	283,519	581	(57)	284,043
Agency-issued commercial mortgage-backed securities	1,386,455	2,507	(9,267)	1,379,695
Municipal bonds and notes	215,978	1,451	(1,398)	216,031
Total held-to-maturity securities	$9,938,371	$ 24,992	$(52,859)	$9,910,504

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

	December 31, 2016			
(Dollars in thousands)	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
Held-to-maturity securities, at cost:				
U.S. agency debentures (1)	$622,445	$ 7,840	$(1,198)	$629,087
Residential mortgage-backed securities:				
Agency-issued mortgage-backed securities	2,896,179	6,919	(24,526)	2,878,572

Agency-issued collateralized mortgage obligations—fixed rate	3,362,598	788	(31,274)	3,332,112
Agency-issued collateralized mortgage obligations—variable rate	312,665	176	(1,339)	311,502
Agency-issued commercial mortgage-backed securities	1,151,363	1,237	(7,638)	1,144,962
Municipal bonds and notes	81,748	8	(1,853)	79,903
Total held-to-maturity securities	$8,426,998	$ 16,968	$(67,828)	$8,376,138

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

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The following tables summarize our unrealized losses on our held-to-maturity securities portfolio into categories of less than 12 months and 12 months or longer as of June 30, 2017 and December 31, 2016:

	June 30, 2017					
	Less than 12 months		12 months or longer		Total	
(Dollars in thousands)	Fair Value of Investments	Unrealized Losses	Fair Value of Investments	Unrealized Losses	Fair Value of Investments	Unrealized Losses
Held-to-maturity securities:						
U.S. agency debentures	$63,160	$(1,291)	$—	$—	$63,160	$(1,291)
Residential mortgage-backed securities:						
Agency-issued mortgage-backed securities	2,242,392	(13,972)	20,690	(647)	2,263,082	(14,619)
Agency-issued collateralized mortgage obligations—fixed rate	2,719,351	(21,887)	201,313	(4,340)	2,920,664	(26,227)
Agency-issued collateralized mortgage obligations—variable rate	—	—	17,247	(57)	17,247	(57)
Agency-issued commercial mortgage-backed securities	1,166,556	(9,159)	13,658	(108)	1,180,214	(9,267)
Municipal bonds and notes	39,675	(345)	31,607	(1,053)	71,282	(1,398)
Total temporarily impaired securities (1)	$6,231,134	$(46,654)	$284,515	$(6,205)	$6,515,649	$(52,859)

(1) As of June 30, 2017, we identified a total of 468 investments that were in unrealized loss positions, of which 97 investments totaling $284.5 million with unrealized losses of $6.2 million have been in an impaired position for a period of time greater than 12 months. As of June 30, 2017, we do not intend to sell any impaired fixed income investment securities prior to recovery of our adjusted cost basis, and it is more likely than not that we will not be required to sell any of our securities prior to recovery of our adjusted cost basis, which is consistent with our classification of these securities. Based on our analysis as of June 30, 2017, we deem all impairments to be temporary. Market valuations and impairment analyses on assets in the held-to-maturity securities portfolio are reviewed and monitored on a quarterly basis.

	December 31, 2016					
	Less than 12 months		12 months or longer		Total	
(Dollars in thousands)	Fair Value of Investments	Unrealized Losses	Fair Value of Investments	Unrealized Losses	Fair Value of Investments	Unrealized Losses
Held-to-maturity securities:						
U.S. agency debentures	$118,721	$(1,198)	$—	$—	$118,721	$(1,198)
Residential mortgage-backed securities:						
Agency-issued mortgage-backed securities	1,801,861	(23,558)	21,917	(968)	1,823,778	(24,526)
Agency-issued collateralized mortgage obligations—fixed rate	2,729,889	(25,723)	228,220	(5,551)	2,958,109	(31,274)
Agency-issued collateralized mortgage obligations—variable rate	251,012	(1,339)	—	—	251,012	(1,339)
Agency-issued commercial mortgage-backed securities	999,440	(7,494)	14,934	(144)	1,014,374	(7,638)
Municipal bonds and notes	42,267	(877)	30,586	(976)	72,853	(1,853)
Total temporarily impaired securities (1)	$5,943,190	$(60,189)	$295,657	$(7,639)	$6,238,847	$(67,828)

(1) As of December 31, 2016, we identified a total of 462 investments that were in unrealized loss positions, of which 85 investments totaling $295.7 million with unrealized losses of $7.6 million have been in an impaired position for

a period of time greater than 12 months.

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The following table summarizes the remaining contractual principal maturities on fixed income investment securities classified as held-to-maturity as of June 30, 2017. For U.S. agency debentures, the expected maturity is the actual contractual maturity of the notes. Expected maturities for mortgage-backed securities may differ significantly from their contractual maturities because mortgage borrowers have the right to prepay outstanding loan obligations with or without penalties. Mortgage-backed securities classified as held-to-maturity typically have original contractual maturities from 10 to 30 years whereas expected average lives of these securities tend to be significantly shorter and vary based upon structure and prepayments in lower rate environments.

	June 30, 2017									
	Total		One Year or Less		After One Year to Five Years		After Five Years to Ten Years		After Ten Years	
(Dollars in thousands)	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value
U.S. agency debentures	$641,191	$647,453	$—	$—	$75,321	$76,035	$565,870	$571,418	$—	$—
Residential mortgage-backed securities:										
Agency-issued mortgage-backed securities	4,170,585	4,168,013	—	—	288,094	287,229	66,949	66,539	3,815,542	3,814,245
Agency-issued collateralized mortgage obligations—fixed rate	3,240,643	3,215,269	—	—	—	—	150,940	149,193	3,089,703	3,066,076
Agency-issued collateralized mortgage obligations—variable rate	283,519	284,043	—	—	—	—	—	—	283,519	284,043
Agency-issued commercial mortgage-backed securities	1,386,455	1,379,695	—	—	—	—	—	—	1,386,455	1,379,695
Municipal bonds and notes	215,978	216,031	7,609	7,590	71,297	71,015	111,037	111,294	26,035	26,132
Total	$9,938,371	$9,910,504	$7,609	$7,590	$434,712	$434,279	$894,796	$898,444	$8,601,254	$8,570,191

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Non-marketable and Other Securities

The components of our non-marketable and other investment securities portfolio at June 30, 2017 and December 31, 2016 are as follows:

(Dollars in thousands)	June 30, 2017	December 31, 2016
Non-marketable and other securities:		
Non-marketable securities (fair value accounting):		
Venture capital and private equity fund investments (1)	$135,438	$141,649
Other venture capital investments (2)	1,897	2,040
Other securities (fair value accounting) (3)	788	753
Non-marketable securities (equity method accounting) (4):		
Venture capital and private equity fund investments	85,609	82,823
Debt funds	16,476	17,020
Other investments	113,322	123,514
Non-marketable securities (cost method accounting):		
Venture capital and private equity fund investments (5)	110,001	114,606
Other investments	26,758	27,700
Investments in qualified affordable housing projects, net (6)	140,381	112,447
Total non-marketable and other securities	$630,670	$622,552

(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 June 30, 2017 and December 31, 2016 (fair value accounting):

	June 30, 2017		December 31, 2016	
(Dollars in thousands)	Amount	Ownership %	Amount	Ownership %
Strategic Investors Fund, LP	$16,841	12.6 %	$18,459	12.6 %
Capital Preferred Return Fund, LP	57,640	20.0	57,627	20.0
Growth Partners, LP	60,957	33.0	59,718	33.0
Other private equity fund (i)	—	—	5,845	58.2
Total venture capital and private equity fund investments	$135,438		$141,649	

(i) At December 31, 2016, we had a direct ownership interest of 41.5 percent in the other private equity fund and an indirect ownership interest of 12.6 percent through our ownership interest of Growth Partners, LP and an indirect ownership interest of 4.1 percent through our ownership interest of Capital Preferred Return Fund, LP. On January 3, 2017, the other private equity fund was closed resulting in an immaterial impact on the Company's financial statements for the six months ended June 30, 2017.

(2) The following table shows the amounts of other venture capital investments held by the following consolidated funds and our ownership percentage at June 30, 2017 and December 31, 2016 (fair value accounting):

	June 30, 2017		December 31, 2016	
(Dollars in thousands)	Amount	Ownership %	Amount	Ownership %
CP I, LP	$1,897	10.7 %	$2,040	10.7 %
Total other venture capital investments	$1,897		$2,040	

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

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(4) The following table shows the carrying value and our ownership percentage of each investment at June 30, 2017 and December 31, 2016 (equity method accounting):

	June 30, 2017		December 31, 2016	
(Dollars in thousands)	Amount	Ownership %	Amount	Ownership %
Venture capital and private equity fund investments:				
Strategic Investors Fund II, LP	$6,797	8.6 %	$7,720	8.6 %
Strategic Investors Fund III, LP	19,443	5.9	20,449	5.9
Strategic Investors Fund IV, LP	25,398	5.0	24,530	5.0
Strategic Investors Fund V funds	13,557	Various	12,029	Various
CP II, LP (i)	7,623	5.1	7,798	5.1
Other venture capital and private equity fund investments	12,791	Various	10,297	Various
Total venture capital and private equity fund investments	$85,609		$82,823	
Debt funds:				
Gold Hill Capital 2008, LP (ii)	$13,159	15.5 %	$13,557	15.5 %
Other debt funds	3,317	Various	3,463	Various
Total debt funds	$16,476		$17,020	
Other investments:				
SPD Silicon Valley Bank Co., Ltd.	$75,052	50.0 %	$75,296	50.0 %
Other investments	38,270	Various	48,218	Various
Total other investments	$113,322		$123,514	

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

(ii) Our ownership includes direct ownership interest of 11.5 percent in the fund and an indirect interest in the fund through our investment in Gold Hill Capital 2008, LLC of 4.0 percent.

(5) Represents investments in 244 and 252 funds (primarily venture capital funds) at June 30, 2017 and December 31, 2016, respectively, where our ownership interest is typically less than 5% of the voting interests of each such fund and in which we do not have the ability to exercise significant influence over the partnerships operating activities and financial policies. The carrying value, and estimated fair value, of these venture capital and private equity fund investments (cost method accounting) was $110.0 million and $223.5 million, respectively, as of June 30, 2017. The carrying value, and estimated fair value, of these venture capital and private equity fund investments (cost method accounting) was $114.6 million and $221.7 million, respectively, as of December 31, 2016.

(6) The following table presents the balances of our investments in qualified affordable housing projects and related unfunded commitments included as a component of "other liabilities" on our consolidated balance sheets at June 30, 2017 and December 31, 2016:

(Dollars in thousands)	June 30, 2017	December 31, 2016
Investments in qualified affordable housing projects, net	$140,381	$112,447
Other liabilities	86,545	58,095

The following table presents other information relating to our investments in qualified affordable housing projects for the three and six months ended June 30, 2017 and 2016:

	Three months ended June 30,		Six months ended June 30,	
(Dollars in thousands)	2017	2016	2017	2016
Tax credits and other tax benefits recognized	$3,968	$4,066	$8,660	$8,132
Amortization expense included in provision for income taxes (i)	3,385	3,578	6,621	7,190

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

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The following table presents the components of gains and losses (realized and unrealized) on investment securities for the three and six months ended June 30, 2017 and 2016:

(Dollars in thousands)	Three months ended June 30, 2017	Three months ended June 30, 2016	Six months ended June 30, 2017	Six months ended June 30, 2016
Gross gains on investment securities:				
Available-for-sale securities, at fair value (1)	$418	$12,401	$1,093	$14,154
Non-marketable securities (fair value accounting):				
Venture capital and private equity fund investments	12,398	7,524	19,480	10,347
Other venture capital investments	—	5	—	13
Other securities (fair value accounting)	116	305	272	368
Non-marketable securities (equity method accounting):				
Venture capital and private equity fund investments	2,786	2,019	6,703	3,672
Debt funds	928	64	1,166	964
Other investments	779	3,190	1,521	4,041
Non-marketable securities (cost method accounting):				
Venture capital and private equity fund investments	6,870	5,514	10,029	7,852
Other investments	40	13	3,609	13
Total gross gains on investment securities	24,335	31,035	43,873	41,424
Gross losses on investment securities:				
Available-for-sale securities, at fair value (1)	(541)	(73)	(608)	(2,572)
Non-marketable securities (fair value accounting):				
Venture capital and private equity fund investments	(2,685)	(5,943)	(3,304)	(13,836)
Other venture capital investments	(143)	—	(143)	(38)
Other securities (fair value accounting)	(141)	(250)	(379)	(407)
Non-marketable securities (equity method accounting):				
Venture capital and private equity fund investments	(129)	(466)	(312)	(4,021)
Debt funds	(246)	(284)	(915)	(329)
Other investments	(2,267)	(312)	(3,751)	(956)
Non-marketable securities (cost method accounting):				
Venture capital and private equity fund investments (2)	(543)	(270)	(655)	(441)
Other investments	(10)	(167)	(206)	(238)
Total gross losses on investment securities	(6,705)	(7,765)	(10,273)	(22,838)
Gains on investment securities, net	$17,630	$23,270	$33,600	$18,586

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

(2) For the three months ended June 30, 2017 and 2016, includes OTTI losses of $0.5 million from the declines in value for 8 of the 244 investments and $0.3 million from the declines in value for 10 of the 264 investments, respectively. For the six months ended June 30, 2017 and 2016, includes OTTI losses of $0.6 million for the declines in value for 13 of the 244 investments and $0.4 million for the declines in value for 18 of the 264 investments. We concluded that any declines in value for the remaining investments were temporary, and as such, no OTTI was required to be recognized.

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

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

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of funds from capital calls. Loans to the premium wine industry focus on vineyards and wineries that produce grapes and wines of high quality.

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

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

The composition of loans, net of unearned income of $127 million and $125 million at June 30, 2017 and December 31, 2016, respectively, is presented in the following table:

(Dollars in thousands)	June 30, 2017	December 31, 2016
Commercial loans:		
Software/internet	$5,392,022	$5,627,031
Hardware	1,118,266	1,180,398
Private equity/venture capital	8,891,662	7,691,148
Life science/healthcare	1,698,617	1,853,004
Premium wine	210,909	200,156
Other	443,337	393,551
Total commercial loans	17,754,813	16,945,288
Real estate secured loans:		
Premium wine (1)	694,060	678,166
Consumer loans (2)	2,127,901	1,926,968
Other	42,893	43,487
Total real estate secured loans	2,864,854	2,648,621
Construction loans	80,540	64,671
Consumer loans	276,259	241,364
Total loans, net of unearned income (3)	$20,976,466	$19,899,944

(1) Included in our premium wine portfolio are gross construction loans of $107 million and $110 million at June 30, 2017 and December 31, 2016, respectively.

(2) Consumer loans secured by real estate at June 30, 2017 and December 31, 2016 were comprised of the following:

(Dollars in thousands)	June 30, 2017	December 31, 2016
Loans for personal residence	$1,837,491	$1,655,349
Loans to eligible employees	223,718	199,291
Home equity lines of credit	66,692	72,328
Consumer loans secured by real estate	$2,127,901	$1,926,968

(3) Included within our total loan portfolio are credit card loans of $253 million and $224 million at June 30, 2017 and December 31, 2016, respectively.

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Credit Quality

The composition of loans, net of unearned income of $127 million and $125 million at June 30, 2017 and December 31, 2016, respectively, broken out by portfolio segment and class of financing receivable, is as follows:

(Dollars in thousands)	June 30, 2017	December 31, 2016
Commercial loans:		
Software/internet	$5,392,022	$5,627,031
Hardware	1,118,266	1,180,398
Private equity/venture capital	8,891,662	7,691,148
Life science/healthcare	1,698,617	1,853,004
Premium wine	904,969	878,322
Other	566,770	501,709
Total commercial loans	18,572,306	17,731,612
Consumer loans:		
Real estate secured loans	2,127,901	1,926,968
Other consumer loans	276,259	241,364
Total consumer loans	2,404,160	2,168,332
Total loans, net of unearned income	$20,976,466	$19,899,944

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The following table summarizes the aging of our gross loans, broken out by portfolio segment and class of financing receivable as of June 30, 2017 and December 31, 2016:

(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
June 30, 2017:						
Commercial loans:						
Software/internet	$ 8,524	$ 532	$ 79	$ 9,135	$5,303,770	$ 79
Hardware	4,654	47	5	4,706	1,096,455	5
Private equity/venture capital	48,132	7,012	—	55,144	8,846,984	—
Life science/healthcare	794	165	—	959	1,715,883	—
Premium wine	2,260	—	—	2,260	900,699	—
Other	85	270	—	355	571,425	—
Total commercial loans	64,449	8,026	84	72,559	18,435,216	84
Consumer loans:						
Real estate secured loans	—	847	—	847	2,123,151	—
Other consumer loans	2	—	—	2	273,878	—
Total consumer loans	2	847	—	849	2,397,029	—
Total gross loans excluding impaired loans	64,451	8,873	84	73,408	20,832,245	84
Impaired loans	652	3,738	27,408	31,798	166,495	
Total gross loans	$ 65,103	$ 12,611	$ 27,492	$ 105,206	$20,998,740	$ 84
December 31, 2016:						
Commercial loans:						
Software/internet	$ 37,087	$ 1,162	$ 6	$ 38,255	$5,507,575	$ 6
Hardware	5,591	36	27	5,654	1,118,065	27
Private equity/venture capital	689	—	—	689	7,747,222	—
Life science/healthcare	283	551	—	834	1,827,490	—
Premium wine	1,003	4	—	1,007	876,185	—
Other	34	300	—	334	504,021	—
Total commercial loans	44,687	2,053	33	46,773	17,580,558	33
Consumer loans:						
Real estate secured loans	850	—	—	850	1,923,266	—
Other consumer loans	1,402	—	—	1,402	237,353	—
Total consumer loans	2,252	—	—	2,252	2,160,619	—
Total gross loans excluding impaired loans	46,939	2,053	33	49,025	19,741,177	33
Impaired loans	34,636	3,451	11,180	49,267	185,193	—
Total gross loans	$ 81,575	$ 5,504	$ 11,213	$ 98,292	$19,926,370	$ 33

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The following table summarizes our impaired loans as they relate to our allowance for loan losses, broken out by portfolio segment and class of financing receivable as of June 30, 2017 and December 31, 2016:

(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
June 30, 2017:				
Commercial loans:				
Software/internet	$ 98,970	$ 30,657	$ 129,627	$ 154,587
Hardware	29,396	624	30,020	35,251
Private equity/venture capital	308	—	308	308
Life science/healthcare	30,898	573	31,471	38,128
Premium wine	3,167	—	3,167	3,188
Other	408	—	408	1,408
Total commercial loans	163,147	31,854	195,001	232,870
Consumer loans:				
Real estate secured loans	1,328	—	1,328	1,387
Other consumer loans	1,964	—	1,964	2,036
Total consumer loans	3,292	—	3,292	3,423
Total	$ 166,439	$ 31,854	$ 198,293	$ 236,293
December 31, 2016:				
Commercial loans:				
Software/internet	$ 121,658	$ 1,090	$ 122,748	$ 129,648
Hardware	65,395	—	65,395	70,683
Private equity/venture capital	—	—	—	—
Life science/healthcare	38,361	—	38,361	41,130
Premium wine	3,187	—	3,187	3,187
Other	867	—	867	867
Total commercial loans	229,468	1,090	230,558	245,515
Consumer loans:				
Real estate secured loans	1,504	—	1,504	2,779
Other consumer loans	2,398	—	2,398	2,398
Total consumer loans	3,902	—	3,902	5,177
Total	$ 233,370	$ 1,090	$ 234,460	$ 250,692

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The following tables summarize our average impaired loans, broken out by portfolio segment and class of financing receivable for the three and six months ended June 30, 2017 and 2016:

Three months ended June 30,	Average impaired loans		Interest income on impaired loans	
(Dollars in thousands)	2017	2016	2017	2016
Commercial loans:				
Software/internet	$136,374	$101,168	$711	$438
Hardware	29,771	23,221	510	442
Private equity/venture capital	327	—	3	—
Life science/healthcare	36,033	33,324	191	—
Premium wine	3,221	2,040	38	18
Other	708	5,485	—	7
Total commercial loans	206,434	165,238	1,453	905
Consumer loans:				
Real estate secured loans	1,360	127	—	—
Other consumer loans	1,679	786	—	11
Total consumer loans	3,039	913	—	11
Total average impaired loans	$209,473	$166,151	$1,453	$916

Six months ended June 30,	Average impaired loans		Interest income on impaired loans	
(Dollars in thousands)	2017	2016	2017	2016
Commercial loans:				
Software/internet	$123,145	$95,268	$938	$763
Hardware	31,940	23,824	943	749
Private equity/venture capital	342	—	5	—
Life science/healthcare	37,488	36,507	291	—
Premium wine	3,217	2,106	76	35
Other	885	4,669	—	15
Total commercial loans	197,017	162,374	2,253	1,562
Consumer loans:				
Real estate secured loans	1,424	131	—	—
Other consumer loans	1,914	410	—	11
Total consumer loans	3,338	541	—	11
Total average impaired loans	$200,355	$162,915	$2,253	$1,573

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The following tables summarize the activity relating to our allowance for loan losses for the three and six months ended June 30, 2017 and 2016, broken out by portfolio segment:

Three months ended June 30, 2017 (Dollars in thousands)	Beginning Balance March 31, 2017	Charge-offs	Recoveries	Provision for (Reduction of) Loan Losses	Foreign Currency Translation Adjustments	Ending Balance June 30, 2017
Commercial loans:						
Software/internet	$109,502	$(19,401)	$ 1,236	$ 1,527	$ 73	$92,937
Hardware	23,284	(249)	77	4,474	214	27,800
Private equity/venture capital	57,078	—	—	9,263	444	66,785
Life science/healthcare	31,542	(4,678)	8	819	39	27,730
Premium wine	4,343	—	—	(1,155)	(55)	3,133
Other	4,377	(753)	180	316	15	4,135
Total commercial loans	230,126	(25,081)	1,501	15,244	730	222,520
Total consumer loans	13,004	—	1,034	(59)	(3)	13,976
Total allowance for loan losses	$243,130	$(25,081)	$ 2,535	$ 15,185	$ 727	$236,496

Three months ended June 30, 2016 (Dollars in thousands)	Beginning Balance March 31, 2016	Charge-offs	Recoveries	Provision for (Reduction of) Loan Losses	Foreign Currency Translation Adjustments	Ending Balance June 30, 2016
Commercial loans:						
Software/internet	$106,898	$(18,055)	$ 260	$ 16,215	$ (1,089)	$104,229
Hardware	23,836	(2,015)	183	2,003	(136)	23,871
Private equity/venture capital	43,686	—	—	6,562	(441)	49,807
Life science/healthcare	30,285	(606)	185	12,853	(865)	41,852
Premium wine	5,244	—	—	(465)	31	4,810
Other	9,547	—	599	(714)	48	9,480
Total commercial loans	219,496	(20,676)	1,227	36,454	(2,452)	234,049
Total consumer loans	10,753	—	34	(121)	8	10,674
Total allowance for loan losses	$230,249	$(20,676)	$ 1,261	$ 36,333	$ (2,444)	$244,723

Six months ended June 30, 2017 (Dollars in thousands)	Beginning Balance December 31, 2016	Charge-offs	Recoveries	Provision for (Reduction of) Loan Losses	Foreign Currency Translation Adjustments	Ending Balance June 30, 2017
Commercial loans:						
Software/internet	$97,388	$(27,381)	$ 2,407	$ 20,246	$ 277	$92,937
Hardware	31,166	(4,273)	344	394	169	27,800
Private equity/venture capital	50,299	—	—	15,969	517	66,785
Life science/healthcare	25,446	(6,410)	44	8,527	123	27,730
Premium wine	4,115	—	—	(929)	(53)	3,133
Other	4,768	(1,047)	477	(74)	11	4,135
Total commercial loans	213,182	(39,111)	3,272	44,133	1,044	222,520
Consumer loans	12,184	—	1,055	731	6	13,976
Total allowance for loan losses	$225,366	$(39,111)	$ 4,327	$ 44,864	$ 1,050	$236,496

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Six months ended June 30, 2016 (Dollars in thousands)	Beginning Balance December 31, 2015	Charge-offs	Recoveries	Provision for (Reduction of) Loan Losses	Foreign Currency Translation Adjustments	Ending Balance June 30, 2016
Commercial loans:						
Software/internet	$ 103,045	$ (40,216)	$ 4,220	$ 37,847	$ (667)	$ 104,229
Hardware	23,085	(3,501)	422	3,962	(97)	23,871
Private equity/venture capital	35,282	—	—	14,805	(280)	49,807
Life science/healthcare	36,576	(3,001)	676	8,550	(949)	41,852
Premium wine	5,205	—	—	(426)	31	4,810
Other	4,252	(30)	673	4,431	154	9,480
Total commercial loans	207,445	(46,748)	5,991	69,169	(1,808)	234,049
Consumer loans	10,168	(102)	83	505	20	10,674
Total allowance for loan losses	$ 217,613	$ (46,850)	$ 6,074	$ 69,674	$ (1,788)	$ 244,723

The following table summarizes the activity relating to our allowance for unfunded credit commitments for the three and six months ended June 30, 2017 and 2016:

	Three months ended June 30,		Six months ended June 30,	
(Dollars in thousands)	2017	2016	2017	2016
Beginning balance	$ 46,335	$ 34,541	$ 45,265	$ 34,415
Provision for unfunded credit commitments	621	413	1,676	547
Foreign currency translation adjustments	44	(65)	59	(73)
Ending balance (1)	$ 47,000	$ 34,889	$ 47,000	$ 34,889

(1) See Note 12—"Off-Balance Sheet Arrangements, Guarantees and Other Commitments" of the "Notes to Interim Consolidated Financial Statements (unaudited)" under Part I, Item 1 of this report for additional disclosures related to our commitments to extend credit.

The following table summarizes the allowance for loan losses individually and collectively evaluated for impairment as of June 30, 2017 and December 31, 2016, broken out by portfolio segment:

	June 30, 2017				December 31, 2016			
	Individually Evaluated for Impairment		Collectively Evaluated for Impairment		Individually Evaluated for Impairment		Collectively Evaluated for Impairment	
(Dollars in thousands)	Allowance for loan losses	Recorded investment in loans	Allowance for loan losses	Recorded investment in loans	Allowance for loan losses	Recorded investment in loans	Allowance for loan losses	Recorded investment in loans
Commercial loans:								
Software/internet	$ 30,291	$ 129,627	$ 62,646	$ 5,262,395	$ 28,245	$ 122,748	$ 69,143	$ 5,504,283
Hardware	5,329	30,020	22,471	1,088,246	9,995	65,395	21,171	1,115,003
Private equity/venture capital	31	308	66,754	8,891,354	—	—	50,299	7,691,148
Life science/healthcare	11,223	31,471	16,507	1,667,146	8,709	38,361	16,737	1,814,643
Premium wine	290	3,167	2,843	901,802	520	3,187	3,595	875,135
Other	270	408	3,865	566,362	233	867	4,535	500,842
Total commercial loans	47,434	195,001	175,086	18,377,305	47,702	230,558	165,480	17,501,054
Total consumer loans	936	3,292	13,040	2,400,868	1,123	3,902	11,061	2,164,430
Total	$ 48,370	$ 198,293	$ 188,126	$ 20,778,173	$ 48,825	$ 234,460	$ 176,541	$ 19,665,484

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Credit Quality Indicators

For each individual client, we establish an internal credit risk rating for that loan, which is used for assessing and monitoring credit risk as well as performance of the loan and the overall portfolio. Our internal credit risk ratings are also used to summarize the risk of loss due to failure by an individual borrower to repay the loan. For our internal credit risk ratings, each individual loan is given a risk rating of 1 through 10. Loans risk-rated 1 through 4 are performing loans and translate to an internal rating of “Pass”, with loans risk-rated 1 being cash secured. Loans risk-rated 5 through 7 are performing loans, however, we consider them as demonstrating higher risk, which requires more frequent review of the individual exposures; these translate to an internal rating of “Performing (Criticized)”. When a significant payment delay occurs on a criticized loan, the loan is impaired. The loan is also considered for nonaccrual status if full repayment is determined to be improbable. All of our nonaccrual loans are risk-rated 8 or 9 and are classified under the nonperforming impaired category. (For further description of nonaccrual loans, refer to Note 2—“Summary of Significant Accounting Policies” under Part II, Item 8 of our 2016 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 June 30, 2017 and December 31, 2016:

(Dollars in thousands)	Pass	Performing (Criticized)	Performing Impaired (Criticized)	Nonperforming Impaired (Nonaccrual)	Total
June 30, 2017:					
Commercial loans:					
Software/internet	$4,922,821	$ 390,084	$ 42,413	$ 87,214	$5,442,532
Hardware	952,429	148,732	23,710	6,310	1,131,181
Private equity/venture capital	8,896,099	6,029	308	—	8,902,436
Life science/healthcare	1,576,136	140,706	8,972	22,499	1,748,313
Premium wine	888,305	14,654	2,718	449	906,126
Other	550,943	20,837	—	408	572,188
Total commercial loans	17,786,733	721,042	78,121	116,880	18,702,776
Consumer loans:					
Real estate secured loans	2,112,234	11,764	—	1,328	2,125,326
Other consumer loans	273,405	475	—	1,964	275,844
Total consumer loans	2,385,639	12,239	—	3,292	2,401,170
Total gross loans	$20,172,372	$ 733,281	$ 78,121	$ 120,172	$21,103,946
December 31, 2016:					
Commercial loans:					
Software/internet	$4,924,923	$ 620,907	$ 46,143	$ 76,605	$5,668,578
Hardware	985,889	137,830	58,814	6,581	1,189,114
Private equity/venture capital	7,747,317	594	—	—	7,747,911
Life science/healthcare	1,707,499	120,825	6,578	31,783	1,866,685
Premium wine	865,354	11,838	2,696	491	880,379
Other	480,845	23,510	464	403	505,222
Total commercial loans	16,711,827	915,504	114,695	115,863	17,857,889
Consumer loans:					
Real estate secured loans	1,914,512	9,604	—	1,504	1,925,620
Other consumer loans	238,256	499	786	1,612	241,153
Total consumer loans	2,152,768	10,103	786	3,116	2,166,773
Total gross loans	$18,864,595	$ 925,607	$ 115,481	$ 118,979	$20,024,662

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Troubled Debt Restructurings

As of June 30, 2017 we had 18 TDRs with a total carrying value of $102.2 million where concessions have been granted to borrowers experiencing financial difficulties, in an attempt to maximize collection. There were $1.4 million of unfunded commitments available for funding to the clients associated with these TDRs as of June 30, 2017.

The following table summarizes our loans modified in TDRs, broken out by portfolio segment and class of financing receivables at June 30, 2017 and December 31, 2016:

(Dollars in thousands)	June 30, 2017	December 31, 2016
Loans modified in TDRs:		
Commercial loans:		
Software/internet	$67,518	$ 52,646
Hardware	5,582	14,870
Life science/healthcare	25,385	24,176
Premium wine	3,304	3,194
Other	—	387
Total commercial loans	101,789	95,273
Consumer loans:		
Other consumer loans	436	786
Total	$102,225	$ 96,059

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 six months ended June 30, 2017 and 2016:

	Three months ended June 30,		Six months ended June 30,	
(Dollars in thousands)	2017	2016	2017	2016
Loans modified in TDRs during the period:				
Commercial loans:				
Software/internet	$16,135	$4,402	$22,242	$5,525
Life science/healthcare	4,588	—	4,588	—
Premium wine	190	—	190	506
Total commercial loans	20,913	4,402	27,020	6,031
Consumer loans:				
Other consumer loans	—	786	—	786
Total loans modified in TDRs during the period (1)	$20,913	$5,188	$27,020	$6,817

(1) There were $12.5 million and $15.1 million of partial charge-offs during the three and six months ended June 30, 2017, respectively, and $0.5 million and $4.3 million of partial charge-offs during the three and six months ended June 30, 2016, respectively.

During the three and six months ended June 30, 2017 all new TDRs of $20.9 million and $27.0 million, respectively, were modified through payment deferrals granted to our clients.

During the three months ended June 30, 2016, all new TDRs were modified through payment deferrals granted to our clients. During the six months ended June 30, 2016, $5.7 million of new TDRs were modified through payment deferrals granted to our clients and $1.1 million were modified through partial forgiveness of principal.

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.

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The following table summarizes the recorded investment in loans modified in TDRs within the previous 12 months that subsequently defaulted during the three and six months ended June 30, 2017 and June 30, 2016.

	Three months ended June 30,		Six months ended June 30,	
(Dollars in thousands)	2017	2016	2017	2016
TDRs modified within the previous 12 months that defaulted during the period:				
Commercial loans:				
Software/internet	$—	$1,474	$—	$1,474
Premium wine	190	506	190	506
Total TDRs modified within the previous 12 months that defaulted in the period	$190	$1,980	$190	$1,980

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 June 30, 2017.

8. Short-Term Borrowings and Long-Term Debt

The following table represents outstanding short-term borrowings and long-term debt at June 30, 2017 and December 31, 2016:

			Carrying Value	
(Dollars in thousands)	Maturity	Principal value at June 30, 2017	June 30, 2017	December 31, 2016
Short-term borrowings:				
Short-term FHLB advances		$—	$—	$ 500,000
Other short-term borrowings	(1)	470	470	12,668
Total short-term borrowings			$470	$ 512,668
Long-term debt:				
3.50% Senior Notes	January 29, 2025	$350,000	$347,140	$ 346,979
5.375% Senior Notes	September 15, 2020	350,000	347,883	347,586
6.05% Subordinated Notes (2)	June 1, 2017	—	—	46,646
7.0% Junior Subordinated Debentures	October 15, 2033	50,000	54,406	54,493
Total long-term debt			$749,429	$ 795,704

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

(2) Our 6.05% Subordinated Notes were repaid on June 1, 2017 and therefore, the interest rate swap agreement related to this issuance was terminated upon repayment of the 6.05% Subordinated Notes. At December 31, 2016, included in the carrying value of our 6.05% Subordinated Notes were $0.8 million related to hedge accounting associated with the notes.

Interest expense related to short-term borrowings and long-term debt was $9.0 million and $18.3 million for the three and six months ended June 30, 2017, respectively, and $9.4 million and $18.4 million for the three and six months ended June 30, 2016, respectively. Interest expense is net of the hedge accounting impact from our interest rate swap agreement related to our 6.05% Subordinated Notes. The weighted average interest rate associated with our short-term borrowings was 1.06 percent as of June 30, 2017 and 0.59 percent as of December 31, 2016.

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Available Lines of Credit

We have certain facilities in place to enable us to access short-term borrowings on a secured (using high-quality fixed income securities as collateral) and an unsecured basis. These include repurchase agreements and uncommitted federal funds lines with various financial institutions. As of June 30, 2017, we did not have any borrowings outstanding against our uncommitted federal funds lines. We also pledge securities to the FHLB of San Francisco and the discount window at the Federal Reserve Bank. The fair value of collateral pledged to the FHLB of San Francisco (comprised primarily of U.S. Treasury securities) at June 30, 2017 totaled $1.7 billion, all of which was unused and available to support additional borrowings. The fair value of collateral pledged at the discount window of the Federal Reserve Bank at June 30, 2017 totaled $0.8 billion, all of which was unused and available to support additional borrowings.

9. Derivative Financial Instruments

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

Interest Rate Risk

Interest rate risk is our primary market risk and can result from timing and volume differences in the repricing of our interest rate sensitive assets and liabilities and changes in market interest rates. To manage interest rate risk for our 6.05% Subordinated Notes, we entered into a fixed-for-floating interest rate swap agreement at the time of debt issuance based upon LIBOR with matched-terms. The net cash benefit associated with our interest rate swap is recorded as a reduction in “Interest expense—Borrowings,” a component of net interest income. The fair value of our interest rate swaps is calculated using a discounted cash flow method and adjusted for credit valuation associated with counterparty risk. Changes in fair value of the interest rate swaps are reflected in either other assets (for swaps in an asset position) or other liabilities (for swaps in a liability position). On June 1, 2017, our interest rate swap was terminated upon repayment of the 6.05% Subordinated Notes.

Currency Exchange Risk

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

Other Derivative Instruments

Also included in our derivative instruments are equity warrant assets and client forward and option contracts, and client interest rate contracts. For further description of these other derivative instruments, refer to Note 2-“Summary of Significant Accounting Policies" under Part II, Item 8 of our 2016 Form 10-K.

Counterparty Credit Risk

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

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The total notional or contractual amounts, fair value, collateral and net exposure of our derivative financial instruments at June 30, 2017 and December 31, 2016 were as follows:

(Dollars in thousands)	Balance Sheet Location	June 30, 2017 Notional or Contractual Amount	Fair Value	Collateral (1)	Net Exposure (2)	December 31, 2016 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	$810	$89	$721
Derivatives not designated as hedging instruments:									
Currency exchange risks:									
Foreign exchange forwards	Other assets	—	—	—	—	219,950	3,057	—	3,057
Foreign exchange forwards	Other liabilities	[illegible]	(2,336)	—	(2,336)	54,338	(968)	—	(968)
Net exposure			(2,336)	—	(2,336)		2,089	—	2,089
Other derivative instruments:									
Equity warrant assets	Other assets	[illegible]	131,750	—	131,750	211,434	131,123	—	131,123
Other derivatives:									
Client foreign exchange forwards	Other assets	[illegible]	[illegible]	470	76,412	1,251,308	54,587	12,579	42,008
Client foreign exchange forwards	Other liabilities	[illegible]	(68,865)	—	(68,865)	1,068,991	(43,317)	—	(43,317)
Client foreign currency options	Other assets	[illegible]	4,961	—	4,961	775,000	10,383	—	10,383
Client foreign currency options	Other liabilities	[illegible]	(4,969)	—	(4,969)	775,000	(10,383)	—	(10,383)
Client interest rate derivatives	Other assets	[illegible]	11,655	—	11,655	583,511	10,110	—	10,110
Client interest rate derivatives	Other liabilities	[illegible]	(11,765)	—	(11,765)	627,639	(9,770)	—	(9,770)
Net exposure			7,899	470	7,429		11,610	12,579	(969)
Net			$137,313	$ 470	$136,843		$145,632	$12,668	$132,964

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

(2) Net exposure for contracts in a gain position reflects the replacement cost in the event of nonperformance by all such counterparties. The credit ratings of our institutional counterparties as of June 30, 2017 remain at investment grade or higher and there were no material changes in their credit ratings during the three and six months ended June 30, 2017.

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A summary of our derivative activity and the related impact on our consolidated statements of income for the three and six months ended June 30, 2017 and 2016 is as follows:

(Dollars in thousands)	Statement of income location	Three months ended June 30, 2017	Three months ended June 30, 2016	Six months ended June 30, 2017	Six months ended June 30, 2016
Derivatives designated as hedging instruments:					
Interest rate risks:					
Net cash benefit associated with interest rate swaps	Interest expense—borrowings	$381	$590	$935	$1,199
Changes in fair value of interest rate swaps	Other noninterest income	(6)	(13)	(7)	(30)
Net gains associated with interest rate risk derivatives		$375	$577	$928	$1,169
Derivatives not designated as hedging instruments:					
Currency exchange risks:					
Gains (losses) on revaluations of internal foreign currency instruments, net	Other noninterest income	$14,596	$(5,307)	$18,704	$(2,816)
(Losses) gains on internal foreign exchange forward contracts, net	Other noninterest income	(14,554)	3,923	(17,799)	1,715
Net gains (losses) associated with internal currency risk		$42	$(1,384)	$905	$(1,101)
Other derivative instruments:					
Gains (losses) on revaluations of client foreign currency instruments, net	Other noninterest income	$2,375	$(133)	$5,129	$3,521
(Losses) gains on client foreign exchange forward contracts, net	Other noninterest income	(2,190)	68	(4,479)	(5,586)
Net gains (losses) associated with client currency risk		$185	$(65)	$650	$(2,065)
Net gains on equity warrant assets	Gains on equity warrant assets, net	$10,820	$5,089	$17,510	$11,695
Net losses on other derivatives	Other noninterest income	$(210)	$(269)	$(486)	$(690)

Balance Sheet Offsetting

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

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The following table summarizes our assets subject to enforceable master netting arrangements as of June 30, 2017 and December 31, 2016:

(Dollars in thousands)	Gross Amounts of Recognized Assets	Gross Amounts offset in the Statement of Financial Position	Net Amounts of Assets Presented in the Statement of Financial Position	Gross Amounts Not Offset in the Statement of Financial Position But Subject to Master Netting Arrangements: Financial Instruments	Cash Collateral Received	Net Amount
June 30, 2017						
Derivative Assets:						
Interest rate swaps	$ —	$ —	$ —	$ —	$ —	$ —
Foreign exchange forwards	76,882	—	76,882	(24,960)	(470)	51,452
Foreign currency options	4,961	—	4,961	(419)	—	4,542
Client interest rate derivatives	11,655	—	11,655	(11,638)	—	17
Total derivative assets	93,498	—	93,498	(37,017)	(470)	56,011
Reverse repurchase, securities borrowing, and similar arrangements	192,421	—	192,421	(192,421)	—	—
Total	$ 285,919	$ —	$ 285,919	$ (229,438)	$ (470)	$ 56,011
December 31, 2016						
Derivative Assets:						
Interest rate swaps	$ 810	$ —	$ 810	$ (721)	$ (89)	$ —
Foreign exchange forwards	57,644	—	57,644	(22,738)	(12,579)	22,327
Foreign currency options	10,383	—	10,383	(8,806)	—	1,577
Client interest rate derivatives	10,110	—	10,110	(10,091)	—	19
Total derivative assets	78,947	—	78,947	(42,356)	(12,668)	23,923
Reverse repurchase, securities borrowing, and similar arrangements	64,028	—	64,028	(64,028)	—	—
Total	$ 142,975	$ —	$ 142,975	$ (106,384)	$ (12,668)	$ 23,923

The following table summarizes our liabilities subject to enforceable master netting arrangements as of June 30, 2017 and December 31, 2016:

(Dollars in thousands)	Gross Amounts of Recognized Liabilities	Gross Amounts offset in the Statement of Financial Position	Net Amounts of Liabilities Presented in the Statement of Financial Position	Gross Amounts Not Offset in the Statement of Financial Position But Subject to Master Netting Arrangements: Financial Instruments	Cash Collateral Pledged	Net Amount
June 30, 2017						
Derivative Liabilities:						
Foreign exchange forwards	$ 71,201	$ —	$ 71,201	$ (50,275)	$ —	$ 20,926
Foreign currency options	4,969	—	4,969	(4,550)	—	419
Client interest rate derivatives	11,765	—	11,765	(11,765)	—	—
Total derivative liabilities	87,935	—	87,935	(66,590)	—	21,345

Repurchase, securities lending, and similar arrangements	—	—	—	—	—	—
Total	$ 87,935	$ —	$ 87,935	$ (66,590)	$ —	$ 21,345
December 31, 2016						
Derivative Liabilities:						
Foreign exchange forwards	$ 44,285	$ —	$ 44,285	$ (17,964)	$ —	$ 26,321
Foreign currency options	10,383	—	10,383	(1,585)	—	8,798
Client interest rate derivatives	9,770	—	9,770	(9,770)	—	—
Total derivative liabilities	64,438	—	64,438	(29,319)	—	35,119
Repurchase, securities lending, and similar arrangements	—	—	—	—	—	—
Total	$ 64,438	$ —	$ 64,438	$ (29,319)	$ —	$ 35,119

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10. Other Noninterest Income and Other Noninterest Expense

A summary of other noninterest income for the three and six months ended June 30, 2017 and 2016 is as follows:

	Three months ended June 30,		Six months ended June 30,	
(Dollars in thousands)	2017	2016	2017	2016
Fund management fees	$5,536	$4,298	$10,705	$8,918
Service-based fee income	1,496	2,148	3,391	4,240
Gains (losses) on revaluation of client foreign currency instruments, net (1)	2,375	(133)	5,129	3,521
(Losses) gains on client foreign exchange forward contracts, net (1)	(2,190)	68	(4,479)	(5,586)
Gains (losses) on revaluation of internal foreign currency instruments, net (2)	14,596	(5,307)	18,704	(2,816)
(Losses) gains on internal foreign exchange forward contracts, net (2)	(14,554)	3,923	(17,799)	1,715
Other (3)	5,552	4,966	9,581	7,641
Total other noninterest income	$12,811	$9,963	$25,232	$17,633

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

(2) Represents the net revaluation of foreign currency denominated financial instruments issued and held by us, primarily loans, deposits and cash. We enter into internal foreign exchange forward contracts to economically reduce our foreign exchange exposure related to these foreign currency denominated financial instruments issued and held by us.

(3) Includes dividends on FHLB/FRB stock, correspondent bank rebate income, incentive fees related to carried interest and other fee income.

A summary of other noninterest expense for the three and six months ended June 30, 2017 and 2016 is as follows: