SVB FINANCIAL GROUP
Form 10-K
February 28, 2019
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K
x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2018
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)

Registrant’s telephone number, including area code: (408) 654-7400
Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common stock, par value $0.001 per share	NASDAQ Global Select Market

Securities registered pursuant to Section 12(g) of the Act: None
Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes x No ¨
Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ¨ No x
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 every Interactive Data File required to be submitted 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 such files). Yes x No ¨
Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of the Form 10-K or any amendment to the Form 10-K. x
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.

Large accelerated filer	x	Accelerated filer	¨
Non-accelerated filer	¨		
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

The aggregate market value of the voting and non-voting common equity securities held by non-affiliates of the registrant as of June 30, 2018, the last business day of the registrant's most recently completed second fiscal quarter, based upon the closing price of its common stock on such date, on the NASDAQ Global Select Market was $15,365,101,185.

At January 31, 2019, 52,630,866 shares of the registrant's common stock ($0.001 par value) were outstanding.

Documents Incorporated by Reference	Parts of Form 10-K Into Which Incorporated
Definitive proxy statement for the Company's 2019 Annual Meeting of Stockholders to be filed within 120 days of the end of the fiscal year ended December 31, 2018	Part III

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Glossary of Frequently-used Acronyms in this Report

AICPA— American Institute of Certified Public Accountants
AFS— Available-for-Sale
ASC— Accounting Standards Codification
ASU— Accounting Standards Update
CET— Common Equity Tier
DBO— California Department of Business Oversight - Division of Financial Institutions
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
FINRA— Financial Industry Regulatory Authority
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
IFRS— International Financial Reporting Standards
IPO— Initial Public Offering
IRS— Internal Revenue Service
IT— Information Technology
LIBOR— London Interbank Offered Rate
M&A— Merger and Acquisition
OTTI— Other Than Temporary Impairment
SEC— Securities and Exchange Commission
SPD-SVB— SPD Silicon Valley Bank Co. Ltd. (the Bank's joint venture bank in China)
SVBIF— SVB India Finance Private Limited (the Bank's non-banking financial company in India)
TDR— Troubled Debt Restructuring
UK— United Kingdom
VIE— Variable Interest Entity

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Forward-Looking Statements

This Annual Report on Form 10-K, including in particular "Management's Discussion and Analysis of Financial Condition and Results of Operations" under Part II, Item 7 of this report, contains forward-looking statements within the meaning of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. In addition, management has in the past and may in the future make forward-looking statements to analysts, investors, representatives of the media and others. Forward-looking statements are statements that are not historical facts and represent only our beliefs regarding future events. Broadly speaking, forward-looking statements include, but are not limited to, the following:

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

You can identify these and other forward-looking statements by the use of words such as "becoming," "may," "will," "should," "could," "would," "predict," "potential," "continue," "anticipate," "believe," "estimate," "assume," "seek," "expect," "plan," "i negative of such words or comparable terminology. Forward-looking statements are neither historical facts nor assurances of future performance. Although we believe that the expectations reflected in these forward-looking statements are reasonable, we have based these expectations on our current beliefs as well as our assumptions, and such expectations may prove to be incorrect. Because forward-looking statements relate to the future, they are subject to inherent uncertainties, risks and changes in circumstances that are difficult to predict and many of which are outside of our control. Our actual results of operations and financial performance could differ significantly from those expressed in or implied by our management's forward-looking statements. Important factors that could cause our actual results and financial condition to differ from the expectations stated in the forward-looking statements include, among others:

- Market and economic conditions, including the interest rate environment, and the associated impact on us;
- The credit profile and credit quality of our loan portfolio and volatility of our levels of nonperforming assets and charge-offs;
- The adequacy of our allowance for loan losses and the need to make provisions for loan losses for any period;
- The borrowing needs of our clients;
- The sufficiency of our capital and liquidity positions;
- The levels of loans, deposits and client investment fund balances;
- The performance of our portfolio investments as well as the general condition of the public and private equity and mergers and acquisitions markets and their impact on our investments, including equity warrant assets, venture capital and private equity funds and direct equity investments;
- Our overall investment plans and strategies as well as the realization, timing, valuation and performance of our equity or other investments;
- The levels of public offerings, mergers and acquisitions and venture capital investment activity of our clients that may impact the borrowing needs of our clients and demand for our investment banking and other services;
- The occurrence of fraudulent activity, including breaches of our information security or cyber security-related incidents;
- Business disruptions and interruptions due to natural disasters and other external events;
-

- The impact on our reputation and business from our interactions with business partners, counterparties, service providers and other third parties;
- Expansion of our business internationally, and the impact of international market and economic events on us;
- Our ability to maintain or increase our market share through successfully implementing our business strategy and undertaking new business initiatives, including through the integration of newly-acquired Leerink Holdings LLC, now SVB Leerink Holdings LLC ("SVB Leerink");
- The impact of governmental policy, legal requirements and regulations including Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act"), regulations promulgated by the Board of Governors of the Federal Reserve (the "Federal Reserve"), and other regulatory requirements;
- The impact of lawsuits and claims, as well as legal or regulatory proceedings;
- The impact of changes in accounting standards and tax laws;
- The levels of equity capital available to our client or portfolio companies;

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- The effectiveness of our risk management framework and quantitative models; and
- Other factors as discussed in “Risk Factors” under Part I, Item 1A of this report.

Accordingly, you are cautioned not to place undue reliance on forward-looking statements. We urge investors to consider all of these factors, among others, carefully in evaluating the forward-looking statements contained in this Annual Report on Form 10-K. All subsequent written or oral forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by these cautionary statements. The forward-looking statements included in this filing are made only as of the date of this filing. We assume no obligation and do not intend to revise or update any forward-looking statements contained in this Annual Report on Form 10-K, except as required by law.

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PART I.

ITEM 1. BUSINESS

General

SVB Financial Group ("SVB Financial") 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 diverse set of banking and financial products and services to clients across the United States, as well as in key international innovation markets. For more than 35 years, we have been dedicated to helping support entrepreneurs and clients of all sizes and stages throughout their life cycles, primarily in the technology, life science/healthcare, private equity/venture capital and premium wine industries.

We offer commercial and private banking products and services through our principal subsidiary, Silicon Valley Bank (the “Bank”), which is a California state-chartered bank founded in 1983 and a member of the Federal Reserve System. The Bank and its subsidiaries also offer asset management, private wealth management and other investment services. In addition, through SVB Financial's other subsidiaries and divisions, we offer investment banking services and non-banking products and services, such as funds management, M&A advisory services, venture capital and private equity investment. In addition, we focus on cultivating strong relationships with firms within the private equity and venture capital community worldwide, many of which are also our clients and may invest in our corporate clients.

As of December 31, 2018, on a consolidated basis, we had total assets of $56.9 billion, total investment securities of $24.2 billion, total loans, net of unearned income, of $28.3 billion, total deposits of $49.3 billion and total SVB Financial stockholders' equity of $5.1 billion.

Headquartered in Santa Clara, CA, we operate in key innovation markets in the United States and around the world. Our corporate office is located at 3003 Tasman Drive, Santa Clara, California 95054, and our telephone number is (408) 654-7400.

When we refer to “SVB Financial Group,” "SVBFG," the “Company,” “we,” “our,” “us” or use similar words, we mean SVB Financial Group and all of its subsidiaries collectively, including the Bank. When we refer to “SVB Financial” or the “Parent” we are referring only to our parent company entity, SVB Financial Group (not including subsidiaries).

Business Overview

For reporting purposes, SVB Financial Group has three operating segments for which we report financial information in this report: Global Commercial Bank, SVB Private Bank and SVB Capital. As the SVB Leerink deal did not close until after December 31, 2018, results for SVB Leerink are not included in this report.

Global Commercial Bank

Our Global Commercial Bank segment is comprised of results primarily from our Commercial Bank, our Private Equity Division, SVB Wine, SVB Analytics and our Debt Fund Investments, each as further described below.

Commercial Bank. Our Commercial Bank products and services are provided by the Bank and its subsidiaries to commercial clients primarily in the technology, life science/healthcare, and private equity/venture capital industries. The Bank provides solutions to the financial needs of commercial clients through credit, treasury management, foreign exchange, trade finance, and other services. We broadly serve clients within the U.S., as well as non-U.S. clients in key international innovation markets.

Through our credit products and services, the Bank extends loans and other credit facilities to commercial clients. In particular, credit products and services include traditional term loans, equipment loans, asset-based loans, revolving lines of credit, accounts-receivable-based lines of credit, capital call lines of credit and credit cards. These loans may be secured by clients' assets or future cash flows or may be unsecured.

The Bank's treasury management products and services include a wide range of deposits and receivables, payments, and cash management solutions accessible through our expanding online and mobile banking platforms. Deposit products include business and analysis checking accounts, money market accounts, multi-currency accounts, in-country bank accounts and sweep accounts. In connection with deposit services, the Bank provides receivables services, which include merchant services, remote capture, lockbox, electronic deposit capture, and fraud control services. Payment and cash management products and services include wire transfer and automated clearing house payment services to enable clients to transfer funds more quickly, as well as business bill pay, business credit and debit cards, account analysis, and disbursement services.

The Bank's foreign exchange and trade products and services help to facilitate clients' global finance and business needs. These products and services include foreign exchange services that help commercial clients to manage their foreign currency

needs and risks through the purchase and sale of currencies, swaps and hedges on the global inter-bank market. The Bank also offers letters of credit, including export, import, and standby letters of credit, to enable clients to ship and receive goods globally.

The Bank and its subsidiaries also offer a variety of investment services and solutions to its clients that enable them to more effectively manage their assets. For example, through its registered investment advisory subsidiary, SVB Asset Management, the Bank offers discretionary investment advisory services based on its clients' investment policies, strategies and objectives. The Bank also offers investment solutions through our repurchase agreement program.

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

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

SVB Analytics. SVB Analytics, Inc. ("SVB Analytics") previously provided equity valuation services and currently provides research for investors and companies in the innovation economy. In September 2017, SVB Analytics sold its equity valuation services business.

Debt Fund Investments. Debt Fund Investments is comprised of our investments in debt funds in which we are a strategic investor: (i) funds managed by Gold Hill Capital, which provide secured debt to private companies of all stages, and (ii) funds managed by Partners for Growth LLC, which provide secured debt primarily to mid-stage and late-stage companies.

SVB Private Bank

SVB Private Bank is the private banking division of the Bank, which provides a range of personal financial solutions for consumers. Our clients are primarily private equity/venture capital professionals and executive leaders of the innovation companies they support. We offer a customized suite of private banking services, including mortgages, home equity lines of credit, restricted stock purchase loans, capital call lines of credit, and other secured and unsecured lending products. We also help our private banking clients meet their cash management needs by providing deposit account products and services, including checking, money market, certificates of deposit accounts, online banking, credit cards and other personalized banking services. SVB Private Bank also includes SVB Wealth Advisory, an investment advisory subsidiary of the Bank, which provides private wealth management services to individual clients.

SVB Capital

SVB Capital is the venture capital investment arm of SVB Financial Group, which focuses primarily on funds management. SVB Capital manages over $4.5 billion of funds on behalf of third party limited partner investors and, on a more limited basis, SVB Financial Group. The SVB Capital family of funds is comprised of direct venture funds that invest in companies and funds of funds that invest in other venture capital funds. SVB Capital generates income for the Company primarily through investment returns (including carried interest) and management fees. See Note 2-“Summary of Significant Accounting Policies-Principles of Consolidation and Presentation” of the “Notes to the Consolidated Financial Statements” under Part II, Item 8 of this report.

For more information about our three operating segments, including financial information and results of operations, see “Management's Discussion and Analysis of Financial Condition and Results of Operations-Operating Segment Results” under Part II, Item 7 of this report, and Note 22—“Segment Reporting” of the “Notes to the Consolidated Financial Statements” under Part II, Item 8 of this report.

SVB Leerink

On January 4, 2019, we acquired Leerink Holdings LLC, the Boston-based parent company of healthcare and life science investment bank Leerink Partners LLC, now SVB Leerink Holdings LLC ("SVB Leerink"). SVB Leerink is an investment bank specializing in the Equity & Convertible Capital Markets, Mergers & Acquisitions, Equity Research and Sales & Trading for growth and innovation-minded healthcare and life science companies and operates as a wholly-owned subsidiary of SVB Financial. SVB Leerink provides investment banking services across all subsectors of healthcare including: biotechnology, pharmaceuticals, medical devices, diagnostic and life science tools, healthcare services and digital health. SVB Leerink focuses on two primary lines of business: (i) investment banking focused on providing companies with capital-raising services, financial advice on mergers and acquisitions, sales and

trading services and equity research, and (ii) sponsorship of private investment funds.

For more information about the SVB Leerink acquisition, see Note 26 - "Subsequent Events" of the "Notes to the Consolidated Financial Statements" under Part II, Item 8 of this report.

Revenue Sources

Our total revenue is comprised of our net interest income and noninterest income. Net interest income on a fully taxable equivalent basis and noninterest income for the year ended December 31, 2018 were $1.9 billion and $0.7 billion, respectively.

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Net interest income accounts for the major portion of our earnings. It is comprised primarily of income generated from interest rate spread differences between the interest rates received on interest-earning assets, such as loans extended to clients and securities held in our fixed income securities portfolio, and the interest rates paid by us on interest-bearing liabilities, such as deposits and borrowings. Our deposits are largely obtained from commercial clients within our technology, life science/healthcare and private equity/venture capital industry sectors. We also obtain deposits from the premium wine industry commercial clients and from our SVB Private Bank clients. Other than our Private Bank clients, we do not obtain deposits from retail or consumer banking sources.

Noninterest income is primarily income generated from our fee-based services and gains on our investments and derivative securities. We offer a wide range of fee-based financial services to our clients, including global commercial banking, private banking and other business services, and, through the acquisition of SVB Leerink, investment banking and M&A advisory services. We generally refer to revenues generated by such fee-based services as our "core fee income" which is comprised of our foreign exchange fees, deposit service charges, credit card fees, lending related fees, client investment fees and letters of credit fees. We believe our ability to integrate and cross-sell our diverse financial services to our clients is a strength of our business model. Additionally, we hold available-for-sale, held-to-maturity, non-marketable and marketable investment securities. Subject to applicable regulatory requirements, we manage and invest in private equity/venture capital funds that invest directly in privately-held companies, as well as funds that invest in other private equity/venture capital funds. Gains on these investments are reported in our consolidated statements of income and include noncontrolling interests. We also recognize gains from warrants to acquire stock in client companies, which we obtain in connection with negotiating credit facilities and certain other services. See “Management's Discussion and Analysis of Financial Condition and Results of Operations-Noninterest Income-Gains on Investment Securities, Net” - and "-Gains on Equity Warrant Assets, Net" under Part II, Item 7 of this report.

We derive substantially all of our revenue from U.S. clients. We derived less than 10 percent of our total revenues from foreign clients for each of 2018, 2017 and 2016.

Client Niches

We provide products and services to serve the needs of our clients in each of the niches described below. We serve our commercial company clients throughout their life cycles, beginning with the emerging, start-up stage and progressing through later stages as their needs mature and expand, primarily in the technology and life science/healthcare industries. We also serve other targeted client niches --- private equity and venture capital firms, premium wine and private banking/wealth management.

Technology and Life Science/Healthcare

We serve a variety of clients in the technology and life science/healthcare industries. Our technology clients tend to be in the industries of: hardware (such as 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, ERI-related loans are reported under our hardware, software/internet, life science/healthcare and other commercial loan categories, as applicable, for loan-related reporting. Our life science/healthcare clients primarily tend to be in the industries of biotechnology, medical devices, healthcare information technology and healthcare services. A key component of our technology and life science/healthcare business strategy is to develop relationships with clients at an early stage and offer them banking services that will continue to meet their needs as they mature and expand. We serve these clients primarily through three practices:

- Our SVB Accelerator practice focuses on serving our “emerging” or “early-stage” clients. These clients are generally privately-held companies in the start-up or early stages of their life cycles and funded by friends and family, “seed” or “angel” investors, or have gone through an initial round of venture capital financing. They are typically engaged primarily in research and development activities and may have brought only a few products or services to market, if any. SVB Accelerator clients tend to have annual revenues below $5 million, and many are pre-revenue companies.
- Our SVB Growth practice serves our “mid-stage” and “late-stage” clients. These clients are generally privately-held companies in the intermediate or later stages of their life cycles, and are often dependent on venture capital for funding. However, some of these clients are in the more advanced stages of their life cycles and may be publicly-held

or poised to become publicly-held. Our SVB Growth clients generally have a more established product or service offering in the market and may be in a period of expansion. SVB Growth clients tend to have annual revenues between $5 million and $75 million.

- Our SVB Corporate Finance practice primarily serves our large corporate clients, which are more mature and established companies. These clients are generally publicly-held or large privately-held companies and have a more sophisticated product or service offering in the market. SVB Corporate Finance clients tend to have annual revenues over $75 million.

In addition, our Sponsored Finance group provides debt financing in support of private equity sponsored company acquisitions, primarily technology and life science/healthcare companies.

Private Equity/Venture Capital

We serve clients in the private equity/venture capital community, many of whom are investors in the portfolio company clients to whom we provide banking services. In particular, we provide credit facilities to our private equity/venture capital clients, including capital call lines of credit, the repayment of which is dependent on the payment of capital calls or management fees by the underlying limited partner investors in the funds managed by the firms.

Since our founding, we have cultivated strong relationships within the venture capital community, which has over time expanded into the private equity community. We believe our network helps to facilitate deal flow opportunities between these private equity/venture capital firms and the companies within the markets we serve.

Premium Wine

We are one of the leading providers of financial services to premium wine producers across the Western United States, primarily in California's Napa Valley, Sonoma County and Central Coast regions, as well as the Pacific Northwest. We focus on vineyards and wineries that produce grapes and premium wines.

Private Bank/Wealth Management

We provide private banking and wealth management services to consumer clients, including private equity/venture capital professionals and executive leaders of the innovation companies we support. We offer private banking, cash management and wealth management services to meet their personal banking and financial needs.

Competition

The banking and financial services industry is highly competitive and continues to evolve as a result of changes in regulation, technology, product delivery systems, and the general market and economic climate. Our competitors include other banks, debt funds, specialty and diversified financial services intermediaries and other "Fintech" disruptors that offer lending, leasing, payments, investment, foreign currency exchange, advisory and other financial products and services to our target client base. For example, we compete with alternative lenders, such as "marketplace" lenders, peer-to-peer lenders and other non-traditional lenders that have emerged in recent years. We also compete with non-financial service providers, particularly payment facilitators and processors, as well as other nonbanking technology providers in the payments industry which may offer specialized services to our client base. In addition, we compete with hedge funds and private equity funds, as well as investment banks. The principal competitive factors in our markets include product offerings, service, pricing, and transaction size and structure. Given our established market position within the client segments that we serve, our continued efforts to develop products and services, and our ability to integrate and cross-sell our diverse financial services to extend the length of our relationships with our clients, we believe we compete favorably in the markets in our core business areas.

Employees

As of December 31, 2018, we employed 2,900 full-time equivalent employees.

Supervision and Regulation

Our bank and bank holding company operations are subject to extensive regulation by federal and state regulatory agencies. This regulation is intended primarily for the stability of the U.S. banking system as well as the protection of depositors and the Deposit Insurance Fund (the "DIF"). This regulation is not intended for the benefit of our security holders. As a bank holding company that has elected financial holding company status, SVB Financial is subject to primary inspection, supervision, regulation, and examination by the Federal Reserve under the Bank Holding Company Act of 1956, as amended (the "BHC Act"). The Bank, as a California state-chartered bank and a member of the Federal Reserve System, is subject to primary supervision and examination by the Federal Reserve, as well as the California Department of Business Oversight (the "DBO") - Division of Financial Institutions. In addition, the Bank must comply with certain requirements of the Federal Deposit Insurance Corporation (the "FDIC"), as to the extent provided by law, the Bank's deposits are insured by the FDIC. Our consumer banking activities also are subject to regulation and supervision by the Consumer Financial Protection Bureau (the "CFPB"). Many of these banking

regulations are designed primarily to protect our customers, counterparties and the stability of the U.S. and international banking systems.

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SVB Financial and its other non-bank subsidiaries are also subject to regulation by the Federal Reserve and other applicable federal and state regulatory agencies and self-regulatory organizations, including the Securities and Exchange Commission ("SEC") and the Financial Industry Regulatory Authority ("FINRA"). In addition, we are subject to regulation by certain foreign regulatory agencies in international jurisdictions where we conduct, or may in the future wish to conduct, business, including the United Kingdom, Israel, Hong Kong, China, Germany and Canada. (See "-International Regulation" below.)

The following discussion of statutes and regulations is a summary and does not purport to be complete. This discussion is qualified in its entirety by reference to the statutes and regulations referred to in this discussion. Regulators, the U.S. Congress, state legislatures and international consultative and standard setting bodies continue to enact rules, laws and policies to regulate the financial services industry and public companies in an effort to protect consumers and investors, and may have differing interpretations in the implementation of such rules. As a result, the precise nature of these laws and regulations and the effect of such policies on the Company's business cannot be predicted and in some cases, may have a material and adverse effect on our business, financial condition, and/or results of operations. For more information, see "Risk Factors - Legal and Regulatory Risks" under Part I, Item IA of this report.

Regulation and Supervision of SVB Financial

Under the BHC Act, SVB Financial, as a bank holding company, is subject to the Federal Reserve's regulation and supervision and its authority to, among other things:

- Require periodic reports and such other additional information as the Federal Reserve may require in its discretion;
- Require the maintenance of certain minimum levels of capital and adherence to capital adequacy standards;
- Restrict the ability of bank holding companies to service debt, pay dividends or receive dividends or other distributions from their subsidiary banks;
- Require prior approval for senior executive officer and director changes under certain circumstances;
- Require that bank holding companies serve as a source of financial and managerial strength to their banks and commit resources as necessary to support their banks. The determination of a bank holding company's failure to meet its obligations to serve as a source of strength to its subsidiary banks will generally be considered by the Federal Reserve to be an unsafe and unsound banking practice, a violation of Federal Reserve regulations or otherwise inconsistent with applicable statutory standards, or all of the foregoing;
- Terminate an activity or terminate control of or liquidate or divest certain subsidiaries, affiliates or investments if the Federal Reserve believes the activity or the control of the subsidiary or affiliate constitutes a serious risk to the financial safety, soundness or stability of any bank subsidiary, or if there is a failure to maintain certain capital and management standards;
- Regulate provisions of certain bank holding company debt, including the authority to impose interest ceilings and reserve requirements on such debt and require prior approval to purchase or redeem our securities in certain situations; and
- Require approval of acquisitions and mergers with banks and large financial companies and consider certain competitive, management, financial, financial stability and other factors in granting these approvals. Similar California and other state banking agency approvals may also be required.

Bank holding companies generally are prohibited, except in certain statutorily prescribed instances including exceptions for financial holding companies, from acquiring direct or indirect ownership or control of five percent or more of any class of the outstanding voting shares of any company that is not a bank or bank holding company and from engaging directly or indirectly in activities other than those of banking, managing or controlling banks, or furnishing services to its subsidiaries. However, subject to prior notice or Federal Reserve approval, bank holding companies may engage in, or acquire shares of companies engaged in, activities determined by the Federal Reserve to be so closely related to banking or managing or controlling banks as to be a proper incident thereto. In addition to being a bank holding company, SVB Financial has elected to be a "financial holding company" as permitted under the Gramm-Leach-Bliley Act of 1999 ("GLBA"), which status allows SVB Financial to generally engage in certain otherwise prohibited nonbanking activities and certain other broader securities, insurance, merchant banking and other activities that the Federal Reserve has determined to be "financial in nature" or are incidental or complementary to

activities that are financial in nature without prior Federal Reserve approval, subject to the requirement imposed by the Dodd Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act") that SVB Financial must obtain prior Federal Reserve approval (subject to certain exceptions) in order to acquire a nonbanking company engaged in financial activities with more than $10 billion in consolidated assets.

Pursuant to the GLBA, in order to elect and retain financial holding company status, all depository institution subsidiaries of a bank holding company must be well-capitalized, well-managed, and, except in limited circumstances, in satisfactory compliance with the Community Reinvestment Act (“CRA”). In addition, pursuant to the Dodd-Frank Act, a financial holding company, and no longer just bank subsidiaries thereof, is required to be well-capitalized and well-managed. Failure to maintain

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compliance with these requirements or correct any non-compliance within a specified time could lead to divestiture of subsidiary banks, require all activities to conform to those permissible for a bank holding company (as opposed to the greater range of activities permissible for a financial holding company), or subject the financial holding company to other regulatory restrictions.

Because SVB Financial is a holding company, our rights and the rights of our creditors and security holders to participate in the assets of any of our subsidiaries upon the subsidiary's liquidation or reorganization will be subject to the prior claims of the subsidiary's creditors, except to the extent we may ourselves be a creditor with recognized claims against the subsidiary. In addition, there are various statutory and regulatory limitations on the extent to which the Bank can finance or otherwise transfer funds to us or to our non−bank subsidiaries, including certain investment funds to which the Bank serves as an investment adviser, whether in the form of loans or other extensions of credit, including a purchase of assets subject to an agreement to repurchase, securities investments, the borrowing or lending of securities to the extent that the transaction causes the Bank or a subsidiary to have credit exposure to the affiliate, or certain other specified types of transactions, as discussed in further detail below. Further, loans and other extensions of credit by the Bank to us or any of our non-bank subsidiaries are required to be secured by specified amounts of collateral and are required to be on terms and conditions consistent with safe and sound banking practices.

In addition to regulation and supervision by the Federal Reserve as a bank holding company and financial holding company, SVB Financial is also treated as a bank holding company under the California Financial Code. As such, SVB Financial and its subsidiaries are subject to periodic examination by and may be required to file reports with the DBO.

The Dodd-Frank Wall Street Reform and Consumer Protection Act

The Dodd-Frank Act, enacted in 2010, was intended to make significant structural reforms to the financial services industry. The Dodd-Frank Act broadly affects the financial services industry by creating new resolution authorities, requiring ongoing stress testing of capital, mandating higher capital levels and more stringent liquidity management requirements, increasing regulation of executive and incentive-based compensation and requiring numerous other provisions aimed at strengthening the sound operation of the financial services sector, many of which vary depending on the asset size of the financial institution. Various aspects of the Dodd-Frank Act apply based on the asset size of the financial institution. On May 24, 2018, President Trump signed into law the Economic Growth, Regulatory Relief, and Consumer Protection Act (the "EGRRCPA"), which increased these thresholds and modified certain of the Dodd-Frank Act's requirements. Among other things, the Dodd-Frank Act (as amended by the EGRRCPA) provides for:

- Capital standards applicable to bank holding companies that may be no less stringent than those generally applicable to insured depository institutions;
- Periodic stress tests for financial entities with $250 billion or more in total consolidated assets;
- Additional risk management and other enhanced prudential standards for larger bank holding companies with $250 billion or more in total consolidated assets (See "-Enhanced Prudential Standards" below);
- Risk committee requirements for publicly traded bank holding companies with $50 billion or more in total consolidated assets;
- Restrictions on a banking institution's ability to engage in proprietary trading and to sponsor, invest in or lend to certain funds, including venture capital, hedge and private equity funds;
- Repeal of the federal prohibition (Regulation Q) on the payment of interest on demand deposits, including business checking accounts, and establishment of the $250,000 limit for federal deposit insurance;
- The establishment of the CFPB with responsibility for promulgating and enforcing regulations designed to protect consumers' financial interests and prohibit unfair, deceptive and abusive acts and practices by financial institutions;
- The authority of the CFPB to directly examine those financial institutions with $10 billion or more in assets, such as SVB Financial, for compliance with the regulations promulgated by the CFPB;
- Limits, or the imposition of significant burdens and compliance and other costs on, certain activities previously conducted by banking organizations, such as originating and securitizing mortgage loans and other financial assets,

arranging and participating in swap and derivative transactions, proprietary trading and investing in private equity and other funds and restrictions on debit charge interchange fees; and

- The establishment of new compensation restrictions and standards regarding the time, manner and form of compensation given to key executives and other personnel receiving incentive compensation, including documentation and governance, proxy access by stockholders, deferral and claw-back requirements.

The Dodd-Frank Act also requires the issuance of numerous implementing regulations, some of which have not yet been finalized. Individually and collectively, both the proposed and final regulations resulting from the Dodd-Frank Act may materially and adversely affect our businesses, financial conditions and results of operations. Further, the Dodd-Frank Act (as amended by the EGRRCPA) imposes enhanced prudential standards on bank holding companies with average total consolidated assets of $250 billion or more, and provides the Federal Reserve with the authority to apply enhanced prudential standards to bank holding companies with between $100 billion and $250 billion in total consolidated assets. Pursuant to this mandate, the Federal Reserve

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proposed regulations in late 2018 that would introduce a tiered system of applicability that applies periodic stress test requirements and other enhanced prudential standards to bank holding companies with $100 billion or more in total consolidated assets (the “Tailoring Proposal”). In addition, under the Federal Reserve's implementing regulations, certain additional capital and liquidity standards apply to bank holding companies with average total consolidated assets of $250 billion or more or $10 billion or more in on-balance sheet foreign exposures (the "Advanced Approaches Thresholds"). Notably, the federal banking agencies proposed changes to certain capital and liquidity regulations (the "Capital and Liquidity Thresholds Proposal") in late 2018 that would modify the Advanced Approaches Thresholds by introducing a tiered system of applicability that would mirror the tiers used in the Tailoring Proposal. See "-Enhanced Prudential Standards" and "-Regulatory Capital" below.

Enhanced Prudential Standards

Under the Dodd-Frank Act (as amended by the EGRRCPA), bank holding companies with $250 billion or more in average total consolidated assets, and potentially those with $100 billion or more in average total consolidated assets, are subject to more stringent prudential requirements, including requirements for risk-based and leverage capital, liquidity management, risk management, resolution planning, company-run and supervisory capital stress testing and capital planning, and single counterparty credit exposure limits. Certain requirements, including separate early remediation standards, have not yet been finalized and implemented. As noted above, the Tailoring Proposal would implement the EGRRCPA’s revisions to the Dodd-Frank Act.

Pursuant to the Federal Reserve’s regulations, a bank holding company becomes subject to the more stringent prudential standards at the end of a four-quarter period over the course of which the bank holding company averages the relevant asset threshold (currently $50 billion under the Federal Reserve’s regulations and $100 billion under the Tailoring Proposal). We refer to the conclusion of that four-quarter period as the time at which a bank holding company becomes “subject to enhanced prudential standards.”

Once a bank holding company becomes subject to enhanced prudential standards, certain of the standards include a transition period that provides a timeline for the bank holding company to comply. Below we describe several of the enhanced prudential standards’ requirements under the current regulations and under the Tailoring Proposal and the associated transition periods that apply once a bank holding company becomes subject to the requirements.

- Comprehensive Capital Analysis and Review (“CCAR”). Current regulations require bank holding companies with $50 billion or more in total consolidated assets to submit an annual capital plan to the Federal Reserve. Following the passage of the EGRRCPA, the Federal Reserve issued a statement that it would not require firms with less than $100 billion in total consolidated assets to comply with that requirement. The Tailoring Proposal would revise the Federal Reserve’s regulations to reflect this new $100 billion threshold. For firms subject to CCAR, failure to submit a satisfactory plan can result in restrictions on the payment of dividends as well as other restrictions.

- Stress Testing. Currently, Federal Reserve regulations require bank holding companies to submit to the Federal Reserve the results of a mid-year and annual company-run stress test and make summaries of such results available to the public. Bank holding companies with $10 billion or more, but less than $50 billion, in average total consolidated assets are subject to annual company run stress test requirements. In addition, bank holding companies with $50 billion or more in total consolidated assets currently are subject to semi-annual company-run stress test requirements and an annual supervisory stress test conducted by the Federal Reserve, which publicly discloses summaries of the results of the supervisory stress tests. Following passage of the EGRRCPA, the Federal Reserve issued a statement that it would not require bank holding companies with less than $100 billion in total consolidated assets to comply with these requirements. Further, under the Tailoring Proposal, these stress testing requirements only would apply to bank holding companies with $100 billion or more in total consolidated assets.

- Resolution Planning. Bank holding companies are required to annually submit to the Federal Reserve and the FDIC a plan for rapid and orderly resolution in the event of material financial distress or failure. Separately, the FDIC requires

insured depository institutions (“IDI”) that have average total consolidated assets of $50 billion or more, based on a four-quarter average, to annually submit to the FDIC a plan that enables the FDIC as receiver to resolve the bank under Sections 11 and 13 of the Federal Deposit Insurance Act, as amended (the “FDIA”). Following passage of the EGRRCPA, the Federal Reserve and FDIC issued a statement that they would not require bank holding companies with less than $100 billion to comply with these requirements. The EGRRCPA did not change the threshold for the FDIC’s IDI resolution planning requirement, but the FDIC has said that it will evaluate whether to revise the applicability threshold for that rule. For those depository institutions subject to the FDIC's IDI resolution planning requirement, the FDIC also announced in August 2018 the extension of the deadline for submitting IDI resolution plans to no sooner than July 1, 2020.

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- Liquidity Coverage Ratio. Pursuant to the Liquidity Coverage Ratio ("LCR") requirement, bank holding companies are required to maintain high-quality liquid assets in accordance with specific quantitative requirements. A modified, less stringent version of the Federal Reserve's LCR rule applies to bank holding companies with greater than $50 billion in average total consolidated assets, but less than $250 billion in average total consolidated assets and $10 billion in on-balance sheet foreign exposures (so-called "advanced approaches" banking organizations). Following passage of the EGRRCPA, the Federal Reserve issued a statement that they would not require bank holding companies with less than $100 billion to comply with the modified LCR. Further, under the Capital and Liquidity Thresholds Proposal, only bank holding companies with $100 billion or more in total consolidated assets would be subject to any form of LCR requirement.

- Risk Management. Bank holding companies must comply with enhanced risk management requirements. These requirements impose standards on the Board of Directors' risk committee and for a chief risk officer. The enhanced prudential requirements also impose liquidity risk management standards and require subject bank holding companies to conduct regular liquidity stress testing over various time horizons and maintain a buffer of liquid assets based on the results of such stress testing. Bank holding companies are required to comply with such risk management and liquidity risk management requirements on the first day of the fifth quarter after becoming subject to the enhanced prudential standards. Following passage of the EGRRCPA, the Federal Reserve issued a statement that it would not seek to require bank holding companies with less than $100 billion in total consolidated assets to satisfy these requirements, other than the risk-management and risk committee requirements. The Tailoring Proposal would revise the Federal Reserve's regulations to reflect this new $100 billion threshold.

- Pillar III Disclosure. Bank holding companies are required to make timely qualitative and quantitative disclosures about their regulatory capital, referred to as "Pillar III disclosures." Quantitative disclosures must be made quarterly, and qualitative disclosures that do not change each quarter may be disclosed annually. Bank holding companies are required to make Pillar III disclosures after reporting $50 billion or more in total consolidated assets in their year-end financial reports to the Federal Reserve. Because the disclosures are backward-looking, a bank holding company makes its first disclosures with respect to data from prior quarters.

Regulation and Supervision of Silicon Valley Bank

The Bank is a California state-chartered bank, a member of the Federal Reserve and a member of the FDIC. The Bank is subject to primary supervision, periodic examination and regulation by the DBO and the Federal Reserve, as the Bank's primary federal regulator. In general, under the California Financial Code, California banks have all the powers of a California corporation, subject to the general limitation of state bank activities and investments under the FDIA. Specific federal and state laws and regulations which are applicable to banks regulate, among other things, the scope of their business, their investments, their transactions with affiliates, their foreign operations, their reserves against deposits, the timing of the availability of deposited funds and the nature and amount of and collateral for certain loans. The regulatory structure also gives the bank regulatory agencies extensive discretion in connection with their supervisory and enforcement activities and examination policies, including policies with respect to the classification of assets and the establishment of adequate loan loss reserves for regulatory purposes. If, as a result of an examination, the DBO or the Federal Reserve should determine that the financial condition, capital resources, asset quality, earnings prospects, management, liquidity, or other aspects of the Bank's operations are unsatisfactory or that the Bank or its management is violating or has violated any law or regulation, the DBO and the Federal Reserve, and separately the FDIC as insurer of the Bank's deposits, have broad prudential authority to:

- Require affirmative action to correct any conditions resulting from any violation or practice;
- Require prior approval for senior executive officer and director changes;
- Direct an increase in capital and the maintenance of specific minimum capital ratios which may preclude the Bank from being deemed well capitalized for regulatory purposes;
- Restrict the Bank's growth geographically, by products and services, or by mergers and acquisitions;

- Enter into informal or formal enforcement orders, including memoranda of understanding, written agreements and consent or cease and desist orders to take corrective action and enjoin unsafe and unsound practices;
- Restrict or prohibit the Bank from paying dividends or making other distributions to SVB Financial;
- Remove officers and directors and assess civil monetary penalties; and
- Take possession of and close and liquidate the Bank.

Pursuant to applicable California and federal law, state chartered commercial banks are permitted to engage in any activity permissible for national banks. Therefore, the Bank may form subsidiaries to engage in the many so-called “closely related to banking” or “nonbanking” activities commonly conducted by national banks in operating subsidiaries, and further, the Bank may conduct certain “financial” activities in a subsidiary that would be impermissible for the Bank itself to the same extent as may a

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national bank, provided the Bank remains "well-capitalized," "well-managed" and in satisfactory compliance with the CRA. The Bank continues to be in satisfactory compliance with the CRA.

Regulatory Capital

In July 2013, the Federal Reserve, the FDIC and the Office of the Comptroller of the Currency (the "OCC") jointly published final rules establishing a new comprehensive capital framework for U.S. banking organizations. The agencies said that they believe the new rules will result in capital requirements that better reflect banking organizations' risk profiles. The rules implement the "Basel III" regulatory capital reforms and changes required by the Dodd-Frank Act. "Basel III" refers to the internationally agreed regulatory capital framework adopted by the Basel Committee on Banking Supervision (the "Basel Committee"). The new rules largely became effective for SVB Financial and the Bank in January 2015, with some rules being transitioned into full effectiveness over two to four years. The new capital rules, among other things, (i) require elevated capital levels for the Bank and SVB Financial; (ii) introduce a new capital measure limited to common equity called "Common Equity Tier 1" ("CET1") and a related regulatory capital ratio of CET 1 to risk-weighted assets; (iii) specify that Tier 1 capital consists of CET1 and "Additional Tier 1 capital" instruments meeting specified requirements; (iv) change the risk-weightings of certain on- and off-balance sheet assets for purposes of risk-based capital ratios; (v) create an additional capital conservation buffer (which will limit dividends and other discretionary bonus payments to certain executive officers if not satisfied) above the required capital ratios; (vi) limit what qualifies as capital for purposes of meeting the various capital requirements; (vii) apply most deductions/adjustments to regulatory capital measures to CET1 and not to the other components of capital, thus potentially requiring higher levels of CET1 in order to meet minimum ratios; and (viii) expand the scope of the deductions from, and adjustments to, capital as compared to prior regulations. Further, under the Basel III capital adequacy framework as implemented in the United States, advanced approaches banking organizations are subject to the "advanced approaches" capital rules, which require banking organization to use an internal ratings-based approach and other model-based methodologies to calculate risk-based capital requirements for credit risk and advanced measurement approaches to calculate risk-based capital requirements for operational risk. Under the Capital and Liquidity Thresholds Proposal, the advanced approaches capital rules only would apply to banking organizations with $700 billion or more in total consolidated assets, or with $100 billion or more in total consolidated assets and $75 billion or more in cross-jurisdictional activity (a measure of international activity that is broader than the "foreign exposure" measure in the current Advanced Approaches Thresholds and that looks at both foreign assets and liabilities). As of December 31, 2018, we had total consolidated assets of $56.9 billion and approximately $7.5 billion in on-balance sheet foreign exposures. Our level of foreign exposures is determined based on our current understanding of applicable regulatory standards, guidance, interpretations, expectations and assumptions, and may be subject to change based on any modifications, clarifications or evolution of these standards, guidance, interpretations, expectations or assumptions. In addition to being required to use internal models to calculate capital requirements, crossing the Advanced Approaches Thresholds, currently triggers a number of additional requirements, including the following:

- Application of a Standardized Capital Floor. Section 171 of the Dodd-Frank Act, commonly referred to as the Collins Amendment, provides that a banking organization's capital requirements calculated under the "advanced approaches" capital rules may not be lower than the capital requirements calculated using the prescriptive "standardized approach" that otherwise generally applies to banking organizations.

- Supplementary Leverage Ratio of 3%. The supplementary leverage ratio ("SLR") is more stringent than the otherwise applicable Tier 1 leverage ratio of 4%, which is discussed below. Under the Capital and Liquidity Thresholds Proposal, the SLR would apply to banking organizations with $250 billion or more in total consolidated assets, or $100 billion or more in total consolidated assets and $75 billion or more in any one or more of (1) nonbank assets; (2) weighted short-term wholesale funding ("wSTWF"); and (3) off-balance-sheet exposures.

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Unavailability of the Accumulated Other Comprehensive Income Opt-Out Election under the Risk-Based Capital Rules. Banking organizations subject to the advanced approaches capital rules are not permitted to opt-out from having accumulated other comprehensive income ("AOCI") included in regulatory capital.

- Countercyclical Capital Buffer. This standard requires a banking organization to hold an additional buffer amount, designed to counteract systemic vulnerabilities. The buffer amount is currently set by the Federal Reserve at zero percent, but could change in the future. If the buffer is not met, the banking organization is subject to limitations on dividends and other payouts. Under the Capital and Liquidity Thresholds Proposal, this requirement would apply to banking organizations with $250 billion or more in total consolidated assets, or $100 billion or more in total consolidated assets and $75 billion or more in any one or more of (1) nonbank assets; (2) wSTWF; and (3) off-balance-sheet exposures.

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- Full Liquidity Coverage Ratio. The full LCR requires LCR calculation on a daily (compared to the modified LCR's monthly standard) basis, uses the banking organization's full net cash outflow amount (compared to 70% under the modified LCR), and includes an "add-on" to net cash outflows for certain maturity mismatch during the 30-day LCR period. Under the Capital and Liquidity Thresholds Proposal, the full LCR also would apply to banking organizations with $250 billion or more in total consolidated assets or $100 billion or more in total consolidated assets and $75 billion or more in wSTWF.

On December 7, 2017, the Basel Committee published a set of revisions to its Basel III framework to address perceived weaknesses in the current methodology for calculating risk weighted assets, in particular to increase the risk-sensitivity of the standardized approach and to constrain banking organizations' discretion in modeling their capital requirements under models-based approaches (such as the advanced approaches in the United States). Following the adoption of the final standards, the Federal Reserve, the FDIC and the OCC announced, also on December 7, 2017, that they support the conclusion of efforts to reform the international bank capital standards in response to the global financial crisis, and that they would consider how to appropriately apply these revisions to the Basel III reform package in the United States through the standard notice-and-comment rulemaking process.

Under the new capital rules, CET1 is defined as common stock, plus related surplus, and retained earnings plus limited amounts of minority interest in the form of common stock, less the majority of the regulatory deductions and adjustments. The new capital rules, like the prior capital rules, specify that total capital consists of Tier 1 capital and Tier 2 capital. Tier 1 capital for SVB Financial and the Bank consists of common stock, plus related surplus and retained earnings. Under the new capital rules, for most banking organizations, the most common form of Additional Tier 1 capital is noncumulative perpetual preferred stock and the most common form of Tier 2 capital is subordinated debt and a portion of the allowance for loan and lease losses ("ALLL"), in each case, subject to the new capital rules' specific requirements.

The new capital rules require several changes to regulatory capital deductions and adjustments, subject to a transition period. These changes include, for example, the requirement that deferred tax assets ("DTAs") arising from temporary differences that could not be realized through net operating loss carrybacks and significant investments in non-consolidated financial entities be deducted from CET1 to the extent that any one such category exceeds 10% of CET1 or all such items, in the aggregate, exceed 15% of CET1. In addition, under the previous capital rules, certain effects of AOCI or loss items included in shareholders' equity were reversed for the purposes of determining regulatory capital ratios. Under the new capital rules, the effects of certain AOCI are not excluded; however, non-advanced approaches banking organizations, including SVB Financial and the Bank, may make a one-time permanent election to continue to exclude these items. We made this election in April 2015 to reduce the potential impact on SVB Financial's and the Bank's regulatory capital levels due to periodic volatile changes in long-term interest rates. Implementation of the deductions and other adjustments to CET1 began on January 1, 2015 and is being phased-in over a four-year period (begun at 40% on January 1, 2015 and increasing by a 20% percentage points per year until 100%).

The new capital rules also include changes in the risk-weighting of assets to better reflect perceived credit risk and other risk exposure and require higher tangible common equity components of capital. These include a 150% risk weight (up from 100%) for certain high volatility commercial real estate acquisitions, development and construction loans and for non-residential mortgage loans that are 90 days past due or otherwise in nonaccrual status and a 20% (up from 0%) credit conversion factor for the unused portion of a commitment with an original maturity of one year or less that is not unconditionally cancellable. Under the new capital rules, the minimum capital ratios are as follows:

- 4.5% CET1 to risk-weighted assets
- 6.0% Tier 1 capital to risk-weighted assets
- 8.0% Total capital to risk-weighted assets
- 4.0% Tier 1 capital to average consolidated assets as reported on consolidated financial statements (known as the "leverage ratio")

The new capital rules require SVB Financial and the Bank to meet a capital conservation buffer requirement in order to avoid constraints on capital distributions, such as dividends and equity repurchases, and certain bonus compensation for executive officers. To meet the requirement when it is fully phased in, the organization must

maintain an amount of CET1 capital that exceeds the buffer level of 2.5% above each of the minimum risk-weighted capital ratios. The requirement is being phased in over a four year period, which began on January 1, 2016, at which time the amount of such capital must have exceeded the buffer level of 0.625%. The buffer level will continue to increase by 0.625 percentage points each year until reaching 2.5% on January 1, 2019. When the capital conservation buffer requirement is fully phased in, to avoid constraints, a banking organization must maintain the following capital ratios (after any distribution): (i) CET1 to risk-weighted assets more than 7.0%, (ii) Tier 1 capital to risk-weighted assets more than 8.5%, and (iii) total capital (Tier 1 plus Tier 2) to risk-weighted assets more than 10.5%.

With respect to the Bank, the new capital rules also revised the "prompt corrective action" regulations, by (i) introducing a CET1 ratio requirement at each level (other than critically undercapitalized), with the required CET1 ratio being 6.5% for well-

capitalized status; (ii) increasing the minimum Tier 1 capital ratio requirement for each category, with the minimum Tier 1 capital ratio for well-capitalized status being 8% (as compared to the current 6%); and (iii) eliminating the provision that provides that a bank with a composite supervisory rating of 1 may have a 3% leverage ratio and still be adequately capitalized. The new capital rules do not change the total risk-based capital requirement for any "prompt corrective action" category. See "-Prompt Corrective Action and Other General Enforcement Authority" below.

Although we continue to evaluate the impact that the new capital rules have on SVB Financial and the Bank and monitor developments from the federal banking agencies and the Basel Committee, we believe that SVB Financial and the Bank meet all capital requirements under the new capital rules on a fully phased-in basis as if such requirements were effective as of December 31, 2017. The estimate is based on management's current interpretation, expectations, and understanding of the new capital rules. We anticipate that the Bank will continue to exceed the well-capitalized minimum capital requirements, and that SVB Financial will thus continue to qualify as a financial holding company.

Capital Planning

Banking organizations must have appropriate capital planning processes, with proper oversight from the Board of Directors. Accordingly, pursuant to a separate, general supervisory letter from the Federal Reserve, bank holding companies are expected to conduct and document comprehensive capital adequacy analyses prior to the declaration of any dividends (on common stock, preferred stock, trust preferred securities or other Tier 1 capital instruments), capital redemptions or capital repurchases. Moreover, the federal banking agencies have adopted a joint agency policy statement, noting that the adequacy and effectiveness of a bank's interest rate risk management process and the level of its interest rate exposures are critical factors in the evaluation of the bank's capital adequacy. A bank with material weaknesses in its interest rate risk management process or high levels of interest rate exposure relative to its capital will be directed by the relevant federal banking agencies to take corrective actions. While the current regulations require bank holding companies with $50 billion or more in average total consolidated assets to submit capital plans, the Federal Reserve issued a statement in 2018 following adoption of the EGRRCPA that stated that it would not apply these requirements to bank holding companies with less than $100 billion in total consolidated assets and the Tailoring Proposal would revise the Federal Reserve's regulations to reflect this $100 billion threshold. See "-Enhanced Prudential Standards-Comprehensive Capital Analysis and Review" above.

Proprietary Trading and Certain Relationships with Hedge Funds and Private Equity Funds

The "Volcker Rule" under the Dodd-Frank Act restricts, among other things, proprietary trading activities of banking holding companies as well as the ability of such entities to sponsor or invest in certain privately offered funds, including certain venture capital, hedge and private equity funds. On December 10, 2013, the federal bank regulatory agencies, the SEC and the Commodity Futures Trading Commission (the "CFTC") adopted final regulations implementing the Volcker Rule. The final regulations became effective on April 1, 2014, subject to a conformance timeline pursuant to which affected entities (referred to as "banking entities") are required to bring their activities and investments into conformance with the prohibitions and restrictions of the Volcker Rule and the final regulations thereunder.

Subject to certain exceptions, the Volcker Rule prohibits a banking entity from engaging in "proprietary trading," which is defined as engaging in purchases or sales of securities or certain other financial instruments, as principal, for the "trading account" of the banking entity. Certain forms of proprietary trading may qualify as "permitted activities," and thus not be subject to the ban on proprietary trading, such as market-making related activities, risk-mitigating hedging activities, trading in U.S. government or agency obligations, or certain other U.S. state or municipal obligations, and the obligations of Fannie Mae, Freddie Mac or Ginnie Mae. Based on this definition and the exceptions provided under the final regulations, we do not believe that compliance with the Volcker Rule's proprietary trading prohibition is likely to have a material effect on our business or operations.

Additionally, subject to certain exceptions, the rule prohibits a banking entity from sponsoring or investing in "covered funds," which includes many venture capital, private equity and hedge funds. One such exception permits a banking

entity to sponsor and invest in a covered fund that it organizes and offers to customers, provided that additional requirements are met. These permitted investments generally are limited to 3% of the total amount or number of ownership interests in each covered fund. In addition, the aggregate investments a banking entity makes in all covered funds generally are limited to 3% of the institution’s Tier 1 capital.

On June 6, 2017, we received notice that the Board of Governors of the Federal Reserve approved the Company’s application for an extension of the permitted conformance period for the Company’s investments in certain “illiquid” covered funds. The approval extends the deadline by which the Company must sell, divest, restructure or otherwise conform such investments to the provisions of the Volcker Rule until the earlier of (i) July 21, 2022 or (ii) the date by which each fund matures by its terms or is otherwise conformed to the Volcker Rule.

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On July 17, 2018, the Volcker Rule implementing agencies, including the Federal Reserve, jointly issued a notice of proposed rulemaking to amend the regulations implementing the Volcker Rule. The proposal includes provisions to tailor compliance requirements based on the size of a firm's trading assets and liabilities, and would eliminate or adjust certain requirements in order to clarify permitted and prohibited activities. SVB cannot predict whether, or in what form, the proposal may be finalized.

As of December 31, 2018, we estimate that our total venture capital and private equity fund investments deemed to be prohibited covered fund interests and therefore subject to the Volcker Rule’s restrictions, had an aggregate carrying value and fair value of approximately $247 million. These covered fund interests are comprised of interests attributable solely to the Company in our consolidated managed funds and certain of our non-marketable securities. We continue to assess the financial impact of these rules on our fund investments, as well as the impact of other Volcker Rule restrictions on other areas of our business.

The Volcker Rule also requires banking entities to design and implement a compliance program reasonably designed to ensure and monitor compliance with the Volcker Rule. Banking entities that have total consolidated assets of $50 billion or more as of the previous calendar year-end become subject to the Volcker Rule’s enhanced compliance program requirements, which, among other things, require an annual attestation from the chief executive officer regarding the design and effectiveness of the compliance program. We had more than $50 billion in total consolidated assets as of December 31, 2017. Therefore, we became subject to these enhanced compliance requirements as of January 1, 2018.

Prompt Corrective Action and Other General Enforcement Authority

State and federal banking agencies possess broad powers to take corrective and other supervisory action against an insured bank and its holding company. The FDIA requires each federal banking agency to take prompt corrective action to resolve the problems of insured depository institutions, including those that fall below one or more prescribed minimum capital ratios. The law requires each federal banking agency to promulgate regulations defining five categories in which an insured depository institution will be placed, based on the level of its capital ratios: well-capitalized, adequately capitalized, undercapitalized, significantly undercapitalized, and critically undercapitalized. At each successive lower capital category, an insured depository institution is subject to more restrictions and prohibitions, including restrictions on growth, restrictions on interest rates paid on deposits, restrictions or prohibitions on payment of dividends and restrictions on the acceptance of brokered deposits. Further, if an insured depository institution is classified in one of the undercapitalized categories, it is required to submit a capital restoration plan to the appropriate federal banking agency, and the holding company must guarantee the performance of that plan. Based upon its capital levels, a bank that is classified as well-capitalized, adequately capitalized, or undercapitalized may be treated as though it were in the next lower capital category if the appropriate federal banking agency, after notice and opportunity for hearing, determines that an unsafe or unsound condition or practice, warrants such treatment.

Bank holding companies and insured banks also may be subject to potential enforcement actions of varying levels of severity by the federal regulators for unsafe or unsound practices in conducting their business, or for violation of any law, rule, regulation or condition imposed in writing by any applicable agency or term of a written agreement with that agency. In more serious cases, enforcement actions may include the issuance of directives to increase capital; the issuance of formal and informal agreements; the imposition of civil monetary penalties; the issuance of a cease and desist order that can be judicially enforced; the issuance of removal and prohibition orders against officers, directors, and other institution-affiliated parties; the termination of the bank’s deposit insurance; the appointment of a conservator or receiver for the bank; and the enforcement of such actions through injunctions or restraining orders based upon a judicial determination that the agency would be harmed if such equitable relief was not granted.

Safety and Soundness Guidelines

Banking regulatory agencies have adopted guidelines to assist in identifying and addressing potential safety and soundness concerns before capital becomes impaired. The guidelines establish operational and managerial standards generally relating to: (i) internal controls, information systems and internal audit systems; (ii) loan documentation;

(iii) credit underwriting; (iv) interest-rate exposure; (v) asset growth and asset quality; and (vi) compensation, fees and benefits. In addition, the bank regulatory agencies have adopted safety and soundness guidelines for asset quality and for evaluating and monitoring earnings to ensure that earnings are sufficient for the maintenance of adequate capital and reserves. The Federal Reserve's enhanced prudential standards require publicly traded bank holding companies with total consolidated assets of $10 billion or more to establish and maintain risk management committees for their boards of directors to oversee the bank holding companies' risk management frameworks. The Tailoring Proposal would increase this threshold to $50 billion. In January 2015, we formed a risk committee of our Board of Directors. Bank holding companies with total consolidated assets of $50 billion and greater currently also are subject to more stringent board risk committee and risk management requirements, including liquidity risk requirements. The Tailoring Proposal would increase the threshold for these requirements to $100 billion.

Restrictions on Dividends

Dividends from the Bank constitute one of the primary sources of cash for SVB Financial. The Bank is subject to various federal and state statutory and regulatory restrictions on its ability to pay dividends, including applicable provisions of the California Financial Code and the prompt corrective action regulations. In addition, the banking agencies have the authority to prohibit the Bank from paying dividends, depending upon the Bank's financial condition, if such payment is deemed to constitute an unsafe or unsound practice. Further, under the federal prompt corrective action regulations, the Federal Reserve may prohibit a bank holding company from paying any dividends if the holding company's bank subsidiary is classified as "undercapitalized."

It is the Federal Reserve's policy that bank holding companies should generally pay dividends on common stock only out of income available over the past year, and only if prospective earnings retention is consistent with the organization's expected future needs and financial condition. It is also the Federal Reserve's policy that bank holding companies should not maintain dividend levels that undermine their ability to be a source of strength to its banking subsidiaries. Additionally, in consideration of the recent financial and economic environment, the Federal Reserve has indicated that bank holding companies should carefully review their dividend policy and has discouraged payment ratios that are at maximum allowable levels unless both asset quality and capital are very strong.

Transactions with Affiliates

Transactions between the Bank and its operating subsidiaries (such as SVB Securities and SVB Asset Management) on the one hand, and the Bank's affiliates (such as SVB Financial, SVB Analytics or an entity affiliated with our SVB Capital business) on the other, are subject to restrictions imposed by federal and state law, designed to protect the Bank and its subsidiaries from engaging in unfavorable behavior with their affiliates. The Dodd-Frank Act further extended the definition of an "affiliate" to include any investment fund to which the Bank or an affiliate serves as an investment adviser. The Federal Reserve's Regulation W, implements these restrictions on affiliate transactions and prevents SVB Financial and other affiliates from borrowing from, or entering into other credit transactions with, the Bank or its operating subsidiaries unless the loans or other credit transactions are secured by specified amounts of collateral, and also require that the Bank enter into such transaction on terms no less favorable to the Bank than the terms of an arms' length transaction with an unaffiliated party. Moreover, all loans and credit transactions and other "covered transactions" by the Bank and its operating subsidiaries with any one affiliate are limited, in the aggregate, to 10% of the Bank's capital and surplus; and all loans and credit transactions and other "covered transactions" by the Bank and its operating subsidiaries with all affiliates are limited, in the aggregate, to 20% of the Bank's capital and surplus. For this purpose, a "covered transaction" generally includes, among other things, a loan or extension of credit to an affiliate, including a purchase of assets subject to an agreement to repurchase; a purchase of or investment in securities issued by an affiliate; the acceptance of a security issued by an affiliate as collateral for an extension of credit to any borrower; the borrowing or lending of securities where the Bank has credit exposure to the affiliate; the acceptance of "other debt obligations" of an affiliate as collateral for a loan to a third party; any derivative transaction that causes the Bank to have credit exposure to an affiliate; and the issuance of a guarantee, acceptance, or letter of credit on behalf of an affiliate. The Dodd-Frank Act expanded the transactions for which collateral is required to be maintained, and for all such transactions, it requires collateral to be maintained at all times. In addition, the Volcker Rule under the Dodd-Frank Act established certain prohibitions, restrictions and requirements (known as "Super 23A" and "Super 23B") on covered transactions and other arrangements between a covered fund and a banking entity that serves as an investment manager, investment adviser, organizer and offeror, or sponsor with respect to that covered fund (and certain other covered funds), regardless whether the banking entity has an ownership interest in the fund.

Loans to Insiders

Extensions of credit by the Bank to insiders of both the Bank and SVB Financial are subject to prohibitions and other restrictions imposed by the Federal Reserve's Regulation O. For purposes of these limits, "insiders" include directors, executive officers and principal stockholders of the Bank or SVB Financial and their related interests. The term "related interest" means a company controlled by a director, executive officer or principal stockholder of the Bank or

SVB Financial. The Bank may not extend credit to an insider of the Bank or SVB Financial unless the loan is made on substantially the same terms as, and subject to credit underwriting procedures that are no less stringent than, those prevailing at the time for comparable transactions with non-insiders. In addition, the Bank may not extend credit to insiders in an amount, when aggregated with all other extensions of credit, that is greater than $500,000 without prior approval from the Bank's Board of Directors (with any interested person abstaining from participating directly or indirectly in the voting). California law, the federal regulations and the Dodd-Frank Act place additional restrictions on loans to insiders, and generally prohibit loans to executive officers other than for certain specified purposes. The Bank is required to maintain records regarding insiders and extensions of credit to them.

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Premiums for Deposit Insurance
The FDIC insures our customer deposits through the Deposit Insurance Fund (the “DIF”) up to prescribed limits for each depositor. Due to higher levels of bank failures during the 2008 economic recession, the FDIC’s resolution costs increased, which depleted the DIF. In order to restore the DIF to its statutorily mandated minimum of 1.35% of total deposits by September 30, 2020, the FDIC has increased deposit insurance premium rates. Insured institutions with assets of $10 billion or more ("large banks"), such as the Bank, were responsible for funding the increase, with assessment rates based on a risk-based scorecard calculation provided by the FDIC. As of September 30, 2018, the DIF reserve ratio reached 1.36% and per FDIC regulations, increased premiums on large banks ceased for periods after September 30, 2018. However, the FDIC has established a higher reserve ratio of 2% as a long-term goal which goes beyond what is required by statute, and may increase assessment rates in the future accordingly. Future increases in our FDIC insurance premiums could have an adverse effect on the Bank’s results of operations. For the years ended December 31, 2018 and 2017, we recorded $34.3 million and $35.1 million, respectively, in FDIC assessments expense.

Consumer Regulations
The Bank is subject to many federal consumer protection statutes and regulations, such as the CRA, the Equal Credit Opportunity Act (Regulation B), the Electronic Fund Transfer Act (Regulation E), the Truth in Lending Act (Regulation Z), the National Flood Insurance Act, the Fair Credit Reporting Act, as amended by the Fair and Accurate Credit Transaction Act and various federal and state privacy protection laws. In addition, the CFPB has the authority to conduct examinations for all depository institutions with total assets of $10 billion or more, which includes the Bank. The CFPB’s mandate is to promulgate consumer regulations and ensure that consumer financial practices at large banks, such as the Bank, comply with consumer financial protection legal requirements. The CFPB’s authority includes the ability to examine all subsidiaries and affiliates of the Bank as well. Penalties for violating these laws could subject the Bank to lawsuits and could also result in administrative penalties, including, civil monetary penalties, remediation for affected consumers and reimbursements and orders to halt expansion/existing activities. The CFPB has broad authority to institute various enforcement actions for violation of these laws, including investigations, civil actions, cease and desist proceedings and the ability to refer criminal findings to the Department of Justice. The Bank and SVB Financial are also subject to federal and state laws prohibiting unfair, deceptive, abusive, corrupt or fraudulent business practices, untrue or misleading advertising and unfair competition.

State and federal banking agencies and other such enforcement authorities have increased efforts to aggressively enforce consumer protection laws, implement regulations and take action against non-compliant parties. The advent of the CFPB further heightens oversight and review of compliance with consumer protection laws and regulations. Due to these heightened regulatory concerns, including increased enforcement of the CRA by the federal banking agencies, and broad consumer protection powers and authority of the CFPB, the Bank and its affiliates may incur additional compliance costs or be required to expend additional funds for investments in their local community.

Anti-Money Laundering and Anti-Corruption Regulations
The Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (“USA PATRIOT Act”) and its corresponding regulations substantially broadened the scope of U.S. anti-money laundering laws and regulations as set forth in the U.S. Bank Secrecy Act ("BSA"), by requiring insured depository institutions, broker-dealers, and certain other financial institutions to have policies, procedures, and controls to detect, prevent and report money laundering and terrorist financing. The USA PATRIOT Act and its regulations also provide for information sharing, subject to certain conditions, between federal law enforcement agencies and financial institutions, as well as among financial institutions, for counter-terrorism purposes. Federal banking regulators are required, when reviewing bank holding company acquisition and bank merger applications, to consider the effectiveness of the anti-money laundering activities of the applicants. Material deficiencies in anti-money laundering compliance, and non-compliance with related requirements such as the U.S. economic and trade sanctions regimes, can result in public enforcement actions by the bank regulatory agencies and other

government agencies, including the imposition of civil money penalties and supervisory restrictions on growth and expansion. Such enforcement actions could also have serious reputational consequences for SVB Financial and the Bank.

In addition to the anti-money laundering provisions of the BSA and USA PATRIOT Act, we are also subject to anti-corruption laws and regulations both in the United States and internationally, including the U.S. Foreign Corrupt Practices Act and the U.K. Bribery Act, which impose strict prohibitions on payments and hiring practices with regard to government officials and employees.

Regulation of Certain Subsidiaries

SVB Leerink LLC, a subsidiary of SVB Leerink and SVB Securities are registered as broker-dealers with the SEC and are members of FINRA, and accordingly, are subject to regulation by both agencies. They are also members of the Securities Investor Protection Corporation. As broker-dealers, SVB Leerink LLC and SVB Securities must comply with a variety of regulations associated

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with their business lines, including (i) rules that govern the registration and examination of the businesses and their employees, (ii) substantive requirements and prohibitions concerning their relationships with their customers and counterparties, (iii) anti-fraud provisions and (iv) requirements to develop and maintain internal compliance and supervisory programs. SVB Leerink LLC and SVB Securities also must comply with the financial responsibility rules governing broker-dealers, including Rule 15c3-1 under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), which is designed to measure the general financial condition and liquidity of a broker-dealer and seek to ensure its financial stability in light of its activities. Under this rule, the broker-dealer entities are required to maintain minimum net capital calculated in accordance with a specified formula in order to help meet its continuing commitments to customers and others. Under certain circumstances, this rule could limit the ability for capital to be withdrawn from either SVB Leerink LLC or SVB Securities or require a capital infusion to support growth in the business or new or ongoing activities. SVB Asset Management, SVB Wealth Advisory and funds management entities associated with SVB Leerink Capital LLC, a subsidiary of SVB Leerink, are registered with the SEC under the Investment Advisers Act of 1940, as amended, and are subject to its rules and regulations.

Securities Registration and Listing

SVB Financial's common stock is registered under the Securities Act of 1933 and listed on the NASDAQ Global Select Market. As such, SVB Financial is subject to the information, proxy solicitation, insider trading, corporate governance, and other public company requirements and restrictions promulgated by the SEC, as well as the Marketplace Rules and other requirements promulgated by Nasdaq Stock Market, LLC.

As a public company, SVB Financial is also subject to the accounting oversight and corporate governance requirements of the Sarbanes–Oxley Act of 2002 (the "Sarbanes-Oxley Act"), including, among other things, required executive certification of financial presentations, increased requirements for board audit committees and their members, and enhanced requirements relating to disclosure controls and procedures and internal control over financial reporting.

International Regulation

Our international-based subsidiaries and offices and global activities, including our banking branches in the United Kingdom and Germany and our joint venture bank in China are subject to the respective laws and regulations of those countries and the regions in which they operate. This includes laws and regulations promulgated by, but not limited to, the Financial Conduct Authority and the Prudential Regulation Authority in the United Kingdom, the German Federal Financial Supervisory Authority (BaFin), the China Banking Regulatory Commission and the Hong Kong Monetary Authority. To the extent we are able to commence operations as anticipated in Canada or in any other international market, we will also become subject to the regulatory regimes of those jurisdictions. Moreover, promulgation by standard-setting bodies that are charged with the development of international regulatory frameworks, such as the Basel Committee, can affect the Bank and SVB Financial globally as national regulators implement the frameworks in local jurisdictions.

Available Information

We make available free of charge through our Internet website, http://www.svb.com, our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act, as soon as reasonably practicable after such material is electronically filed with or furnished to the SEC. The contents of our website are not incorporated herein by reference and the website address provided is intended to be an inactive textual reference only.

ITEM 1A. RISK FACTORS

Our business faces significant risks, including credit, market and liquidity, operational, legal and regulatory and strategic and reputational risks. The factors described below are not intended to serve as a comprehensive listing of the risks we face and are generally applicable to more than one of the following categories of risks. Additional risks and uncertainties that we have not identified as material, or of we currently are not aware, may also impair our business operations. If any of the events or circumstances described in the following factors occurs, our business, financial condition and/or results of operations could be materially and adversely affected.

Credit Risks

Because of the credit profile of our loan portfolio, our levels of nonperforming assets and charge-offs can be volatile. We may need to make material provisions for loan losses in any period, which could reduce net income, increase net losses, or otherwise adversely affect our financial condition in that period.

Our loan portfolio has a credit profile different from that of most other banking companies. The credit profiles of our clients vary across our loan portfolio, based on the nature of the lending we do for different market segments. In our portfolios for early-

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stage and mid-stage privately-held companies, many of our loans are made to companies with modest or negative cash flows and/or no established record of profitable operations, primarily within the technology and life science and healthcare industries. Consequently, repayment of these loans is often dependent upon receipt by our borrowers of additional financing from venture capitalists or others, or in some cases, a successful sale to a third party, public offering or other form of liquidity or "exit" event. In recent periods, liquidity levels have been healthy and have improved. Many companies have been able to obtain liquidity through venture capital-backed financing as well as various other exit opportunities at relatively high valuations. However, there can be no assurance that they will be able to continue to obtain funding at current valuation levels, if at all. If current economic conditions weaken or do not continue to improve, such activities may slow down, or valuations may drop in a meaningful manner, which may impact the financial health of our client companies. In such case, investors may provide financing in a more selective manner, at lower levels, and/or on less favorable terms, if at all, any of which may have an adverse effect on our borrowers' ability to repay their loans to us. In addition, because of the intense competition and rapid technological change that characterizes the technology, and life science and healthcare industry sectors in which most of our borrowers reside, as well as periodic volatility in the market prices for their securities, a borrower’s financial position can deteriorate rapidly. Collateral for many of our loans often includes intellectual property and other intangible assets, which are difficult to value and may not be readily salable in the case of default. As a result, even if a loan is secured, we may not be able to fully recover the amounts owed to us, if at all.

In addition, a significant portion of our loan portfolio is comprised of our larger loans, which could increase the impact on us of any single borrower default. As of December 31, 2018, gross loans equal to or greater than $20 million to any single client (individually or in the aggregate) totaled 14.5 billion, or 50.8 percent, of our portfolio. These larger loans have over time represented, and continue to represent, an increasingly greater portion of our total loan portfolio. They include capital call lines of credit to our private equity and venture capital clients, as well as other loans made to our later-stage and larger corporate clients, and may be made to companies with greater levels of debt relative to their equity, balance sheet liquidity, or cash flow. Additionally, we have continued our efforts to grow our loan portfolio by agenting or arranging larger syndicated credit facilities and participating in larger syndicates agented by other financial institutions as well as making sponsor-led buyout loans, which are leveraged buyout or recapitalization financings typically sponsored by our private equity clients. In those arrangements where we do not act as the lead syndicate agent, our control or decision-making ability over the credit facility is typically limited to our participation interest.

Further, the repayment of financing arrangements we enter into with our clients may be dependent on the financial condition or ability of third parties to meet their payment obligations to our clients. For example, we enter into formula-based financing arrangements that are secured by our clients’ accounts receivable from third parties with whom they do business. We also make loans secured by letters of credit issued by other third party banks and enter into letters of credit discounting arrangements, the repayment of which may be dependent on reimbursement by third party banks. We also extend recurring revenue-based lines of credit, where repayment may be dependent on borrowers’ revenues from third parties. Further, in our loan portfolio of private equity and venture capital firm clients, many of our clients have lines of credit, the repayment of which are dependent on the payment of capital calls or management fees by the underlying limited partner investors in the funds managed by these firms. These capital call lines of credit are a significant proportion of our loan portfolio. (Capital call lines of credit represent almost half of our loan portfolio as of the end of 2018, and may in future periods increase to more than half.) These third parties may not be able to meet their financial obligations to our clients or to us which, ultimately, could have an adverse impact on us.

We also lend to individual investors, executives, entrepreneurs or other influencers in the innovation economy, primarily through SVB Private Bank. These individual clients may face difficulties meeting their financial commitments, especially during a challenging economic environment, and may be unable to repay their loans. In certain instances, we may also relax loan covenants and conditions or extend loan terms to borrowers that are experiencing financial difficulties. While such determinations are based on an assessment of various factors including

access to additional capital in the near term, there can be no assurance that such continued support will result in any borrower meeting his or her financial commitments. In addition, we lend to premium wineries and vineyards through SVB Wine. Repayment of loans made to these clients may be dependent on overall wine demand and sales, or other sources of financing or income which may be adversely affected by a challenging economic environment, as well as overall grape supply which may be adversely affected by poor weather, heavy rains, flooding, droughts, fires, wildfires, earthquakes or other natural or catastrophic conditions.

Based on the credit profile of our overall loan portfolio, our level of nonperforming loans, loan charge-offs and allowance for loan losses can be volatile and can vary materially from period to period. Increases in our level of nonperforming loans or loan charge-offs may require us to increase our provision for loan losses in any period, which could reduce our net income or cause net losses in that period. Additionally, such increases in our level of nonperforming loans or loan charge-offs may also have an adverse effect on our capital ratios, credit ratings and market perceptions of us. See “Loans” under “Management’s Discussion and Analysis of Financial Condition and Results of Operations - Consolidated Financial Condition” under Part II, Item 7 of this report.

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Our allowance for loan losses is determined based upon both objective and subjective factors, and may not be adequate to absorb loan losses.

As a lender, we face the risk that our borrower clients will fail to pay their loans when due. If borrower defaults cause large aggregate losses, it could have a material adverse effect on our business, results of operations or financial condition. We reserve for such losses by establishing an allowance for loan losses, the increase of which results in a charge to our earnings as a provision for loan losses. Although we have established an evaluation process designed to determine the adequacy of our allowance for loan losses that uses historical and other objective information, the classification of loans and the forecasts and establishment of loan losses are also dependent upon the subjective experience and judgment of our management. Actual losses are difficult to forecast, especially if such losses stem from factors beyond our historical experience or are otherwise inconsistent with our credit quality assessments. Moreover, banking regulators, as part of their supervisory function, periodically review our methodology, models and the underlying assumptions, estimates and assessments we make in determining the adequacy of our allowance for loan losses. These regulators may conclude that changes are necessary, which could impact our overall credit portfolio. Such changes could result in, among other things, modifications to our methodology or models, reclassification or downgrades of our loans, increases in our allowance for loan losses or other credit costs, imposition of new or more stringent concentration limits, restrictions in our lending activities and/or recognition of further losses. There can be no assurance that our allowance for loan losses will be sufficient to absorb future loan losses or prevent a material adverse effect on our business, financial condition or results of operations.

The borrowing needs of our clients may be unpredictable, especially during a challenging economic environment. We may not be able to meet our unfunded credit commitments, or adequately reserve for losses associated with our unfunded credit commitments, which could have a material adverse effect on our business, financial condition, results of operations or reputation.

A commitment to extend credit is a formal agreement to lend funds to a client as long as there is no violation of any condition established under the agreement. The actual borrowing needs of our clients under these credit commitments have historically been lower than the contractual amount of the commitments. As a result, we typically have a substantial amount of total unfunded credit commitments reflected off our balance sheet and a significant portion of these commitments ultimately expire without being drawn upon. See Note 19—“Off-Balance Sheet Arrangements, Guarantees and Other Commitments” of the “Notes to the Consolidated Financial Statements” under Part II, Item 8 of this report for additional details. However, the actual borrowing needs of our clients may exceed our expected funding requirements. For example, our client companies may be more dependent on our credit commitments in a challenging economic environment due to the lack of available credit elsewhere, the increasing costs of credit through other channels, or the limited availability of financings from private equity or venture capital firms. In addition, limited partner investors of our private equity and venture capital fund clients may fail to meet their underlying investment commitments due to liquidity or other financing difficulties, which may impact our clients’ borrowing needs. Any failure to meet our unfunded credit commitments in accordance with the actual borrowing needs of our clients may have a material adverse effect on our business, financial condition, results of operations or reputation.

Further, although we have established a reserve for losses associated with our unfunded credit commitments, the level of the reserve is determined by a methodology similar to that used to establish our allowance for loan losses in our funded loan portfolio. While the reserve is susceptible to significant changes, it is primarily based on credit commitments outstanding less the amounts that have been funded, the amount of the unfunded portion that we expect to be utilized in the future, credit quality of the loan credit commitments, and management’s estimates and judgment. There can be no assurance that our allowance for unfunded credit commitments will be adequate to provide for actual losses associated with our unfunded credit commitments. An increase in the allowance for unfunded credit commitments in any period may result in a charge to our earnings, which could reduce our net income or increase net losses in that period.

Market and Liquidity Risks

Our current level of interest rate spread may decline in the future. Any material reduction in our interest rate spread, caused by sustained periods of low market interest rates or changes in our clients' preferences for interest-bearing deposit products in periods of rising interest rates, could have a material adverse effect on our business, results of operations or financial condition.

A significant portion of our net income comes from our interest rate spread, which is the difference between the interest rates paid by us on interest-bearing liabilities such as deposits and internal borrowings, and the interest rates and fees we receive on our interest-earning assets such as loans extended to our clients, securities held in our investment portfolio and excess cash held to manage short-term liquidity. Our interest rate spread can be affected by the mix of the types of loans, investment securities, deposits and other liabilities on our balance sheet, as well as a variety of external factors beyond our control that affect interest rate levels, such as competition, inflation, recession, global economic disruptions, unemployment and the fiscal

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and monetary policies of various governmental bodies. For example, changes in key variable market interest rates, such as the Federal Funds, National Prime ("Prime"), the London Interbank Offered Rate (“LIBOR”) or Treasury rates, generally impact our interest rate spread. While changes in interest rates do not generally produce equivalent changes in the revenues earned from our interest-earning assets and the expenses associated with our interest-bearing liabilities, increases in market interest rates are nevertheless likely to cause our interest rate spread to increase. Conversely, if interest rates decline, our interest rate spread will likely decline. In response to the last global economic recession, the U.S. Federal Reserve and other central banking institutions took monetary policy actions, including the utilization of quantitative easing and created and maintained a low interest rate environment. Over the last few years, interest rates have increased. Over the last several years, the Federal Reserve has periodically raised interest rates and may institute further changes in the future. Increases, or sustained periods of increases, in interest rates may result in a change in the mix of non-interest and interest bearing accounts, and the level of off-balance sheet market-based investment preferred by our clients, which may also impact our interest rate spread. If interest rates decline or do not continue to rise, low rates could constrain our interest rate spread and may adversely affect our business forecasts. In addition, changes in the method of determining LIBOR or other reference rates, or uncertainty related to such potential changes, may adversely affect the value of reference rate-linked debt securities that we hold or issue, which could further impact our interest rate spread. In 2017, the U.K. Financial Conduct Authority announced that it would no longer persuade or compel submission of bank rates used for calculation of LIBOR after 2021, leading to the expectation of the transition to alternative rates prior to that time. U.S. regulatory authorities have voiced similar support for phasing out LIBOR. The impact of alternatives to LIBOR on the valuations, pricing and operation of our financial instruments is not yet known. Any material reduction in our interest rate spread could have a material adverse effect on our business, results of operations or financial conditions.

Liquidity risk could impair our ability to fund operations and jeopardize our financial condition.
Liquidity is essential to our business, both at the SVB Financial and the Bank level. We require sufficient liquidity to meet our expected financial obligations, as well as unexpected requirements stemming from client activity and market changes. Primary liquidity resources for SVB Financial include cash flow from investments and interest in financial assets held by operating subsidiaries other than the Bank; to the extent declared, dividends from the Bank, its main operating subsidiary; and as needed, periodic capital market transactions offering debt and equity instruments in the public and private markets. The primary source of liquidity for the Bank is client deposits. When needed, wholesale borrowing capacity in the form of short- and long-term borrowings secured by our portfolio of high quality investment securities, long-term capital market debt issuances and unsecured overnight funding channels available to us in the Federal Funds market supplement our liquidity. An inability to maintain or raise funds through these sources could have a substantial negative effect, individually or collectively, on SVB Financial and the Bank's liquidity. Our access to funding sources in amounts adequate to finance our activities, or on terms attractive to us, could be impaired by factors that affect us specifically or the financial services industry in general. For example, factors that could detrimentally impact our access to liquidity sources include a decrease in the level of our business activity due to a market downturn or adverse regulatory action against us, a reduction in our credit rating, any damage to our reputation or any other decrease in depositor or investor confidence in our creditworthiness and business. Our access to liquidity could also be impaired by factors that are not specific to us, such as severe volatility or disruption of the financial markets or negative views and expectations about prospects for the financial services industry as a whole. Any such event or failure to manage our liquidity effectively could affect our competitive position, increase our borrowing costs and the interest rates we pay on deposits, limit our access to the capital markets and have a material adverse effect on our financial condition.

Our equity warrant assets, venture capital and private equity fund investments and direct equity investment portfolio gains depend upon the performance of our portfolio investments and the general condition of the public and private equity and merger and acquisition markets, which are uncertain and may vary materially by period.
In connection with negotiated 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 and healthcare

industries subject to applicable regulatory limits, we have also made investments through SVB Financial and our SVB Capital family of funds in venture capital funds and direct investments in companies, many of which are required to be carried at fair value or are impacted by changes in fair value. The fair value of these warrants and investments are reflected in our financial statements and are adjusted on a quarterly basis. Fair value changes are recorded as unrealized gains or losses through consolidated net income. However, the timing and amount of changes in fair value, if any, of these financial instruments depend on factors beyond our control, including the perceived and actual performance of the companies or funds in which we invest, fluctuations in the market prices of the preferred or common stock of the portfolio companies, the timing of our receipt of relevant financial information from these companies, market volatility and interest rate factors and legal and contractual restrictions. Moreover, the timing and amount of our realization of actual net proceeds, if any, from our disposition of these financial instruments also often depend on factors beyond our control. In addition to those mentioned above, such factors include the level of public offering and merger and acquisition or other exit activity, legal and contractual restrictions on our ability to sell our equity positions (including the expiration of any "lock-up" agreements) and the timing of any actual dispositions. Because of the inherent variability of these financial instruments and the markets in which they are bought and sold, their fair market value might increase or decrease

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materially from period to period, and the net proceeds ultimately realized upon disposition might be materially different than the then-current recorded fair market value.

In addition, depending on the fair value of these warrants and direct equity investments, a meaningful portion of the aggregate fair value of our total warrant and direct equity investment portfolios may, from time to time, be concentrated in a limited number of warrants and direct equity investments. Valuation changes in one or more of these warrants or direct equity investments may have a material impact on the valuation of our total investment portfolio. We cannot predict future realized or unrealized gains or losses, and any such gains or losses are likely to vary materially from period to period. See Note 13—"Derivative Financial Instruments" of the "Notes to the Consolidated Financial Statements" under Part II, Item 8 of this report for additional details.

Changes in the market for public equity offerings, mergers and acquisitions or a slowdown in private equity or venture capital investment levels may affect the needs of our clients for investment banking or mergers and acquisitions advisory services and the borrowing needs of our clients, which could in turn adversely affect our business, results of operations or financial condition.
While an active market for public equity offerings, financings, and merger and acquisition activity generally has positive implications for our business, one negative consequence is that our clients may pay off or reduce their loans with us if they complete a public equity offering, are acquired by or merge with another entity or otherwise receive a significant equity investment.

By contrast, a low demand for public equity or mergers and acquisitions transactions or an inability to complete such transactions due to events affecting market conditions generally, such as a partial or full U.S. government shutdown, could result in fewer transactions overall and therefore decrease revenues of SVB Leerink, our investment banking business, as such revenues stem primarily from underwriting and advisory fees associated with capital markets and mergers and acquisitions transactions.

A slowdown in overall private equity or venture capital investment levels may reduce the need for our clients to borrow from our capital call lines of credit, which are typically utilized by our private equity and venture capital fund clients to make investments prior to receipt of capital called from their respective limited partners. Any significant reduction in the outstanding amounts of our loans or under our lines of credit could have a material adverse effect on our business, results of operations or financial condition.

Operational Risks
If we fail to retain our key employees or recruit new employees, our growth and results of operations could be adversely affected.
We rely on key personnel, including a substantial number of employees who have technical expertise in their subject matter area and a strong network of relationships with individuals and institutions in the markets we serve. In addition, as we expand in international markets, we will need to hire local personnel within those markets. If we were to have less success in recruiting and retaining these employees than our competitors, for reasons including domestic or foreign regulatory restrictions on compensation practices or the availability of more attractive opportunities elsewhere, our growth and results of operations could be adversely affected.

Moreover, equity awards are an important component of our compensation program, especially for our executive officers and other members of senior management. The extent of shares available for grant in connection with such equity awards pursuant to our incentive compensation plans is generally subject to stockholder approval. If we do not have sufficient shares to grant to existing or new employees, there could be an adverse effect on our recruiting and retention efforts, which could impact our growth and results of operations.

The occurrence of fraudulent activity, breaches of our information security or cybersecurity-related incidents could have a material adverse effect on our business, financial condition or results of operations.

As a financial institution, we are susceptible to fraudulent activity, information security breaches and cybersecurity-related incidents that could be committed against us or our clients, which may result in financial losses or increased costs to us or our clients, disclosure or misuse of our information or our client information, misappropriation of assets, privacy breaches against our clients, litigation, or damage to our reputation. Such fraudulent activity may take many forms, including check fraud, electronic fraud, wire fraud, phishing, social engineering, malfeasance, and other dishonest acts. Information security breaches and cybersecurity-related incidents may include fraudulent or unauthorized access to systems used by us, our clients or third party partners, denial or degradation of service attacks, malware, or other cyber-attacks. Sources of attacks vary and may include

hackers, disgruntled employees or vendors, organized crime, terrorists, foreign governments, corporate espionage and activists. In recent periods, there continues to be a rise in electronic fraudulent activity, security breaches and cyber-attacks within the financial services industry, especially in the commercial banking sector due to cyber criminals targeting commercial bank accounts. Consistent with industry trends, we remain at risk for attempted electronic fraudulent activity, as well as attempts at security breaches and cybersecurity-related incidents. These attempts can be, and in some cases have been, directed at us (including our employees, executives or directors), as well as our vendors or other third party partners. Moreover, in recent periods, large corporations (including financial institutions and retail companies), as well as U.S. governmental agencies, have suffered significant data breaches, in some cases exposing not only confidential and proprietary corporate information, but also sensitive financial and other personal information of their customers and employees and subjecting them to potential fraudulent activity. Some of our clients may have been affected by these breaches, which increase their risks of identity theft, credit card fraud and other fraudulent activity that could involve their accounts with us, which could subject us to potential liability. Additionally, state-sponsored or terrorist-sponsored efforts to hack or disable information technology systems increases risks, since the motivation may be for geopolitical as much as for financial gain.

Information pertaining to us and our clients is maintained, and transactions are executed, on our networks and systems, as well as those of our clients and certain of our third-party partners, such as our online banking or reporting systems. The secure maintenance and transmission of confidential information, as well as execution of transactions over these systems, are essential to protect us and our clients against fraud and security breaches and to maintain our clients' confidence. Breaches of information security also may occur, and in infrequent cases have occurred, through intentional or unintentional acts by those having access to our systems or our clients’ or counterparties’ confidential information, including employees and third-party contractors. In addition, SVB provides card transaction processing services to some merchant customers under agreements we have with those merchants and/or with the payment networks. Under these agreements, we may be responsible for certain losses and penalties if one of our merchant customers suffers a data security breach. Furthermore, SVB's cardholders use their debit and credit cards to make purchases from third parties or through third-party processing services. As such, SVB is subject to risk from data breaches of such third-party's information systems or their payment processors, for reasons including unauthorized card use. Such a data security breach could compromise SVB's account information, cause losses on card accounts and increase litigation costs. SVB may suffer losses associated with reimbursing our customers for such fraudulent transactions on customers' card accounts, as well as for other costs related to data security breaches, such as replacing cards associated with compromised card accounts.

We also offer certain services that allow non-accountholders to process payments through SVB’s systems, as well as financial analytics services. In the course of providing those services, we may obtain sensitive data about customers who do not otherwise hold accounts with us, including information regarding accounts held at other institutions, as well as profit and loss and other proprietary financial or other information regarding our customers or the non-accountholders they service. In the event of a data breach, this sensitive information may be exposed and could subject us to claims for damages.

In addition, increases in criminal activity levels and sophistication, advances in computer capabilities, new discoveries, vulnerabilities in third-party technologies (including browsers and operating systems) or other developments could result in a compromise or breach of the technology, processes and controls that we use to prevent fraudulent transactions and to protect data about us, our clients and underlying transactions, as well as the technology used by our clients to access our systems. The forms, methods, and sophistication of fraud, security breaches, cyber-attacks and other similar criminal activity continue to evolve, and as we evolve and grow our business, especially in new businesses or geographies, we may be unable to foresee future risks. Although we have developed, and continue to invest in, systems and processes that are designed to detect and prevent security breaches and cyber-attacks and periodically test our security and effectiveness of our cyber incident response plans, our inability to anticipate, or failure to adequately mitigate, fraudulent activities, breaches of security or cyber-attacks could result in:

financial losses to us or our clients; our loss of business and/or clients; loss or exposure of our confidential data or information; damage to our reputation; the incurrence of additional expenses; loss of personnel; disruption to our business; force majeure claims by us or critical suppliers; our inability to grow our online services or other businesses; additional regulatory scrutiny or penalties; or our exposure to civil litigation and possible financial liability --- any of which could have a material adverse effect on our business, financial condition and results of operations. Our risk mitigation strategies and internal controls, including risk assessment policies and procedures, testing, backup and redundancy systems, incident response plans, training, and authentication or encryption tools, may not be effective against defending against fraud, security breaches or cyber-attacks.

More generally, publicized information concerning security and cyber-related problems could inhibit the use or growth of electronic or web-based applications or solutions as a means of conducting commercial transactions. Such publicity may also cause damage to our reputation as a financial institution. As a result, our business, financial condition or results of operations could be adversely affected.

We face risks associated with the ability of our information technology systems and our people and processes to support our operations and future growth effectively.

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Our information technology systems, people and internal business processes are critical to our operations and future growth. Our systems may be subject to service outages from time to time due to various reasons, including infrastructure failures, interruptions due to system upgrades or malware removal, employee error or malfeasance, or other force majeure-related reasons, which could cause business disruption. Additionally, our systems and processes need to be sufficiently scalable to operate effectively, and we need to have the appropriate talent to support our business. As a result, we continue to invest in technology and more automated solutions in order to optimize the efficiency of our core operational and administrative infrastructure. In the absence of having effective automated solutions, we may rely on manual processes which may be more prone to error. Moreover, as we evolve, we may further install or implement new systems and processes or otherwise replace, upgrade or make other modifications to our existing systems and processes. These changes could be costly and require significant investment in the training of our employees and other third-party partners, as well as impose substantial demands on management time. If we do not implement new initiatives or utilize new technologies effectively or in accordance with regulatory requirements, or if our people (including outsourced business partners) are not appropriately trained or developed or do not perform their functions properly, we could experience business interruptions or other system failures which, among other things, could result in inefficiencies, revenue losses, loss of clients, exposure to fraudulent activities, regulatory enforcement actions or damage to our reputation, each of which could have a material adverse effect on our business.

Business disruptions and interruptions due to natural disasters and other external events beyond our control can adversely affect our business, financial condition or results of operations.

Our operations can be subject to natural disasters and other external events beyond our control, such as earthquakes, fires, floods, severe weather, public health issues, power failures, telecommunication loss, major accidents, terrorist attacks, acts of war, and other natural and man-made events. For example, our corporate headquarters and some of our critical business offices are located in California, near major earthquake faults. An earthquake or other disaster could cause severe destruction, disruption or interruption to our operations or property. We and other financial institutions generally must resume operations promptly following any interruption. If we were to suffer a disruption or interruption and were not able to resume normal operations within a period consistent with industry standards, our business, financial condition or results of operations could be adversely affected in a material manner. In addition, depending on the nature and duration of the disruption or interruption, we might become vulnerable to fraud, additional expense or other losses, or to a loss of business and clients. Although we have implemented a business continuity management program that we continue to enhance on an ongoing basis, there can be no assurance that the program will adequately mitigate the risks of such business disruptions and interruptions.

Additionally, natural disasters and external events, including those occurring in and around the state of California, could affect the business and operations of our clients, which could impair their ability to pay their loans or fees when due, impair the value of collateral securing their loans, cause our clients to reduce their deposits with us, or otherwise adversely affect their business dealings with us, any of which could have a material adverse effect on our business, financial condition or results of operations. A significant portion of our client borrowers, including our premium winery and vineyard clients, our SVB Private Bank mortgage clients and other corporate clients, are located in or have offices in the state of California, which has historically experienced severe natural disasters resulting in disruptions to businesses and damage to property, including wildfires and earthquakes. If there is a major earthquake, flood, fire, drought or other natural or catastrophic disaster in California or elsewhere in the markets in which we operate, our borrowers may experience uninsured property losses or sustained disruption to business or loss that may materially impair their ability to meet the terms of their loan obligations.

We face reputation and business risks due to our interactions with business partners, service providers and other third parties.

We rely on third parties, both in the United States and internationally in countries such as the United Kingdom, Germany, Hong Kong, China, Israel and India, to provide services to us and our clients or otherwise act as partners in our business activities in a variety of ways, including through the provision of key components of our business

infrastructure. We expect these third parties to perform services for us, fulfill their obligations to us, accurately inform us of relevant information, and conduct their activities in a manner that reflects positively on our brand and business. Although we manage exposure to such third party risk through a variety of means including the performance of due diligence and ongoing monitoring of vendor performance, there can be no assurance these efforts will be effective. Any failure of our business partners, service providers or other third parties to meet their commitments to us or to perform in accordance with our expectations could result in operational disruptions, increased expenditures, regulatory actions in which we may be held responsible for the actions of third parties, damage to our reputation and the loss of clients, which in turn could harm our business and operations, strategic growth objectives and financial performance.

The soundness of other financial institutions could adversely affect us.

Financial services institutions are interrelated because of trading, clearing, counterparty and other relationships. We routinely execute transactions with counterparties in the financial services industry, including brokers and dealers, commercial

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banks, investment banks, payment processors, and other institutional clients, which may result in payment obligations to us or to our clients due to products we have arranged. Many of these transactions expose us to credit and market risk that may cause our counterparty or client to default. In addition, we are exposed to market risk when the collateral we hold cannot be realized or is liquidated at prices not sufficient to recover the full amount of the secured obligation. Any losses arising from such occurrences could materially and adversely affect our business, results of operations or financial condition.

We depend on the accuracy and completeness of information about customers and counterparties.

In deciding whether to extend credit or enter into other transactions with customers and counterparties, we may rely on information furnished to us by or on behalf of customers and counterparties, including financial statements and other information relating to their business or financial condition. We also may rely on representations of customers and counterparties as to the accuracy and completeness of that information and, with respect to financial statements, on reports or other certifications of their auditors or accountants. For example, under our accounts receivable financing arrangements, we rely on information, such as invoices, contracts and other supporting documentation, provided by our clients and their account debtors to determine the amount of credit to extend. Similarly, in deciding whether to extend credit, we may rely upon our customers' representations that their financial statements conform to U.S. GAAP (or other applicable accounting standards in foreign markets) and present fairly, in all material respects, the financial condition, results of operations and cash flows of the customer. If we rely on materially misleading, false, inaccurate or fraudulent information in evaluating the credit-worthiness or other risk-profiles of our clients or counterparties, we could be subject to loan losses, regulatory action, reputational harm or experience other adverse effects on our business, results of operations or financial condition.

Our accounting policies and methods are key to how we report our financial condition and results of operations. They require management to make judgments and estimates about matters that are uncertain.

Our accounting policies and methods are fundamental to how we record and report our financial condition and results of operations. Our management must exercise judgment in selecting and applying many of these accounting policies and methods so they comply with U.S. GAAP and reflect management's judgment of the most appropriate manner to report our financial condition or results. In some cases, management must select the accounting policy or method to apply from two or more alternatives, any of which might be reasonable under the circumstances yet might result in our reporting materially different amounts than would have been reported under an alternative policy or method.

If we fail to maintain an effective system of internal control over financial reporting, we may not be able to accurately report our financial results. As a result, current and potential holders of our securities could lose confidence in our financial reporting, which would harm our business and the trading price of our securities.

Maintaining and adapting our internal controls over financial reporting, as required by Section 404 of the Sarbanes-Oxley Act and related rules and regulations of the SEC, can be costly and require significant management attention. As we continue to grow, our internal controls may become more complex and require additional resources to ensure they remain effective amidst dynamic regulatory and other guidance. Failure to maintain effective controls or implement required new or improved controls or difficulties encountered in the process may harm our operating results or cause us to fail to meet our reporting obligations. If we or our independent registered accounting firm identify material weaknesses in our internal control over financial reporting or are otherwise required to restate our financial statements, we could be required to implement costly and time-consuming remedial measures and could lose investor confidence in the accuracy and completeness of our financial reports. We may also face regulatory enforcement or other actions, including the potential delisting of our common stock from the NASDAQ Stock Market. This could have an adverse effect on our business, financial condition or results of operations, as well as the trading price of our securities, and could potentially subject us to litigation.

We face risks associated with our current international operations and ongoing international expansion.

One important component of our strategy is to expand internationally. We currently have international offices in the United Kingdom, Israel, Germany, Hong Kong and China, including a joint-venture bank in China. We further plan to expand our operations and business activities in some of our current international markets, as well as expand our business beyond those markets, including a pending branch application in Canada. Our efforts to expand our business internationally carry with them certain risks, including risks arising from the uncertainty regarding our ability to

generate revenues from foreign operations; risks associated with leveraging and doing business with local business partners through joint ventures, strategic arrangements or other partnerships; and, other general operational risks. In addition, there are certain risks inherent in doing business on an international basis, including, among others, legal, regulatory and tax requirements and restrictions, uncertainties regarding liability, tariffs and other trade barriers, difficulties in staffing and managing foreign operations, the incremental requirement of management's attention and resources, differing technology standards or customer requirements, data security or transfer risks, cultural differences, political and economic risks such as uncertainty created by the approval of an advisory referendum by a majority of voters in the United Kingdom to the leave the European Union in June 2016, and financial risks, including currency

and payment risks such as fluctuation in the value of the euro and Chinese yuan (renminbi). These risks could hinder our ability, or the ability of our local partners, to service our clients effectively, and adversely affect the success of our international operations, which in turn, could have a material adverse effect on our overall business, results of operations or financial condition. In addition, we face risks that our employees and affiliates may fail to comply with applicable laws and regulations governing our international operations, including the U.S. Foreign Corrupt Practices Act, U.K. Bribery Act, anti-corruption laws, privacy laws, economic and trade sanctions requirements and other foreign laws and regulations. Failure to comply with such laws and regulations could, among other things, result in enforcement actions and fines against us, as well as limitations on our conduct, any of which could have a material adverse effect on our business and results of operations.

Legal and Regulatory Risks

We are subject to extensive regulation that could limit or restrict our activities, impose financial requirements or limitations on the conduct of our business, or result in higher costs to us, and the stringency of the regulatory framework applicable to us may increase if, and as, our asset size continues to grow.

SVB Financial Group, including the Bank, is extensively regulated under federal and state laws and regulations governing financial institutions, including those imposed by the FDIC, the Federal Reserve, the CFPB, and the DBO, as well as various regulatory authorities that govern our global activities. Federal and state laws and regulations govern, restrict, limit or otherwise affect the activities in which we may engage and may affect our ability to expand our business over time, result in an increase in our compliance costs, including higher FDIC insurance premiums, and may affect our ability to attract and retain qualified executive officers and employees. Further, the stringency of the federal bank prudential regulatory framework that applies to us may increase as our asset size and international business grows. As one example, under the Dodd-Frank Act (as amended by the EGRRCPA) and the Tailoring Proposal, certain enhanced prudential standards will apply to us if we reach or exceed $50 billion in average total consolidated assets. In addition, federal regulations implementing the advanced approaches capital rules as well as the additional heightened standards noted above currently apply to banking organizations with total consolidated assets of $250 billion or more or $10 billion or more in on-balance sheet foreign exposure (which is a measure of international activity that focuses on foreign assets). The Capital and Liquidity Thresholds Proposal would replace the Advanced Approaches Thresholds with two new thresholds: i) $700 billion in average total consolidated assets, and ii) $100 billion in average total consolidated assets and $75 billion or more in "cross-jurisdictional activity" (a measure of international activity that looks at both foreign assets and liabilities). Compliance with any of these additional requirements could require a material investment of resources and lead to other limitations on our business and our ability to expand. Further, a change in the applicable statutes, regulations or regulatory policy could have a material adverse effect on our business, including limiting or imposing conditions on the types of financial services and products we may offer or increasing the ability of nonbanks to offer competing financial services and products. These laws and regulations also require financial institutions, including SVB Financial and the Bank, to maintain certain minimum levels of capital and meet other minimum financial standards, which may require us to raise additional capital in the future, affect our ability to use our capital resources for other business purposes or affect our overall business strategies and plans. Furthermore, following the 2008 financial crisis, the Basel Committee adopted additional capital, leverage and liquidity standards under Basel III, and has since finalized additional standards. Most notably, in December 2017, the Basel Committee published a set of revisions to its Basel III framework to address perceived weaknesses in the current methodology for calculating risk weighted assets, in particular to increase the risk-sensitivity of the standardized approach and to constrain banking organizations' discretion in modeling their capital requirements under models-based approaches (such as the advanced approaches in the United States). Following the adoption of the final standards, the Federal Reserve, the FDIC and the OCC announced on December 7, 2017 that they support the conclusion of efforts to reform the international bank capital standards in response to the global financial crisis, and that they would consider how to appropriately apply these revisions to the Basel III reform package in the United States through the standard notice-and-comment rulemaking process. The Federal Reserve previously has adopted regulations that generally align with international standards, and have the effect of raising our capital requirements beyond those previously in place. Such requirements include limitations on capital distributions and discretionary bonus payments to executives if certain minimum capital requirements are not maintained. The

Federal Reserve also has adopted certain stress testing requirements. To the extent we are subject to these stress testing requirements following the adoption of the Tailoring Proposal, and depending on the results of any stress tests, we could be required to raise additional capital or take certain other actions. Increased regulatory requirements (and the associated compliance costs), whether due to the growth of our business, the adoption of new laws and regulations, changes in existing laws and regulations, or more expansive or aggressive interpretations of existing laws and regulations, may have a material adverse effect on our business, financial condition or results of operations.

If we continue to grow and meet regulatory thresholds that trigger enhanced standards, such as average total consolidated assets of $100 billion, we will be subject to more stringent regulations, including enhanced prudential standards, required by the Dodd-Frank Act (as amended by EGRRCPA) and regulations adopted by the Federal Reserve applicable to large bank holding companies.

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As of December 31, 2018, our total consolidated assets were $56.9 billion and we had approximately $7.5 billion in on-balance sheet foreign exposures. As a result, under the Federal Reserve's current enhanced prudential standard regulations, SVB Financial would be subject to more stringent prudential standards. Following the passage of the EGRRCPA, however, the Federal Reserve issued a statement that it would not require firms with less than $100 billion in total consolidated assets to comply with those requirements. In addition, the Tailoring Proposal would revise the Federal Reserve's regulations to reflect this new $100 billion threshold. As a consequence, if the Tailoring Proposal is adopted as proposed, SVB Financial would become subject to more stringent prudential standards if we averaged total consolidated assets of $100 billion or more at the end of a four-quarter period.

Pursuant to the Dodd-Frank Act (as amended by the EGRRCPA), the more stringent prudential standards that could apply include requirements related to risk-based and leverage capital, liquidity, risk management, resolution planning, company-run and supervisory capital stress testing, single counterparty credit exposure limits, and early remediation - all of which require appropriate resources and planning. The Dodd-Frank Act further permits, but does not require, the Federal Reserve to apply enhanced prudential standards to large bank holding companies in other areas, including short-term debt limits and enhanced public disclosures. Further, our international business continues to grow. Crossing the Advanced Approaches Thresholds would trigger additional heightened requirements and compliance costs that may have a material adverse effect on our business, financial conditions or results of operations. Although the Capital and Liquidity Thresholds Proposal significantly increases the Advanced Approaches Thresholds, these additional heightened requirements could apply if the proposal were to be adopted and we were to cross the revised thresholds. Our level of foreign exposures is determined based on our current understanding of applicable regulatory standards, guidance, interpretations, expectations and assumptions, and may be subject to change based on any modifications, clarifications or evolution of these standards, guidance, interpretations, expectations or assumptions, including as contemplated by the Tailoring Proposal.

If we become subject to such enhanced prudential standards, we will face more stringent requirements or limitations on our business, as well as increased compliance costs. For example, if we are subject to CCAR, the Federal Reserve may object to, or otherwise not respond favorably to our capital plan, capital actions or stress test results, and we may be limited as to how we utilize our capital, including with respect to common stock dividends and stock repurchases. In addition, if we become subject to the Federal Reserve's and the FDIC's resolution planning rules requiring us to submit plans for an orderly resolution in the event of material financial distress or failure, and those agencies jointly determine that our resolution plan is not credible, and we fail to cure the deficiencies in a timely manner, the Federal Reserve and the FDIC may jointly impose on SVB Financial or our subsidiaries more stringent capital, leverage or liquidity requirements or restrictions on growth, activities or operations, or require the divestment of assets or operations. Further, under the LCR rule, we would be required to measure specified unencumbered high-quality liquid assets against our expected net cash outflows, using the methodologies prescribed by the rule. As a result of the rule's application, SVB Financial may be required to manage our holdings of high-quality liquid assets at levels beyond what we believe we need operationally in order to manage liquidity effectively. Additionally, such an increase may also adversely affect our financial condition and results of operations since high-quality liquid assets tend to carry lower yields. See "Business-Supervision and Regulation-Enhanced Prudential Standards," under this Part I, Item 1, for a more detailed description of the various requirements which may become applicable to us.

We face a risk of noncompliance and enforcement action with the Bank Secrecy Act, other anti-money laundering and anti-bribery statutes and regulations, and U.S. economic and trade sanctions.
The Bank Secrecy Act, the USA PATRIOT Act of 2001, and other laws and regulations require financial institutions, among other duties, to institute and maintain an effective anti-money laundering program and file suspicious activity and currency transaction reports as appropriate. The federal Financial Crimes Enforcement Network is authorized to impose significant civil money penalties for violations of those requirements and has engaged in coordinated enforcement efforts with state and federal banking regulators, as well as the U.S. Department of Justice, Drug Enforcement Administration, and Internal Revenue Service. We also must comply with U.S. economic and trade

sanctions administered by the U.S. Treasury Department's Office of Foreign Assets Control and the U.S. Foreign Corrupt Practices Act, and we, like other financial institutions, are subject to increased scrutiny for compliance with these requirements. We maintain policies, procedures and systems designed to detect and deter prohibited financing activities, however if these controls were deemed deficient, we could be subject to liability, including civil fines and regulatory actions, which may include restrictions on our ability to pay dividends and the necessity to obtain regulatory approvals to proceed with certain aspects of our business plan. In addition, any failure to effectively maintain and implement adequate programs to combat money laundering and terrorist financing could have serious reputational consequences for us. Any of these results could materially and adversely affect our business, financial condition or results of operations.

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If we were to violate, or fail to comply with, international, federal or state laws or regulations governing financial institutions, we could be subject to disciplinary action that could have a material adverse effect on our business, financial condition, results of operations or reputation.
International, federal and state banking regulators possess broad powers to take supervisory or enforcement action with respect to financial institutions. Other regulatory bodies, including the SEC, FINRA and state securities regulators, regulate investment advisers and broker-dealers, including our subsidiaries, SVB Asset Management and SVB Securities. These regulations are highly complex, and if we were to violate, even if unintentionally or inadvertently, the laws and regulations governing financial institutions and broker-dealers, these regulatory authorities could take various actions against us, such as imposing restrictions on how we conduct our business, imposing higher capital and liquidity requirements, requiring us to maintain higher insurance levels, revoking necessary licenses or authorizations, imposing censures, civil money penalties or fines, issuing cease and desist or other supervisory orders, and suspending or expelling us or any of our employees from the securities business. These remedies and supervisory actions could have a material adverse effect on our business, financial condition, results of operations and reputation.

Laws and regulations regarding the handling of personal data and information may impede our services or result in increased costs, legal claims or fines against us.
We are subject to an evolving body of federal, state and non-U.S. laws, regulations, guidelines and principles regarding data privacy and security, including the protection of personal information. Legal requirements relating to the collection, storage, handling, use, disclosure, transfer and security of personal data continue to evolve, and regulatory scrutiny in this area is increasing around the world. Significant uncertainty exists as privacy and data protection laws may be interpreted and applied differently from country to country and may create inconsistent or conflicting requirements. For example, the General Data Protection Regulation, or GDPR, extends the scope of the European Union data protection law to all companies processing data of EU residents, regardless of location. In 2018, the State of California, where our principal offices are located, passed the California Consumer Privacy Act, which becomes effective as of January 2020, which establishes new requirements regarding handling of personal data to entities serving or employing California residents. The GDPR, California Consumer Privacy Act and other changes in laws or regulations associated with the enhanced protection of certain types of sensitive data and other personal information, may require us to evaluate our current operations, information technology systems and data handling practices and implement enhancements and adaptations where necessary to comply. Our failure to comply with any such laws may result in significant liabilities and/or reputational harm.

Adverse results from litigation or governmental or regulatory investigations can impact our business practices and operating results.
We are currently involved in certain legal proceedings, and may from time to time be involved in governmental or regulatory investigations and inquiries relating to matters that arise in connection with the conduct of our business. While we have not recognized a material accrual liability for any lawsuits and claims filed or pending against us to date, the outcome of litigation and other legal and regulatory matters is inherently uncertain and it is possible that the actual results of one or more of such matters may be substantially higher than the amounts reserved, or that judgments may be rendered, or fines or penalties assessed in matters for which we have no reserves. Further, adverse outcomes in lawsuits or investigations may result in significant monetary damages or injunctive relief that may adversely affect our operating results or financial condition as well as our ability to conduct our businesses as they are presently being conducted. Moreover, even if we prevail in such actions, litigation and investigations can be costly and time-consuming, and often risks diverting the attention of our management and key personnel from our business operations, which could have a material adverse effect on our business, financial condition and results of operations.

Changes in accounting standards could materially impact our financial statements.
From time to time, the Financial Accounting Standards Board or the SEC may change the financial accounting and reporting standards that govern the preparation of our financial statements. Also, our global initiatives, as well as continuing trends towards the convergence of international accounting standards, such as rules that may be adopted

under the International Financial Reporting Standards (“IFRS”), may result in our Company being subject to new or changing accounting and reporting standards. In addition, the bodies that interpret the accounting standards (such as banking regulators or outside auditors) may change their interpretations or positions on how these standards should be applied. These changes may be beyond our control, can be hard to predict and can materially impact how we record and report our financial condition or results of operations. In some cases, we could be required to apply a new or revised standard retrospectively, or apply an existing standard differently, also retrospectively, in each case resulting in our revising or restating prior period financial statements.

Our holding company, SVB Financial, relies on equity warrant assets income, investment distributions and dividends from its subsidiaries for most of its cash revenues.

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SVB Financial is a holding company and is a separate and distinct legal entity from its subsidiaries. It receives most of its cash revenues from three primary funding sources: income from our equity warrant assets and investment securities and, to the extent declared, cash dividends paid by its subsidiaries, primarily the Bank. These sources generate cash which is used by SVB Financial to pay operating and borrowing costs and, to the extent authorized or declared, fund dividends to stockholders and stock repurchase programs. Any income derived from those financial instruments is subject to a variety of factors as discussed in the “Credit Risks” portion of this “Risk Factors” section. Moreover, various federal and state laws and regulations limit the amount of dividends that the Bank and certain of our nonbank subsidiaries may pay to SVB Financial. In addition, SVB Financial’s right to participate in a distribution of assets upon a liquidation or reorganization of any of its subsidiaries is subject to the prior claims of the subsidiary’s creditors.

Anti-takeover provisions and federal laws, particularly those applicable to financial institutions, may limit the ability of another party to acquire us, which could prevent a merger or acquisition that may be attractive to stockholders and/or have a material adverse effect on our stock price.
As a bank holding company, we are subject to certain laws that could delay or prevent a third party from acquiring us. The Bank Holding Company Act of 1956, as amended, and the Change in Bank Control Act of 1978, as amended, together with federal and state regulations, require that, depending on the particular circumstances, either the Federal Reserve must approve or after receiving notice, must not object to any person or entity acquiring “control” (as determined under the Federal Reserve's standards) of a bank holding company, such as SVB Financial, or a state member bank, such as the Bank. In addition, DBO approval may be required in connection with the acquisition of control of the Bank. Moreover, certain provisions of our certificate of incorporation and by-laws and certain other actions we may take or have taken could delay or prevent a third-party from acquiring us, any of these laws, regulations and other provisions may prevent a merger or acquisition that would be attractive to stockholders and could limit the price investors would be willing to pay in the future for our common stock.

Strategic, Reputational and Other Risks
Concentration of risk increases the potential for significant losses, or to the extent we establish internal concentration limits to mitigate such risk, lower revenues or a slow-down in growth.
Concentration of risk stemming from our focus on certain markets or segments, including those by client industry, life-cycle stage, size and geography, increases the potential for significant losses, or may result in lower revenues or slower growth, if we choose to limit growth in certain markets or segments to mitigate concentration risk. While there may exist a great deal of diversity within each industry, our clients are concentrated within the following general industry niches: technology, life science and healthcare, private equity and venture capital and premium wine. In particular, 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. Our life science and healthcare clients are concentrated in the industries of biotechnology, medical devices, healthcare information technology and healthcare services. Many of our client companies are also concentrated by certain stages within their life cycles, such as early-stage, mid-stage or later-stage and many of these companies are venture capital-backed. We take deposits from these clients and are also continuing to increase our efforts to lend to larger clients and to make larger loans. In addition, growth prospects and our geographic focus on key domestic and international innovation markets, as well as premium wine markets, may lead to an increase in our concentration risk. Our loan concentrations are derived from our borrowers engaging in similar activities as well as certain types of loans extended to a diverse group of borrowers that could cause those borrowers to be similarly impacted by economic or other conditions. Any adverse effect on any of our areas of concentration could have a material impact on our business, results of operations and financial condition even when economic and market conditions are generally favorable to our competitors.

Decreases in the amount of equity capital available to our portfolio companies could adversely affect our business, growth and profitability.

Our core strategy is focused on providing banking and financial products and services to companies, investors, entrepreneurs and influencers in the innovation economy, including in particular to early-stage and mid-stage companies that receive financial support from sophisticated investors, including venture capital or private equity firms, “angels,” corporate investors, crowd-funding and other evolving sources of capital. We derive a meaningful share of our deposits from these companies and provide them with loans as well as other banking products and services. In some cases, our lending credit decision is based on our analysis of the likelihood that our client will receive additional rounds of equity capital from investors or other funding sources. Among the factors that have affected and could in the future affect the amount of capital available to our portfolio companies are the receptivity of the capital markets, the prevalence of public equity offerings or merger and acquisition activity, primarily among companies within the technology and life science/healthcare industry sectors, the availability and return on alternative investments, economic conditions in the technology, life science/healthcare and private equity/venture capital industries, and

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overall general economic conditions. Reduced capital markets valuations could also reduce the amount of capital available to our client companies, including companies within our technology and life science/healthcare industry sectors. If the amount of capital available to such companies decreases, it is likely that the number of our new clients and investor financial support to our existing clients could decrease, which could have an adverse effect on our business, profitability and growth prospects.

We face competitive pressures that could adversely affect our business, results of operations, financial condition or future growth.
We compete with other banks as well as specialty and diversified financial services companies and investment and debt funds, some of which are larger than we are and which may offer a broader range of lending, leasing, payments, foreign currency exchange, and other financial products and advisory services to our client base. We also compete with other alternative and more specialized lenders, such as online “marketplace” lenders, peer-to-peer lenders and other non-traditional lenders that have emerged in recent years. The process of eliminating banks as intermediaries, known as “disintermediation,” could result in the loss of fee income, as well as the loss of customer deposits and the related income generated from those deposits. Moreover, we compete with non-financial services, particularly payment facilitators and processors or other Fintech or nonbanking technology providers in the payments industry, which may offer specialized services to our client base. In addition, we compete with hedge funds and private equity funds. Such competitors may focus their marketing efforts on industry sectors which we serve and for example, seek to increase their lending and other financial relationships with technology companies or special industries such as wineries. When new competitors seek to enter one of our markets, or when existing market participants seek to increase their market share, they sometimes undercut the pricing and/or credit terms prevalent in that market, which could adversely affect our market share or ability to exploit new market opportunities. We may have to agree to accept less attractive credit, pricing and other investment terms if we act to meet these competitive challenges, which could adversely affect our business, results of operations, financial condition and future growth. Similarly, competitive pressures and market disruption could adversely affect the business, results of operations, financial condition or future growth of our non-banking services, including our payments services, as well as our access to capital and attractive investment opportunities for our funds business.

Our ability to maintain or increase our market share depends on our ability to attract and maintain, as well as meet the needs of, existing and future clients.
Our success depends, in part, upon our ability to maintain or increase our market share. In particular, much of our success depends on our ability to attract early-stage or start-up companies as clients and to retain those companies as clients as they grow and mature successfully through the various stages of their life cycles. As a result, we adapt our products and services to evolving industry standards as well as introduce new products and services beyond industry standards in order to serve our clients, who are innovators themselves. A failure to achieve market acceptance for any new products or services we introduce, a failure to introduce products or services that the market demands, or the costs associated with developing, introducing and providing new products and services could have an adverse effect on our business, results of operations, growth prospects and financial condition.

We face risks in connection with our strategic undertakings and new business initiatives.
We are engaged, and may in the future engage, in strategic activities domestically or internationally, including acquisitions, such as the acquisition of SVB Leerink, joint ventures, partnerships, investments or other business growth initiatives or undertakings. There can be no assurance that we will successfully identify appropriate opportunities, that we will be able to negotiate or finance such activities or that such activities, if undertaken, will be successful.
We are focused on our long-term growth and have undertaken various strategic activities and business initiatives, many of which involve activities that are new to us, or in some cases, are experimental in nature. For example, we are expanding our global presence and may engage in activities in jurisdictions where we have limited experience from a business, legal and/or regulatory perspective. With the acquisition of SVB Leerink, we have also expanded into new

lines of business, namely, investment banking and M&A advisory services. We are also expanding our payments processing capabilities to better serve our clients, including innovating new electronic payment processing solutions, developing new payments technologies, and supporting new or evolving disruptive payments systems. We may also serve clients that deal with new or evolving industries or business activities, such as digital currencies. Given our evolving geographic and product diversification, and our innovative product solutions, these payment-related initiatives may subject us to, among other risks, increased business, reputational and operational risk, as well as more complex legal, regulatory and compliance costs and risks.

Our ability to execute strategic activities and new business initiatives successfully will depend on a variety of factors. These factors likely will vary based on the nature of the activity but may include our success in integrating an acquired company or a new internally-developed growth initiative into our business, operations, services, products, personnel and systems, operating effectively with any partner with whom we elect to do business, meeting applicable regulatory requirements and obtaining applicable regulatory licenses or other approvals, hiring or retaining key employees, achieving anticipated synergies, meeting

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management's expectations, actually realizing the anticipated benefits of the activities, and overall general market conditions. Our ability to address these matters successfully cannot be assured. In addition, our strategic efforts may divert resources or management's attention from ongoing business operations and may subject us to additional regulatory scrutiny and potential liability. If we do not successfully execute a strategic undertaking, it could adversely affect our business, financial condition, results of operations, reputation or growth prospects. In addition, if we were to conclude that the value of an acquired business had decreased and that the related goodwill had been impaired, that conclusion would result in an impairment of goodwill charge to us, which would adversely affect our results of operations.
In addition, in order to finance future strategic undertakings, we might require additional financing, which might not be available on terms favorable to us, or at all. If obtained, equity financing could be dilutive and the incurrence of debt and contingent liabilities could have a material adverse effect on our business, results of operations or financial condition.

Our business reputation and relationships are important and any damage to them could have a material adverse effect on our business.
Our reputation is very important in sustaining our business and we rely on our relationships with our current, former and potential clients and stockholders, the venture capital and private equity communities, and other actors in the industries that we serve. Any damage to our reputation, whether arising from regulatory, supervisory or enforcement actions, matters affecting our financial reporting or compliance with SEC and exchange listing requirements, negative publicity, the way in which we conduct our business or otherwise could strain our existing relationships and make it difficult for us to develop new relationships. Any such damage to our reputation and relationships could in turn lead to a material adverse effect on our business.

An ineffective risk management framework could have a material adverse effect on our strategic planning and our ability to mitigate risks and/or losses and could have adverse regulatory consequences.
We have implemented a risk management framework to identify and manage our risk exposure. This framework is comprised of various processes, systems and strategies, and is designed to manage the types of risk to which we are subject, including, among others, credit, market, liquidity, operational, capital, compliance, strategic and reputational risks. Our framework also includes financial, analytical, forecasting, or other modeling methodologies, which involves management assumptions and judgment. In addition, our Board of Directors, in consultation with management, has adopted a risk appetite statement, which sets forth certain thresholds and limits to govern our overall risk profile. However, there is no assurance that our risk management framework, including the risk metrics under our risk appetite statement, will be effective under all circumstances or that it will adequately identify, manage or mitigate any risk or loss to us. If our risk management framework is not effective, we could suffer unexpected losses and become subject to regulatory consequences, as a result of which our business, financial condition, results of operations or prospects could be materially adversely affected. In addition, if we grow to total average consolidated assets of $50 billion or greater or cross the Advanced Approaches Thresholds (or if the Tailoring Proposal and Capital and Liquidity Thresholds Proposal are adopted as proposed, and we grow to total average consolidated assets of $100 billion or more), we will become subject to more stringent risk management requirements that could increase our compliance costs and require us to further enhance our risk management framework and practices. See the section "Business-Supervision and Regulation-Enhanced Prudential Standards" under this Part I, Item 1 of this report.

We rely on quantitative models to measure risks and to estimate certain financial values.
Quantitative models may be used to help manage certain aspects of our business and to assist with certain business decisions, including estimating probable loan losses, measuring the fair value of financial instruments when reliable market prices are unavailable, estimating the effects of changing interest rates and other market measures on our financial condition and result of operations, and managing risk. However, all models have certain limitations. For example, our measurement methodologies rely on many assumptions, historical analyses and correlations. These assumptions may not capture or fully incorporate conditions leading to losses, particularly in times of market distress,

and the historical correlations on which we rely may no longer be relevant. Additionally, as businesses and markets evolve, our measurements may not accurately reflect the changing environment. Further, even if the underlying assumptions and historical correlations used in our models are adequate, our models may be deficient due to errors in computer code, bad data, misuse of data, or the use of a model for a purpose outside the scope of the model's design. Although we employ strategies to manage and govern the risks associated with our use of models, they may not be effective or fully reliable. As a result, our models may not capture or fully express the risks we face, suggest that we have sufficient capitalization when we do not, lead us to misjudge the business and economic environment in which we operate and ultimately cause planning failures or the reporting of incorrect information to our regulators. Any such occurrence or the perception of such occurrence by our regulators, investors or clients could in turn have a material adverse effect on our business, operations and financial conditions.

Our capital stress testing processes rely on analytical and forecasting models that may prove to be inadequate or inaccurate, which could adversely affect the effectiveness of our strategic planning and our ability to pursue certain corporate goals.

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In accordance with the Dodd-Frank Act and the Federal Reserve's regulations thereunder, banking organizations with $10 billion to $50 billion in assets are required to perform annual capital stress tests. Under the Tailoring Proposal, banking organizations with $100 billion or more in assets are required to perform annual capital stress tests. The results of any capital stress tests to which we are subject may require us to increase our regulatory capital, raise additional capital or take or decline to take certain other capital-related actions under certain circumstances. Our stress testing processes also rely on our use of analytical and forecasting models. These models reflect assumptions that may not be accurate, particularly in times of market stress or other unforeseen circumstances. Furthermore, even if our assumptions are accurate predictors of future performance, the models they are based on may prove to be inadequate or inaccurate because of other flaws in their design or implementation. Also, the assumptions we utilize for our stress tests may not be met with regulatory approval, which could result in our stress tests receiving a failing grade. In addition to adversely affecting our reputation, failing our stress tests would likely preclude or delay the possibility of our growth through acquisition, and would limit our ability to pay any cash dividends.

We could be adversely affected by changes in tax laws and regulations or the interpretations of such laws and regulations.
We are subject to the income tax laws of the United States, its constituent states and municipalities and those of the foreign jurisdictions in which we have business operations. These tax laws are complex and may be subject to different interpretations. We must make judgments and interpretations about the application of these inherently complex tax laws when determining our provision for income taxes, our deferred tax assets and liabilities, and our valuation allowance. Changes to the tax laws, administrative rulings or court decisions could increase our provision for income taxes and reduce our net income.
The price of our common stock may be volatile or may decline.
The trading price of our common stock may fluctuate as a result of a number of factors, many of which are outside our control. In addition, the stock market is subject to fluctuations in trading volumes that affect the market prices of the shares of many companies. These broad market fluctuations could adversely affect the market price of our common stock. Among the factors that could affect our stock price are:

- actual or anticipated quarterly fluctuations in our operating results and financial condition;
- changes in revenue or earnings estimates or publication of research reports and recommendations by financial analysts;
- failure to meet analysts' revenue or earnings estimates;
- speculation in the press or investment community;
- strategic actions by us or our competitors;
- actions by institutional stockholders;
- fluctuations in the stock price and operating results of our competitors;
- general market conditions and, in particular, developments related to market conditions for the financial services industry;
- actual or anticipated changes in interest rates;
- market perceptions about the innovation economy, including levels of funding or "exit" activities of companies in the industries we serve;
- proposed or adopted regulatory changes or developments;
- anticipated or pending investigations, proceedings or litigation that involve or affect us; and
- domestic and international economic factors unrelated to our performance.

The trading price of the shares of our common stock and the value of our other securities will further depend on many factors, which may change from time to time, including, without limitation, our financial condition, performance, creditworthiness and prospects, and future sales of our equity or equity-related securities. In some cases, the markets have produced downward pressure on stock prices and credit availability for certain issuers without regard to those issuers' underlying financial strength. A significant decline in our stock price could result in substantial losses for individual stockholders and could lead to costly and disruptive securities litigation, as well as the loss of key

employees.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

Our corporate headquarters facility consists of three buildings and is located at 3003 Tasman Drive, Santa Clara, California. The total square footage of the premises leased under the current lease arrangement is approximately 213,625 square feet. The lease will expire on September 30, 2024, unless terminated earlier or extended.

We currently operate 27 regional offices, including an administrative office, in the United States as well as offices outside the United States. We operate throughout the Silicon Valley with offices in Santa Clara, Menlo Park and Palo Alto. Other regional

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offices in California include Irvine, Napa, San Diego, San Francisco, Sherman Oaks, St. Helena, Santa Monica and Santa Rosa. Office locations outside of California but within the United States include: Phoenix/Tempe, Arizona; Denver/Broomfield, Colorado; Atlanta, Georgia; Chicago, Illinois; Boston/Newton, Massachusetts; New York, New York; Raleigh/Morrisville, North Carolina; Portland, Oregon; Philadelphia/West Conshohocken, Pennsylvania; Austin, Texas; Dallas, Texas; Houston, Texas; Salt Lake City/Cottonwood Heights, Utah; Arlington, Virginia; and Seattle, Washington. Our international offices include those located in: Hong Kong; Beijing and Shanghai, China; Frankfurt, Germany; Bangalore, India; Herzliya Pituach, Israel; and London, England. All of our properties are occupied under leases, which expire at various dates through 2030, and in most instances include options to renew or extend at market rates and terms. We also own leasehold improvements, equipment, furniture, and fixtures at our offices, all of which are used in our business activities.

Our Global Commercial Bank operations are principally conducted out of our corporate headquarters in Santa Clara and our office in Phoenix/Tempe, and our lending teams operate out of the various regional and international offices. SVB Private Bank and SVB Capital principally operate out of our Menlo Park offices.

We believe that our properties are in good condition and suitable for the conduct of our business.

ITEM 3. LEGAL PROCEEDINGS

The information set forth under Note 25—"Legal Matters" of the "Notes to the Consolidated Financial Statements" under Part II, Item 8 of this report is incorporated herein by reference.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

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PART II.

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Market Information

Our common stock is traded on the NASDAQ Global Select Market under the symbol "SIVB". As of December 31, 2018, SVB Financial had no preferred stock outstanding.

Holders

As of February 5, 2019, there were 603 registered holders of our common stock, and we believe there were approximately 134,625 beneficial holders of common stock whose shares were held in the name of brokerage firms or other financial institutions. We are not provided with the number or identities of all of these stockholders, but we have estimated the number of such stockholders from the number of stockholder documents requested by these brokerage firms for distribution to their customers.

Dividends

SVB Financial does not currently pay cash dividends on our common stock. We have not paid any cash dividends since 1992. Our Board of Directors periodically evaluates whether to pay cash dividends, taking into consideration such factors as it considers relevant, including our current and projected financial performance, our projected sources and uses of capital, general economic conditions, considerations relating to our current and potential stockholder base, applicable regulatory requirements, and relevant tax laws. Our ability to pay cash dividends is also limited by generally applicable corporate and banking laws and regulations. See “Business-Supervision and Regulation-Restrictions on Dividends” under Part I, Item 1 of this report.

Securities Authorized for Issuance under Equity Compensation Plans

The information required by this Item regarding equity compensation plans is incorporated by reference to the information set forth in Part III, Item 12 of this report.

Repurchases of Equity Securities by the Issuer and Affiliated Purchasers

Stock repurchase activity during the three months ended December 31, 2018 was as follows:

Period ended	Total number of shares purchased	Average price paid per share	Total number of shares purchased as part of publicly announced programs	Maximum dollar value that may yet be purchased under the programs (1)
October 31, 2018	—	—	—	
November 30, 2018	—	—	—	
December 31, 2018	715,207	$205.71	715,207	$352,874,768
Total	715,207	$205.71	715,207	$352,874,768

(1) On November 13, 2018, the Company announced that its Board of Directors had authorized a $500 million common stock repurchase program (the “Stock Repurchase Program”) pursuant to which the Company may, from time to time and on or before the program’s expiration date, repurchase shares of its outstanding common stock in the open market, in privately-negotiated transactions, or otherwise, subject to applicable laws and regulations. The extent to which the Company repurchases its shares, and the timing of such repurchases, will depend upon a variety of factors, including market conditions, regulatory requirements, availability of funds, and other relevant considerations, as determined by the Company. The Company may, in its discretion, begin, suspend or terminate repurchases at any time prior to the program’s expiration, without any prior notice. Repurchases may also be made pursuant to a trading plan under Rule 10b5-1 under the Exchange Act, which would permit shares to be repurchased when the Company might otherwise be precluded from doing so because of self-imposed trading blackout periods or other regulatory

restrictions. The Stock Repurchase Program expires on November 15, 2019.

During the three months ended December 31, 2018, we repurchased 715,207 shares of our common stock totaling $147.1 million under the Stock Repurchase Program. At December 31, 2018, $352.9 million represents the maximum amount available to repurchase shares under the Stock Repurchase Program.

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Performance Graph

The following information is not deemed to be "soliciting material" or "filed" with the SEC or subject to the liabilities of Section 18 of the Exchange Act, and the report shall not be deemed to be incorporated by reference into any prior or subsequent filing by the Company under the Securities Act or the Exchange Act.

The following graph compares, for the period from December 31, 2013 through December 31, 2018, the cumulative total stockholder return on the common stock of the Company with (i) the cumulative total return of the Standard and Poor's 500 ("S&P 500") Index, (ii) the cumulative total return of the NASDAQ Composite index, and (iii) the cumulative total return of the NASDAQ Bank Index. The graph assumes an initial investment of $100 and reinvestment of dividends. The graph is not necessarily indicative of future stock price performance.

Comparison of 5 Year Cumulative Total Return*

Among SVB Financial Group, the S&P 500 Index, the NASDAQ Composite Index and the NASDAQ Bank Index

* $100 invested on 12/31/13 in stock or index, including reinvestment of dividends.

Fiscal year ended December 31st.

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	December 31,					
	2013	2014	2015	2016	2017	2018
SVB Financial Group	$100.00	$110.69	$113.39	$163.70	$222.94	$181.12
S&P 500	100.00	113.69	115.26	129.05	157.22	150.33
NASDAQ Composite	100.00	114.62	122.81	133.19	172.11	165.84
NASDAQ Bank	100.00	104.89	113.29	155.71	164.24	136.99

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ITEM 6. SELECTED CONSOLIDATED FINANCIAL DATA

The following selected consolidated financial data should be read in conjunction with our consolidated financial statements and supplementary data as presented under Part II, Item 8 of this report. Information as of and for the years ended December 31, 2018, 2017 and 2016 is derived from audited financial statements presented separately herein, while information as of and for the years ended December 31, 2015 and 2014 is derived from audited financial statements not presented separately within.

	Year ended December 31,				
(Dollars in thousands, except per share amounts and ratios)	2018	2017	2016	2015	2014
Income statement summary:					
Net interest income	$1,893,988	$1,420,369	$1,150,523	$1,006,425	$856,595
Provision for credit losses	(87,870)	(92,304)	(106,679)	(95,683)	(65,997)
Noninterest income	744,984	557,231	456,552	472,794	572,239
Noninterest expense	(1,188,193)	(1,010,655)	(859,797)	(779,962)	(700,669)
Income before income tax expense	1,362,909	874,641	640,599	603,574	662,168
Income tax expense	(351,561)	(355,463)	(250,333)	(228,754)	(183,508)
Net income before noncontrolling interests	1,011,348	519,178	390,266	374,820	478,660
Net income attributable to noncontrolling interests	(37,508)	(28,672)	(7,581)	(30,916)	(214,790)
Net income available to common stockholders	$973,840	$490,506	$382,685	$343,904	$263,870
Common share summary:					
Earnings per common share—basic	$18.35	$9.33	$7.37	$6.70	$5.39
Earnings per common share—diluted	18.11	9.20	7.31	6.62	5.31
Book value per common share	97.29	79.11	69.71	61.97	55.24
Weighted average shares outstanding—basic	53,078	52,588	51,915	51,318	48,931
Weighted average shares outstanding—diluted	53,772	53,306	52,349	51,916	49,662
Year-end balance sheet summary:					
Available-for-sale securities	$7,790,043	$11,120,664	$12,620,411	$16,380,748	$13,540,655
Held-to-maturity securities	15,487,442	12,663,455	8,426,998	8,790,963	7,421,042
Loans, net of unearned income	28,338,280	23,106,316	19,899,944	16,742,070	14,384,276
Total assets	56,927,979	51,214,467	44,683,660	44,686,703	39,337,869
Deposits	49,328,900	44,254,075	38,979,868	39,142,776	34,343,499
Short-term borrowings	631,412	1,033,730	512,668	774,900	7,781
Long-term debt	696,465	695,492	795,704	796,702	451,362
SVBFG stockholders' equity	5,116,209	4,179,795	3,642,554	3,198,134	2,813,072
Average balance sheet summary:					
Available-for-sale securities	$9,789,211	$12,424,137	$13,331,315	$14,436,140	$12,907,135
Held-to-maturity securities	14,997,846	9,984,610	8,192,183	7,829,177	3,696,417
Loans, net of unearned income	25,630,520	21,159,394	18,283,591	14,762,941	11,502,941
Total assets	55,229,060	48,380,272	43,987,451	40,846,377	32,961,936
Deposits	48,075,344	42,745,148	38,759,059	36,293,362	28,320,825
Short-term borrowings	643,886	48,505	220,251	23,226	6,264
Long-term debt	695,938	766,943	796,302	770,848	452,215
SVBFG stockholders' equity	4,734,417	3,961,405	3,509,526	3,075,371	2,523,235
Capital ratios:					

SVBFG CET 1 risk-based capital ratio	13.41	%	12.78	%	12.80	%	12.28	%	—	%
SVBFG total risk-based capital ratio	14.45		13.96		14.21		13.84		13.92	
SVBFG tier 1 risk-based capital ratio	13.58		12.97		13.26		12.83		12.91	
SVBFG tier 1 leverage ratio	9.06		8.34		8.34		7.63		7.74	
SVBFG tangible common equity to tangible assets (1)	8.99		8.16		8.15		7.16		7.15	
SVBFG tangible common equity to risk-weighted assets (1)	13.28		12.77		12.89		12.34		12.93	
Bank CET 1 risk-based capital ratio	12.41		12.06		12.65		12.52		—	
Bank total risk-based capital ratio	13.32		13.04		13.66		13.60		12.12	
Bank tier 1 risk-based capital ratio	12.41		12.06		12.65		12.52		11.09	
Bank tier 1 leverage ratio	8.10		7.56		7.67		7.09		6.64	
Bank tangible common equity to tangible assets (1)	8.13		7.47		7.77		6.95		6.38	
Bank tangible common equity to risk-weighted assets (1)	12.28		11.98		12.75		12.59		11.19	
Average SVBFG stockholders' equity to average assets	8.57		8.19		7.98		7.53		7.65	
Selected financial results:										
Return on average assets	1.76	%	1.01	%	0.87	%	0.84	%	0.80	%
Return on average common SVBFG stockholders' equity	20.57		12.38		10.90		11.18		10.46	
Net interest margin	3.57		3.05		2.72		2.57		2.81	
Gross loan charge-offs to average total gross loans	0.26		0.31		0.53		0.34		0.37	
Net loan charge-offs to average total gross loans	0.22		0.27		0.46		0.30		0.32	
Nonperforming assets as a percentage of total assets	0.17		0.23		0.27		0.28		0.10	
Allowance for loan losses as a percentage of total gross loans	0.99		1.10		1.13		1.29		1.14	

(1) See “Management's Discussion and Analysis of Financial Condition and Results of Operations-Capital Resources-Capital Ratios” under Part II, Item 7 of this report for a reconciliation of non-GAAP tangible common equity to tangible assets and tangible common equity to risk-weighted assets.

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ITEM 7. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with "Selected Consolidated Financial Data" under Part II, Item 6 and our audited consolidated financial statements and supplementary data as presented under Part II, Item 8 of this report. Certain prior period amounts have been reclassified to conform to current period presentations.

The following discussion and analysis of our financial condition and results of operations contains forward-looking statements. These statements are based on current expectations and assumptions, which are subject to risks and uncertainties. See our cautionary language at the beginning of this report under “Forward-Looking Statements”. Actual results could differ materially because of various factors, including but not limited to those discussed in “Risk Factors,” under Part I, Item 1A of this report.

Our fiscal year ends December 31st and, unless otherwise noted, references to years or fiscal years are for fiscal years ended December 31st.

Overview of Company Operations

SVB Financial 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. For more than 35 years, we have been dedicated to helping innovative companies and their investors succeed, especially in the technology, life science/healthcare, private equity/venture capital and premium wine industries. We provide our clients of all sizes and stages with a diverse set of products and services to support them through all stages of their life cycles, and key innovation markets around the world.

We offer commercial and private banking products and services through our principal subsidiary, the Bank, which is a California-state chartered bank founded in 1983 and a member of the Federal Reserve System. Through its subsidiaries, the Bank also offers asset management, private wealth management and other investment services. In addition, through SVB Financial's other subsidiaries and divisions, we also offer investment banking services and non-banking products and services, such as funds management, M&A advisory services and venture capital and private equity investment.

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Management's Overview of 2018 Financial Performance

Overall, we had an outstanding year in 2018, which was marked by higher net interest and core fee income, increased investment securities and equity warrant gains, strong total client funds growth, healthy loan growth and stable credit quality. Additionally, we saw higher noninterest expense, primarily from increased compensation and benefits expenses, as well as increased professional services expenses reflective of increased expenses to support our domestic and global expansion initiatives, including our acquisition of SVB Leerink which closed on January 4, 2019, as well as investments made in projects, systems, and technology to support our revenue growth and related initiatives and other operating costs. In addition, we benefited from tax relief legislation which lowered our federal corporate tax rate by fourteen basis points.

Our core business continued to perform well as a result of our ongoing focus on innovation companies and their investors and continued efforts to secure client relationships. We saw continued success in working with private equity/venture capital firms and life science/healthcare clients as well as clients in our private banking division.

Results for the fiscal year ended, and as of, December 31, 2018 (compared to the fiscal year ended, and as of, December 31, 2017, where applicable):

BALANCE SHEET

Assets. $55.2 billion in average total assets (up 14.2%). $56.9 billion in period-end total assets (up 11.2%).

Loans. $25.6 billion in average total loan balances, net of unearned income (up 21.1%). $28.3 billion in period-end total loan balances, net of unearned income (up 22.6%).

Total Client Funds. (on-balance sheet deposits and off-balance sheet client investment funds). $123.1 billion in average total client fund balances (up 30.6%). $135.3 billion in period-end total client fund balances (up 29.4%).

AFS/HTM Fixed Income Investments. $24.8 billion in average fixed income investment securities (up 10.6%). $23.3 billion in period-end fixed income investment securities (down 2.1%).

EARNINGS

EPS. Earnings per diluted share of $18.11 (up 96.8%).

Net Income. Consolidated net income available to common stockholders of $973.8 million (up 98.5%).

- Net interest income of $1.9 billion (up 33.3%).
- Net interest margin of 3.57% (up 52bps).
- Noninterest income of $745.0 million, with non- GAAP core fee income+ of $515.9 million (up 36.1%).
- Noninterest expense of $1.2 billion (up 17.6%).

ROE. Return on average equity ("ROE") performance of 20.57%.

Operating Efficiency Ratio. Operating efficiency ratio of 45.02% with a non-GAAP core operating efficiency ratio of 48.27%++.

CAPITAL

Capital. Continued strong capital, with all capital ratios considered "well-capitalized" under banking regulations, SVBFG and SVB capital ratios, respectively, were:

- CET 1 risk-based capital ratio of 13.41% and 12.41%.
- Tier 1 risk-based capital ratio of 13.58% and 12.41%.
- Total risk-based capital ratio of 14.45% and 13.32%. - Tier 1 leverage ratio of 9.06% and 8.10%.

CREDIT QUALITY

Credit Quality. Continued disciplined underwriting.

- Allowance for loan losses of 0.99% as a percentage of period-end total gross loans.
- Provision for loan losses of 0.30% as a percentage of total gross loans.
- Net loan charge-offs of 0.22% as a percentage of average total gross loans.

+ Consists of fee income for foreign exchange, credit cards, deposit services, client investments, letters of credit and lending related activities. This is a non-GAAP financial measure. (See the non-GAAP reconciliation under "Results of

Operations—Noninterest Income”).

++ This ratio excludes certain financial line items where performance is typically subject to market or other conditions beyond our control. It is calculated by dividing noninterest expense by total revenue, after adjusting for gains or losses on investment securities and equity warrant assets. This is a non-GAAP financial measure. (See the non-GAAP reconciliation under “Results of Operations—Noninterest Expense”).

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A summary of our performance in 2018 compared to 2017 is as follows:

(Dollars in thousands, except per share amounts and ratios)	Year ended December 31, 2018		2017		% Change	
Income Statement:						
Diluted earnings per share	$18.11		$9.20		96.8	%
Net income available to common stockholders	973,840		490,506		98.5	
Net interest income	1,893,988		1,420,369		33.3	
Net interest margin	3.57	%	3.05	%	52	bps
Provision for credit losses	$87,870		$92,304		(4.8	)%
Noninterest income	744,984		557,231		33.7	
Noninterest expense	1,188,193		1,010,655		17.6	
Non-GAAP core fee income (1)	515,890		378,963		36.1	
Non-GAAP noninterest income, net of noncontrolling interests (1)	706,984		527,779		34.0	
Non-GAAP noninterest expense, net of noncontrolling interests (2)	1,187,671		1,009,842		17.6	
Balance Sheet:						
Average available-for-sale-securities	$9,789,211		$12,424,137		(21.2	)%
Average held-to-maturity securities	14,997,846		9,984,610		50.2	
Average loans, net of unearned income	25,630,520		21,159,394		21.1	
Average noninterest-bearing demand deposits	39,633,118		35,235,200		12.5	
Average interest-bearing deposits	8,442,226		7,509,948		12.4	
Average total deposits	48,075,344		42,745,148		12.5	
Earnings Ratios:						
Return on average assets (3)	1.76	%	1.01	%	74.3	%
Return on average common SVBFG stockholders’ equity (4)	20.57		12.38		66.2	
Asset Quality Ratios:						
Allowance for loan losses as a percentage of total period-end gross loans	0.99	%	1.10	%	(11	)bps
Allowance for loan losses for performing loans as a percentage of total gross performing loans	0.86		0.92		(6	)
Gross loan charge-offs as a percentage of average total gross loans	0.26		0.31		(5	)
Net loan charge-offs as a percentage of average total gross loans	0.22		0.27		(5	)
Capital Ratios:						
SVBFG CET 1 risk-based capital ratio	13.41	%	12.78	%	63	bps
SVBFG total risk-based capital ratio	14.45		13.96		49	
SVBFG tier 1 risk-based capital ratio	13.58		12.97		61	
SVBFG tier 1 leverage ratio	9.06		8.34		72	
SVBFG tangible common equity to tangible assets (5)	8.99		8.16		83	
SVBFG tangible common equity to risk-weighted assets (5)	13.28		12.77		51	
Bank CET 1 risk-based capital ratio	12.41		12.06		35	
Bank total risk-based capital ratio	13.32		13.04		28	
Bank tier 1 risk-based capital ratio	12.41		12.06		35	
Bank tier 1 leverage ratio	8.10		7.56		54	
Bank tangible common equity to tangible assets (5)	8.13		7.47		66	
Bank tangible common equity to risk-weighted assets (5)	12.28		11.98		30	
Other Ratios:						
GAAP operating efficiency ratio (6)	45.02	%	51.11	%	(11.9	)%
Non-GAAP operating efficiency ratio (2)	45.50		51.76		(12.1	)
Non-GAAP core operating efficiency ratio (2)	48.27		54.38		(11.2	)
Book value per common share (7)	$97.29		$79.11		23.0	
Other Statistics:						

Average full-time equivalent employees	2,685	2,396	12.1	%
Period-end full-time equivalent employees	2,900	2,438	18.9	

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

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

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(3) Ratio represents consolidated net income available to common stockholders divided by average assets.
(4) Ratio represents consolidated net income available to common stockholders divided by average SVBFG stockholders’ equity.
(5) See “Capital Resources–Capital Ratios” for a reconciliation of non-GAAP tangible common equity to tangible assets and tangible common equity to risk-weighted assets.
(6) The operating efficiency ratio is calculated by dividing total noninterest expense by total net interest income plus noninterest income.
(7) Book value per common share is calculated by dividing total SVBFG stockholders’ equity by total outstanding common shares at period-end.

Critical Accounting Policies and Estimates

Our accounting policies are fundamental to understanding our financial condition and results of operations. We have identified three policies as being critical because they require us to make particularly difficult, subjective and/or complex judgments about matters that are inherently uncertain, and because it is likely that materially different amounts would be reported under different conditions or using different assumptions. We evaluate our estimates and assumptions on an ongoing basis and we base these estimates on historical experiences and various other factors and assumptions that are believed to be reasonable under the circumstances. Actual results may differ materially from these estimates under different assumptions or conditions.

Our critical accounting policies include those that address the adequacy of the allowance for loan losses and allowance for unfunded credit commitments, measurements of fair value, and the valuation of equity warrant assets. Our senior management has discussed and reviewed the development, selection, application and disclosure of these critical accounting policies with the Audit Committee of our Board of Directors.

We disclose our method and approach for each of our critical accounting policies in Note 2—“Summary of Significant Accounting Policies” of the “Notes to the Consolidated Financial Statements” under Part II, Item 8 of this report.

Allowance for Loan Losses and Allowance for Unfunded Credit Commitments

Allowance for Loan Losses

The allowance for loan losses is management's estimate of credit losses inherent in the loan portfolio at the balance sheet date. We consider our accounting policy for the allowance for loan losses to be critical as our estimation of the allowance involves material estimates by us and is particularly susceptible to significant changes in the near-term. Determining the allowance for loan losses requires us to make forecasts that are highly uncertain and require a high degree of judgment. Our loan loss reserve methodology is applied to our loan portfolio and we maintain the allowance for loan losses at levels that we believe are appropriate to absorb estimated probable losses inherent in our loan portfolio. A committee comprised of senior management evaluates the adequacy of the allowance for loan losses.

Our allowance for loan losses is established for loan losses that are probable and incurred but not yet realized. The process of anticipating loan losses is inherently imprecise. We apply a systematic process for the evaluation of individual loans and pools of loans for inherent risk of loan losses. At the time of approval, each loan in our portfolio is assigned a credit risk rating through an evaluation process, which includes consideration of such factors as payment status, the financial condition of the borrower, borrower compliance with loan covenants, underlying collateral values, potential loan concentrations, and general economic conditions. The credit risk ratings for each loan are monitored and updated on an ongoing basis.

The allowance for loan losses is based on a formula allocation for similarly risk-rated loans by client industry sector and individually for impaired loans. Our formula allocation is determined on a quarterly basis by utilizing a historical loan loss migration model, which is a statistical model used to estimate an appropriate allowance for outstanding loan balances by calculating the likelihood of a loan being charged-off based on its credit risk rating using historical loan performance data from our portfolio. The formula allocation provides the average loan loss experience for each portfolio segment, which considers our quarterly historical loss experience since the year 2000, both by risk-rating category and client industry sector. The resulting loan loss factors for each risk-rating category and client industry sector are ultimately applied to the respective period-end client loan balances for each corresponding risk-rating category by client industry sector to provide an estimation of the allowance for loan losses.

We also supplement our allowance by applying qualitative allocations to the results we obtained through our historical loan loss migration model to ascertain the total allowance for loan losses. These qualitative allocations are based upon management's assessment of the risks that may lead to a loan loss experience different from our historical loan loss experience. These risks are aggregated to become our qualitative allocation. Refer to Note 2—“Summary of Significant Accounting Policies” of the “Notes to the Consolidated Financial Statements” under Part II, Item 8 of this report for a summary of the factors management considers for its qualitative allocation as part of management's estimate of the changing risks in the lending environment. In 2016, we made certain enhancements to factors included in our qualitative allocation. We changed from a total loan portfolio weighted average loss factor to a portfolio segment specific loss factor for our estimated reserve floor for portfolio segments that would not draw a minimum reserve based on the lack of historical loan loss experience. Additionally, in response

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to increased average borrowing amounts by our clients, we increased our definition of a large loan used for our qualitative reserve for large funded loan exposure.

Allowance for Unfunded Credit Commitments

The allowance for unfunded credit commitments is determined using a methodology that is inherently similar to the methodology used for calculating the allowance for loan losses adjusted for factors specific to binding commitments, including the probability of funding and exposure at funding. Our reserve methodology for unfunded loan commitments applies segment specific historical loss experience for our funded loan portfolio and segment specific probability of funding factors to estimate the allowance for unfunded credit commitments. The allowance for unfunded credit commitments also includes certain qualitative allocations as deemed appropriate by management. We consider our accounting policy for the allowance for unfunded credit commitments to be critical as estimation of the reserve involves material estimates by management and is susceptible to changes in the near term. The allowance for unfunded credit commitments equals management’s best estimate of probable credit losses that are inherent in the portfolio at the balance sheet date.

Fair Value Measurements

We use fair value measurements to record fair value for certain financial instruments and to determine fair value disclosures. We disclose our method and approach for fair value measurements of assets and liabilities in Note 2—“Summary of Significant Accounting Policies” of the “Notes to the Consolidated Financial Statements” under Part II, Item 8 of this report.

ASC 820, Fair Value Measurements and Disclosures, establishes a three-level hierarchy for disclosure of assets and liabilities recorded at fair value. The classification of assets and liabilities within the hierarchy is based on whether the significant inputs to the valuation methodology used for measurement are observable or unobservable and the significance of the level of the input to the entire measurement. Observable inputs reflect market-derived or market-based information obtained from independent sources, while unobservable inputs reflect our estimates about market data. The three levels for measuring fair value are defined in Note 2—“Summary of Significant Accounting Policies” of the “Notes to the Consolidated Financial Statements” under Part II, Item 8 of this report.

The degree of management judgment involved in determining the fair value of a financial instrument is dependent upon the availability of quoted market prices or observable market parameters. For financial instruments that trade actively and have quoted market prices or observable market parameters, there is minimal subjectivity involved in measuring fair value (Level 1 measurements). When observable market prices and parameters are not fully available, management judgment is necessary to estimate fair value. For inactive markets, there is little information, if any, to evaluate if individual transactions are orderly. Accordingly, we are required to estimate, based upon all available facts and circumstances, the degree to which orderly transactions are occurring and provide more weighting to price quotes that are based upon orderly transactions (Level 2 measurements). In addition, changes in the market conditions may reduce the availability of quoted prices or observable data. For example, reduced liquidity in the capital markets or changes in secondary market activities could result in observable market inputs becoming unavailable. Therefore, when market data is not available, we use valuation techniques requiring more management judgment to estimate the appropriate fair value measurement (Level 3 measurements). Significant judgment is required to determine whether certain assets measured at fair value are included in Level 2 or Level 3. When making this judgment, we consider available information and our understanding of the valuation techniques and significant inputs used. The classification of Level 2 or Level 3 is based upon the specific facts and circumstances of each instrument or instrument category and judgments are made regarding the significance of the Level 3 inputs to the instrument's fair value measurement in its entirety. If Level 3 inputs are considered significant, the instrument is classified as Level 3. Accordingly, the degree of judgment exercised by management in determining fair value is greater for financial assets and liabilities categorized as Level 3.

The following table summarizes our financial assets and liabilities that are measured at fair value on a recurring basis and the amounts measured using significant Level 3 inputs at December 31, 2018 and 2017:

	December 31,			
	2018		2017	
(Dollars in thousands)	Total Balance	Level 3	Total Balance	Level 3

Assets carried at fair value	$8,388,011	$146,278	$11,481,237	$122,250
As a percentage of total assets	14.7 %	0.3 %	22.4 %	0.2 %
Liabilities carried at fair value	$98,050	$—	$108,581	$—
As a percentage of total liabilities	0.2 %	— %	0.2 %	— %
As a percentage of assets carried at fair value		1.7		1.1

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Financial assets valued using Level 3 measurements consist of our non-marketable securities (investments in venture capital) and equity warrant assets (rights to shares of private and public company capital stock). The valuation techniques of our non-marketable securities carried under fair value accounting and equity warrant assets involve a significant degree of management judgment. Refer to Note 2—"Summary of Significant Accounting Policies" of the "Notes to the Consolidated Financial Statements" under Part II, Item 8 of this report for a summary of the valuation techniques and significant inputs used for each class of Level 3 assets.

The inherent uncertainty in the process of valuing securities for which a ready market does not exist may cause our estimated values of these securities to differ significantly from the values that would have been derived had a ready market for the securities existed, and those differences could be material. The timing and amount of changes in fair value, if any, of these financial instruments depend upon factors beyond our control, including the performance of the underlying companies, fluctuations in the market prices of the preferred or common stock of the underlying companies, general volatility and interest rate market factors, and legal and contractual restrictions. The timing and amount of actual net proceeds, if any, from the disposition of these financial instruments depend upon factors beyond our control, including investor demand for IPOs, levels of M&A activity, legal and contractual restrictions on our ability to sell, and the perceived and actual performance of portfolio companies. All of these factors are difficult to predict and there can be no assurances that we will realize the full value of these securities, which could result in significant losses.

During 2018, the Level 3 assets that are measured at fair value on a recurring basis experienced net realized and unrealized gains of $88.4 million (which is inclusive of noncontrolling interest), primarily due to gains on exercised warrant assets. During 2017 and 2016, the Level 3 assets that are measured at fair value on a recurring basis experienced net realized and unrealized gains of $55.2 million and $38.1 million (which is inclusive of noncontrolling interest), respectively.

Derivative Assets-Equity Warrant Assets

As discussed above, the valuation of our equity warrant assets is a Level 3 measurement, which requires a significant degree of management judgment in order to value the assets. Our equity warrant asset policy is also considered a critical policy due to the variability of returns from our shares of private and public companies and due to the degree of management judgment in selecting a valuation technique for our equity warrant assets.

The timing and value realized from the disposition of equity warrant assets depend upon factors beyond our control, including the performance of the underlying portfolio companies, investor demand for IPOs, fluctuations in the price of the underlying common stock of these private and public companies, levels of M&A activity, and legal and contractual restrictions on our ability to sell the underlying securities. All of these factors are difficult to predict. Many equity warrant assets may be terminated or may expire without compensation and may incur valuation losses from lower-priced funding rounds. We are unable to predict future gains or losses with accuracy, and gains or losses could vary materially from period to period.

Additionally, while management has selected the valuation methodology that it believes provides the best estimate of fair value, there are several acceptable valuation techniques as well as alternative approaches for the calculation of significant inputs for the valuation technique. In the event that a different valuation technique or approach for calculating a significant input were to be used, then the estimated values of these assets could differ significantly from the existing values recorded. Further, the inherent uncertainty of valuing assets for which a ready market is unavailable may cause our estimated values of these assets to differ significantly from the values that would have been derived had a ready market for the assets existed, and those differences could be material and ultimately, the recorded fair value of equity warrant assets may never be realized, which could result in significant losses.

Results of Operations

Net Interest Income and Margin (Fully Taxable Equivalent Basis)

Net interest income is defined as the difference between: (i) interest earned from loans, fixed income investments in our available-for-sale and held-to-maturity securities portfolios and short-term investment securities, and, (ii) interest paid on funding sources. Net interest margin is defined as net interest income, on a fully taxable equivalent basis, as a percentage of average interest-earning assets. Net interest income and net interest margin are presented on a fully taxable equivalent basis to consistently reflect income from taxable loans and securities and tax-exempt securities

based on the federal statutory tax rate of 21.0 percent for 2018 and 35.0 percent for 2017.

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

Net interest income is affected by changes in the amount and mix of interest-earning assets and interest-bearing liabilities, referred to as “volume change.” Net interest income is also affected by changes in yields earned on interest-earning assets and rates paid on interest-bearing liabilities, referred to as “rate change.” The following table sets forth changes in interest income

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for each major category of interest-earning assets and interest expense for each major category of interest-bearing liabilities. The table also reflects the amount of simultaneous changes attributable to both volume and rate changes for the years indicated. For this table, changes that are not solely due to either volume or rate are allocated in proportion to the percentage changes in average volume and average rate.

	2018 compared to 2017			2017 compared to 2016		
	Change due to			Change due to		
(Dollars in thousands)	Volume	Rate	Total	Volume	Rate	Total
Interest income:						
Federal Reserve deposits, federal funds sold, securities purchased under agreements to resell and other short-term investment securities	$(3,606)	$17,309	$13,703	$3,952	$7,483	$11,435
Fixed income investment portfolio (taxable)	53,911	75,561	129,472	27,671	37,525	65,196
Fixed income investment portfolio (non-taxable)	35,132	(105)	35,027	6,627	(1,274)	5,353
Loans, net of unearned income	236,981	95,711	332,692	139,416	52,217	191,633
Increase in interest income, net	322,418	188,476	510,894	177,666	95,951	273,617
Interest expense:						
Interest bearing checking and savings accounts	118	11	129	90	(2)	88
Money market deposits	3,634	16,308	19,942	(5)	3,071	3,066
Money market deposits in foreign offices	(5)	(3)	(8)	22	(4)	18
Time deposits	24	28	52	(11)	—	(11)
Sweep deposits in foreign offices	(81)	596	515	(86)	(10)	(96)
Total increase in deposits expense	3,690	16,940	20,630	10	3,055	3,065
Short-term borrowings	13,481	555	14,036	(1,922)	1,378	(544)
3.50% Senior Notes	12	—	12	12	—	12
5.375% Senior Notes	35	—	35	32	—	32
7.0% Junior Subordinated Debentures	(3,096)	—	(3,096)	(106)	(122)	(228)
6.05% Subordinated Notes	(467)	—	(467)	(693)	254	(439)
Total increase (decrease) in borrowings expense	9,965	555	10,520	(2,677)	1,510	(1,167)
Increase (decrease) in interest expense, net	13,655	17,495	31,150	(2,667)	4,565	1,898
Increase in net interest income	$308,763	$170,981	$479,744	$180,333	$91,386	$271,719

Net Interest Income (Fully Taxable Equivalent Basis)

2018 compared to 2017

Net interest income increased by $479.7 million to $1.9 billion in 2018, compared to $1.4 billion in 2017. Overall, the increase in our net interest income was due primarily to both higher average loan and investment portfolio balances as well as higher interest rates.

The main factors affecting interest income and interest expense for 2018, compared to 2017, are discussed below:

- Interest income for 2018 increased by $510.9 million primarily due to:

A $332.7 million increase in interest income from loans to $1.4 billion in 2018, compared to $1.0 billion in 2017. This increase was reflective of an increase in average loan balances of $4.5 billion and an increase in the overall yield on our loan portfolio of 45 basis points to 5.30 percent from 4.85 percent. Gross loan yields, excluding loan interest recoveries and loan fees, increased by 55 basis points to 4.77 percent from 4.22 percent, reflective of the benefit of interest rate increases, partially offset by the strong growth of our lower yielding private equity/venture capital loan portfolio. Our private equity/venture capital portfolio represented 49.5 percent and 42.8 percent of our total gross loan portfolio at December 31, 2018 and 2017, respectively,

A $164.5 million increase in interest income from our fixed income investment securities to $585.4 million in 2018, compared to $420.9 million in 2017. The increase was reflective of an increase of $2.4 billion in average fixed income investment balances as a result of strong deposit growth in 2018 and an increase in our fixed income securities yield of 48 basis points to 2.36 percent from 1.88 percent. The increase in our fixed income securities yield was primarily from higher reinvestment yields on maturing fixed income investments as well as higher yields on new purchases due

to interest rate increases, and

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A $13.7 million increase in interest income from our Federal Reserve deposits to $35.2 million, compared to $21.5 million in 2017. The increase was due primarily to higher yields as a result of rate increases in 2018.

- Interest expense for 2018 increased to $75.9 million, compared to $44.8 million for 2017, primarily due to:

A $20.6 million increase in deposits interest expense, due primarily to an increase in interest paid on our interest-bearing money market deposits as a result of market rate adjustments, and

A $10.5 million increase in borrowings interest expense, due primarily to an increase in our average short-term borrowings balance during 2018 to fund loan growth as a result of the timing of loan funding and deposit activities. The increase in interest expense from short-term borrowings was partially offset by a decrease in interest expense from long-term debt reflective of the repayment of our 6.05% Subordinated Notes and the redemption of our Junior Subordinated Debentures in 2017.

2017 compared to 2016

Net interest income increased by $271.7 million to $1.4 billion in 2017, compared to $1.2 billion in 2016. Overall, the increase in our net interest income was due primarily to higher average loan balances.

The main factors affecting interest income and interest expense for 2017, compared to 2016, are discussed below:

- Interest income for 2017 increased by $273.6 million primarily due to:

A $191.6 million increase in interest income from loans to $1.0 billion in 2017, compared to $834.2 million in 2016. This increase was reflective of an increase in average loan balances of $2.9 billion and an increase in the overall yield on our loan portfolio of 29 basis points to 4.85 percent from 4.56 percent. Gross loan yields, excluding loan interest recoveries and loan fees, increased to 4.22 percent from 3.97 percent, reflective of the benefit of interest rate increases, partially offset by the strong growth of our lower yielding private equity/ venture capital and Private Bank loan portfolios. Our private equity/venture capital portfolio represented 42.8 percent and 38.7 percent of our total gross loan portfolio at December 31, 2017 and 2016, respectively. Our Private Bank loan portfolio represented 11.3 percent and 10.8 percent of our total gross loan portfolio at December 31, 2017 and 2016, respectively,

A $70.5 million increase in interest income from our fixed income investment securities to $420.9 million in 2017, compared to $350.4 million in 2016. The increase was primarily reflective of an increase in our fixed income investment securities yield of 25 basis points to 1.88 percent from 1.63 percent resulting primarily from higher reinvestment yields on maturing fixed income investments as well as higher yields on new purchases due to interest rate increases. Interest income from our fixed income securities also benefited from an increase of $0.9 billion in average investment security balances as a result of strong deposit growth in 2017, and

An $11.4 million increase in interest income from our Federal Reserve deposits to $21.5 million, compared to $10.1 million in 2016. The increase was due primarily to higher yields as a result of rate increases in 2017, as well as higher average interest-earning cash balances in 2017.

- Interest expense for 2017 increased to $44.8 million, compared to $42.9 million for 2016, due primarily to:

A $3.1 million increase in deposits interest expense, due primarily to an increase in interest paid on our interest-bearing money market deposits as a result of market rate adjustments, and

A $1.2 million decrease in borrowings interest expense, due to the repayment of our 6.05% Subordinated Notes and the redemption of our Junior Subordinated Debentures in 2017.

Net Interest Margin (Fully Taxable Equivalent Basis)

Our net interest margin increased by 52 basis points to 3.57 percent in 2018, compared to 3.05 percent in 2017 and 2.72 percent in 2016.

2018 compared to 2017

The increase in our net interest margin in 2018 was reflective primarily of the impact of rising interest rates and the continued shift in the mix of average interest-earning assets towards our higher yielding loan portfolio. For the year ended December 31, 2018, our loan portfolio comprised 48 percent of our average interest-earning assets, an increase from 45 percent for the year ended December 31, 2017.

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2017 compared to 2016

The increase in our net interest margin in 2017 was reflective primarily of the impact of rising interest rates and a shift in the mix of average interest-earning assets towards our higher yielding loan portfolio. For the year ended December 31, 2017, our loan portfolio comprised 45 percent of our average interest-earning assets, an increase from 43 percent for the year ended December 31, 2016.

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

The average yield earned on interest-earning assets is the amount of fully taxable equivalent interest income expressed as a percentage of average interest-earning assets. The average rate paid on funding sources is the amount of interest expense expressed as a percentage of average funding sources. The following tables set forth average assets, liabilities, noncontrolling interests and SVBFG stockholders’ equity, interest income, interest expense, annualized yields and rates, and the composition of our net interest margin in 2018, 2017 and 2016:

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Average Balances, Yields and Rates Paid for the Years Ended December 31, 2018, 2017 and 2016

	Year ended December 31,								
	2018			2017			2016		
(Dollars in thousands)	Average Balance	Interest Income/ Expense	Yield/ Rate	Average Balance	Interest Income/ Expense	Yield/ Rate	Average Balance	Interest Income/ Expense	Yi Ra
Interest-earning assets:									
Federal Reserve deposits, federal funds sold, securities purchased under agreements to resell and other short-term investment securities (1)	$2,820,883	$35,208	1.25%	$3,109,840	$21,505	0.69%	$2,538,362	$10,070	0.4
Investment Securities: (2)									
Available-for-sale securities:									
Taxable	9,789,211	185,120	1.89	12,424,137	199,423	1.61	13,331,315	185,981	1.4
Held-to-maturity securities:									
Taxable	13,727,745	356,485	2.60	9,732,869	212,710	2.19	8,130,221	160,956	1.9
Non-taxable (3)	1,270,101	43,817	3.45	251,741	8,790	3.49	61,962	3,437	5.5
Total loans, net of unearned income (4) (5)	25,630,520	1,358,480	5.30	21,159,394	1,025,788	4.85	18,283,591	834,155	4.5
Total interest-earning assets	53,238,460	1,979,110	3.71	46,677,981	1,468,216	3.15	42,345,451	1,194,599	2.8
Cash and due from banks	480,900			374,811			325,415		
Allowance for loan losses	(282,489)			(247,004)			(236,936)		
Other assets (6)	1,792,189			1,574,484			1,553,521		
Total assets	$55,229,060			$48,380,272			$43,987,451		
Funding sources:									
Interest-bearing liabilities:									
Interest bearing checking and savings accounts	$583,295	$463	0.08%	$433,966	$334	0.08%	$318,381	$246	0.0
Money market deposits	6,609,873	27,713	0.42	5,743,083	7,771	0.14	5,746,892	4,705	0.0
Money market deposits in foreign offices	192,128	76	0.04	203,775	84	0.04	152,388	66	0.0
Time deposits	62,570	111	0.18	48,818	59	0.12	58,071	70	0.1
	994,360	943	0.09	1,080,306	428	0.04	1,294,109	524	0.0

Sweep deposits in foreign offices									
Total interest-bearing deposits	8,442,226	29,306	0.35	7,509,948	8,676	0.12	7,569,841	5,611	0.0
Short-term borrowings	643,886	14,579	2.26	48,505	543	1.12	220,251	1,087	0.4
3.50% Senior Notes	347,458	12,586	3.62	347,128	12,574	3.62	346,810	12,562	3.6
5.375% Senior Notes	348,480	19,450	5.58	347,862	19,415	5.58	347,277	19,383	5.5
7.0% Junior Subordinated Debentures	—	—	—	52,775	3,096	5.87	54,588	3,324	6.0
6.05% Subordinated Notes	—	—	—	19,178	467	2.44	47,627	906	1.9
Total interest-bearing liabilities	9,782,050	75,921	0.78	8,325,396	44,771	0.54	8,586,394	42,873	0.5
Portion of noninterest-bearing funding sources	43,456,410			38,352,585			33,759,057		
Total funding sources	53,238,460	75,921	0.14	46,677,981	44,771	0.10	42,345,451	42,873	0.1
Noninterest-bearing funding sources:									
Demand deposits	39,633,118			35,235,200			31,189,218		
Other liabilities	937,199			721,432			571,205		
SVBFG stockholders' equity	4,734,417			3,961,405			3,509,526		
Noncontrolling interests	142,276			136,839			131,108		
Portion used to fund interest-earning assets	(43,456,410)			(38,352,585)			(33,759,057)		
Total liabilities and total equity	$55,229,060			$48,380,272			$43,987,451		
Net interest income and margin		$1,903,189	3.57 %		$1,423,445	3.05 %		$1,151,726	2.7
Total deposits	$48,075,344			$42,745,148			$38,759,059		
Reconciliation to reported net interest income:									
Adjustments for taxable equivalent basis		(9,201)			(3,076)			(1,203)	
Net interest income, as reported		$1,893,988			$1,420,369			$1,150,523	

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(1) Includes average interest-earning deposits in other financial institutions of $0.8 billion, $1.1 billion and $0.7 billion in 2018, 2017 and 2016, respectively. For 2018, 2017 and 2016, balances also include $1.6 billion, $1.9 billion and $1.8 billion, respectively, deposited at the FRB, earning interest at the Federal Funds target rate.

(2) Yields on interest-earning investment securities do not give effect to changes in fair value that are reflected in other comprehensive income.

(3) Interest income on non-taxable investment securities is presented on a fully taxable equivalent basis using the federal statutory income tax rate of 21.0 percent for 2018 and 35.0 percent for 2017 and 2016.

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

(5) Interest income includes loan fees of $136.6 million, $128.1 million and $104.9 million in 2018, 2017 and 2016, respectively.

(6) Average investment securities of $773 million, $683 million, and $786 million in 2018, 2017 and 2016, respectively, were classified as other assets as they were noninterest-earning assets. These investments primarily consisted of non-marketable and other equity securities.

Provision for Credit Losses

The following table summarizes our allowance for loan losses and the allowance for unfunded credit commitments for 2018, 2017 and 2016, respectively:

	Year ended December 31,		
(Dollars in thousands)	2018	2017	2016
Allowance for loan losses, beginning balance	$255,024	$225,366	$217,613
Provision for loan losses (1)	84,292	85,939	95,697
Gross loan charge-offs	(67,917)	(66,682)	(96,857)
Loan recoveries	11,636	8,538	12,212
Foreign currency translation adjustments	(2,132)	1,863	(3,299)
Allowance for loan losses, ending balance	$280,903	$255,024	$225,366
Allowance for unfunded credit commitments, beginning balance	51,770	45,265	34,415
Provision for unfunded credit commitments (1)	3,578	6,365	10,982
Foreign currency translation adjustments	(165)	140	(132)
Allowance for unfunded credit commitments, ending balance (2)	$55,183	$51,770	$45,265
Ratios and other information:			
Provision for loan losses as a percentage of period-end total gross loans	0.30 %	0.37 %	0.48 %
Gross loan charge-offs as a percentage of average total gross loans	0.26	0.31	0.53
Net loan charge-offs as a percentage of average total gross loans	0.22	0.27	0.46
Allowance for loan losses as a percentage of period-end total gross loans	0.99	1.10	1.13
Provision for credit losses (1)	$87,870	$92,304	$106,679
Period-end total gross loans	28,511,312	23,254,153	20,024,662
Average total gross loans	25,790,949	21,287,336	18,396,256

(1) Our consolidated statement of income for the year ended December 31, 2016 was modified from prior period's presentation to conform to the current period presentation, which reflect our provision for loan losses and provision for unfunded credit commitments together as our "provision for credit losses."

(2) The "allowance for unfunded credit commitments" is included as a component of "Other liabilities."

The provision for credit losses is the combination of both the provision for loan losses and the provision for unfunded credit commitments. Our provision for loan losses is a function of our reserve methodology, which is used to determine an appropriate allowance for loan losses for the period. Our reserve methodology is based on our evaluation of the existing allowance for loan losses in relation to total gross loans using historical and other objective information, and on our qualitative assessment of the inherent and identified credit risk of the loan portfolio. Our provision for unfunded credit commitments is determined using a methodology that is similar to the methodology used for calculating the allowance for loan losses, adjusted for factors specific to binding commitments, including the probability of funding and exposure at funding. Our provision for credit losses equals our best estimate of probable

credit losses that are inherent in the portfolios at the balance sheet date. For a more detailed discussion of credit quality and the allowance for loan losses, see “Critical Accounting Policies and Estimates” above, “Consolidated Financial Condition-Credit Quality and the Allowance for Loan Losses” below and Note 9—“Loans, Allowance for Loan Losses and Allowance for Unfunded Credit Commitments” of the “Notes to the Consolidated Financial Statements” under Part II, Item 8 of this report for further details on our allowance for loan losses.

Provision for Loan Losses

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We had a provision for loan losses of $84.3 million in 2018, compared to a provision of $85.9 million in 2017 and a provision of $95.7 million in 2016. The provision for loan losses of $84.3 million in 2018 was reflective primarily of $46.6 million from period-end loan growth, $39.0 million in net new specific reserves for nonaccrual loans and $26.7 million from charge-offs not specifically reserved for, partially offset by a benefit of $20.7 million from overall improved credit quality of our loan portfolio reflective of the increase of our private equity/venture capital loans, which tend to be of higher credit quality.

The provision for loan losses of $85.9 million in 2017 was reflective primarily of $62.7 million in net new specific reserves for nonaccrual loans and $29.1 million from period-end loan growth, partially offset by a benefit from overall improved credit quality of our loan portfolio reflective of the increase of our private equity/venture capital loans, which tend to be of higher credit quality.

The provision for loan losses of $95.7 million in 2016 was reflective primarily of $37.9 million for charge-offs that did not previously have a specific reserve, $30.9 million for specific reserves on new nonaccrual loans, $29.5 million for period-end loan growth of $3.2 billion, partially offset by a $7.9 million decrease due to enhancements to our loan loss reserve methodology during 2016.

Provision for Unfunded Credit Commitments

We recorded a provision for unfunded credit commitments of $3.6 million in 2018, compared to a provision of $6.4 million in 2017 and $11.0 million in 2016. Our provision for unfunded credit commitments in 2018 was driven primarily by increased reserves of $7.9 million from growth in unfunded credit commitments, partially offset by a benefit of $4.7 million from overall improved credit quality of our loan portfolio as mentioned above.

We recorded a provision for unfunded credit commitments of $6.4 million in 2017. Our provision for unfunded credit commitments in 2017 was driven primarily by qualitative allocations based on our loan portfolio being comprised of larger loans and additional reserves as a result of the increase in unfunded credit commitments.

We recorded a provision for unfunded credit commitments of $11.0 million in 2016. Our provision for unfunded credit commitments in 2016 reflected enhancements in factors used to estimate our allowance for unfunded credit commitments. These enhancements increased our allowance for unfunded credit commitments by $8.1 million, net. The increase was primarily due to higher loss and conversion factors for our software and internet and hardware loan portfolios, partially offset by lower loss factors for our private equity/venture capital loan portfolio.

Noninterest Income

For the year ended December 31, 2018, noninterest income was $745.0 million, compared to $557.2 million and $456.6 million for the comparable 2017 and 2016 periods, respectively. For the year ended December 31, 2018, non-GAAP noninterest income, net of noncontrolling interests was $707.0 million, compared to $527.8 million and $448.5 million for the comparable 2017 and 2016 periods, respectively. For the year ended December 31, 2018, non-GAAP core fee income was $515.9 million, compared to $379.0 million and $316.2 million for the comparable 2017 and 2016 periods, respectively. (See reconciliations of non-GAAP measures used below under "Use of Non-GAAP Financial Measures".)

Use of Non-GAAP Financial Measures

To supplement our audited consolidated financial statements presented in accordance with GAAP, we use certain non-GAAP measures of financial performance (including, but not limited to, non-GAAP core fee income, non-GAAP noninterest income and non-GAAP net gains on investment securities). These supplemental performance measures may vary from, and may not be comparable to, similarly titled measures by other companies in our industry.

Non-GAAP financial measures are not in accordance with, or an alternative for, GAAP. Generally, a non-GAAP financial measure is a numerical measure of a company’s performance that either excludes or includes amounts that are not normally excluded or included in the most directly comparable measure calculated and presented in accordance with GAAP. A non-GAAP financial measure may also be a financial metric that is not required by GAAP or other applicable requirement.

We believe these non-GAAP financial measures, when taken together with the corresponding GAAP financial measures, provide meaningful supplemental information regarding our performance by excluding items that represent income attributable to investors other than us and our subsidiaries and certain other non-recurring items. Our management uses, and believes that investors benefit from referring to, these non-GAAP financial measures in

assessing our operating results and when planning, forecasting and analyzing future periods. However, these non-GAAP financial measures should be considered in addition to, and not as a substitute for or preferable to, financial measures prepared in accordance with GAAP.

Included in noninterest income is income and expense attributable to noncontrolling interests. We recognize, as part of our investment funds management business through SVB Capital, the entire income or loss from funds consolidated in accordance with ASC Topic 810 as discussed in Note 2—“Summary of Significant Accounting Policies” of the “Notes to the Consolidated Financial Statements” under Part II, Item 8 of this report. We are required under GAAP to consolidate 100% of the results of

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these entities, even though we may own less than 100% of such entities. The relevant amounts attributable to investors other than us are reflected under "Net Income Attributable to Noncontrolling Interests" on our statements of income. Where applicable, the tables below for noninterest income and net gains on investment securities exclude noncontrolling interests.

Core fee income is a non-GAAP financial measure, which represents GAAP noninterest income, but excludes certain line items where performance is typically subject to market or other conditions beyond our control, primarily our net gains (losses) on investment securities and equity warrant assets. Core fee income includes foreign exchange fees, credit card fees, deposit service charges, lending related fees, client investment fees and letters of credit fees.

The following table provides a reconciliation of GAAP noninterest income to non-GAAP noninterest income, net of noncontrolling interests for 2018, 2017 and 2016, respectively:

	Year ended December 31,							
(Dollars in thousands)	2018	2017	% Change 2018/2017		2016	% Change 2017/2016	
GAAP noninterest income	$744,984	$557,231	33.7	%	$456,552	22.1	%
Less: income attributable to noncontrolling interests, including carried interest allocation	38,000	29,452	29.0		8,039	NM	
Non-GAAP noninterest income, net of noncontrolling interests	$706,984	$527,779	34.0		$448,513	17.7	

NM—Not meaningful

The following table provides a reconciliation of GAAP noninterest income to non-GAAP core fee income for 2018, 2017 and 2016, respectively:

	Year ended December 31,						
(Dollars in thousands)	2018	2017	% Change 2018/2017		2016	% Change 2017/2016	
GAAP noninterest income	$744,984	$557,231	33.7	%	$456,552	22.1	%
Less: gains on investment securities, net	88,094	64,603	36.4		51,740	24.9	
Less: gains on equity warrant assets, net	89,142	54,555	63.4		37,892	44.0	
Less: other noninterest income	51,858	59,110	(12.3	)	50,750	16.5	
Non-GAAP core fee income (1)	$515,890	$378,963	36.1		$316,170	19.9	

(1) Non-GAAP core fee income represents noninterest income, but excludes certain line items where performance is typically subject to market or other conditions beyond our control and includes foreign exchange fees, credit card fees, deposit service charges, lending related fees, client investment fees and letters of credit fees.

Gains on Investment Securities, Net

Net gains on investment securities include gains and losses from our non-marketable and other equity securities, which include public equity securities held as a result of exercised equity warrant assets, as well as gains and losses from sales of our AFS debt securities portfolio, when applicable.

Our non-marketable and other equity 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. We experience variability in the performance of our non-marketable and other equity securities from period to period, which results in net gains or losses on investment securities (both realized and unrealized). This variability is due to a number of factors, including unrealized changes in the values of our investments, changes in the amount of realized gains and losses from distributions, changes in liquidity events and general economic and market conditions. Unrealized gains or losses from non-marketable and other equity securities for any single period are typically driven by valuation changes, and are therefore subject to potential increases or decreases in future periods. Such variability may lead to volatility in the gains or losses from investment securities. As such, our results for a particular period are not necessarily indicative of our expected performance in a future period.

The extent to which any unrealized gains or losses will become realized is subject to a variety of factors, including, among other things, the expiration of certain sales restrictions to which these equity securities may be subject to (e.g. lock-up agreements), changes in prevailing market prices, market conditions, the actual sales or distributions of securities, and the timing

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of such actual sales or distributions, which, to the extent such securities are managed by our managed funds, are subject to our funds' separate discretionary sales/distributions and governance processes.

Our AFS securities portfolio is a fixed income investment portfolio that is managed with the objective of earning an appropriate portfolio yield over the long-term while maintaining sufficient liquidity and credit diversification as well as addressing our asset/liability management objectives. Though infrequent, sales of debt securities in our AFS securities portfolio may result in net gains or losses and are conducted pursuant to the guidelines of our investment policy related to the management of our liquidity position and interest rate risk.

In 2018, we had net gains on investment securities of $88.1 million, compared to $64.6 million and $51.7 million in 2017 and 2016, respectively. Non-GAAP net gains on investment securities, net of noncontrolling interests were $49.9 million in 2018, compared to $35.4 million and $43.4 million in 2017 and 2016, respectively. Net gains on investment securities, net of noncontrolling interests of $49.9 million in 2018 were driven by the following:

- Gains of $39.9 million from our strategic and other investments portfolio, primarily driven by net unrealized valuation increases in both private and public company investments held in our strategic venture capital funds,
- Gains of $29.1 million from our managed funds of funds portfolio, related primarily to net unrealized valuation increases in both private and public company investments held by the funds in the portfolio, and
- Losses of $25.2 million from our public equity securities portfolio primarily reflective of net losses on sales of shares of Roku, Inc. ("Roku"), from exercised warrants in 2017, which were sold in the first quarter of 2018.

In 2017, we had net gains on investment securities of $64.6 million, compared to $51.7 million in 2016. Non-GAAP net gains on investment securities, net of noncontrolling interests were $35.4 million in 2017, compared to $43.4 million in 2016. Net gains on investment securities, net of noncontrolling interests of $35.4 million in 2017 were driven by the following:

- Gains of $17.9 million from our strategic and other investments portfolio, primarily driven by distribution gains from our strategic venture capital fund investments and $3.4 million related to the sale of certain shares relating to one of our direct equity investments,
- Gains of $13.0 million from our managed funds of funds portfolio, related primarily to net unrealized valuation increases in the investments held by the funds driven by IPO, M&A and private equity-backed financing activity,
- Gains of $9.0 million from our debt funds portfolio, related to net unrealized valuation increases in the investments held by the funds primarily driven by gains of $9.5 million related to the fund's holdings of Roku, which had an IPO during the third quarter of 2017, and
- Losses of $5.2 million from our AFS securities portfolio primarily reflective of $8.8 million of net losses on the sale of approximately $0.6 billion of mortgage-backed securities during the fourth quarter of 2017, partially offset by net gains on sales of shares from exercised warrants in public companies upon expiration of lock-up periods during the quarter.

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The following table provides a reconciliation of GAAP total gains (losses) on investment securities, net, to non-GAAP net gains (losses) on investment securities, net of noncontrolling interests, for 2018, 2017 and 2016:

(Dollars in thousands)	Managed Funds of Funds	Managed Direct Venture Funds	Public Equity Securities (1)	Debt Funds	Sales of AFS Securities (1)	Strategic and Other Investments	Total
Year ended December 31, 2018							
GAAP gains (losses) on investment securities, net	$62,019	$11,502	$(25,158)	$541	$(740)	$ 39,930	$88,094
Less: gains attributable to noncontrolling interests, including carried interest allocation	32,938	5,245	—	—	—	—	38,183
Non-GAAP net gains (losses) on investment securities, net of noncontrolling interests	$29,081	$6,257	$(25,158)	$541	$(740)	$ 39,930	$49,911
Year ended December 31, 2017							
GAAP gains (losses) on investment securities, net	$41,140	$1,823	$—	$8,950	$(5,189)	$ 17,879	$64,603
Less: gains attributable to noncontrolling interests, including carried interest allocation	28,108	1,079	—	—	—	—	29,187
Non-GAAP net gains (losses) on investment securities, net of noncontrolling interests	$13,032	$744	$—	$8,950	$(5,189)	$ 17,879	$35,416
Year ended December 31, 2016							
GAAP gains (losses) on investment securities, net	$10,139	$(171)	$—	$948	$12,195	$ 28,629	$51,740
Less: gains attributable to noncontrolling interests, including carried interest allocation	8,220	92	—	—	—	—	8,312
Non-GAAP net gains (losses) on investment securities, net of noncontrolling interests	$1,919	$(263)	$—	$948	$12,195	$ 28,629	$43,428

(1) Effective January 1, 2018, we adopted Accounting Standards Update ("ASU") 2016-01, Recognition and Measurement of Financial Assets and Financial Liabilities, resulting in the reclassification of public equity securities out of our AFS securities portfolio into our non-marketable and other equity securities portfolio. This guidance was adopted using the modified retrospective method with a cumulative adjustment to opening retained earnings. As such, prior period amounts have not been restated.

Gains on Equity Warrant Assets, Net

Gains on equity warrant assets, net, were $89.1 million in 2018, compared to $54.6 million in 2017 and $37.9 million in 2016. Net gains on equity warrant assets of $89.1 million in 2018 were primarily due to the following:

- Net gains on $58.2 million from the exercises of equity warrant assets in 2018, compared to net gains of $48.3 million in 2017, driven by increased M&A and IPO activity during 2018, and
- Net gains of $36.9 million from changes in warrant valuations in 2018, compared to net gains of $10.7 million in 2017, driven by valuation increases in our private company warrant portfolio and reflective of increased M&A activity during 2018.

Gains on equity warrant assets, net, of $54.6 million in 2017 were primarily due to the following:

- Net gains on $48.3 million from the exercises of equity warrant assets in 2017, compared to net gains of $31.2 million in 2016, driven by net gains of $20.7 million from Roku warrants and from increased M&A and IPO activity during 2017, and
- Net gains of $10.7 million from changes in warrant valuations in 2017, compared to net gains of $9.7 million in 2016, driven by changes in valuations from our private company warrant portfolio during 2017.

A summary of gains on equity warrant assets, net, for 2018, 2017 and 2016 is as follows:

(Dollars in thousands)	Year ended December 31, 2018	2017	% Change 2018/2017	2016	% Change 2017/2016
Equity warrant assets (1):					
Gains on exercises, net	$58,186	$48,275	20.5 %	$31,197	54.7 %
Terminations	(5,964)	(4,422)	34.9	(3,015)	46.7
Changes in fair value, net	36,920	10,702	NM	9,710	10.2
Total gains on equity warrant assets, net	$89,142	$54,555	63.4	$37,892	44.0

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NM—Not meaningful

(1) At December 31, 2018, we held warrants in 2,095 companies, compared to 1,868 companies at December 31, 2017 and 1,739 companies at December 31, 2016. The total value of our warrant portfolio was $149.2 million at December 31, 2018, $123.8 million at December 31, 2017, and $131.1 million at December 31, 2016. Warrants in 18 companies each had fair values greater than $1.0 million and collectively represented $46.9 million, or 31.4 percent, of the fair value of the total warrant portfolio at December 31, 2018.

Non-GAAP Core Fee Income

(Dollars in thousands)	Year ended December 31, 2018	2017	% Change 2018/2017	2016	% Change 2017/2016
Non-GAAP core fee income (1):					
Foreign exchange fees	$138,812	$115,760	19.9 %	$104,183	11.1 %
Credit card fees	94,072	76,543	22.9	68,205	12.2
Deposit service charges	76,097	58,715	29.6	52,524	11.8
Client investment fees	130,360	56,136	132.2	32,219	74.2
Lending related fees	41,949	43,265	(3.0)	33,395	29.6
Letters of credit and standby letters of credit fees	34,600	28,544	21.2	25,644	11.3
Total non-GAAP core fee income (1)	$515,890	$378,963	36.1	$316,170	19.9

(1) This non-GAAP measure represents noninterest income, but excludes certain line items where performance is typically subject to market or other conditions beyond our control. See "Use of Non-GAAP Measures" above.

Foreign Exchange Fees

Foreign exchange fees were $138.8 million in 2018, compared to $115.8 million and $104.2 million in 2017 and 2016, respectively. The increases in foreign exchange fees were due primarily to increased trade volumes driven by the continuing increase in the number of clients actively managing currency exposure.

(Dollars in thousands)	Year ended December 31, 2018	2017	% Change 2018/2017	2016	% Change 2017/2016
Foreign exchange fees by instrument type:					
Spot contract commissions	$127,459	$104,344	22.2 %	$89,354	16.8 %
Forward contract commissions	10,940	10,934	0.1	14,004	(21.9)
Option premium fees	413	482	(14.3)	825	(41.6)
Total foreign exchange fees	$138,812	$115,760	19.9	$104,183	11.1

Credit Card Fees

Credit card fees were $94.1 million in 2018, compared to $76.5 million and $68.2 million in 2017 and 2016, respectively. The increases reflect increased client utilization of our credit card products and custom payment solutions provided to new and existing clients. The increase in client utilization reflects initiatives implemented in 2018, which included the simplification of our business credit card and multi-card product offerings and the automation of certain of our credit card processes. The increase in gross revenue generated was partially offset by higher rebate/rewards expense.

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(Dollars in thousands)	Year ended December 31, 2018	2017	% Change 2018/2017	2016	% Change 2017/2016
Credit card fees by instrument type:					
Card interchange fees, net	$74,381	$60,224	23.5 %	$51,513	16.9 %
Merchant service fees	14,420	11,584	24.5	12,783	(9.4)
Card service fees	5,271	4,735	11.3	3,909	21.1
Total credit card fees	$94,072	$76,543	22.9	$68,205	12.2

Deposit Service Charges

Deposit service charges were $76.1 million in 2018, compared to $58.7 million and $52.5 million in 2017 and 2016, respectively. The increase in deposit service charges was attributable to the increase in the number of deposit clients as well as increases in transaction volumes from existing clients and was reflective of the introduction of new product solutions in 2018 as well as enhanced product pricing.

Client Investment Fees

We offer a variety of investment products on which we earn fees. These products include money market mutual funds, overnight repurchase agreements and sweep money market funds available through the Bank, client-directed accounts offered through SVB Securities, our broker dealer subsidiary, and fixed income management services offered through SVB Asset Management and SVB Wealth Advisory, our investment advisory subsidiaries.

Client investment fees were $130.4 million in 2018, compared to $56.1 million and $32.2 million in 2017 and 2016, respectively. The increases were reflective primarily of the large increase in average client investment funds of $23.5 billion and $8.2 billion in 2018 and 2017, respectively, driven by our clients' increased utilization of our off-balance sheet sweep money market funds and products managed by SVB Asset Management. Client investment fees in 2018 also benefited from improved spreads on our client investment funds due to increases in general market rates and the reintroduction of fees, associated with our repurchase agreement program, which had been previously waived due to the low rate environment.

(Dollars in thousands)	Year ended December 31, 2018	2017	% Change 2018/2017	2016	% Change 2017/2016
Client investment fees by type:					
Sweep money market fees	$75,654	$28,485	165.6 %	$15,147	88.1 %
Asset management fees	23,882	16,831	41.9	15,389	9.4
Repurchase agreement fees	30,824	10,820	184.9	1,683	NM
Total client investment fees	$130,360	$56,136	132.2	$32,219	74.2

NM—Not meaningful

The following table summarizes average client investment funds for 2018, 2017 and 2016:

(Dollars in millions)	Year ended December 31, 2018	2017	% Change 2018/2017	2016	% Change 2017/2016
Sweep money market funds	$32,232	$19,718	63.5 %	$15,122	30.4 %
Client investment assets under management (1)	34,754	25,417	36.7	21,287	19.4
Repurchase agreements	8,086	6,390	26.5	6,948	(8.0)
Total average client investment funds (2)	$75,072	$51,525	45.7	$43,357	18.8

(1) These funds represent investments in third-party money market mutual funds and fixed income securities managed by SVB Asset Management.

(2)

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

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The following table summarizes period-end client investment funds at December 31, 2018, 2017 and 2016:

(Dollars in millions)	December 31, 2018	2017	% Change 2018/2017	2016	% Change 2017/2016
Sweep money market funds	$38,348	$23,911	60.4 %	$17,173	39.2 %
Client investment assets under management (1)	39,214	29,344	33.6	23,115	26.9
Repurchase agreements	8,422	7,074	19.1	5,510	28.4
Total period-end client investment funds (2)	$85,984	$60,329	42.5	$45,798	31.7

(1) These funds represent investments in third-party money market mutual funds and fixed income securities managed by SVB Asset Management.

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

Lending Related Fees

Lending related fees were $41.9 million in 2018, compared to $43.3 million and $33.4 million in 2017 and 2016, respectively. The decrease in 2018 compared to 2017 was due primarily to an adjustment of $4.5 million, to increase unused commitment fees during 2017, related to fees earned in prior periods from unused lines of credit. Unused loan commitments were $16.7 billion at December 31, 2018, compared to $15.5 billion at December 31, 2017 and $15.0 billion at December 31, 2016.

(Dollars in thousands)	Year ended December 31, 2018	2017	% Change 2018/2017	2016	% Change 2017/2016
Lending related fees by instrument type:					
Unused commitment fees	$32,452	$34,110	(4.9)%	$25,654	33.0 %
Other	9,497	9,155	3.7	7,741	18.3
Total lending related fees	$41,949	$43,265	(3.0)	$33,395	29.6

Letters of Credit and Standby Letters of Credit Fees

Letters of credit and standby letters of credit fees were $34.6 million in 2018, compared to $28.5 million and $25.6 million in 2017 and 2016, respectively. The increases were primarily reflective of larger standby letter of credit issuances with our Private Equity/Venture Capital and Corporate Finance clients as leading contributors in 2018. Additionally, we saw higher transaction counts and standby letter of credit renewals in 2018.

Other Noninterest Income

Total other noninterest income was $51.9 million in 2018, compared to income of $59.1 million in 2017 and $50.8 million in 2016. The decrease of $7.2 million in other noninterest income in 2018 was primarily due to a decrease of $5.2 million in service-based fees and other noninterest income reflective of the sale of our equity valuation services business during 2017.

The increase in total other noninterest income of $8.3 million in 2017 compared to 2016 was due to the following:

- Higher fund management fees of $21.2 million, as compared to fees of $19.2 million for the comparable 2016 period, attributable primarily to the addition of new managed funds at SVB Capital,
- An increase of $6.7 million from correspondent bank rebate income and FHLB/FRB stock dividend income, and
- Service-based fee income decreased $4.1 million during 2017 as compared to 2016 primarily due to the sale of our equity valuation services business during 2017.

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A summary of other noninterest income for 2018, 2017 and 2016 is as follows:

(Dollars in thousands)	Year ended December 31, 2018	2017	% Change 2018/2017	2016	% Change 2017/2016
Fund management fees	$23,016	$21,214	8.5 %	$19,195	10.5 %
Net gains (losses) on revaluation of foreign currency instruments, net of foreign exchange forward contracts (1)	666	1,788	(62.8)	(1,999)	(189.4)
Other service revenue	28,176	36,108	(22.0)	33,554	7.6
Total other noninterest income	$51,858	$59,110	(12.3)	$50,750	16.5

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

Noninterest Expense

A summary of noninterest expense for 2018, 2017 and 2016 is as follows:

(Dollars in thousands)	Year ended December 31, 2018	2017	% Change 2018/2017	2016	% Change 2017/2016
Compensation and benefits	$726,980	$606,402	19.9 %	$514,270	17.9 %
Professional services	158,835	121,935	30.3	94,982	28.4
Premises and equipment	77,918	71,753	8.6	65,502	9.5
Net occupancy	54,753	48,397	13.1	39,928	21.2
Business development and travel	48,180	41,978	14.8	40,130	4.6
FDIC and state assessments	34,276	35,069	(2.3)	30,285	15.8
Correspondent bank fees	13,713	12,976	5.7	12,457	4.2
Other	73,538	72,145	1.9	62,243	15.9
Total noninterest expense (1)	$1,188,193	$1,010,655	17.6	$859,797	17.5

(1) Our consolidated statement of income for the year ended December 31, 2016 was modified from prior period's presentation to conform to the current period presentation, which reflect 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 separately as a component of noninterest expense.

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

Non-GAAP Noninterest Expense

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

The table below provides a summary of non-GAAP noninterest expense and non-GAAP operating efficiency ratio, both net of noncontrolling interests:

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Non-GAAP operating efficiency ratio, net of noncontrolling interests (Dollars in thousands, except ratios)	Year ended December 31, 2018	2017	% Change 2018/2017	2016	% Change 2017/2016
GAAP noninterest expense	$1,188,193	$1,010,655	17.6 %	$859,797	17.5 %
Less: expense attributable to noncontrolling interests	522	813	(35.8)	524	55.2
Non-GAAP noninterest expense, net of noncontrolling interests	$1,187,671	$1,009,842	17.6	$859,273	17.5
GAAP net interest income	$1,893,988	$1,420,369	33.3	$1,150,523	23.5
Adjustments for taxable equivalent basis	9,201	3,076	199.1	1,203	155.7
Non-GAAP taxable equivalent net interest income	$1,903,189	$1,423,445	33.7	$1,151,726	23.6
Less: net interest income attributable to noncontrolling interests	30	33	(9.1)	66	(50.0)
Non-GAAP taxable equivalent net interest income, net of noncontrolling interests	$1,903,159	$1,423,412	33.7	$1,151,660	23.6
GAAP noninterest income	$744,984	$557,231	33.7	$456,552	22.1
Less: income attributable to noncontrolling interests	38,000	29,452	29.0	8,039	NM
Non-GAAP noninterest income, net of noncontrolling interests	$706,984	$527,779	34.0	$448,513	17.7
GAAP total revenue	$2,638,972	$1,977,600	33.4	$1,607,075	23.1
Non-GAAP taxable equivalent revenue, net of noncontrolling interests	$2,610,143	$1,951,191	33.8	$1,600,173	21.9
GAAP operating efficiency ratio	45.02 %	51.11 %	(11.9)	53.50 %	(4.5)
Non-GAAP operating efficiency ratio (1)	45.50	51.76	(12.1)	53.70	(3.6)

NM—Not meaningful

(1) The non-GAAP operating efficiency ratio is calculated by dividing non-GAAP noninterest expense, net of noncontrolling interests, by non-GAAP total taxable equivalent revenue, net of noncontrolling interests.

The table below provides a summary of non-GAAP core operating efficiency ratio, which excludes certain financial items where performance is typically subject to market or other conditions beyond our control:

Non-GAAP core operating efficiency ratio (Dollars in thousands, except ratios)	Year ended December 31, 2018	2017	% Change 2018/2017	2016	% Change 2017/2016
GAAP noninterest expense	$1,188,193	$1,010,655	17.6 %	$859,797	17.5 %
GAAP net interest income	$1,893,988	$1,420,369	33.3	$1,150,523	23.5
GAAP noninterest income	$744,984	$557,231	33.7	$456,552	22.1
Less: gains on investment securities, net	88,094	64,603	36.4	51,740	24.9
Less: net gains on equity warrant assets	89,142	54,555	63.4	37,892	44.0
Non-GAAP noninterest income, net of gains on investment securities and equity warrant assets	$567,748	$438,073	29.6	$366,920	19.4

GAAP total revenue	$2,638,972		$1,977,600		33.4		$1,607,075		23.1		
Non-GAAP total revenue, net of gains on investment securities and equity warrant assets	$2,461,736		$1,858,442		32.5		$1,517,443		22.5		
GAAP operating efficiency ratio	45.02	%	51.11	%	(11.9	)	53.50	%	(4.5	)	
Non-GAAP, core operating efficiency ratio (1)	48.27		54.38		(11.2	)	56.66		(4.0	)	

(1) The non-GAAP core operating efficiency ratio is calculated by dividing noninterest expense by total revenue, after adjusting for gains and losses on investment securities and equity warrant assets.

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Compensation and Benefits Expense

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

	Year ended December 31,						
(Dollars in thousands, except employees)	2018	2017	% Change 2018/2017		2016	% Change 2017/2016	
Compensation and benefits:							
Salaries and wages	$324,971	$277,148	17.3	%	$244,470	13.4	%
Incentive compensation	200,871	144,626	38.9		119,589	20.9	
ESOP	6,435	4,720	36.3		3,159	49.4	
Other employee incentives and benefits (1)	194,703	179,908	8.2		147,052	22.3	
Total compensation and benefits	$726,980	$606,402	19.9		$514,270	17.9	
Period-end full-time equivalent employees	2,900	2,438	18.9		2,311	5.5	
Average full-time equivalent employees	2,685	2,396	12.1		2,225	7.7	

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

Compensation and benefits expense was $727.0 million in 2018, compared to $606.4 million in 2017 and $514.3 million in 2016. The key factors driving the increase in compensation and benefits expense in 2018 were as follows:

- An increase of $56.3 million in incentive compensation expense due primarily to our strong 2018 full-year performance and reflective of our improved ROE relative to our peers, which is one of our key plan performance metrics,
- An increase of $47.8 million in salaries and wages expense, reflective primarily of an increase in the number of average FTEs by 289 to 2,685 in 2018, compared to 2,396 in 2017, and annual pay raises. The increase in headcount was primarily to support our overall growth, and
- An increase of $14.8 million in other employee compensation and benefits, related to various expenses, particularly share-based compensation reflective of the increase in our stock price as well as employer payroll taxes and group health and life insurance reflective of our increased headcount in 2018. These increases were partially offset by a decrease in our warrant incentive plan expense in 2018 compared to 2017 primarily reflective of our exercise of Roku equity warrants in the fourth quarter of 2017 which resulted in a large accrual of warrant incentive compensation expense in 2017 and subsequent decline of Roku's common stock price, which was sold in 2018, resulting in a lower warrant incentive payout than previously accrued for.

The increase in compensation and benefits expense of $92.1 million in 2017, as compared to 2016, was due primarily to the following:

- An increase of $32.9 million in other employee compensation and benefits, related to various expenses, particularly personnel contracting expenses, to support our growth both domestically and globally, as well as group health and life insurance and employer payroll taxes reflective of our increased headcount since 2016. The increase in other employee incentives and benefits also includes an increase of $10.4 million in warrant incentive plan expenses reflective of our 2017 equity warrant portfolio performance,
- An increase of $32.7 million in salaries and wages expense, reflective primarily of an increase in the number of average FTEs by 171 to 2,396 in 2017, compared to 2,225 in 2016, and annual pay raises. The increase in headcount was primarily to support our overall growth, and
- An increase of $26.6 million in expenses related to incentive compensation plans and ESOP expense due to our strong 2017 full-year performance and reflective of our improved ROE relative to our peers, which is one of our key plan performance metrics.

Our variable compensation plans primarily consist of our Incentive Compensation Plan, Direct Drive Incentive Compensation Plan, 401(k) and ESOP Plan, Retention Program and Warrant Incentive Plan. Total costs incurred under these plans were $239.2 million in 2018, compared to $183.9 million in 2017 and $145.3 million in 2016. These

amounts are included in total compensation and benefits expense discussed above.

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Professional Services

Professional services expense was $158.8 million in 2018, compared to $121.9 million in 2017 and $95.0 million in 2016. The increase in 2018 was primarily related to enhancements in our regulatory, risk management and compliance infrastructure to support our growth both domestically and globally, as well as investments made in projects, systems and technology to support our revenue growth and related initiatives and other operating costs. Additionally, we incurred $8.8 million of legal and consulting fees in 2018 associated with the acquisition of SVB Leerink.

Premises and Equipment

Premises and equipment expense was $77.9 million in 2018, compared to $71.8 million in 2017 and $65.5 million in 2016. The increase related to investments in projects, systems and technology to support our revenue growth and related initiatives as well as other operating costs.

Net Occupancy

Net occupancy expense was $54.8 million in 2018, compared to $48.4 million in 2017 and $39.9 million in 2016. The increase was primarily due to lease renewals at higher costs, reflective of market conditions, and the expansion of certain offices to support our growth.

FDIC and State Assessments

FDIC and state assessments expense was $34.3 million in 2018, compared to $35.1 million in 2017 and $30.3 million in 2016. The decrease in FDIC and state assessments expense in 2018 was due primarily to the elimination of the FDIC surcharge for banks effective October 1, 2018, reflective of the deposit insurance fund reserve ratio reaching its minimum funding requirements.

Other Noninterest Expense

A summary of other noninterest expense for 2018, 2017 and 2016 is as follows:

	Year ended December 31,				
(Dollars in thousands)	2018	2017	% Change 2018/2017	2016	% Change 2017/2016
Lending and other client related processing costs	$24,237	$23,768	2.0 %	$19,867	19.6 %
Telephone	9,404	10,647	(11.7)	9,793	8.7
Data processing services	10,811	10,251	5.5	9,014	13.7
Dues and publications	4,605	3,263	41.1	2,828	15.4
Postage and supplies	2,799	2,797	0.1	2,851	(1.9)
Other	21,682	21,419	1.2	17,890	19.7
Total other noninterest expense	$73,538	$72,145	1.9	$62,243	15.9

Net Income Attributable to Noncontrolling Interests

Included in net income is income and expense attributable to noncontrolling interests. The relevant amounts allocated to investors in our consolidated subsidiaries, other than us, are reflected under “net income attributable to noncontrolling interests” on our consolidated statements of income.

In the table below, noninterest income consists primarily of investment gains and losses from our consolidated funds. Noninterest expense is primarily related to management fees paid by our managed funds to SVB Financial's subsidiaries as the managed funds’ general partners. A summary of net income attributable to noncontrolling interests for 2018, 2017 and 2016 is as follows:

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(Dollars in thousands)	Year ended December 31, 2018	2017	% Change 2018/2017	2016	% Change 2017/2016
Net interest income (1)	$(30)	$(33)	(9.1)%	$(66)	(50.0)%
Noninterest income (1)	(22,342)	(25,789)	(13.4)	(5,434)	NM
Noninterest expense (1)	522	813	(35.8)	524	55.2
Carried interest allocation (2)	(15,658)	(3,663)	NM	(2,605)	40.6
Net income attributable to noncontrolling interests	$(37,508)	$(28,672)	30.8	$(7,581)	NM

NM—Not meaningful

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

(2) Represents the preferred allocation of income (or change in income) earned by us as the general partner of certain consolidated funds.

Net income attributable to noncontrolling interests was $37.5 million in 2018, compared to $28.7 million in 2017. Net income attributable to noncontrolling interests of $37.5 million for 2018 was primarily a result of the following:

- Net gains on investment securities (including carried interest allocation) attributable to noncontrolling interests of $38.2 million ($22.5 million excluding carried interest allocation) primarily from our managed funds of funds portfolio, related primarily to net unrealized valuation increases in both private and public company investments held by the funds in the portfolio, and
- Noninterest expense of $0.5 million, primarily related to management fees paid by the noncontrolling interests to our subsidiaries that serve as the general partner.

Net income attributable to noncontrolling interests was $28.7 million in 2017, compared to $7.6 million in 2016. Net income attributable to noncontrolling interests of $28.7 million for 2017 was primarily a result of the following:

- Net gains on investment securities (including carried interest allocation) attributable to noncontrolling interests of $29.2 million ($25.5 million excluding carried interest allocation) primarily driven by gains in our managed funds of funds portfolio due to unrealized valuation increases driven by IPO, M&A and private equity-backed financing activity, and
- Noninterest expense of $0.8 million, primarily related to management fees paid by the noncontrolling interests to our subsidiaries that serve as the general partner.

Income Taxes

On December 22, 2017, the H.R.1, known as the Tax Cuts and Jobs Act (the "TCJ Act"), was signed into law. The TCJ Act amends the Internal Revenue Code to, among other things, reduce tax rates, and make changes to credits and deductions for individuals and businesses. For businesses, the TCJ Act permanently lowers the federal corporate tax rate to 21.0 percent from the existing maximum rate of 35.0 percent, effective for tax years including or commencing January 1, 2018.

The Company has also considered the provisions of the TCJ Act related to non-U.S. operations which would potentially impact the Company's income tax provision. Such provisions include the one-time transition tax ("TT") on foreign earnings and the new base erosion anti-avoidance tax ("BEAT"). Based on analyses performed by the Company as of December 31, 2018, the impact of both of these provisions continue to have an immaterial impact on the Company's income tax provision.

Our effective income tax expense rate was 26.5 percent in 2018, compared to 42.0 percent in 2017 and 39.5 percent in 2016. Our effective tax rate is calculated by dividing income tax expense by the sum of income before income tax expense and the net income attributable to noncontrolling interests. The components of our effective tax rates for 2018, 2017 and 2016 are discussed in Note 16—"Income Taxes" of the "Notes to the Consolidated Financial Statements" under Part II, Item 8 of this report.

The reduction in our effective tax rate for 2018 was primarily due to the lower Federal corporate tax rate as a result of the TCJ Act effective January 1, 2018. The effective tax rate for each of 2018 and 2017 included the recognition of tax benefits of $18.0 million due to the adoption of ASU 2016-09.

The increase in our effective tax rate for 2017 was due primarily to one-time increases to tax expense of $33.8 million related to the revaluation of our deferred tax assets and $3.8 million related to investments in low income housing tax credit funds, incorporating the new federal tax rate related to the TCJ Act. The effective tax rate for the 2017 year also included the recognition of a tax benefit of $18.0 million due to the adoption and implementation of ASU 2016-09, Improvements to Employee

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Share-Based Payment Accounting, in the first quarter of 2017. ASU 2016-09 requires tax impacts from employee share-based transactions to be recognized in the provision for income taxes rather than additional paid-in-capital in stockholders' equity required under the previous guidance.

Operating Segment Results

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

We report segment information based on the “management” approach. The management approach designates the internal reporting used by management for making decisions and assessing performance as the source of our reporting segments. Refer to Note 22—“Segment Reporting” of the “Notes to the Consolidated Financial Statements” under Part II, Item 8 of this report for additional details.

The following is our reportable segment information for 2018, 2017 and 2016:

Global Commercial Bank

	Year ended December 31,				
(Dollars in thousands)	2018	2017	% Change 2018/2017	2016	% Change 2017/2016
Net interest income	$1,623,488	$1,274,366	27.4 %	$1,040,712	22.5 %
Provision for credit losses	(80,953)	(81,553)	(0.7)	(93,885)	(13.1)
Noninterest income	444,647	363,759	22.2	318,366	14.3
Noninterest expense	(793,159)	(707,666)	12.1	(630,655)	12.2
Income before income tax expense	$1,194,023	$848,906	40.7	$634,538	33.8
Total average loans, net of unearned income	$22,354,305	$18,479,793	21.0	$16,047,545	15.2
Total average assets	53,012,381	46,302,350	14.5	41,495,332	11.6
Total average deposits	46,039,570	41,043,731	12.2	37,301,483	10.0

Income before income tax expense from our GCB increased to $1.2 billion in 2018, compared to $848.9 million in 2017 and $634.5 million in 2016, which reflected the continued growth of our core commercial business and clients. The key components of GCB's performance are discussed below:

2018 compared to 2017

Net interest income from GCB increased by $349.1 million in 2018, due primarily to an increase in loan interest income resulting from an increase in average loan balances and higher loan yields as well as an increase in FTP earned for an increase in average deposits.

Noninterest income increased by $80.9 million in 2018, related primarily to an increase in our core fees (higher client investment fees, foreign exchange fees, credit card fees and deposit service charges). The increase in client investment fees was due to higher client investment fund balances as well as from improved spreads on our client investment funds due to increases in general market rates. The increase in foreign exchange fees was due primarily to an increase in our client count as well as volume related to increased client engagement. The increase in credit card fees was primarily reflective of increased client utilization of our credit card products and custom payment solutions provided to new and existing clients, partially offset by higher rebate/rewards expense. The increase in deposit service charges was reflective of higher deposit client counts, as well as higher transaction volumes from existing clients.

Noninterest expense increased by $85.5 million in 2018, due primarily to increased expenses for compensation and benefits. Compensation and benefits expenses increased as a result of higher salaries and wages expenses, higher incentive compensation and higher other employee compensation and benefits. The increase in GCB salaries and wages expenses was due primarily to an increase in the average number of FTEs at GCB, which increased by 183 to 2,022 FTEs in 2018, compared to 1,839 FTEs in 2017. The increase in GCB incentive compensation expense was due to our strong 2018 full-year performance and reflective of our improved ROE relative to our peers, which is one of our key plan performance metrics. The increase in total other employee benefits was related to various expenses, particularly share-based compensation as well as employer payroll taxes and group health and life insurance reflective of our increased headcount in 2018.

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2017 compared to 2016

Net interest income from GCB increased by $233.7 million in 2017, primarily due to an increase in loan interest income resulting mainly from an increase in average loan balances and higher loan yields.

Noninterest income increased by $45.4 million in 2017, related primarily to an increase in our core fees (higher foreign exchange fees, client investment fees and credit card fees). The increase in foreign exchange fees was due primarily to an increase in our client count as well as volume related to increased client engagement. The increase in client investment fees was due to higher client investment fund balances, as well as from improved spreads on our client investment funds due to increases in general market rates and the reintroduction of fees that had been previously waived due to the low rate environment. The increase in credit card fees was primarily reflective of increased client utilization of our credit card products and custom payment solutions provided to new and existing clients, partially offset by higher rebate/rewards expense.

Noninterest expense increased by $77.0 million in 2017, due primarily to increased expenses for compensation and benefits and professional services. Compensation and benefits expenses increased as a result of higher salaries and wages expenses, higher incentive compensation and higher other employee compensation and benefits. The increase in GCB salaries and wages expenses was due primarily to an increase in the average number of FTEs at GCB, which increased by 89 to 1,839 FTEs in 2017, compared to 1,750 FTEs in 2016. The increase in GCB incentive compensation expense was due to our strong 2017 full-year performance. Professional services expense also increased in 2017 and was primarily related to enhancements in our regulatory, risk management and compliance infrastructure to support our growth both domestically and globally as well as investments made in projects, systems and technology to support our revenue growth and related initiatives and other operating costs.

SVB Private Bank

	Year ended December 31,				
(Dollars in thousands)	2018	2017	% Change 2018/2017	2016	% Change 2017/2016
Net interest income	$64,902	$58,131	11.6 %	$53,582	8.5 %
Provision for credit losses	(3,339)	(4,386)	(23.9)	(1,812)	142.1
Noninterest income	2,281	2,175	4.9	2,713	(19.8)
Noninterest expense	(25,064)	(17,693)	41.7	(12,379)	42.9
Income before income tax expense	$38,780	$38,227	1.4	$42,104	(9.2)
Total average loans, net of unearned income	$2,850,271	$2,423,078	17.6	$2,025,381	19.6
Total average assets	2,546,904	2,449,763	4.0	2,047,513	19.6
Total average deposits	1,502,308	1,303,542	15.2	1,133,425	15.0

Income before income tax expense from SVB Private Bank increased to $38.8 million in 2018, compared to $38.2 million in 2017. Income before income tax expense was $42.1 million in 2016. The key drivers of SVB Private Bank's performance are discussed below:

2018 compared to 2017

Net interest income increased by $6.8 million in 2018, due primarily to an increase in loan interest income from an increase in average loan balances and higher loan yields.

Noninterest expense increased by $7.4 million in 2018, primarily as a result of higher salaries and wages expenses as we continue to increase the number of average FTEs at SVB Private Bank, which increased by 16 to 67 FTEs in 2018, compared to 51 FTEs in 2017, and due to higher incentive compensation reflective of our strong 2018 full-year performance.

2017 compared to 2016

Net interest income increased by $4.5 million in 2017, due primarily to an increase in loan interest income from an increase in average loan balances and higher loan yields.

Noninterest expense increased by $5.3 million in 2017, primarily as a result of higher salaries and wages expenses as we increased the number of FTEs at SVB Private Bank, and due to higher incentive compensation reflective of our 2017 full-year performance.

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SVB Capital

(Dollars in thousands)	Year ended December 31, 2018	2017	% Change 2018/2017	2016	% Change 2017/2016
Net interest income (expense)	$23	$48	(52.1)%	$(49)	(198.0)%
Noninterest income	101,181	58,992	71.5	49,365	19.5
Noninterest expense	(22,792)	(19,340)	17.8	(15,546)	24.4
Income before income tax expense	$78,412	$39,700	97.5	$33,770	17.6
Total average assets	$380,543	$325,939	16.8	$338,848	(3.8)

SVB Capital’s components of noninterest income primarily include net gains and losses on non-marketable and other equity securities, carried interest and fund management fees. All components of income before income tax expense discussed below are net of noncontrolling interests.
We experience variability in the performance of SVB Capital from period to period due to a number of factors, including changes in the values of our funds’ underlying investments, changes in the amount of distributions and general economic and market conditions. Such variability may lead to volatility in the gains and losses from investment securities and cause our results to differ from period to period.
Income before income tax expense from SVB Capital was $78.4 million in 2018, compared to $39.7 million in 2017 and $33.8 million in 2016. The key drivers of SVB Capital's performance are discussed below:
2018 compared to 2017
Noninterest income increased $42.2 million to $101.2 million in 2018 reflective of higher net gains on investment securities and fund management fees compared to 2017. SVB Capital’s components of noninterest income primarily include the following:

- Net gains on investment securities of $69.8 million in 2018, compared to net gains of $35.8 million in 2017. The net gains on investment securities of $69.8 million in 2018 were related to net unrealized valuation increases in both private and public company investments held in our strategic venture capital funds as well as in our managed funds of funds portfolio driven by IPO and M&A activity in 2018, and
- Fund management fees of $23.0 million for 2018, compared to $21.2 million in 2017.

2017 compared to 2016
Noninterest income increased $9.6 million to $59.0 million in 2017 reflective of higher net gains on investment securities and fund management fees compared to 2016. SVB Capital’s components of noninterest income primarily include the following:

- Net gains on investment securities of $35.8 million in 2017, compared to net gains of $23.5 million in 2016. The net gains on investment securities of $35.8 million in 2017 were related to gains from distributions from our strategic venture capital fund investments and net unrealized valuation increases in the investments held by the funds in our managed funds of funds portfolio driven by IPO and M&A activity in 2017, and
- Fund management fees of $21.2 million for 2017, compared to $19.2 million in 2016.

Consolidated Financial Condition
Our total assets were $56.9 billion at December 31, 2018, $51.2 billion at December 31, 2017 and $44.7 billion at December 31, 2016. Refer below to a summary of the individual components driving the changes in total assets, total liabilities and stockholders' equity.
Cash and Cash Equivalents
Cash and cash equivalents totaled $3.6 billion at December 31, 2018, an increase of $0.7 billion, or 22.2 percent, compared to $2.9 billion at December 31, 2017. As of December 31, 2018, $1.7 billion of our cash and due from banks was deposited at the FRB and was earning interest at the Federal Funds target rate, and interest-earning deposits in other financial institutions were $1.2 billion. As of December 31, 2017, $0.6 billion, of our cash and due from banks was deposited at the FRB and was earning interest at the Federal Funds target rate, and interest-earning deposits in other financial institutions were $1.1 billion.

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Investment Securities

Investment securities totaled $24.2 billion at December 31, 2018, a decrease of $0.2 billion, or 0.9 percent, compared to $24.4 billion at December 31, 2017, which increased by $2.7 billion or 12.8 percent, compared to $21.7 billion at December 31, 2016. Our investment securities portfolio consists primarily of: (i) an AFS securities portfolio and a HTM securities portfolio, both of which consist of interest-earning fixed income investment securities; and (ii) a non-marketable and other equity securities portfolio, which represents primarily investments managed as part of our funds management business as well as public equity securities held as a result of exercised equity warrant assets. The major components of the change are explained below.

The following table presents a profile of our investment securities portfolio at December 31, 2018, 2017 and 2016:

	December 31,		
(Dollars in thousands)	2018	2017	2016
Available-for-sale securities, at fair value:			
U.S. Treasury securities	$4,738,258	$6,840,502	$8,909,491
U.S. agency debentures	1,084,117	1,567,128	2,078,375
Foreign government debt securities	5,812	—	—
Residential mortgage-backed securities:			
Agency-issued collateralized mortgage obligations—fixed rate	1,880,218	2,267,035	1,152,665
Agency-issued collateralized mortgage obligations—variable rate	81,638	373,730	474,283
Equity securities	—	72,269	5,597
Total available-for-sale securities	7,790,043	11,120,664	12,620,411
Held-to-maturity securities, at amortized cost:			
U.S. agency debentures	640,990	659,979	622,445
Residential mortgage-backed securities:			
Agency-issued mortgage-backed securities	8,103,638	6,304,969	2,896,179
Agency-issued collateralized mortgage obligations—fixed rate	2,183,204	2,829,979	3,362,598
Agency-issued collateralized mortgage obligations—variable rate	214,483	255,782	312,665
Agency-issued commercial mortgage-backed securities	2,769,706	1,868,985	1,151,363
Municipal bonds and notes	1,575,421	743,761	81,748
Total held-to-maturity securities	15,487,442	12,663,455	8,426,998
Non-marketable and other equity securities:			
Non-marketable securities (fair value accounting):			
Consolidated venture capital and private equity fund investments	118,333	128,111	143,689
Unconsolidated venture capital and private equity fund investments	201,098	98,548	114,606
Other investments without a readily determinable fair value	25,668	27,680	27,700
Other equity securities in public companies (fair value accounting)	20,398	310	753
Non-marketable securities (equity method accounting):			
Venture capital and private equity fund investments	129,485	89,809	82,823
Debt funds	5,826	21,183	17,020
Other investments	121,721	111,198	123,514
Investments in qualified affordable housing projects, net	318,575	174,214	112,447
Total non-marketable and other equity securities	941,104	651,053	622,552
Total investment securities	$24,218,589	$24,435,172	$21,669,961

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Available-for-Sale Securities

Period-end AFS securities were $7.8 billion at December 31, 2018, compared to $11.1 billion at December 31, 2017, and $12.6 billion at December 31, 2016. The decrease of $3.3 billion in 2018 was primarily due to $3.4 billion in paydowns, scheduled maturities and called maturities and sales of $0.5 billion of U.S. Treasury notes and agency backed collateralized mortgage obligations, partially offset by purchases of new investments of $0.7 billion. Securities classified as available-for-sale are carried at fair value with changes in fair value recorded as unrealized gains or losses in a separate component of stockholders' equity.

Period-end AFS securities at December 31, 2017 decreased $1.5 billion compared to 2016 primarily due to $3.3 billion in paydowns, scheduled maturities and called maturities and sales of $0.6 billion of agency backed collateralized mortgage obligations, partially offset by purchases of new investments of $2.4 billion. The paydowns, scheduled maturities and called maturities of $3.3 billion were comprised of $3.2 billion of fixed-rate securities and $0.1 billion in variable-rate securities. The purchases of new investments of $2.4 billion were primarily comprised of agency backed mortgage securities and U.S. Treasury securities.

The following table summarizes the remaining contractual principal maturities and fully taxable equivalent yields on fixed income securities, carried at fair value, classified as AFS as of December 31, 2018. The weighted average yield is computed using the amortized cost of fixed income investment securities, which are reported at fair value. For U.S. Treasury securities and U.S. agency debentures, the expected maturity is the actual contractual maturity of the notes. Expected remaining maturities for certain U.S. agency debentures may occur earlier than their contractual maturities because the note issuers have the right to call outstanding amounts ahead of their contractual maturity. Expected maturities for mortgage-backed securities may differ significantly from their contractual maturities because mortgage borrowers have the right to prepay outstanding loan obligations with or without penalties. Mortgage-backed securities classified as AFS 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 interest rate environments. The weighted average yield on mortgage-backed securities is based on prepayment assumptions at the purchase date. Actual yields earned may differ significantly based upon actual prepayments.

	December 31, 2018									
	Total		One Year or Less		After One Year to Five Years		After Five Years to Ten Years		After Ten Years	
(Dollars in thousands)	Carrying Value	Weighted Average Yield	Carrying Value	Weighted Average Yield	Carrying Value	Weighted Average Yield	Carrying Value	Weighted Average Yield	Carrying Value	Weighted Average Yield
U.S. Treasury securities	$4,738,258	1.81 %	$1,765,333	1.47%	$2,524,484	1.85 %	$448,441	2.95%	$—	— %
U.S. agency debentures	1,084,117	1.83	665,750	1.49	418,367	2.36	—	—	—	—
Foreign government debt securities	5,812	(0.65)	—	—	5,812	(0.65)	—	—	—	—
Residential mortgage-backed securities:										
Agency-issued collateralized mortgage obligations - fixed rate	1,880,218	2.59	—	—	—	—	16,030	2.76	1,864,188	2.58
Agency-issued collateralized	81,638	0.73	—	—	—	—	—	—	81,638	0.73

mortgage obligations - variable rate										
Total	$7,790,043	1.99	$2,431,083	1.48	$2,948,663	1.92	$464,471	2.94	$1,945,826	2.51

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Held-to-Maturity Securities

Period-end HTM securities were $15.5 billion at December 31, 2018, an increase of $2.8 billion, or 22.3 percent, compared to $12.7 billion at December 31, 2017. The increase was due to new purchases of $4.7 billion, with $3.9 billion of agency backed mortgage securities purchases and $0.8 billion of municipal bond purchases, partially offset by $1.9 billion in portfolio paydowns and maturities.

Period-end HTM securities were $12.7 billion at December 31, 2017, an increase of $4.3 billion, or 50.3 percent, compared to $8.4 billion at December 31, 2016. The increase was due to new purchases of $6.0 billion, primarily comprised of agency backed mortgage securities, partially offset by paydowns and scheduled maturities of $1.7 billion.

Securities classified as HTM are accounted for at cost with no adjustments for changes in fair value. For securities re-designated as HTM from AFS, the unrealized gains at the date of transfer will continue to be reported as a separate component of shareholders' equity and are being amortized over the life of the securities in a manner consistent with the amortization of a premium or discount.

The following table summarizes the remaining contractual principal maturities and fully taxable equivalent yields on fixed income investment securities classified as HTM as of December 31, 2018. Interest income on certain municipal bonds and notes (non-taxable investments) are presented on a fully taxable equivalent basis using the federal statutory tax rate of 21.0 percent. The weighted average yield is computed using the amortized cost of fixed income investment securities. For U.S. agency debentures, the expected maturity is the actual contractual maturity of the notes. Expected maturities for mortgage-backed securities may differ significantly from their contractual maturities because mortgage borrowers have the right to prepay outstanding loan obligations with or without penalties. Mortgage-backed securities classified as HTM 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 interest rate environments. The weighted average yield on mortgage-backed securities is based on prepayment assumptions at the purchase date. Actual yields earned may differ significantly based upon actual prepayments.

	December 31, 2018									
	Total		One Year or Less		After One Year to Five Years		After Five Years to Ten Years		After Ten Years	
(Dollars in thousands)	Amortized Cost	Weighted Average Yield	Amortized Cost	Weighted Average Yield	Amortized Cost	Weighted Average Yield	Amortized Cost	Weighted Average Yield	Amortized Cost	Weighted Average Yield
U.S. agency debentures	$640,990	2.65 %	$—	— %	$104,550	2.63 %	$536,440	2.66 %	$—	— %
Residential mortgage-backed securities:										
Agency-issued mortgage-backed securities	8,103,638	2.88	—	—	155,257	2.06	885,622	2.48	7,062,759	2.95
Agency-issued collateralized mortgage obligations - fixed rate	2,183,204	1.78	—	—	—	—	483,043	1.59	1,700,161	1.83
Agency-issued collateralized mortgage obligations - variable rate	214,483	0.74	—	—	—	—	—	—	214,483	0.74

Agency-issued commercial mortgage-backed securities	2,769,706	2.99	—	—	—	—	—	—	2,769,706	2.99
Municipal bonds and notes	1,575,421	3.60	9,725	2.80	75,379	2.06	307,184	2.73	1,183,133	3.94
Total	$15,487,442	2.78	$9,725	2.80	$335,186	2.24	$2,212,289	2.36	$12,930,242	2.87

Portfolio duration is a standard measure used to approximate changes in the market value of fixed income instruments due to a change in market interest rates. The measure is an estimate based on the level of current market interest rates, expectations for changes in the path of forward rates and the effect of forward rates on mortgage prepayment speed assumptions. As such, portfolio duration will fluctuate with changes in market interest rates. Changes in portfolio duration are also impacted by changes in the mix of longer versus shorter term-to-maturity securities. At December 31, 2018, our estimated fixed income securities portfolio weighted-average duration was 3.8 years, compared to 3.0 and 2.5 years at December 31, 2017 and 2016, respectively.

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Non-Marketable and Other Equity Securities

Non-marketable and other equity securities were $941.1 million at December 31, 2018, an increase of $290.0 million, or 44.6 percent, compared to $651.1 million at December 31, 2017, which increased by $28.5 million, or 4.6 percent, compared to $622.6 million at December 31, 2016. Included in our non-marketable and other equity securities carried under fair value accounting are amounts that are attributable to noncontrolling interests. We are required under GAAP to consolidate certain SVB Capital funds, even though we may own less than 100 percent of such entities. See below for a summary of the carrying value (as reported) of non-marketable and other equity securities compared to the amounts attributable to SVBFG.

The increase in non-marketable and other equity securities of $290.0 million in 2018 was related primarily to new investments and the adoption of ASU 2016-01, Recognition and Measurement of Financial Assets and Financial Liabilities, which required equity investments (except those accounted for under the equity method of accounting) to be measured at fair value and eliminated the cost method of accounting. As part of this adoption we recorded an adjustment to opening retained earnings for cost method investments measured at NAV and increased the carrying value of our unconsolidated venture capital and private equity fund investments by $103.1 million. Additionally, we increased our investments in qualified affordable housing projects by $144.4 million, net of amortization.

The increase in non-marketable and other equity securities of $28.5 million in 2017 was related primarily to a $61.8 million net increase in investments in our qualified affordable housing projects portfolio, offset by sales of, and distributions in, our strategic and other investments.

The following table summarizes the carrying value (as reported) of non-marketable and other equity securities compared to the amounts attributable to SVBFG (which generally represents the carrying value times our ownership percentage) at December 31, 2018, 2017 and 2016:

	December 31,					
	2018		2017		2016	
(Dollars in thousands)	Carrying value (as reported)	Amount attributable to SVBFG	Carrying value (as reported)	Amount attributable to SVBFG	Carrying value (as reported)	Amount attributable to SVBFG
Non-marketable and other equity securities:						
Non-marketable securities (fair value accounting):						
Consolidated venture capital and private equity fund investments (1)	$118,333	$ 30,235	$128,111	$ 33,044	$143,689	$ 40,682
Unconsolidated venture capital and private equity fund investments (2)	201,098	201,098	98,548	98,548	114,606	114,606
Other investments without a readily determinable fair value (3)	25,668	25,668	27,680	27,680	27,700	27,700
Other equity securities in public companies (fair value accounting) (4)	20,398	20,098	310	103	753	138
Non-marketable securities (equity method accounting) (5):						
Venture capital and private equity fund investments	129,485	82,921	89,809	64,675	82,823	64,030
Debt funds	5,826	5,826	21,183	21,183	17,020	17,020
Other investments	121,721	121,721	111,198	111,198	123,514	123,514
Investments in qualified affordable housing projects, net	318,575	318,575	174,214	174,214	112,447	112,447
Total non-marketable and other equity securities	$941,104	$ 806,142	$651,053	$ 530,645	$622,552	$ 500,137

(1)

The following table shows the amounts of venture capital and private equity fund investments held by the following consolidated funds and amounts attributable to SVBFG for each fund at December 31, 2018, 2017 and 2016:

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(Dollars in thousands)	December 31, 2018 Carrying value (as reported)	Amount attributable to SVBFG	2017 Carrying value (as reported)	Amount attributable to SVBFG	2016 Carrying value (as reported)	Amount attributable to SVBFG
Strategic Investors Fund, LP	$12,452	$ 1,564	$14,673	$ 1,843	$18,459	$ 2,319
Capital Preferred Return Fund, LP	53,957	11,629	54,147	11,670	57,627	12,420
Growth Partners, LP	50,845	16,927	58,372	19,432	59,718	19,880
Other private equity funds (i)	—	—	—	—	5,845	5,845
CP I, LP	1,079	115	919	99	2,040	218
Total consolidated venture capital and private equity fund investments	$118,333	$ 30,235	$128,111	$ 33,044	$143,689	$ 40,682

(i) On January 3, 2017, the other private equity fund was closed resulting in an immaterial impact on the Company's financial statements.

(2) The carrying values represented investments in 213 and 235 funds (primarily venture capital funds) at December 31, 2018 and December 31, 2017, 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. Effective January 1, 2018, we adopted ASU 2016-01, Recognition and Measurement of Financial Assets and Financial Liabilities which eliminated the concept of cost method accounting. On a prospective basis, we will carry our unconsolidated venture capital and private equity fund investments at fair value based on the fund investments' net asset values per share as obtained from the general partners of the investments. For each fund investment, we adjust the net asset value per share for differences between our measurement date and the date of the fund investment’s net asset value by using the most recently available financial information from the investee general partner, for example June 30th, for our September 30th consolidated financial statements, adjusted for any contributions paid, distributions received from the investment, and significant fund transactions or market events during the reporting period. We recorded a cumulative adjustment to opening retained earnings on January 1, 2018 for the difference between fair value and cost for these fund investments. The estimated fair value and carrying value of these venture capital and private equity fund investments was $201.1 million as of December 31, 2018. As of December 31, 2017, these investments were carried at cost and had a carrying value of $98.5 million.

(3) Effective January 1, 2018, we adopted ASU 2016-01, Recognition and Measurement of Financial Assets and Financial Liabilities, which eliminated the concept of cost method accounting. On a prospective basis, we will report our other investments in the line item "Other investments without a readily determinable fair value." These investments include direct equity investments in private companies. The carrying value is based on the price at which the investment was acquired plus or minus changes resulting from observable price changes in orderly transactions for identical or similar investments. We consider a range of factors when adjusting the fair value of these investments, including, but not limited to, the term and nature of the investment, local market conditions, values for comparable securities, current and projected operating performance, exit strategies, financing transactions subsequent to the acquisition of the investment and a discount for certain investments that have lock-up restrictions or other features that indicate a discount to fair value is warranted. For further details on the carrying value of these investments refer to Note 8—“Investment Securities" of the “Notes to the Consolidated Financial Statements” under Part II, Item 8 of this report.

(4) Investments classified as other equity securities (fair value accounting) represent shares held in public companies as a result of exercising public equity warrant assets and direct equity investments in public companies held by our consolidated funds. Effective January 1, 2018 we adopted ASU 2016-01 Recognition and Measurement of Financial Assets and Financial Liabilities, which requires equity securities to be measured at fair value with changes in the fair value recognized through net income. Prior to January 1, 2018, we reported equity securities in public companies that we held as a result of exercising public equity warrant assets in available-for-sale securities.

On a prospective basis, these equity securities will be reported in non-marketable and other equity securities.

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(5) The following table shows the carrying value and our ownership percentage of each investment at December 31, 2018 and 2017 (equity method accounting):

(Dollars in thousands)	December 31, 2018 Carrying value (as reported)	December 31, 2018 Amount attributable to SVBFG	December 31, 2017 Carrying value (as reported)	December 31, 2017 Amount attributable to SVBFG	December 31, 2016 Carrying value (as reported)	December 31, 2016 Amount attributable to SVBFG
Venture capital and private equity fund investments:						
Strategic Investors Fund II, LP	$4,670	$ 4,366	$6,342	$ 5,971	$7,720	$ 7,366
Strategic Investors Fund III, LP	17,396	14,059	18,758	15,211	20,449	17,036
Strategic Investors Fund IV, LP	28,974	24,388	25,551	21,739	24,530	21,504
Strategic Investors Fund V funds	28,189	14,799	16,856	8,849	12,029	6,326
CP II, LP (i)	7,122	4,308	6,700	4,056	7,798	4,871
Other venture capital and private equity fund investments	43,134	21,001	15,602	8,849	10,297	6,927
Total venture capital and private equity fund investments	$129,485	$ 82,921	$89,809	$ 64,675	$82,823	$ 64,030
Debt funds:						
Gold Hill Capital 2008, LP (ii)	$3,901	$ 3,901	$18,690	$ 18,690	$13,557	$ 13,557
Other debt funds	1,925	1,925	2,493	2,493	3,463	3,463
Total debt funds	$5,826	$ 5,826	$21,183	$ 21,183	$17,020	$ 17,020
Other investments:						
SPD Silicon Valley Bank Co., Ltd.	$76,412	$ 76,412	$75,337	$ 75,337	$75,296	$ 75,296
Other investments	45,309	45,309	35,861	35,861	48,218	48,218
Total other investments	$121,721	$ 121,721	$111,198	$ 111,198	$123,514	$ 123,514

(i) Our ownership includes direct ownership interest 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.

Volcker Rule

On June 6, 2017, we received notice that the Board of Governors of the Federal Reserve approved the Company's application for an extension of the permitted conformance period for the Company's investments in "illiquid" covered funds. The approval extends the deadline by which the Company must sell, divest, restructure or otherwise conform such investments to the provisions of the Volcker Rule until the earlier of (i) July 21, 2022 or (ii) the date by which each fund matures by its terms or is otherwise conformed to the Volcker Rule.

As implemented under the Dodd-Frank Wall Street Reform and Consumer Protection Act, the Volcker Rule prohibits, subject to certain exceptions, a banking entity, such as the Company, from sponsoring or investing in covered funds, defined to include many venture capital and private equity funds. As noted above, the Company currently maintains certain investments deemed to be prohibited investments in "illiquid" covered funds, which are now covered under the approved extension. As of December 31, 2018, such prohibited investments had an estimated aggregate carrying value and fair value of approximately $247 million. (For more information about the Volcker Rule, see "Business - Supervision and Regulatory - Proprietary Trading and Certain Relationships with Hedge Funds and Private Equity Funds" under Part I, Item I of this report.)

Loans

The following table details the composition of the loan portfolio, net of unearned income, as of the five most recent year-ends:

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	December 31,				
(Dollars in thousands)	2018	2017	2016	2015	2014
Commercial loans:					
Software/internet (1)	$6,154,755	$6,172,531	$5,627,031	$5,437,915	$4,954,676
Hardware (1)	1,234,557	1,193,599	1,180,398	1,071,528	1,131,006
Private equity/venture capital	14,110,560	9,952,377	7,691,148	5,467,577	4,582,906
Life science/healthcare (1)	2,385,612	1,808,827	1,853,004	1,710,642	1,289,904
Premium wine	249,266	204,105	200,156	201,175	187,568
Other (1)	321,978	365,724	393,551	312,278	234,551
Total commercial loans	24,456,728	19,697,163	16,945,288	14,201,115	12,380,611
Real estate secured loans:					
Premium wine (2)	710,397	669,053	678,166	646,120	606,753
Consumer loans (3)	2,612,971	2,300,506	1,926,968	1,544,440	1,118,115
Other	40,435	42,068	43,487	44,830	39,651
Total real estate secured loans	3,363,803	3,011,627	2,648,621	2,235,390	1,764,519
Construction loans (4)	97,077	68,546	64,671	78,682	78,626
Consumer loans	420,672	328,980	241,364	226,883	160,520
Total loans, net of unearned income (5)(6)	$28,338,280	$23,106,316	$19,899,944	$16,742,070	$14,384,276

(1) Due to the diverse nature of energy and resource innovation products and services, for our loan-related reporting purposes, ERI-related loans are reported under our software/internet, hardware, life science/healthcare and other commercial loan categories, as applicable.

(2) Included in our premium wine portfolio are gross construction loans of $99 million, $100 million, $110 million, $121 million and $112 million at December 31, 2018, 2017, 2016, 2015 and 2014, respectively.

(3) Consumer loans secured by real estate at December 31, 2018, 2017, 2016, 2015 and 2014 were comprised of the following:

	December 31,				
(Dollars in thousands)	2018	2017	2016	2015	2014
Loans for personal residence	$2,251,292	$1,995,840	$1,655,349	$1,312,818	$918,629
Loans to eligible employees	290,194	243,118	199,291	156,001	133,568
Home equity lines of credit	71,485	61,548	72,328	75,621	65,918
Consumer loans secured by real estate	$2,612,971	$2,300,506	$1,926,968	$1,544,440	$1,118,115

(4) Construction loans consist of qualified affordable housing project loans made to fulfill our responsibilities under the Community Reinvestment Act and are primarily secured by real estate.

(5) Unearned income, net of deferred costs, was $173 million, $148 million, $125 million, $115 million and $104 million in 2018, 2017, 2016, 2015 and 2014, respectively.

(6) Included within our total loan portfolio are credit card loans of $335 million, $270 million, $224 million, $177 million, and$131 million at December 31, 2018, 2017, 2016, 2015 and 2014, respectively, and primarily represent corporate credit cards.

Both commercial and consumer loans increased from December 31, 2017 to December 31, 2018 with the largest increases coming from our private equity/venture capital, life science/healthcare and consumer real estate industry segments. The growth from our private equity/venture capital clients increase due to increased utilization from our capital call lines of credit and the growth in our life science/healthcare segment was reflective primarily of healthy new client acquisition. The growth in our consumer real estate came primarily from our SVB Private Bank.

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Loan Concentration

Loan concentrations may exist when there are borrowers engaged in similar activities or types of loans extended to a diverse group of borrowers that could cause those borrowers or portfolios to be similarly impacted by economic or other conditions. A substantial percentage of our loans are commercial in nature. The breakdown of total gross loans and total loans as a percentage of gross loans by industry sector is as follows:

	December 31,			
	2018		2017	
(Dollars in thousands)	Amount	Percentage	Amount	Percentage
Commercial loans:				
Software/internet	$6,209,978	21.8 %	$6,232,725	26.8 %
Hardware	1,245,800	4.4	1,200,900	5.2
Private equity/venture capital	14,118,132	49.5	9,961,121	42.8
Life science/healthcare	2,461,076	8.6	1,867,960	8.0
Premium wine	249,316	0.9	204,257	0.9
Other	346,747	1.2	379,431	1.6
Commercial loans	24,631,049	86.4	19,846,394	85.3
Real estate secured loans:				
Premium wine	711,237	2.5	670,112	2.9
Consumer loans	2,609,645	9.2	2,297,857	9.9
Other	40,627	0.1	42,230	0.2
Real estate secured loans	3,361,509	11.8	3,010,199	13.0
Construction loans	98,034	0.3	69,108	0.3
Consumer loans	420,720	1.5	328,452	1.4
Total gross loans	$28,511,312	100.0 %	$23,254,153	100.0 %

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The following table provides a summary of gross loans by size and category. The breakout of the categories is based on total client balances (individually or in the aggregate) as of December 31, 2018:

	December 31, 2018					
(Dollars in thousands)	Less than Five Million	Five to Ten Million	Ten to Twenty Million	Twenty to Thirty Million	Thirty Million or More	Total
Commercial loans:						
Software/internet	$1,515,096	$918,647	$ 1,520,634	$1,221,250	$ 1,034,351	$6,209,978
Hardware	292,022	152,061	196,763	386,288	218,666	1,245,800
Private equity/venture capital	836,894	1,012,605	2,120,918	2,135,279	8,012,436	14,118,132
Life science/healthcare	273,075	477,046	645,895	410,127	654,933	2,461,076
Premium wine	70,573	55,852	48,656	65,035	9,200	249,316
Other	246,011	18,921	10,911	70,904	—	346,747
Commercial loans	3,233,671	2,635,132	4,543,777	4,288,883	9,929,586	24,631,049
Real estate secured loans:						
Premium wine	168,130	173,882	263,093	83,945	22,187	711,237
Consumer loans	2,258,479	239,400	111,766	—	—	2,609,645
Other	7,506	—	33,121	—	—	40,627
Real estate secured loans	2,434,115	413,282	407,980	83,945	22,187	3,361,509
Construction loans	7,076	15,064	75,894	—	—	98,034
Consumer loans	148,391	55,401	51,409	93,690	71,829	420,720
Total gross loans	$5,823,253	$3,118,879	$ 5,079,060	$4,466,518	$ 10,023,602	$28,511,312

At December 31, 2018, gross loans equal to or greater than $20 million to any single client (individually or in the aggregate) totaled $14.5 billion, or 50.8 percent of our portfolio. These loans represented 361 clients, and of these loans, $27.5 million were on nonaccrual status as of December 31, 2018.

The following table provides a summary of gross loans by size and category. The breakout of the categories is based on total client balances (individually or in the aggregate) as of December 31, 2017:

	December 31, 2017					
(Dollars in thousands)	Less than Five Million	Five to Ten Million	Ten to Twenty Million	Twenty to Thirty Million	Thirty Million or More	Total
Commercial loans:						
Software/internet	$1,558,717	$974,959	$ 1,545,194	$1,190,247	$ 963,608	$6,232,725
Hardware	258,586	138,254	253,978	217,425	332,657	1,200,900
Private equity/venture capital	697,427	807,596	1,617,121	1,142,818	5,696,159	9,961,121
Life science/healthcare	321,738	450,445	576,926	313,656	205,195	1,867,960
Premium wine	60,663	37,845	64,062	32,423	9,264	204,257
Other	149,825	23,096	103,989	25,599	76,922	379,431
Commercial loans	3,046,956	2,432,195	4,161,270	2,922,168	7,283,805	19,846,394
Real estate secured loans:						
Premium wine	150,563	187,272	220,062	89,561	22,654	670,112
Consumer loans	1,989,973	224,825	83,059	—	—	2,297,857
Other	7,763	—	14,134	20,333	—	42,230
Real estate secured loans	2,148,299	412,097	317,255	109,894	22,654	3,010,199
Construction loans	12,178	34,029	—	22,901	—	69,108
Consumer loans	146,395	49,921	17,120	78,742	36,274	328,452
Total gross loans	$5,353,828	$2,928,242	$ 4,495,645	$3,133,705	$ 7,342,733	$23,254,153

At December 31, 2017, gross loans equal to or greater than $20 million to any single client (individually or in the aggregate) totaled $10.5 billion, or 45.3 percent of our portfolio. These loans represented 277 clients, and of these

loans, $52 million were on nonaccrual status as of December 31, 2017.
The credit profile of our loan portfolio clients varies based on the nature of the lending we do for different market segments. Our three main market segments are (i) technology (software/internet and hardware) and life science/healthcare, (ii) private equity/venture capital, and (iii) SVB Private Bank.

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(i) Technology and Life Science/Healthcare
Our technology and life science/healthcare loan portfolios include loans to clients at the various stages of their life cycles and represent the largest segments of our loan portfolio. The primary underwriting method for our technology and life science/healthcare portfolios are classified as investor dependent, balance sheet dependent, or cash flow dependent.

Investor dependent loans represented a relatively small percentage of our overall portfolio at 11 percent of total gross loans at both December 31, 2018 and December 31, 2017. These loans are made to companies in both our Accelerator (early-stage) and Growth practices. Investor dependent loans typically have modest or negative cash flows and no established record of profitable operations. Repayment of these loans may be dependent upon receipt by borrowers of additional equity financing from venture capital firms or others, or in some cases, a successful sale to a third party or an IPO. Venture capital firms may provide financing selectively, at reduced amounts, or on less favorable terms, which may have an adverse effect on our borrowers' ability to repay their loans to us. When repayment is dependent upon the next round of venture investment and there is an indication that further investment is unlikely or will not occur, it is often likely that the company would need to be sold to repay the debt in full. If reasonable efforts have not yielded a likely buyer willing to repay all debt at the close of the sale or on commercially viable terms, the account will most likely be deemed to be impaired.

Balance sheet dependent loans, which includes asset-based loans, represented eight percent of total gross loans at December 31, 2018 compared to 10 percent at December 31, 2017. Balance sheet dependent loans are structured to require constant current asset coverage (i.e. cash, cash equivalents, accounts receivable and, to a much lesser extent, inventory) in an amount that exceeds the outstanding debt. These loans are generally made to companies in our Growth and Corporate Finance practices. Our asset-based lending, which includes working capital lines and accounts receivable financing, represented two and one percent of total gross loans as of December 31, 2018 , respectively, and both represented three percent of total gross loans at December 31, 2017. The repayment of these arrangements is dependent on the financial condition, and payment ability, of third parties with whom our clients do business.

Cash flow dependent loans, which include sponsored buyout lending, represented 16 percent of total gross loans at December 31, 2018, compared to 19 percent of total gross loans at December 31, 2017. Cash flow dependent loans require the borrower to maintain cash flow from operations that is sufficient to service all debt. Borrowers must demonstrate normalized cash flow in excess of all fixed charges associated with operating the business. Sponsored buyout loans represented eight percent of total gross loans at December 31, 2018, compared to nine percent of total gross loans at December 31, 2017. These loans are typically used to assist a select group of experienced private equity sponsors with the acquisition of businesses, are larger in size, and repayment is generally dependent upon the cash flows of the acquired company. The acquired companies are typically established, later-stage businesses of scale and characterized by reasonable levels of leverage and loan structures that include meaningful financial covenants. The sponsor's equity contribution is often 50 percent or more of the acquisition price.

(ii) Private Equity/Venture Capital
We also provide financial services to clients in the private equity/venture capital community. At December 31, 2018, our lending to private equity/venture capital firms and funds represented 50 percent of total gross loans, compared to 43 percent of total gross loans at December 31, 2017. The vast majority of this portfolio consists of capital call lines of credit, the repayment of which is dependent on the payment of capital calls by the underlying limited partner investors in the funds managed by these firms. These facilities are generally governed by meaningful financial covenants oriented towards ensuring that the funds' remaining callable capital is sufficient to repay the loan, and larger commitments (typically provided to larger private equity funds) are often secured by an assignment of the general partner's right to call capital from the fund's limited partner investors.

(iii) SVB Private Bank

Our SVB Private Bank clients are primarily private equity/venture capital professionals and executive leaders of the innovation companies. Our lending to SVB Private Bank clients represented 11 percent of total gross loans at both December 31, 2018 and December 31, 2017. Many of these clients have mortgages, which represented 86 percent of this portfolio at December 31, 2018; the balance of this portfolio consisted of home equity lines of credit, restricted stock purchase loans, capital call lines of credit, and other secured and unsecured lending.

State Concentrations
Approximately 28 percent and 10 percent of our outstanding total gross loan balances as of December 31, 2018 were to borrowers based in California and New York, respectively, compared to 31 percent and 10 percent as of December 31, 2017. Other than California and New York, there are no states with gross loan balances greater than or equal to 10 percent.

See generally "Risk Factors—Credit Risks" set forth under Part I, Item 1A of this report.

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As of December 31, 2018, 93 percent, or $26.4 billion, of our outstanding total gross loans were variable-rate loans that adjust at a prescribed measurement date upon a change in our prime-lending rate or other variable indices, compared to 91 percent, or $21.2 billion, as of December 31, 2017. The following table sets forth the remaining contractual maturity distribution of our gross loans by industry sector at December 31, 2018, for fixed and variable rate loans:

	Remaining Contractual Maturity of Gross Loans			
(Dollars in thousands)	One Year or Less	After One Year and Through Five Years	After Five Years	Total
Fixed-rate loans:				
Commercial loans:				
Software/internet	$288,771	$262,689	$11,879	$563,339
Hardware	61,464	44,566	—	106,030
Private equity/venture capital	11,737	7,905	10,913	30,555
Life science/healthcare	42,704	57,274	—	99,978
Premium wine	2,872	9,569	5,597	18,038
Other	260,241	—	—	260,241
Total commercial loans	667,789	382,003	28,389	1,078,181
Real estate secured loans:				
Premium wine	33,529	217,657	355,845	607,031
Consumer loans	—	7,925	266,559	274,484
Other	—	22,426	18,201	40,627
Total real estate secured loans	33,529	248,008	640,605	922,142
Construction loans	63,072	28,274	6,690	98,036
Consumer loans	698	4,738	—	5,436
Total fixed-rate loans	$765,088	$663,023	$675,684	$2,103,795
Variable-rate loans:				
Commercial loans:				
Software/internet	$1,412,873	$4,153,715	$80,051	$5,646,639
Hardware	227,272	782,272	130,226	1,139,770
Private equity/venture capital	13,389,154	641,903	56,520	14,087,577
Life science/healthcare	110,377	2,203,925	46,796	2,361,098
Premium wine	171,865	58,325	1,089	231,279
Other	25,168	61,336	—	86,504
Total commercial loans	15,336,709	7,901,476	314,682	23,552,867
Real estate secured loans:				
Premium wine	9,034	46,428	48,743	104,205
Consumer loans	1,300	8,582	2,325,279	2,335,161
Other	—	—	—	—
Total real estate secured loans	10,334	55,010	2,374,022	2,439,366
Construction loans	—	—	—	—
Consumer loans	138,492	171,213	105,579	415,284
Total variable-rate loans	15,485,535	8,127,699	2,794,283	26,407,517
Total gross loans	$16,250,623	$8,790,722	$3,469,967	$28,511,312

Upon maturity, loans satisfying our credit quality standards may be eligible for renewal. Such renewals are subject to the normal underwriting and credit administration practices associated with new loans. We do not grant loans with unconditional extension terms.

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Loan Administration

The Credit Committee of our Board of Directors oversees our credit risks and strategies, as well as our key credit policies and lending practices.

Subject to the oversight of the Credit Committee, lending authority is delegated to the Chief Credit Officer and our management's Loan Committee, which consists of the Chief Credit Officer and other senior members of our lending management. Requests for new and existing credit extensions that meet certain size and underwriting criteria may be approved outside of our Loan Committee by designated senior lenders or jointly with a senior credit officer or division risk manager.

Credit Quality Indicators

As of both December 31, 2018 and December 31, 2017, our total criticized loans and impaired loans represented four percent of our total gross loans. Criticized loans and impaired loans to early-stage clients represented 19 percent and 22 percent of our total criticized loans and impaired loan balances at December 31, 2018 and December 31, 2017, respectively. Loans to early-stage clients represent a relatively small percentage of our overall portfolio at six percent of total gross loans at both December 31, 2018 and December 31, 2017. It is common for an early-stage client’s remaining liquidity to fall temporarily below the threshold for a pass-rated credit during its capital-raising period for a new round of funding. Based on our experience, for most early-stage clients, this situation typically lasts one to two quarters and generally resolves itself with a subsequent round of venture funding, though there are exceptions, from time to time. As a result, we expect that each of our early-stage clients will reside in our criticized portfolio during a portion of their life cycle.

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Credit Quality and Allowance for Loan Losses

The following table presents a summary of the activity for the allowance for loan losses as of the five most recent year-ends:

	Year ended December 31,				
(Dollars in thousands)	2018	2017	2016	2015	2014
Allowance for loan losses, beginning balance	$255,024	$225,366	$217,613	$165,359	$142,886
Charge-offs:					
Commercial loans:					
Software/internet	(42,315)	(45,012)	(68,784)	(33,246)	(21,031)
Hardware	(16,148)	(10,414)	(13,233)	(5,145)	(15,265)
Venture capital/private equity	(112)	(323)	—	—	—
Life science/healthcare	(6,662)	(8,210)	(9,693)	(7,291)	(2,951)
Premium wine	—	—	—	—	(35)
Other	(2,391)	(1,156)	(5,045)	(4,990)	(3,886)
Total commercial loans	(67,628)	(65,115)	(96,755)	(50,672)	(43,168)
Consumer loans	(289)	(1,567)	(102)	(296)	—
Total charge-offs	(67,917)	(66,682)	(96,857)	(50,968)	(43,168)
Recoveries:					
Commercial loans:					
Software/internet	5,664	4,649	7,278	1,621	1,425
Hardware	1,849	487	1,667	3,332	2,238
Venture capital/private equity	13	—	—	—	—
Life science/healthcare	348	189	1,129	277	374
Premium wine	—	—	—	7	240
Other	3,275	1,850	1,880	809	1,748
Total commercial loans	11,149	7,175	11,954	6,046	6,025
Consumer loans	487	1,363	258	163	379
Total recoveries	11,636	8,538	12,212	6,209	6,404
Provision for loan losses	84,292	85,939	95,697	97,629	59,486
Foreign currency translation adjustments	(2,132)	1,863	(3,299)	(616)	(249)
Allowance for loan losses, ending balance	$280,903	$255,024	$225,366	$217,613	$165,359

In 2018, total charge-offs increased to $67.9 million compared to $66.7 million in 2017. Gross loan charge-offs in 2018 came primarily from our software/internet and hardware loan portfolios and consisted primarily of early-stage clients.

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The following table summarizes the allocation of the allowance for loan losses among specific classes of loans as of the five most recent year-ends:

	December 31,									
	2018		2017		2016		2015		2014	
(Dollars in thousands)	ALLL Amount	Percent of Total Loans (1)	ALLL Amount	Percent of Total Loans (1)	ALLL Amount	Percent of Total Loans (1)	ALLL Amount	Percent of Total Loans (1)	ALLL Amount	Percent of Total Loans (1)
Commercial loans:										
Software/internet	$103,567	21.8 %	$96,104	26.8 %	$97,388	28.3 %	$103,045	32.5 %	$80,981	34.5 %
Hardware	19,725	4.4	27,614	5.2	31,166	5.9	23,085	6.4	25,860	7.9
Private equity/venture capital	98,581	49.5	82,468	42.8	50,299	38.7	35,282	32.7	27,997	31.9
Life science/healthcare	32,180	8.6	24,924	8.0	25,446	9.3	36,576	10.2	15,208	9.0
Premium wine	3,355	3.4	3,532	3.8	4,115	4.5	5,205	5.1	4,473	5.5
Other	3,558	1.7	3,941	2.1	4,768	2.5	4,252	2.6	3,253	2.4
Total commercial loans	260,966	89.4	238,583	88.7	213,182	89.2	207,445	89.5	157,772	91.2
Consumer loans	19,937	10.6	16,441	11.3	12,184	10.8	10,168	10.5	7,587	8.8
Total	$280,903	100.0%	$255,024	100.0%	$225,366	100.0%	$217,613	100.0%	$165,359	100.0%

(1) Represents loan balances as a percentage of total gross loans at each respective year-end.

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Nonperforming Assets

Nonperforming assets consist of loans on nonaccrual status, loans past due 90 days or more still accruing interest, and Other Real Estate Owned (“OREO”) and other foreclosed assets. We measure all loans placed on nonaccrual status for impairment based on the fair value of the underlying collateral or the net present value of the expected cash flows. The table below sets forth certain data and ratios between nonperforming loans, nonperforming assets and the allowance for loan losses:

	December 31,									
(Dollars in thousands)	2018		2017		2016		2015		2014	
Gross nonperforming, past due, and restructured loans:										
Nonaccrual loans	$94,142		$119,259		$118,979		$123,392		$38,137	
Loans past due 90 days or more still accruing interest	1,964		191		33		—		1,302	
Total nonperforming loans	96,106		119,450		119,012		123,392		39,439	
OREO and other foreclosed assets	—		—		—		—		561	
Total nonperforming assets	$96,106		$119,450		$119,012		$123,392		$40,000	
Performing TDRs	$31,639		$71,468		$33,732		$10,635		$587	
Nonperforming loans as a percentage of total gross loans	0.34	%	0.51	%	0.59	%	0.73	%	0.27	%
Nonperforming assets as a percentage of total assets	0.17		0.23		0.27		0.28		0.10	
Allowance for loan losses	$280,903		$255,024		$225,366		$217,613		$165,359	
As a percentage of total gross loans	0.99	%	1.10	%	1.13	%	1.29	%	1.14	%
As a percentage of total gross nonperforming loans	292.28		213.50		189.36		176.36		419.28	
Allowance for loan losses for nonaccrual loans	$37,941		$41,793		$37,277		$51,844		$15,051	
As a percentage of total gross loans	0.13	%	0.18	%	0.19	%	0.31	%	0.10	%
As a percentage of total gross nonperforming loans	39.48		34.99		31.32		42.02		38.16	
Allowance for loan losses for total gross performing loans	$242,962		$213,231		$188,089		$165,769		$150,308	
As a percentage of total gross loans	0.85	%	0.92	%	0.94	%	0.98	%	1.04	%
As a percentage of total gross performing loans	0.86		0.92		0.94		0.99		1.04	
Total gross loans	$28,511,312		$23,254,153		$20,024,662		$16,857,131		$14,488,766	
Total gross performing loans	28,415,206		23,134,703		19,905,650		16,733,739		14,449,327	
Allowance for unfunded credit commitments (1)	55,183		51,770		45,265		34,415		36,419	
As a percentage of total unfunded credit commitments	0.29	%	0.30	%	0.27	%	0.22	%	0.25	%
Total unfunded credit commitments (2)	$18,913,021		$17,462,537		$16,743,196		$15,614,359		$14,705,785	

(1) The “allowance for unfunded credit commitments” is included as a component of other liabilities and any provision is included in the "Provision for credit losses" in the statement of income. See “Provision for Credit Losses” for a discussion of the changes to the allowance.

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

Our allowance for loan losses as a percentage of total gross loans decreased 11 basis points to 0.99 percent at December 31, 2018, compared to 1.10 percent at December 31, 2017. The decrease was reflective of a six basis point decrease in the reserves for gross performing loans and a five basis point decrease in the reserves for nonaccrual loans. Our reserve percentage for performing loans as a percentage of total gross performing loans decreased to 0.86 percent at December 31, 2018, compared to 0.92 percent at December 31, 2017, reflective of the continued shift in the mix of our overall loan portfolio to our higher quality private equity/venture capital loan portfolio. Our reserve percentage for nonaccrual loans as a percentage of total gross loans decreased to 0.13 percent at December 31, 2018, compared to 0.18 percent at December 31, 2017, primarily as a result of charge-offs of previously reserved nonaccrual loans.

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Nonaccrual Loans

The following table presents a detailed composition of nonaccrual loans by industry sector as of the five most recent year-ends:

	December 31,				
(Dollars in thousands)	2018	2017	2016	2015	2014
Commercial loans:					
Software/internet	$66,781	$78,860	$76,605	$77,545	$33,287
Hardware	1,256	16,185	6,581	430	2,521
Private equity/venture capital	3,700	658	—	—	—
Life science/healthcare	17,791	20,520	31,783	44,107	475
Premium wine	284	401	491	1,167	1,304
Other	411	32	403	—	233
Total commercial loans	90,223	116,656	115,863	123,249	37,820
Consumer loans:					
Real estate secured loans	3,919	2,181	1,504	143	192
Other consumer loans	—	422	1,612	—	125
Total consumer loans	3,919	2,603	3,116	143	317
Total nonaccrual loans	$94,142	$119,259	$118,979	$123,392	$38,137

The following table presents a summary of changes in nonaccrual loans for the years ended December 31, 2018 and 2017:

	Year ended December 31,	
(Dollars in thousands)	2018	2017
Balance, beginning of period	$119,259	$118,979
Additions	85,499	102,183
Paydowns	(66,660)	(46,825)
Charge-offs	(43,857)	(55,076)
Other reductions	(99)	(2)
Balance, end of period	$94,142	$119,259

Our nonaccrual loan balance decreased $25.2 million to $94.1 million at December 31, 2018, compared to $119.3 million at December 31, 2017. The $25.2 million decrease was primarily attributable to our hardware and software/internet loan portfolios. Our hardware nonaccrual loan portfolio decreased $14.9 million primarily due to a $10.7 million charge-off for one client in our Growth practice. Our software/internet nonaccrual loan portfolio decreased $12.1 million primarily due to paydowns of $6.7 million for one client in our Growth practice and a $7.2 million decrease for one sponsored buyout loan primarily due to partial charge-offs during 2018.

Our nonaccrual loans as of December 31, 2018 included $73.1 million from five clients (three software/internet clients represented $56.0 million and two life science/healthcare clients represented $17.1 million). Two of these loans are sponsored buyout loans that were added to our nonaccrual portfolio in 2015, another is a Corporate Finance client that was added during 2016 and two are new nonaccrual loans added during 2018 in our Growth practice. The total credit exposure for these five largest nonaccrual loans was $73.4 million as of December 31, 2018, for which we have specifically reserved $28.0 million.

Average nonaccrual loans for the years ended December 31, 2018, 2017, 2016, 2015 and 2014 were $117.1 million, $123.8 million, $108.7 million, $80.3 million, and $24.5 million, respectively. The decrease in average nonaccrual loans was attributable to the decrease in nonaccrual loans from our software/internet and hardware loan portfolio related to charge-offs and paydowns for the three clients mentioned above. If the nonaccrual loans for the years ended December 31, 2018, 2017, 2016, 2015 and 2014 had not been nonperforming, $7.4 million, $7.7 million, $4.6 million, $4.5 million, and $1.2 million, respectively, in interest income would have been recorded.

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Accrued Interest Receivable and Other Assets

A summary of accrued interest receivable and other assets at December 31, 2018 and 2017 is as follows:

	December 31,		
(Dollars in thousands)	2018	2017	% Change
Derivative assets (1)	$258,139	$232,152	11.2 %
Foreign exchange spot contract assets, gross	152,268	208,738	(27.1)
Accrued interest receivable	197,927	141,773	39.6
Net deferred tax assets	65,433	63,845	2.5
FHLB and Federal Reserve Bank stock	58,878	60,020	(1.9)
Accounts receivable	55,807	55,946	(0.2)
Other assets	162,809	113,772	43.1
Total accrued interest receivable and other assets	$951,261	$876,246	8.6

(1) See "Derivatives" section below.

Foreign Exchange Spot Contract Assets

The decrease of $56.5 million in foreign exchange spot contract assets was due to a lower number of unsettled client trades at December 31, 2018 as compared to December 31, 2017.

Accrued Interest Receivable

The increase of $56.2 million in accrued interest receivable was primarily reflective of the strong growth of our loans. Period-end loan balances were $28.3 billion, an increase of $5.2 billion, or 22.6 percent, as compared to December 31, 2017.

Other Assets

Other assets includes various asset amounts for other operational transactions. The increase of $49.0 million was primarily due to a $24.7 million increase in current tax receivable due to the payment in excess of the current quarter's tax provision. Prepaid assets also increased $18.1 million primarily due to the annual timing of prepaid software agreement renewals.

Derivatives

Derivative instruments are recorded as a component of other assets and other liabilities on the balance sheet. The following table provides a summary of derivative assets and liabilities at December 31, 2018 and 2017:

	December 31,		
(Dollars in thousands)	2018	2017	% Change
Assets:			
Equity warrant assets	$149,238	$123,763	20.6 %
Foreign exchange forward and option contracts	100,402	96,636	3.9
Client interest rate derivatives	8,499	11,753	(27.7)
Total derivatives assets	$258,139	$232,152	11.2
Liabilities:			
Foreign exchange forward and option contracts	$88,559	$96,641	(8.4)
Client interest rate derivatives	9,491	11,940	(20.5)
Total derivatives liabilities	$98,050	$108,581	(9.7)

Equity Warrant Assets

In connection with negotiating credit facilities and certain other services, we often obtain rights to acquire stock in the form of equity warrant assets in primarily private, venture-backed companies in the technology and life science/healthcare industries. At December 31, 2018, we held warrants in 2,095 companies, compared to 1,868 companies at December 31, 2017. Warrants in 18 companies each had values greater than $1.0 million and collectively represented $46.9 million, or 31.4 percent, of the fair value of the total warrant portfolio. The change in fair value of equity warrant assets is recorded in gains on equity

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warrant assets, net, in noninterest income, a component of consolidated net income. The following table provides a summary of transactions and valuation changes for the years ended December 31, 2018 and 2017:

	Year ended December 31,	
(Dollars in thousands)	2018	2017
Balance, beginning of period	$123,763	$131,123
New equity warrant assets	18,021	15,201
Non-cash increases in fair value	36,920	10,702
Exercised equity warrant assets	(23,502)	(28,841)
Terminated equity warrant assets	(5,964)	(4,422)
Balance, end of period	$149,238	$123,763

Foreign Exchange Forward and Foreign Currency Option Contracts

We enter into foreign exchange forward contracts and foreign currency option contracts with clients involved in foreign activities, either as the purchaser or seller, depending upon the clients' need. For each forward or option contract entered into with our clients, we enter into an opposite way forward or option contract with a correspondent bank, which mitigates the risk of fluctuations in currency rates. We also enter into forward contracts with correspondent banks to economically reduce our foreign exchange exposure related to certain foreign currency denominated instruments. Net gains and losses on the revaluation of foreign currency denominated instruments are recorded in the line item "Other" as part of noninterest income, a component of consolidated net income. We have not experienced nonperformance by any of our counterparties and therefore have not incurred any related losses. Further, we anticipate performance by all counterparties. Our net exposure for foreign exchange forward and foreign currency option contracts, net of cash collateral, was $20.7 million at December 31, 2018 and $65.6 million at December 31, 2017. For additional information on our foreign exchange forward contracts and foreign currency option contracts, see Note 13—“Derivative Financial Instruments” of the “Notes to the Consolidated Financial Statements” under Part II, Item 8 of this report.

Client Interest Rate Derivatives

We sell interest rate contracts to clients who wish to mitigate their interest rate exposure. We economically reduce the interest rate risk from this business by entering into opposite way contracts with correspondent banks. Our net exposure for client interest rate derivative contracts, net of cash collateral, was $8.7 million at December 31, 2018 and $11.7 million at December 31, 2017. For information on our client interest rate derivatives, refer to Note 13—“Derivative Financial Instruments” of the “Notes to the Consolidated Financial Statements” under Part II, Item 8 of this report.

Deposits

The following table presents the composition of our deposits as of December 31, 2018,