

SVB FINANCIAL GROUP

Form 10-Q

August 07, 2017

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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2017

OR

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_.

Commission File Number: 000-15637

SVB FINANCIAL GROUP

(Exact name of registrant as specified in its charter)

Delaware

91-1962278

(State or other jurisdiction of (I.R.S. Employer  
incorporation or organization) Identification No.)

3003 Tasman Drive, Santa Clara, California 95054-1191

(Address of principal executive offices) (Zip Code)

(408) 654-7400

(Registrant's telephone number, including area code)

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

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

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

Large accelerated filer ☐ Accelerated filer ☐

Non-accelerated filer ☒ (Do not check if a smaller reporting company)

Smaller reporting company ☐ Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

At July 31, 2017, 52,693,155 shares of the registrant's common stock (\$0.001 par value) were outstanding.



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Glossary of Acronyms that may be used in this Report

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

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## PART I - FINANCIAL INFORMATION

## ITEM 1. INTERIM CONSOLIDATED FINANCIAL STATEMENTS

## SVB FINANCIAL GROUP AND SUBSIDIARIES

## INTERIM CONSOLIDATED BALANCE SHEETS (UNAUDITED)

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

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

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SVB FINANCIAL GROUP AND SUBSIDIARIES

INTERIM CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

	Three months ended June 30,		Six months ended June 30,	
(Dollars in thousands, except per share amounts)	2017	2016	2017	2016
Interest income:				
Loans	\$250,197	\$205,287	\$477,538	\$403,229
Investment securities:				
Taxable	95,522	86,603		