SVB FINANCIAL GROUP
Form 10-Q
May 11, 2015
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2015
OR

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

For the transition period from to .
Commission File Number: 000-15637
SVB FINANCIAL GROUP
(Exact name of registrant as specified in its charter)

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

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

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

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

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

Large accelerated filer x Accelerated filer ¨ Non-accelerated filer ¨ Smaller reporting company ¨

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

At April 30, 2015, 51,240,105 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

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

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

(Dollars in thousands, except par value and share data)	March 31, 2015 (Unaudited)	December 31, 2014
Assets		
Cash and cash equivalents	$1,308,003	$1,796,062
Available-for-sale securities, at fair value (cost of $13,619,702 and $13,497,945, respectively)	13,746,923	13,540,655
Held-to-maturity securities, at cost (fair value of $7,869,653 and $7,415,656, respectively)	7,816,797	7,421,042
Non-marketable and other securities (1)	1,706,873	1,728,140
Total investment securities	23,270,593	22,689,837
Loans, net of unearned income	14,439,574	14,384,276
Allowance for loan losses	(167,875)	(165,359)
Net loans	14,271,699	14,218,917
Premises and equipment, net of accumulated depreciation and amortization	82,724	79,845
Accrued interest receivable and other assets (1)	762,971	555,289
Total assets	$39,695,990	$39,339,950
Liabilities and total equity		
Liabilities:		
Noninterest-bearing demand deposits	$25,716,586	$24,583,682
Interest-bearing deposits	8,134,989	9,759,817
Total deposits	33,851,575	34,343,499
Short-term borrowings	77,766	7,781
Other liabilities	686,501	483,493
Long-term debt	802,917	453,443
Total liabilities	35,418,759	35,288,216
Commitments and contingencies (Note 12 and Note 15)		
SVBFG stockholders’ equity:		
Preferred stock, $0.001 par value, 20,000,000 shares authorized; no shares issued and outstanding	—	—
Common stock, $0.001 par value, 150,000,000 shares authorized; 51,095,341 shares and 50,924,925 shares outstanding, respectively	51	51
Additional paid-in capital	1,140,435	1,120,350
Retained earnings (1)	1,738,483	1,649,967
Accumulated other comprehensive income	92,668	42,704
Total SVBFG stockholders’ equity	2,971,637	2,813,072
Noncontrolling interests	1,305,594	1,238,662
Total equity	4,277,231	4,051,734
Total liabilities and total equity	$39,695,990	$39,339,950

(1) Prior period amounts have been revised to reflect the retrospective application of new accounting guidance adopted in the first quarter of 2015 related to our investments in qualified affordable housing projects (ASU 2014-01). See Note 1 - "Basis of Presentation" of the "Notes to Interim Consolidated Financial Statements" under Part I, Item 1 in

this report.

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

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

	Three months ended March 31,	
(Dollars in thousands, except per share amounts)	2015	2014
Interest income:		
Loans	$165,458	$148,172
Investment securities:		
Taxable	81,274	54,420
Non-taxable	772	796
Federal funds sold, securities purchased under agreements to resell and other short-term investment securities	1,285	1,636
Total interest income	248,789	205,024
Interest expense:		
Deposits	1,943	2,904
Borrowings	7,956	5,792
Total interest expense	9,899	8,696
Net interest income	238,890	196,328
Provision for loan losses	6,452	494
Net interest income after provision for loan losses	232,438	195,834
Noninterest income:		
Gains on investment securities, net	83,159	223,912
Gains on derivative instruments, net	39,729	24,167
Foreign exchange fees	17,678	17,196
Credit card fees	12,090	10,282
Deposit service charges	10,736	9,607
Lending related fees	8,022	6,303
Letters of credit and standby letters of credit fees	5,202	4,140
Client investment fees	4,482	3,418
Other	(9,080)	11,200
Total noninterest income	172,018	310,225
Noninterest expense:		
Compensation and benefits	115,770	102,507
Professional services	24,185	21,189
Premises and equipment	12,657	11,582
Business development and travel	11,112	10,194
Net occupancy	7,313	7,320
FDIC and state assessments	5,789	4,128
Correspondent bank fees	3,421	3,203
Provision for unfunded credit commitments	2,263	1,123
Other (1)	13,598	9,162
Total noninterest expense (1)	196,108	170,408
Income before income tax expense (1)	208,348	335,651
Income tax expense (1)	63,066	61,296
Net income before noncontrolling interests (1)	145,282	274,355
Net income attributable to noncontrolling interests	(56,766)	(183,405)
Net income available to common stockholders (1)	$88,516	$90,950
Earnings per common share—basic (1)	$1.74	$1.98

Earnings per common share—diluted	1.71	1.95

(1) Prior period amounts have been revised to reflect the retrospective application of new accounting guidance adopted in the first quarter of 2015 related to our investments in qualified affordable housing projects (ASU 2014-01). See Note 1 - "Basis of Presentation" of the "Notes to Interim Consolidated Financial Statements" under Part I, Item 1 in this report.

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

	Three months ended March 31,	
(Dollars in thousands)	2015	2014
Net income before noncontrolling interests (1)	$145,282	$274,355
Other comprehensive income, net of tax:		
Change in cumulative translation gains:		
Foreign currency translation gains	2,129	1,464
Related tax expense	(820)	(578)
Change in unrealized gains on available-for-sale securities:		
Unrealized holding gains	87,107	29,329
Related tax expense	(35,215)	(11,805)
Reclassification adjustment for gains included in net income	(2,596)	(60)
Related tax expense	1,048	24
Amortization of unrealized gains on securities transferred from available-for-sale to held-to-maturity	(2,828)	—
Related tax benefit	1,139	—
Other comprehensive income, net of tax	49,964	18,374
Comprehensive income	195,246	292,729
Comprehensive income attributable to noncontrolling interests	(56,766)	(183,405)
Comprehensive income attributable to SVBFG	$138,480	$109,324

(1) Prior period amounts have been revised to reflect the retrospective application of new accounting guidance adopted in the first quarter of 2015 related to our investments in qualified affordable housing projects (ASU 2014-01). See Note 1 - "Basis of Presentation" of the "Notes to Interim Consolidated Financial Statements" under Part I, Item 1 in this report.

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

(Dollars in thousands)	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total SVBFG Stockholders' Equity	Noncontrolling Interests	Total Equity
Balance at December 31, 2013 (As Reported)	45,800,418	$46	$624,256	$1,390,732	$(48,764)	$1,966,270	$1,113,058	$3,079,328
Cumulative effective of adopting ASU 2014-01 (1)	—	—	—	(4,635)	—	(4,635)	—	(4,635)
Balance at December 31, 2013 (As Revised)	45,800,418	$46	$624,256	$1,386,097	$(48,764)	$1,961,635	$1,113,058	$3,074,693
Common stock issued under employee benefit plans, net of restricted stock cancellations	103,341	—	4,254	—	—	4,254	—	4,254
Common stock issued under ESOP	30,762	—	3,890	—	—	3,890	—	3,890
Income tax benefit from stock options exercised, vesting of restricted stock and other	—	—	1,996	—	—	1,996	—	1,996
Net income (1)	—	—	—	90,950	—	90,950	183,405	274,355
Capital calls and distributions, net	—	—	—	—	—	—	(23,482)	(23,482)
Net change in unrealized gains and losses on available-for-sale securities, net of tax	—	—	—	—	17,488	17,488	—	17,488
Foreign currency translation adjustments, net of tax	—	—	—	—	886	886	—	886
Share-based compensation expense	—	—	7,892	—	—	7,892	—	7,892
Other, net	—	—	23	—	—	23	—	23
Balance at March 31, 2014 (1)	45,934,521	$46	$642,311	$1,477,047	$(30,390)	$2,089,014	$1,272,981	$3,361,995
Balance at December 31, 2014 (1)	50,924,925	$51	$1,120,350	$1,649,967	$42,704	$2,813,072	$1,238,662	$4,051,734
Common stock issued under employee benefit plans, net of	142,991	—	6,595	—	—	6,595	—	6,595

restricted stock cancellations								
Common stock issued under ESOP	27,425	—	3,512	—	—	3,512	—	3,512
Income tax benefit from stock options exercised, vesting of restricted stock and other	—	—	2,514	—	—	2,514	—	2,514
Net income	—	—	—	88,516	—	88,516	56,766	145,282
Capital calls and distributions, net	—	—	—	—	—	—	10,166	10,166
Net change in unrealized gains and losses on available-for-sale securities, net of tax	—	—	—	—	50,344	50,344	—	50,344
Amortization of unrealized gains on securities transferred from available-for-sale to held-to-maturity, net of tax	—	—	—	—	(1,689)	(1,689)	—	(1,689)
Foreign currency translation adjustments, net of tax	—	—	—	—	1,309	1,309	—	1,309
Share-based compensation expense	—	—	7,464	—	—	7,464	—	7,464
Balance at March 31, 2015	51,095,341	$51	$1,140,435	$1,738,483	$92,668	$2,971,637	$1,305,594	$4,277,231

(1) Prior period amounts have been revised to reflect the retrospective application of new accounting guidance adopted in the first quarter of 2015 related to our investments in qualified affordable housing projects (ASU 2014-01). See Note 1 - "Basis of Presentation" of the "Notes to Interim Consolidated Financial Statements" under Part I, Item 1 in this report.

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

(Dollars in thousands)	Three months ended March 31, 2015	2014
Cash flows from operating activities:		
Net income before noncontrolling interests (1)	$145,282	$274,355
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	6,452	494
Provision for unfunded credit commitments	2,263	1,123
Changes in fair values of derivatives, net	(20,404)	13,356
Gains on investment securities, net	(83,159)	(223,912)
Depreciation and amortization	9,892	9,765
Amortization of premiums and discounts on investment securities, net	6,418	7,541
Amortization of share-based compensation	7,771	7,078
Amortization of deferred loan fees	(21,169)	(20,502)
Pre-tax net gain on SVBIF sale transaction	(887)	—
Deferred income tax benefit	1,311	15,828
Changes in other assets and liabilities:		
Accrued interest receivable and payable, net	772	(6,604)
Accounts receivable and payable, net	(4,015)	(7,885)
Income tax payable and receivable, net (1)	9,283	25,159
Accrued compensation	(74,614)	(74,687)
Foreign exchange spot contracts, net	33,934	22,634
Other, net	28,486	6,247
Net cash provided by operating activities	47,616	49,990
Cash flows from investing activities:		
Purchases of available-for-sale securities	(552,573)	(1,531,045)
Proceeds from sales of available-for-sale securities	5,612	2,097
Proceeds from maturities and pay downs of available-for-sale securities	424,713	694,243
Purchases of held-to-maturity securities	(739,291)	—
Proceeds from maturities and pay downs of held-to-maturity securities	336,511	—
Purchases of non-marketable and other securities (cost and equity method accounting)	(7,304)	(9,824)
Proceeds from sales and distributions of non-marketable and other securities (cost and equity method accounting)	14,123	19,053
Purchases of non-marketable and other securities (fair value accounting)	(60,039)	(45,125)
Proceeds from sales and distributions of non-marketable and other securities (fair value accounting)	154,031	92,558
Net (increase) decrease in loans	(53,886)	66,086
Proceeds from recoveries of charged-off loans	1,551	1,312
Purchases of premises and equipment	(12,038)	(5,974)
Net cash used for investing activities	(488,590)	(716,619)
Cash flows from financing activities:		
Net (decrease) increase in deposits	(491,924)	3,003,926
Increase (decrease) in short-term borrowings	69,985	(270)
Net capital contributions from (distributions to) noncontrolling interests	10,166	(23,482)
Tax benefit from stock exercises	2,514	1,996
Proceeds from issuance of common stock, ESPP, and ESOP	10,107	8,144
Proceeds from issuance of 3.50% Senior Notes	346,431	—

Net cash (used for) provided by financing activities	(52,721)	2,990,314
Net (decrease) increase in cash and cash equivalents	(493,695)	2,323,685
Cash and cash equivalents at beginning of period (2)	1,811,014	1,538,779
Cash and cash equivalents at end of period (2)	$1,317,319	$3,862,464
Supplemental disclosures:		
Cash paid during the period for:		
Interest	$11,859	$12,688
Income taxes	46,599	15,486
Noncash items during the period:		
Changes in unrealized gains and losses on available-for-sale securities, net of tax	$50,344	$17,488

(1) Cash flows for the quarters ended March 31, 2015 and March 31, 2014 were revised to reflect the retrospective application of our adoption of ASU 2014-01.

(2) Cash and cash equivalents at March 31, 2015 and December 31, 2014 included $9.3 million and $15.0 million, respectively, recognized in assets held-for-sale in conjunction with the pending sale of SVBIF (refer to Note 7—"Disposal - Assets Held-for-Sale" of the "Notes to Interim Consolidated Financial Statements" under Part I, Item 1 of this report.

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

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SVB FINANCIAL GROUP AND SUBSIDIARIES
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of Presentation

SVB Financial Group is a diversified financial services company, as well as a bank holding company and financial holding company. SVB Financial was incorporated in the state of Delaware in March 1999. Through our various subsidiaries and divisions, we offer a variety of banking and financial products and services to support our clients of all sizes and stages throughout their life cycles. In these notes to our consolidated financial statements, when we refer to “SVB Financial Group,” “SVBFG”, the “Company,” “we,” “our,” “us” or use similar words, we mean SVB Financial Group all of its subsidiaries collectively, including Silicon Valley Bank (the “Bank”), unless the context requires otherwise. When we refer to “SVB Financial” or the “Parent” we are referring only to the parent company, SVB Financial Group, unless the context requires otherwise.

The accompanying unaudited interim consolidated financial statements reflect all adjustments of a normal and recurring nature that are, in the opinion of management, necessary to fairly present our financial position, results of operations and cash flows in accordance with GAAP. Such unaudited interim consolidated financial statements have been prepared in accordance with the instructions to Form 10-Q pursuant to the rules and regulations of the SEC. Certain information and footnote disclosures normally included in financial statements prepared in accordance with GAAP have been condensed or omitted pursuant to such rules and regulations. The results of operations for the three months ended March 31, 2015 are not necessarily indicative of results to be expected for any future periods. These unaudited interim consolidated financial statements should be read in conjunction with our Annual Report on Form 10-K for the year ended December 31, 2014 (“2014 Form 10-K”).

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

Principles of Consolidation and Presentation

Our consolidated financial statements include the accounts of SVB Financial Group and entities in which we have a controlling financial interest. We determine whether we have a controlling financial interest in an entity by evaluating whether the entity is a voting interest entity or a VIE and whether the applicable accounting guidance requires consolidation. All significant intercompany accounts and transactions have been eliminated.

Voting interest entities are entities that have sufficient equity and provide the equity investors voting rights that enable them to make significant decisions relating to the entity’s operations. For these types of entities, the Company’s determination of whether it has a controlling interest is based on ownership of the majority of the entities’ voting equity interest or through control of management of the entities.

VIEs are entities that, by design, either (1) lack sufficient equity to permit the entity to finance its activities without additional subordinated financial support from other parties, or (2) have equity investors that do not have the ability to make significant decisions relating to the entity’s operations through voting rights, or do not have the obligation to absorb the expected losses, or do not have the right to receive the residual returns of the entity. We determine whether we have a controlling financial interest in a VIE by considering whether our involvement with the VIE is significant and whether we are the primary beneficiary based on the following:

1. We have the power to direct the activities of the VIE that most significantly impact the entity’s economic performance;
2. The aggregate indirect and direct variable interests held by the Company have the obligation to absorb losses or the right to receive benefits from the entity that could be significant to the VIE; and,
3. Qualitative and quantitative factors regarding the nature, size, and form of our involvement with the VIE.

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

We have not provided financial or other support during the periods presented to any VIE that we were not previously contractually required to provide. We are variable interest holders in certain partnerships for which we are not the primary beneficiary. We perform on-going reassessments on the status of the entities and whether facts or circumstances have changed

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in relation to previously evaluated voting interest entities and our involvement in VIEs which could cause our consolidation conclusion to change.

Adoption of New Accounting Standards

In January 2014, the FASB issued a new accounting standard (ASU 2014-01, Investments - Equity Method and Joint Ventures (Topic 323), Accounting for Investments in Qualified Affordable Housing Projects), which is effective for us for interim and annual reporting periods beginning after December 15, 2014. The standard is required to be applied retrospectively, with an adjustment to retained earnings in the earliest period presented. The ASU will be applicable to our portfolio of low income housing tax credit ("LIHTC") partnership interests. We adopted this guidance in the first quarter of 2015.

For prior periods, pursuant to ASU 2014-01, (i) amortization expense related to our low income housing tax credits was reclassified from Other noninterest expense to Income tax expense, (ii) additional amortization, net of the associated tax benefits, was recognized in Income tax expense as a result of our adoption of the proportional amortization method and (iii) net deferred tax assets, related to our low income housing tax investments, were written-off. The cumulative effect to retained earnings as of January 1, 2015 of adopting this guidance was a reduction of $4.7 million, inclusive of a $4.6 million reduction to retained earnings as of January 1, 2014. Our previously reported net income for the first quarter of 2014 decreased $0.4 million. This reduction had no impact on first quarter 2014 diluted earnings per share.

Recent Accounting Pronouncements

In May 2014, the FASB issued a new accounting standard (ASU 2014-09, Revenue from Contracts with Customers (Topic 606)), which provides revenue recognition guidance that is intended to create greater consistency with respect to how and when revenue from contracts with customers is shown in the income statement. The guidance requires that revenue from contracts with customers be recognized upon delivery of a good or service based on the amount of consideration expected to be received, and requires additional disclosures about revenue. On April 29, 2015 the FASB issued an exposure draft to defer the effective date of Update 2014-09. If the FASB issues the proposed update, the guidance will be effective on a retrospective basis beginning on January 1, 2018. We do not expect the adoption of this guidance to have a material impact on our financial position, results of operations or stockholders' equity.

In August 2014, the FASB issued a new accounting standard (ASU 2014-15, Going Concern (Topic 205-40)), which requires management to evaluate for each annual and interim reporting period whether there is substantial doubt about an entity's ability to continue as a going concern. The guidance will be effective for annual and quarterly periods beginning on or after December 15, 2016, with early adoption permitted. We are currently developing processes and controls to adopt this guidance by the adoption deadline and do not expect the adoption of this guidance to have a material impact on our financial position, results of operations or stockholders' equity.

In February 2015, the FASB issued a new accounting standard (ASU 2015-02, Consolidation (Topic 810)), which amends the consolidation requirement for certain legal entities. The guidance will be effective for annual and quarterly periods beginning on January 1, 2016, with early adoption permitted. The standard may be applied using a modified retrospective approach by recording a cumulative-effect adjustment to equity as of the beginning of the fiscal year of adoption. We are currently assessing the impact this amendment is expected to have upon adoption.

In April 2015, the FASB issued a new accounting standard (ASU 2015-03, Interest- Imputation of Interest (Subtopic 835-30), which simplifies the presentation of debt issuance costs. The guidance will be effective for annual and quarterly periods beginning on January 1, 2016, with early adoption permitted. We do not expect the adoption of this guidance to have a material impact on our financial position.

Reclassifications

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

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2. Stockholders' Equity and EPS

Accumulated Other Comprehensive Income

The following table summarizes the items reclassified out of accumulated other comprehensive income into the Consolidated Statements of Income (unaudited) for the three months ended March 31, 2015 and 2014:

		Three months ended March 31,	
(Dollars in thousands)	Income Statement Location	2015	2014
Reclassification adjustment for gains included in net income	Gains on investment securities, net	$(2,596)	$(60)
Related tax expense	Income tax expense	1,048	24
Total reclassification adjustment for gains included in net income, net of tax		$(1,548)	$(36)

EPS

Basic EPS is the amount of earnings available to each share of common stock outstanding during the reporting period. Diluted EPS is the amount of earnings available to each share of common stock outstanding during the reporting period adjusted to include the effect of potentially dilutive common shares. Potentially dilutive common shares include incremental shares issued for stock options and restricted stock units outstanding under our equity incentive plans and our ESPP. Potentially dilutive common shares are excluded from the computation of dilutive EPS in periods in which the effect would be antidilutive. The following is a reconciliation of basic EPS to diluted EPS for the three months ended March 31, 2015 and 2014:

	Three months ended March 31,	
(Dollars and shares in thousands, except per share amounts)	2015	2014
Numerator:		
Net income available to common stockholders (1)	$88,516	$90,950
Denominator:		
Weighted average common shares outstanding-basic	51,009	45,866
Weighted average effect of dilutive securities:		
Stock options and ESPP	445	566
Restricted stock units	265	293
Denominator for diluted calculation	51,719	46,725
Earnings per common share:		
Basic (1)	$1.74	$1.98
Diluted	$1.71	$1.95

(1) Results for the quarter ended March 31, 2014 were restated to reflect the retrospective application of adopting new accounting guidance in 2015 related to our investments in qualified affordable housing projects (ASU 2014-01). See Note 1 of the Notes to Consolidated Financial Statements for additional information.

The following table summarizes the weighted-average common shares excluded from the diluted EPS calculation as they were deemed to be antidilutive for the three months ended March 31, 2015 and 2014:

	Three months ended March 31,	
(Shares in thousands)	2015	2014
Stock options	241	6
Restricted stock units	2	1
Total	243	7

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3. Share-Based Compensation

For the three months ended March 31, 2015 and 2014, we recorded share-based compensation and related tax benefits as follows:

	Three months ended March 31,	
(Dollars in thousands)	2015	2014
Share-based compensation expense	$7,771	$7,078
Income tax benefit related to share-based compensation expense	(2,638)	(2,160)

Unrecognized Compensation Expense

As of March 31, 2015, unrecognized share-based compensation expense was as follows:

(Dollars in thousands)	Unrecognized Expense	Average Expected Recognition Period - in Years
Stock options	$12,436	2.39
Restricted stock units	32,100	2.40
Total unrecognized share-based compensation expense	$44,536	

Share-Based Payment Award Activity

The table below provides stock option information related to the 2006 Equity Incentive Plan for the three months ended March 31, 2015:

	Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life in Years	Aggregate Intrinsic Value of In-The-Money Options
Outstanding at December 31, 2014	1,394,888	$66.03		
Granted	6,718	120.46		
Exercised	(140,880)	48.97		
Forfeited	(12,400)	82.72		
Outstanding at March 31, 2015	1,248,326	68.08	4.06	$ 73,596,215
Vested and expected to vest at March 31, 2015	1,213,499	67.45	4.01	72,313,282
Exercisable at March 31, 2015	554,601	51.32	2.84	41,996,945

The aggregate intrinsic value of outstanding options shown in the table above represents the pretax intrinsic value based on our closing stock price of $127.04 as of March 31, 2015. The total intrinsic value of options exercised during the three months ended March 31, 2015 was $10.2 million and $7.2 million for the comparable 2014 period.

The table below provides information for restricted stock units under the 2006 Equity Incentive Plan for the three months ended March 31, 2015:

	Shares	Weighted Average Grant Date Fair Value
Nonvested at December 31, 2014	614,666	$79.92
Granted	53,219	125.99
Vested	(4,613)	71.69
Forfeited	(9,994)	80.52
Nonvested at March 31, 2015	653,278	83.73

4. Cash and Cash Equivalents

The following table details our cash and cash equivalents at March 31, 2015 and December 31, 2014:

(Dollars in thousands)	March 31, 2015	December 31, 2014
Cash and due from banks (1)	$1,066,854	$1,694,329
Securities purchased under agreements to resell (2)	236,027	95,611
Other short-term investment securities	5,122	6,122
Total cash and cash equivalents	$1,308,003	$1,796,062

(1) At March 31, 2015 and December 31, 2014, $236 million and $861 million, respectively, of our cash and due from banks was deposited at the Federal Reserve Bank and was earning interest at the Federal Funds target rate, and interest-earning deposits in other financial institutions were $460 million and $440 million, respectively.

(2) At March 31, 2015 and December 31, 2014, securities purchased under agreements to resell were collateralized by U.S. Treasury securities and U.S. agency securities with aggregate fair values of $244 million and $98 million, respectively. None of these securities received as collateral were sold or pledged as of March 31, 2015 or December 31, 2014.

5. Investment Securities

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

Available-for-Sale Securities

The components of our available-for-sale investment securities portfolio at March 31, 2015 and December 31, 2014 are as follows:

	March 31, 2015			
(Dollars in thousands)	Amortized Cost	Unrealized Gains	Unrealized Losses	Carrying Value
Available-for-sale securities, at fair value:				
U.S. treasury securities	$7,842,942	$71,447	$(264)	$7,914,125
U.S. agency debentures	3,271,203	43,675	(1,214)	3,313,664
Residential mortgage-backed securities:				
Agency-issued collateralized mortgage obligations—fixed rate	1,769,610	15,005	(6,460)	1,778,155
Agency-issued collateralized mortgage obligations—variable rate	733,999	5,207	(3)	739,203
Equity securities	1,948	121	(293)	1,776
Total available-for-sale securities	$13,619,702	$135,455	$(8,234)	$13,746,923

	December 31, 2014			
(Dollars in thousands)	Amortized Cost	Unrealized Gains	Unrealized Losses	Carrying Value
Available-for-sale securities, at fair value:				
U.S. treasury securities	$7,289,135	$17,524	$(4,386)	$7,302,273
U.S. agency debentures	3,540,055	30,478	(8,977)	$3,561,556
Residential mortgage-backed securities:				
Agency-issued collateralized mortgage obligations—fixed rate	1,884,450	14,851	(14,458)	1,884,843
Agency-issued collateralized mortgage obligations—variable rate	779,103	5,372	—	784,475

Equity securities	5,202	2,628	(322)	7,508
Total available-for-sale securities	$13,497,945	$70,853	$(28,143)	$13,540,655

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The following table summarizes our unrealized losses on our available-for-sale securities portfolio into categories of less than 12 months and 12 months or longer as of March 31, 2015:

(Dollars in thousands)	March 31, 2015					
	Less than 12 months		12 months or longer		Total	
	Fair Value of Investments	Unrealized Losses	Fair Value of Investments	Unrealized Losses	Fair Value of Investments	Unrealized Losses
Available-for-sale securities:						
U.S. treasury securities	$176,467	$(264)	$—	$—	$176,467	$(264)
U.S. agency debentures	390,034	(1,214)	—	—	390,034	(1,214)
Residential mortgage-backed securities:						
Agency-issued mortgage-backed securities	—	—	—	—	—	—
Agency-issued collateralized mortgage obligations—fixed rate	244,285	(244)	428,635	(6,216)	672,920	(6,460)
Agency-issued collateralized mortgage obligations—variable rate	934	(3)	—	—	934	(3)
Equity securities	1,381	(293)	—	—	1,381	(293)
Total temporarily impaired securities: (1)	$813,101	$(2,018)	$428,635	$(6,216)	$1,241,736	$(8,234)

(1) As of March 31, 2015, we identified a total of 51 investments that were in unrealized loss positions, of which 17 investments totaling $428.6 million with unrealized losses of $6.2 million have been in an impaired position for a period of time greater than 12 months. As of March 31, 2015, we do not intend to sell any impaired fixed income investment securities prior to recovery of our adjusted cost basis, and it is more likely than not that we will not be required to sell any of our securities prior to recovery of our adjusted cost basis. Based on our analysis as of March 31, 2015, we deem all impairments to be temporary, and therefore changes in value for our temporarily impaired securities as of the same date are included in other comprehensive income. Market valuations and impairment analyses on assets in the available-for-sale securities portfolio are reviewed and monitored on a quarterly basis.

The following table summarizes our unrealized losses on our available-for-sale securities portfolio into categories of less than 12 months and 12 months or longer as of December 31, 2014:

(Dollars in thousands)	December 31, 2014					
	Less than 12 months		12 months or longer		Total	
	Fair Value of Investments	Unrealized Losses	Fair Value of Investments	Unrealized Losses	Fair Value of Investments	Unrealized Losses
Available-for-sale securities:						
U.S. treasury securities	$2,297,895	$(4,386)	$—	$—	$2,297,895	$(4,386)
U.S. agency debentures	249,266	(489)	507,385	(8,488)	756,651	(8,977)
Residential mortgage-backed securities:						
Agency-issued mortgage-backed securities	—	—	—	—	—	—
Agency-issued collateralized mortgage obligations—fixed rate	662,092	(3,104)	453,801	(11,354)	1,115,893	(14,458)
Equity securities	568	(322)	—	—	568	(322)
Total temporarily impaired securities:	$3,209,821	$(8,301)	$961,186	$(19,842)	$4,171,007	$(28,143)

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The following table summarizes the remaining contractual principal maturities and fully taxable equivalent yields on fixed income investment securities classified as available-for-sale as of March 31, 2015. 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, the expected maturity is the actual contractual maturity of the notes. Expected remaining maturities for certain U.S. agency debentures may occur earlier than their contractual maturities because the note issuers have the right to call outstanding amounts ahead of their contractual maturity. Expected maturities for mortgage-backed securities may differ significantly from their contractual maturities because mortgage borrowers have the right to prepay outstanding loan obligations with or without penalties. Mortgage-backed securities classified as available-for-sale typically have original contractual maturities from 10 to 30 years whereas expected average lives of these securities tend to be significantly shorter and vary based upon structure and prepayments in lower rate environments.

	March 31, 2015									
	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	$7,914,125	1.11%	$350,203	0.25%	$6,925,629	1.09%	$638,293	1.90%	$—	— %
U.S. agency debentures	3,313,664	1.65	835,499	1.80	2,055,046	1.44	423,119	2.36	—	—
Residential mortgage-backed securities:										
Agency-issued collateralized mortgage obligations - fixed rate	1,778,155	1.99	—	—	—	—	651,254	2.58	1,126,901	1.65
Agency-issued collateralized mortgage obligations - variable rate	739,203	0.71	—	—	—	—	—	—	739,203	0.71
Total	$13,745,147	1.33	$1,185,702	1.34	$8,980,675	1.17	$1,712,666	2.27	$1,866,104	1.28

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Held-to-Maturity Securities

The components of our held-to-maturity investment securities portfolio at March 31, 2015 and December 31, 2014 are as follows:

	March 31, 2015			
(Dollars in thousands)	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
Held-to-maturity securities, at cost:				
U.S. agency debentures (1)	$473,373	$8,700	$—	$482,073
Residential mortgage-backed securities:				
Agency-issued mortgage-backed securities	2,693,488	23,143	(501)	2,716,130
Agency-issued collateralized mortgage obligations—fixed rate	3,553,640	19,339	(6,328)	3,566,651
Agency-issued collateralized mortgage obligations—variable rate	124,195	337	(5)	124,527
Agency-issued commercial mortgage-backed securities	888,823	9,023	(498)	897,348
Municipal bonds and notes	83,278	126	(480)	82,924
Total held-to-maturity securities	$7,816,797	$60,668	$(7,812)	$7,869,653

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

	December 31, 2014			
(Dollars in thousands)	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
Held-to-maturity securities, at cost:				
U.S. agency debentures (1)	$405,899	$4,589	$(38)	$410,450
Residential mortgage-backed securities:				
Agency-issued mortgage-backed securities	2,799,923	5,789	(2,320)	2,803,392
Agency-issued collateralized mortgage obligations—fixed rate	3,185,109	4,521	(14,885)	3,174,745
Agency-issued collateralized mortgage obligations—variable rate	131,580	371	—	131,951
Agency-issued commercial mortgage-backed securities	814,589	1,026	(3,800)	811,815
Municipal bonds and notes	83,942	18	(657)	83,303
Total held-to-maturity securities	$7,421,042	$16,314	$(21,700)	$7,415,656

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

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

(Dollars in thousands)	March 31, 2015					
	Less than 12 months		12 months or longer		Total	
	Fair Value of Investments	Unrealized Losses	Fair Value of Investments	Unrealized Losses	Fair Value of Investments	Unrealized Losses
Held-to-maturity securities:						
Residential mortgage-backed securities:						
Agency-issued mortgage-backed securities	$52,761	$(501)	$—	$—	$52,761	$(501)
Agency-issued collateralized mortgage obligations—fixed rate	622,767	(6,328)	—	—	622,767	(6,328)
Agency-issued collateralized mortgage obligations—variable rate	8,660	(5)	—	—	8,660	(5)
Agency-issued commercial mortgage-backed securities	164,668	(498)	—	—	164,668	(498)
Municipal bonds and notes	48,864	(480)	—	—	48,864	(480)
Total temporarily impaired securities (1):	$897,720	$(7,812)	$—	$—	$897,720	$(7,812)

(1) As of March 31, 2015, we identified a total of 120 investments that were in unrealized loss positions, none of which have been in an impaired position for a period of time greater than 12 months. As of March 31, 2015, we do not intend to sell any impaired fixed income investment securities prior to recovery of our adjusted cost basis, and it is more likely than not that we will not be required to sell any of our securities prior to recovery of our adjusted cost basis, which is consistent with our classification of these securities. Based on our analysis as of March 31, 2015, we deem all impairments to be temporary. Market valuations and impairment analyses on assets in the held-to-maturity securities portfolio are reviewed and monitored on a quarterly basis.

The following table summarizes our unrealized losses on our held-to-maturity securities portfolio into categories of less than 12 months and 12 months or longer as of December 31, 2014:

(Dollars in thousands)	December 31, 2014					
	Less than 12 months		12 months or longer (1)		Total	
	Fair Value of Investments	Unrealized Losses	Fair Value of Investments	Unrealized Losses	Fair Value of Investments	Unrealized Losses
Held-to-maturity securities:						
U.S. agency debentures	$48,335	$(38)	$—	$—	$48,335	$(38)
Residential mortgage-backed securities:						
Agency-issued mortgage-backed securities	999,230	(2,320)	—	—	999,230	(2,320)
Agency-issued collateralized mortgage obligations—fixed rate	1,682,348	(9,705)	783,558	(5,180)	2,465,906	(14,885)
Agency-issued commercial mortgage-backed securities	629,840	(3,800)	—	—	629,840	(3,800)
Municipal bonds and notes	79,141	(657)	—	—	79,141	(657)
Total temporarily impaired securities:	$3,438,894	$(16,520)	$783,558	$(5,180)	$4,222,452	$(21,700)

(1) Represents securities in an unrealized loss position for twelve months or longer in which the amortized cost basis was re-set for those securities re-designated from AFS to HTM effective June 1, 2014.

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The following table summarizes the remaining contractual principal maturities and fully taxable equivalent yields on fixed income investment securities classified as held-to-maturity as of March 31, 2015. Interest income on certain municipal bonds and notes (non-taxable investments) are presented on a fully taxable equivalent basis using the federal statutory tax rate of 35%. The weighted average yield is computed using the amortized cost of fixed income investment securities, which are reported at fair value. 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 held-to-maturity typically have original contractual maturities from 10 to 30 years whereas expected average lives of these securities tend to be significantly shorter and vary based upon structure and prepayments in lower rate environments.

	March 31, 2015									
	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	$473,373	2.69 %	$—	— %	$—	— %	$473,373	2.69 %	$—	— %
Residential mortgage-backed securities:										
Agency-issued mortgage-backed securities	2,693,488	2.42	—	—	42,382	2.38	794,716	2.23	1,856,390	2.51
Agency-issued collateralized mortgage obligations - fixed rate	3,553,640	1.65	—	—	—	—	—	—	3,553,640	1.65
Agency-issued collateralized mortgage obligations - variable rate	124,195	0.65	—	—	—	—	—	—	124,195	0.65
Agency-issued commercial mortgage-backed securities	888,823	2.16	—	—	—	—	—	—	888,823	2.16
Municipal bonds and notes	83,278	6.00	3,442	5.39	33,261	5.87	40,081	6.11	6,494	6.34
Total	$7,816,797	2.07	$3,442	5.39	$75,643	3.91	$1,308,170	2.52	$6,429,542	1.95

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Non-marketable and Other Securities

The components of our non-marketable and other investment securities portfolio at March 31, 2015 and December 31, 2014 are as follows:

(Dollars in thousands)	March 31, 2015	December 31, 2014
Non-marketable and other securities:		
Non-marketable securities (fair value accounting):		
Venture capital and private equity fund investments (1)	$1,195,303	$1,130,882
Other venture capital investments (2)	78,850	71,204
Other securities (fair value accounting) (3)	11,936	108,251
Non-marketable securities (equity method accounting):		
Other investments (4)	145,942	142,674
Non-marketable securities (cost method accounting):		
Venture capital and private equity fund investments (5)	134,575	140,551
Other investments (6)	14,910	13,423
Investments in qualified affordable housing projects (6)	125,357	121,155
Total non-marketable and other securities	$1,706,873	$1,728,140

(1) The following table shows the amounts of venture capital and private equity fund investments held by the following consolidated funds and our ownership percentage of each fund at March 31, 2015 and December 31, 2014 (fair value accounting):

	March 31, 2015		December 31, 2014	
(Dollars in thousands)	Amount	Ownership %	Amount	Ownership %
SVB Strategic Investors Fund, LP	$23,953	12.6 %	$24,645	12.6 %
SVB Strategic Investors Fund II, LP	89,219	8.6	97,250	8.6
SVB Strategic Investors Fund III, LP	257,539	5.9	269,821	5.9
SVB Strategic Investors Fund IV, LP	297,752	5.0	291,291	5.0
Strategic Investors Fund V Funds	260,292	Various	226,111	Various
Strategic Investors Fund VI Funds	127,721	—	89,605	—
Strategic Investors Fund VII Funds	2,212	—	—	—
SVB Capital Preferred Return Fund, LP	64,417	20.0	62,110	20.0
SVB Capital—NT Growth Partners, LP	64,078	33.0	61,973	33.0
SVB Capital Partners II, LP (i)	346	5.1	302	5.1
Other private equity fund (ii)	7,774	58.2	7,774	58.2
Total venture capital and private equity fund investments	$1,195,303		$1,130,882	

(i) At March 31, 2015, we had a direct ownership interest of 1.3 percent and an indirect ownership interest of 3.8 percent in the fund through our ownership interest of SVB Strategic Investors Fund II, LP.

(ii) At March 31, 2015, we had a direct ownership interest of 41.5 percent and indirect ownership interests of 12.6 percent and 4.1 percent in the fund through our ownership interest of SVB Capital—NT Growth Partners, LP and SVB Capital Preferred Return Fund, LP, respectively.

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(2) The following table shows the amounts of other venture capital investments held by the following consolidated funds and our ownership percentage of each fund at March 31, 2015 and December 31, 2014 (fair value accounting):

	March 31, 2015		December 31, 2014	
(Dollars in thousands)	Amount	Ownership %	Amount	Ownership %
Silicon Valley BancVentures, LP	$3,390	10.7 %	$3,291	10.7 %
SVB Capital Partners II, LP (i)	27,215	5.1	20,481	5.1
Capital Partners III, LP	41,055	—	41,055	—
SVB Capital Shanghai Yangpu Venture Capital Fund	7,190	6.8	6,377	6.8
Total other venture capital investments	$78,850		$71,204	

(i) At March 31, 2015, we had a direct ownership interest of 1.3 percent and an indirect ownership interest of 3.8 percent in the fund through our ownership of SVB Strategic Investors Fund II, LP.

(3) Investments classified as other securities (fair value accounting) represent direct equity investments in public companies held by our consolidated funds. At December 31, 2014, the amount primarily included total unrealized gains in one public company, FireEye, Inc. ("FireEye"). During the first quarter of 2015, our managed direct venture funds distributed the remaining 2.5 million shares of FireEye common stock to their respective investors (including the Company), resulting in $15.9 million of realized gains on investment securities ($3.3 million net of noncontrolling interests but inclusive of the Company's carried interests). As of March 31, 2015, we no longer hold any shares of FireEye common stock, either directly or through our managed direct venture funds.

(4) The following table shows the carrying value and our ownership percentage of each investment at March 31, 2015 and December 31, 2014 (equity method accounting):

	March 31, 2015		December 31, 2014	
(Dollars in thousands)	Amount	Ownership %	Amount	Ownership %
Gold Hill Capital 2008, LP (i)	$22,040	15.5 %	$21,294	15.5 %
China Joint Venture investment	79,695	50.0	79,569	50.0
Other investments	44,207	Various	41,811	Various
Total other investments (equity method accounting)	$145,942		$142,674	

(i) At March 31, 2015, we had a direct ownership interest of 11.5 percent in the fund and an indirect interest in the fund through our investment in Gold Hill Capital 2008, LLC of 4.0 percent.

(5) Represents investments in 277 and 281 funds (primarily venture capital funds) at March 31, 2015 and December 31, 2014, respectively, where our ownership interest is typically less than 5% of the voting interests of each such fund and in which we do not have the ability to exercise significant influence over the partnerships operating activities and financial policies. The carrying value, and estimated fair value, of these venture capital and private equity fund investments (cost method accounting) was $135 million, and $238 million, respectively, as of March 31, 2015. The carrying value, and estimated fair value, of these venture capital and private equity fund investments (cost method accounting) was $141 million and $234 million, respectively, as of December 31, 2014.

(6) Prior period amounts have been revised to reflect the retrospective application of new accounting guidance adopted in the first quarter of 2015 related to our investments in qualified affordable housing projects (ASU 2014-01). See Note 1 - "Basis of Presentation" of the "Notes to Interim Consolidated Financial Statements" under Part I, Item 1 in this report.

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The following table presents the components of gains and losses (realized and unrealized) on investment securities for the three months ended March 31, 2015 and 2014:

	Three months ended March 31,	
(Dollars in thousands)	2015	2014
Gross gains on investment securities:		
Available-for-sale securities, at fair value (1)	$2,690	$373
Non-marketable securities (fair value accounting):		
Venture capital and private equity fund investments	58,489	111,436
Other venture capital investments	6,450	2,582
Other securities (fair value accounting)	19,601	116,750
Non-marketable securities (equity method accounting):		
Other investments	4,188	3,642
Non-marketable securities (cost method accounting):		
Venture capital and private equity fund investments	4,833	3,303
Other investments	358	134
Total gross gains on investment securities	96,609	238,220
Gross losses on investment securities:		
Available-for-sale securities, at fair value (1)	(94)	(313)
Non-marketable securities (fair value accounting):		
Venture capital and private equity fund investments	(11,635)	(101)
Other venture capital investments	—	(744)
Other securities (fair value accounting)	(994)	(12,773)
Non-marketable securities (equity method accounting):		
Other investments	(588)	(212)
Non-marketable securities (cost method accounting):		
Venture capital and private equity fund investments (2)	(134)	(156)
Other investments	(5)	(9)
Total gross losses on investment securities	(13,450)	(14,308)
Gains on investment securities, net	$83,159	$223,912

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

(2) For the three months ended March 31, 2015 and 2014, includes OTTI losses of $0.1 million from the declines in value for 9 of the 277 investments and $0.1 million from the declines in value for 7 of the 282 investments, respectively. We concluded that any declines in value for the remaining investments were temporary, and as such, no OTTI was required to be recognized.

6. Loans and Allowance for Loan Losses

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 and internet (such as infrastructure software, applications, software services, digital content and advertising technology), and energy and resource innovation ("ERI"). Because of the diverse nature of ERI products and services, for our loan-related reporting purposes, ERI-related loans are reported under hardware and software, as applicable. Our life science & healthcare clients primarily tend to be in the industries of biotechnology, medical devices, healthcare information technology and healthcare services. Loans made to private equity/venture capital firm clients typically enable them to fund investments prior to their receipt of funds from capital calls. Loans to the premium wine industry focus on vineyards and wineries that produce grapes and wines of high quality.

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

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We also provide community development loans made as part of our responsibilities under the Community Reinvestment Act. These loans are included within "Construction loans" below and are primarily secured by real estate. The composition of loans, net of unearned income of $107 million and $104 million at March 31, 2015 and December 31, 2014, respectively, is presented in the following table:

(Dollars in thousands)	March 31, 2015	December 31, 2014
Commercial loans:		
Software and internet	$4,871,574	$4,954,676
Hardware	1,067,386	1,131,006
Private equity/venture capital	4,508,670	4,582,906
Life science & healthcare	1,399,449	1,289,904
Premium wine	186,070	187,568
Other	289,010	234,551
Total commercial loans	12,322,159	12,380,611
Real estate secured loans:		
Premium wine (1)	613,114	606,753
Consumer loans (2)	1,209,153	1,118,115
Other	39,422	39,651
Total real estate secured loans	1,861,689	1,764,519
Construction loans	85,684	78,626
Consumer loans	170,042	160,520
Total loans, net of unearned income (3)	$14,439,574	$14,384,276

(1) Included in our premium wine portfolio are gross construction loans of $108 million and $112 million at March 31, 2015 and December 31, 2014, respectively.

(2) Consumer loans secured by real estate at March 31, 2015 and December 31, 2014 were comprised of the following:

(Dollars in thousands)	March 31, 2015	December 31, 2014
Loans for personal residence	$1,001,125	$918,629
Loans to eligible employees	139,761	133,568
Home equity lines of credit	68,267	65,918
Consumer loans secured by real estate	$1,209,153	$1,118,115

(3) Included within our total loan portfolio are credit card loans of $154 million and $131 million at March 31, 2015 and December 31, 2014, respectively.

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Credit Quality

The composition of loans, net of unearned income of $107 million and $104 million at March 31, 2015 and December 31, 2014, respectively, broken out by portfolio segment and class of financing receivable, is as follows:

(Dollars in thousands)	March 31, 2015	December 31, 2014
Commercial loans:		
Software and internet	$4,871,574	$4,954,676
Hardware	1,067,386	1,131,006
Private equity/venture capital	4,508,670	4,582,906
Life science & healthcare	1,399,449	1,289,904
Premium wine	799,184	794,321
Other	414,116	352,828
Total commercial loans	13,060,379	13,105,641
Consumer loans:		
Real estate secured loans	1,209,153	1,118,115
Other consumer loans	170,042	160,520
Total consumer loans	1,379,195	1,278,635
Total loans, net of unearned income	$14,439,574	$14,384,276

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The following table summarizes the aging of our gross loans, broken out by portfolio segment and class of financing receivable as of March 31, 2015 and December 31, 2014:

(Dollars in thousands)	30 - 59 Days Past Due	60 - 89 Days Past Due	Greater Than 90 Days Past Due	Total Past Due	Current	Loans Past Due 90 Days or More Still Accruing Interest
March 31, 2015:						
Commercial loans:						
Software and internet	$ 1,970	$ 162	$ 160	$ 2,292	$ 4,876,739	$ 160
Hardware	298	9,219	—	9,517	1,066,598	—
Private equity/venture capital	11,462	—	—	11,462	4,536,175	—
Life science & healthcare	3,768	—	1,689	5,457	1,405,856	1,689
Premium wine	—	—	—	—	800,197	—
Other	1,074	—	—	1,074	410,752	—
Total commercial loans	18,572	9,381	1,849	29,802	13,096,317	1,849
Consumer loans:						
Real estate secured loans	415	—	1,250	1,665	1,206,762	1,250
Other consumer loans	410	625	—	1,035	168,782	—
Total consumer loans	825	625	1,250	2,700	1,375,544	1,250
Total gross loans excluding impaired loans	19,397	10,006	3,099	32,502	14,471,861	3,099
Impaired loans	313	5,855	21,920	28,088	14,294	—
Total gross loans	$ 19,710	$ 15,861	$ 25,019	$ 60,590	$ 14,486,155	$ 3,099
December 31, 2014:						
Commercial loans:						
Software and internet	$ 10,989	$ 1,627	$ 52	$ 12,668	$ 4,950,291	$ 52
Hardware	13,424	126	—	13,550	1,124,423	—
Private equity/venture capital	40,773	—	—	40,773	4,580,526	—
Life science & healthcare	738	786	—	1,524	1,298,728	—
Premium wine	—	—	—	—	795,345	—
Other	178	3	—	181	354,939	—
Total commercial loans	66,102	2,542	52	68,696	13,104,252	52
Consumer loans:						
Real estate secured loans	1,592	341	1,250	3,183	1,114,286	1,250
Other consumer loans	—	—	—	—	160,212	—
Total consumer loans	1,592	341	1,250	3,183	1,274,498	1,250
Total gross loans excluding impaired loans	67,694	2,883	1,302	71,879	14,378,750	1,302
Impaired loans	598	1,293	22,320	24,211	13,926	—
Total gross loans	$ 68,292	$ 4,176	$ 23,622	$ 96,090	$ 14,392,676	$ 1,302

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The following table summarizes our impaired loans as they relate to our allowance for loan losses, broken out by portfolio segment and class of financing receivable as of March 31, 2015 and December 31, 2014:

(Dollars in thousands)	Impaired loans for which there is a related allowance for loan losses	Impaired loans for which there is no related allowance for loan losses	Total carrying value of impaired loans	Total unpaid principal of impaired loans
March 31, 2015:				
Commercial loans:				
Software and internet	$ 34,716	$ —	$ 34,716	$ 35,027
Hardware	510	—	510	525
Private equity/venture capital	—	—	—	—
Life science & healthcare	250	—	250	2,453
Premium wine	—	1,270	1,270	1,734
Other	5,356	—	5,356	5,360
Total commercial loans	40,832	1,270	42,102	45,099
Consumer loans:				
Real estate secured loans	30	180	210	1,438
Other consumer loans	70	—	70	254
Total consumer loans	100	180	280	1,692
Total	$ 40,932	$ 1,450	$ 42,382	$ 46,791
December 31, 2014:				
Commercial loans:				
Software and internet	$ 33,287	$ —	$ 33,287	$ 34,218
Hardware	1,403	1,118	2,521	2,535
Private equity/venture capital	—	—	—	—
Life science & healthcare	475	—	475	2,453
Premium wine	—	1,304	1,304	1,743
Other	233	—	233	233
Total commercial loans	35,398	2,422	37,820	41,182
Consumer loans:				
Real estate secured loans	—	192	192	1,412
Other consumer loans	125	—	125	305
Total consumer loans	125	192	317	1,717
Total	$ 35,523	$ 2,614	$ 38,137	$ 42,899

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The following table summarizes our average impaired loans, broken out by portfolio segment and class of financing receivable for the three months ended March 31, 2015 and 2014:

	Three months ended March 31,	
(Dollars in thousands)	2015	2014
Average impaired loans:		
Commercial loans:		
Software and internet	$33,725	$14,677
Hardware	1,643	16,020
Life science & healthcare	400	1,022
Premium wine	1,282	1,433
Other	2,139	1,777
Total commercial loans	39,189	34,929
Consumer loans:		
Real estate secured loans	195	237
Other consumer loans	88	489
Total consumer loans	283	726
Total average impaired loans	$39,472	$35,655

The following tables summarize the activity relating to our allowance for loan losses for the three months ended March 31, 2015 and 2014, broken out by portfolio segment:

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

Three months ended March 31, 2014 (dollars in thousands)	Beginning Balance December 31, 2013	Charge-offs	Recoveries	Provision for (Reduction of) Loan Losses	Ending Balance March 31, 2014
Commercial loans:					
Software and internet	$64,084	$(8,010)	$114	$ (947)	$55,241
Hardware	36,553	(12,175)	775	83	25,236
Private equity/venture capital	16,385	—	—	1,291	17,676
Life science & healthcare	11,926	(681)	98	131	11,474
Premium wine	3,914	—	219	(396)	3,737
Other	3,680	(284)	—	645	4,041
Total commercial loans	136,542	(21,150)	1,206	807	117,405
Consumer loans	6,344	—	106	(313)	6,137
Total allowance for loan losses	$142,886	$(21,150)	$1,312	$ 494	$123,542

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The following table summarizes the allowance for loan losses individually and collectively evaluated for impairment as of March 31, 2015 and December 31, 2014, broken out by portfolio segment:

	March 31, 2015				December 31, 2014			
	Individually Evaluated for Impairment		Collectively Evaluated for Impairment		Individually Evaluated for Impairment		Collectively Evaluated for Impairment	
(Dollars in thousands)	Allowance for loan losses	Recorded investment in loans	Allowance for loan losses	Recorded investment in loans	Allowance for loan losses	Recorded investment in loans	Allowance for loan losses	Recorded investment in loans
Commercial loans:								
Software and internet	$20,942	$34,716	$61,150	$4,836,858	$13,695	$33,287	$67,286	$4,921,389
Hardware	12	510	21,246	1,066,876	1,133	2,521	24,727	1,128,485
Private equity/venture capital	—	—	30,837	4,508,670	—	—	27,997	4,582,906
Life science & healthcare	63	250	15,260	1,399,199	121	475	15,087	1,289,429
Premium wine	—	1,270	4,503	797,914	—	1,304	4,473	793,017
Other	2,705	5,356	3,446	408,760	71	233	3,182	352,595
Total commercial loans	23,722	42,102	136,442	13,018,277	15,020	37,820	142,752	13,067,821
Consumer loans	100	280	7,611	1,378,915	31	317	7,556	1,278,318
Total	$23,822	$42,382	$144,053	$14,397,192	$15,051	$38,137	$150,308	$14,346,139

Credit Quality Indicators

For each individual client, we establish an internal credit risk rating for that loan, which is used for assessing and monitoring credit risk as well as performance of the loan and the overall portfolio. Our internal credit risk ratings are also used to summarize the risk of loss due to failure by an individual borrower to repay the loan. For our internal credit risk ratings, each individual loan is given a risk rating of 1 through 10. Loans risk-rated 1 through 4 are performing loans and translate to an internal rating of “Pass”, with loans risk-rated 1 being cash secured. Loans risk-rated 5 through 7 are performing loans, however, we consider them as demonstrating higher risk, which requires more frequent review of the individual exposures; these translate to an internal rating of “Performing (Criticized)”. A majority of our Performing (Criticized) loans are from our SVB Accelerator practice, serving our emerging or early stage clients. Loans risk-rated 8 and 9 are loans that are considered to be impaired and are on nonaccrual status. (For further description of nonaccrual loans, refer to Note 2—“Summary of Significant Accounting Policies” under Part II, Item 8 of our 2014 Form 10-K). Loans rated 10 are charged-off and are not included as part of our loan portfolio balance. We review our credit quality indicators for performance and appropriateness of risk ratings as part of our evaluation process for our allowance for loan losses.

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The following table summarizes the credit quality indicators, broken out by portfolio segment and class of financing receivables as of March 31, 2015 and December 31, 2014:

(Dollars in thousands)	Pass	Performing (Criticized)	Impaired	Total
March 31, 2015:				
Commercial loans:				
Software and internet	$4,483,199	$395,832	$34,716	$4,913,747
Hardware	874,295	201,820	510	1,076,625
Private equity/venture capital	4,543,600	4,037	—	4,547,637
Life science & healthcare	1,282,275	129,038	250	1,411,563
Premium wine	780,710	19,487	1,270	801,467
Other	404,481	7,345	5,356	417,182
Total commercial loans	12,368,560	757,559	42,102	13,168,221
Consumer loans:				
Real estate secured loans	1,199,907	8,520	210	1,208,637
Other consumer loans	165,914	3,903	70	169,887
Total consumer loans	1,365,821	12,423	280	1,378,524
Total gross loans	$13,734,381	$769,982	$42,382	$14,546,745
December 31, 2014:				
Commercial loans:				
Software and internet	$4,611,253	$351,706	$33,287	$4,996,246
Hardware	945,998	191,975	2,521	1,140,494
Private equity/venture capital	4,615,231	6,068	—	4,621,299
Life science & healthcare	1,165,266	134,986	475	1,300,727
Premium wine	774,962	20,383	1,304	796,649
Other	346,153	8,967	233	355,353
Total commercial loans	12,458,863	714,085	37,820	13,210,768
Consumer loans:				
Real estate secured loans	1,112,396	5,073	192	1,117,661
Other consumer loans	158,162	2,050	125	160,337
Total consumer loans	1,270,558	7,123	317	1,277,998
Total gross loans	$13,729,421	$721,208	$38,137	$14,488,766

TDRs

As of March 31, 2015 we had nine TDRs with a total carrying value of $10.6 million where concessions have been granted to borrowers experiencing financial difficulties, in an attempt to maximize collection. There were unfunded commitments available for funding of $3.1 million to the clients associated with these TDRs as of March 31, 2015.
The following table summarizes our loans modified in TDRs, broken out by portfolio segment and class of financing receivables at March 31, 2015 and December 31, 2014:

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(Dollars in thousands)	March 31, 2015	December 31, 2014
Loans modified in TDRs:		
Commercial loans:		
Software and internet	$2,707	$3,784
Hardware	4,510	1,118
Premium wine	1,830	1,891
Other	191	233
Total commercial loans	9,238	7,026
Consumer loans:		
Other consumer loans	1,350	125
Total consumer loans	1,350	125
Total	$10,588	$7,151

The following table summarizes the recorded investment in loans modified in TDRs, broken out by portfolio segment and class of financing receivable, for modifications made during the three months ended March 31, 2015 and 2014:

	Three months ended March 31,	
(Dollars in thousands)	2015	2014
Loans modified in TDRs during the period:		
Commercial loans:		
Software and internet	$—	$9,737
Hardware	4,000	—
Premium wine	—	650
Other	—	1,746
Total commercial loans	4,000	12,133
Consumer loans:		
Real estate secured loans	1,280	—
Total consumer loans	1,280	—
Total loans modified in TDRs during the period (1)	$5,280	$12,133

(1) There were no partial charge-offs on loans classified as TDRs during the three months ended March 31, 2015 or March 31, 2014.

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

During the three months ended March 31, 2014, new TDRs of $2.8 million and $9.3 million were modified through forgiveness of principal and payment deferrals granted to our clients, respectively.

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

The following table summarizes the recorded investment in loans modified in TDRs within the previous 12 months that subsequently defaulted during the three months ended March 31, 2015. There were no TDRs modified, which defaulted during the three months ended March 31, 2014.

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(Dollars in thousands)	Three months ended March 31, 2015
TDRs modified within the previous 12 months that defaulted during the period:	
Consumer loans:	
Real estate secured loans	$30
Total TDRs modified within the previous 12 months that defaulted in the period	$30

Charge-offs and defaults on previously restructured loans are evaluated to determine the impact to the allowance for loan losses, if any. The evaluation of these defaults may impact the assumptions used in calculating the reserve on other TDRs and impaired loans as well as management's overall outlook of macroeconomic factors that affect the reserve on the loan portfolio as a whole. After evaluating the charge-offs and defaults experienced on our TDRs we determined that no change to our reserving methodology was necessary to determine the allowance for loan losses as of March 31, 2015.

7. Disposal - Assets Held-for-Sale

The Company entered into a share purchase agreement to sell all of the outstanding capital stock of the Bank's subsidiary, SVB India Finance Private Limited, a non-banking financial company in India ("SVBIF") on January 15, 2015. The sale was completed on April 13, 2015. See Note 17 - "Subsequent Events" of the "Notes to Interim Consolidated Financial Statements" under Part I, Item 1 in this report. As a result of the pending sale of SVBIF, the Company classified SVBIF's net assets as held-for-sale as applicable criteria were met. The following table presents the composition of SVBIF assets held-for-sale included in accrued interest receivable and other assets at March 31, 2015 and December 31, 2014:

(Dollars in thousands)	March 31, 2015	December 31, 2014
Assets:		
Cash and due from banks	$2,897	$3,054
Securities purchased under agreement to resell and other short-term investments	6,419	11,898
Net loans	33,276	26,800
Premises and equipment, net	24	24
Accrued interest receivable and other assets	10,307	7,163
Total assets of SVBIF held-for-sale (1)	$52,923	$48,939
Liabilities:		
Other liabilities	4,723	4,686
Total liabilities of SVBIF held-for-sale (1)	$4,723	$4,686

(1) Net assets of $48.2 million and $44.3 million are included in our Global Commercial Bank operating segment as reported in Note 11—"Segment Reporting" of the "Notes to Interim Consolidated Financial Statements" under Part I, Item 1 of this report.

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8. Short-Term Borrowings and Long-Term Debt

The following table represents outstanding short-term borrowings and long-term debt at March 31, 2015 and December 31, 2014:

(Dollars in thousands)	Maturity	Principal value at March 31, 2015	Carrying Value March 31, 2015	Carrying Value December 31, 2014
Short-term borrowings:				
Short-term FHLB advances	April 1, 2015	$60,000	$60,000	$—
Other short-term borrowings	(1)	17,766	17,766	7,781
Total short-term borrowings			$77,766	$7,781
Long-term debt:				
3.50% Senior Notes	January 29, 2025	$350,000	$349,710	$—
5.375% Senior Notes	September 15, 2020	350,000	348,495	348,436
6.05% Subordinated Notes (2)	June 1, 2017	45,964	49,910	50,162
7.0% Junior Subordinated Debentures	October 15, 2033	50,000	54,802	54,845
Total long-term debt			$802,917	$453,443

(1) Represents cash collateral received from certain counterparties in relation to market value exposures of derivative contracts in our favor, which includes an interest rate swap agreement related to our 6.05% Subordinated Notes.

(2) At March 31, 2015 and December 31, 2014, included in the carrying value of our 6.05% Subordinated Notes was an interest rate swap valued at $4.3 million and $4.6 million, respectively, related to hedge accounting associated with the notes.

Interest expense related to long-term debt was $8.0 million for the three months ended March 31, 2015, and $5.8 million for the three months ended March 31, 2014. Interest expense is net of the hedge accounting impact from our interest rate swap agreement related to our 6.05% Subordinated Notes. The weighted average interest rate associated with our short-term borrowings as of March 31, 2015 was 0.19 percent.

3.50% Senior Notes

On January 29, 2015, the Company issued $350 million of 3.50% Senior Notes due in January 2025 (“3.50% Senior Notes”). We received net proceeds from this offering of approximately $346.4 million after deducting underwriting discounts and commissions and issuance costs. The balance of our 3.50% Senior Notes at March 31, 2015 was $349.7 million, which is reflective of a $0.3 million discount.

Available Lines of Credit

We have certain facilities in place to enable us to access short-term borrowings on a secured (using high-quality fixed income securities as collateral) and an unsecured basis. These include repurchase agreements and uncommitted federal funds lines with various financial institutions. As of March 31, 2015, we did not borrow against our uncommitted federal funds lines. We also pledge securities to the FHLB of San Francisco and the discount window at the Federal Reserve Bank. The market value of collateral pledged to the FHLB of San Francisco (comprised primarily of U.S. agency debentures and mortgage securities) at March 31, 2015 totaled $1.3 billion, $60 million of which was used, with the remaining available to support additional borrowings. The market value of collateral pledged at the discount window of the Federal Reserve Bank at March 31, 2015 totaled $979 million, all of which was unused and available to support additional borrowings.

9. Derivative Financial Instruments

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

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Interest Rate Risk

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

We assess hedge effectiveness under ASC 815, Derivatives and Hedging, using the long-haul method. Any differences associated with our interest rate swap that arise as a result of hedge ineffectiveness is recorded through net gains on derivative instruments, in noninterest income, a component of consolidated net income.

Currency Exchange Risk

We enter into foreign exchange forward contracts to economically reduce our foreign exchange exposure risk associated with the net difference between foreign currency denominated assets and liabilities, primarily in Pound Sterling and Euro. We do not designate any foreign exchange forward contracts as derivative instruments that qualify for hedge accounting. Gains or losses from changes in currency rates on foreign currency denominated instruments are included in other noninterest income, a component of noninterest income. We may experience ineffectiveness in the economic hedging relationship, because the instruments are revalued based upon changes in the currency’s spot rate on the principal value, while the forwards are revalued on a discounted cash flow basis. We record forward agreements in gain positions in other assets and loss positions in other liabilities, while net changes in fair value are recorded through net gains on derivative instruments, in noninterest income, a component of consolidated net income. Additionally, through our global banking operations we maintain customer deposits denominated in the Euro and Pound Sterling, which are used to fund certain loans in these currencies to limit our exposure to currency fluctuations.

Other Derivative Instruments

Also included in our derivative instruments are equity warrant assets, loan conversion options, forward and option contracts, and interest rate contracts. For further description of these other derivative instruments, refer to Note 2-“Summary of Significant Accounting Policies" under Part II, Item 8 of our 2014 Form 10-K.

Counterparty Credit Risk

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

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The total notional or contractual amounts, fair value, collateral and net exposure of our derivative financial instruments at March 31, 2015 and December 31, 2014 were as follows:

(Dollars in thousands)	Balance Sheet Location	March 31, 2015 Notional or Contractual Amount	Fair Value	Collateral (1)	Net Exposure (2)	December 31, 2014 Notional or Contractual Amount	Fair Value	Collateral (1)	Net Exposure (2)
Derivatives designated as hedging instruments:									
Interest rate risks:									
Interest rate swaps	Other assets	$45,964	$4,340	$2,970	$1,370	$45,964	$4,609	$2,970	$1,639
Derivatives not designated as hedging instruments:									
Currency exchange risks:									
Foreign exchange forwards	Other assets	179,467	8,688	5,138	3,550	200,957	5,050	2,441	2,609
Foreign exchange forwards	Other liabilities	3,916	(677)	—	(677)	6,226	(489)	—	(489)
Net exposure			8,011	5,138	2,873		4,561	2,441	2,120
Other derivative instruments:									
Equity warrant assets	Other assets	198,864	124,456	—	124,456	197,878	116,604	—	116,604
Other derivatives:									
Client foreign exchange forwards	Other assets	772,019	45,284	9,658	35,626	801,487	28,954	2,370	26,584
Client foreign exchange forwards	Other liabilities	694,943	(44,527)	—	(44,527)	774,355	(27,647)	—	(27,647)
Client foreign currency options	Other assets	51,483	523	—	523	34,926	227	—	227
Client foreign currency options	Other liabilities	51,483	(523)	—	(523)	34,926	(227)	—	(227)
Client interest rate derivatives	Other assets	377,530	2,907	—	2,907	387,410	2,546	—	2,546
Client interest rate derivatives	Other liabilities	377,530	(3,166)	—	(3,166)	387,410	(2,748)	—	(2,748)
Net exposure			498	9,658	(9,160)		1,105	2,370	(1,265)
Net			$137,305	$17,766	$119,539		$126,879	$7,781	$119,098

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

(2) Net exposure for contracts in a gain position reflects the replacement cost in the event of nonperformance by all such counterparties. The credit ratings of our institutional counterparties as of March 31, 2015 remain at investment grade or higher and there were no material changes in their credit ratings during the three months ended March 31, 2015.

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A summary of our derivative activity and the related impact on our consolidated statements of income for the three months ended March 31, 2015 and 2014 is as follows:

(Dollars in thousands)	Statement of income location	Three months ended March 31, 2015	2014
Derivatives designated as hedging instruments:			
Interest rate risks:			
Net cash benefit associated with interest rate swaps	Interest expense—borrowings	$638	$639
Changes in fair value of interest rate swaps	Net gains on derivative instruments	(3)	(12)
Net gains associated with interest rate risk derivatives		$635	$627
Derivatives not designated as hedging instruments:			
Currency exchange risks:			
(Losses) gains on revaluations of foreign currency instruments	Other noninterest income	$(20,159)	$978
Gains (losses) on internal foreign exchange forward contracts, net	Net gains on derivative instruments	20,018	(1,029)
Net losses associated with currency risk		$(141)	$(51)
Other derivative instruments:			
Net gains on equity warrant assets	Net gains on derivative instruments	$20,278	$25,373
(Losses) gains on client foreign exchange forward contracts, net	Net gains on derivative instruments	$(507)	$302
Net losses on other derivatives (1)	Net gains on derivative instruments	$(57)	$(467)

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

Balance Sheet Offsetting

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

The following table summarizes our assets subject to enforceable master netting arrangements as of March 31, 2015 and December 31, 2014:

				Gross Amounts Not Offset in the Statement of Financial Position But Subject to Master Netting Arrangements		
(Dollars in thousands)	Gross Amounts of Recognized Assets	Gross Amounts offset in the Statement of Financial Position	Net Amounts of Assets Presented in the Statement of Financial Position	Financial Instruments	Cash Collateral Received	Net Amount
March 31, 2015						
Derivative Assets:						

Interest rate swaps	$4,340	$—	$4,340	$(1,370)	$(2,970)	$—
Foreign exchange forwards	53,972	—	53,972	(24,627)	(14,796)	14,549
Foreign currency options	806	(283)	523	(253)	—	270
Client interest rate derivatives	2,907	—	2,907	(2,907)	—	—
Total derivative assets:	62,025	(283)	61,742	(29,157)	(17,766)	14,819
Reverse repurchase, securities borrowing, and similar arrangements	236,027	—	236,027	(236,027)	—	—
Total	$298,052	$(283)	$297,769	$(265,184)	$(17,766)	$14,819
December 31, 2014						
Derivative Assets:						
Interest rate swaps	$4,609	$—	$4,609	$(1,639)	$(2,970)	$—
Foreign exchange forwards	34,004	—	34,004	(17,843)	(4,811)	11,350
Foreign currency options	501	(274)	227	(144)	—	83
Client interest rate derivatives	2,546	—	2,546	(2,546)	—	—
Total derivative assets:	41,660	(274)	41,386	(22,172)	(7,781)	11,433
Reverse repurchase, securities borrowing, and similar arrangements	95,611	—	95,611	(95,611)	—	—
Total	$137,271	$(274)	$136,997	$(117,783)	$(7,781)	$11,433

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The following table summarizes our liabilities subject to enforceable master netting arrangements as of March 31, 2015 and December 31, 2014:

(Dollars in thousands)	Gross Amounts of Recognized Liabilities	Gross Amounts offset in the Statement of Financial Position	Net Amounts of Liabilities Presented in the Statement of Financial Position	Gross Amounts Not Offset in the Statement of Financial Position But Subject to Master Netting Arrangements: Financial Instruments	Cash Collateral Pledged	Net Amount
March 31, 2015						
Derivative Liabilities:						
Foreign exchange forwards	$45,204	$—	$45,204	$(8,467)	$—	$36,737
Foreign currency options	806	(283)	523	(270)	—	253
Client interest rate derivatives	3,166	—	3,166	(3,166)	—	—
Total derivative liabilities:	49,176	(283)	48,893	(11,903)	—	36,990
Repurchase, securities lending, and similar arrangements	—	—	—	—	—	—
Total	$49,176	$(283)	$48,893	$(11,903)	$—	$36,990
December 31, 2014						
Derivative Liabilities:						
Foreign exchange forwards	$28,136	$—	$28,136	$(16,808)	$—	$11,328
Foreign currency options	501	(274)	227	(83)	—	144
Client interest rate derivatives	2,748	—	2,748	(2,748)	—	—
Total derivative liabilities:	31,385	(274)	31,111	(19,639)	—	11,472
Repurchase, securities lending, and similar arrangements	—	—	—	—	—	—
Total	$31,385	$(274)	$31,111	$(19,639)	$—	$11,472

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

A summary of other noninterest (loss) income for the three months ended March 31, 2015 and 2014 is as follows:

	Three months ended March 31,	
(Dollars in thousands)	2015	2014
Fund management fees	$3,722	$2,755
Service-based fee income	2,150	2,027
(Losses) gains on revaluation of foreign currency instruments (1)	(20,159)	978
Other (2)	5,207	5,440
Total other noninterest (loss) income	$(9,080)	$11,200

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

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

A summary of other noninterest expense for the three months ended March 31, 2015 and 2014 is as follows:

	Three months ended March 31,	
(Dollars in thousands)	2015	2014
Client services	$3,549	$2,359
Telephone	1,959	1,748
Data processing services	1,833	2,227
Postage and supplies	765	769
Dues and publications	585	497
Other	4,907	1,562
Total other noninterest expense (1)	$13,598	$9,162

(1) Prior period amounts have been revised to reflect the retrospective application of new accounting guidance adopted in the first quarter of 2015 related to our investments in qualified affordable housing projects (ASU 2014-01). See Note 1 - "Basis of Presentation" of the "Notes to Interim Consolidated Financial Statements" under Part I, Item 1 in this report.

11. Segment Reporting

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

Our operating segments' primary source of revenue is from net interest income, which is primarily the difference between interest earned on loans, net of funds transfer pricing ("FTP"), and interest paid on deposits, net of FTP. Accordingly, our segments are reported using net interest income, net of FTP. FTP is an internal measurement framework designed to assess the financial impact of a financial institution's sources and uses of funds. It is the mechanism by which an earnings credit is given for deposits raised, and an earnings charge is made for funded loans. FTP is calculated at an instrument level based on account characteristics.

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

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

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

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

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

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

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

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

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

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

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

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

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Our segment information for the three months ended March 31, 2015 and 2014 is as follows:

(Dollars in thousands)	Global Commercial Bank (1)	SVB Private Bank	SVB Capital (1)	Other Items (2)	Total
Three months ended March 31, 2015					
Net interest income	$203,755	$9,723	$(24)	$25,436	$238,890
(Provision for) reduction of loan losses	(6,460)	8	—	—	(6,452)
Noninterest income	64,689	397	21,141	85,791	172,018
Noninterest expense (3)	(136,282)	(2,747)	(3,891)	(53,188)	(196,108)
Income before income tax expense (4)	$125,702	$7,381	$17,226	$58,039	$208,348
Total average loans, net of unearned income	$12,729,630	$1,374,189	$—	$(57,450)	$14,046,369
Total average assets (5)	35,962,427	1,921,554	269,982	1,146,626	39,300,589
Total average deposits	32,472,827	1,251,939	—	133,013	33,857,779
Three months ended March 31, 2014					
Net interest income	$175,303	$6,892	$14	$14,119	$196,328
(Provision for) reduction of loan losses	(807)	313	—	—	(494)
Noninterest income	58,635	274	37,672	213,644	310,225
Noninterest expense (3)	(120,706)	(2,495)	(2,635)	(44,572)	(170,408)
Income before income tax expense (4)	$112,425	$4,984	$35,051	$183,191	$335,651
Total average loans, net of unearned income	$9,677,957	$1,049,901	$—	$39,826	$10,767,684
Total average assets (5)	25,504,407	967,873	340,990	954,363	27,767,633
Total average deposits	22,877,819	745,083	—	53,546	23,676,448

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

(2) The "Other Items" column reflects the adjustments necessary to reconcile the results of the operating segments to the consolidated financial statements prepared in conformity with GAAP. Noninterest income is primarily attributable to noncontrolling interests and gains on equity warrant assets. Noninterest expense primarily consists of expenses associated with corporate support functions such as finance, human resources, marketing, legal and other expenses. Additionally, average assets primarily consist of cash and cash equivalents and loans from our Community Development Finance practice as part of our responsibilities under the Community Reinvestment Act.

(3) The Global Commercial Bank segment includes direct depreciation and amortization of $5.1 million and $4.9 million for the three months ended March 31, 2015 and 2014, respectively.

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

(5) Total average assets equal the greater of total average assets or the sum of total liabilities and total stockholders' equity for each segment.

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

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

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Commitments to Extend Credit

The following table summarizes information related to our commitments to extend credit at March 31, 2015 and December 31, 2014:

(Dollars in thousands)	March 31, 2015	December 31, 2014
Loan commitments available for funding: (1)		
Fixed interest rate commitments	$1,611,025	$1,591,408
Variable interest rate commitments	12,618,196	11,860,039
Total loan commitments available for funding	14,229,221	13,451,447
Commercial and standby letters of credit (2)	1,256,293	1,254,338
Total unfunded credit commitments	$15,485,514	$14,705,785
Commitments unavailable for funding (3)	$1,920,937	$1,868,489
Maximum lending limits for accounts receivable factoring arrangements (4)	1,120,763	1,044,548
Reserve for unfunded credit commitments (5)	38,628	36,419

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

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

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

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

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

Commercial and Standby Letters of Credit

The table below summarizes our commercial and standby letters of credit at March 31, 2015. The maximum potential amount of future payments represents the amount that could be remitted under letters of credit if there were a total default by the guaranteed parties, without consideration of possible recoveries under recourse provisions or from the collateral held or pledged.

(Dollars in thousands)	Expires In One Year or Less	Expires After One Year	Total Amount Outstanding	Maximum Amount of Future Payments
Financial standby letters of credit	$1,137,234	$57,997	$1,195,231	$ 1,195,231
Performance standby letters of credit	45,105	6,550	51,655	51,655
Commercial letters of credit	9,407	—	9,407	9,407
Total	$1,191,746	$64,547	$1,256,293	$ 1,256,293

Deferred fees related to financial and performance standby letters of credit were $8.2 million at both March 31, 2015 and December 31, 2014. At March 31, 2015, collateral in the form of cash of $509.0 million and available-for-sale securities of $1.5 million were available to us to reimburse losses, if any, under financial and performance standby letters of credit.

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Commitments to Invest in Venture Capital and Private Equity Funds

We make commitments to invest in venture capital and private equity funds, which in turn make investments generally in, or in some cases make loans to, privately-held companies. Commitments to invest in these funds are generally made for a 10-year period from the inception of the fund. Although the limited partnership agreements governing these investments typically do not restrict the general partners from calling 100% of committed capital in one year, it is customary for these funds to generally call most of the capital commitments over 5 to 7 years; however in certain cases, the funds may not call 100% of committed capital over the life of the fund. The actual timing of future cash requirements to fund these commitments is generally dependent upon the investment cycle, overall market conditions, and the nature and type of industry in which the privately held companies operate. The following table details our total capital commitments, unfunded capital commitments, and our ownership percentage in each fund at March 31, 2015:

Our Ownership in Venture Capital and Private Equity Funds (Dollars in thousands)	SVBFG Capital Commitments	SVBFG Unfunded Commitments	SVBFG Ownership of each Fund (4)
Silicon Valley BancVentures, LP	$6,000	$ 270	10.7 %
SVB Capital Partners II, LP (1)	1,200	162	5.1
Capital Partners III, LP	—	—	—
SVB Capital Shanghai Yangpu Venture Capital Fund	935	—	6.8
SVB Strategic Investors Fund, LP	15,300	688	12.6
SVB Strategic Investors Fund II, LP	15,000	1,050	8.6
SVB Strategic Investors Fund III, LP	15,000	1,275	5.9
SVB Strategic Investors Fund IV, LP	12,239	2,325	5.0
Strategic Investors Fund V Funds	515	178	Various
Strategic Investors Fund VI Funds	—	—	—
Strategic Investors Fund VII Funds	—	—	—
SVB Capital Preferred Return Fund, LP	12,688	—	20.0
SVB Capital—NT Growth Partners, LP	24,670	1,340	33.0
Other private equity fund (2)	9,338	—	58.2
Partners for Growth, LP	25,000	9,750	50.0
Debt funds (equity method accounting)	63,134	4,950	Various
Other fund investments (3)	301,172	19,268	Various
Total	$502,191	$ 41,256	

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

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

(3) Represents commitments to 283 funds (primarily venture capital funds) where our ownership interest is generally less than 5 percent of the voting interests of each such fund.

(4) We are subject to the Volcker Rule, which restricts or limits us from sponsoring or having ownership interests in “covered” funds including venture capital and private equity funds. See “Business - Supervision and Regulation” under Item 1 of Part I of our 2014 Form 10-K.

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The following table details the amounts of remaining unfunded commitments to venture capital and private equity funds by our consolidated managed funds of funds (including our interest and the noncontrolling interests) at March 31, 2015:

Limited Partnership (Dollars in thousands)	Unfunded Commitments
SVB Strategic Investors Fund, LP	$ 2,250
SVB Strategic Investors Fund II, LP	5,021
SVB Strategic Investors Fund III, LP	11,237
SVB Strategic Investors Fund IV, LP	32,730
Strategic Investors Fund V Funds	123,888
Strategic Investors Fund VI Funds	219,750
Strategic Investors Fund VII Funds	153,919
SVB Capital Preferred Return Fund, LP	4,448
SVB Capital—NT Growth Partners, LP	4,672
Other private equity fund	77
Total	$ 557,992

13. Income Taxes

We are subject to income tax in the U.S. federal jurisdiction and various state and foreign jurisdictions and have identified our federal tax return and tax returns in California and Massachusetts as major tax filings. Our U.S. federal tax returns for 2011 and subsequent years remain open to full examination. Our California tax returns for 2010 and subsequent tax years remain open to full examination. Massachusetts tax returns for 2011 and subsequent years remain open to full examination.

At March 31, 2015, our unrecognized tax benefit was $3.8 million, the recognition of which would reduce our income tax expense by $2.7 million. We do not expect that our unrecognized tax benefit will materially change in the next 12 months.

We recognize interest and penalties related to income tax matters as part of income before income taxes. Interest and penalties were not material for the three months ended March 31, 2015.

14. Fair Value of Financial Instruments

Fair Value Measurements

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

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

Level 1

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

Level 2

Fair value measurements based on quoted prices in markets that are not active or for which all significant inputs are observable, directly or indirectly. Valuations for the available-for-sale securities are provided by third party external pricing service providers. We review the methodologies used to determine the fair value, including understanding the nature and observability of the inputs used to determine the price. Additional corroboration, such as obtaining a non-binding price from a broker, may be obtained depending on the frequency of trades of the security and the level of liquidity or depth of the market. The valuation methodology that is generally used for the Level 2 assets is the income approach. Below is a summary of the significant inputs used for each class of Level 2 assets and liabilities:

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

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

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

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

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

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

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

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

Level 3

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

Venture capital and private equity fund investments: Fair value measurements are based on the net asset value per share as obtained from the investee funds' management, as the funds do not have a readily determinable fair value and the funds prepare their financial statements using guidance consistent with fair value accounting. We account for differences between our measurement date and the date of the fund investment’s net asset value by using the most recent available financial information from the investee general partner, adjusted for any contributions paid, distributions received from the investment, and significant fund transactions or market events during the reporting period.

Other venture capital investments: Fair value measurements are based on consideration of a range of factors including, but not limited to, the price at which the investment was acquired, the term and nature of the investment, local market conditions, values for comparable securities, and as it relates to the private company, the current and projected operating performance, exit strategies and financing transactions subsequent to the acquisition of the investment. The significant unobservable inputs used in the fair value measurement include the information about each portfolio company, including actual and forecasted results, cash position, recent or planned transactions and market comparable companies. Significant changes to any one of these inputs in isolation could result in a significant change in the fair value measurement, however, we generally consider all factors available through ongoing communication with the portfolio companies and venture capital fund managers to determine whether there are changes to the portfolio company or the environment that indicate a change in the fair value measurement.

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Other securities: Fair value measurements of equity securities of public companies are priced based on quoted market prices less a discount if the securities are subject to certain sales restrictions. Marketability discounts generally range from 10% to 20% depending on the duration of the sale restrictions which typically range from 3 to 6 months.
Equity warrant assets (public portfolio): Fair value measurements of equity warrant assets of publicly-traded portfolio companies are valued based on the Black-Scholes option pricing model. The model uses the price of publicly-traded companies (underlying stock price), stated strike prices, warrant expiration dates, the risk-free interest rate and market-observable option volatility assumptions. Modeled asset values are further adjusted by applying a discount of up to 20% for certain warrants that have lockup restrictions or other features that indicate a discount to fair value is warranted. As a lock-up term nears, and other sale restrictions are lifted, discounts are adjusted downward to 0 percent once all restrictions expire or are removed.
Equity warrant assets (private portfolio): Fair value measurements of equity warrant assets of private portfolio companies are priced based on a modified Black-Scholes option pricing model to estimate the asset value by using stated strike prices, option expiration dates, risk-free interest rates and option volatility assumptions. Option volatility assumptions used in the modified Black-Scholes model are based on public market indices whose members operate in similar industries as companies in our private company portfolio. Option expiration dates are modified to account for estimates to actual life relative to stated expiration. Overall model asset values are further adjusted for a general lack of liquidity due to the private nature of the associated underlying company. There is a direct correlation between changes in the volatility and remaining life assumptions in isolation and the fair value measurement while there is an inverse correlation between changes in the liquidity discount assumption and the fair value measurement.
It is our policy to maximize the use of observable inputs and minimize the use of unobservable inputs when developing fair value measurements. When available, we use quoted market prices to measure fair value. If market prices are not available, fair value measurement is based upon valuation techniques that use primarily market-based or independently-sourced market parameters, including interest rate yield curves, prepayment speeds, option volatilities and currency rates. Substantially all of our financial instruments use the foregoing methodologies, and are categorized as a Level 1 or Level 2 measurement in the fair value hierarchy. However, in certain cases, when market observable inputs for our valuation techniques may not be readily available, we are required to make judgments about assumptions we believe market participants would use in estimating the fair value of the financial instrument, and based on the significance of those judgments, the measurement may be determined to be a Level 3 fair value measurement.
The degree of management judgment involved in determining the fair value of a financial instrument is dependent upon the availability of quoted market prices or observable market parameters. For financial instruments that trade actively and have quoted market prices or observable market parameters, there is minimal subjectivity involved in measuring fair value. When observable market prices and parameters are not fully available, management judgment is necessary to estimate fair value. For inactive markets, there is little information, if any, to evaluate if individual transactions are orderly. Accordingly, we are required to estimate, based upon all available facts and circumstances, the degree to which orderly transactions are occurring and provide more weighting to price quotes that are based upon orderly transactions. In addition, changes in the market conditions may reduce the availability of quoted prices or observable data. For example, reduced liquidity in the capital markets or changes in secondary market activities could result in observable market inputs becoming unavailable. Therefore, when market data is not available, we use valuation techniques requiring more management judgment to estimate the appropriate fair value measurement. Accordingly, the degree of judgment exercised by management in determining fair value is greater for financial assets and liabilities categorized as Level 3.

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The following fair value hierarchy table presents information about our assets and liabilities that are measured at fair value on a recurring basis as of March 31, 2015:

(Dollars in thousands)	Level 1	Level 2	Level 3	Balance at March 31, 2015
Assets				
Available-for-sale securities:				
U.S. treasury securities	$7,914,125	$—	$—	$7,914,125
U.S. agency debentures	—	3,313,664	—	3,313,664
Residential mortgage-backed securities:				
Agency-issued collateralized mortgage obligations - fixed rate	—	1,778,155	—	1,778,155
Agency-issued collateralized mortgage obligations - variable rate	—	739,203	—	739,203
Equity securities	1,382	394	—	1,776
Total available-for-sale securities	7,915,507	5,831,416	—	13,746,923
Non-marketable and other securities (fair value accounting):				
Non-marketable securities:				
Venture capital and private equity fund investments	—	—	1,195,303	1,195,303
Other venture capital investments	—	—	78,850	78,850
Other securities	11,936	—	—	11,936
Total non-marketable and other securities (fair value accounting)	11,936	—	1,274,153	1,286,089
Other assets:				
Interest rate swaps	—	4,340	—	4,340
Foreign exchange forward and option contracts	—	54,495	—	54,495
Equity warrant assets	—	2,195	122,261	124,456
Client interest rate derivatives	—	2,907	—	2,907
Total assets (1)	$7,927,443	$5,895,353	$1,396,414	$15,219,210
Liabilities				
Foreign exchange forward and option contracts	$—	$45,727	$—	$45,727
Client interest rate derivatives	—	3,166	—	3,166
Total liabilities	$—	$48,893	$—	$48,893

(1) Included in Level 1 and Level 3 assets are $9 million and $1.2 billion, respectively, attributable to noncontrolling interests calculated based on the ownership percentages of the noncontrolling interests.

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The following fair value hierarchy table presents information about our assets and liabilities that are measured at fair value on a recurring basis as of December 31, 2014:

(Dollars in thousands)	Level 1	Level 2	Level 3	Balance at December 31, 2014
Assets				
Available-for-sale securities:				
U.S. treasury securities	$7,302,273	$—	$—	$7,302,273
U.S. agency debentures	—	3,561,556	—	3,561,556
Residential mortgage-backed securities:				
Agency-issued collateralized mortgage obligations - fixed rate	—	1,884,843	—	1,884,843
Agency-issued collateralized mortgage obligations - variable rate	—	784,475	—	784,475
Equity securities	4,290	3,218	—	7,508
Total available-for-sale securities	7,306,563	6,234,092	—	13,540,655
Non-marketable and other securities (fair value accounting):				
Non-marketable securities:				
Venture capital and private equity fund investments	—	—	1,130,882	1,130,882
Other venture capital investments	—	—	71,204	71,204
Other securities	108,251			