



1515 K Street, Suite 200  
SACRAMENTO, CALIFORNIA 95814  
(916) 445-7205

101 MARKET STREET  
SAN FRANCISCO, CALIFORNIA 94105  
(415) 974-2000



March 6, 2019

Board of Directors  
Silicon Valley Bank  
3005 Tasman Drive  
Santa Clara, California 95054

Members of the Board:

Enclosed for your review is the Report of Examination (Report) for the safety and soundness roll-up examination of Silicon Valley Bank (Bank) that commenced on October 1, 2018. The examination was conducted jointly by examiners from the California Department of Business Oversight (CDBO) and Federal Reserve Bank of San Francisco (FRBSF). The primary objective of the exam was to assign ratings based on the Uniform Financial Institutions Rating System (UFIRS). Unless otherwise noted, financial information and loan data discussed in the Report are as of September 30, 2018, and July 31, 2018, respectively. In addition to discussing findings from the roll-up examination, this Report summarizes conclusions drawn from our 2018 supervisory activities and leverages offsite continuous monitoring work performed during the year. Examination results were discussed with executive management on December 20, 2018. Unless noted otherwise, a list of abbreviations is included at the end of the Report for reference.

### ***Summary of Examination Findings***

The Bank's overall condition remains satisfactory. The Directors and executive management provide appropriate oversight over the institution's affairs. Management is effective as evidenced by the Bank's sound financial condition and manageable volume of findings needing attention. Asset quality is satisfactory with credit risk remaining stable and credit administration being adequate. The Bank's capital levels are appropriate relative to the institution's overall risk profile including profitability and rate of asset growth. Earnings are satisfactory and have allowed capital to grow at an appropriate pace to mitigate additional risk brought on by a growing balance sheet and expanding geographic presence. Sensitivity to market risk is adequately monitored and controlled, and management is appropriately considering strategies to mitigate exposure to decreasing interest rates. Liquidity remains strong with high levels of on and off-balance sheet sources of funds and adequate funds management practices. Information Technology (IT) risk is appropriately managed and controlled with all four components of the Uniform Rating System for IT (URSIT) being satisfactory.

While increased oversight of the Bank Secrecy Act/Anti-Money Laundering (BSA/AML) and Office of Foreign Assets Control (OFAC) compliance program is noted, further attention is needed to fully remediate prior exam findings and restore the program to a satisfactory condition. In the last year, the quality and depth of the functional management team responsible for BSA/AML and OFAC compliance programs has improved and is now considered stable. Material improvement is also noted in the Bank's suspicious activity monitoring and reporting

processes. Nonetheless, two critical areas including customer due diligence (CDD) reviews and OFAC remain in need of strengthening.

Management's ability to conduct accurate, timely, effective, and comprehensive CDD reviews must be improved, for both routine and higher risk customers. Secondly, management must address system limitations and lack of compensating controls to decrease the risk of OFAC violations. Failure to address these ongoing weaknesses in a thorough and timely manner may result in further supervisory action including elevation of the outstanding Memorandum of Understanding (MOU), dated January 30, 2017, to a more severe enforcement action.

Further, management's continued attention is required to bring the Bank's risk management framework to an appropriate maturity level. Although progress is noted with defining roles and responsibilities, adding of personnel assigned to risk management activities, and emphasizing an enterprise-wide risk management culture throughout the Bank, several key aspects of the framework remain in process. Specifically, the design, staffing, and implementation of a second line of defense for credit and the buildout of a corporate compliance team capable of assessing, testing, and monitoring first line controls, and other key functions has yet to be implemented.

### ***Action Requested***

After your review of the enclosed Report, and within 30 days of its receipt, please submit a written response to the CDBO and FRBSF that includes management's plans and/or actions to address the two new Matters Requiring Attention listed on the *Matters Requiring Board Attention* page. Also, within 45 days, please submit updated management plans and/or actions to address the Compliance and Independent Oversight, and Vendor Risk Management Matters Requiring Attention that are carried forward.

Upon completion of your review, each Director should sign the enclosed *Signatures of Directors/Trustees* page and retain the page with the Report in the Bank's corporate records. The Board's review of the Report shall be documented in Board minutes.

### ***Confidentiality Notice***

This copy of the Report is the property of the CDBO and FRBSF and is furnished to the institution for its confidential use. The *Examination Conclusions and Comments* page discloses the institutions UFIRS ratings. These ratings are for your confidential use only. Neither the institution, nor any of its directors, officers, or employees may disclose or make public in any manner these ratings or any other portion of this Report under any circumstances. Please refer to California Financial Code Section 452 and the regulations of the Board of Governors (12 C.F.R. Section 261.20) for additional information on confidentiality restrictions. If any subpoena or legal process calling for production of this Report is received, both agencies must be notified immediately.

*CDBO Post-Examination Survey*

A CDBO Post-Examination Survey will be emailed separately to CEO Becker to provide feedback to the CDBO about the examination process. We appreciate your time and attention in completing the survey and look forward to your comments.

Questions regarding this Report or our supervisory process should be directed to CDBO **Redacted** at **Redacted** and FRBSF Central Point of Contact **Redacted** at **Redacted**.

Sincerely,

**Redacted**

Department of Business Oversight

By: **Redacted**

**Redacted**

Central Point of Contact  
Federal Reserve Bank of San Francisco

Enclosure:  
Joint Report of Examination

cc: Federal Deposit Insurance Corporation  
Consumer Financial Protection Bureau



# REPORT OF JOINT EXAMINATION



CALIFORNIA DEPARTMENT  
OF BUSINESS OVERSIGHT



FEDERAL RESERVE BANK  
OF SAN FRANCISCO

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Silicon Valley Bank

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Santa Clara, CA

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EXAMINER-IN-CHARGE Redacted – CDBO Redacted – FRBSF

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THIS REPORT OF EXAMINATION IS STRICTLY CONFIDENTIAL

This report has been prepared by examiners appointed or approved by the Board of Governors of the Federal Reserve System and the California Department of Business Oversight. The report is the property of the Board of Governors and the California Department of Business Oversight, and is furnished to directors and management for their confidential use. The report is strictly privileged and confidential under applicable law, and the Board of Governors and the California Department of Business Oversight have forbidden its disclosure in any manner without their permission, except in limited circumstances specified in the law (12 U.S.C. 1817(a) and 1831(m)) and in the regulations of the Board of Governors (12 C.F.R. 261.11). Management is required by law to send a copy of this report to independent auditors engaged to conduct audits of the insured institution. Under no circumstances should the directors, officers, employees, trustees or independent auditors disclose or make public this report or any portion thereof except in accordance with applicable law and the regulations of the Board of Governors. Any unauthorized disclosure of the report may subject the person or persons disclosing or receiving such information to the penalties of Section 641 of the U.S. Criminal Code (18 U.S.C. 641).

The information contained in this report is based upon the books and records of the bank, upon statements made to the examiner by directors, officers, and employees, and upon information obtained from other sources believed to be reliable and presumed by the examiner to be correct.

It is recommended that each director, in keeping with his or her responsibilities both to depositors and to shareholders, thoroughly review the report. In making this review, it should be noted that an examination is not the same as an audit, and this report should not be considered an audit report.

Bank Number 1462 Examination Date October 1, 2018  
RSSD Number 802866 Financial Statement Date September 30, 2018



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## OVERALL CONDITION

The overall condition of Silicon Valley Bank (Bank) remains satisfactory. Oversight by the Board of Directors (Board) and management is sufficient and remains effective. Management is encouraged to develop and implement a risk management framework commensurate with the complexity of activities conducted and by ensuring clarity of responsibilities and appropriate independence are established across all risk categories. Capital adequacy remains satisfactory as retained earnings continue to augment capital. Asset quality is satisfactory and supplemented by appropriate credit administration practices. Levels of problem assets are stable and remain manageable. Examiners note a shift in loan concentrations towards credit facilities with minimal historical risk. Earnings performance remains satisfactory to augment capital and support growth with considerable year-over-year improvement attributed to rising interest rates, loan growth, and, to a lesser extent, tax reform. Sensitivity to market risk (SMR) is properly managed with the balance sheet exhibiting a moderate level of exposure to downward movement in market interest rates. Despite cash being tightly managed on a day-to-day basis, liquidity is strong with ample sources of on and off-balance sheet funding sources. Information technology (IT) risk management practices are satisfactory relative to the institution's risk profile. Consumer compliance and Community Reinvestment Act (CRA) ratings reflect satisfactory performance.

Management has made progress addressing deficiencies in the Bank Secrecy Act / Anti-Money Laundering (BSA/AML) and Office of Foreign Assets Control (OFAC) compliance programs. One Matter Requiring Immediate Attention (MRIA) focused on improving oversight of the BSA/AML program has been closed as a qualified BSA Officer (BSAO) has been hired, adequate resources have been provided, and an appropriate succession plan has been implemented. However, as noted in the table on the following page, the programs continue to require heightened management and Board attention. As related to this area, one MRIA and the Memorandum of Understanding (MOU) signed January 30, 2017, remain outstanding. Additional improvement is needed in the Bank's customer due diligence (CDD) to ensure practices are sufficiently robust relative to the inherent risk profile of customers including their account activity. Account risk ratings must be supported by sufficient analysis and documentation of customer activity relative to anticipated and/or historical patterns. Also, a Matter Requiring Attention (MRA) requiring OFAC program improvement was escalated to a MRIA. Progress has been delayed in addressing OFAC program deficiencies, with system limitations and control gaps exposing the Bank to heightened risk of OFAC violations and, therefore, additional legal and reputational risk.

Listed below are two new MRAs and a summary of all open and recently closed MRIAs and MRAs. The Board and management are expected to address MRIAs immediately and MRAs over the normal course of business. Failure to adequately resolve these issues in a timely manner may result in an escalation of supervisory enforcement actions.

## MATTER REQUIRING ATTENTION

### Model Risk Management (MRM)

**Issue:** The development and implementation of an ongoing performance monitoring program requires further definition, specifically a full accounting of performance monitoring expectations for each model. Other than a vigorous monitoring program for the **Redacted** (BSA) model in which over 50 metrics are tracked monthly (and others quarterly), no ongoing monitoring program has been defined or provided for the other 30 models being used in production.

**Required Action:** Management is required to implement effective ongoing performance monitoring programs for each model used. Monitoring should include appropriate methodologies, metrics, outcome thresholds, and



monitoring frequencies, consistent with the MRM Program Policy and as recommended in supervisory guidance. While some models may be run less frequently, periodic assessment of each model should be appropriate to the nature of the model, availability of new data or modeling approaches, and the magnitude of the risk involved. The decisions and details of the ongoing monitoring programs should be fully documented and supported, and the resultant ongoing performance monitoring reports shared with MRM.

**Management Response:** Chief Risk Officer (CRO) Laura Izurieta committed to remediate this MRA by September 30, 2019. Assuming remediation work is completed and submitted to Internal Audit (IA) by that date, independent validation work should be completed by November 30, 2019.

### Liquidity Risk Management

**Issue:** The Bank's funding structure is primarily concentrated in private equity (PE) and venture capital (VC) firms whose deposits typically experience larger-volume, irregular cash flows. Though accepted as inherent to the institution's business model, the 25 largest depositors represent 12.6% of total deposits at the end of August. Compounding the potential liquidity risk posed by these large depositors, operating cash balances are managed somewhat tightly. Management supplements daily cash flows with overnight or short-term borrowings predominantly through the FHLB or repo markets, to which access may become restricted during certain periods of the day. As such, management has not formally addressed the risk of these funding concentrations or developed a supportable level of operating cash commensurate with the variability of large depositors and operating cash needs.

**Required Action:** Liquidity risk management should be consistent with the risk appetite, complexity, risk profile, and scope of operations of the Bank. Accordingly, management and the Board are required to establish appropriate limits or target buffers for operating cash balances that incorporate consideration of risk posed by large depositors and other operating cash needs. Management's analysis and recommendation should consider the following:

- Robust statistical analysis of the variability of large depositors and operating cash needs, including wire transfer activity,
- Standards for ongoing reporting and lines of oversight, as related to on-balance sheet cash levels and needs,
- Updated liquidity risk management policies and procedures, as applicable

Finally, the resulting limits or target buffers should be clearly linked to the Board approved liquidity risk appetite.

**Management Response:** Chief Financial Officer (CFO) Dan Beck committed to remediate this MRA by September 30, 2019. Independent validation work should be completed by November 30, 2019.

SUMMARY OF OUTSTANDING FINDINGS		
MATTERS REQUIRING IMMEDIATE ATTENTION (MRIA)		
Issue	Status (Date Opened)	Comments
Internal Controls – CIP/CDD/EDD and Suspicious Activity Monitoring	Carry Forward (August 2016 BSA Exam)	Examiners identified a number of exceptions during CDD transaction testing in September 2018. These exceptions include the lack of comprehensive analysis of actual activities being in line with expected activity information or historical patterns to fully support the accounts' risk ratings.



OFAC Program	New (Sept 2018 BSA Exam)	System limitation and control gaps continue to hamper full remediation, delaying progress in developing an effective and comprehensive OFAC compliance program. Current risk of an OFAC violation is untenable, resulting in elevated legal and reputational risk.
BSA Officer & Administration	Closed at September 2018 BSA Exam (August 2016 BSA Exam)	Management has satisfactorily remediated this deficiency.

SUMMARY OF OUTSTANDING FINDINGS		
MATTERS REQUIRING ATTENTION (MRA)		
Issue	Status (Date Opened)	Comments
Compliance and Independent Oversight	Carry Forward (October 2017 Roll-Up)	The risk management program does not align with the level of maturity outlined by the Bank's risk management framework. Management remains heavily reliant on front-line controls and risk monitoring processes, and a thinly-documented challenge process conducted through discussion occurring among executive management. Management has not established a credible, independent, and complete second line of defense, which should be strengthened by building out the compliance function, Policies and Procedures Office, Enterprise Risk Management (ERM) Program Office, and second line leaders and touchpoints.
Vendor Risk Management	Carry Forward (October 2017 Roll-Up)	Recent internal audit testing results indicate law firm filtering criteria weighs heavily on dollars spent and the number of confidential records shared with the firm and does not ensure that other relevant risk criteria are appropriately considered. Aside from law firms, testing also noted multiple categories of vendors are not subject to Vendor Risk Assessments due to filtering settings set by the first line that may not have been validated by Vendor Risk Management.
MRM (Assigned to SVBFG)	Close (October 2016 DFAST)	Management has satisfactorily remediated this deficiency.
Rationale & Support of DFAST Framework (Assigned to SVBFG)	Carry Forward (Not in Scope. October 2017 DFAST)	While the post-DFAST period removes regulatory structure for organizational capital stress testing practices, firms are expected to develop and maintain appropriate practices reflective of a firm's idiosyncratic risk profile.
Internal Capital Adequacy Assessment	Carry Forward (Not in Scope. October 2017 Roll-Up)	Management indicated that all ERM identified risks will be incorporated into the 2019 Capital Planning process. Management must clearly demonstrate how capital is attributed for each risk in the capital stack.

Disaster Recovery – Testing	Carry Forward (Not in Scope. February 2018 IT Exam)	Management is working to address steps in their Management Action Plan, as well as weaknesses identified by two external consultants. Complete BCP and disaster recovery testing is planned for 2019 Q3.
OFAC Program	Closed at September 2018 BSA Exam (August 2015 BSA Exam)	Closed and escalated to MRIA. Examiners noted new and more significant programmatic issues in September 2018. The current risk exposure warrants heightened Board and management attention.
Credit Risk Management – Capital Call Lending	Closed at May 2018 Asset Quality Exam (October 2017 Roll-Up)	Management has satisfactorily remediated this deficiency.
Credit Risk Management Framework	Closed at May 2018 Asset Quality Exam (May 2017 AQ Exam)	Management has satisfactorily remediated this deficiency.

**Uniform Financial Institutions Rating System**

	<b>Current Exam</b>	<b>Prior Exam</b>	<b>Prior Exam</b>
Examination Start Date	10/01/2018 / J	10/02/2017 / J	10/03/2016 / J
Examination As Of Date	09/30/2018 / J	09/30/2017 / J	09/30/2016 / J
<b>Composite Rating</b>	<b>2</b>	<b>2</b>	<b>2</b>
<b>Component Ratings:</b>			
<b>Capital</b>	<b>2</b>	<b>2</b>	<b>2</b>
<b>Asset Quality</b>	<b>2</b>	<b>2</b>	<b>2</b>
<b>Management</b>	<b>2</b>	<b>2</b>	<b>2</b>
<b>Earnings</b>	<b>2</b>	<b>2</b>	<b>2</b>
<b>Liquidity</b>	<b>1</b>	<b>1</b>	<b>1</b>
<b>Sensitivity to Market Risk</b>	<b>2</b>	<b>2</b>	<b>2</b>
<b>Information Technology</b>	<b>2</b>	<b>2</b>	<b>3</b>
<b>Compliance <sup>1</sup></b>	<b>2</b>		
<b>Community Reinvestment Act <sup>2</sup></b>	<b>S</b>		

<sup>1</sup> Examination dated October 22, 2018

<sup>2</sup> Examination dated October 22, 2018

**SCOPE**

This Report of Examination (Report) presents the findings and conclusions of a roll-up safety and soundness examination of the Bank conducted jointly by the California Department of Business Oversight (CDBO) and Federal Reserve Bank of San Francisco (FRBSF). Additionally, this Report summarizes the status of previously identified MRIs and MRAs, although not all were included for follow-up assessment in the scope of this roll-up review. Also of note, some of the MRAs discussed were assigned to the Bank's holding company, SVB Financial Group (SVBFG), and are identified accordingly. The exam utilized financial information as of September 30, 2018, and loan data as of July 31, 2018, unless noted otherwise. The on-site portion of the examination commenced on October 1, 2018 and concluded on October 25, 2018. Unless noted otherwise, a list of abbreviations utilized is included for reference at the end of this Report.

The exam scope included a risk-focused assessment of capital adequacy, asset quality, earnings, liquidity, and SMR. In addition, examiners evaluated management and risk management processes, including key control functions such as internal credit review. Corrective actions taken to address prior examination findings were also reviewed for their status and adequacy. Lastly, the examination scope considered ongoing supervisory work performed during the year, including continuous monitoring activities, and the results of target examinations conducted during the 2018 supervisory cycle as summarized below:

Supervisory Event	2018 Rating	Event Date
Information Technology	Satisfactory, with new findings	February 26, 2018
Asset Quality	Satisfactory	May 7, 2018
BSA/AML/OFAC	Less than Satisfactory, with	September 10,



	new and continued findings	2018
Consumer Compliance and CRA	Satisfactory	October 22, 2018

A targeted review of the BSA/AML and OFAC compliance programs was conducted in September to assess management's progress in addressing supervisory concerns and the January 30, 2017 MOU.

Consumer Compliance and CRA examinations were conducted by the FRBSF, as of October 22, 2018. Consumer Compliance was rated "2" (Satisfactory) and overall performance under the CRA is also noted as Satisfactory.

## MANAGEMENT – 2

Management and Board oversight remain satisfactory as evidenced by the satisfactory financial condition and acceptable risk profile of the Bank. The Board is well-informed and appropriately involved in the strategic planning process. The executive management team maintains appropriate depth and stability. Succession planning is appropriate and considers candidates who are presently qualified as well as those who require further development. Management is receptive to regulatory and auditor findings and in the last year has satisfactorily remediated an MRIA for the BSAO, an MRA for MRM, and all remaining credit risk management MRAs. Items remaining after this exam are considered correctible in the normal course of business.

Notwithstanding an acceptable risk profile and adequate Board and senior management oversight, significant efforts are still needed to align risk management practices with supervisory guidance (SR 16-11) as identified in the Compliance and Independent Oversight MRA issued at the October 2017 roll-up exam. Despite progress defining roles and responsibilities, management has not fully implemented its objectives to build out the compliance function, Policies and Procedures Office, ERM Program Office, and second line of defense. Given current staffing levels and the maturity level of the compliance function, the compliance team cannot fully assess first line controls, nor independently monitor and test compliance with laws, regulations, and supervisory expectations. Similarly, the Policies and Procedures Office has not yet reached a state of maturity where it can adequately test and monitor to ensure business units are complying with applicable policies and procedures. The Risk and Controls Self-Assessment process does not yet evaluate the effectiveness of individual controls or allow management to determine the aggregate effectiveness of a particular control type (e.g. dual controls, technological controls, physical controls, etc.) on an enterprise-wide basis. Finally, management has not fully implemented a credible, independent, and complete second line of defense to provide effective oversight of and challenge to the first line. For example, a second line leader to oversee financial / treasury risk was only recently hired. In the area of credit risk, a third-party evaluation performed in 2018 Q2 recommended credit risk management practices be revised to ensure risk taking activities are appropriately separated from policy ownership, portfolio risk management, and ongoing risk monitoring responsibilities. Moreover, the second line must contain sufficient credit experience and independence to effectively challenge the business line. While focusing on resolving the specific recommendations within the bullet points of the MRA, management is equally encouraged to focus more broadly on the overall expectation that the global risk management program aligns with standards outlined in SR Letter 16-11 and is commensurate with the Bank's aggregate risk profile and growth plans.

The MRM MRA from the 2016 DFAST Examination has been satisfactorily remediated and MRM is considered to be generally satisfactory. Management has strengthened model identification and inventory management, clarified development responsibilities, formalized documentation standards, and increased effective challenge. As noted on the Matters Requiring Board Attention pages of the Report, however, a new MRA is opened at this

exam requiring the implementation of effective ongoing performance monitoring programs commensurate with the risk and complexity of each model.

During 2018 Q1, recognizing the need to address an inconsistent process and gain efficiency, management established a Transformation Office (TO). Under the leadership of CFO Beck, the TO has the goal of transforming enterprise processes through three initiatives:

- Creating a global client onboarding system
- Creating a global credit onboarding system
- Building a client master data system.

Together, the goal is to decrease manual or redundant processes, increase automation where possible, increase data accuracy, and improve the experiences of both clients and employees. The TO will be instrumental in decreasing and controlling operational risk, which management characterizes as high. Contributing factors to high operational risk that should be addressed by TO initiatives, include: high volume of manual processes, inadequate technology to support scalable growth, system limitations, and several interdependent and interconnected processes or systems.

## **CAPITAL – 2**

Capital levels remain satisfactory relative to the risk profile of the institution. Risk-based capital ratios declined year-over-year due to strong loan growth and are now slightly below the peer group average. Nonetheless, over the same time, the Tangible Equity to Tangible Assets ratio remained virtually unchanged at 7.44%, while the Tier 1 Leverage (Leverage) ratio increased slightly to 7.82% as retained earnings outpaced average asset growth. Although the Leverage ratio continues to trail the peer group at the 3rd percentile, current levels are considered adequate given the Bank's overall risk profile including a low risk investment securities portfolio and cash and due from balances which represent almost half of total assets.

Board and senior management oversight is appropriate, and capital adequacy management is generally adequate. Since the full transition of capital planning responsibilities back to the Treasury group, post-DFAST, management has aligned capital planning processes with the budgeting process. An updated Capital Plan is expected to be completed and presented to the Finance Committee in January 2019. To address criticisms from the 2017 roll-up examination, management identified material risks and included them within capital stress testing performed in 2018; however, the prior exam's Internal Capital Adequacy Assessment MRA remains outstanding as ERM-identified risks have not yet been incorporated within the new capital planning process. In addition, a related MRA is also being carried forward for the Bank's stress testing framework. Examiners will review management's capital related MRA remediation efforts during the 2019 supervisory cycle.

Each quarter, the Asset Liability Committee (ALCO) and Finance Committee reviews analysis performed to support the upstreaming of dividends, ensuring that regulatory requirements are met and that the Bank continues to hold capital within internal thresholds. Dividends in 2017 represented 20.14% of NI, and through September 30, 2018, represent 13.38%. Dividends are reasonable, permitting appropriate capital augmentation at the bank level while providing the parent company with liquidity for operating needs and enterprise objectives. Governance practices including policy and approval processes are adequate.

## **ASSET QUALITY – 2**



Asset quality remains satisfactory based on stable credit quality metrics reflecting a manageable level of problem assets, effective credit risk management, and appropriate Board oversight. Classified assets increased by \$163.7 million in the last year; however, the Adversely Classified Items Coverage ratio decreased by 12 basis points to 22.98%, because of capital accretion. Similarly, the trend and volume of past due loans, nonaccrual loans, and net loan losses all demonstrate acceptable and stable risk. Credit concentration risk continues to decline as growth in exposure to higher risk borrowers is outpaced by capital growth and as the credit portfolio mix shifts toward credit facilities with historically minimal risk.

The Directorate and management provide sufficient direction and prescriptive standards to ensure that strategic objectives are met, and credit risk is appropriately identified during the loan underwriting process. However, executive management acknowledges the need to develop an independent and credible process for measuring, monitoring, and controlling credit risk. Specifically, consideration is being given to how best to separate underwriting from monitoring responsibilities and Chief Executive Officer (CEO) Greg Becker indicated a decision is likely by 2019 Q1, with personnel, policy and process implementation by mid-year. Establishing a strong, independent, and qualified credit risk management function, separate from both sales and risk acceptance activities, is a requirement of addressing the Compliance and Independent Oversight MRA. Overall, policies, procedures, underwriting standards, and loan grading guidelines are acceptable and are periodically reviewed and revised to ensure prescriptive standards for specific borrower and underwriting types. However, examiners provided management with several suggestions to enhance underwriting and risk rating procedures applicable to recurring revenue lending and promote consistency and objectivity. Exposure to recurring revenue lending is approximately 40% of the Bank's total capital, with moderate growth planned as demand for the underwriting approach increases with growth of the software as a service economy. Additionally, examiners advised management to consider additional criteria in the investor dependent risk rating matrix that would provide greater clarity on the risk grading of borrowers who have sufficient liquidity but exhibit characteristics that may endanger their ability to attract future investor support, such as failing to meet certain milestones or falling behind financial performance projections.

Management information system reports are adequate and timely to allow the Board and management to make well-informed decisions. The credit administration team relies on a **Redacted**-based system to generate standardized reports. In addition, the system allows management to create customized reports and probe into the portfolio to identify trends and sources of emerging credit risk.

Internal loan review continues to provide effective independent verification of the loan grading system. Loan file reviews are customized to the unique documentation standards and underwriting approach of each loan type. Leadership of this key control function transitioned to **Redacted** in the first quarter of 2018. **Redacted** and external consultants have been evaluating the needs of the program, with potential revisions to include additional headcount, specialized training, increased structure, and other initiatives to ensure the function is efficient and effective, particularly in light of ongoing loan portfolio growth.

#### Allowance for Loan and Lease Loss (ALLL)

The ALLL methodology is acceptable and supported by a policy that is comprehensive, prescriptive, and that articulates the requirements for maintaining appropriate reserves for various loan pools. Specific standards are provided for ASC 450 formula computations, including qualitative factors, and ASC 310 specific allocations. At \$285.7 million, the reserve is appropriate and equals 1.04 percent of gross loans. When viewed against credit risk metrics, including the level and trend of classified loans, nonaccrual loans, and loan losses, the ALLL level is directionally consistent.

#### Investment Securities



Credit risk exposure from the investment securities portfolio is low, and related risk management practices are acceptable. The vast majority of investment securities are guaranteed by the U.S. government or government sponsored agencies. Municipal investments comprise the remaining 6.37% of the portfolio. While municipal security holdings have rapidly increased to 36.14% of Tier 1 capital, risk is acceptable as individual instruments are of high quality and geographically diversified. Further, pre-purchase and ongoing monitoring practices are adequate, and established limits are acceptable. Year-over-year, the total portfolio increased 5.72 percent, and, as of September 30, 2018, represented 43.22 percent of total assets, providing a strong source of contingent liquidity. Market risk in the portfolio is also low, although the duration of the portfolio has increased to 3.9 years. The increase is particularly driven by duration extension of those securities accounted for as held-to-maturity (HTM).

## EARNINGS – 2

Earnings are satisfactory and remain sufficient to support operations, augment capital, and provide for an adequate loan loss reserve. Through September 30, 2018, NI was \$658.5 million for a return on average assets (ROAA) of 1.63%, an increase from 1.02% one year prior. ROAA improvements were primarily driven by increasing interest income and further supported by a relatively stable cost of funds, as reflected in an expanding NIM. Profitability also benefited, to a lesser extent, from tax reform. Meanwhile, slight increases in overhead expense were offset by similar increases in noninterest income. Strong client funds and loan growth coupled with increasing foreign exchange volumes increased noninterest income generation, while low occupancy and other operational expenses, reflective of the Bank's commercial focus, continued to benefit efficiency. The loan loss provision expense remains reasonable, resulting from stable credit quality.

The NIM expanded 51 basis points compared to one year ago and is now relatively in-line with the peer group average of 3.62%. Expansion was primarily attributed to increasing asset yields combined with strong loan growth and the resulting shift in the earning asset mix. Loan yields increased 43 basis points since the last roll-up exam to 5.23%, associated with repricing in the Bank's material variable-rate loan portfolio and new loan generation at higher market rates. Investment security yields increased for similar reasons, with the added element of strategic duration extension, rising 51 basis points to 2.33%. Conversely, the cost of funds remains very low at 0.06% and represents the first percentile of peer banks.

The budgeting process is adequate, and assumptions are reasonable. Monthly, the business lines monitor performance against budget, with the executive team and the Board reviewing variances at least quarterly. The Bank is on pace to outperform the 2018 budget primarily due to increasing market rates and stronger-than-anticipated client funds and related asset growth.

## SENSITIVITY TO MARKET RISK – 2

SMR, centered in interest rate and foreign exchange (FX) risk, remains satisfactory and is adequately-controlled. The balance sheet poses moderate market risk due to notable down-rate exposure, as well as growing derivatives exposure primarily related to increasing FX activities. While variable-rate assets have contributed to improving net interest income (NII) in the current rising-rate environment, management is increasingly focused on exposure to down-rate shocks and is considering implementing several strategies to address this risk. Of particular note, management is strategically extending the duration of the investment securities portfolio and structuring cash flows to reduce exposure to downward movement in interest rates. Loan-pool interest rate swaps are also being considered. The institution's derivative positions increased to a notional \$6.9 billion, representing a 39.86%

increase year-over-year. Within derivative positions, FX forwards of a notional \$5.7 billion, represent the largest exposure, and are primarily utilized to accommodate the growing international needs of the Bank's clients. Interest rate swaps increased 87.55% to a notional \$1.2 billion.

The Bank's asset liability management (ALM) model reports that NII and the economic value of equity benefit in a rising rate environment and fall in a declining rate environment. Recent modeling results indicate NII would increase between 13% and 39% for parallel rate shocks between 100 basis points and 300 basis points over a twelve-month time horizon. However, projected earnings at risk remains outside inner limits, for rate shocks of down 100 and 200 basis points, with NII projected to decline by 27.30% in the downward 200 basis point scenario. Management continues to take measures to constrain this exposure as mentioned above.

Board and management oversight of market risk and derivative activities is adequate. Policies, which include model scenarios and limits, are appropriate. Furthermore, internal controls, MRM, and IA oversight of the market risk function remain adequate. The ALM model, **Redacted**, was successfully implemented and continued to be refined in production during 2018. Model inputs and assumptions were independently validated with minimal issues and are in line with internal policy as well as regulatory guidance.

## LIQUIDITY – 1

Liquidity levels remain strong; however, liability funding sources are concentrated and potentially volatile on short notice. This inherent risk is mitigated by adequate funds management practices and will be further mitigated as management addresses the MRA listed on the Matters Requiring Board Attention page of the Report. Ample sources of funds on favorable terms are maintained to meet present and anticipated liquidity needs. On-balance sheet liquidity of \$7.8 billion represents 13.55% of total assets and consists of interest-bearing bank balances of \$2.5 billion, and unpledged, available-for-sale securities of \$5.3 billion. Although an increasing proportion of the investment securities portfolio has been designated as HTM to mitigate the regulatory capital implications of its extending duration, the portfolio continues to provide a strong source of liquidity as these investments can be pledged to secure FHLB borrowing or sold under agreements to repurchase (repo). In its entirety, the portfolio represents 43.22% of total assets, is 83.97% unpledged, and is forecasted to provide between \$1.2 billion and \$1.4 billion of cash flow per quarter over the next twelve months, moderating any material risk to the Bank's liquidity position. Further, core deposits continue to provide a low-cost and stable source of funding and represent 78.81% of total assets. Available secondary sources of funding represented an additional 9.60% of assets, consisting of \$5.5 billion in borrowing capacity from secured repo lines, FHLB borrowings, and the FRB Discount Window.

Board and management oversight is acceptable, with adequate funds management practices. ALCO meetings provide sufficient communication to inform management of the Bank's liquidity position. Overall, policies and risk limits are adequate to govern risk-taking, as are the contingency funding plan (CFP) and related stress testing practices. The Bank remains above internal liquidity targets. Notwithstanding adequate overall funds management practices, some improvements are required to the Bank's analysis surrounding target cash limits and depositor and other operating cash needs variability. Refer to the Matters Requiring Board Attention page of this Report for additional detail. Additionally, in recognition of the growing HTM portfolio, examiners advised management to consider how the Bank's contingent liquidity profile could be impacted by restricted or lack of access to the repo market in periods of severe stress.

## SPECIALTY REVIEWS



Bank Secrecy Act / Anti-Money Laundering and Office of Foreign Assets Control

The BSA/AML and OFAC compliance programs continue to require improvement. Progress has been achieved in certain aspects with the Board having designated a qualified BSAO who has demonstrated the authority and resources to manage the program, restructuring the program to provide clear roles and responsibilities, developing a succession plan including the designation of a Deputy BSAO, strengthening the suspicious activity monitoring process, and validating the OFAC screening systems. Nonetheless, further improvements are necessary to strengthen internal controls over the CDD process and remediate system and control gap deficiencies that present challenges in complying with OFAC. Additional details were provided in the Supervisory Letter dated December 21, 2018.

Information Technology – 2

IT operations, security, risk management, and systems monitoring are satisfactory. The Board and senior management provide effective oversight of technology operations and ensures that the strategic plan aligns with corporate objectives. Risk management practices include sufficient oversight over project, system development, and program changes. Business continuity and disaster recovery planning are adequate; however, one MRA is outstanding requiring demonstration of the ability to fully process live operations from the backup data center within Board approved recovery time and recovery point objectives. Additional details were provided in the Information Technology Report of Examination dated May 24, 2018.

**EXIT MEETING WITH MANAGEMENT**

An exit meeting was held on December 20, 2018. Attending on behalf of Bank management were CEO Becker and several members of senior and executive management. Representing the CDBO were Examiner-in-Charge (EIC) **Redacted** and **Redacted**. Representing the FRBSF were EIC **Redacted**, Credit Risk Specialist **Redacted**, and Central Point of Contact **Redacted**.

**DIRECTORATE RESPONSIBILITY**

Each member of the Board is responsible for thoroughly reviewing this Report. Each Director must sign the Signature of Directors page, which affirms that he or she has reviewed the Report in its entirety.

Examiner (Signature) <b>Redacted</b>	Reviewing Official (Signature) and Title
State Banking Authority (Signature) <b>Redacted</b>	State Banking Authority (Signature) <b>Redacted</b>



Memorandum of Understanding

The Bank entered into a MOU with the FRBSF and the CDBO to address deficiencies in the BSA/AML and OFAC program, effective January 30, 2017. Although SVB continues to work toward addressing provisions of the MOU, key improvements are still in progress. Accordingly, the Bank remains in noncompliance with five of the seven provisions pertaining to the remediation of Board oversight, compliance program, CDD, suspicious activity monitoring and reporting, and OFAC compliance. A separate BSA target Supervisory Letter was transmitted to the Bank on December 21, 2018 with additional detail on the status of compliance with the enforcement action. The CDBO and FRBSF have scheduled two examinations in April and November 2019 to review the BSA/AML and OFAC program.

ASSET QUALITY		ADVERSELY CLASSIFIED			
		Substandard	Doubtful	Loss	Total
Loans and Leases		826,303	100,849		927,152
Securities					
Other Real Estate Owned					
Other Assets					
Other Transfer Risk					
Subtotal		826,303	100,849		927,152
Contingent Liabilities		153,113	43		153,156
Totals at Exam Date	09/30/2018 / J	979,416	100,892		1,080,308
Totals at Prior Exam	09/30/2017 / J	809,910	106,694		916,604
Totals at Prior Exam	09/30/2016 / J	947,000	96,100	8,200	1,051,300

  

	Exam Date 09/30/2018 / J	Prior Exam 09/30/2017 / J	Prior Exam 09/30/2016 / J
Total Special Mention	185,881	273,248	364,508
Adversely Classified Items Coverage Ratio	22.98	23.10	28.17
Total Adversely Classified Assets/Total Assets	1.62	1.84	2.29
Past Due and Nonaccrual Loans and Leases/Gross Loans and Leases	0.45	1.24	1.09
Adversely Classified Loans and Leases/Total Loans	3.37	4.13	5.15
ALLL/Total Loans and Leases	1.04	1.12	1.19

CAPITAL	Exam Date 09/30/2018 / J	Prior Exam 09/30/2017 / J	Prior Exam 09/30/2016 / J	
	Tier 1 Capital/Average Total Assets <sup>(1)</sup>	7.82	7.59	7.81
Common Equity Tier 1 Capital/Risk-Weighted Assets <sup>(1)</sup>	11.98	12.41	12.75	
Tier 1 Capital/Risk-Weighted Assets <sup>(1)</sup>	11.98	12.41	12.75	
Total Capital/Risk-Weighted Assets <sup>(1)</sup>	12.90	13.24	13.61	
Prompt Corrective Action Capital Category	W	W	W	
<i>PCA Categories: W - Well capitalized, A - Adequately capitalized, U - Undercapitalized, S - Significantly undercapitalized, C - Critically undercapitalized</i>				
	Period Ended 09/30/2018	Peer 09/30/2018	Period Ended 12/31/2017	Period Ended 12/31/2016
Retained Earnings/Average Total Equity	21.96	6.01	12.39	11.51
Asset Growth Rate	14.70	11.11	14.34	0.03
Cash Dividends/Net Income	13.38	42.60	20.14	10.54

EARNINGS	Period Ended 09/30/2018	Peer 09/30/2018	Period Ended 12/31/2017	Period Ended 12/31/2016
Net Income (After Tax)/Average Assets	1.63	1.35	0.94	0.88
Net Interest Income (TE)/Average Earning Assets	3.56	3.62	3.11	2.79
Total Noninterest Expense/Average Assets	2.06	2.34	1.99	1.86

LIQUIDITY	Period Ended 09/30/2018	Peer 09/30/2018	Period Ended 12/31/2017	Period Ended 12/31/2016
Net Non-Core Funding Dependence <sup>(2)</sup>	2.70	13.89	(1.13)	(3.41)
Net Loans and Leases/Assets	47.50	69.96	45.35	44.62

<sup>(1)</sup> Capital ratios reflected in the example above are truncated at two decimals (not rounded). Call Report instructions require banks to report capital ratios, which are used for determining the PCA capital category, as a percentage, rounded to four decimal places.

<sup>(2)</sup> Ratio reflects time deposits exceeding the \$250M deposit insurance limit as non-core funding.

**Comparative Statements of Financial Condition**
**1462**
**ASSETS**

	09/30/2018	12/31/2017
Total Loans and Leases	27,494,915	23,106,316
Less: Allowance for Loan & Lease Losses	285,713	255,024
Loans and Leases (net)	27,209,202	22,851,292
Interest-Bearing Balances	2,543,574	1,662,779
Federal Funds Sold and Securities Purchased Under Agreements to Resell	114,628	247,876
Trading Account Assets	346,359	316,712
Securities: Held-to-Maturity (at Amortized Cost)	15,899,726	12,663,455
Available-for-Sale (at Fair Value)	8,864,113	10,832,614
<b>Total Earning Assets</b>	<b>54,977,602</b>	<b>48,574,728</b>
Cash and Noninterest-Bearing Balances	1,112,950	923,982
Premises and Fixed Assets	57,138	60,066
Other Real Estate Owned		
Direct and indirect investments in real estate ventures		
Intangible Assets		
Other Assets	1,136,367	829,099
<b>TOTAL ASSETS</b>	<b>57,284,057</b>	<b>50,387,875</b>

**LIABILITIES**

Deposits	49,272,632	44,743,939
Federal Funds Purchased and Securities Sold Under Agreements to Repurchase	371,540	330,000
Other Borrowed Money	2,688,135	1,011,744
Other Liabilities	691,066	539,650
Subordinated Notes and Debentures		
<b>Total Liabilities</b>	<b>53,023,373</b>	<b>46,625,333</b>

**EQUITY CAPITAL**

Perpetual Preferred Stock		
Common Equity Capital	4,260,684	3,762,542
<i>Includes net unrealized holding gains (losses) on available-for-sale securities.</i>		
Other Equity Capital		
<b>Total Bank Equity Capital</b>	<b>4,260,684</b>	<b>3,762,542</b>
Minority Interest in Consolidated Subsidiaries		
<b>Total Equity Capital</b>	<b>4,260,684</b>	<b>3,762,542</b>
<b>TOTAL LIABILITIES AND EQUITY CAPITAL</b>	<b>57,284,057</b>	<b>50,387,875</b>

**DERIVATIVES AND OFF-BALANCE SHEET ITEMS**

Unused Commitments	16,521,646	15,573,307
Letters of Credit	2,047,736	1,940,659
Other Off-Balance Sheet Items	429,316	205,635
Notional Amount of Derivative Contracts	6,931,672	5,892,114
Appreciation (Depreciation) in Held-to-Maturity Securities	(527,487)	(115,176)

**Footnotes:**



**Items Subject to Adverse Classification**

**1462**

Includes assets and off-balance sheet items which are detailed in the following categories:

**Substandard Assets** - A Substandard asset is inadequately protected by the current sound worth and paying capacity of the obligor or of the collateral pledged, if any. Assets so classified must have a well-defined weakness or weaknesses that jeopardize the liquidation of the debt. They are characterized by the distinct possibility that the institution will sustain some loss if the deficiencies are not corrected.

**Doubtful Assets** - An asset classified Doubtful has all the weaknesses inherent in one classified Substandard with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of currently existing facts, conditions, and values, highly questionable and improbable.

**Loss Assets** - An asset classified Loss is considered uncollectable and of such little value that continuance as a bankable asset is not warranted. This classification does not mean that the asset has absolutely no recovery or salvage value, but rather it is not practical or desirable to defer writing off this basically worthless asset even though partial recovery may be effected in the future.

AMOUNT, DESCRIPTION AND COMMENTS	CATEGORY		
	Substandard	Doubtful	Loss

**LOANS**

34,928 <b>Redacted</b>	34,928		
30,540 <b>Redacted</b>	30,540		
30,227 <b>Redacted</b>	30,227		
29,522 <b>Redacted</b>		29,522	
26,630 <b>Redacted</b>	26,630		
26,355 <b>Redacted</b>	26,355		
24,486 <b>Redacted</b>	24,486		
24,118 <b>Redacted</b>	24,118		
22,061 <b>Redacted</b>	22,061		
18,655 <b>Redacted</b>	18,655		
18,653 <b>Redacted</b>	18,653		
17,837 <b>Redacted</b>		17,837	
623,140	569,650	53,490	



<b>Items Subject to Adverse Classification (Continued)</b>	<b>1462</b>		
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AMOUNT, DESCRIPTION AND COMMENTS	CATEGORY		
	Substandard	Doubtful	Loss

LOANS LESS THAN \$17,000M

TOTAL ADVERSELY CLASSIFIED LOANS	826,303	100,849	
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**CONTINGENT LIABILITIES**

153,156 UNFUNDED LOAN COMMITMENTS	153,113	43	
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TOTAL ADVERSELY CLASSIFIED CONTINGENT LIABILITIES	153,113	43	
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TOTAL ADVERSELY CLASSIFIED ITEMS	979,416	100,892	
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Listed below are material direct and indirect asset and funding concentrations, according to the following guidelines: 1) asset concentrations of 25% or more of Total Capital (loan related) or Tier 1 capital (non-loan related) by individual borrower, small interrelated group of individuals, single repayment source or individual project; 2) asset concentrations of 100% or more of Total Capital (loan related) or Tier 1 capital (non-loan related) by industry, product line, type of collateral, or short term obligations of one financial institution or affiliated group; 3) funding concentrations from a single source representing 10% or more of Total Assets; and 4) potentially volatile funding sources that when combined represent 25% or more of Total Assets (these sources may include brokered, large, high-rate, uninsured, Internet-listing-service deposits, Federal funds purchased or other potentially volatile deposits or borrowings.) Any other concentrations may be listed in the 25% category if desired. An appropriate percentage of total assets is used when a bank's capital is so low as to make its use meaningless. U.S. Treasury securities, obligations of U.S. Government agencies and corporations, and any assets collateralized by same are not scheduled.

<b>Credit Concentrations</b>	<b>Commitment (\$000)</b>	<b>% of Total Capital</b>
<b>High Risk</b>		
Sponsor Led Buyout	2,717,356	60.46
Early Stage Pre-Profit	2,295,695	51.08
Mid-Stage Pre-Profit	2,158,852	48.04
Late Stage Pre-Profit	2,338,829	52.04
Emerging Technology	167,691	3.73
Angel / Seed	19,516	0.43
<b>Total High Risk</b>	<b>9,697,939</b>	<b>215.78</b>
<b>Medium Risk</b>		
Large Corporate	5,040,736	112.16
Corporate Technology	1,518,080	33.78
Private Client Services	2,012,478	44.78
Wine	1,133,090	25.21
Other	1,564,490	34.81
Non-Niche	319,543	7.11
<b>Total Medium Risk</b>	<b>11,588,417</b>	<b>257.85</b>
<b>Low Risk</b>		
Private Equity Firms	16,680,965	371.16
Venture Capital Firms	4,342,245	96.62
<b>Total Low Risk</b>	<b>21,023,210</b>	<b>467.77</b>
<b>Total Commitments</b>	<b>42,309,566</b>	<b>941.40</b>

Credit concentration risk continues to modestly decline from the prior roll-up exam with only 1.90% growth in higher risk pre-profit and sponsor led buyout credits, higher growth of 21.89% in lower risk private equity (PE) and venture capital (VC) credits, and 17.05% growth of Total Capital (TC).

Certain new or unproven credit initiatives, such as sponsor finance recurring revenue, financial technology clients (FinTech), and net asset value loans to PE or VC funds, are limited by fixed dollar amounts. These limits constrain growth in certain portfolio segments during product and market development. Periodically, limits for these credit segments are reviewed and adjusted as the portfolios season and performance metrics stabilize.

Credit concentration risk limits by niche are reviewed annually and published in Credit Policy 410, Credit Quality Management. Management evaluates credit concentration risk utilizing economic capital metrics based on historical probability of default, loss percentages given default, and exposures at default. Because of low default and loss given default rates, certain segments of the loan portfolio consume very little economic capital. As a result, much headroom is permitted for large increases in credit exposure before internal thresholds are breached in certain niches. For example, based on the *Concentration and Limits – Appendix* documents in the October 24, 2018 Credit Committee package, sponsor led buyout lending is consuming 5.28% of economic capital, versus an inner threshold of 19%, and an outer limit of 28%, indicating lending could increase 3.6 times before the inner threshold is reached. These limits allow for rapidly increasing credit concentrations in the short to intermediate term horizon, through acceptance of transactions with higher risk characteristics, such as borrowers with lower quality profiles than existing clients. Other risks, such as operational risk from manual processes, personnel constraints, and liquidity may also increase due to credit concentration growth. While management indicated the Board is comfortable with current exposures, risk limits, economic capital measurement, and the risk limit setting processes, further review of concentration risk policies and credit risk appetite is planned for future examinations to assess risk acceptance and risk taking.

#### Investment Concentrations

Investments in securities of states and political subdivisions amount to 36.14% of Tier 1 capital as of September 30, 2018 compared to 10.24% one year earlier. Municipal securities are increasing as the Bank implements its plan to prudently increase credit risk and duration in its investment portfolio. Municipal investments account for 6.28% of total investment securities and the internal limit is set at 20%. Management plans to increase exposure over time in the range of 10% of investments. No other than temporary impairment is present in the portfolio. Management continues to buy highly rated, geographically diversified municipals, consisting mostly of local general obligation bonds.

Internal controls for investments and derivatives are adequate, with no major changes in processes and internal controls since the prior roll-up examination. Investment and derivative systems and processes are well-defined and controlled. Independent portfolio review of credit sensitive securities (municipals) is conducted quarterly by

**Redacted**

The derivatives exposure and margining process is well documented.



## Comparative Statement of Income

	Period Ended 09/30/2018	Period Ended 12/31/2017	Period Ended 12/31/2016
Interest Income	1,426,064	1,465,209	1,195,898
Interest Expense	23,460	9,685	7,605
<b>Net Interest Income</b>	<b>1,402,604</b>	<b>1,455,524</b>	<b>1,188,293</b>
Noninterest Income	388,561	397,884	336,624
Total Noninterest Expense	829,160	946,777	807,026
Provision for Loan and Lease Losses	74,088	86,058	95,650
Securities Gains (Losses)	33	(8,783)	13,827
<b>Net Operating Income (Pre-Tax)</b>	<b>887,950</b>	<b>811,790</b>	<b>636,068</b>
Applicable Income Taxes	229,499	365,021	256,439
<b>Net Operating Income (After-Tax)</b>	<b>658,451</b>	<b>446,769</b>	<b>379,629</b>
Extraordinary Credits (Charges), Net			
<b>Net Income (Loss) attributable to bank and noncontrolling (minority) interests</b>	<b>658,451</b>	<b>446,769</b>	<b>379,629</b>
Less: Net Income (Loss) attributable to noncontrolling (minority) interests			
<b>Net Income (Loss) attributable to bank</b>	<b>658,451</b>	<b>446,769</b>	<b>379,629</b>
Other Increases/Decreases	(160,309)	(107,654)	(15,247)
<i>Includes changes in the net unrealized holding gains (losses) on Available-For-Sale Securities</i>			
Cash Dividends			
<b>Net Change in Equity Accounts</b>	<b>498,142</b>	<b>339,115</b>	<b>364,382</b>

## Reconciliation of Allowance for Loan and Lease Losses

	Period Ended 09/30/2018	Period Ended 12/31/2017	Period Ended 12/31/2016
Beginning Balance	255,024	225,248	217,542
Gross Loan and Lease Losses	48,220	66,632	96,857
Recoveries	5,879	8,487	12,212
Provision for Loan and Lease Losses	74,088	86,058	95,650
Other Increases (Decreases)	(1,058)	1,863	(3,299)
Ending Balance	285,713	255,024	225,248

## Other Component Ratios and Trends

<b>Ratio</b>	Period Ended 09/30/2018	Period Ended 12/31/2017	Period Ended 12/31/2016
Net Interest Income (TE)/Average Earning Assets	3.56	3.11	2.79
Total Noninterest Expense/Average Assets	2.06	1.99	1.86
Net Income/Average Total Equity	21.96	12.39	11.51
Net Losses/Average Total Loans and Leases	0.23	0.27	0.46
Earnings Coverage of Net Losses (X)	22.72	15.59	8.48
ALLL/Total Loans and Leases	1.04	1.10	1.13
Noncurrent Loans and Leases/ALLL	40.36	46.83	52.84

## Footnotes:

*Safety & Soundness*

**Composite 2.** Financial institutions in this group are fundamentally sound. For a financial institution to receive this rating, generally no component rating should be more severe than 3. Only moderate weaknesses are present and are well within the board of directors' and management's capabilities and willingness to correct. These financial institutions are stable and are capable of withstanding business fluctuations. These financial institutions are in substantial compliance with laws and regulations. Overall risk management practices are satisfactory relative to the institution's size, complexity, and risk profile. There are no material supervisory concerns and, as a result, the supervisory response is informal and limited.

*Information Technology*

**Composite 2.** Financial institutions and service providers rated composite "2" exhibit safe and sound performance but may demonstrate modest weaknesses in operating performance, monitoring, management processes or system development. Generally, senior management corrects weaknesses in the normal course of business. Risk management processes adequately identify and monitor risk relative to the size, complexity and risk profile of the entity. Strategic plans are defined but may require clarification, better coordination or improved communication throughout the organization. As a result, management anticipates, but responds less quickly to changes in market, business, and technological needs of the entity. Management normally identifies weaknesses and takes appropriate corrective action. However, greater reliance is placed on audit and regulatory intervention to identify and resolve concerns. The financial condition of the service provider is acceptable and while internal control weaknesses may exist, there are no significant supervisory concerns. As a result, supervisory action is informal and limited.

*Compliance*

**Composite 2.** An institution in this category maintains a CMS that is satisfactory at managing consumer compliance risk in the institution's products and services and at substantially limiting violations of law and consumer harm.

*Community Reinvestment Act*

A CRA rating of **Satisfactory** is assigned. An institution in this group has a satisfactory record of helping to meet the credit needs of its assessment area, including low- and moderate income neighborhoods, in a manner consistent with its resources and capabilities.

Refer to <http://www.fdic.gov/regulations/examinations/ratings/index.html> for definitions of all composite ratings.

We the undersigned directors/trustees of Silicon Valley Bank, have personally reviewed the contents of the Report of Examination dated September 30, 2018.

Signatures of Directors/Trustees

Date

\_\_\_\_\_  
Gregory W Becker

\_\_\_\_\_  
Eric A Benhamou

\_\_\_\_\_  
John S Clendening

\_\_\_\_\_  
Roger F Dunbar

\_\_\_\_\_  
Joel P Friedman

\_\_\_\_\_  
Kimberly A Jabal

\_\_\_\_\_  
Jeffrey N Maggioncalda

\_\_\_\_\_  
Mary J Miller

\_\_\_\_\_  
Kate D Mitchell

\_\_\_\_\_  
John F Robinson

\_\_\_\_\_  
Garen K Staglin

NOTE: This form should remain attached to the Report of Examination and be retained in the institution's file for review during subsequent examinations. The signatures of committee members will suffice only if the committee includes outside directors and a resolution has been passed by the full board delegating the review to such committee.



**Examination Scope** – There were no significant variances between projected and actual examination hours, examination scope and examination procedures.

**BSA / AML** – The joint BSA/AML target examination commenced on September 10, 2018 and concluded October 5, 2018. The BSA/AML and OFAC program continues to require improvement. Two MRIs are outstanding as noted on the Matters Requiring Board Attention page regarding Internal Controls and OFAC.

The scope of the examination focused on six specific objectives and areas that have been designated as high-risk based on the Bank's risk assessment, internal audit, and FRBSF/CDBO BSA related work completed during the first and second quarter of 2018. Areas reviewed included an evaluation of:

- Customer identification, Customer Due Diligence and Enhanced Due Diligence Program
- Suspicious Activity Monitoring Process
- BSA Officer and Administration
- Independent Testing
- Training Program
- OFAC program

To meet the above objectives, examiners conducted transaction testing of various products/services and held discussions with Bank management. Additionally, a follow-up of remediation efforts to address the outstanding MRI/MRAs as well as an assessment of compliance with provisions of the MOU was performed.

**Information Technology Scope** – The joint IT target examination commenced on February 28, 2018 and concluded on March 22, 2018. The scope included a review of all four URSIT components. The overall performance of IT continues to improve. Ratings of "2" were assigned for the composite and all components. One MRA is outstanding as noted on the Matters Requiring Board Attention page regarding disaster recovery testing.

#### Loan Penetration -

ALERT Data, by Call Report Code as of July 31, 2018	# Loans	Total Commitments (millions)	# Loans in Scope	Total Commitment in Scope (millions)	October 2018 Coverage	May 2018 Coverage
Commercial & Industrial	13,552	\$17,733	121	\$1,638	9.2%	10.7%
Loans for Purchasing / Carrying Securities	1,549	\$20,510	22	\$2,142	10.4%	9.7%
1-4 Residential 1st Lien	1,967	\$2,426	8	\$44	1.8%	5.8%
Ag Real Estate	171	\$602	4	\$21	3.5%	22.5%
Totals (1)	18,681	\$42,310	164	\$3,845	9.1%	10.2%

(1) Data in the "Totals" row includes the four Call Report loan types listed, plus all other non-listed loan types. In aggregate, the non-listed loan types account for only 2.5% of total commitments (22.1% TC), with no individual type accounting for more than 7% of TC.

#### State Specific Items:

The four California specific laws reviewed were the California Unclaimed Property Law; Division 1.4 – Consumer Information Privacy; Division 1.7 Predatory Lending; and Local Agency Security Program. No

issues were noted.

### Suggestions for the 2019 cycle:

#### Capital Component:

- Review 2019 capital planning efforts. Request project cards and project plans if necessary.
- Review capital stack linkage to risk identification efforts.

#### Credit Risk:

- Review credit concentration risk limits, as established through economic capital measures, as well as the thresholds approved for the risk appetite statement, in greater depth to determine whether they are prudent and meaningful.
- Assess loan portfolio segmentation, particularly at the granularity of “level 3 definition.”

#### Sensitivity to Market Risk (Securities and Derivatives):

- Recommend performing a more complete/structured review of need for escalation limits in areas where there is substantial headroom in actuals to limits.
- Test credit sensitive securities for pre-purchase and on-going monitoring as testing was not conducted in the 2018 examination. Testing occurred in 2016 when the volume of credit sensitive securities was much smaller. Furthermore, the RADAR report confirmed a low risk profile.
- Follow up on Regulation R compliance testing.

#### Sensitivity to Market Risk (Rate Sensitivity):

- Follow up on key assumptions sensitivity testing and ALM model assumption review and reporting to ALCO.
- Determine outcome of request for suspension of Foreign Exposure \$10 billion threshold and any controlling activities the Bank takes if no suspension is granted.
- Follow up on Market risk rule and \$1 billion trading asset threshold.
- Evaluate UK and Germany FX oversight, including the FX global governance committee that is planned to be set up.

#### Regulation O:

- Sample newly originated insider loans for compliance with Reg. O and California Financial Code
- Follow up on insider loan control processes to determine their effectiveness, that they are consistently applied across the organization, and that review processes are adequately documented.



**DBO Confidential - Examination Information**

**1462**

Examination entry date: 10/01/2018 Quarter end call date: 09/30/2018  
 Field completion date: 10/26/2018 Trial balance date: 07/31/2018  
 Exit meeting date: 12/20/2018 Entry date of last Federal exam: 10/02/2017  
 Date submitted to AD: 02/04/2019 Entry date of previous DBO exam: 10/03/2016

Type of examination:        Independent        Concurrent   X   Joint  
 Processor:   X   DBO        Federal        Other State

IT Complexity Category:   X   Type A        Type B        Type C        No IT rating assigned

Billable Examination (FC 501) due to institution's problem status: Yes        No   X  

EXAMINER NAME	ASSIGNMENT	TRAINING	TOTAL (Net of Training)
<b>Safety and Soundness Examination</b>			
<b>Redacted</b>	EIC		480
	AM		238
	OM		238
	MRA Follow-Up		105
	AQ/Mentor		124
	AQ		80
	AQ		82
	AQ		138
	Liquidity/Mentor	74	
	Liquidity		110
Total DBO S&S Exam Hours			1,595
Budgeted Hours			2,040
Variance			(445)
Federal Hours			1,912
<b>Information Technology Examination</b>			
Total DBO IT Exam Hours			
Federal Hours			

**Directors/Trustees and Officers**

**1462**

List alphabetically all directors/trustees, senior officers, and principal stockholders. Also indicate their titles. Number of shares owned is not rounded. (J - indicates stock jointly owned; P - indicates preferred stock owned; H - indicates holding company stock owned; C - indicates stock controlled but not owned)

Names and Comments	Net Worth		Year Joined Bank	Year of Birth	Attendance	Number of Shares Owned	Salary and Bonus (B)
	Amount	Date of Statement					

**DIRECTORS/TRUSTEES**

Becker, Gregory W (7)	1993	<b>Redacted</b>	8	121,666 (H)	950 1,435(B)
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Mr. Becker was appointed the President and Chief Executive Officer of the Company in April 2011. His SVB career began in 1993 as part of the Northern California Technology Division, and since then, has served in a number of executive and senior management roles, including Division Manager of Venture Capital (1999-2002), Chief Banking Officer (2002-2003), Chief Operating Officer (2003-2008) and President of the Bank (2008-2017).

Benhamou, Eric A (4)(5)(6)	2005	<b>Redacted</b>	8	3,443 (H)	
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Mr. Benhamou is Chairman and Chief Executive Officer of Benhamou Global Ventures, LLC ("*Benhamou Global Ventures*"), which he founded in 2003. Benhamou Global Ventures invests and plays an active role in innovative high-tech firms throughout the world. Mr. Benhamou also sits on various public and private technology company boards, and serves a variety of educational and philanthropic organizations. Mr. Benhamou holds a diplome d'Igenieur de l'Ecole National Superieure det Metiers in Paris, France; a Master's Degree in Science from the School of Engineering at Stanford University; and honorary doctoral degrees from Ben Gurion University, Widner University, Western Governors University, and the University of South Carolina.

Clapper, David M (1)(3)(6)	2005	<b>Redacted</b>	6	16,252 (H)	
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Mr. Clapper retired from the Board at the 2018 Annual Meeting.

Clendening, John S (3)	2017	<b>Redacted</b>	8	337 (H)	
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Mr. Clendening is currently President and CEO of Blucora, Inc., a provider of multi-channel financial and tax preparation services. Mr. Clendening previously served in various executive management roles at The Charles Schwab Corpora on ("*Charles Schwab*") from 2004-2015, most recently as Executive Vice President and Co-Head, Retail Business.

Dunbar, Roger F (1)(4)(5)(6)(7)	2005	<b>Redacted</b>	7	18,117 (H)	
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Mr. Dunbar retired from Ernst & Young LLP ("*Ernst & Young*") in 2004, where he served in a variety of positions since 1974, including key leadership positions. He has taught at Santa Clara University's Graduate School of Business and in Ernst & Young's National Education Program. He holds a Bachelor's degree in Business from San Francisco State university, and holds a Master's degree in Business Administration from Santa Clara University.



**Directors/Trustees and Officers (Continued)**
**1462**

Names and Comments	Net Worth		Year Joined Bank	Year of Birth	Atten- dance	Number of Shares Owned	Salary and Bonus (B)
	Amount	Date of Statement					

Friedman, Joel P  
(4)(5)(6) 2005 **Redacted** 8 21,252 (H)

Mr. Friedman retired from Accenture PLC (“Accenture”), a public company global management-consulting firm, in 2005, where he held the position of President of the Business Process Outsourcing organization. Over the course of his 34-year career with Accenture, Mr. Friedman held a variety of senior leadership roles. Mr. Friedman holds a Bachelor's degree in Economics from Yale University, and Master's degree in Business Administration from Stanford Graduate School of Business.

Jabal, Kimberly A  
(1) 2018 **Redacted** 1

Ms. Jabal is currently the Chief Financial Officer of Weebly, Inc., a provider of web-hosting and e-commerce services. Prior to joining Weebly, Inc. in 2015, Ms. Jabal previously served as Chief Financial Officer of Path, Inc., a social networking technology company, from 2013-2015, and as Vice President of Finance at Lytro, Inc., an early stage technology company, from 2011-2012. Ms. Jabal served in various roles at Google, Goldman Sachs and Andersen Consulting (now Accenture).

Krishnan, Lata  
(1)(4) 2008 **Redacted** 5 13,778 (H)

Ms. Krishnan retired from the Board at the 2018 Annual Meeting.

Maggioncalda, Jeffrey N  
(2)(3) 2012 **Redacted** 6 6,247 (H)

Mr. Maggioncalda is currently the Chief Executive Officer of Coursera, Inc. (“Coursera”), an online education company. He previously served as the founding Chief Executive Officer of Financial Engines, Inc. (“Financial Engines”), a publicly-held independent investment advisory firm, since its inception in 1996 until 2014. He also served as a director of Financial Engines from 2011 to 2014. Subsequent to his tenure at Financial Engines, Mr. Maggioncalda served as a senior advisor to McKinsey & Company, a global management-consulting firm. He holds a Bachelor's degree's in Economics and English, and a Master's degree in Business Administration, all from Stanford University.

Miller, Mary J  
(1)(4) 2016 **Redacted** 8 3,283 (H)

Ms. Miller is the former Under Secretary for Domestic Finance for the U.S. Department of the Treasury (“U.S. Treasury”), a position that she held following her confirmation by the U.S. Senate from March 2012 until September 2014. Ms. Miller also served as Assistant Secretary of the Treasury for Financial Markets following her confirmation by the U.S. Senate in February 2010 until June 2014. Prior to joining the U.S. Treasury, Ms. Miller held various positions with T. Rowe Price Group, Inc. from 1983 to 2009. She received her Bachelor's degree in Government from Cornell University, Master's degree in City and Regional Planning from the University of North Carolina at Chapel Hill, and is a Chartered Financial Analyst.



**Directors/Trustees and Officers (Continued)**

**1462**

Names and Comments	Net Worth		Year Joined Bank	Year of Birth	Attendance	Number of Shares Owned	Salary and Bonus (B)
	Amount	Date of Statement					

Mitchell, Kate D  
(2)(3)(5)(6) 2010 **Redacted** 8 7,949 (H)

Ms. Mitchell is Managing Partner and Co-Founder of Scale Venture Partners (“Scale Venture”), a venture capital firm that invests in enterprise software companies and is instrumental in building the firm’s team and strategic direction. Prior to founding Scale Venture in 1996, Ms. Mitchell held a variety of senior management positions with Bank of America. Ms. Mitchell holds a Bachelor's degree in Political Science from Stanford University, and a Master's degree in Business Administration from Golden Gate University.

Robinson, John F  
(1)(2)(3)(6) 2010 **Redacted** 8 6,017 (H)

Mr. Robinson is a former Executive Vice President, Corporate Risk Management of Washington Mutual Bank, a financial lending institution. Prior to his position with Washington Mutual, Mr. Robinson served with the Office of the Comptroller of the Currency as a Deputy Comptroller. He earned his Bachelor's degree in Business Administration from Washington University, and Master's degree in Business Administration from Harvard University. He is a Chartered Financial Analyst.

Staglin, Garen K  
(2)(5)(6) 2012 **Redacted** 7 10,952 (H)

Mr. Staglin is the founder and proprietor of Staglin Family Vineyard, founded in 1985 in the Rutherford region of Napa Valley. Over the past 40 years, Mr. Staglin has also held a variety of positions in the financial and insurance services industries. Mr. Staglin holds a Bachelor's degree in Engineering - Electrical and Nuclear from the University of California, Los Angeles, and a Master's degree in Business Administration - Finance and Systems Analysis from Stanford University Graduate School of Business.

**OFFICERS, NOT DIRECTORS/TRUSTEES**

Beck, Dan J  
Chief Financial Officer 2017 **Redacted** 550  
625(B)

Mr. Beck is responsible for SVB's finance, treasury and accounting functions. Before joining the Company in 2017, Mr. Beck served as the Chief Financial Officer for Bank of the West, a subsidiary of BNP Paribas Group, from June 2015 to May 2017 and as Executive Vice President and Corporate Controller from June 2008 to June 2015. Prior to his tenure at Bank of the West, Mr. Beck held various finance and accounting roles with Wells Fargo Bank, the Federal Home Loan Mortgage Corporation, E\*TRADE Financial Corporation and Deloitte & Touche LLP. Mr. Beck holds a B.S. in Accounting from Virginia Commonwealth University and a B.S. in Biology from Virginia Polytechnic Institute and State University.

Cadieux, Marc C  
Chief Credit Officer 1992 **Redacted** 500  
465(B)

Mr. Cadieux joined SVB in 1992 and has held a variety of positions of increasing responsibility in the areas of



**Directors/Trustees and Officers (Continued)**
**1462**

Names and Comments	Net Worth		Year Joined Bank	Year of Birth	Atten- dance	Number of Shares Owned	Salary and Bonus (B)
	Amount	Date of Statement					

credit administration, business development and relationship management during his tenure with the Company. Mr. Cadieux was previously the Division Risk Manager for SVB's Eastern Division, where he was responsible for overseeing commercial lending activities in the United States, Canada, the United Kingdom and Israel. Mr. Cadieux was appointed as Assistant Chief Credit Officer in 2009 and was later appointed as Chief Credit Officer in 2013. Prior to joining the Company, Mr. Cadieux held several credit-related positions with Pacific Western Bank and Bank of New England. Mr. Cadieux holds a bachelor's degree in Economics from Colby College.

China, John D Head of Technology Banking	1998	<b>Redacted</b>	42,097 (H)	560 650(B)
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Mr. China, Head of Technology Banking, oversees growth of the technology banking business. Mr. China joined SVB in 1996 as Senior Relationship Manager and has since held a variety of positions with the Company, including Head of Venture Capital Management and Head of Venture Capital and Private Equity division. Mr. China was appointed as the Head of Relationship Management in 2010, Head of Relationship Banking in 2014, and Head of Technology Banking in 2017. Mr. China is a member of the boards of H2, a digital industry leadership network, and BUILD, a nonprofit organization dedicated to educating under-resourced youth through entrepreneurship; and the advisory boards of Alpha Club, a networking community of founders, CEOs and technology influencers, and York Butter Factory, an Australian coworking and startup incubator space. Mr. China holds a bachelor's degree in Industrial Engineering from Stanford University.

Cox, Philip C Head EMEA and President of the UK Branch	2009	<b>Redacted</b>	400 175(B)
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Philip C. Cox, Head of Europe, Middle East and Africa; President of the UK Branch, is focused on the international development of SVB's business and is responsible for the UK branch. Mr. Cox joined SVB in 2009 as Head of UK, Europe & Israel, where he was responsible for the overall strategic direction of the Company in the UK, Europe and Israel, as well as the establishment of the UK Branch banking business, prior to his appointment to his current role in 2012. Prior to joining the Company, Mr. Cox was Head of Commercial Banking at the Bank of Scotland in London, a division of Lloyds Banking Group (2008-2009) and the Chief Executive Officer of Torex Retail PLC (2005-2008). Prior to his tenure at Torex Retail PLC, Mr. Cox spent approximately 23 years with NatWest/RBS Group in a variety of positions, including Managing Director of Transport and Infrastructure Finance, Regional Managing Director of the North of England Region and the same position for the South West and Wales business. Mr. Cox is a member of the Chartered Institute of Bankers (UK) and the Association of Corporate Treasurers (UK).

Descheneaux, Michael R President - SVB	2006	<b>Redacted</b>	42,811 (H)	700 965(B)
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Mr. Descheneaux oversees the Company's global commercial bank, private bank and funds management businesses, as well as credit administration. Mr. Descheneaux joined SVB in 2006 as Managing Director of Accounting and Financial Reporting, and was appointed as Chief Financial Officer in 2007, where he was responsible for the finance, treasury, accounting and legal functions, as well as funds management business until he assumed his current role in 2017. Prior to joining the Company, Mr. Descheneaux was a managing director of



**Directors/Trustees and Officers (Continued)**

**1462**

Names and Comments	Net Worth		Year Joined Bank	Year of Birth	Attendance	Number of Shares Owned	Salary and Bonus (B)
	Amount	Date of Statement					

Navigant Consulting (2004 – 2006) and held various leadership positions with Arthur Andersen (1995 – 2002). Mr. Descheneaux holds a Bachelor’s degree in Business Administration from Texas A&M University. He is also a certified public accountant, as well as a member of the Texas State Board of Public Accountancy.

Draper, Michelle A Chief Marketing Officer	2013	<b>Redacted</b>		425 500(B)
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Ms. Draper, Chief Marketing Officer, is responsible for the strategy and execution of global marketing initiatives. Prior to joining SVB in 2013, Ms. Draper held various senior-level marketing positions at Charles Schwab & Co. from 1992 - 2013, including as Senior Vice President of Institutional Services Marketing, where she oversaw advertising, brand management and other key marketing strategies. Prior to that, Ms. Draper served as a director of Investor Services Segment Marketing and Vice President of Advisor Services Marketing Programs, developing marketing strategies for both the retail and institutional sides of the Charles Schwab business. Ms. Draper holds a Bachelor’s degree in Journalism from California Polytechnic State University – San Luis Obispo, as well as Series 7 General Securities Representative and Series 24 General Securities Principal licenses.

Dreyer, Michael L Chief Operations Officer	2015	<b>Redacted</b>	2,979 (H)	525 575(B)
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Mr. Dreyer is responsible for the Company’s global technology and infrastructure functions. Prior to joining SVB in 2015, Mr. Dreyer served as the Chief Operations Officer and President of the Americas for Monitise, where he was responsible for the design, build and operations of Monitise’s technology globally, as well as its Americas business (2014 - 2015). Prior to that, Mr. Dreyer was the Chief Information Officer at Visa Inc., where he was responsible for company’s systems and technology platforms (1998 - 2014). Mr. Dreyer has also held various senior-level positions at American Express, Prime Financial, Inc., the Federal Deposit Insurance Corporation (FDIC) and Bank of America. He has been on the board of directors of Finisar Corporation since 2015, and F5 Networks Inc., since 2012. Mr. Dreyer holds a bachelor’s degree in Psychology and a master’s degree in Business Administration from Washington State University.

Edmonds-Waters, Christopher D Chief Human Resources Officer	2003	<b>Redacted</b>		415 425(B)
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Christopher D. Edmonds-Waters, Chief Human Resources Officer, oversees compensation, global mobility, recruiting and learning and development functions. Mr. Edmonds-Waters joined SVB in 2003 as Director of Organization Effectiveness and was appointed to his current role in 2007. Prior to joining the Company, Mr. Edmonds-Waters held various senior-level human resources positions at Charles Schwab & Co. from 1996 – 2003 and began his career at Macy’s California where he held various merchandising as well human resources roles. Mr. Edmonds-Waters holds a bachelor’s degree in Intercultural Communications from Arizona State University and a Master’s degree in Human Resources and Organization Development from the University of San Francisco.

Izurieta, Laura H Chief Risk Officer	2016	<b>Redacted</b>	626 (H)	500 500(B)
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Laura H. Izurieta, Chief Risk Officer, is responsible for leading enterprise-wide risk management, corporate



**Directors/Trustees and Officers (Continued)**

**1462**

Names and Comments	Net Worth		Year Joined Bank	Year of Birth	Attendance	Number of Shares Owned	Salary and Bonus (B)
	Amount	Date of Statement					

compliance and regulatory functions. From 2000 until joining the Company, Ms. Izurieta held various roles of increasing responsibility at Capital One, including Vice President of Corporate Reputation and Governance, Vice President of Capital One Home Loans and Vice President of Information Technology, and most recently as the Executive Vice President and Chief Risk Officer, Retail and Direct Bank. Prior to her tenure at Capital One, Ms. Izurieta also held positions at Freddie Mac and Bank of America. Ms. Izurieta holds a bachelor's degree in Business Administration from Towson University and a Master's degree in Applied Behavioral Science from John Hopkins School of Business.

Leone, Roger E  
 Chief Information Officer  
 Mr. Leone retired in 2018.

2015 **Redacted**

Zucker, Mchael S  
 General Council

2014 **Redacted**

525  
 475(B)

Michael S. Zuckert, General Counsel, is responsible for legal and government affairs. Prior to joining the Company in 2014, he served in a wide range of legal positions within the financial services industry. Most recently, he served as Deputy General Counsel of Citigroup (2009-2014), where he served as general counsel for the company's non-core assets business, Citi Holdings, and focused on mergers and acquisitions. Prior to his time at Citigroup, Mr. Zuckert held various senior-level positions at Morgan Stanley & Co. Inc., and was Vice President and General Counsel at TheStreet.com, Inc., an online financial news provider. Mr. Zuckert is a director of the Law Foundation of Silicon Valley and the Global EIR Coalition and a member of the leadership council of Tech:NYC. He holds Bachelor's degrees in History and Law and Society from Brown University and a Juris Doctor from New York University School of Law.

**PRINCIPAL SHAREHOLDERS, NOT DIRECTORS/TRUSTEES OR OFFICERS**

BlackRock, Inc  
 New York, NY  
 5,104,914  
 (CH)

Information is based on figures set forth in the Schedule 13G/A filed by BlackRock, Inc., on January 23, 2018. According to the Schedule 13G/A, of the total shares reported, BlackRock, Inc., an investment adviser, has sole voting power with respect to 4,775,678 shares and sole dispositive power with respect to 5,104,914 shares (9.59 percent).

SVB Financial Group  
 475,000 (C)  
 SVB Financial Group is the sole owner of Silicon Valley Bank, owning all 475,000 shares.

The Vanguard Group, Inc  
 Malvern, PA  
 4,512,684  
 (CH)

Information is based on figures set forth in the Schedule 13G/A filed by The Vanguard Group ("Vanguard Group") on February 12, 2018. According the Schedule 13G/A, of the total shares reported, Vanguard Group, an investment advisor, has sole voting power with respect to 42,203 shares and sole dispositive power with respect to 4,462,771

**Directors/Trustees and Officers (Continued)****1462**

Names and Comments	Net Worth		Year Joined Bank	Year of Birth	Atten- dance	Number of Shares Owned	Salary and Bonus (B)
	Amount	Date of Statement					

shares (8.54 percent).

(1)-Audit; (2)-Compensation; (3)-Credit; (4)-Finance; (5)-Governance; (6)-Risk; (7)-Equity Awards

The annual Director retainer fee is \$70M, except for the Chairman which is \$160M. Each Chairperson of a Committee receives an additional retainer of \$20M for Audit, \$15M for Compensation, Finance and Risk and \$12M for Credit & Governance. Committee members receive annual retainers of \$25M for Audit, \$12M for Compensation and Finance and \$8M for Risk, Credit & Governance. Committee chairs receive both the Committee Chairperson Retainer and the Committee Member Retainer.

In addition, Directors and certain Officers are required to have equity ownership. Total reported shares can be comprised of: (i) shares held, (ii) vested but deferred restricted stock units, (iii) earned but unvested restricted stock units (including performance restricted stock units), and (iv) interests in the SVB Stock Fund held through in the 401(k)/ESOP plan. Ownership must be obtained within 5 years of their appointment to specified positions.

**BANK**

- |   |                       |
|---|-----------------------|
| 1. Name of individual or group with a controlling interest:   | SVB Financial Group   |
| a. Number and percentage owned in own name(s):  | 475,000 shares / 100% |
| b. Number and percentage controlled:  | NA                    |
| c. Date control acquired:   | 04/23/1982            |
| d. Was approval or exemption obtained pursuant to F.C. Section 1250 et seq.?  | Yes                   |
| 2. Were proxies solicited by anyone other than the management group?  | No                    |
| 3. Are there any formal shareholder's agreements or voting trust agreements for the purpose of voting shares of the bank? | No                    |
| 4. Date of annual shareholders' meeting:  | April                 |
| 5. Date of most recent annual shareholders' meeting:  | 04/26/2018            |
| 6. Is the number of directors in conformance with FC 1171 and the bylaws or articles of incorporation?                    | Yes                   |

**HOLDING COMPANY**

- |   |            |
|---|------------|
| 1. Name of individual or group with a controlling interest:   | None       |
| a. Number and percentage owned in own name(s):  | NA         |
| b. Number and percentage controlled:  | NA         |
| c. Date control acquired:   | NA         |
| d. Was approval or exemption obtained pursuant to F.C. Section 1250 et seq.?  | NA         |
| 2. Were proxies solicited by anyone other than the management group?  | No         |
| 3. Are there any formal shareholder's agreements or voting trust agreements for the purpose of voting shares of the bank? | No         |
| 4. Date of annual shareholders' meeting:  | April      |
| 5. Date of most recent annual shareholders' meeting:  | 04/26/2018 |
| 6. Is the number of directors in conformance with FC 1171 and the bylaws or articles of incorporation?                    | Yes        |



**1. What is the date of the most recent examination of holding company by the Federal Reserve Bank (FRB) and their rating of the holding company?**

The most recent FRB Roll-Up Inspection of SVB Financial Group (SVBFG) commenced on December 4, 2017 and was completed on March 22, 2018. Financial information used in the report was as of September 30, 2017. The Inspection Report was dated June 13, 2018.

The inspection leveraged the work of the October 2, 2017 Roll-Up Examination of SVB, and other examination work and continuous monitoring activity conducted during the 2017 supervisory cycle, including the results of target examinations that focused on the following areas:

Supervisory Event	2017 Rating	Event Date
Dodd Frank Act Stress Testing – SVBFG	In Compliance, with findings	10/02/17
Bank Secrecy Act (BSA) – SVB	Less than Satisfactory, with findings	10/16/17
Asset Quality – SVB	Satisfactory, with findings	05/08/17
Information Technology (IT) - SVB	Satisfactory	02/27/17

The overall condition of SVBFG remains satisfactory, which primarily reflects the satisfactory condition of the depository institution. Risk management is satisfactory and supported by satisfactory ratings in Board and senior management oversight, policies and procedures, and internal controls. However, risk monitoring and Management Information Systems (MIS) remains fair due to weaknesses in management's ability to effectively identify and monitor key risks and vulnerabilities. The financial condition of the company remains satisfactory. All subcomponents are rated satisfactory except for liquidity, which remains strong. The BHC and its nonbank subsidiaries pose a limited likelihood of significant negative impact to SVB.

**2. Comment on actions taken to correct any significant deficiencies noted in the most recent FRB examination report**

One new MRA was included in the Inspection Report, requiring management to complete the final steps of their project plan to fully implement and independently validate their new investment tracking software system. In 2016, after multiple issues with a previous software system, management determined they needed a new investment tracking system for SVBFG's private equity investments and debt-previously-contracted investments. The new system, **Redacted**, has been implemented, but has not been evaluated by internal audit or examiners.

The Inspection Report also noted the Rationale & Support of DFAST Framework MRA that is listed on the Matters Requiring Board Attention page of this Report as being carried forward.

Also included in the Inspection Report was a Model Risk Management MRA stemming from the October 2016 DFAST Examination. That MRA is closed with the issuance of this Report.

**3. List principal affiliated companies and their principal activity. (Attach most recent consolidated FS and FS of holding company only.)**

SVB Financial Group is the financial holding company which owns 100% of Silicon Valley Bank, and provides diversified financial services to corporate clients in the technology, life sciences, venture capital/private equity and premium wine industries. SVBFG offers these services through three

principal reportable segments: Global Commercial Bank, SVB Capital, and SVB Private Bank. Global Commercial Bank houses Silicon Valley Bank, SVB Global, and Sponsored Debt Funds and Strategic Investments (SVBFG-owned funds). SVB Capital, which is the venture capital (VC) investment arm of SVBFG, focuses primarily on funds management. SVB Private Bank is the private client services division. Bank subsidiaries formed to provide off-balance sheet investment products for bank clients include SVB Securities, a broker/dealer; SVB Asset Management, a registered investment advisor; and SVB Wealth Advisory, a registered investment advisor that provides investment advisory services for private bank clients. SVB Global houses the company's international expansion initiatives, manages the international VC client portfolio, and oversees the operations of international offices in the United Kingdom, Israel, and China. These operating entities work together to meet the needs of clients at all stages of their business life cycles, and support each other through a vigorous circle of referrals and interlocking relationships.

**HOLDING COMPANY NAME: SVB FINANCIAL GROUP  
PARENT ONLY AND CONSOLIDATED BALANCE SHEETS  
AS OF 09/30/2018 (In Thousands)**

	<u>Parent Only</u>	<u>Consolidated</u>
<b><u>Assets</u></b>		
Cash and due from banks	617,076	3,666,061
Federal funds sold		119,181
Investment in securities	256,002	25,020,736
Loans and leases, net		27,209,202
Trading Assets		346,359
Investments in subsidiaries	4,368,788	
Premises and equipment, net	20,326	78,031
Investments in unconsolidated subsidiaries		75,314
Other assets	473,582	1,663,878
<b>Total Assets</b>	<b>5,735,774</b>	<b>58,178,762</b>
<b><u>Liabilities</u></b>		
Deposits		48,639,541
Other borrowed money		2,631,321
Trading Liabilities		428,354
Subordinated notes and debentures	696,217	696,217
Balance due to bank subsidiaries	1,088	
Balance due to non-bank subsidiaries	10,664	
Other liabilities	103,436	713,284
<b>Total Liabilities</b>	<b>811,405</b>	<b>53,108,717</b>
<b><u>Stockholders' Equity</u></b>		
Perpetual preferred stock		
Common stock	53	53
Surplus	1,360,030	1,360,030
Retained earnings	3,672,696	3,672,696
Accumulated other comprehensive income	-108,410	-108,410
Noncontrolling (minority interest in consolidated subsidiaries)		145,676
<b>Total Stockholders' Equity</b>	<b>4,924,369</b>	<b>5,070,045</b>
<b>Total Liabilities and Stockholders' Equity</b>	<b>5,735,774</b>	<b>58,178,762</b>



**HOLDING COMPANY NAME: SVB FINANCIAL GROUP  
PARENT ONLY AND CONSOLIDATED BALANCE SHEETS  
AS OF 09/30/2018 (In Thousands)**

	<u>Parent Only</u>	<u>Consolidated</u>
<b><u>Interest Income</u></b>		
Interest and fees on loans		979,724
Interest income on balances due from depository institutions		18,496
Interest and dividend income on securities		427,210
Interest on federal funds sold		1,499
Interest and dividends from bank subsidiaries	95,000	
Interest and dividends from nonbank subsidiaries	16,111	
Other interest income		1,549
<b>Total Interest Income</b>	<b>111,111</b>	<b>1,428,478</b>
<b><u>Interest Expense</u></b>		
Interest on deposits		18,409
Interest on borrowed funds		4,921
Other interest expense		132
Interest on subordinated notes and debentures	24,022	24,022
<b>Total Interest Expense</b>	<b>24,022</b>	<b>47,484</b>
<b><u>Net Interest Income</u></b>		
Provision (negative) for loan and lease losses		74,088
<b>Net Interest Income After Provision</b>	<b>87,089</b>	<b>1,306,906</b>
<b><u>Non-Interest Income</u></b>		
Service charges and fees on deposits		52,959
Trading revenue		105,978
Fees and commissions from securities brokerage		88,562
Venture capital revenue		98,317
Other Income	82,620	210,963
Gain / (loss) on sale of assets	18,255	
<b>Total non-interest income</b>	<b>100,875</b>	<b>556,779</b>
<b><u>Non-Interest Expense</u></b>		
Salaries and employee benefits	18,871	541,539
Furniture, fixtures, and equipment	4,105	51,748
Other Operating Expenses	19,628	287,453
<b>Total non-interest expense</b>	<b>42,604</b>	<b>880,740</b>
<b><u>Income before income taxes</u></b>		
Income tax (expense) benefit	17,200	246,561
Unrealized gains losses	3,586	33
LESS: Income (loss) attributable to noncontrolling (minority) interests		28,841
Equity in undistributed income of bank and non bank	575,830	
<b>Net Income (Loss)</b>	<b>707,576</b>	<b>707,576</b>

## ABBREVIATIONS

The following are the principal abbreviations used in this Report of Examination.

et al	And Others	LS	Livestock
et ux	And Spouse	M	Thousands
a/k/a	Also Known As	M&E	Machinery & Equipment
AA	Average Assets	MDB	Mortgage Backed Security
AGI	Adjusted Gross Income	Mdse	Merchandise
AL	Acres of Land	MM	Millions
ALLL	Allowance for Loan and Lease Losses	MMDA	Money Market Deposit Account
AP	Accounts Payable	Mtge	Mortgage
APBO	Accounting Principles Board of Opinion	MV	Market Value
AR	Accounts Receivable	NI	Net Income
ARM	Adjustable Rate Mortgage	NIM	Net Interest Margin
AV	Appraised Value	NOI	Net Operating Income
BHC	Bank Holding Company	NOW	Negotiable Order of Withdrawal
BSA	Bank Secrecy Act	NP	Notes Payable
BV	Book Value	NR	Notes Receivable
CA	Current Assets	NW	Net Worth
CD	Certificate of Deposit	OA	Other Assets
CL	Current Liabilities	OD	Overdraft
CLOC	Commercial Letter of Credit	OH	Overhead
CPA	Certified Public Accountant	OL	Other Liabilities
CSV	Cash Surrender Value	ORE	Other Real Estate
CT	Certificate of Title	OS	Operating Statement
d/b/a	Doing Business As	PL	Prior Lien
DPC	Debts Previously Contracted	PLLL	Provision for Loan and Lease Losses
DT	Deed of Trust	PORE	Potential Other Real Estate
EDP	Electronic Data Processing	PPD	Prepaid
End	Endorser or Endorsed	PV	Par Value
EV	Estimated Value	ROA	Return on Assets
F&F	Furniture & Fixtures	RBC	Risk-Based Capital
FA	Fixed Assets	REM	Real Estate Mortgage
FASB	Financial Accounting Standards Board	RSA	Rate-Sensitive Assets
FHA	Federal Housing Administration	RSL	Rate-Sensitive Liabilities
FHLB	Federal Home Loan Bank	RE	Real Estate
FHLMC	Federal Home Loan Mortgage Corporation	SA	Security Agreement
FNMA	Federal National Mortgage Association	SBA	Small Business Administration
FS	Financial Statement	SFAS	Statement of Financial Acct. Standards
GP	General Partner	SFR	Single-Family Residence
GNMA	Government National Mortgage Association	SLOC	Standby Letter of Credit
Gty	Guarantor or Guaranteed	TA	Total Assets
Inc	Incorporated	TE	Tax Equivalent Basis
ISF	In-Substance Foreclosure	TL	Total Liabilities
JM	Joint Maker	UBPR	Uniform Bank Performance Report
JV	Joint Venture	UCC	Uniform Commercial Code
LOC	Line of Credit	VA	Veteran's Readjustment Act
LP	Limited Partner	WC	Working Capital