FEDERAL RESERVE BANK
OF SAN FRANCISCO

Redacted
CENTRAL POINT OF CONTACT
REGIONAL INSTITUTIONS GROUP
FINANCIAL INSTITUTION SUPERVISION AND CREDIT

June 14, 2017

Board of Directors
SVB Financial Group
3003 Tasman Drive
Santa Clara, California 95054

Dear Members of the Board:

Enclosed is a copy of the Report of Inspection for SVB Financial Group (SVBFG), completed by examiners from the Federal Reserve Bank of San Francisco, using financial information as of September 30, 2016. The scope of the inspection focused on the effectiveness of risk management, the overall consolidated financial condition of the organization, and the potential negative impact of the parent company and non-bank affiliates on the company's depository institution. The inspection concluded with a meeting with management on March 16, 2017 to discuss the findings and recommendations.

The overall condition of SVBFG is satisfactory, and primarily reflects the overall satisfactory condition of the depository institution. Risk management is satisfactory and supported by sufficient board and management oversight. However, the risk monitoring and Management Information Systems (MIS) risk management subcomponent is downgraded to fair due to ineffective risk identification and monitoring processes in the Bank Secrecy Act/Anti-Money Laundering (BSA/AML) compliance, and Enterprise Risk Management programs. Deficiencies noted during the August 2016 BSA/AML target resulted in the issuance of a Memorandum of Understanding to address weaknesses in monitoring processes, as well as improve the oversight of the BSA/AML program. In addition, the BSA/AML oversight Matter Requiring Attention (MRA) remains open until weaknesses in the risk assessment process are remediated and verified by examiners. A compliance MRA was also cited during this inspection requiring improvement in risk monitoring systems to ensure compliance with laws, regulations, and supervisory requirements. Finally, while management has addressed the prior MRA to develop an acceptable risk management framework that aggregates risks on a consolidated basis across the organization, the program will require additional time to fully implement. A new MRA is cited requiring management to make sufficient progress on the implementation plan such that processes and analyses are evidenced. The compliance and risk management MRAs are detailed on page two of the report. The successful and timely execution of plans to address regulatory concerns is necessary for risk management to remain effective.

The financial condition of the company remains satisfactory. Consolidated asset quality is satisfactory with a manageable level of adverse classifications. Consolidated earnings continue to fully support operations, sufficiently fund the allowance for loan and lease losses (ALLL), and augment capital. Consolidated liquidity remains strong with sufficient sources of funds to support the company's operations and meet its obligations. Consolidated capital remains satisfactory relative to the risk profile of the organization, and management continues to comply with the Dodd-Frank Act company-run stress testing (DFAST) requirements. However, during the October 2016 DFAST review, examiners noted weaknesses in model risk management and governance practices. Management committed to improve the documentation of models and support of management judgments to ensure consistency with the regulatory expectations described in SR 11-7 by September 30, 2017.

On a stand-alone basis, the financial condition of the parent company remains satisfactory. The activities of the nondepository entities are limited in relation to the consolidated company and represent limited likelihood of significant negative impact on the subsidiary bank. The firm remains in compliance with laws and regulations, including Regulation W. However, management is currently awaiting the status of a request to extend the conformance deadline with the Volcker Rule to July 2022. If the extension is not granted, SVBFG may be required to liquidate approximately $194 million in covered funds at distressed prices. Although risk to the bank is mitigated by the parent company's ability to absorb potential losses, the early divestiture of covered funds could impact relationships with fund managers and the bank's core lending business.

After you have reviewed the enclosed report[1] and within 45 days of receipt, please advise us of the actions taken or planned to address the Matters Requiring Board Attention. Upon completion of your review, each director should sign the enclosed Signature of Directors page to acknowledge their review. This letter and the signed Directors page should be retained with the permanent records of the bank holding company.

We welcome your comments or questions regarding this inspection or our general supervisory process. If you have questions about this report of inspection, please do not hesitate to contact me at **Redacted**

Redacted

Central Point of Contact

cc: Greg Becker, Chief Executive Officer
Suanne Mingrone, Head of Regulatory Relations
California Department of Business Oversight
Federal Deposit Insurance Corporation
Consumer Financial Protection Bureau

[1] This document has been prepared by an examiner selected or approved by the Board of Governors of the Federal Reserve System. The document is the property of the Board of Governors and is furnished to directors and management for their confidential use. The document is strictly privileged and confidential under applicable law, and the Board of Governors has forbidden its disclosure in any manner without its permission, except in limited circumstances specified in the law (12 U.S.C 1817(a) and 1831m) and in the regulations of the Board of Governors (12 C.F.R. 261.20). Under no circumstances should the directors, officers, employees, trustees or independent auditors disclose or make public this document or any portion thereof except in accordance with applicable law and the regulations of the Board of Governors. Any unauthorized disclosure of the document 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). Each director or trustee, in keeping with his or her responsibilities, should become fully informed regarding the contents of this document. In making this review, it should be noted that this document is not an audit, and should not be considered as such.

REPORT OF BANK HOLDING COMPANY INSPECTION

BHC Name:	**SVB FINANCIAL GROUP**	Start Date:	**DECEMBER 27, 2016**
Location:	**SANTA CLARA, CALIFORNIA**	Financial Statements as of:	**SEPTEMBER 30, 2016**
RSSD Number:	**1031449**	Examination Date as of:	**SEPTEMBER 30, 2016**
		Concluded on:	**MARCH 3, 2017**

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FEDERAL RESERVE BANK OF SAN FRANCISCO

REPORT OF

BANK HOLDING COMPANY INSPECTION

SVB Financial Group

Bank Holding Company Name

Physical Location		Mailing Address	
Street:	3003 Tasman Drive	Street/Box:	3003 Tasman Drive
City:	Santa Clara	City:	Santa Clara
County:	Santa Clara	State:	California
State:	California	ZIP Code:	95054-1191

	Joint		Concurrent	X	Independent

Redacted

Federal Reserve Bank Examiner-in-Charge

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Note: Except as indicated, amounts in tables are shown to the nearest thousand dollars.

Date of previous inspection:	11/9/15

SCOPE

Pursuant to Section 5 of the Bank Holding Company Act of 1956, as amended, examiners from the Federal Reserve Bank of San Francisco (FRB) conducted a roll-up inspection of SVB Financial Group (SVBFG) using financial statements and information as of September 30, 2016. This event represents the conclusion of the 2016 supervisory cycle.

The primary objectives of the roll-up inspection were to assess and assign RFI (D) composite, component, and subcomponent ratings, which focus on risk management, the financial condition of the consolidated organization, and the potential negative impact of parent and nonbank operations on the sole depository institution, Silicon Valley Bank (SVB). Examiners also assessed the holding company's ability to act as a source of managerial and financial strength to SVB. In addition, the inspection scope included a review of the company's enterprise risk management (ERM) program, corporate compliance program, and model risk management function.

As of September 30, 2016, the depository institution comprised 98.6 percent of the total assets of the consolidated company. As such, this inspection leveraged the work of the recent roll-up examination of the subsidiary bank conducted jointly by the FRB and the California Department of Business Oversight (CDBO) as of September 30, 2016. The inspection also leveraged other examination work and continuous monitoring activity conducted during the 2016 supervisory cycle, including the results of target examinations that focused on the following areas:

Supervisory Event	2016 Rating	Event Date
Dodd Frank Act Stress Testing (SVBFG)	In Compliance	10/03/16
Bank Secrecy Act (SVB)	Less than Satisfactory, with findings	08/08/16
Regulatory Reporting (SVBFG)	Satisfactory	08/08/16
Consumer Compliance/CRA	Satisfactory, with findings	06/20/16
Asset Quality (SVB)	Satisfactory, with findings	05/09/16
Information Technology (SVB)	Less than Satisfactory, with findings	03/14/16

Peer Group Comparisons

Throughout the inspection report, the performance of SVBFG is compared to peer-group averages of other bank holding companies (BHCs) of similar size and structure. The current peer group for SVBFG includes all BHCs with consolidated assets equal to or greater than $10.0 billion.

Meetings with Management

An exit meeting was held with management on March 16, 2017. Senior management was represented by President and Chief Executive Officer Greg Becker, Chief Risk Officer Laura Izurieta, Chief Financial Officer Mike Descheneaux, Treasurer Mike Kruse, Redacted , Redacted , Head of Internal Audit John Peters, Redacted , Chief Accounting Officer Kamran Husain, Head of Regulatory Relations Suanne Mingrone, and Redacted . The FRB was represented by Central Point of Contact (CPC) Redacted and Examiner-in-Charge (EIC) Redacted .

Matters Requiring Attention (MRA)[2]

MRA – Risk Management

Issue: Management has developed a risk management framework to aggregate risks on a consolidated basis across business lines in accordance with SR 16-11[3]. However, additional time is required to fully implement the new framework. A multi-year implementation roadmap has been established to ensure consistency and completeness of risk management processes throughout the organization. The initial phase of the plan includes enhancing the Risk Control Self-Assessment (RCSA) process, collecting and analyzing the data from the RCSAs into an aggregated risk register to support the identification of horizontal risks, and producing a risk report that includes the firm's cross-functional risks. The effectiveness of the risk management program will be assessed when these processes and results can be evaluated.

Required Action: By December 31, 2017, management is required to complete the initial phase of the risk management implementation plan by:

- Introducing the enhanced RCSA process to business units to enable the aggregation of risks.
- Developing the aggregated risk register to support the identification of horizontal risks and enable trend analysis.
- Producing a risk report that identifies cross-functional risks on a fully consolidated basis across all business lines, legal entities, and activities. The analysis to identify and assess these cross-functional risks should be documented and auditable.

Management Response: Management agrees and has committed to address the MRA by December 31, 2017.

MRA – Compliance Program

Issue: The compliance department does not consistently meet supervisory expectations of SR 16-11 requiring appropriate policies, controls, and risk monitoring systems are in place to comply with laws, regulations, and supervisory requirements. The compliance function currently relies on business units to self-regulate and assess their own compliance to policy and regulatory requirements. The system is prone to errors and omissions, evidenced by weaknesses in the monitoring processes for SVBFG's private equity investments and debt-previously-contracted investments.

Required Action: By September 30, 2017, management is required to develop a comprehensive process to ensure business units comply with internal policies, regulations, and regulatory guidance. Effective internal and monitoring processes should include:

- A formal system monitoring investments held by SVBFG to ensure compliance with applicable regulatory limitations.
- Establishing clear roles and responsibilities over the monitoring of compliance with laws and regulations related to investments at SVBFG.

Management Response: Management agrees and has committed to address the MRA by September 30, 2017.

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[2] Matters Requiring Attention are matters that are important and that the Federal Reserve is expecting a banking organization to address over time.

[3] SR 16-11, *Supervisory Guidance for Assessing Risk Management at Supervised Institutions with Total Consolidated Assets Less than $50 Billion* < https://www.federalreserve.gov/supervisionreg/srletters/sr1611.htm>

MATTERS REQUIRING BOARD ATTENTION

SUMMARY OF NEW FINDINGS	
Matters Requiring Attention	
Issue	**Expected Completion Date**
Risk Management	12/31/17
Compliance Program	9/30/17

SUMMARY OF OUTSTANDING FINDINGS				
Matters Requiring Attention				
Issue	**Main Category**	**Status**	**Comments**	**Timeframe for Completion Date**
Cross-functional Risk Processes	Management-Risk Management	Close	A new MRA will be cited requiring sufficient progress in implementing the new framework.	Closed during current inspection.
Liquidity Risk Management Policies	Market/Liquidity Risk Management	Close		Closed during current inspection.
Capital Adequacy and Contingency Planning	Capital	Close		Closed during current inspection.
Bank Secrecy Act/AML	BSA/AML Issues Risk Management	Pending Verification	The remediation of this MRA required additional time to complete.	3/31/17
Model Risk Management	Management - Risk Management	Open		9/30/17

HOLDING COMPANY UNIFORM COMPOSITE RATING

Safety and Soundness Inspection Ratings			
Inspection Start Date	Current Inspection	Prior Inspection	Prior Inspection
	12/27/16	11/09/15	10/06/14
Risk Management	2	2	2
Board/Senior Management Oversight	2	2	2
Policies, Procedures & Limits	2	2	2
Risk Monitoring & MIS	3	2	2
Internal Controls	2	2	2
Financial Condition	2	2	2
Capital	2	2	2
Asset Quality	2	2	2
Earnings	2	2	2
Liquidity	1	1	1
Impact	2	2	2
Composite Rating	2	2	2
Depository Institution	2	2	2

SVBFG has been assigned a uniform composite rating of 2. This rating is defined as follows:

Composite 2

A composite rating of "2" is assigned. Holding companies in this group are fundamentally sound but may have modest weaknesses in risk management or financial condition. The weaknesses could develop into conditions of greater concern but are believed correctable in the normal course of business. As such, the supervisory response is limited. Cash flow is adequate to service obligations, and the nondepository entities are unlikely to have a significant negative impact on the subsidiary depository institution(s).

OVERALL CONDITION

The overall condition of SVBFG is satisfactory, primarily reflecting the overall satisfactory condition of the depository institution. Risk management is satisfactory and supported by sufficient board and management oversight. Nevertheless, the risk monitoring and Management Information Systems (MIS) risk management subcomponent is downgraded to fair due to weaknesses in the Bank Secrecy Act/Anti-Money Laundering (BSA/AML), compliance and ERM programs. The financial condition of the company remains satisfactory. All subcomponents are rated satisfactory with the exception of liquidity, which remains strong. The activities of the nondepository entities are unlikely to have a significant negative impact on the subsidiary bank, based on the limited activities of nondepository entities in relation to the consolidated company. However, management is currently awaiting the status of a request to extend the conformance deadline with the Volcker Rule to July 2022. If the extension is not granted, SVBFG may be required to liquidate covered funds at distressed prices. Although risk to the bank is mitigated by the parent company's ability to absorb potential losses, the early divestiture of covered funds could impact relationships with fund managers and the bank's core lending business.

Risk management practices remain adequate. Board and senior management provides sufficient oversight of the company's strategies and risk management framework. Policies, procedures, and limits remain acceptable. Internal controls are adequate, supported by an internal audit program which effectively identifies and escalates issues within the institution. However, weaknesses were noted in management's ability to effectively identify and monitor key risks and vulnerabilities, resulting in a downgrade of the risk monitoring and MIS subcomponent to fair. Deficiencies noted during the August 2016 BSA target resulted in the issuance of a Memorandum of Understanding (MOU) to address weaknesses in monitoring processes, as well as improve the oversight of the BSA/AML program. The outstanding BSA oversight MRA remains in place until weaknesses in the BSA/AML risk assessment process are remediated and verified by examiners. A compliance MRA was cited during this inspection requiring improvement in risk monitoring systems to ensure compliance with laws, regulations, and supervisory requirements. Management committed to address this MRA by September 30, 2017. Finally, while management has developed an acceptable ERM framework that aggregates risks on a consolidated basis across the organization, the program will require additional time to fully implement. A multi-year implementation roadmap has been established to ensure consistency and completeness of risk management processes throughout the organization. A new MRA will be issued requiring management to complete the first phase of the implementation plan such that processes and analyses are evidenced. Management committed to address this MRA by December 31, 2017. The successful and timely execution of plans to address these regulatory concerns is necessary for risk management to remain effective.

The financial condition of the company remains satisfactory. Consolidated asset quality is satisfactory with a manageable level of adverse classifications. Consolidated earnings continue to fully support operations, sufficiently fund the allowance for loan and lease losses (ALLL), and augment capital. Consolidated liquidity remains strong with sufficient sources of funds to support the company's operations and meet its obligations. Consolidated capital remains satisfactory relative to the risk profile of the organization, and management continues to comply with the Dodd-Frank Act company-run stress (DFAST) testing requirements. Management has made progress towards remediating the model risk management MRA cited during the October 2016 DFAST review, which required improvement in the documentation of models and support of management judgments. Corrective action will be verified during the DFAST target in the fourth quarter of 2017.

INSPECTION CONCLUSIONS AND COMMENTS

The potential of significant negative impact by the holding company and nonbank subsidiaries to SVB is limited. On a standalone basis, the parent company is in satisfactory condition. No significant financial weaknesses are at the nonbanks. The parent company has sufficient cash flow to fund operating expenses. The firm remains in compliance with laws and regulations, including Regulation W. However, as previously noted, a denial of the extension request to comply with the Volcker Rule may require SVBFG to liquidate covered funds at distressed prices. Although risk is mitigated by the sound financial condition of the parent company, the early divestiture of covered funds could disrupt the bank's relationships with fund managers and portfolio companies.

The depository institution remains in satisfactory condition. SVB is the only depository institution of SVBFG and was assigned a satisfactory composite CAMELS rating during the most recent roll-up examination, conducted jointly by the FRB and CDBO as of September 30, 2016. In addition, the FRB Consumer Compliance and Consumer Financial Protection Bureau (CFPB) examinations resulted in satisfactory ratings. However, in the examination report transmitted to the bank on October 21, 2016, the Reserve Bank noted weaknesses in bank procedures and staff knowledge that led to isolated violations of the flood hazard insurance provisions of Regulation H and Regulation CC (Expedited Funds Availability Act). Management has already taken steps to correct and prevent these issues from occurring in the future. The October 26, 2016 CFPB report also noted violations in loan originator compensation and Home Mortgage Disclosure Act reporting. The CFPB report cited MRAs to ensure that corrective action is performed to address the violations and the incorrect data related to mortgage originations and the Home Mortgage Disclosure Act. The Reserve Bank concurs with those findings.

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Examiner-in-Charge

RISK MANAGEMENT

COMPONENT RATING: **2**

Risk management remains satisfactory. Management of risk is largely effective and includes appropriate risk management practices over the credit, liquidity, market and legal functions. Board and senior management have demonstrated the ability and willingness to address problem areas, such as information technology, by providing sufficient resources and appropriate oversight to remediate issues. Model risk management has improved since the October 2016 DFAST target. Policies, procedures, and limits are satisfactory, cover all major business areas, and are appropriate for the firm's significant activities. Internal controls remain satisfactory, primarily due to an effective audit program that continues to provide a reliable and effective assessment of internal control, governance, and risk management processes. However, the risk monitoring and MIS subcomponent is downgraded to fair due to ineffective risk identification and monitoring processes in the BSA/AML, compliance, and ERM programs. Although many of the weaknesses in these functions were identified by internal audit, these deficiencies resulted in the issuance of a MOU to address BSA/AML deficiencies and MRAs to improve compliance and risk management. Risk monitoring practices will require significant improvement to ensure compliance with laws, regulations, and supervisory requirements.

Enterprise Risk Management

Management has developed an ERM framework that aggregates risks on a consolidated basis across the organization, but implementation is ongoing. A multi-year implementation roadmap has been established to ensure consistency and completeness of risk management processes throughout the organization. The initial phase of the plan includes enhancing the RCSA process, collecting and analyzing the data from the RCSAs into an aggregated risk register to support the identification of horizontal risks, and producing a risk report that includes the firm's cross-functional risks. The effectiveness of the risk management program will be assessed when these processes and results can be evaluated. Management committed to implement the initial phase of the plan by December 31, 2017.

Corporate Compliance

The compliance function is undergoing a significant reorganization to ensure that appropriate policies, controls, and risk monitoring systems are in place to comply with laws, regulations, and supervisory requirements. The October 2016 bank examination identified weaknesses in the compliance function, including inconsistent documentation, outdated policies, and instances where the business line was not fully compliant with internal policies and regulatory guidance. During a review of merchant banking activity, weaknesses were also noted in the tracking of ownership information for the holding company's private equity investments, potentially resulting in inaccurate regulatory reports and information for risk management purposes. This report includes an MRA requiring management to improve the compliance program to meet regulatory standards and ensure that the compliance framework is appropriate for the firm's business lines and activities. Management committed to address this MRA by September 30, 2017.

Model Risk Management

Model risk management is improving. Management has made progress towards remediating the MRA cited during the October 2016 DFAST review, which required improved documentation and support to ensure the effectiveness of governance, policies, and controls over the model risk management framework. Validation and documentation standards have improved, and effective challenge is now documented at management subcommittee levels. In addition, management addressed internal audit recommendations to ensure the independence of the Model Risk Committee by reducing the business line influence over the committee through the addition of second line participants. The Model Risk Committee charter was also enhanced to include clearer definitions of roles and responsibilities.

<u>Board and Senior Management Oversight</u> – 2

Board and senior management oversight remains satisfactory. Risk management practices are adequate. The board and management team has demonstrated the ability to address weaknesses in the IT function, which has substantially improved. However, significant weaknesses were noted in the BSA program, and an MOU was issued to address deficiencies in internal controls processes as well as improve the oversight of the BSA/AML program. To remain effective, risk management must ensure the successful and timely execution of plans to address regulatory concerns and ensure compliance with BSA/AML requirements.

Management continues to strengthen the risk management framework to support the firm's growth and comply with heightened regulatory standards once the organization passes the $50 billion threshold. The DFAST program and reporting processes are commensurate with the company's size and complexity. During the past year, the firm made significant changes to the management structure, including hiring a new Chief Risk Officer, Head of Enterprise Risk Management, and BSA Officer. The new additions to management are experienced and expected to provide the necessary leadership to remediate deficiencies and improve the performance of the compliance, BSA/AML and ERM programs.

<u>Policies, Procedures, and Limits</u> – 2

Policies, procedures, and limits are satisfactory. Management has established adequate policies, limits, and guidelines given the risks inherent in the firm's significant activities. The reorganization of the compliance function will include an update of policies and procedures to ensure that all business units comply with laws, regulations, and supervisory requirements. The implementation of the revised ERM program will also include enhancing the policy framework and maintenance process to ensure that policies, standards, and procedures are consistent throughout the firm.

<u>Risk Monitoring and Management Information Systems</u> – 3

Risk monitoring and MIS are fair, reflecting weaknesses in management's ability to effectively identify and monitor key risks and vulnerabilities. Significant deficiencies were noted in the BSA/AML function that weakened the ability to assess high risk customers and identify suspicious activities in a timely manner. The BSA/AML MOU includes provisions to address ineffective CDD, EDD, and suspicious activity monitoring systems as well as reduce the sizeable backlog of EDD reviews and suspicious activity monitoring reviews alerts. In addition, the compliance function does not have effective monitoring processes to ensure compliance with laws, regulations, and supervisory requirements. The review of merchant banking activity identified a lack of formal monitoring to ensure that investments held by

SVBFG comply with applicable regulatory limitations. Gaps in monitoring processes could result in inaccurate regulatory reports and information for risk management purposes. Finally, the implementation of the new ERM framework to aggregate risks on a consolidated basis is still in the beginning stages. Until the ERM program is fully implemented, management's ability to identify cross-functional risks within the firm's highly complex and interdependent business model will remain constrained.

Internal Controls – 2

Internal controls remain satisfactory. The system of internal controls adequately covers the firm's major risks and business areas. The audit program continues to provide a reliable and effective assessment of internal control, governance, and risk management processes. Risk from process gaps, such as those noted in the compliance function, is mitigated by the strength of the internal audit program which effectively identifies and escalates weaknesses within the institution.

FINANCIAL CONDITION

COMPONENT RATING: 2

The financial condition of the company remains satisfactory. Consolidated capital remains at levels commensurate with the risk profile of the company. Consolidated asset quality is satisfactory with acceptable credit risk management practices and a moderate level of classified assets. Consolidated earnings continue to support operations, sufficiently fund the allowance for loan and lease losses, and augment capital. Consolidated liquidity remains strong.

Capital – 2

Consolidated capital remains satisfactory and sufficient to support the risk profile of the company. As of September 30, 2016, the tier 1 leverage, tier 1 risk-based capital, total risk-based capital, and common equity tier 1 ratios were 8.35 percent, 13.21 percent, 14.22 percent, and 12.75 percent, respectively. Risk-based capital ratios have modestly improved from the prior inspection. The tier 1 leverage ratio has also improved due to increasing earnings and slower deposit growth. Historically, strong asset growth generated from increasing deposit levels has placed downward pressure on the tier 1 leverage ratio, which remains below peer levels. Since the prior inspection, the tier 1 leverage capital ratio has increased by 68 basis points, due to equity capital benefiting from the combination of the increasing level of retained earnings totaling $370.7 million and modest asset growth of 3.7 percent.

Capital risk management is satisfactory. SVBFG's company-run stress testing framework and reporting continue to meet the minimum DFAST guidance requirements outlined in SR 14-3[4], and DFAST results are incorporated into the firm's capital adequacy and risk management processes. Policies and procedures are adequate and include an enhanced capital contingency plan to address potential stresses to capital. However, the October 2016 bank examination included an MRA to address insufficient documentation of the capital buffer methodology and governance over the capital planning process. Management committed to completing required actions by September 30, 2017.

Asset Quality - 2

Consolidated asset quality remains satisfactory. Although the level of problem loans increased slightly from the prior inspection, the level of adverse classifications remains manageable. As of September 30, 2016, classified credits totaled $1.1 billion and represented 28.5 percent of tier 1 capital and reserves, or 6.3 percent when weighted for severity. The majority of problem assets are in the pre-profit and leveraged loan portfolios, which have been adversely affected by market uncertainty and lower than normal investor sentiment during the end of the 2015 investment cycle.

Credit risk management remains satisfactory with acceptable credit administration practices. The bank's internal credit review function is effective and provides an independent assessment of the loan portfolio. Concentration risk has moderated since the prior inspection. The level of early stage borrowers, which have historically generated the majority of losses, has declined as a percentage of total capital. Venture capital and private equity loans, which have had minimal losses, continue to

[4] SR 14-3, *Supervisory Guidance on Dodd-Frank Act Company-Run Stress Testing for Banking Organizations with Total Consolidated Assets of More Than $10 Billion but Less Than $50 Billion* <https://www.federalreserve.gov/bankinforeg/srletters/sr1403.htm>

increase. The shift in concentration levels has reduced some of the risk in the loan portfolio. The ALLL remains sufficient to absorb credit losses in the portfolio.

The quality of the investment portfolio is acceptable. Investments primarily consist of US Government backed securities and have historically represented approximately 50 percent of total assets. Nonbank investments totaled $397.0 million and represented 1.0 percent of total consolidated assets as of September 30, 2016. These investments primarily consist of investment in funds that totaled $251.6 million and warrants with a balance of $145.3 million.

<u>Earnings</u> - 2

Consolidated earnings performance remains satisfactory due to strong loan growth, gains on equity warrants, and satisfactory asset quality. Earnings continue to fully support operations, sufficiently fund the loan loss reserve, and augment capital. The company reported consolidated net income for the nine months ended September 30, 2016 of $283.2 million for a return on average assets (ROAA) of 0.87 percent. Consolidated earnings include $4.9 million from SVB Capital. Net income increased slightly by $26.8 million from prior year; however, the ROAA has remained stable due to strong asset growth. The net interest margin has improved due to the shift in earning assets from securities to loans.

<u>Liquidity</u> – 1

Consolidated liquidity remains strong. Liquidity levels, supplemented by cash flows from the investment portfolio, are sufficient to meet operational needs and fund client loans. Consolidated liquid assets, which include $2.3 billion in cash and cash equivalents, provide substantial coverage of projected cash outflows. Excess funding has been deployed to the bank's investment portfolio, which, at $20.5 billion with available unpledged liquidity of $17.8 billion, also serves as a significant source of liquidity. Secondary sources of liquidity include $1.7 billion in Federal Home Loan Borrowing lines and $813.0 million at the FRB discount window.

Liquidity risk management is adequate. The bank remediated the MRA from the prior year to incorporate liquidity risk management practices in holding company policies. The board has approved a separate parent liquidity policy that clearly outlines the parent liquidity limit of two times parent annual operating expenses. ALCO reports include stand-alone parent liquidity cash flow projections and stress testing which support the current levels of cash held at the holding company. Cash flow projections and stress testing practices are adequate; however, the documentation of the distributions and capital calls related to SVB Capital, which can vary from period to period, could be enhanced and reviewed by model risk management to ensure that projections of cash flow remain reliable.

IMPACT

COMPONENT RATING: **2**

The bank holding company and its nonbank subsidiaries pose limited likelihood of significant negative impact to SVB. On a standalone basis, the parent company is in satisfactory condition. Overall risk management of parent and nonbank activities remains adequate, and the parent's financial and managerial resources continue to support SVB as needed.

Risk management practices remain appropriate. Oversight of the parent company's strategic investing and funds management business, primarily conducted through SVB Capital, remains satisfactory. Although SVB Capital's activities have inherently higher levels of operational, legal, and reputational risk, risk is mitigated by an experienced management team. The firm remains in compliance with laws and regulations, including Regulation W. However, management is currently awaiting the status of an extension request to comply with the Volcker Rule. If the extension is not granted, SVBFG may be required to liquidate approximately $194 million in covered funds at distressed prices. While the parent company is capable of absorbing potential losses, the early divestiture of covered funds could impact the bank's business relationships with fund managers and portfolio companies. Weaknesses were also noted in the monitoring of merchant banking activities, which could result in inaccurate regulatory reports and information for risk management purposes. Management committed to address the MRA to improve monitoring practices by September 30, 2017.

Parent liquidity remains sufficient to meet ongoing capital and funding needs. Forecasted cash inflows, which include dividends from the bank, warrant monetization, and cash from investments managed by SVB Capital, are expected to outpace cash outflows through September 2018. Cash at the holding company, totaling $450.3 million as of September 30, 2016, is sufficient to meet obligations over the next 24 months. Leverage is moderate, with debt service limited to interest payments. As of September 30, 2016, holding company debt represented 20.7 percent of equity capital and the double leverage ratio is relatively low at 97.9 percent. The bank resumed paying dividends to the holding company during the third quarter of 2016. Dividends, which are projected to total approximately 20 percent of net income each quarter, are reasonable based on the satisfactory condition of the bank and earnings performance.

DEPOSITORY INSTITUTIONS

COMPONENT RATING: **2**

The subsidiary bank remains in satisfactory condition. This assessment is based on the roll-up examination conducted jointly by the CDBO and the FRB as of September 30, 2016. Asset quality is satisfactory with a manageable level of problem assets. Capital levels are satisfactory and commensurate with the bank's risk profile. Earnings are satisfactory and sufficient to support operations, adequately fund the loan loss reserve, and augment capital. Liquidity remains strong, benefiting from substantial deposits that are invested in short-term, low risk securities. Sensitivity to market risk is adequately managed, and the balance sheet is well positioned to benefit from rising interest rates.

OTHER MATTERS

BSA/AML and Office of Foreign Assets Control (OFAC) Compliance Program

The company's BSA/AML and OFAC compliance programs were considered less than satisfactory during the August 2016 BSA target. A MOU was executed on January 26, 2017 to address deficiencies in internal controls processes, as well as improve the oversight of the BSA/AML program. Board and senior management have hired a new BSA manager with the requisite subject matter expertise to remediate the deficiencies described in the MOU. The BSA oversight MRA that was cited in 2015 remains in place until weaknesses in the BSA/AML risk assessment process are remediated and verified by examiners.

Information Technology

The Information Technology (IT) target examination report transmitted to the bank on June 14, 2016 noted that IT remains less than satisfactory, but has improved. The board has provided the necessary resources to address IT weaknesses, including hiring qualified IT leaders. However, IT management was not yet considered stable as management required additional time to execute on their plans to upgrade IT processes, people, and technology. The bank has also complied with the Board Resolution (BR) by submitting appropriate action plans to address deficiencies and return IT to a satisfactory condition. The status of the BR will be updated following the February 2017 IT examination.

The cybersecurity program remains effective. Management has effectively integrated cybersecurity into its risk management and information security programs, and the bank remains in compliance with the Gramm-Leach-Bliley Act. The Security Office has leveraged the FFIEC Cybersecurity Assessment Tool to evaluate the bank's cybersecurity preparedness and reported the results to executive management and the board.

SIGNATURE OF DIRECTORS

We, the undersigned directors of SVB Financial Group, have personally reviewed the contents of the Report of Bank Holding Company Inspection as of September 30, 2016.

Signature of Directors	Date
Greg W. Becker	
Eric A. Benhamou	
David M. Clapper	
Roger F. Dunbar	
Joel P. Friedman	
Lata Krishman	
Jeffrey N. Maggioncalda	
Mary J. Miller	
Kate D. Mitchell	
John F. Robinson	
Garin K. Staglin	

NOTE: This form should remain attached to the Report of Bank Holding Company Inspection and be retained in the holding company's file for review during subsequent inspections. The signature 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.

CONFIDENTIAL

CONFIDENTIAL SECTION
PRINCIPAL OFFICERS AND DIRECTORS

Name Address	Meetings Missed[1]	Years on Board	Shares Owned	Compensation (Bonus)	Occupation or Principal Business Affiliation
Chairman					
Dunbar, Roger F. Redacted (1)(4)(5)**(6)**	0	12	16,995	217,000 (200,093)	Chairman SVB and SVBFG. Retired from Ernst & Young as Global Vice Chairman
Directors					
Becker, Gregory W. Redacted	0	5	130,287	925,000 (1,225,000)	President and Chief Executive Officer of SVB and SVBFG
Benhamou, Eric A. Redacted (4)**(5)**(6)	0	12	10,882	98,250 (100,046)	Chairman and CEO of Benhamou Global Ventures, LLC
Clapper, David M. Redacted (1)**(3)**(6)	0	12	15,691	113,000 (100,046)	CEO of Minerva Surgical, Inc., a medical device company
Friedman, Joel P. Redacted **(4)**(5)(6)	1	12	20,691	94,500 (100,046)	Retired from Accenture as President of Business Process Outsourcing
Krishnan, Lata Redacted (1)(4)	1	9	12,793	95,250 (100,046)	Chief Financial Officer of Shah Capital Partners, a private equity firm focused on investments in technology businesses
Maggioncalda, Jeff Redacted (2)(3)	1	4	5,686	84,000 (100,046)	Former CEO of Financial Engines, Provides 401(k) planning guidance
Miller, Mary Redacted (1)(4)	0	1	2,722	82,500 (100,046)	Former Under Secretary for Domestic Finance, U.S. Department of Treasury

CONFIDENTIAL SECTION
PRINCIPAL OFFICERS AND DIRECTORS

Name Address	Meetings Missed[1]	Years on Board	Shares Owned	Compensation (Bonus)	Occupation or Principal Business Affiliation
Mitchell, Kate Redacted **(2)**(3)(6)	0	6	7,949	113,250 (100,046)	Co-founder and Managing Partner of Scale Venture Partners; Board member of National Venture Capital Association
Robinson, John Redacted **(1)**(2)(3)(6)	0	6	6,456	135,000 (100,046)	Former Deputy Comptroller of the Currency and EVP of Washington Mutual Bank
Staglin, Garin Redacted (2)(5)	0	5	12,391	79,500 (100,046)	Proprietor of Staglin Family Vineyards

Compensation from Proxy Statement and amounts are as of December 31, 2016. Bonus in the form of stock awards.

Principal Officers

Becker, Greg W.	1993		130,287	925,000 (1,225,000)	President and Chief Executive Officer of SVB and SVBFG
Cardieux, Marc C.	1992		30,697	450,000 (350,000)	Chief Credit Officer
China, John D	1998		33,218	500,000 (525,000)	Head of Relationship Banking
Cox, Philip C.	2009			300,000 (286,765)	Head of EMEA and India; President of U.K. Branch
Descheneaux, Michael R	2006		38,680	600,000 (575,000)	Chief Financial Officer
Draper, Michelle A.	2013			390,000 (375,000)	Chief Marketing Officer

CONFIDENTIAL SECTION
PRINCIPAL OFFICERS AND DIRECTORS

Name	Year joined SVBFG	Shares Owned	Compensation (Bonus)	Occupation or Principal Business Affiliation
Dreyer, Michael	2016		N/A	Chief Operations Officer
Edmonds-Waters, Christopher D.	2003		375,000 (280,000)	Head of Human Resources
Izurieta, Laura	2016		410,000	Chief Risk Officer
Leone, Roger	2015		350,000 (250,000)	Chief Information Officer
Wallace, Bruce E.	1994		475,000 (440,000)	Chief Digital Officer
Zuckert, Michael S.	2014		450,000 (330,000)	General Counsel

Regular schedule of board of directors' meetings: Quarterly

Committees (Chair in Bold):

(1) Audit
(2) Compensation
(3) Credit
(4) Finance
(5) Governance
(6) Risk

[1] Number of meetings missed out of a total of 10 held since the previous inspection.

CONFIDENTIAL SECTION
CONDITION OF THE BANK HOLDING COMPANY

1. Scope of inspection.

Inspection findings contained in this report were based upon financial statements as of September 30, 2016. During the on-site inspection, the bank holding company's board minutes, corporate records, and financial statements were reviewed, and discussions were held with management. The parent company was reviewed using current internal management reports and financial statements. Components analyzed which had a direct bearing on its overall rating included cash flow, leverage, and liquidity. The inspection scope included a review of the company's corporate governance structure, corporate compliance program, model risk management function, and the ERM program. The subsidiary bank analysis was based on the examination conducted jointly by the CDBO and the FRB as of September 30, 2016. The inspection also leveraged examination work and continuous monitoring activity conducted during the 2016 supervisory cycle.

2. Prospects of the holding company.

The prospects for the holding company remain favorable. The company continues to approach the $50 billion large bank threshold, beyond which will require compliance with heightened regulatory standards. Given the company's growth plans and regulatory requirements, management and the board have made significant changes to the risk management and compliance framework. Management continues to allocate resources to address deficiencies in the BSA/AML/OFAC and compliance programs. Credit quality remains manageable; classified assets have increased since the prior inspection. The majority of problem assets are in the pre-profit and leveraged loan portfolios, which were adversely affected by market uncertainty and lower than normal investor sentiment during the end of the 2015 investment cycle. Management is closely tracking the performance of leveraged loans to determine if losses or deterioration are indicative of a systemic weakness in the credit portfolio.

Management has a positive outlook for 2017, as they believe that improving business conditions and exit markets will drive the formation of new companies and investments. Challenges noted include global market volatility and uncertainty which may affect the firm's clients. Management is also unclear on how the new administration's trade and tax policies will affect their clients that conduct business globally.

3. Evaluate management and the board of directors. In addition, appraise the policies with respect to the level of control and supervision exercised over subsidiaries, including risk evaluation and control, and management information systems.

All relevant and material rationale supporting the evaluation of management and the board of directors has been sufficiently documented in the open section of the report. Policies and procedures are adequate and discussed in the open section of the report.

CONFIDENTIAL SECTION
CONDITION OF THE BANK HOLDING COMPANY

4. Subsidiary bank(s) date of most recent examination and rating.

	CAMELS	Risk Management	Agency	Date
Current	222212/2	2	Joint	09/30/16
Prior	222212/2	2	Joint	09/30/15

5. Is the holding company a member of a chain banking organization? No. **If so, summarize significant problems at any affiliated holding company or subsidiary banks or in the chain organization.**

6. List individuals or groups that own or control five percent or more of the outstanding voting shares of the bank holding company's shares.

Shareholder	Number of Shares[5]	Percentage Owned
BlackRock, Inc.	4,267,100	8.17
The Vanguard Group	3,930,352	7.52
Harding Loevner LP	2,659,081	5.09
T. Rowe Price Associates, Inc.	2,647,195	5.07

7. Other supervisory concerns.

None.

8. RFI/C (D) Rating:

	RFI/C (D)	Date
Current	222/2 (2)	09/30/16

	RFI/C (D)	Date
Prior	222/2 (2)	09/30/15

Composite - 2

Refer to the comments in the open section of the report and the rationale for the assigned composite rating. No additional comments relative to this rating are warranted.

Risk Management - 2

Refer to the comments in the open section of the report and the rationale for the assigned risk management rating. No additional comments relative to this rating are warranted.

[5] Information from SVBFG Proxy Statement as of December 31, 2015. Note that SVBFG holds 100 percent ownership of the bank.

Risk Matrix

The table below summarizes the risk profile of the institution. "Inherent risk" assesses the nature, complexity, and volume of the activities giving rise to the risk in question; it is rated as low, limited, moderate, considerable, or high. Risk controls assess the strength of risk management processes and controls for each risk, expressed as strong, satisfactory, fair, marginal, or weak.

Risk Category	Inherent Risk	Board and Senior Mgmt Oversight	Policies, Procedures and Risk Limits	Management Information Systems	Internal Controls	Residual Risk	Trend of Risk
Credit	Considerable	Satisfactory	Satisfactory	Satisfactory	Satisfactory	Considerable	Increasing
Liquidity	Low	Satisfactory	Satisfactory	Satisfactory	Satisfactory	Low	Stable
Market	Moderate	Satisfactory	Satisfactory	Satisfactory	Satisfactory	Moderate	Stable
Operational	Considerable	Fair	Satisfactory	Satisfactory	Fair	Considerable	Increasing
Legal / Compliance	High	Fair	Satisfactory	Fair	Fair	High	Increasing
Overall	Considerable	Satisfactory	Satisfactory	Fair	Satisfactory	Considerable	Increasing

9. Recommendations for supervisory action.

None

10. Information Technology. (Indicate name of service provider or turnkey software, and describe any internet banking services.)

SVBFG operates a world-wide Multiprotocol Label Switching (MPLS) network with multiple data centers to support global operations. The primary data center, which hosts the bank's core banking systems, and most production systems and applications, is scheduled to be relocated from Salt Lake City, UT to a co-location (CoLo) facility in Chandler, AZ in 2017. The backup data center was recently transferred from the Santa Clara, CA data center (Tasman) to a CoLo in Dallas, TX. Both CoLo facilities are operated by Redacted. The Tasman and Salt Lake City data centers will be decommissioned following successful migrations to the CoLo facilities. A third data center is located in a London CoLo, which is leased from a third party provider. The UK data center does not host any production applications to support U.S. or UK operations. Its systems are used primarily to run security and network administration tools. As the company continues to increase global operations, management plans to expand the UK data center to host applications and systems to better support UK and European clients.

SVB operates two in-house core processing systems, Redacted and Redacted, while the Private Bank has outsourced its core banking applications to Redacted. The Redacted core banking platform is used primarily for domestic accounts, and is operated as an Redacted customized application. Redacted has been retained to support on-going maintenance and any customization. Redacted interfaces with numerous internally developed applications and outsourced functions. Most of the company's internally developed applications are written in Microsoft.Net, Java, or Visual Basic. Redacted is the bank's core processing platform used outside the U.S. Ongoing maintenance and customization of Redacted has been outsourced to Redacted. Both systems are running parallel and use a communicator to interface. The IT organization also supports SVBFG and the other nonbank affiliated companies.

SVB provides online banking services to both commercial and retail customers through two separate websites. The Private Bank offers retail banking services such as bill pay, money and wire transfers, remote deposit capture and mobile banking to its high net worth clients who are normally associated with companies using SVB's commercial banking products through a third party provider. The bank's proprietary commercial online application, Redacted, provides clients with a suite of banking products including bill pay, ACH, sweep account services, DDA, remote deposit capture, lockbox and wire transfers. The Redacted system also has a UK component for use by clients located in Great Britain or U.S customers who need international banking services. It offers a limited suite of services including ACH and expedited money transfers. Each on-line banking platform relies heavily on vendor services that are either directly integrated in the system or seamlessly transferred to the vendor's website. Of note, SVB converted to Redacted for ACH processing in 2016. Some services are not integrated within the online platforms and clients must login directly to those vendor websites to utilize those services. SVB is currently working on a front-end system (Redacted) that would significantly improve its customers' online banking experience. SVB's Redacted technology was developed in-house and interfaces with both the Redacted and Redacted core systems. The Private Bank's online system has been outsourced and is powered by Redacted.

SVB's employs a multi-sourcing strategy where vendor-sourced labor complements existing staff. SVB uses strategic outsourcing partners with U.S. and offshore operations, for various services such as application support, development, testing, service desk, and release management. Management is implementing a vendor consolidation strategy to reduce system complexity, to gain greater leverage in vendor relationships, to improve service performance, and to move institutional knowledge in-house.

CONFIDENTIAL SECTION
LIQUIDITY AND DEBT INFORMATION

	Parent-Only Short-term GAP Position		
	0 – 30 Days	31 – 90 Days	91 days – 1 year
Liquid Assets	500,014		
Commercial Paper			
Net GAP	500,014	102	14,638
Net cumulative GAP	500,014	494,076	508,714

Long-Term Debt

List all unaffiliated long-term debt in the following format indicating the issues that qualify as Tier 2 capital.

Borrower	Description	Original Amount	On Date	Rate	Due Date	Present Outstanding[6]
SVBFG	Junior Subordinated Debenture (Trust Preferred)	50,000	10/30/2003	7.00	10/15/2033	54,537
SVBFG	Senior Note	350,000	9/20/2010	5.375	9/15/2020	347,440
SVBFG	Senior Note	350,000	1/29/2015	3.500	1/29/2025	346,900

[6] As of September 30, 2016

CONFIDENTIAL SECTION
ADMINISTRATIVE MATTERS

Final meeting date:	March 16, 2017
Final meeting held with:	Senior management was represented by President and Chief Executive Officer Greg Becker, Chief Risk Officer Laura Izurieta, Chief Financial Officer Mike Descheneaux, Treasurer Mike Kruse, Redacted , Redacted , Head of Internal Audit John Peters, Redacted , Chief Accounting Officer Kamran Husain, Head of Regulatory Relations Suanne Mingrone, and Redacted . The FRB was represented by CPC Redacted and EIC Redacted Redacted.
Contact person(s) for records of bank holding company:	Suanne Mingrone, Head of Regulatory Relations Redacted

CONFIDENTIAL SECTION
PARENT COMPANY COMPARATIVE BALANCE SHEET

	09/30/16	12/31/15	12/31/14
ASSETS			
Cash and due from banks	465,890	377,013	314,236
Investment securities	22,992	25,602	27,605
Loans and leases, net	842	7,429	1,336
Investments in and receivables due from bank subsidiaries	3,405,808	3,062,742	2,406,007
Investments in and receivables due from nonbank subsidiaries	115,398	110,915	173,594
Investments in and receivables due from BHC subsidiaries	0	0	0
Premises and equipment	11,201	10,876	11,824
Intangible assets	0	0	0
Other assets	442,468	483,535	381,818
Total Assets	4,464,599	4,078,112	3,316,420
LIABILITIES			
Short-term borrowings	0	0	0
Long-term borrowings	0	0	0
Subordinated notes and debentures	694,340	693,682	348,436
Other liabilities	104,013	107,921	77,470
Balances due to subsidiaries	73,195	78,375	72,752
Total Liabilities	871,548	879,978	498,658
STOCKHOLDERS' EQUITY			
Perpetual preferred stock	0	0	0
Common stock	52	52	51
Common surplus	1,219,555	1,189,032	1,120,350
Retained earnings	2,276,865	1,993,646	1,654,657
Accumulated other comprehensive income	96,579	15,404	42,704
Other equity capital components	0	0	0
Total Stockholders' Equity	3,593,051	3,198,134	2,817,762
Total Liabilities and Total Stockholders' Equity	4,464,599	4,078,112	3,316,420
Total Debt to Total Stockholders' Equity	19.32%	21.69%	12.37%

CONFIDENTIAL SECTION
PARENT COMPANY COMPARATIVE INCOME STATEMENT

	Period Ended 09/30/16	Year Ended 12/31/15	Year Ended 12/31/14
INCOME			
Income from subsidiaries:			
Dividends	20,000	0	0
Interest	30	151	117
Management and service fees	13,032	14,932	12,717
Other income	0	0	0
Securities gains (losses)	15,060	38,284	13,869
Other income	41,992	60,311	55,637
Total Income	90,114	113,678	82,340
EXPENSES			
Personnel expense	16,499	21,918	23,874
Interest	23,823	30,716	19,147
Provisions	(63)	(49)	(786)
Other expenses	24,139	36,406	33,541
Total Expenses	64,398	88,991	75,776
Net operating income	25,716	24,687	6,564
Income tax (paid) benefit	7,283	14,448	15,037
Extraordinary items	0	0	0
Equity in retained earnings of subsidiaries	264,786	333,665	272,398
Net Income	283,219	343,904	263,925

CONFIDENTIAL SECTION
CONSOLIDATED COMPARATIVE BALANCE SHEET

	09/30/16	12/31/15	12/31/14
ASSETS			
Cash and due from banks	2,330,157	1,364,678	1,694,140
Investment securities	20,463,356	25,177,382	21,076,070
Federal funds sold and repurchase agreements	163,719	125,391	95,611
Loans and leases held for sale	0	0	0
Loans and leases, net of unearned income	19,112,265	16,742,070	14,391,286
Less: ALLL	240,565	217,613	165,359
Trading account assets	160,669	98,936	63,085
Premises and fixed assets	56,519	48,315	35,562
Other real estate owned	0	0	0
Affiliated investments	79,363	80,345	81,115
Intangible assets	0	0	0
Other assets	1,162,454	1,279,163	2,080,258
Total Assets	43,287,937	44,698,667	39,351,768
LIABILITIES			
Deposits	38,196,677	39,147,665	34,352,245
Federal funds purchased and repurchase agreements	0	135,000	0
Other borrowed money	178,550	781,255	105,264
Subordinated notes and debentures	795,971	796,702	453,443
Minority interest	130,266	135,097	1,238,662
Other liabilities	393,422	504,814	384,392
Total Liabilities	39,694,886	41,500,533	36,534,006
STOCKHOLDERS' EQUITY			
Perpetual preferred stock	0	0	0
Common stock	52	52	51
Common surplus	1,219,555	1,189,032	1,120,350
Retained earnings	2,276,865	1,993,646	1,654,657
Less: Treasury Stock	0	0	0
Accumulated other comprehensive income	96,579	15,404	42,704
Other equity capital components	0	0	0
Total Stockholders' Equity	3,593,051	3,198,134	2,817,762
Total Liabilities and Total Stockholders' Equity	43,287,937	44,698,667	39,351,768

CONFIDENTIAL SECTION
CONSOLIDATED COMPARATIVE INCOME STATEMENT

	Period Ended 09/30/16	Year Ended 12/31/15	Year Ended 12/31/14
Interest Income			
Loan interest and fees	617,456	693,147	610,945
Lease financing receivables	0	0	0
Interest-bearing bank balances	5,633	6,017	6,322
Investment securities	262,822	347,552	274,508
Trading account income	0	0	0
Federal funds sold and repurchase agreements	141	38	49
Other interest income	1,510	4,614	2,863
Total Interest Income	887,562	1,051,368	894,687
Interest Expense			
Deposits	3,984	5,448	12,115
Federal funds purchased and repurchase agreements	351	20	0
Borrowed funds	25,218	31,539	19,881
Other interest expense	2,592	3,334	3,326
Total Interest Expense	32,145	40,341	35,322
Net Interest Income	855,417	1,011,027	859,365
Provision for loan and lease losses	88,624	97,629	59,486
Noninterest Income			
Fiduciary activities	0	0	0
Service charges and fees	37,235	44,841	38,856
Trading account income	69,189	87,492	76,669
Other noninterest income	223,560	334,657	472,542
Security gains (losses)	11,567	1,201	(18,598)
Total Noninterest Income	341,551	468,191	569,469
Noninterest Expense			
Salaries and employee benefits	372,336	471,732	407,818
Premises and fixed assets	39,003	46,678	42,627
Other noninterest expense	214,873	259,605	266,426
Total Noninterest Expense	626,212	778,015	716,871
Income (loss) before income taxes, extraordinary items, and other adjustments	482,823	604,733	653,703
Income taxes (credits)	195,508	228,754	173,762
Minority interest	3,405	30,916	214,790
Extraordinary items and adjustments, net	691	1,159	1,226
Net Income	283,219	343,904	263,925

CONFIDENTIAL SECTION
CONSOLIDATED CAPITAL CALCULATIONS

	Period Ended 09/30/16	Year Ended 12/31/15	Year Ended 12/31/14
Tier 1 Common RBC	12.75	12.28	12.68
Tier 1 RBC	13.21	12.83	12.91
Total RBC	14.22	13.84	13.92
Tier 1 Leverage	8.35	7.63	7.74
Tangible Tier 1 Leverage	0.00	0.00	7.48
Equity Cap/Total Assets	8.30	7.15	7.16
Cash Dividends/Net Income	0.00	0.00	0.00
Equity Capital Growth Rate	13.17	13.50	43.30
Asset Growth Rate	3.72	13.59	48.96
Selected $ Amounts			
Tier 1 Capital	3,621,798	0	2,808,948
Tier 2 Capital	276,676	261,221	221,203
Total Risk Based Capital	3,898,474	3,586,466	3,030,151
Total Risk Weighted On-BS	0	0	16,470,797
Total Risk Weighted Off-BS	0	0	5,291,306
Total On & Off Balance Sheet	27,407,758	25,919,594	21,762,103
Total Risk Weighted Assets	27,407,758	25,919,594	21,762,103
Avg Assets (Qtr Ended)	43,356,375	43,589,850	36,273,168
Cash Dividends	0	0	0