

# Deception And Truth Analysis (D.A.T.A.), Inc.

## Case Study: Silicon Valley Bank

10 March 2023

---

## APPENDIX 2

---

### D.A.T.A.'s REDline Assessment of Silicon Valley Bank's 10(k)s and (q)s

#### SIVB 2021 Q3 10(q):

D.A.T.A. Score = -7.76%, 27 deceptive fragments

Fragment 1: D.A.T.A. Score = -58.438%

The main factors affecting interest income and interest expense for the three months ended September 30, 2021, compared to the comparable 2020 period are discussed below:

- *Interest income* for the three months ended September 30, 2021 increased by \$344 million due primarily to:

- A \$191 million increase in interest income from our fixed income investment securities due primarily to an increase of \$61.2 billion in average fixed income investment securities driven by exceptional average deposit growth. The increase in interest income from growth of our average fixed income investment securities was partially offset by declines in yields earned on these investments reflective of the lower interest rate market environment, and

- A \$150 million increase in interest income on loans to \$519 million for the three months ended September 30, 2021, compared to \$369 million for the comparable 2020 period. The increase was reflective of an increase in average loan balances of \$22.0 billion, partially offset by a decrease in overall loan yields of 46 bps to 3.47 percent from 3.93 percent. Gross loan yields, excluding loan interest recoveries and loan fees, decreased 23 bps to 3.18 percent from 3.41 percent, driven by growth in our lower yielding Global Fund Banking portfolio as well as the addition of lower yielding Boston Private loans.

- *Interest expense* for the three months ended September 30, 2021 increased by \$17 million due primarily to:

68

---

[Table of Contents](#)

- An \$11 million increase in interest expense on deposits due primarily to an increase in average interest-bearing money market deposits balance partially driven by the addition of Boston Private deposits, and

◦A \$6 million increase in interest expense on borrowings due primarily to interest expense on our 1.800% Senior Notes issued in February 2021 and our 2.100% Senior Notes issued in May 2021.

*Nine months ended September 30, 2021 and 2020*

• *Interest income* for the nine months ended September 30, 2021 increased by \$688 million due primarily to:

◦A \$394 million increase in interest income from our fixed income investment securities due primarily to an increase of \$44.8 billion in average fixed income investment securities driven by exceptional average deposit growth. The increase in interest income from growth of our average fixed income investment securities was partially offset by declines in yields earned on these investments reflective of the lower interest rate market environment, and

◦A \$305 million increase in interest income on loans to \$1.4 billion for the nine months ended September 30, 2021, compared to \$1.1 billion for the comparable 2020 period. The increase was reflective of an increase in average loan balances of \$16.0 billion, partially offset by a decrease in overall loan yields of 49 bps to 3.67 percent from 4.16 percent. Gross loan yields, excluding loan interest recoveries and loan fees, decreased 43 bps to 3.23 percent from 3.66 percent, driven by growth in our lower yielding Global Fund Banking portfolio, decreases in Federal Funds rates in the first quarter of 2020 and the addition of lower yielding Boston Private loans.

• *Interest expense* for the nine months ended September 30, 2021 increased by \$5 million due primarily to:

◦A \$15 million increase in interest expense on borrowings due primarily to interest expense on our 3.125% Senior Notes issued in June 2020, our 1.800% Senior Notes issued in February 2021 and our 2.100% Senior Notes issued in May 2021, partially offset by

◦A \$10 million decrease in interest expense on deposits due primarily to a decrease in interest paid on our interest-bearing money market deposits due to the decreases in market rates, partially offset by an increase in average interest-bearing money market deposits balance.

*Net Interest Margin (Fully Taxable Equivalent Basis)*

*Three months ended September 30, 2021 and 2020*

• Our net interest margin decreased by 58 bps to 1.95% for the three months ended September 30, 2021, compared to 2.53 percent for the comparable 2020 period. The lower margin for the three months ended September 30, 2021 was due primarily to higher growth in our lower-yielding cash and investment securities portfolio relative to the growth in our loan portfolio driven by significant growth in our average deposits, and a decrease in yields on loans as discussed above. Average loans represented 33.9 percent of average interest earnings assets for the three months ended September 30, 2021, compared to 44.6 percent for the comparable 2020 period.

*Nine months ended September 30, 2021 and 2020*

• Our net interest margin decreased by 71 bps to 2.08% for the nine months ended September 30, 2021, compared to 2.79 percent for the comparable 2020 period. The lower margin for the nine months ended September 30, 2021 was due primarily to higher growth in our lower-yielding cash and investment securities portfolio relative to the growth in our loan portfolio driven by significant growth in our average deposits, as well as a decrease in yields on loans as discussed above. Average loans represented 35.6 percent of average interest earnings assets for the nine months ended September 30, 2021, compared to 47.5 percent for the comparable 2020 period.

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

The average yield earned on interest-earning assets is the amount of annualized fully taxable equivalent interest income expressed as a percentage of average interest-earning assets. The average rate paid on funding sources is the amount of annualized interest expense expressed as a percentage of average funding sources. The following tables set forth average assets, liabilities, noncontrolling interests, preferred stock, and SVBFG stockholders' equity, interest income, interest expense, annualized yields and rates, and the composition of our annualized net interest margin for the three and nine months ended September 30, 2021 and 2020:

[Table of Contents](#)

**Average Balances, Rates and Yields for the Three Months Ended September 30, 2021 and 2020**

(Dollars in millions)	Three months ended					
	2021			2020		
	Average Balance	Interest Income/Expense	Yield/Rate	Average Balance	Interest Income/Expense	Yield/Rate
<b>Interest-earning assets:</b>						
Federal Reserve deposits, federal funds sold, securities purchased under agreements to resell and other short-term investment securities (1)	\$ 21,779	\$ 5	0.10%	\$ 13,817	\$ 2	0.08%
<b>Investment securities: (2)</b>						
<b>AFS securities:</b>						
Taxable	23,290	69	1.17	20,027	88	1.74
<b>HTM securities:</b>						
Taxable	64,899	262	1.61	10,286	69	2.66
Non-taxable (3)	5,613	36	2.53	2,267	19	3.31
Total loans, amortized cost (4) (5)	59,291	519	3.47	37,319	369	3.93
Total interest-earning assets	174,872	891	2.02	83,716	547	2.60
Cash and due from banks	2,285			1,162		
ACL	(451)			(610)		
Other assets (6)	5,984			4,080		
Total assets	\$ 182,690			\$ 88,348		
<b>Funding sources:</b>						
<b>Interest-bearing liabilities:</b>						

Interest bearing checking and savings accounts	\$ 4,310	\$ 1	0.14 %	\$ 4,298	\$ 3	0.28 %
Money market deposits	46,051	17	0.14	19,829	5	0.09
Money market deposits in foreign offices	1,039	—	0.01	262	—	0.03
Time deposits	1,245	1	0.32	381	—	0.48
Sweep deposits in foreign offices	1,109	—	0.01	1,366	—	0.03
Total interest-bearing deposits	53,754	19	0.14	26,136	8	0.13
Short-term borrowings	99	—	0.17	16	—	0.10
Long-term debt	1,936	13	2.66	843	7	1.78
Total interest-bearing liabilities	55,789	32	0.23	26,995	15	0.23
Portion of noninterest-bearing funding sources	119,083			56,721		
Total funding sources	174,872	32	0.07	83,716	15	0.07
<u>Noninterest-bearing funding sources:</u>						
Demand deposits	109,638			51,544		
Other liabilities	3,279			2,055		
Preferred stock	2,065			340		
SVBFG common stockholders' equity	11,613			7,266		
Noncontrolling interests	306			148		
Portion used to fund interest-earning assets	(119,083)			(56,721)		
Total liabilities, noncontrolling interest, and SVBFG stockholders' equity	\$ 182,690			\$ 88,348		
Net interest income and margin		\$ 859	1.95 %		\$ 532	2.53 %
Total deposits	\$ 163,392			\$ 77,680		
Average SVBFG common stockholders' equity as a percentage of average assets			6.36 %			8.22 %
<u>Reconciliation to reported net interest income:</u>						
Adjustments for taxable equivalent basis		(7)			(4)	
Net interest income, as reported		\$ 852			\$ 528	

(1) Includes average interest-earning deposits in other financial institutions of \$5.5 billion and \$1.0 billion for the three months ended September 30, 2021 and 2020, respectively. For the three months ended September 30, 2021 and 2020, balances also include \$15.9 billion and \$11.3 billion, respectively, deposited at the FRB, earning interest at the Federal Funds target rate.

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

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

## Fragment 2: D.A.T.A. Score = -47.601%

Noninterest income increased by \$25 million for the three months ended September 30, 2021 primarily due to wealth management and trust fees which is a new financial statement line item for the third quarter of 2021 as a result of the Boston Private acquisition.

Noninterest expense increased by \$85 million for the nine months ended September 30, 2021, related primarily to compensation and benefits expense. Compensation and benefits expense increased as a result of an increase in average number of FTEs partially due to the acquisition of Boston Private and higher incentive compensation and salaries and wages expenses due primarily to an increase in our 2021 full-year projected financial performance.

[Table of Contents](#)

*SVB Capital*

(Dollars in millions)	Three months ended September 30,			Nine months ended September 30,		
	2021	2020	% Change	2021	2020	% Change
Net interest income	\$ —	\$ —	—	\$ —	\$ —	—
Noninterest income	145	60	141.7	389	87	NM
Noninterest expense	(15)	(11)	36.4	(48)	(28)	71.4
Income before income tax expense	\$ 130	\$ 49	165.3	\$ 341	\$ 59	NM
Total average assets	\$ 730	\$ 414	76.3	\$ 641	\$ 430	49.1

SVB Capital's components of noninterest income primarily include net gains and losses on non-marketable and other equity securities, carried interest and fund management fees. All components of income before income tax expense discussed below are net of noncontrolling interests.

We experience variability in the performance of SVB Capital from quarter to quarter due to a number of factors, including changes in the values of our funds' underlying investments, changes in the amount of distributions and general economic and market conditions. Such variability may lead to volatility in the gains and losses from investment securities and cause our results to differ from period to period. The performance of these securities may be impacted by the effects of the COVID-19 pandemic.

*Three months ended September 30, 2021 and 2020*

SVB Capital had noninterest income of \$145 million for the three months ended September 30, 2021, compared to \$60 million for the comparable September 30, 2020 period. The increase in noninterest income was due primarily to an increase in net gains on investment securities for the three months ended September 30, 2021, compared to the comparable September 30, 2020 period. SVB Capital's components of noninterest income primarily include the following:

- Net gains on investment securities of \$123 million for the three months ended September 30, 2021, compared to \$48 million for the comparable September 30, 2020 period. The net gains on investment securities of \$123 million were driven primarily by unrealized net valuation increases of private and public positions.

*Nine months ended September 30, 2021 and 2020*

SVB Capital had noninterest income of \$389 million for the nine months ended September 30, 2021, compared to \$87 million for the comparable September 30, 2020 period. The increase in noninterest income was due primarily to an increase in net gains on investment securities for the nine months ended September 30, 2021, compared to the comparable September 30, 2020 period. SVB Capital's components of noninterest income primarily include the following:

- Net gains on investment securities of \$320 million for the nine months ended September 30, 2021, compared to \$54 million for the comparable September 30, 2020 period. The net gains on investment securities of \$320 million were driven primarily by unrealized net valuation increases of private and public positions as well as fund distributions driven primarily by realized gains from one public company position.

#### SVB Leerink

(Dollars in millions)	Three months ended September 30,			Nine months ended September 30,		
	2021	2020	% Change	2021	2020	% Change
Net interest income	\$ —	\$ —	—	\$ —	\$ —	—
Noninterest income	131	114	14.9	450	340	32.4
Noninterest expense	(142)	(78)	82.1	(376)	(248)	51.6
(Loss) income before income tax expense	\$ (11)	\$ 36	(130.6)	\$ 74	\$ 92	(19.6)
Total average assets	\$ 837	\$ 605	38.3	\$ 778	\$ 515	51.1

SVB Leerink's components of noninterest income primarily include investment banking revenue, commissions and net gains and losses on non-marketable and other equity securities, carried interest and fund management fees. All components of income before income tax expense discussed below are net of noncontrolling interests.

#### [Table of Contents](#)

##### *Three months ended September 30, 2021 and 2020*

SVB Leerink had noninterest income of \$131 million for the three months ended September 30, 2021, compared to \$114 million for the comparable September 30, 2020 period. The \$17 million increase in noninterest income was primarily due to an increase in investment gains driven by a net valuation increase on equity fund investments.

SVB Leerink had noninterest expense of \$142 million for the three months ended September 30, 2021, compared to \$78 million for the comparable 2020 period. The \$64 million increase in noninterest expense was primarily driven by an increase in compensation and benefit expense due to an increase in incentive compensation driven by an increase in revenue as compared to the third quarter of 2020 and an increase in salaries and wages expense due to strategic hires made in the third quarter of 2021 to support the expansion of SVB Leerink's healthcare services and technology investment banking activities.

### *Nine months ended September 30, 2021 and 2020*

SVB Leerink had noninterest income of \$450 million for the nine months ended September 30, 2021, compared to \$340 million for the comparable September 30, 2020 period. The \$110 million increase in noninterest income was primarily due to an increase in investment banking revenue attributable to overall exceptional levels of capital markets activity in the life science/healthcare secondary markets and an increase in investment gains driven by a net valuation increase on equity fund investments.

SVB Leerink had noninterest expense of \$376 million for the nine months ended September 30, 2021, compared to \$248 million for the comparable 2020 period. The \$128 million increase was primarily driven by an increase in compensation and benefit expense driven primarily by an increase in incentive compensation expense as a result of a strong performance for the nine months ended September 30, 2021, as compared to the same period in 2020 and an increase in salaries and wages expense due to strategic hires made in the third quarter of 2021 to support the expansion of SVB Leerink's healthcare services and technology investment banking activities.

---

### Fragment 3: D.A.T.A. Score = -44.619%

Interest rate risk is managed by our ALCO. ALCO reviews the sensitivity of the market valuation on earning assets and funding liabilities and modeled 12-month projections of net interest income from changes in interest rates, structural changes in investment and funding portfolios, loan and deposit activity and market conditions. Relevant metrics and guidelines, which are approved by the Finance Committee of our Board of Directors and are included in our Interest Rate Risk Policy, are monitored on an ongoing basis.

Interest rate risk is managed primarily through strategies involving our fixed income securities portfolio, available funding channels and capital market activities. In addition, our policies permit the use of off-balance sheet derivatives, such as interest rate swaps, to assist with managing interest rate risk.

We utilize a simulation model to perform sensitivity analysis on the economic value of equity and net interest income under a variety of interest rate scenarios, balance sheet forecasts and business strategies. The simulation model provides a dynamic assessment of interest rate sensitivity which is embedded within our balance sheet. Rate sensitivity measures the potential variability in economic value and net interest income relating solely to changes in market interest rates over time. We review our interest rate risk position and sensitivity to market interest rates regularly.

---

### [Table of Contents](#)

#### **Model Simulation and Sensitivity Analysis**

A specific application of our simulation model involves measurement of the impact of changes in market interest rates on the EVE. EVE is defined as the market value of assets, less the market value of liabilities. Another application of the simulation model measures the impact of changes in market interest rates on NII assuming a static balance sheet, in both size and composition, as of the period-end reporting date. In the NII simulation, the level of market interest rates and the size and composition of the balance sheet are held constant over the simulation horizon. Simulated cash flows during the scenario horizon are assumed to be replaced as they occur,

which maintains the balance sheet at its current size and composition. Yield and spread assumptions on cash and investment balances reflect current market rates and the shape of the yield curve. Yield and spread assumptions on loans reflect recent market impacts on product pricing. Similarly, we make certain deposit balance decay rate assumptions on demand deposits and interest-bearing deposits, which are replenished to hold the level and mix of funding liabilities constant. Changes in market interest rates that affect net interest income are principally short-term interest rates and include the following benchmark indexes: (i) the National Prime Rate, (ii) 1-month and 3-month LIBOR and (iii) the Federal Funds target rate. Changes in these short-term rates impact interest earned on our variable rate loans and balances held as cash and cash equivalents. Additionally, simulated changes in deposit pricing relative to changes in market rates, commonly referred to as deposit beta, generally follow overall changes in short-term interest rates, although actual changes may lag in terms of timing and magnitude.

Both EVE and NII measures rely upon the use of models to simulate cash flow behavior for loans and deposits. These models were developed internally and are based on historical balance and rate observations. Investment portfolio cash flow is based on a combination of third-party prepayment models and internally managed prepayment vectors depending on security type. As part of our ongoing governance structure, each of these models and assumptions are periodically reviewed and recalibrated as needed to ensure that they are representative of our understanding of existing behaviors.

Simulation results presented include a beta assumption that is applied in the NII and EVE simulation models for interest-bearing deposits. This reflects management expectations about deposit repricing behavior. This model assumes the overall beta for interest-bearing deposits is approximately 60 percent. That is, overall changes in interest-bearing deposit rates would be approximately 60 percent of the change in short-term market rates. These repricing assumptions are reflected as changes in interest expense on interest-bearing deposit balances.

The acquisition of Boston Private was completed on July 1, 2021. The acquisition added approximately \$8.9 billion of total assets and deposits to the balance sheet. Most of the assets added were fixed and variable rate residential mortgages and commercial loans. Both the EVE and NII sensitivity measures described here are inclusive of the impact of the Boston Private acquisition.

The following table presents our EVE and NII sensitivity exposure related to an instantaneous and sustained parallel shift in market interest rates of 100 and 200 bps at September 30, 2021 and December 31, 2020.

(Dollars in millions)	Estimated EVE	Estimated Increase/(Decrease) in EVE		Estimated NII	Estimated Increase/(Decrease) in NII	
		Amount	Percent		Amount	Percent
<b>September 30, 2021:</b>						
+200	\$ 12,674	\$ (5,665)	(30.9)%	\$ 4,688	\$ 1,017	27.7%
+100	15,554	(2,785)	(15.2)	4,163	492	13.4
—	18,339	—	—	3,671	—	—
-100	20,100	1,761	9.6	3,481	(190)	(5.2)
-200	19,976	1,637	8.9	3,448	(223)	(6.1)
<b>December 31, 2020:</b>						
+200	\$ 9,500	\$ (1,724)	(15.4)%	\$ 3,063	\$ 691	29.1%

+100	10,558	(666)	(5.9)	2,729	357	15.1
—	11,224	—	—	2,372	—	—
-100	11,582	358	3.2	2,310	(62)	(2.6)
-200	11,534	310	2.8	2,306	(66)	(2.8)

#### Economic Value of Equity

The estimated EVE in the preceding table is based on a combination of valuation methodologies including a discounted cash flow analysis and a multi-path lattice-based valuation. Both methodologies use publicly available market interest rates to determine discounting factors on projected cash flows. The model simulations and calculations are highly assumption-

109

#### [Table of Contents](#)

dependent and will change regularly as the composition of earning assets and funding liabilities change (including the impact of changes in the value of interest rate derivatives, if any), as interest rate environments evolve, and as we change our assumptions in response to relevant market conditions, competition or business circumstances. These calculations do not reflect forecast changes in our balance sheet or changes we may make to reduce our EVE exposure as a part of our overall interest rate risk management strategy.

#### **SIVB 2021 Q4 10(k):**

D.A.T.A. Score = 10.71%, 36 deceptive fragments

Fragment 1: D.A.T.A. Score = -48.050%

GCB had a provision for credit losses of \$55 million for 2021, compared to a provision of \$166 million for 2020. The provision of \$55 million for 2021 was driven primarily by an increase of organic growth in our loan portfolio and charge-offs not specifically reserved for at December 31, 2020, of which \$80 million was related to the single instance of fraudulent

62

#### [Table of Contents](#)

activity on one loan discussed in prior filings, partially offset by a reduction in provision due to model enhancements and a decrease in net new nonaccrual loans and recoveries.

The provision for credit losses of \$166 million for 2020, compared to a provision of \$92 million for the comparable 2019 period. The \$74 million increase is primarily due to the \$59 million in additional reserves for our performing

loans based on our forecast models of the current economic environment under the CECL methodology adopted January 1, 2020, including the impact of the COVID-19 pandemic, as well as changes in loan composition within our portfolio segments. The provision of \$166 million also consisted of \$30 million in additional reserves for period-end loan growth, \$49 million for charge-offs not specifically reserved for at December 31, 2019 and \$60 million in net new nonaccrual loans, partially offset by \$29 million of recoveries.

Noninterest income increased by \$102 million in 2021, related primarily to an overall increase in our non-GAAP core fee income, due primarily to higher foreign exchange fees, credit card fees, lending related fees and deposit service charges, partially offset by lower client investment fees. The overall increase was due primarily to higher foreign exchange fees driven by increases in spot contract commissions, credit card fees reflective of increased spending as we attracted new customers and expanded on current relationships and deposit service charges due to increased product revenues from strong deposit growth and higher transaction volumes, partially offset by the impact of the federal funds rate decreases on client investment fee yields.

Noninterest expense increased by \$257 million in 2021, due primarily to compensation and benefits expense as a result of higher incentive compensation expense and higher salaries and wages expenses. Incentive compensation expense increased due primarily as a result of a strong performance during 2021. The increase in GCB salaries and wages was due primarily to an increase in the average number of FTEs at GCB, which increased to 3,489 FTEs in 2021, from 2,874 FTEs for the 2020 period.

#### SVB Private Bank

(Dollars in millions)	Year ended December 31,				
	2021	2020	% Change 2021/2020	2019	% Change 2020/2019
Net interest income	\$ 194	\$ 77	151.9 %	\$ 51	51.0 %
Provision for credit losses	(14)	(21)	(33.3)	(2)	NM
Noninterest income	56	3	NM	4	(25.0)
Noninterest expense	(212)	(46)	NM	(40)	15.0
Income before income tax expense	\$ 24	\$ 13	84.6	\$ 13	—
Total average loans, amortized cost	\$ 8,958	\$ 4,196	113.5	\$ 3,341	25.6
Total average assets	10,140	4,230	139.7	3,371	25.5
Total average deposits	8,645	2,172	NM	1,524	42.5

Income before income tax expense from SVB Private Bank increased to \$24 million in 2021, compared to \$13 million in 2020. The key drivers of SVB Private Bank's performance are discussed below:

NII increased by \$117 million in 2021, due primarily to an increase in average loans primarily due to the acquisition of Boston Private and strong organic loan growth for the year ended December 31, 2021, as compared to the year ended December 31, 2020. This increase was partially offset by decreases in loan yields as a result of overall market rate decreases and purchase accounting amortizations of fair value mark ups on the acquired Boston Private loans.

The provision for credit losses decreased by \$7 million primarily due to a reduction in provision due to previously discussed model enhancements, partially offset by a day one provision for loans on non-PCD loans and unfunded commitments of \$46 million as a result of the Boston Private acquisition.

Noninterest expense increased \$166 million to \$212 million in 2021 related primarily to compensation and benefits expense. Compensation and benefits expense increased as a result of an increase in average number of FTEs due primarily to the acquisition of Boston Private and higher incentive compensation and salaries and wages expenses primarily as a result of strong performance during 2021.

[Table of Contents](#)

**SVB Capital**

(Dollars in millions)	Year ended December 31,				
	2021	2020	% Change 2021/2020	2019	% Change 2020/2019
Noninterest income	\$ 487	\$ 226	115.5 %	\$ 122	85.2 %
Noninterest expense	(71)	(51)	39.2	(31)	64.5
Income before income tax expense	\$ 416	\$ 175	137.7	\$ 91	92.3
Total average assets	\$ 700	\$ 437	60.2	\$ 405	7.9

SVB Capital's components of noninterest income primarily include net gains and losses on non-marketable and other equity securities, carried interest and fund management fees. All components of income before income tax expense discussed below are net of noncontrolling interests.

We experience variability in the performance of SVB Capital from period to period due to a number of factors, including changes in the values of our funds' underlying investments, changes in the amount of distributions and general economic and market conditions. Such variability may lead to volatility in the gains and losses from investment securities and cause our results to differ from period to period. The performance of these securities may be impacted by the effects of the COVID-19 pandemic.

Income before income tax expense from SVB Capital was \$416 million in 2021, compared to \$175 million in 2020. The key drivers of SVB Capital's performance are discussed below.

Noninterest income was \$487 million in 2021, compared to \$226 million in 2020. SVB Capital's components of noninterest income primarily included the following:

- Net gains on investment securities of \$398 million, were driven primarily by unrealized net valuation increases of private and public positions as well as fund distributions driven primarily by realized gains from one public company position.

- Fund management fees of \$77 million, included in other noninterest income, and

- Gains on equity warrant assets of \$6 million reflective of net valuation increases in equity warrant assets associated with our joint venture bank in China, included in other noninterest income.

Noninterest expense increased to \$71 million in 2021 from 2020 due to a \$20 million increase in compensation and benefits as a result of higher incentive compensation expense and higher salaries and wages expenses. Incentive compensation expense increased as a result of a strong performance during 2021. The increase in salaries and wages was due to an increase in the average number of FTEs at SVB Capital, which increased to 77 FTEs at year end December 31, 2021, from 47 for 2020.

#### SVB Securities

(Dollars in millions)	Year ended December 31,						
	2021	2020	% Change 2021/2020		2019	% Change 2020/2019	
Net interest income	\$ 1	\$ 1	—	%	\$ 1	—	%
Noninterest income	608	497	22.3		264	88.3	
Noninterest expense	(561)	(379)	48.0		(253)	49.8	
Income before income tax expense	\$ 48	\$ 119	(59.7)		\$ 12	NM	
Total average assets	\$ 830	\$ 557	49.0		\$ 398	39.9	

#### Fragment 2: D.A.T.A. Score = -43.946%

The main factors affecting interest income and interest expense for 2021, compared to 2020, are discussed below:

- Interest income for 2021 increased by \$1.0 billion primarily due to:

◦ A \$621 million increase in interest income from our fixed income investment securities due primarily to an increase of \$51.3 billion in average fixed income investment securities driven by exceptional average deposit growth. The increase in interest income from growth of our average fixed income investment securities was partially offset by declines in yields earned on these investments reflective of the lower interest rate market environment, and

◦ A \$446 million increase in interest income on loans to \$2.0 billion in 2021, compared to \$1.5 billion for the comparable 2020 period. The increase was reflective of an increase in average loan balances of \$17.3 billion, partially offset by a decrease in overall loan yields of 48 bps to 3.60 percent from 4.08 percent. Gross loan yields, excluding loan interest recoveries and loan fees, decreased 36 bps to 3.21 percent from 3.57 percent, driven by growth in our lower yielding Global Fund Banking portfolio, decreases in Federal Funds rates in the first quarter of 2020 and the addition of lower yielding Boston Private loans.

- Interest expense for 2021 increased by \$25 million primarily due to:



Taxable	52,937	865	1.63	10,728	298	2.78	13,041	351	2.69
Non-taxable (3)	5,093	134	2.63	2,385	77	3.24	1,631	57	3.49
Total loans, amortized cost (4) (5)	54,547	1,966	3.60	37,266	1,520	4.08	29,916	1,599	5.35
Total interest-earning assets	158,373	3,317	2.09	81,284	2,258	2.77	60,118	2,321	3.86
Cash and due from banks	2,241			1,021			592		
ACL: loans	(441)			(509)			(306)		
Other assets (6)	5,838			3,996			2,808		
Total assets	\$ 166,011			\$ 85,792			\$ 63,212		
<u>Funding sources:</u>									
Interest-bearing liabilities:									
Interest-bearing checking and savings accounts	\$ 3,924	\$ 5	0.12%	\$ 2,874	\$ 7	0.24%	\$ 499	\$ —	0.09%
Money market deposits	41,481	54	0.13	19,741	47	0.24	13,721	153	1.11
Money market deposits in foreign offices	918	—	0.02	330	—	0.09	165	—	0.04
Time deposits	994	3	0.31	336	2	0.56	112	1	1.14
Sweep deposits in foreign offices	1,169	—	0.01	1,542	4	0.27	1,777	23	1.29
Total interest-bearing deposits	48,486	62	0.13	24,823	60	0.24	16,274	177	1.09
Short-term borrowings	74	—	0.16	401	3	0.83	145	4	2.49
Long term debt	1,775	48	2.70	632	22	3.45	685	31	4.60
Total interest-bearing liabilities	50,335	110	0.22	25,856	85	0.33	17,104	212	1.24
Portion of noninterest-bearing funding sources	108,038			55,428			43,014		
Total funding sources	158,373	110	0.07	81,284	85	0.10	60,118	212	0.35
<u>Noninterest-bearing funding sources:</u>									
Demand deposits	99,461			50,193			38,783		
Other liabilities	3,660			2,168			1,484		
Preferred stock	1,925			340			18		
SVBFG common stockholders' equity	10,353			7,080			5,675		
Noncontrolling interests	277			155			149		
Portion used to fund interest-earning assets	(108,038)			(55,428)			(43,014)		
Total liabilities, noncontrolling interest, and SVBFG stockholders' equity	\$ 166,011			\$ 85,792			\$ 63,212		
Net interest income and margin		\$ 3,207	2.02%		\$ 2,173	2.67%		\$ 2,109	3.51%
Total deposits	\$ 147,947			\$ 75,016			\$ 55,057		
Average SVBFG common stockholders' equity as a percentage of average assets			6.24%			8.25%			8.98%
<u>Reconciliation to reported net interest income:</u>									
Adjustments for taxable equivalent basis		(28)			(16)		(13)		

Net interest income, as reported	\$ 3,179	\$ 2,157	\$ 2,096
----------------------------------	----------	----------	----------

## Table of Contents

(1) Includes average interest-earning deposits in other financial institutions of \$4.6 billion, \$1.1 billion and \$929 million in the years ended December 31, 2021, December 31, 2020 and December 31, 2019, respectively. For December 31, 2021, December 31, 2020 and December 31, 2019, balances also include \$15.9 billion, \$9.9 billion and \$4.1 billion, respectively, deposited at the FRB, earning interest at the Federal Funds target rate.

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

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

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

(5) Interest income includes loan fees of \$217 million, \$191 million and \$168 million in the years ended December 31, 2021, December 31, 2020 and December 31, 2019, respectively.

(6) Average investment securities of \$3.2 billion, \$2.0 billion, and \$1.1 billion in the years ended December 31, 2021, December 31, 2020 and December 31, 2019, respectively, were classified as other assets as they were noninterest-earning assets. These investments primarily consisted of non-marketable and other equity securities.

### Provision for Credit Losses

The provision for credit losses is the combination of (i) the provision for loans, (ii) the provision for unfunded credit commitments and (iii) the provision for HTM securities. Our allowance for credit losses reflects our best estimate of probable credit losses that are inherent in the portfolios at the balance sheet date.

The following table summarizes our ACL and provision for credit losses for loans, unfunded credit commitments and HTM securities for 2021, 2020 and 2019, respectively:

(Dollars in millions)	Year ended December 31,		
	2021	2020	2019
ACL, beginning balance	\$ 448	\$ 305	\$ 282
Day one impact of adopting ASC 326	—	25	—
Initial allowance on PCD loans	22	—	—
Provision for loans (1) (2)	66	190	94
Gross loan charge-offs (2)	(138)	(103)	(93)
Loan recoveries	24	29	21
Foreign currency translation adjustments	—	2	1
ACL, ending balance	\$ 422	\$ 448	\$ 305
ACL for unfunded credit commitments, beginning balance	121	68	55
Day one impact of adopting ASC 326	—	23	—
Provision for unfunded credit commitments (1)	50	30	13

ACL for unfunded credit commitments, ending balance (3)	\$ 171	\$ 121	\$ 68
ACL for HTM securities, beginning balance	—	—	—
Provision for HTM securities	7	—	—
ACL for HTM securities, ending balance (4)	\$ 7	\$ —	\$ —
Metrics and other information:			
Provision for loans as a percentage of period-end total loans (5)	0.10 %	0.42 %	0.28 %
Gross loan charge-offs as a percentage of average total loans (2) (5)	0.25	0.28	0.31
Net loan charge-offs as a percentage of average total loans (2) (5)	0.21	0.20	0.24
ACL for loans as a percentage of period-end total loans (5)	0.64	0.99	0.91
Provision for credit losses (1)	\$ 123	\$ 220	\$ 107
Period-end total loans (5)	66,276	45,181	33,328
Average total loans (5)	54,547	37,266	30,077
Allowance for credit losses for nonaccrual loans	35	54	45
Nonaccrual loans (5)	84	104	103

(1)The provision for credit losses for the year ended December 31, 2021 includes \$46 million recognized as a result of the Boston Private acquisition, which consists of a \$44 million initial provision for loans related to non-PCD loans and a \$2 million initial provision for unfunded commitments.

(2)Metrics for the year ended December 31, 2021 includes the impact of an \$80 million charge-off related to fraudulent activity on one loan as disclosed in previous filings.

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

[Table of Contents](#)

(4)The "ACL for HTM securities" is included as a component of "HTM securities" and presented net in our consolidated financial statements.

(5)For the years ended December 31, 2021 and December 31, 2020, loan amounts are disclosed using the amortized cost basis as a result of the adoption of CECL. Loan amounts for the year ended December 31, 2019, are disclosed using the gross basis in accordance with the previous methodology.

For a more detailed discussion of credit quality and the ACL, see "Critical Accounting Policies and Estimates" above, "Consolidated Financial Condition-Credit Quality and the Allowance for Credit Losses for Loans and for Unfunded Credit Commitments" below and Note 10—"Loans and Allowance for Credit Losses: Loans and Unfunded Credit

Commitments” of the “Notes to the Consolidated Financial Statements” under Part II, Item 8 of this report for further details on our ACL.

Fragment 3: D.A.T.A. Score = -43.140%

(2)Included within our total loan portfolio are credit card loans of \$583 million and \$400 million at December 31, 2021 and December 31, 2020, respectively.

(3)Included within our total loan portfolio are construction loans of \$367 million and \$118 million at December 31, 2021 and December 31, 2020, respectively.

(4)Of our total loans, the table below includes those secured by real estate at amortized cost at December 31, 2021 and December 31, 2020 and were comprised of the following:

135

[Table of Contents](#)

**SVB FINANCIAL GROUP AND SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - (Continued)**

(Dollars in millions)	December 31,	
	2021	2020
Real estate secured loans:		
Private bank:		
Loans for personal residence	\$ 6,939	\$ 3,392
Loans to eligible employees	455	481
Home equity lines of credit	130	43
Other	135	143
Total private bank loans secured by real estate	\$ 7,659	\$ 4,059
CRE:		
Multifamily and residential investment	\$ 1,021	\$ —
Retail	524	—
Office and medical	499	—
Manufacturing, industrial and warehouse	336	—
Hospitality	142	—
Other	148	—

Total CRE loans secured by real estate	\$ 2,670	\$ —
Premium wine	793	824
Other	334	57
Total real estate secured loans	\$ 11,456	\$ 4,940

### Credit Quality Indicators

For each individual client, we establish an internal credit risk rating for that loan, which is used for assessing and monitoring credit risk as well as performance of the loan and the overall portfolio. Our internal credit risk ratings are also used to summarize the risk of loss due to failure by an individual borrower to repay the loan. For our internal credit risk ratings, each individual loan is given a risk rating of 1 through 10. Loans risk-rated 1 through 4 are performing loans and translate to an internal rating of “Pass,” with loans risk-rated 1 being cash secured. Loans risk-rated 5 through 7 are performing loans; however, we consider them as demonstrating higher risk, which requires more frequent review of the individual exposures; these translate to an internal rating of “Criticized.” All of our nonaccrual loans are risk-rated 8 or 9 and are classified under the nonperforming category. Loans rated 10 are charged-off and are not included as part of our loan portfolio balance. We review our credit quality indicators on a quarterly basis for performance and appropriateness of risk ratings as part of our evaluation process for our ACL for loans.

### [Table of Contents](#)

## SVB FINANCIAL GROUP AND SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

The following tables summarize the credit quality indicators, broken out by class of financing receivables and vintage year, as of December 31, 2021 and December 31, 2020.

December 31, 2021 (Dollars in millions)	Term Loans by Origination Year						Revolving Loans	Revolving Loans Converted to Term Loans	Unallocated (1)	Total
	2021	2020	2019	2018	2017	Prior				
Global fund banking:										
Risk rating:										
Pass	\$ 764	\$ 115	\$ 36	\$ 6	\$ 8	\$ 4	\$ 36,955	\$ —	\$ —	\$ 37,888
Criticized	50	18	—	—	—	1	1	—	—	70
Nonperforming	—	—	—	—	—	—	—	—	—	—
Total global fund banking	\$ 814	\$ 133	\$ 36	\$ 6	\$ 8	\$ 5	\$ 36,956	\$ —	\$ —	\$ 37,958
Investor dependent:										
Early stage:										
Risk rating:										
Pass	\$ 754	\$ 287	\$ 122	\$ 26	\$ 6	\$ 1	\$ 171	\$ —	\$ —	\$ 1,367
Criticized	64	87	30	5	—	—	29	—	—	215

Nonperforming	2	5	3	—	—	—	1	—	—	11
Total early stage	\$ 820	\$ 379	\$ 155	\$ 31	\$ 6	\$ 1	\$ 201	\$ —	\$ —	\$ 1,593
Growth stage:										
Risk rating:										
Pass	\$ 2,072	\$ 910	\$ 265	\$ 78	\$ 14	\$ 1	\$ 286	\$ 5	\$ —	\$ 3,631
Criticized	159	85	27	6	3	—	34	—	—	314
Nonperforming	2	—	1	2	—	—	1	—	—	6
Total growth stage	\$ 2,233	\$ 995	\$ 293	\$ 86	\$ 17	\$ 1	\$ 321	\$ 5	\$ —	\$ 3,951
Total investor dependent	\$ 3,053	\$ 1,374	\$ 448	\$ 117	\$ 23	\$ 2	\$ 522	\$ 5	\$ —	\$ 5,544
Cash flow dependent - SLBO:										
Risk rating:										
Pass	\$ 875	\$ 384	\$ 252	\$ 72	\$ 76	\$ 2	\$ 35	\$ —	\$ —	\$ 1,696
Criticized	—	—	20	25	—	13	10	—	—	68
Nonperforming	—	—	12	10	7	—	5	—	—	34
Total cash flow dependent - SLBO	\$ 875	\$ 384	\$ 284	\$ 107	\$ 83	\$ 15	\$ 50	\$ —	\$ —	\$ 1,798
Innovation C&I:										
Risk rating:										
Pass	\$ 2,230	\$ 1,058	\$ 288	\$ 123	\$ 58	\$ —	\$ 2,411	\$ —	\$ —	\$ 6,168
Criticized	64	130	62	12	—	—	236	—	—	504
Nonperforming	—	—	—	—	—	—	1	—	—	1
Total Innovation C&I	\$ 2,294	\$ 1,188	\$ 350	\$ 135	\$ 58	\$ —	\$ 2,648	\$ —	\$ —	\$ 6,673
Private bank:										
Risk rating:										
Pass	\$ 2,952	\$ 2,015	\$ 1,122	\$ 520	\$ 432	\$ 952	\$ 705	\$ 8	\$ —	\$ 8,706
Criticized	—	—	2	—	2	9	3	—	—	16
Nonperforming	—	—	2	9	—	8	2	—	—	21
Total private bank	\$ 2,952	\$ 2,015	\$ 1,126	\$ 529	\$ 434	\$ 969	\$ 710	\$ 8	\$ —	\$ 8,743
CRE										
Risk rating:										
Pass	\$ 326	\$ 215	\$ 344	\$ 155	\$ 236	\$ 868	\$ 110	\$ 2	\$ —	\$ 2,256
Criticized	3	39	114	37	47	139	18	12	—	409
Nonperforming	—	—	5	—	—	—	—	—	—	5
Total CRE	\$ 329	\$ 254	\$ 463	\$ 192	\$ 283	\$ 1,007	\$ 128	\$ 14	\$ —	\$ 2,670
Premium wine:										
Risk rating:										
Pass	\$ 217	\$ 112	\$ 156	\$ 69	\$ 71	\$ 162	\$ 125	\$ 34	\$ —	\$ 946



Total global fund banking	\$ 440	\$ 48	\$ 69	\$ 23	\$ 2	\$ 6	\$ 24,947	\$ 8	\$ 25,543
Investor dependent:									
Early stage:									
Risk rating:									
Pass	\$ 667	\$ 370	\$ 121	\$ 32	\$ 1	\$ 1	\$ 96	\$ 1	\$ 1,289
Criticized	47	73	26	10	4	—	19	—	179
Nonperforming	2	9	5	1	—	—	1	—	18
Total early stage	\$ 716	\$ 452	\$ 152	\$ 43	\$ 5	\$ 1	\$ 116	\$ 1	\$ 1,486
Growth stage:									
Risk rating:									
Pass	\$ 1,746	\$ 696	\$ 316	\$ 61	\$ 5	\$ 9	\$ 325	\$ 8	\$ 3,166
Criticized	65	103	56	9	—	7	47	—	287
Nonperforming	17	3	4	3	—	—	6	—	33
Total growth stage	\$ 1,828	\$ 802	\$ 376	\$ 73	\$ 5	\$ 16	\$ 378	\$ 8	\$ 3,486
Total investor dependent	\$ 2,544	\$ 1,254	\$ 528	\$ 116	\$ 10	\$ 17	\$ 494	\$ 9	\$ 4,972
Cash flow dependent - SLBO:									
Risk rating:									
Pass	\$ 791	\$ 452	\$ 274	\$ 167	\$ 37	\$ —	\$ 75	\$ —	\$ 1,796
Criticized	—	70	39	22	13	—	9	—	153
Nonperforming	—	12	16	7	—	—	5	—	40
Total cash flow dependent - SLBO	\$ 791	\$ 534	\$ 329	\$ 196	\$ 50	\$ —	\$ 89	\$ —	\$ 1,989
Innovation C&I:									
Risk rating:									
Pass	\$ 1,718	\$ 703	\$ 378	\$ 152	\$ 39	\$ —	\$ 1,791	\$ 1	\$ 4,782
Criticized	75	72	34	4	—	—	163	—	348
Nonperforming	—	—	5	—	—	—	1	—	6
Total Innovation C&I	\$ 1,793	\$ 775	\$ 417	\$ 156	\$ 39	\$ —	\$ 1,955	\$ 1	\$ 5,136
Private bank:									
Risk rating:									
Pass	\$ 1,878	\$ 1,153	\$ 394	\$ 353	\$ 295	\$ 406	\$ 382	\$ 1	\$ 4,862

[Table of Contents](#)

**SVB FINANCIAL GROUP AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - (Continued)**

Criticized	3	10	5	1	5	8	1	—	33
------------	---	----	---	---	---	---	---	---	----

Nonperforming	—	—	3	—	—	2	1	—	6
Total private bank	\$ 1,881	\$ 1,163	\$ 402	\$ 354	\$ 300	\$ 416	\$ 384	\$ 1	\$ 4,901
Premium wine:									
Risk rating:									
Pass	\$ 127	\$ 194	\$ 71	\$ 79	\$ 115	\$ 154	\$ 135	\$ 36	\$ 911
Criticized	18	24	36	10	13	6	34	—	141
Nonperforming	—	—	—	—	1	—	—	—	1
Total Premium wine	\$ 145	\$ 218	\$ 107	\$ 89	\$ 129	\$ 160	\$ 169	\$ 36	\$ 1,053
Other:									
Risk rating:									
Pass	\$ —	\$ 16	\$ 11	\$ —	\$ —	\$ 1	\$ —	\$ —	\$ 28
Criticized	—	—	—	—	—	—	—	—	—
Nonperforming	—	—	—	—	—	—	—	—	—
Total other	\$ —	\$ 16	\$ 11	\$ —	\$ —	\$ 1	\$ —	\$ —	\$ 28
PPP:									
Risk rating:									
Pass	\$ 1,456	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 1,456
Criticized	103	—	—	—	—	—	—	—	103
Nonperforming	—	—	—	—	—	—	—	—	—
Total PPP	\$ 1,559	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 1,559
Total loans	\$ 9,153	\$ 4,008	\$ 1,863	\$ 934	\$ 530	\$ 600	\$ 28,038	\$ 55	\$ 45,181

[Table of Contents](#)
**SVB FINANCIAL GROUP AND SUBSIDIARIES**
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - (Continued)**
***Allowance for Credit Losses: Loans***

For the year ending December 31, 2021, the ACL for loans decreased by \$26 million, driven primarily by net charge-offs, improved economic conditions within our forecasted assumptions and enhancements made to our allowance model, which were partially offset by growth in our loan portfolio, both from the acquisition of Boston Private and organic growth.

The Moody's Analytics December 2021 forecast was utilized in our quantitative model for the ACL as of December 31, 2021 for both SVB and Boston Private loans. The forecast assumptions included an improvement in the unemployment rate and a strong forecasted gross domestic product growth rate, both of which were a result of ongoing economic stabilization as the pandemic's impact begins to subside. We determined the forecast to be a reasonable view of the outlook for the economy given the available information at current year end. To the extent we identified credit risk considerations that were not captured by the Moody's Analytics December 2021 forecast, we addressed the risk through management's qualitative adjustments to our ACL.

The enhancements made to our reserving model were made in normal course, with the primary enhancements being the addition of two years of portfolio data, more granular prepayment models and the re-selection of macroeconomic variables.

The following tables summarize the activity relating to our ACL for loans for 2021, 2020 and 2019 broken out by portfolio segment:

Year ended December 31, 2021 (Dollars in millions)	Beginning Balance December 31, 2020	Initial Allowance on PCD Loans	Charge-offs	Recoveries	Provision (Reduction) for Loans (1)	Ending Balance December 31, 2021
Global fund banking (2)	\$ 46	\$ —	\$ (80)	\$ —	\$ 101	\$ 67
Investor dependent	213	—	(46)	18	(39)	146
Cash flow dependent and Innovation C&I	125	—	(8)	6	(5)	118
Private bank	53	1	(3)	—	(18)	33
CRE	—	17	—	—	19	36
Other C&I	—	4	—	—	10	14
Premium wine and other	9	—	(1)	—	—	8
PPP	2	—	—	—	(2)	—
<b>Total ACL</b>	<b>\$ 448</b>	<b>\$ 22</b>	<b>\$ (138)</b>	<b>\$ 24</b>	<b>\$ 66</b>	<b>\$ 422</b>

(1)The provision for loans for the year ended December 31, 2021 includes a post-combination initial provision of \$44 million related to non-PCD loans from the Boston Private acquisition.

(2)Global fund banking activity for the year ended December 31, 2021 includes the impact of an \$80 million charge-off related to fraudulent activity on one loan as disclosed in previous filings.

Year ended December 31, 2020 (Dollars in millions)	Beginning Balance December 31, 2019	Impact of Adopting ASC 326	Charge-offs	Recoveries	Provision (Reduction) for Loans	Foreign Currency Translation Adjustments	Ending Balance December 31, 2020
Global fund banking	\$ 107	\$ (70)	\$ —	\$ —	\$ 9	\$ —	\$ 46
Investor dependent	82	72	(89)	25	125	(2)	213
Cash flow dependent and Innovation C&I	81	(1)	(11)	3	53	—	125
Private bank	22	12	(2)	—	21	—	53
Premium wine and other	13	12	(1)	1	(21)	5	9
PPP	—	—	—	—	2	—	2

Total ACL	\$	305	\$	25	\$	(103)	\$	29	\$	189	\$	3	\$	448
-----------	----	-----	----	----	----	-------	----	----	----	-----	----	---	----	-----

140

[Table of Contents](#)

**SVB FINANCIAL GROUP AND SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - (Continued)**

Year ended December 31, 2019 (Dollars in millions)	Beginning Balance at December 31, 2018	Charge-offs	Recoveries	Provision (Reduction) for Loans	Foreign Currency Translation Adjustments	Ending Balance at December 31, 2019
Global fund banking	\$ 94	\$ (2)	\$ 2	\$ 13	\$ —	\$ 107
Total investor dependent	72	(85)	14	81	—	82
Cash flow dependent and Innovation C&I	88	(3)	5	(9)	—	81
Private bank	21	(1)	—	2	—	22
Premium wine and other	7	(2)	—	7	1	13
Total ACL	\$ 282	\$ (93)	\$ 21	\$ 94	\$ 1	\$ 305

The following table summarizes the aging of our loans broken out by class of financing receivables as of December 31, 2021 and December 31, 2020:

(Dollars in millions)	30 - 59 Days Past Due	60 - 89 Days Past Due	Equal to or Greater Than 90 Days Past Due	Total Past Due	Current	Total	Loans Past Due 90 Days or More Still Accruing Interest
<b>December 31, 2021:</b>							
Global fund banking	\$ —	\$ —	\$ —	\$ —	\$ 37,958	\$ 37,958	\$ —
Investor dependent:							
Early stage	6	5	—	11	1,582	1,593	—
Growth stage	16	—	—	16	3,935	3,951	—
Total investor dependent	22	5	—	27	5,517	5,544	—
Cash flow dependent - SLBO	—	—	—	—	1,798	1,798	—
Innovation C&I	7	—	7	14	6,659	6,673	7

Private bank	28	1	12	41	8,702	8,743	—
CRE	1	—	—	1	2,669	2,670	—
Premium wine	3	—	—	3	982	985	—
Other C&I	1	2	1	4	1,253	1,257	—
Other	—	—	—	—	317	317	—
PPP	1	—	—	1	330	331	—
Total loans (1)	\$ 63	\$ 8	\$ 20	\$ 91	\$ 66,185	\$ 66,276	\$ 7
<b>December 31, 2020:</b>							
Global fund banking	\$ 28	\$ —	\$ —	\$ 28	\$ 25,515	\$ 25,543	\$ —
Investor dependent:							
Early stage	6	2	—	8	1,478	1,486	—
Growth stage	11	—	1	12	3,474	3,486	—
Total investor dependent	17	2	1	20	4,952	4,972	—
Cash flow dependent - SLBO	—	—	—	—	1,989	1,989	—
Innovation C&I	7	1	—	8	5,128	5,136	—
Private bank	4	4	—	8	4,893	4,901	—
Premium wine	3	—	1	4	1,049	1,053	—
Other	—	—	—	—	28	28	—
PPP	—	—	—	—	1,559	1,559	—
Total loans	\$ 59	\$ 7	\$ 2	\$ 68	\$ 45,113	\$ 45,181	\$ —

[Table of Contents](#)

## SVB FINANCIAL GROUP AND SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

#### **Nonaccrual Loans**

The following table summarizes our nonaccrual loans with no ACL at December 31, 2021 and 2020:

(Dollars in millions)	December 31, 2021		December 31, 2020	
	Nonaccrual Loans	Nonaccrual Loans with no ACL	Nonaccrual Loans	Nonaccrual Loans with no ACL
Investor dependent:				
Early stage	\$ 11	\$ —	\$ 18	\$ —
Growth stage	6	—	33	3
Total investor dependent	17	—	51	3
Cash flow dependent - SLBO	34	—	40	—
Innovation C&I	1	1	6	1
Private bank	21	8	6	3
CRE	5	—	—	—
Premium wine	—	—	1	1
Other C&I	4	—	—	—
PPP	2	—	—	—
Total nonaccrual loans (1)	\$ 84	\$ 9	\$ 104	\$ 8

(1) Nonaccrual loans at December 31, 2021 include \$20 million of loans that were acquired from Boston Private.

### **Troubled Debt Restructurings**

As of December 31, 2021, we had 62 TDRs with a total carrying value of \$96 million where concessions have been granted to borrowers experiencing financial difficulties in an attempt to maximize collection. There were no unfunded commitments available for funding to the clients associated with these TDRs as of December 31, 2021.

The following table summarizes our loans modified in TDRs, broken out by class of financing receivables, at December 31, 2021 and 2020:

(Dollars in millions)	December 31, 2021	December 31, 2020
<b>Loans modified in TDRs:</b>		
Investor dependent:		
Early stage	\$ 12	\$ 7
Growth stage	3	29
Total investor dependent	15	36
Cash flow dependent - SLBO	34	22
Innovation C&I	—	1

Private bank		12	—
CRE		33	—
Premium wine		—	2
Other C&I		2	—
Total loans modified in TDRs during the period (1)	\$	96	\$ 61

(1) Loans modified in TDRs at December 31, 2021 include 51 loans with a total balance of \$47 million that were acquired from Boston Private.

The following table summarizes the recorded investment in loans modified in TDRs, broken out by class of financing receivables, for modifications made during 2021, 2020 and 2019:

142

[Table of Contents](#)

**SVB FINANCIAL GROUP AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - (Continued)**

(Dollars in millions)	Year ended December 31,		
	2021	2020	2019
<b>Loans modified in TDRs during the period:</b>			
Investor dependent:			
Early stage	\$ 12	\$ 6	\$ 9
Growth stage	—	26	20
Total investor dependent	12	32	29
Cash flow dependent - SLBO	12	22	48
Innovation C&I	—	1	—
Private bank	4	—	2
CRE	29	—	—
Premium wine	—	1	11
<b>Total loans modified in TDRs during the period (1) (2) (3)</b>	<b>\$ 57</b>	<b>\$ 56</b>	<b>\$ 90</b>

(1) For the years ended December 31, 2021 and December 31, 2020, loan amounts are disclosed using the amortized cost basis as a result of the adoption of CECL. Loan amounts for the year ended December 31, 2019, are disclosed using the gross basis in accordance with the previous methodology.

**SIVB 2022 Q1 10(q):**

D.A.T.A. Score = -5.12%, 20 deceptive fragments

Fragment 1: D.A.T.A. Score = -47.916%

Cash provided by operating activities was \$359 million for the three months ended March 31, 2022, reflective primarily of net income before noncontrolling interests of \$533 million and adjustments to reconcile net income to net cash of \$189 million, partially offset by \$363 million changes in other assets and liabilities.

Cash used for investing activities of \$3.2 billion for the three months ended March 31, 2022 was driven by \$10.3 billion in purchases of fixed income investment securities and a \$2.3 billion increase in loan balances, partially offset by the sale of \$5.1 billion of our AFS portfolio and \$4.4 billion in proceeds from maturities and principal pay downs from our fixed income investment securities portfolio.

Cash provided by financing activities was \$8.8 billion for the three months ended March 31, 2022, reflective primarily of a \$8.9 billion increase in deposits.

Cash and cash equivalents were \$20.6 billion and \$21.3 billion, respectively, at March 31, 2022 and 2021.

### **ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

#### **Interest Rate Risk Management**

Market risk is defined as the risk of adverse fluctuations in the market value of financial instruments due to changes in market interest rates. Interest rate risk is our primary market risk and can result from timing and volume differences in the repricing of our rate-sensitive assets and liabilities, widening or tightening of credit spreads, changes in the general level of market interest rates and changes in the shape and level of the benchmark interest rates. Additionally, changes in interest rates can influence the rate of principal prepayments on mortgage securities, which affects the rate of amortization of purchase premiums and discounts. Other market risks include foreign currency exchange risk and equity price risk (including the effect of competition on product pricing). These risks and related impacts are important market considerations but are inherently difficult to assess through simulation results. Consequently, simulations used to analyze the sensitivity of net interest income to changes in interest rates will differ from actual results due to differences in the timing and frequency of rate resets, the magnitude of changes in market rates, the impact of competition, fluctuating business conditions and the impact of strategies taken by management to mitigate these risks.

Interest rate risk is managed by our ALCO. ALCO reviews the sensitivity of the market valuation on earning assets and funding liabilities and modeled 12-month projections of net interest income from changes in interest rates, structural changes in investment and funding portfolios, loan and deposit activity and market conditions. Relevant metrics and guidelines, which are approved by the Finance Committee of our Board of Directors and are included in our Interest Rate Risk Policy, are monitored on an ongoing basis.

Interest rate risk is managed primarily through strategies involving our fixed income securities portfolio, available funding channels and capital market activities. In addition, our policies permit the use of off-balance sheet derivatives, such as interest rate swaps, to assist with managing interest rate risk.

We utilize a simulation model to perform sensitivity analysis on the economic value of equity and net interest income under a variety of interest rate scenarios, balance sheet forecasts and business strategies. The simulation model provides a dynamic assessment of interest rate sensitivity which is embedded within our balance sheet. Rate sensitivity measures the potential variability in economic value and net interest income relating solely to changes in market interest rates over time. We review our interest rate risk position and sensitivity to market interest rates regularly.

### **Model Simulation and Sensitivity Analysis**

A specific application of our simulation model involves measurement of the impact of changes in market interest rates on the EVE. EVE is defined as the market value of assets, less the market value of liabilities. Another application of the simulation model measures the impact of changes in market interest rates on NII assuming a static balance sheet, in both size and composition, as of the period-end reporting date. In the NII simulation, the level of market interest rates and the size and composition of the balance sheet are held constant over the simulation horizon. Simulated cash flows during the scenario horizon are assumed to be replaced as they occur, which maintains the balance sheet at its current size and composition. Yield and spread assumptions on cash and investment balances reflect current market rates and the shape of the yield curve. Yield and spread assumptions on loans reflect recent market impacts on product pricing. Similarly, we make certain deposit balance decay rate assumptions on demand deposits and interest-bearing deposits, which are replenished to hold the level and mix of funding liabilities constant. Changes in market interest rates that affect net interest income are principally short-term interest rates and include the following benchmark indexes: (i) the National Prime Rate, (ii) 1-month and 3-month LIBOR and (iii) the Federal Funds target rate. Changes in these short-term rates impact interest earned on our variable rate loans and balances held as cash and cash equivalents. Additionally, simulated changes in deposit pricing relative to changes in market rates, commonly referred to as deposit beta, generally follow overall changes in short-term interest rates, although actual changes may lag in terms of timing and magnitude.

---

## Fragment 2: D.A.T.A. Score = -46.241%

### *Operating Efficiency Ratio*

Our operating efficiency ratio increased to 54.60 percent for the three months ended March 31, 2022, compared to 45.31 percent for the comparable 2021 period. This increase was driven by lower noninterest income from market-driven revenue reflective of the current public market volatility, partially offset by higher net interest income, and higher noninterest expense as we continue to invest and support long-term growth.

### **Net Income Attributable to Noncontrolling Interests**

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

In the table below, noninterest income consists primarily of net investment gains and losses from our consolidated funds. A summary of net income attributable to noncontrolling interests for the three months ended March 31, 2022 and 2021 is as follows:

(Dollars in millions)	Three months ended March 31,		
	2022	2021	% Change
Noninterest income (1)	\$ (1)	\$ (16)	(93.8)
Carried interest allocation (2)	(17)	(9)	88.9
Net income attributable to noncontrolling interests	\$ (18)	\$ (25)	(28.0)

(1) Represents noncontrolling interests' share in noninterest income or loss.

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

Net income attributable to noncontrolling interests was \$18 million for the three months ended March 31, 2022, compared to net income of \$25 million for the comparable 2021 period. Net income attributable to noncontrolling interests for the three months ended March 31, 2022 was driven primarily by net gains on investment securities (including carried interest allocation) from unrealized valuation increases of our managed funds of funds portfolio and our SVB Securities funds. See "Results of Operations—Noninterest Income—Gains on Investment Securities, Net."

### Income Taxes

Our effective tax rate was 26.1 percent for the three months ended March 31, 2022, compared to 25.9 percent for the comparable 2021 period. The increase in our effective tax rate for the three months ended March 31, 2022 was primarily due to an increase in state tax rates. Our effective tax rate is calculated by dividing income tax expense by the sum of income before income tax expense and the net income attributable to noncontrolling interests.

### Operating Segment Results

We have four segments for which we report our financial information: Silicon Valley Bank, SVB Private, SVB Capital and SVB Securities. We report segment information based on the "management" approach. The management approach designates the internal reporting used by management for making decisions and assessing performance as the source of our reporting segments. Please refer to Note 10 — "Segment Reporting" of the "Notes to Interim Consolidated Financial Statements (unaudited)" under Part I, Item 1 of this report for additional details.

The following is our reportable segment information for the three months ended March 31, 2022 and 2021:

#### Silicon Valley Bank

(Dollars in millions)	Three months ended March 31,		
	2022	2021	% Change
Net interest income	\$ 854	\$ 611	39.8 %
Provision for credit losses	(7)	(45)	(84.4)
Noninterest income	212	159	33.3
Noninterest expense	(397)	(276)	43.8
Income before income tax expense	\$ 662	\$ 449	47.4
Total average loans, amortized cost	\$ 52,234	\$ 38,221	36.7

Total average assets	177,944	107,859	65.0
Total average deposits	175,424	106,016	65.5

Income before income tax expense from Silicon Valley Bank increased to \$662 million for the three months ended March 31, 2022, compared to \$449 million for the comparable 2021 period. The key components of Silicon Valley Bank's performance for the three months ended March 31, 2022 compared to the comparable 2021 period are discussed below.

Net interest income from Silicon Valley Bank increased by \$243 million for the three months ended March 31, 2022, due primarily to an increase in loan interest income resulting primarily from higher average loan balances, partially offset by a decrease in loan yields. Gross loan yields, excluding loan interest recoveries and loan fees, decreased driven by growth in our lower yielding Global Fund Banking portfolio.

A provision of credit losses of \$7 million for the three months ended March 31, 2022, compared to a provision of credit losses of \$45 million for the comparable 2021 period. The provision of \$7 million for the three months ended March 31, 2022 was driven primarily by an increase in provision for loan growth and higher charge-offs not specifically reserved for at December 31, 2021, partially offset by recoveries and lower net new nonaccrual loans.

The provision for credit losses of \$45 million for the three months ended March 31, 2021 was driven primarily by an increase in charge-offs not specifically reserved for at December 31, 2020 and an increase in provision related to loan growth, partially offset by a reduction in reserves for our performing loans based on our forecast models of the economic environment, lower net new nonaccrual loans and recoveries.

[Table of Contents](#)

Noninterest income increased by \$53 million for the three months ended March 31, 2022 related primarily to an overall increase in our non-GAAP core fee income. The overall increase was due primarily to higher client investment fees driven by improved fee margins resulting from higher short-term interest rates driven by the March Federal Funds Rate hike, higher foreign exchange fees primarily due to increases in spot contract commissions primarily driven by increased trading in technology and life science/healthcare industries, and credit card fees driven by higher transaction volumes reflective of increased spending and client growth, as well as higher travel spending compared to the first quarter of 2021.

Noninterest expense increased by \$121 million for the three months ended March 31, 2022, due primarily to compensation and benefits expense, professional services expense and premises and equipment expense. Compensation and benefits expense increased as a result of higher incentive compensation expense and higher salaries and wages expenses. Incentive compensation expense and salaries and wages expense increased primarily due to an increase in FTEs as we continue to invest in our business as well as the impact of annual merit increases and promotions. Professional services expense increased due to higher consulting fees related to new project initiatives that align with our continued growth during the quarter. Premises and equipment expense increased due to higher software support and maintenance fees as well as an increase in software depreciation.

*SVB Private*

	<b>Three months ended March 31,</b>
--	-------------------------------------

(Dollars in millions)	2022	2021	% Change
Net interest income	\$ 81	\$ 35	131.4 %
(Provision for) reduction of credit losses	(1)	9	(111.1)
Noninterest income	25	1	NM
Noninterest expense	(94)	(15)	NM
(Loss) income before income tax expense	\$ 11	\$ 30	(63.3)
Total average loans, amortized cost	\$ 14,298	\$ 6,043	136.6
Total average assets	15,987	6,097	162.2
Total average deposits	14,416	3,545	NM

### Fragment 3: D.A.T.A. Score = -43.822%

Our ACL for performing loans was \$401 million at March 31, 2022, compared to \$387 million at December 31, 2021. The \$14 million increase was driven primarily by loan growth. For a detailed discussion of changes in the current period's allowance, see "Provision for Credit Losses."

The following table presents a summary of changes in nonaccrual loans for the three months ended March 31, 2022 and 2021:

(Dollars in millions)	Three months ended March 31,	
	2022	2021
Balance, beginning of period	\$ 84	\$ 104
Additions	5	5
Paydowns and other reductions	(16)	(9)
Charge-offs	(3)	(10)
Balance, end of period	\$ 70	\$ 90

Our nonaccrual loan balance decreased by \$14 million to \$70 million at March 31, 2022, compared to \$84 million at December 31, 2021. The decrease was due primarily to \$16 million in repayments and credit upgrades, which were partially offset by \$5 million of new nonaccrual loans. Of the \$16 million in reductions, \$9 million was driven by clients in our Technology and Life Science/Healthcare portfolios, including \$2 million from one Investor Dependent - Early Stage client. The \$5 million of new nonaccrual loans was driven primarily by clients in our Investor Dependent - Early Stage portfolio. As of March 31, 2022, we have specifically reserved \$20 million for our nonaccrual loans.

Average nonaccrual loans for the three months ended March 31, 2022 were \$75 million compared to \$130 million for the three months ended March 31, 2021. The decrease in average nonaccrual loans for the three months ended March 31, 2022 compared to March 31, 2021 was driven primarily by lower nonaccrual balances overall.

### Accrued Interest Receivable and Other Assets

A summary of accrued interest receivable and other assets at March 31, 2022 and December 31, 2021 is as follows:

(Dollars in millions)	March 31, 2022	December 31, 2021	% Change
-----------------------	----------------	-------------------	----------

Derivative assets (1)	\$ 560	\$ 565	(0.9)%
Foreign exchange spot contract assets, gross	878	119	NM
Accrued interest receivable	480	470	2.1
FHLB and Federal Reserve Bank stock	304	107	184.1
Net deferred tax assets	274	24	NM
Accounts receivable	53	54	(1.9)
Other assets	539	589	(8.5)
Total accrued interest receivable and other assets	\$ 3,088	\$ 1,928	60.2

(1)See "Derivatives" section above.

#### *Foreign Exchange Spot Contract Assets*

Foreign exchange spot contract assets represent unsettled client trades at the end of the period. The increase of \$759 million was due primarily to a increase in the number of unsettled spot trades with large notional balances at March 31, 2022 as compared to December 31, 2021.

#### *FHLB and Federal Reserve Bank stock*

The increase of \$197 million in FHLB and Federal Reserve Bank stock is primarily due to purchases of additional shares as required by the Federal Reserve.

#### *Net Deferred Tax Assets*

Net deferred tax assets increased \$250 million primarily due to an increase in unrealized losses on AFS securities attributable to an increase in market rates.

### [Table of Contents](#)

#### *Derivatives*

Derivative instruments are recorded as a component of other assets and other liabilities on the balance sheet. The following table provides a summary of derivative assets and liabilities at March 31, 2022 and December 31, 2021:

(Dollars in millions)	March 31, 2022	December 31, 2021	% Change
<b>Assets:</b>			
Equity warrant assets	\$ 323	\$ 277	16.6%
Contingent conversion rights	7	—	100.0
Foreign exchange forward, swap and option contracts	179	171	4.7
Client interest rate derivatives	51	99	(48.5)
Interest rate swaps	—	18	(100.0)

Total derivative assets	\$ 560	\$ 565	(0.9)
<b>Liabilities:</b>			
Foreign exchange forward, swap and option contracts	\$ 167	\$ 137	21.9
Total return swaps	8	—	100.0
Client interest rate derivatives	109	101	7.9
Total derivative liabilities	\$ 284	\$ 238	19.3

#### Equity Warrant Assets

In connection with negotiating credit facilities and certain other services, we often obtain rights to acquire stock in the form of equity warrant assets in primarily private, venture-backed companies in the technology and life science/healthcare industries. At March 31, 2022, we held warrants in 2,873 companies, compared to 2,831 companies at December 31, 2021. Warrants in 54 companies each had fair values greater than \$1 million and collectively represented \$175 million, or 54.3 percent, of the fair value of the total warrant portfolio at March 31, 2022. The change in fair value of equity warrant assets is recorded in "Gains on equity warrant assets, net" in noninterest income, a component of consolidated net income.

The following table provides a summary of transactions and valuation changes for equity warrant assets for the three months ended March 31, 2022 and 2021:

(Dollars in millions)	Three months ended March 31,	
	2022	2021
Balance, beginning of period	\$ 277	\$ 203
New equity warrant assets	6	7
Non-cash changes in fair value, net	52	62
Exercised equity warrant assets	(11)	(28)
Terminated equity warrant assets	(1)	—
Balance, end of period	\$ 323	\$ 244

#### Foreign Exchange Forward, Swaps and Foreign Currency Option Contracts

We enter into foreign exchange forward and swap contracts and foreign currency option contracts with clients involved in foreign activities, either as the purchaser or seller, depending upon the clients' needs. For each forward, swap or option contract entered into with our clients, we enter into an opposite way forward, swap or option contract with a correspondent bank, which mitigates the risk of fluctuations in currency rates. We also enter into forward contracts with correspondent banks to economically reduce our foreign exchange exposure related to certain foreign currency denominated instruments. Net gains and losses on the revaluation of foreign currency denominated instruments are recorded in the line item "Other" as part of noninterest income, a component of consolidated net income. We have not experienced nonperformance by any of our counterparties and therefore have not incurred any related losses. Further, we anticipate performance by all counterparties. Our net exposure for foreign exchange forward and swaps and foreign currency option contracts, net of cash collateral, was \$5 million at March 31, 2022 and zero at December 31, 2021. For additional information on our foreign exchange forward and swap contracts and foreign currency option contracts, see Note 8 — "Derivative Financial Instruments" of the "Notes to Interim Consolidated Financial Statements (unaudited)" under Part I, Item 1 of this report.

---

[Table of Contents](#)

*Client Interest Rate Derivatives*

We sell interest rate contracts to clients who wish to mitigate their interest rate exposure. We economically reduce the interest rate risk from this business by entering into opposite way contracts with correspondent banks. Our net exposure for client interest rate derivative contracts, net of cash collateral, was zero at March 31, 2022 and \$47 million at December 31, 2021. For additional information on our client interest rate derivatives, see Note 8 — “Derivative Financial Instruments” of the “Notes to Interim Consolidated Financial Statements (unaudited)” under Part I, Item 1 of this report.

---

**SIVB 2022 Q2 10(a):**

D.A.T.A. Score = -9.92%, 22 deceptive fragments

Fragment 1: D.A.T.A. Score = -65.567%

Net interest income from Silicon Valley Bank increased by \$272 million for the three months ended June 30, 2022, due primarily from increases in deposit funding credits and average loans, partially offset by an increase in yields on deposits.

A provision of credit losses of \$136 million for the three months ended June 30, 2022, compared to a provision of credit losses of \$11 million for the comparable 2021 period. The provision of \$136 million for the three months ended June 30, 2022 was driven primarily by a deterioration in projected economic conditions.

The provision for credit losses of \$11 million for the three months ended June 30, 2021 was driven primarily by a \$13 million increase related to loan growth, \$9 million in net new nonaccrual loans and \$4 million for charge-offs not specifically reserved for at March 31, 2021, partially offset by a \$9 million reduction in reserves for our performing loans based on our forecast models of the economic environment and \$3 million of recoveries.

Noninterest income increased by \$88 million for the three months ended June 30, 2022 related primarily to an overall increase in our non-GAAP core fee income. The overall increase was due primarily to higher client investment fees driven by improved fee margins resulting from higher short-term interest rates driven by the 2022 Federal Funds rate hikes.

Noninterest expense increased by \$66 million for the three months ended June 30, 2022, due primarily to compensation and benefits expense, business development and travel expense and premises and equipment expense. Compensation and benefits expense increased as a result of higher salaries and wages expenses driven by an increase in FTE employees as we continue to invest in our business as well as from the impact of annual merit increases. Business

[Table of Contents](#)

development and travel expense increased due to the continued easing of COVID-19 restrictions on in-person meetings and travel. Premises and equipment expense increased due to higher software support and maintenance fees as well as an increase in software depreciation.

*Six months ended June 30, 2022 and 2021*

Net interest income from Silicon Valley Bank increased by \$568 million for the six months ended June 30, 2022, due primarily to increases in deposit funding credits and average loans, partially offset by an increase in yields on deposits.

There was a provision of credit losses of \$142 million for the six months ended June 30, 2022, compared to a provision of credit losses of \$56 million for the comparable 2021 period. The provision of \$142 million for the six months ended June 30, 2022 was driven primarily by our best estimate in projected economic conditions.

The provision for credit losses of \$56 million for the six months ended June 30, 2021 was driven primarily by \$90 million for charge-offs not specifically reserved for at December 31, 2020, of which \$80 million was related to the single instance of potentially fraudulent activity discussed in prior filings, a \$30 million increase related to loan growth and \$3 million in net new nonaccrual loans, partially offset by a \$56 million reduction in reserves for our performing loans based on our forecast models of the economic environment and \$8 million of recoveries.

Noninterest income increased by \$141 million for the six months ended June 30, 2022 related primarily to an overall increase in our non-GAAP core fee income. The overall increase was due primarily to higher client investment fees driven by improved fee margins resulting from higher short-term interest rates driven by the 2022 Federal Funds rate hikes, higher foreign exchange fees primarily due to increases in spot contract commissions primarily driven by increased trading in technology and life science/healthcare industries, and credit card fees driven by higher transaction volumes reflective of increased spending and client growth, as well as higher travel spending compared to the first half of 2021.

Noninterest expense increased by \$187 million for the six months ended June 30, 2022, due primarily to compensation and benefits expense, professional services expense and premises and equipment expense. Compensation and benefits expense increased as a result of higher salaries and wages expenses. Salaries and wages expense increased primarily due to an increase in FTE employees as we continue to invest in our business, as well as from the impact of annual merit increases. Professional services expense increased due to higher consulting fees related to new project initiatives that align with our continued growth during the quarter. Premises and equipment expense increased due to higher software support and maintenance fees as well as an increase in software depreciation.

*SVB Private*

(Dollars in millions)	Three months ended June 30,			Six months ended June 30,		
	2022	2021	% Change	2022	2021	% Change
Net interest income	\$ 102	\$ 37	175.7 %	\$ 184	\$ 72	155.6 %
(Provision for) reduction of credit losses	(10)	(5)	100.0	(12)	4	NM
Noninterest income	24	2	NM	49	3	NM
Noninterest expense	(87)	(18)	NM	(181)	(33)	NM

Income before income tax expense	\$ 29	\$ 16	81.3	\$ 40	\$ 46	(13.0)
Total average loans, amortized cost	\$ 14,644	\$ 6,192	136.5	\$ 14,472	\$ 6,118	136.5
Total average assets	16,335	6,240	161.8	16,163	6,169	162.0
Total average deposits	13,151	4,243	NM	13,780	3,895	NM

*Three months ended June 30, 2022 and 2021*

Net interest income from SVB Private increased by \$65 million from the comparable 2021 period, as average loans increased driven primarily by the acquisition of Boston Private and strong organic loan growth. This increase was partially offset by decreases in loan yields as a result of purchase accounting amortization of fair value mark ups on the acquired Boston Private loans.

The provision for credit losses of \$10 million for the three months ended June 30, 2022 was driven primarily by a deterioration in projected economic conditions.

---

## Fragment 2: D.A.T.A. Score = -51.469%

Noninterest income increased by \$22 million for the three months ended June 30, 2022 primarily due to wealth management and trust fees which is a new financial statement line item for the third quarter of 2021 as a result of the Boston Private acquisition.

Noninterest expense increased by \$69 million for the three months ended June 30, 2022, related primarily to compensation and benefits expense. Compensation and benefits expense increased as a result of an increase in average number of FTE employees primarily due to the acquisition of Boston Private.

75

---

## [Table of Contents](#)

*Six months ended June 30, 2022 and 2021*

Net interest income from our SVB Private increased by \$112 million from the comparable 2021 period, as average loans increased driven primarily by the acquisition of Boston Private and strong organic loan growth. This increase was partially offset by decreases in loan yields as a result of purchase accounting amortization of fair value mark ups on the acquired Boston Private loans.

The provision for credit losses of \$12 million for the six months ended June 30, 2022 was driven primarily by a deterioration in projected economic conditions.

Noninterest income increased by \$46 million for the six months ended June 30, 2022 primarily due to wealth management and trust fees which is a new financial statement line item for the third quarter of 2021 as a result of the Boston Private acquisition.

Noninterest expense increased by \$148 million for the six months ended June 30, 2022, related primarily to compensation and benefits expense. Compensation and benefits expense increased as a result of an increase in average number of FTE employees primarily due to the acquisition of Boston Private.

## SVB Capital

(Dollars in millions)	Three months ended June 30,			Six months ended June 30,		
	2022	2021	% Change	2022	2021	% Change
Noninterest (losses) income	\$ (89)	\$ 175	(150.9)	(24)	244	(109.8)
Noninterest expense	(17)	(18)	(5.6)	(36)	(34)	5.9
(Loss) income before income tax expense	\$ (106)	\$ 157	(167.5)	\$ (60)	\$ 210	(128.6)
Total average assets	\$ 941	\$ 613	53.5	\$ 917	\$ 595	54.1

SVB Capital's components of noninterest income primarily include net gains and losses on non-marketable and other equity securities, carried interest and fund management fees. All components of income before income tax expense discussed below are net of noncontrolling interests.

We experience variability in the performance of SVB Capital from quarter to quarter due to a number of factors, including changes in the values of our funds' underlying investments, changes in the amount of distributions and general economic and market conditions. Such variability may lead to volatility in the gains and losses from investment securities and cause our results to differ from period to period. The performance of these securities may be impacted by the effects of the COVID-19 pandemic.

### *Three months ended June 30, 2022 and 2021*

SVB Capital had noninterest losses of \$89 million for the three months ended June 30, 2022, compared to noninterest income of \$175 million for the comparable 2021 period. The decrease in noninterest income was due primarily to net losses on investment securities for the three months ended June 30, 2022, compared to net gains on investment securities for the comparable 2021 period. SVB Capital's components of noninterest income primarily include the following:

- Net losses on investment securities, net of noncontrolling interests, of \$102 million for the three months ended June 30, 2022, compared to net gains on investment securities, net of noncontrolling interests, of \$143 million for the comparable 2021 period. The net losses on investment securities, net of noncontrolling interests, of \$102 million were driven primarily by valuation losses reflective of current market conditions.

### *Six months ended June 30, 2022 and 2021*

SVB Capital had noninterest losses of \$24 million for the six months ended June 30, 2022, compared to noninterest income of \$244 million for the comparable 2021 period. The decrease in noninterest income was due primarily to net losses on investment securities for the six months ended June 30, 2022, compared to net gains on investment securities for the comparable 2021 period. SVB Capital's components of noninterest income primarily include the following:

- Net losses on investment securities, net of noncontrolling interests, of \$54 million for the six months ended June 30, 2022, compared to net gains on investment securities, net of noncontrolling interests, of \$197 million for the comparable 2021 period. The net losses on investment securities, net of noncontrolling interests, of \$54 million were driven primarily by valuation losses reflective of current market conditions.

## SVB Securities

(Dollars in millions)	Three months ended June 30,			Six months ended June 30,		
	2022	2021	% Change	2022	2021	% Change
Noninterest income	\$ 131	\$ 149	(12.1)	252	319	(21.0)
Noninterest expense	(141)	(98)	43.9	(275)	(235)	17.0
(Loss) income before income tax expense	\$ (10)	\$ 51	(119.6)	\$ (23)	\$ 84	(127.4)
Total average assets	\$ 846	\$ 729	16.0	\$ 919	\$ 748	22.9

SVB Securities' components of noninterest income primarily include investment banking revenue, commissions and net gains and losses on non-marketable and other equity securities, carried interest and fund management fees. All components of income before income tax expense discussed below are net of noncontrolling interests.

### *Three months ended June 30, 2022 and 2021*

SVB Securities had noninterest income of \$131 million for the three months ended June 30, 2022, compared to \$149 million for the comparable June 30, 2021 period. The \$18 million decrease in noninterest income was driven primarily by valuation losses reflective of current market conditions partially offset by higher investment banking revenue driven by improved advisory fees reflective of recent strategic hires.

SVB Securities had noninterest expense of \$141 million for the three months ended June 30, 2022, compared to \$98 million for the comparable 2021 period. The \$43 million increase in noninterest expense was driven primarily by an increase in compensation and benefits expense due to an increase in strategic hires throughout the past twelve months to support the continued expansion of SVB Securities.

### *Six months ended June 30, 2022 and 2021*

SVB Securities had noninterest income of \$252 million for the six months ended June 30, 2022, compared to \$319 million for the comparable June 30, 2021 period. The \$67 million decrease in noninterest income was driven primarily by valuation losses reflective of current market conditions and lower investment banking revenue due to the slowdown in public markets which limited underwriting fees.

## Fragment 3: D.A.T.A. Score = -48.256%

Cash provided by operating activities was \$1.4 billion for the six months ended June 30, 2022, reflective primarily of net income before noncontrolling interests of \$886 million and adjustments to reconcile net income to net cash of \$588 million, partially offset by \$63 million changes in other assets and liabilities.

Cash used for investing activities of \$3.6 billion for the six months ended June 30, 2022 was driven by \$15.3 billion in purchases of fixed income investment securities and a \$4.6 billion increase in loan balances, partially offset by the sale of \$8.5 billion of our AFS portfolio and \$8.0 billion in proceeds from maturities and principal pay downs from our fixed income investment securities portfolio.

Cash provided by financing activities was \$3.0 billion for the six months ended June 30, 2022, reflective primarily of a \$4.4 billion increase in short and long-term borrowings, partially offset by the \$1.3 billion decrease in deposits. Cash and cash equivalents were \$15.4 billion and \$24.0 billion, respectively, at June 30, 2022 and 2021.

## ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

## **Interest Rate Risk Management**

Market risk is defined as the risk of adverse fluctuations in the market value of financial instruments due to changes in market interest rates. Interest rate risk is our primary market risk and can result from timing and volume differences in the repricing of our rate-sensitive assets and liabilities, widening or tightening of credit spreads, changes in the general level of market interest rates and changes in the shape and level of the benchmark interest rates. Additionally, changes in interest rates can influence the rate of principal prepayments on mortgage securities, which affects the rate of amortization of purchase premiums and discounts. Other market risks include foreign currency exchange risk and equity price risk (including the effect of competition on product pricing). These risks and related impacts are important market considerations but are inherently difficult to assess through simulation results. Consequently, simulations used to analyze the sensitivity of net interest income to changes in interest rates will differ from actual results due to differences in the timing and frequency of rate resets, the magnitude of changes in market rates, the impact of competition, fluctuating business conditions and the impact of strategies taken by management to mitigate these risks.

Interest rate risk is managed by our ALCO. ALCO reviews the sensitivity of the market valuation on earning assets and funding liabilities and modeled 12-month projections of net interest income from changes in interest rates, structural changes in investment and funding portfolios, loan and deposit activity and market conditions. Relevant metrics and guidelines, which are approved by the Finance Committee of our Board of Directors and are included in our Interest Rate Risk Policy, are monitored on an ongoing basis.

Interest rate risk is managed primarily through strategies involving our fixed income securities portfolio, available funding channels and capital market activities. In addition, our policies permit the use of off-balance sheet derivatives, such as interest rate swaps, to assist with managing interest rate risk.

We utilize a simulation model to perform sensitivity analysis on the economic value of equity and net interest income under a variety of interest rate scenarios, balance sheet forecasts and business strategies. The simulation model provides a dynamic assessment of interest rate sensitivity which is embedded within our balance sheet. Rate sensitivity measures the potential variability in economic value and net interest income relating solely to changes in market interest rates over time. We review our interest rate risk position and sensitivity to market interest rates regularly.

### **Model Simulation and Sensitivity Analysis**

A specific application of our simulation model involves measurement of the impact of changes in market interest rates on the EVE. EVE is defined as the market value of assets, less the market value of liabilities. Another application of the simulation model measures the impact of changes in market interest rates on NII assuming a static balance sheet, in both size and composition, as of the period-end reporting date. In the NII simulation, the level of market interest rates and the size and composition of the balance sheet are held constant over the simulation horizon. Simulated cash flows during the scenario horizon are assumed to be replaced as they occur, which maintains the balance sheet at its current size and composition. Yield and spread assumptions on cash and investment balances reflect current market rates and the shape of the yield curve. Yield and spread assumptions on loans reflect recent market impacts on product pricing. Similarly, we make certain deposit balance decay rate assumptions on demand deposits and interest-bearing deposits, which are replenished to hold the level and mix of funding liabilities constant. Changes in market interest rates that affect net interest income are principally short-term interest rates and include the following benchmark indexes: (i) the National Prime Rate, (ii) 1-month and 3-month LIBOR and (iii) the Federal Funds target rate. Changes in these short-term rates impact interest earned on our variable rate loans and balances held as cash and cash equivalents. Additionally, simulated changes in deposit pricing relative to changes in market rates, commonly referred to as deposit beta, generally follow overall changes in short-term interest rates, although actual changes may lag in terms of timing and magnitude.

---

## **SIVB 2022 Q3 10(q):**

D.A.T.A. Score = -7.55%, 26 deceptive fragments

## Fragment 1: D.A.T.A. Score = -57.093%

A reduction of credit losses of \$29 million for the three months ended September 30, 2021 was driven primarily by a reduction in credit losses due to the previously discussed model enhancements (see “Results of Operations—Provision for Credit Losses— *(Reduction) Provision for Loans.*”), a decrease in net new nonaccrual loans and recoveries, partially offset by an increase in charge-offs not specifically reserved for at June 30, 2021 and an increase in provision for loan growth.

Noninterest income increased by \$126 million for the three months ended September 30, 2022 related primarily to an overall increase in our non-GAAP core fee income. The overall increase was due primarily to higher client investment fees driven by improved fee margins resulting from higher short-term interest rates driven by the 2022 Federal Funds rate hikes and higher foreign exchange fees driven by increases in forward and spot contract commissions reflective of the increased volume of trades.

Noninterest expense increased by \$45 million for the three months ended September 30, 2022, due primarily to premises and equipment expense, business development and travel expense and compensation and benefits expense. Premises and equipment expense increased due to higher software support and maintenance fees as well as an increase in software depreciation. Business development and travel expense increased due to the easing of COVID-19 restrictions on in-person meetings and travel that were previously in place. Compensation and benefits expense increased as a result of higher salaries and wages expenses driven by an increase in FTE employees as we continue to invest in our business as well as from the impact of annual merit increases.

### *Nine months ended September 30, 2022 and 2021*

Net interest income from Silicon Valley Bank increased by \$909 million for the nine months ended September 30, 2022, due primarily from increases in deposit funding credits, yields and average loans, partially offset by higher rates on deposits as well as increases in average balances of interest-bearing deposits.

There was a provision for credit losses of \$174 million for the nine months ended September 30, 2022, compared to a provision of credit losses of \$27 million for the comparable 2021 period. The provision for credit losses of \$174 million for the nine months ended September 30, 2022 was driven by a deterioration in projected economic conditions, as well as growth in funded loans and unfunded commitments.

The provision for credit losses of \$27 million for the nine months ended September 30, 2021 was driven primarily by charge-offs not specifically reserved for at December 31, 2020, of which \$80 million was related to the single instance of potentially fraudulent activity discussed in prior filings and an increase in provision related to loan growth, partially offset by a

---

### [Table of Contents](#)

reduction in provision due to model enhancements, a decrease in net new nonaccrual loans and recoveries.

Noninterest income increased by \$267 million for the nine months ended September 30, 2022 related primarily to an overall increase in our non-GAAP core fee income. The overall increase was due primarily to higher client investment fees driven by improved fee margins resulting from higher short-term interest rates as a result of the 2022 Federal Funds rate hikes, higher foreign exchange fees primarily due to increases in spot contract

commissions reflective of the increased volume of trades, and credit card fees driven by higher transaction volumes reflective of increased spending and client growth, as well as higher travel spending compared to the first nine months of 2021.

Noninterest expense increased by \$237 million for the nine months ended September 30, 2022, due primarily to compensation and benefits expense, business development and travel expenses and premises and equipment expense. Compensation and benefits expense increased as a result of higher salaries and wages expenses. Salaries and wages expense increased primarily due to an increase in FTE employees as we continue to invest in our business, as well as from the impact of annual merit increases. Premises and equipment expense increased due to higher software support and maintenance fees as well as an increase in software depreciation. Business development and travel expense increased due to the easing of COVID-19 restrictions on in-person meetings and travel that were previously in place.

#### SVB Private

(Dollars in millions)	Three months ended September 30,			Nine months ended September 30,		
	2022	2021	% Change	2022	2021	% Change
Net interest income	\$ 111	\$ 74	50.0%	\$ 296	\$ 146	102.7%
Reduction of (provision for) credit losses	3	(20)	(115.0)	(9)	(16)	(43.8)
Noninterest income	22	25	(12.0)	72	28	157.1
Noninterest expense	(85)	(93)	(8.6)	(267)	(126)	111.9
Income (loss) before income tax expense	\$ 51	\$ (14)	NM	\$ 92	\$ 32	187.5
Total average loans, amortized cost	\$ 15,181	\$ 13,515	12.3	\$ 14,711	\$ 8,610	70.9
Total average assets	17,032	15,930	6.9	16,456	9,459	74.0
Total average deposits	12,436	13,431	(7.4)	13,327	7,108	87.5

#### Three months ended September 30, 2022 and 2021

Net interest income from SVB Private increased by \$37 million from the comparable 2021 period due primarily from higher average loans, yields and deposit funding credits, partially offset by higher rates on deposits, average balances of interest-bearing deposits and loan funding charges.

The reduction of credit losses of \$3 million for the three months ended September 30, 2022 was reflective primarily of a reduction in reserves for our performing loans due to a reduction in CRE reserve rate driven by the CRE model's sensitivity to the lower weighting placed on the downside scenario, offset by increases in reserves for the other loan classes within SVB Private.

Noninterest income decreased by \$3 million for the three months ended September 30, 2022 primarily due to lower wealth management and trust fees as AUM saw a decrease driven by unfavorable market returns resulting from persistent market volatility.

Noninterest expense decreased by \$8 million for the three months ended September 30, 2022, related primarily to compensation and benefits expense. Compensation and benefits expense decreased as a result of lower incentive compensation plan expense.

(2) Non-GAAP SVB Securities revenue represents noninterest income, but excludes (i) certain line items where performance is typically subject to market or other conditions beyond our control, (ii) non-GAAP core fee income, and (iii) other noninterest income. See "Use of Non-GAAP Measures" above.

[Table of Contents](#)

(3) Non-GAAP core fee income plus SVB Securities revenue represents noninterest income, but excludes (i) certain line items where performance is typically subject to market or other conditions beyond our control, and (ii) other noninterest income. See "Use of Non-GAAP Measures" above.

*Client Investment Fees*

Client investment fees were \$119 million and \$237 million for the three and nine months ended September 30, 2022, compared to \$20 million and \$55 million for the comparable 2021 periods. The increases were reflective of improved fee margins resulting from higher short-term interest rates driven by the 2022 Federal Funds rate hikes.

A summary of client investment fees by instrument type for the three and nine months ended September 30, 2022 and 2021 is as follows:

(Dollars in millions)	Three months ended September 30,			Nine months ended September 30,		
	2022	2021	% Change	2022	2021	% Change
Client investment fees by type:						
Sweep money market fees	\$ 64	\$ 12	NM	\$ 144	\$ 31	NM
Asset management fees	16	7	128.6	41	22	86.4
Repurchase agreement fees	39	1	NM	52	2	NM
Total client investment fees	\$ 119	\$ 20	NM	\$ 237	\$ 55	NM

The following table summarizes average client investment funds for the three and nine months ended September 30, 2022 and 2021:

(Dollars in millions)	Three months ended September 30,			Nine months ended September 30,		
	2022	2021	% Change	2022	2021	% Change
Sweep money market funds	\$ 81,726	\$ 97,590	(16.3)%	\$ 95,340	\$ 82,434	15.7%
Managed client investment funds (1)	86,100	79,400	8.4	85,286	76,537	11.4
Repurchase agreements	15,033	14,296	5.2	13,919	13,426	3.7
Total average client investment funds (2)	\$ 182,859	\$ 191,286	(4.4)	\$ 194,545	\$ 172,397	12.8

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

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

The following table summarizes period-end client investment funds at September 30, 2022 and December 31, 2021:

(Dollars in millions)	September 30, 2022	December 31, 2021	% Change
Sweep money market funds	\$ 76,111	\$ 109,241	(30.3)%
Managed client investment funds (1)	85,926	85,475	0.5
Repurchase agreements	14,824	15,370	(3.6)
Total period-end client investment funds (2)	\$ 176,861	\$ 210,086	(15.8)

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

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

### Wealth Management and Trust Fees

Wealth management and trust fees were \$19 million and \$63 million for the three and nine months ended September 30, 2022, respectively, compared to \$22 million for both the three and nine months ended September 30, 2021. The decrease for the three months ended September 30, 2022 compared to the same period in 2021 was due to a decrease in AUM driven by unfavorable market returns reflective of persistent market volatility. The increase for the nine months ended September 30, 2022 compared to the same period in 2021 was due to the acquisition of Boston Private in the third quarter of 2021. A summary of wealth management and trust fees by instrument type for the three and nine months ended September 30, 2022 and 2021 is as follows:

(Dollars in millions)	Three months ended September 30,			Nine months ended September 30,		
	2022	2021	% Change	2022	2021	% Change
Wealth management and trust fees by type:						
Wealth management fees	\$ 17	\$ 20	(15.0)%	\$ 58	\$ 20	190.0%
Trust fees	2	2	—	5	2	150.0
Total wealth management and trust fees	\$ 19	\$ 22	(13.6)	\$ 63	\$ 22	186.4

69

### [Table of Contents](#)

The following table summarizes the activity relating to AUM for the three and nine months ended September 30, 2022 and 2021:

(Dollars in millions)	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
Beginning balance (1)	\$ 16,512	\$ 1,667	\$ 19,646	\$ 1,667
Assets acquired (2)	—	17,980	—	17,980

Net flows	(76)	(31)	(351)	(31)
Market returns	(576)	(51)	(3,435)	(51)
Ending balance	\$ 15,860	\$ 19,565	\$ 15,860	\$ 19,565

(1) Represents Private Bank assets under management previously reported in off-balance sheet managed client investment funds above for the three and nine months ended September 30, 2021.

(2) Represents AUM acquired from the acquisition of Boston Private on July 1, 2021.

### Foreign Exchange Fees

Foreign exchange fees were \$74 million and \$216 million for the three and nine months ended September 30, 2022, compared to \$65 million and \$189 million for the comparable 2021 periods. The increases in foreign exchange fees were driven primarily by increases in forward and spot contract commissions reflective of the increased volume of trades.

A summary of foreign exchange fee income by instrument type for the three and nine months ended September 30, 2022 and 2021 is as follows:

(Dollars in millions)	Three months ended September 30,			Nine months ended September 30,		
	2022	2021	% Change	2022	2021	% Change
Foreign exchange fees by instrument type:						
Foreign exchange contract commissions	\$ 74	\$ 65	13.8%	\$ 215	\$ 188	14.4%
Option premium fees	—	—	—	1	1	—
Total foreign exchange fees	\$ 74	\$ 65	13.8	\$ 216	\$ 189	14.3

### Credit Card Fees

Credit card fees were \$37 million and \$114 million for the three and nine months ended September 30, 2022, compared to \$34 million and \$93 million for the comparable 2021 periods. Credit card fees increased due to higher transaction volumes reflective of increased spending and client growth, as well as higher travel spending, compared to the comparable 2021 periods.

A summary of credit card fees by instrument type for the three and nine months ended September 30, 2022 and 2021 is as follows:

(Dollars in millions)	Three months ended September 30,			Nine months ended September 30,		
	2022	2021	% Change	2022	2021	% Change
Credit card fees by instrument type:						
Card interchange fees, net	\$ 29	\$ 29	—%	\$ 91	\$ 78	16.7%
Merchant service fees	6	4	50.0	18	12	50.0
Card service fees	2	1	100.0	5	3	66.7
Total credit card fees	\$ 37	\$ 34	8.8	\$ 114	\$ 93	22.6

### Deposit Service Charges

Deposit service charges were \$32 million and \$94 million for the three and nine months ended September 30, 2022, compared to \$29 million and \$82 million for the comparable 2021 periods. Deposit service charges increased primarily driven by higher volumes of our transaction-based fee products.

#### *Lending Related Fees*

Lending related fees were \$20 million and \$65 million for the three and nine months ended September 30, 2022, compared to \$21 million and \$55 million for the comparable 2021 periods. The increase for the nine months ended September 30, 2022, was primarily due to an increase in unused commitment fees associated with an increase in unfunded credit commitments.

#### [Table of Contents](#)

A summary of lending related fees by type for the three and nine months ended September 30, 2022 and 2021 is as follows:

(Dollars in millions)	Three months ended September 30,			Nine months ended September 30,		
	2022	2021	% Change	2022	2021	% Change
Lending related fees by instrument type:						
Unused commitment fees	\$ 14	\$ 14	—%	\$ 49	\$ 42	16.7%
Other	6	7	(14.3)	16	13	23.1
Total lending related fees	\$ 20	\$ 21	(4.8)	\$ 65	\$ 55	18.2

#### *Letters of Credit and Standby Letters of Credit Fees*

Letters of credit and standby letters of credit fees were \$15 million and \$43 million for the three and nine months ended September 30, 2022, compared to \$13 million and \$39 million for the comparable 2021 periods. The increases were driven primarily by an increase in deferred fee income reflective of larger letter of credit issuances.

#### *Investment Banking Revenue*

Investment banking revenue was \$75 million and \$293 million for the three and nine months ended September 30, 2022, compared to \$90 million and \$335 million for the comparable 2021 periods. The decreases were primarily driven by the slowdown in public and private markets which limited underwriting fees and partially offset by increased advisory fees reflective of hiring and investment over the past year to expand our investment banking capabilities.

### Fragment 3: D.A.T.A. Score = -45.965%

#### *Nine months ended September 30, 2022 and 2021*

Net interest income from our SVB Private increased by \$150 million from the comparable 2021 period, as average loans increased driven primarily by the acquisition of Boston Private as well as higher average loans, yields and

deposit funding credits, partially offset by higher rates on deposits, average balances of interest-bearing deposits and loan funding charges.

The provision for credit losses of \$9 million for the nine months ended September 30, 2022 was driven primarily by a deterioration in projected economic conditions.

Noninterest income increased by \$44 million for the nine months ended September 30, 2022 primarily due to wealth management and trust fees, which is a new financial statement line item for the third quarter of 2021 as a result of the Boston Private acquisition.

Noninterest expense increased by \$141 million for the nine months ended September 30, 2022, related primarily to compensation and benefits expense. Compensation and benefits expense increased as a result of an increase in average number of FTE employees primarily due to the acquisition of Boston Private.

[Table of Contents](#)

*SVB Capital*

(Dollars in millions)	Three months ended September 30,			Nine months ended September 30,		
	2022	2021	% Change	2022	2021	% Change
Noninterest (loss) income	\$ (54)	\$ 145	(137.2)	(78)	389	(120.1)
Noninterest expense	(17)	(15)	13.3	(53)	(48)	10.4
(Loss) income before income tax expense	\$ (71)	\$ 130	(154.6)	\$ (131)	\$ 341	(138.4)
Total average assets	\$ 883	\$ 730	21.0	\$ 956	\$ 641	49.1

SVB Capital's components of noninterest income primarily include net gains and losses on non-marketable and other equity securities, carried interest and fund management fees. All components of income before income tax expense discussed below are net of noncontrolling interests.

We experience variability in the performance of SVB Capital from quarter to quarter due to a number of factors, including changes in the values of our funds' underlying investments, changes in the amount of distributions and general economic and market conditions. Such variability may lead to volatility in the gains and losses from investment securities and cause our results to differ from period to period.

*Three months ended September 30, 2022 and 2021*

SVB Capital had a noninterest loss of \$54 million for the three months ended September 30, 2022, compared to noninterest income of \$145 million for the comparable 2021 period. The decrease in noninterest income was due primarily to reduced valuations reflecting adverse market conditions during the third quarter of 2022, which drove net losses on investment securities, net of NCI, of \$72 million for the three months ended September 30, 2022, compared to net gains on investment securities, net of NCI, of \$123 million for the comparable 2021 period.

*Nine months ended September 30, 2022 and 2021*

SVB Capital had a noninterest loss of \$78 million for the nine months ended September 30, 2022, compared to noninterest income of \$389 million for the comparable 2021 period. The decrease in noninterest income was due primarily to reduced valuations reflecting adverse market conditions during the nine months ended September 30, 2022, which drove net losses on investment securities, net of NCI, of \$126 million for the nine months ended September 30, 2022, compared to net gains on investment securities, net of NCI, of \$320 million for the comparable 2021 period.

#### SVB Securities

(Dollars in millions)	Three months ended September 30,			Nine months ended September 30,		
	2022	2021	% Change	2022	2021	% Change
Net interest income	\$ 1	\$ —	—	\$ 1	\$ —	—
Noninterest income	\$ 100	\$ 131	(23.7)	352	450	(21.8)
Noninterest expense	(131)	(142)	(7.7)	(406)	(376)	8.0
(Loss) income before income tax expense	\$ (30)	\$ (11)	172.7	\$ (53)	\$ 74	(171.6)
Total average assets	\$ 898	\$ 837	7.3	\$ 912	\$ 778	17.2

SVB Securities' components of noninterest income primarily include investment banking revenue, commissions and net gains and losses on non-marketable and other equity securities, carried interest and fund management fees. All components of income before income tax expense discussed below are net of noncontrolling interests.

#### *Three months ended September 30, 2022 and 2021*

SVB Securities had noninterest income of \$100 million for the three months ended September 30, 2022, compared to \$131 million for the comparable September 30, 2021 period. The \$31 million decrease in noninterest income was driven primarily by strong investment gains recognized during the three months ended September 30, 2021 and lower investment banking revenue due to the slowdown in transactions as a result of market volatility partially offset by an increase in commissions driven by subscription fees due to the acquisition of MoffettNathanson in December 2021.

SVB Securities had noninterest expense of \$131 million for the three months ended September 30, 2022, compared to \$142 million for the comparable 2021 period. The \$11 million decrease in noninterest expense was driven primarily by an decrease in compensation and benefits expense due to lower incentive compensation expense.

#### [Table of Contents](#)

#### *Nine months ended September 30, 2022 and 2021*

SVB Securities had noninterest income of \$352 million for the nine months ended September 30, 2022, compared to \$450 million for the comparable September 30, 2021 period. The \$98 million decrease in noninterest income was driven primarily by strong investment gains recognized during the nine months ended September 30, 2021 and lower investment banking revenue due to the slowdown in transactions as a result of market volatility partially offset by an increase in commissions driven by subscription fees.

SVB Securities had noninterest expense of \$406 million for the nine months ended September 30, 2022, compared to \$376 million for the comparable 2021 period. The \$30 million increase in noninterest expense was driven primarily by an increase in compensation and benefits expense due to an increase in strategic hires throughout the past twelve months to support the continued expansion of SVB Securities.

### Consolidated Financial Condition

Our total assets, and total liabilities and stockholders' equity, were \$212.9 billion at September 30, 2022 compared to \$211.3 billion at December 31, 2021, an increase of \$1.6 billion, or 0.7 percent. Refer below to a summary of the individual components driving the changes in total assets, total liabilities and stockholders' equity.

### SIVB 2022 Q4 10(k):

D.A.T.A. Score = +11.83%, 31 deceptive fragments

Fragment 1: D.A.T.A. Score = -49.771%

### Client Investment Fees

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

Client investment fees were \$386 million in 2022, compared to \$75 million in 2021. The increase was reflective of improved fee margins resulting from higher short-term interest rates driven by the 2022 Federal Funds rate increases. A summary of client investment fees by type for 2022, 2021 and 2020 is as follows:

(Dollars in millions)	Year ended December 31,				
	2022	2021	% Change 2022/2021	2020	% Change 2021/2020
Client investment fees by type:					
Sweep money market fees	\$ 215	\$ 43	NM	\$ 74	(41.9) %
Asset management fees	57	31	83.9	43	(27.9)
Repurchase agreement fees	114	1	NM	15	(93.3)
Total client investment fees	\$ 386	\$ 75	NM	\$ 132	(43.2)

The following table summarizes average client investment funds for 2022, 2021 and 2020:

(Dollars in millions)	Year ended December 31,				
	2022	2021	% Change 2022/2021	2020	% Change 2021/2020
Sweep money market funds	\$ 89,305	\$ 88,913	0.4 %	\$ 50,828	74.9 %
Managed client investment funds (1)	85,922	78,450	9.5	56,473	38.9

Repurchase agreements	13,888	13,830	0.4	10,079	37.2
Total average client investment funds (2)	\$ 189,115	\$ 181,193	4.4	\$ 117,380	54.4

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

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

## Table of Contents

The following table summarizes period-end client investment funds at December 31, 2022, 2021 and 2020:

(Dollars in millions)	December 31,				
	2022	2021	% Change 2022/2021	2020	% Change 2021/2020
Sweep money market funds	\$ 64,262	\$ 109,241	(41.2) %	\$ 59,844	82.5 %
Managed client investment funds (1)	89,392	85,475	4.6	70,671	20.9
Repurchase agreements	14,723	15,370	(4.2)	10,538	45.9
Total period-end client investment funds (2)	\$ 168,377	\$ 210,086	(19.9)	\$ 141,053	48.9

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

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

## Wealth Management and Trust Fees

Wealth management and trust fees was a new core fee income line item for the year ended 2021 reflective of the acquisition of Boston Private. Wealth management and trust fees were \$83 million in 2022 as compared to \$44 million in 2021. The increase was due to the acquisition of Boston Private occurring in the third quarter of 2021. A summary of wealth management and trust fees for 2022, 2021 and 2020 is as follows:

(Dollars in millions)	Year ended December 31,				
	2022	2021	% Change 2022/2021	2020	% Change 2021/2020
Wealth management and trust fees by type:					
Wealth management fees	\$ 75	\$ 40	87.5 %	\$ —	— %
Trust fees	8	4	100.0	—	—
Total wealth management and trust fees	\$ 83	\$ 44	88.6	\$ —	—

The following table summarizes the activity and balances relating to SVB Private AUM and AUA for the years ended December 31, 2022 and December 31, 2021.

(Dollars in millions)	Year ended December 31,	
	2022	2021

Beginning balance AUM / AUA (1)	\$ 19,646	\$ 1,667
AUM / AUA acquired (2)	—	17,980
Net flows	329	(922)
Market returns	(2,681)	921
Ending balance AUM / AUA (3)	17,294	19,646

(1) Represents SVB Private AUM previously reported in off-balance sheet managed client investment funds for the year ended December 31, 2020.

(2) Represents \$15.9 billion of AUM and \$2.1 billion of AUA acquired from the acquisition of Boston Private on July 1, 2021.

(3) Includes approximately \$14.8 billion and \$16.8 billion of AUM at December 31, 2022 and 2021, respectively.

### Foreign Exchange Fees

Foreign exchange fees were \$285 million in 2022, compared to \$262 million in 2021. The increase in foreign exchange fees was driven primarily by increases in forward and spot contract commissions reflective of the increased volume of client trades. A summary of foreign exchange fees by instrument type for 2022, 2021 and 2020 is as follows:

(Dollars in millions)	Year ended December 31,				
	2022	2021	% Change 2022/2021	2020	% Change 2021/2020
Foreign exchange fees by instrument type:					
Foreign exchange contract commissions	\$ 282	\$ 260	8.5 %	\$ 178	46.1
Option premium fees	3	2	50.0	1	100.0
Total foreign exchange fees	\$ 285	\$ 262	8.8	\$ 179	46.4

### [Table of Contents](#)

#### Credit Card Fees

Credit card fees were \$150 million in 2022, compared to \$131 million in 2021. Credit card fees increased due to higher transaction volumes reflective of increased spending and client growth, as well as higher travel spending, compared to the comparable 2021 periods when travel was down due to the impact of COVID-19. A summary of credit card fees by instrument type for 2022, 2021 and 2020 is as follows:

	Year ended December 31,
--	-------------------------

(Dollars in millions)	Year ended December 31,				
	2022	2021	% Change 2022/2021	2020	% Change 2021/2020
Credit card fees by instrument type:					
Card interchange fees, net	\$ 117	\$ 108	8.3 %	\$ 76	42.1 %
Merchant service fees	26	18	44.4	18	—
Card service fees	7	5	40.0	4	25.0
Total credit card fees	\$ 150	\$ 131	14.5	\$ 98	33.7

#### *Deposit Service Charges*

Deposit service charges were \$126 million in 2022, compared to \$112 million in 2021. Deposit service charges increased primarily driven by higher volumes of our transaction-based fee products.

#### *Lending Related Fees*

Lending related fees were \$94 million in 2022, compared to \$76 million in 2021. The increase was primarily due to an increase in unused commitment fees associated with an increase in unfunded credit commitments. A summary of lending related fees by type for 2022, 2021 and 2020 is as follows:

(Dollars in millions)	Year ended December 31,				
	2022	2021	% Change 2022/2021	2020	% Change 2021/2020
Lending related fees by instrument type:					
Unused commitment fees	\$ 70	\$ 59	18.6 %	\$ 42	40.5 %
Other	24	17	41.2	15	13.3
Total lending related fees	\$ 94	\$ 76	23.7	\$ 57	33.3

#### *Letters of Credit and Standby Letters of Credit Fees*

Letters of credit and standby letters of credit fees were \$57 million in 2022, compared to \$51 million in 2021. The increase was primarily driven by growth in commitment balances.

#### *Investment Banking Revenue*

Investment banking revenue was \$420 million in 2022, compared to \$459 million in 2021. The decrease was primarily driven by the slowdown in public markets, which limited underwriting fees, partially offset by increased advisory fees reflective of past hiring and investment to expand our investment banking capabilities. A summary of investment banking revenue by type for 2022, 2021 and 2020 is as follows:

(Dollars in millions)	Year ended December 31,				
	2022	2021	% Change 2022/2021	2020	% Change 2021/2020
Investment banking revenue:					
Underwriting fees	\$ 163	\$ 304	(46.4) %	\$ 353	(13.9) %
Advisory fees	214	90	137.8	40	125.0

Private placements and other	43	65	(33.8)	21	NM
Total investment banking revenue	\$ 420	\$ 459	(8.5)	\$ 414	10.9

#### Commissions

Commissions were \$98 million in 2022, compared to \$79 million in 2021. Commissions include commissions received from clients for the execution of agency-based brokerage transactions in listed and over-the-counter equities. The Company also earns subscription fees for market intelligence services that are recognized over the period in which they are delivered.

#### [Table of Contents](#)

Fees received before the subscription period ends are initially recorded as deferred revenue (a contract liability) in other liabilities in our consolidated balance sheet. The increase in commissions was driven by subscription fees, which are new to core fee income due to the acquisition of MoffettNathanson in December 2021.

#### Other Noninterest Income

Other noninterest income in 2022 was \$166 million, compared to \$128 million in 2021. The increase was primarily due to the \$40 million increase in fair value of the instrument hedging of certain funds within our managed fund of funds portfolio.

#### Noninterest Expense

A summary of noninterest expense for 2022, 2021 and 2020 is as follows:

(Dollars in millions)	Year ended December 31,					
	2022	2021	% Change 2022/2021		2020	% Change 2021/2020
Compensation and benefits	\$ 2,293	\$ 2,015	13.8	%	\$ 1,318	52.9
Professional services	480	392	22.4		247	58.7
Premises and equipment	269	178	51.1		127	40.2
Net occupancy	101	83	21.7		101	(17.8)
Business development and travel	85	24	NM		24	—
FDIC and state assessments	75	48	56.3		28	71.4
Merger-related charges	50	129	(61.2)		—	—
Other	268	201	33.3		190	5.8
Total noninterest expense	\$ 3,621	\$ 3,070	17.9		\$ 2,035	50.9

#### Compensation and Benefits Expense

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

	Year ended December 31,

(Dollars in millions, except employees)	2022	2021	% Change 2022/2021	2020	% Change 2021/2020
Compensation and benefits:					
Salaries and wages	\$ 1,080	\$ 721	49.8 %	\$ 516	39.7 %
Incentive compensation plans	668	784	(14.8)	464	69.0
Other employee incentives and benefits (1)	545	510	6.9	338	50.9
Total compensation and benefits	\$ 2,293	\$ 2,015	13.8	\$ 1,318	52.9
Period-end FTEs	8,553	6,567	30.2	4,461	47.2
Average FTEs	7,817	5,466	43.0	4,040	35.3

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

Compensation and benefits expense was \$2.3 billion in 2022, compared to \$2.0 billion in 2021. The key factors driving the increase in compensation and benefits expense in 2022 were as follows:

## Fragment 2: D.A.T.A. Score = -36.845%

Interest rate risk is managed primarily through strategies involving our fixed income securities portfolio, available funding channels and capital market activities. In addition, our policies permit the use of off-balance sheet derivatives, such as interest rate swaps, to assist with managing interest rate risk.

We utilize a simulation model to perform sensitivity analysis on the economic value of equity (EVE) and NII under a variety of interest rate scenarios, balance sheet forecasts and business strategies. The simulation model provides a dynamic assessment of interest rate sensitivity which is embedded within our balance sheet. Rate sensitivity measures the potential variability in economic value and NII relating solely to changes in market interest rates over time. We review our interest rate risk position and sensitivity to market interest rates regularly.

### Model Simulation and Sensitivity Analysis

Both EVE and NII measures rely upon the use of models to simulate cash flow behavior for loans and deposits. These models were developed internally and are based on historical balance and rate observations. As part of our ongoing governance structure, each of these models and assumptions are periodically reviewed and recalibrated as needed to ensure that they are representative of our understanding of existing behaviors.

A specific application of our simulation model involves measurement of the impact of changes in market interest rates on the EVE. EVE is defined as the market value of assets, less the market value of liabilities. Another application of the simulation model measures the impact of changes in market interest rates on NII assuming a static balance sheet, in both size and composition, as of the period-end reporting date. In the NII simulation, the level of market interest rates and the size and composition of the balance sheet are held constant over the simulation horizon. Simulated cash flows during the scenario horizon are assumed to be replaced as they occur, which maintains the balance sheet at its current size and composition. Investment portfolio cash flow is based on a combination of third-party prepayment models and internally managed prepayment vectors depending on security type. Based on a historical deposit study of our clients, we make certain deposit balance decay rate assumptions on demand deposits and interest-bearing deposits, which are replenished to hold the level and mix of funding

liabilities constant. These assumptions may change in future periods based on changes in client behavior and at management's discretion.

Changes in market interest rates that affect NII are principally short-term interest rates and include the following benchmark indexes: (i) the National Prime Rate, (ii) SOFR rates, (iii) 1-month and 3-month LIBOR and (iv) the Federal Funds target rate. Changes in these short-term rates impact interest earned on our variable rate loans and balances held as cash and cash equivalents. Yield and spread assumptions on cash and investment balances reflect current market rates and the shape of the yield curve. Yield and spread assumptions on loans reflect recent market impacts on product pricing. A majority of our loans are indexed to Prime, LIBOR and alternate indices such as SOFR. Although we ceased offering LIBOR-based loans as of December 31, 2021, our simulation results will reflect changes in LIBOR rates until publication rates are fully phased out. For the interest rate scenarios, the simulation model incorporates embedded rate floors on loans, where present, which prevents model benchmark rates from moving below zero percent in the down rate scenarios. The embedded rate floors are also a factor in the up-rate scenarios to the extent a simulated increase in rates is needed before floored rates are cleared. In the upward parallel simulated rate shock scenarios, interest income on assets that are tied to variable rate indexes, primarily our

[Table of Contents](#)

variable rate loans, are expected to benefit our base 12-month NII projections. The opposite is true for downward rate shock scenarios.

Repricing of interest-bearing deposits impacts estimated interest expense for a relative change in underlying interest rates. Simulated changes in deposit pricing relative to changes in market rates, commonly referred to as deposit beta, generally follow overall changes in short-term interest rates, although actual changes may vary in terms of timing and magnitude. The 12-month NII simulations include repricing assumptions on our interest-bearing deposit products of approximately 70 percent as of December 31, 2022 which is higher than the 60 percent assumed as of December 31, 2021. This assumption is applied based on changing client needs, behavior and our overall funding mix. Actual changes in our deposit pricing strategies may differ from our current model assumptions and may have an impact on our actual sensitivity overall.

The following table presents our NII sensitivity exposure related to an instantaneous and sustained parallel shift in market interest rates of 100 and 200 bps at December 31, 2022, and December 31, 2021.

Change in interest rates (bps)	Estimated Percent Increase / (Decrease) in NII
December 31, 2022:	
+200	3.5 %
+100	1.8
-100	(1.8)
-200	(5.8)
December 31, 2021:	

+200	22.9	%
+100	10.9	
-100	(6.4)	
-200	(8.6)	

### 12-Month Net Interest Income Simulation

NII sensitivity is measured as the percentage change in projected 12-month NII earned in +/-100 and +/-200 basis point interest rate shock scenarios compared to a base scenario where balances and interest rates are held constant over the forecast horizon. The reduction in our NII asset sensitivity for each parallel rate shock scenario above is primarily driven by the shift in our funding mix towards interest-bearing deposits and short-term borrowings, increase in deposit beta assumption relative to December 31, 2021, termination of our pay fixed swaps portfolio and the extension of our fixed income portfolio as a result of higher rates, partially offset by growth in variable rate loans.

---

### Fragment 3: D.A.T.A. Score = -32.388%

#### Allowance for credit losses for loans and unfunded loan commitments for certain portfolio segments evaluated on a collective basis

As discussed in Notes 2 and 10 of the consolidated financial statements, the Company's allowance for credit losses for loans (ALL) and unfunded credit commitments (AUCC) were \$636 million and \$303 million as of December 31, 2022, respectively. The allowance principally relates to the Company's loans and unfunded loan commitments evaluated on a collective basis (the collective ALL and the collective AULC, respectively). The collective ALL and the collective AULC include the measure of expected credit losses on a collective (pooled) basis for those loans and unfunded loan commitments that share similar risk characteristics. The Company estimated the collective ALL using a current expected credit losses methodology based on relevant information about historical experience, the current macroeconomic environment, and reasonable and supportable economic forecasts that affect the collectability of the loan balances. The quantitative expected credit losses are the product of multiplying the Company's estimates of probability of default (PD), loss given default (LGD), and individual loan level exposure at default (EAD) on an undiscounted basis. The Company derives the PD, LGD, and EAD from internal historical default and loss experience adjusted for multiple probability-weighted economic forecast scenarios of macroeconomic assumptions over a reasonable and supportable forecast period of three years. After the reasonable and supportable forecast period, the Company reverts to historical averages using a method that will gradually trend towards the mean historical loss over the remaining contractual lives, adjusted for prepayments. The Company also applies certain qualitative adjustments to the results of its quantitative model for asset-specific risk characteristics, and current conditions and reasonable and supportable forecasts based on its expectation of the risks that may lead to future loan loss experience different from its historical loan loss experience. These adjustments are based on qualitative factors not reflected in the quantitative model but are expected to impact the estimate of credit losses. In order to capture the unique risks of the loan portfolio within the PD, LGD, EAD model, the Company segments the portfolio into pools and by credit risk rating. The Company estimated the collective AULC using a similar methodology as the collective ALL adjusted by the probability of an unfunded loan commitment being funded. Certain qualitative adjustments to historical loss information are also applied to the collective AULC.

We identified the assessment of the December 31, 2022 collective ALL and collective AULC for the Global Funds Banking, Investor Dependent, Cash Flow Dependent, Innovation C&I, Premium Wine, and legacy Private Bank portfolio segments as a critical audit matter. A high degree of audit effort, including specialized skills and knowledge, and subjective and complex auditor judgment was involved in the assessment due to measurement

uncertainty. Specifically, the assessment encompassed the evaluation of the methodology, including the methods and model used to estimate (1) the PD, LGD, and EAD and their significant assumptions and inputs, and (2) certain qualitative adjustments. Significant assumptions and inputs include the economic forecast scenarios of macroeconomic assumptions and their weightings, the historical observation period, portfolio segmentation, and credit risk ratings. The assessment also included an evaluation of the conceptual soundness and performance of the PD, LGD, and EAD model. Auditor judgment was required to evaluate the sufficiency of audit evidence obtained

The following are the primary procedures we performed to address this critical audit matter. We evaluated the design and tested the operating effectiveness of certain internal controls related to the Company's measurement of the December 31, 2022 collective ALL and collective AULC estimates, including controls over the:

- periodic review and monitoring of the collective ALL and the collective AULC methodology
- identification and determination of significant assumptions used in the PD, LGD, and EAD model
- evaluation of the qualitative adjustments, including significant assumptions used in the measurement of the qualitative adjustments
- determination of credit risk ratings
- analysis of the collective ALL and collective AULC results, trends, and ratios.

---

## [Table of Contents](#)

We evaluated the Company's process to develop the December 31, 2022 collective ALL and collective AULC estimates by testing certain sources of data, qualitative factors and assumptions that the Company used, and considered the relevance and reliability of such data, qualitative factors, and assumptions. In addition, we involved credit risk professionals with specialized skills and knowledge who assisted in:

- evaluating the Company's collective ALL and collective AULC methodology and key assumptions for compliance with U.S. generally accepted accounting principles
- assessing the conceptual soundness and performance of the PD, LGD, and EAD model by inspecting the model documentation to determine whether the model is suitable for the intended use
- evaluating the methodology used to develop the qualitative factors and the effect of those factors on the collective ALL and the collective AULC compared with relevant credit risk factors and consistency with credit trends associated with the Company's portfolio
- evaluating the historical observation period, focusing on the relevance of the full economic cycle relative to the Company's current portfolio
- evaluating the approach to incorporate macroeconomic forecast assumptions in the PD, LGD, EAD model with respect to the Company's business environment and the loan products used across the industry
- evaluating model validation findings and assessing their possible impact, if any
- determining whether the loan portfolio is segmented by similar risk characteristics by comparing to the Company's business and environment and relevant industry practices

- testing individual credit risk ratings for a selection of loan and unfunded loan commitment borrower relationships by evaluating the financial performance of the borrower, sources of repayment, and any relevant guarantees or underlying collateral, as applicable.

We also assessed the sufficiency of the audit evidence obtained related to the December 31, 2022 collective ALL and collective AULC estimates by evaluating the:

- cumulative results of the audit procedures
- qualitative aspects of the Company's accounting practices
- potential bias in the accounting estimates.

/s/ KPMG LLP (185)

---