SVB Financial Group

Silicon Valley Bancshares Announces Preliminary Fourth Quarter Results

The Company Meets Guidance With Continued Strong Credit Quality and Improved

Warrant Returns, Despite Reversal of Certain Net State Income Tax Benefits

SANTA CLARA, Calif., Jan. 29 /PRNewswire-FirstCall/ --

IMPORTANT NOTE: Silicon Valley Bancshares (Nasdaq: SIVB) is in the process of performing a Statement of Financial Accounting Standards No. 142 impairment test on its investment-banking subsidiary, Alliant Partners, due to recent financial results and the inherent volatility of the mergers and acquisitions industry. This analysis is not complete. When the analysis is complete the preliminary results presented in this release may be subject to change. All numbers in this release exclude any impact from the analysis and should be read with that in mind. We expect to issue a final release upon conclusion of the analysis.

Silicon Valley Bancshares today announced earnings per diluted common share (EPS) of $0.34 for the fourth quarter of 2003, within the range of guidance of $0.34 to $0.38 EPS given on October 16, 2003, and up from $0.28 in the fourth quarter of 2002. EPS were reduced by $0.05 in the fourth quarter of 2003 in response to a December 31st announcement related to new tax shelter regulations issued by the California Franchise Tax Board (FTB), which caused the company to reverse certain net state income tax benefits. EPS were $0.49 for the third quarter of 2003, owing in part to the company's settlement of certain remaining film loan litigation, which resulted in a net loan loss recovery. The impact of this litigation recovery on EPS, exclusive of all other loan loss recoveries, was $0.13.

EPS were $1.06 and $1.18 for the years ended December 31, 2003 and 2002, respectively. In the second quarter of 2003, the company recorded a $17.0 million pre-tax impairment of goodwill charge related to Alliant Partners, as required by SFAS No. 142. After tax, the charge was $11.0 million or $0.30 per share.

Fourth Quarter Highlights
-- Once again, credit quality led the company's fourth quarter performance with net recoveries of $0.3 million and $3.3 million of gross charge-offs. This compares to $5.4 million of net recoveries and $3.4 million of gross charge-offs in the third quarter of 2003. The company attributes this strong credit quality in part to its exceptional relationships with the venture and technology communities, which give it a unique ability among financial services companies to manage credit risk rather than avoid it.

-- Nonperforming loans (NPLs) were 0.6 percent of total gross loans, the lowest level the company has experienced for ten years, for the second consecutive quarter. The allowance to cover potential loan losses was at 522.3 percent of NPLs.

-- Average deposits continued to trend higher in the fourth quarter of 2003 to $3.5 billion, reflecting an improving funding environment, increasing venture activity, and the company's various business initiatives.

-- Income from client warrants was $3.0 million in the fourth quarter of 2003 and $7.5 million for the year ended December 31, 2003, up from $1.7 million for all of 2002. The fourth quarter of 2003 figure represents the highest quarterly warrant income gain for the company since the first quarter of 2001.

-- The company realized equity securities losses, net of minority interest, of $0.5 million in the fourth quarter. In the third quarter of 2003, the company realized equity securities gains, net of minority interest, of $0.9 million, primarily due to a single investment. The company continues to be encouraged by recent trends in valuations for direct equity and venture capital fund investments.

-- Average loans at $1.8 billion in the fourth quarter, increased slightly from the third quarter, up $45.0 million. The company expects average loan balances to increase modestly throughout 2004 as it continues execution of a number of revenue-generating market initiatives.

-- The company issued $50.0 million of 7.0% Trust Preferred Securities. A portion of the proceeds was used to redeem the existing $40.0 million of 8.25% Trust Preferred Securities. The remainder of the proceeds will be used for general corporate purposes. The company entered into an interest rate hedge agreement to swap its 7.0 percent fixed payment for a variable rate based on the London Inter-Bank Offer Rate (LIBOR) plus a spread.

"We continue to be encouraged by signs of improvement in the economic outlook for our clients, including a reinvigorated NASDAQ and a reemerging IPO market," said Kenneth P. Wilcox, president and CEO. "More importantly, we are beginning to feel the impact of these improvements -- increased VC spending and greater liquidity -- in our own business. Our 2003 average loan balances are the highest in our history, and quarterly warrant income has rebounded to its highest level in nearly three years, while deposit balances have continued to trend up this year. In addition, our consistent focus on fundamentals throughout the downturn has resulted in stellar credit quality, one of the foundations of our overall strength as a company.

"In 2003, we put considerable time and energy into expanding globally and diversifying our product and service offerings, a decision that has minimized the impact of occasional material variations in some parts of our business with strong returns in others."

Assets and Deposits
At December 31, 2003, period-end total assets were $4.5 billion, up $231.7 million, or 5.4 percent from September 30, 2003 and up $308.3 million, or 7.4 percent, from December 31, 2002. Loans, net of unearned income, were $2.0 billion at December 31, 2003, up from $1.9 billion at September 30, 2003, and down from $2.1 billion at December 31, 2002.

Average deposit balances increased $93.3 million or 2.8 percent from the third quarter to $3.5 billion. Period-end total deposits, at $3.7 billion, increased $194.6 million from September 30, 2003, and $230.7 million from December 31, 2002. Client funds invested in private label investments, sweep products, and assets under management, at $9.3 billion, increased $0.9 billion, or 11.4 percent, from $8.4 billion at September 30, 2003, and increased $0.8 billion, or 10.0 percent, from $8.5 billion at December 31, 2002. Average client investment fund balances increased to $8.8 billion for the fourth quarter of 2003, up from $8.3 billion for the third quarter of 2003. This represents the first quarter-over-quarter increase in three years, and the company believes it is the result of recent improvements in the technology, IPO, and venture capital markets.

Net Income
Net income totaled $12.4 million for the fourth quarter of 2003, an increase of $0.4 million over the fourth quarter of 2002. Net income in the third quarter of 2003 was $17.4 million. The company's reversal of certain net state income tax benefits, stemming from the FTB announcement, resulted in a $1.7 million reduction in net income for the fiscal year 2003. Net income for the full year 2003 was $39.6 million, compared to $53.4 million for 2002. Income
Net interest income, at $47.9 million, increased $1.7 million from the third to the fourth quarter of 2003, and decreased $0.5 million from the fourth quarter of 2002. Fourth quarter net interest income was impacted by $1.3 million of deferred issuance costs related to redemption of the $40.0 million 8.25% Trust Preferred Securities. The fourth quarter net interest margin decreased by 13 basis points also, due to these issuance costs. Nevertheless, net interest margin remained stable in the fourth quarter at 5.0 percent, as compared to the third quarter of 2003. The average yields on investment securities increased, while loans experienced a slight decrease in yields from the third quarter.

Noninterest income decreased $2.6 million to $18.8 million in the fourth quarter of 2003 from the third quarter of 2003. The decrease resulted from lower corporate finance fees and from equity security investment losses. The company experienced a decreased pace of transaction closings at Alliant Partners during the fourth quarter. Due to the nature of the mergers and acquisitions industry, the company expects Alliant revenues to continue to be volatile on a quarter-to-quarter basis. Silicon Valley Bancshares did see a healthy increase in income from client warrants, which partially offset other reductions in noninterest income. Noninterest income was $15.8 million in the fourth quarter of 2002.

Gross investment losses were $1.2 million for the fourth quarter of 2003 compared to gross investment gains of $1.3 million for the third quarter. Third quarter gains were largely related to the gain on a single investment. Losses on the company's equity investments, net of minority interest, totaled approximately $0.5 million in the fourth quarter of 2003, compared to gains, net of minority interest, of $0.9 million in the third quarter of 2003. Additionally, in the fourth quarter of 2003, the company recognized $0.3 million of gains on fixed income securities. In 2004, the company expects continued volatility in equity security losses, with general improvement in a lower range in the near term.

Warrant income for the year ended December 31, 2003 was $7.5 million, compared to $1.7 million for the 2002 calendar year. Income from client warrants doubled in the fourth quarter of 2003 to $3.0 million. This figure represents the highest quarterly warrant income gain since the first quarter of 2001. Based on December 31, 2003 market valuations, the company had $7.5 million in potential pre-tax warrant gains. Silicon Valley Bancshares is restricted from exercising many of these warrants until later in 2004. Silicon Valley Bancshares continues to enhance its warrant portfolio in anticipation of future returns and took 293 warrants in 2003. As of December 31, 2003, the company directly held 1,842 warrants in 1,329 companies, had made investments in 254 venture capital funds, and had direct equity investments in 19 companies, many of which are private. Additionally, Silicon Valley Bancshares has made investments in 20 venture capital funds through its fund of funds, SVB Strategic Investors Fund, L.P., and made direct equity investments in 25 companies through its venture capital fund, Silicon Valley BancVentures, L.P. Silicon Valley Bancshares is typically contractually precluded from taking steps to secure any current unrealized gains associated with many of these equity instruments. Hence, the amount of income realized by the company from these equity instruments in future periods might vary materially from the current unrealized amount due to fluctuations in the market prices of the underlying common stock of these companies. However, because of the potential for growth, income from the disposition of client warrants is a key component of Silicon Valley Bancshares' long-term strategy.

Expenses
Noninterest expense totaled $50.6 million in the fourth quarter of 2003, up from $48.8 million in the third quarter of 2003. The third quarter benefited from the recovery of significant legal fees associated with the settlement of the remaining film loan loss litigation, which also resulted in increased compensation accruals. Compensation expense in the fourth quarter of 2003 decreased from the prior quarter. Fourth quarter of 2003 noninterest expense increased $2.6 million from the fourth quarter of 2002, primarily due to increased incentive compensation costs, which are needed to retain the professional talent necessary to ensure continued high credit quality and improved performance.

The company implemented a real estate investment trust (REIT) during the third quarter of 2002, to serve as a future-funding vehicle. The company expects to be able to raise capital through the REIT at a lower cost than directly through Silicon Valley Bank. As discussed earlier, in the fourth quarter of 2003 the company reversed certain net state income tax benefits taken in the first three quarters of 2003 and has taken no such benefits in the fourth quarter of 2003, in response to the FTB announcement on December 31, 2003, which related to new tax shelter regulations. The company believes it is appropriately reserved for prior year benefits that were previously recognized. The company will not reflect any future financial statement REIT tax benefits until this matter has been resolved with the FTB. Silicon Valley Bancshares and its financial advisors believe that the company's position with regard to the REIT has merit and the company plans to pursue its tax claims and defend its use of this entity.

Return on average equity was 10.7 percent in the fourth quarter of 2003, compared to 16.0 percent in the third quarter of 2003 and 7.8 percent in the fourth quarter of 2002. For the fourth quarter of 2003, return on average assets was 1.2 percent, compared to 1.7 percent in the third quarter of 2003, and 1.2 percent in the fourth quarter of 2002.

Credit Quality
Continuing the company's established trend of strong credit quality, NPLs were $12.4 million or 0.6 percent of total gross loans at December 31, 2003, an improvement from $12.6 million or 0.7 percent of gross loans at September 30, 2003. The company realized $0.3 million in net recoveries in the fourth quarter. Gross charge-offs for the 2003 fourth quarter totaled $3.3 million, down slightly from $3.4 million for the 2003 third quarter. Gross charge-offs were $5.4 million at December 31, 2002. The company's experience with charge- offs and NPLs allowed it to reduce the allowance for loan losses to $64.5 million, or 3.2 percent of total gross loans and 522.3 percent of NPLs at December 31, 2003. At December 31, 2002, the allowance for loan losses totaled $70.5 million or 3.4 percent of total gross loans and 345.4 percent of NPLs. Stock Buyback Program and Stockholders' Equity
The company did not repurchase any shares in the fourth quarter of 2003. As of December 31, 2003 the company had repurchased 4.5 million shares totaling $113.2 million, pursuant to its stock repurchase program of up to $160 million, authorized by the board of directors in the second quarter of 2003.

Stockholders' equity totaled $474.6 million at December 31, 2003, an increase of $19.6 million compared to $455.1 million at September 30, 2003. Stockholders' equity primarily increased as a result of the company's earnings and the exercise of employee stock options. Both Silicon Valley Bancshares' and Silicon Valley Bank's capital ratios were in excess of regulatory guidelines for classification as a well-capitalized depository institution as of December 31, 2003.

Trust Preferred Securities
On October 30, 2003, the company issued $50.0 million in 7.0% Trust Preferred Securities. A portion of the proceeds was used to redeem the existing $40.0 million of 8.25% Trust Preferred Securities. The remainder of the proceeds will be used for general corporate purposes. In October 2003, the company entered into an interest rate hedge agreement to swap its 7.0 percent fixed rate payment for a variable rate based on LIBOR plus a spread. The interest rate swap agreement mirrors the terms of the Trust Preferred Securities and therefore is callable by the counter-party anytime after October 30, 2008. Q1 2004 Guidance
Silicon Valley Bancshares currently expects first quarter 2004 earnings to be between $0.31 and $0.35 per share, although actual results may differ. The forecast assumes no changes in market interest rates, a small improvement in net interest margin, a provision for loan loss expense versus the negative provision taken in the prior two quarters, and an average balance sheet modestly larger than fourth quarter. In addition, it assumes improved noninterest income, noninterest expense at approximately fourth quarter levels, a stable economic environment, and no further share repurchases. Safe Harbor
This release contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. The company's senior management has in the past and might in the future make forward-looking statements orally to analysts, investors, the media and others. Forward- looking statements are statements that are not historical facts. Broadly speaking, forward-looking statements include:

- projections of our revenues, income, earnings per share, balance sheet, cash flows, capital expenditures, capital structure or other financial items
- descriptions of strategic initiatives, plans or objectives of our management for future operations, including pending acquisitions
- descriptions of products, services and industry sectors
- forecasts of venture capital funding levels
- expected levels of provisions for loan losses

- forecasts of future economic performance
- descriptions of assumptions underlying or relating to any of the foregoing

In this release, Silicon Valley Bancshares makes forward-looking statements discussing our management's expectations about:

- future EPS
- future performance
- our ability to manage future risks
- returns and growth of our warrant portfolio
- future performance of Alliant Partners
- future loan balances, growth and yield
- future deposit trends
- future stock buybacks
- future net interest margin
- future equity investment activities and equity security losses
- future provision for loan losses and net charge-offs
- future venture capital funding levels
- future credit quality
- future outcome of REIT tax benefits and uses of the REIT

You can identify these and other forward-looking statements by the use of words such as "becoming," "may," "will," "should," "predicts," "potential," "continue," "anticipates," "believes," "estimates," "seeks," "expects," "plans," "intends," or the negative of such terms, or comparable terminology. Although management believes that the expectations reflected in these forward-looking statements are reasonable, and it has based these expectations on its beliefs, as well as its assumptions, such expectations may prove to be incorrect. Actual results of operations and financial performance could differ significantly from those expressed in or implied by our management's forward-looking statements.

Factors that may cause the first quarter 2004 targets to change include:

- adjustments needed in the transaction closing process as required by accounting principles generally accepted in the United States of America
- material changes in the state of the economy or the markets served by Silicon Valley Bancshares
- material changes in credit quality
- material changes in interest rates or market levels.

For information with respect to factors that could cause actual results to differ from the expectations stated in the forward-looking statements, see the text under the caption "Risk Factors" included in page 11 through 16 of our registration statement on Form S-3, as filed with the Securities and Exchange Commission on September 30, 2003 and Item 7A, page 56, of our annual report on Form 10-K dated March 5, 2003. The company urges investors to consider all of these factors carefully in evaluating the forward-looking statements contained in this discussion and analysis. All subsequent written or oral forward-looking statements attributable to the company or persons acting on its behalf are expressly qualified in their entirety by these cautionary statements. The forward-looking statements included in this filing are made only as of the date of this filing. The company does not intend, and undertakes no obligation, to update these forward-looking statements. Certain reclassifications have been made to prior years results to conform with 2003 presentations. Such reclassifications had no effect on the company's results of operations or stockholders' equity. This release excludes any impact from the in-progress impairment test for Alliant. If it should be determined that there is impairment, the numbers contained herein will change.

Earnings Conference Call
On January 29, 2004, the company will host a conference call at 2:00 p.m. (PST) to discuss the 2003 fourth quarter and year-end financial results. The conference call can be accessed by dialing 877-630-8512 and referencing the passcode "Silicon Valley Bank." A live Webcast can be accessed at www.svb.com. A digitized replay of this conference call will be available beginning at approximately 4:30 p.m. (PST), on Thursday, January 29, 2004, through 5:00 p.m. (PST), on Monday, March 1, 2004, by dialing 800-456-0483. A replay of the Webcast will also be available on www.svb.com beginning Thursday, January 29, 2004. About Silicon Valley Bancshares
For 20 years, Silicon Valley Bancshares, a financial holding company offering diversified financial services, has provided innovative solutions to help entrepreneurs succeed. The company's principal subsidiary, Silicon Valley Bank, serves emerging growth and mature companies in the technology and life sciences markets, as well as the private equity and premium wine industries. Headquartered in Santa Clara, Calif., and with 27 offices across the country, the company offers clients commercial, investment, merchant and personal banking, as well as private equity and value-added services, using its knowledge and networks. Merger, acquisition, private placement and corporate partnering services are provided through the company's investment banking subsidiary, Alliant Partners. More information on the company can be found at www.svb.com.

"Safe Harbor" Statement under the Private Securities Litigation Reform Act of 1995: Statements in this press release regarding Silicon Valley Bancshares's business which are not historical facts are "forward-looking statements" that involve risks and

uncertainties. For a discussion of such risks and uncertainties, which could cause actual results to differ from those contained in the forward-looking statements, see "Risk Factors" in the Company's Annual Report or Form 10-K for the most recently ended fiscal year.