SVB Financial Group

Silicon Valley Bancshares Reports

First Quarter 2002 Earnings Increase from Fourth Quarter 2001 Announces Additional Share Repurchase Plan

SANTA CLARA, CA - Silicon Valley Bancshares (NASDAQ: SIVB), parent company of Silicon Valley Bank, today announced net income of $13.4 million for the three months ended March 31, 2002, an increase of $1.3 million or 10.6 percent from the fourth quarter of 2001. Net income in the first quarter of 2001 was $33.3 million.

Earnings per diluted common share totaled $0.29 in the first quarter of 2002, a $0.03 increase from the $0.26 earned in the fourth quarter of 2001. Earnings per diluted common share were $0.65 in the first quarter of 2001.

"Silicon Valley Bancshares had a successful first quarter, landing solidly within our announced target range and achieving our first sequential quarterly earnings increase in a year. We are seeing the economic tide slowly begin to turn, and are encouraged by this momentum," said Ken Wilcox, Chief Executive Officer. "We are cautiously optimistic about economic growth in 2002 and remain focused on consistent improvement in our loan and deposit levels. Servicing our clients with a complete and customized portfolio of products and services continues to be our highest priority, and we are well-positioned to deliver on this commitment."

The company also announced today that the Board of Directors has authorized an additional share repurchase program of up to $50 million. The company intends to repurchase shares under the program from time to time, under conditions which allow such repurchases to be accretive to earnings while maintaining capital ratios that exceed the guidelines for a well capitalized financial institution.

The first quarter of 2002 ended with several additional highlights:

- Quarterly average deposit balances increased by $103.7 million
- Credit quality remained excellent
- Alliant Partners, our investment banking subsidiary, increased its revenue contribution

"Despite historically low interest rates and a sluggish venture capital environment, we increased average deposits by comparison to the fourth quarter, held loan balances steady, and improved our efficiency ratio. Additionally, because of the extreme asset sensitivity of our loan portfolio, we benefit from increases in short-term interest rates. To the extent these increases occur, our earnings will increase as well," said Wilcox.

Total assets were $4.0 billion at March 31, 2002, a decrease of $184.6 million from the end of the fourth quarter. The decrease was primarily concentrated in investment portfolio assets. Total assets were down $855.3 million from March 31, 2001. Loans, net of unearned income, were $1.7 billion, $1.8 billion and $1.7 billion at March 31, 2002, December 31, 2001 and March 31, 2001, respectively. Period end total deposits decreased $199.5 million from the fourth quarter.

Deposits decreased $860.7 million from March 31, 2001 to $3.2 billion at March 31, 2002. Client funds invested in private label investment and sweep products totaled $8.9 billion at March 31, 2002, compared with $9.3 billion at December 31, 2001 and $10.1 billion a year ago.

Net interest income decreased $2.4 million to $49.0 million for the first quarter of 2002 from $51.4 million for the fourth quarter of 2001, and decreased $32.7 million from the same period last year. The decrease in net interest income from the fourth quarter of 2001 was the result of a 30 basis point decrease in the net interest margin, partially offset by an $80.7 million increase in average interest-earning assets. The net interest margin was 5.6 percent for the first quarter of 2002, compared to 5.9 percent and 7.2 percent for the fourth quarter of 2001 and the first quarter of 2001, respectively. Relative to a year ago, the decline in net interest income was attributable to a $1.1 billion decrease in average interest-earning assets, combined with a decrease in the company's net interest margin.

Noninterest income increased $5.1 million to a total of $16.9 million in the first quarter of 2002, compared to $11.8 million in the fourth quarter of 2001. The increase in noninterest income was largely due to a lower level of write-downs of equity investments by comparison to the fourth quarter of 2001. Excluding the impact of minority interest, the net write-downs of the company's equity investments totaled approximately $1.3 million and $4.8 million in the first and fourth quarters, respectively.

Client investment fees decreased from $9.9 million in the 2001 fourth quarter to $8.6 million in the first quarter of 2002, primarily due to a shift in investment mix. Client investment fees were down $3.2 million from the first quarter of 2001.

Due to reduced client activity in the public markets, income from the disposition of client warrants declined by $1.5 million to a total of $0.1 million in the first quarter of 2002. Based on March 31, 2002 market valuations, the company had potential pre-tax warrant gains totaling $2.3 million related to 16 companies. The company is restricted from exercising many of these warrants until later in 2002. As of March 31, 2002, the Company held 1,696 warrants in 1,271 companies, had made investments in 240 venture capital funds, and had direct equity investments in 46 companies, many of which are private. For those companies for which a readily determinable market value cannot be obtained, the company values those equity instruments at cost, less any identified impairment. Additionally, the company is typically contractually precluded from taking steps to secure the 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 may vary materially from the current unrealized amount due to fluctuations in the market prices of the underlying common stock of these companies.

Noninterest expense totaled $43.3 million in the first quarter of 2002, down $5.9 million from the $49.2 million incurred in the fourth quarter or 2001. The decrease in noninterest expense was spread among several items and was concentrated in professional fees and furniture and equipment. Noninterest expense was down $2.8 million from the first quarter of 2001.

For the first quarter of 2002, return on average assets (ROA) was 1.3 percent, compared to 1.2 percent for the fourth quarter of 2001. It was down from 2.7 percent in the first quarter of 2001. Return on average equity (ROE) was 8.5 percent in the first quarter of 2002, compared to 7.5 percent and 21.2 percent in the fourth and first quarters of 2001, respectively.

The company's efficiency ratio improved from 67.3 percent in the 2001 fourth quarter to 62.0 percent in the first quarter of 2002. The efficiency ratio improved due to the reduction in noninterest expense. In the 2001 first quarter it was 43.9 percent. The efficiency ratio is calculated by dividing the amount of adjusted noninterest expense by adjusted revenues. Noninterest expense is adjusted to exclude costs associated with tax minimization strategies, minority interest, and retention and warrant incentive plans. Revenues are adjusted to exclude income associated with minority interest, the disposition of client warrants and gains or losses related to investment securities.

Nonperforming loans totaled $19.0 million, or 1.1 percent of total loans, at March 31, 2002, compared to $18.3 million, or 1.0 percent of total loans at December 31, 2001 and $20.1 million, or 1.2 percent of total loans, a year earlier. The allowance for loan losses totaled $71.4 million, or 4.1 percent of total loans and 376.0 percent of nonperforming loans, at March 31, 2002, compared to $72.4 million, or 4.1 percent of total loans, and 395.3 percent of nonperforming loans, at December 31, 2001. The allowance for loan losses totaled $73.8 million or 4.3 percent of total loans and 366.3 percent of nonperforming loans in the prior year period. The company incurred $4.4 million in net charge-offs during the first quarter of 2002. Gross charge-offs for the 2002 first quarter totaled $6.6 million.

Stockholders' equity totaled $640.8 million at March 31, 2002, an increase of $13.2 million compared to $627.5 million at December 31, 2001. Total stockholders' equity plus the allowance for loan losses amounted to $712.1 million at March 31, 2002, an increase of $12.2 million compared to $699.9 million at December 31, 2001.

This release includes "forward-looking statements" as that term is used in the securities laws. All statements regarding the Company's expected financial position, business and strategies are forward-looking statements. In addition, in this release the words "anticipates," "believes," "estimates," "seeks," "expects," "plans," "intends" and similar expressions, as they relate to the Company or its management, are intended to identify forward-looking statements. Although the Company believes that the expectations reflected in these forward-looking statements are reasonable, and has based these expectations on the company's beliefs as well as assumptions it has made, such expectations may prove to be incorrect.

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 Item 7 of our Report on Form 10-K dated March 19, 2002. The company urges investors to consider these factors carefully in evaluating the forward-looking statements contained in this release. All subsequent written or oral forward-looking statements attributable to the company or persons acting on the company's behalf are expressly qualified in their entirety by these cautionary statements. The forward-looking statements included in this release are made only as of the date of this release. The company does not intend, and undertakes no obligation, to update these forward-looking statements.

On April 18, 2002, the company will host a conference call at 2:30 p.m. (PDT) to discuss the 2002 first quarter 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. (PDT), on Thursday, April 18, 2002, through 5:00 p.m. (PDT), on Friday, May 31, 2002, by dialing (800) 937-6215. A replay of the Webcast will also be available on www.svb.com beginning Thursday, April 18, 2002.

Silicon Valley Bank serves emerging growth and middle-market companies in targeted niches, focusing on technology and life sciences, while also addressing other specific industries in which it can provide a higher level of service and better manage credit through specialization and focus.

The Bank operates offices throughout the Silicon Valley: Fremont, Santa Clara, Palo Alto and Sand Hill, the center of the venture capital community in California. Other regional offices within California include: Irvine, Los Angeles, Napa Valley, San Diego, San Francisco, Santa Barbara, and Sonoma. Office locations outside of California include: Phoenix, Arizona; Boulder,

Colorado; West Palm Beach, Florida; Atlanta, Georgia; Chicago, Illinois; Boston, Massachusetts; Minneapolis, Minnesota; New York, New York; Durham, North Carolina; Portland, Oregon; Philadelphia, Pennsylvania; Austin, Texas; Dallas, Texas; Northern Virginia; and Seattle, Washington. More information about Silicon Valley Bank can be found at www.svb.com.

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