SVB Financial Group

# Silicon Valley Bancshares Reports Second Best Annual Results in Company's History

**THIS IS A PRELIMINARY EARNINGS RELEASE SUBJECT TO FINAL COMPANY APPROVAL. ACTUAL RESULTS MAY DIFFER IN THE FINAL PRESS RELEASE. THIS PRELIMINARY RELEASE IS BEING ISSUED BECAUSE OF AN INADVERTENT EARLY MAILING OF THE COMPANY'S PRELIMINARY RESULTS LAST EVENING, TO THE COMPANY'S EMPLOYEES. THE FINAL PRESS RELEASE WILL BE ISSUED AT 1:45 P.M. (PST) TODAY, WITH A CONFERENCE CALL TO FOLLOW IMMEDIATELY AT 2:00 P.M. (PST).**

**SANTA CLARA, CA -** Silicon Valley Bancshares (the "Company"), parent company of Silicon Valley Bank (the "Bank"), today announced net income of $12.1 million for the three months ended December 31, 2001, a $23.7 million, or 66.2%, decrease from the $35.7 million earned in the fourth quarter of 2000.

Diluted earnings per share totaled $0.26 in the fourth quarter of 2001, a $0.44, or 62.9%, decrease from the $0.70 per diluted share earned in the comparable 2000 period. During the fourth quarter of 2001, the Company wrote-down a portion of its equity investment portfolio. Without this write-down, fourth quarter diluted earnings per share would have been $0.33. Net income for the year ended December 31, 2001, was $88.2 million, compared to $159.1 million in the prior year, a decrease of 44.6%. For the year ended December 31, 2001, diluted earnings per share was $1.79, a $1.44, or 44.6%, decrease from the $3.23 for the year ended December 31, 2000.

"The most rapid decline in interest rates in decades, combined with significantly reduced venture capital activity and funding levels, limited revenue generating opportunities for the Bank in 2001. Nevertheless, the Bank's loan portfolio has demonstrated very strong credit quality throughout the year, resulting in significantly lower net charge-offs compared to 2000. However, the economic slowdown has adversely affected the value of our equity investment portfolio necessitating a write-down in value this quarter. Excluding the effect of this write-down, the Company's performance was in-line with expectations. Despite difficult challenges, Silicon Valley Bancshares has still enjoyed its second best annual results in the 18 year history of the Company," said Kenneth Wilcox, President and Chief Executive Officer. "Furthermore, we are very pleased with the continued expansion of products and services available to our client base, which now includes private banking and mergers and acquisitions services."

Total assets were $4.2 billion at December 31, 2001, a decrease of $1.5 billion, or 25.9%, compared to $5.6 billion at December 31, 2000, primarily concentrated in a $1.2 billion decrease in federal funds sold and securities purchased under agreement to resell. Total deposits decreased $1.5 billion, or 30.5%, to $3.4 billion at December 31, 2001, from $4.9 billion at December 31, 2000. Loans, net of unearned income, were $1.8 billion at December 31, 2001, a small increase from December 31, 2000. Client funds invested in private label investment products totaled $9.3 billion at December 31, 2001, compared with $10.8 billion a year ago.

Net interest income decreased $37.2 million, or 42.0%, to $51.4 million for the fourth quarter of 2001, from $88.7 million for the prior year fourth quarter. The decrease in net interest income was the result of a $1.5 billion, or 30.1%, decline in average interest-earning assets over the comparable quarter last year, combined with a decrease in the Company's net interest margin. The net interest margin was 5.9% for the fourth quarter of 2001, compared to 7.1% for the fourth quarter of 2000.

Noninterest income decreased $19.1 million, or 61.9%, to a total of $11.8 million in the fourth quarter of 2001 as compared to $30.8 million in the prior year fourth quarter. The decrease in noninterest income was largely due to write-downs of equity investments, resulting in net investment losses of $8.4 million in the fourth quarter of 2001, as compared to a gain of $1.1 million in the fourth quarter of 2000. The net write-downs of Company's equity investments, excluding the impact of minority owned investments, totaled approximately $4.8 million. Without the effect of these write-downs, fourth quarter 2001 diluted earnings per share would have been $0.33. The 2001 fourth quarter net investment losses include $3.6 million related to minority interest losses in SVB Strategic Investors Fund, L.P. and Silicon Valley BancVentures, L.P. Additionally, income from the disposition of client warrants declined by $7.4 million to a total of $1.6 million in the fourth quarter of 2001, as compared to $9.0 million in the 2000 fourth quarter. Income from the disposition of client warrants in the fourth quarter of 2001 resulted from the sale of warrants in 20 companies. Client investment fees decreased $2.8 million to a total of $9.9 million in the fourth quarter of 2001, as compared to $12.7 million in the 2000 fourth quarter, primarily due to a $1.5 billion decrease in client funds invested in private label investment products.

Based on December 31, 2001 market valuations, the Company had potential pre-tax warrant gains totaling $2.2 million related to 17 companies. The Company is restricted from exercising many of these warrants until later in 2002. As of December 31, 2001, the Company held 1,673 warrants in 1,278 companies, had made investments in 239 venture capital funds, and had direct equity investments in 49 companies. Many of these companies are non-public. Thus, 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 $49.2 million in the fourth quarter of 2001, a $2.6 million, or 5.0%, decrease from the $51.8 million incurred in the comparable 2000 period. The decrease in noninterest expense was primarily due to decreases in performance-based compensation associated with the Company's retention, warrant and incentive compensation plans.

For the fourth quarter of 2001, return on average assets (ROA) was 1.2%, compared to 2.6% for the fourth quarter of 2000. Return on average equity (ROE) was 7.5% in the fourth quarter of 2001, compared to 24.0% in the 2000 fourth quarter. For the year ended December 31, 2001, ROA was 2.0% and ROE was 13.5%, compared to 3.1% and 33.3%, respectively, for 2000.

The Company's efficiency ratio was 67.3% in the fourth quarter of 2001, compared to 45.8% in the 2000 fourth quarter. The Company's efficiency ratio for 2001 was 52.5%, compared to 45.7% for 2000. The efficiency ratio in the fourth quarter of 2001 was adversely affected by unusually high costs associated with legal bills related to entertainment industry loans, opening new office facilities, and the write-down of certain software assets. The efficiency ratio is calculated by dividing the amount of adjusted noninterest expense by adjusted revenues. Noninterest expense is adjusted to exclude amortization of investments in tax credit funds and costs associated with 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 $18.3 million, or 1.0% of total loans, at December 31, 2001, compared to $18.4 million, or 1.1% of total loans, a year earlier. Total nonperforming loans at December 31, 2001 decreased $4.8 million, or 20.9%, from the $23.2 million total at September 30, 2001. The allowance for loan losses totaled $72.4 million, or 4.1% of total loans and 395.3% of nonperforming loans, at December 31, 2001, compared to $73.8 million, or 4.3% of total loans, and 401.4% of nonperforming loans, at December 31, 2000. The Company incurred $1.1 million in net charge-offs during the fourth quarter of 2001. Gross charge-offs for the 2001 fourth quarter totaled $9.5 million.

Stockholders' equity totaled $627.5 million at December 31, 2001, an increase of $13.4 million, or 2.2%, compared to $614.1 million a year earlier. Total stockholders' equity plus the allowance for loan losses amounted to $699.9 million at December 31, 2001, an increase of $12.0 million, or 1.7%, compared to $687.9 million the prior year.

As of this date, the Company has repurchased a total of 4.5 million shares of common stock, at a total cost of $99.9 million, in conjunction with the share repurchase program authorized by the Board of Directors on April 5, 2001.

On January 16, 2002, Silicon Valley Bancshares will begin the practice of releasing their financial press releases following the close of Nasdaq's regular market hours after 4:00 p.m. Eastern Time (1:00 p.m. Pacific). SVB will also begin hosting their investor conference calls at 5:00 p.m. Eastern Time (2:00 p.m. Pacific).

On January 16, 2002, the Company will host a conference call at 2:00 p.m. (PST) to discuss the 2001 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 4:00 p.m. (PST), on Wednesday, January 16, 2002, through 5:00 p.m. (PST), on Friday, February 22, 2002, by dialing (800) 756-0304. A replay of the Webcast will also be available on www.svb.com beginning Wednesday, January 16, 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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