ROWAN COMPANIES INC
Form SC 13D/A
December 23, 2008

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 13D
(Rule 13d-101)

INFORMATION TO BE INCLUDED IN STATEMENTS FILED PURSUANT TO § 240.13d-1(a) AND AMENDMENTS THERETO FILED PURSUANT TO § 240.13d-2(a)

(Amendment No. 9)1

Rowan Companies, Inc.
(Name of Issuer)

Common Stock, par value $0.125
(Title of Class of Securities)

779382100
(CUSIP Number)

STEVEN WOLOSKY, ESQ.
OLSHAN GRUNDMAN FROME ROSENZWEIG & WOLOSKY LLP
Park Avenue Tower
65 East 55th Street
New York, New York 10022
(212) 451-2300
(Name, Address and Telephone Number of Person
Authorized to Receive Notices and Communications)

December 22, 2008
(Date of Event Which Requires Filing of This Statement)

If the filing person has previously filed a statement on Schedule 13G to report the acquisition that is the subject of this Schedule 13D, and is filing this schedule because of §§ 240.13d-1(e), 240.13d-1(f) or 240.13d-1(g), check the following box ¨.

Note: Schedules filed in paper format shall include a signed original and five copies of the schedule, including all exhibits. See § 240.13d-7 for other parties to whom copies are to be sent.

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1 The remainder of this cover page shall be filled out for a reporting person's initial filing on this form with respect to the subject class of securities, and for any subsequent amendment containing information which would alter disclosures provided in a prior cover page.

The information required on the remainder of this cover page shall not be deemed to be "filed" for the purpose of Section 18 of the Securities Exchange Act of 1934 ("Act") or otherwise subject to the liabilities of that section of the Act but shall be subject to all other provisions of the Act (however, see the Notes).

CUSIP NO. 779382100

1	NAME OF REPORTING PERSON STEEL PARTNERS II, L.P.		
2	CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP		(a) o (b) o
3	SEC USE ONLY		
4	SOURCE OF FUNDS WC		
5	CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEM 2(d) OR 2(e)		¨
6	CITIZENSHIP OR PLACE OF ORGANIZATION DELAWARE		
NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH	7	SOLE VOTING POWER 9,993,717 (1)	
	8	SHARED VOTING POWER - 0 -	
	9	SOLE DISPOSITIVE POWER 9,993,717 (1)	
	10	SHARED DISPOSITIVE POWER - 0 -	
11	AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON 9,993,717 (1)		
12	CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES		¨
13	PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11) 8.8%		
14	TYPE OF REPORTING PERSON PN		

(1) Includes 2,500,000 Shares underlying call options.

2

CUSIP NO. 779382100

1	NAME OF REPORTING PERSON STEEL PARTNERS II GP LLC		
2	CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP		(a) o (b) o
3	SEC USE ONLY		
4	SOURCE OF FUNDS AF		
5	CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEM 2(d) OR 2(e)		¨
6	CITIZENSHIP OR PLACE OF ORGANIZATION DELAWARE		
NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH	7	SOLE VOTING POWER 9,993,717 (1)	
	8	SHARED VOTING POWER - 0 -	
	9	SOLE DISPOSITIVE POWER 9,993,717 (1)	
	10	SHARED DISPOSITIVE POWER - 0 -	
11	AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON 9,993,717 (1)		
12	CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES		¨
13	PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11) 8.8%		
14	TYPE OF REPORTING PERSON OO		

(1) Includes 2,500,000 Shares underlying call options.

CUSIP NO. 779382100

1	NAME OF REPORTING PERSON STEEL PARTNERS II MASTER FUND L.P.		
2	CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP		(a) o (b) o
3	SEC USE ONLY		
4	SOURCE OF FUNDS AF		
5	CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEM 2(d) OR 2(e)		¨
6	CITIZENSHIP OR PLACE OF ORGANIZATION CAYMAN ISLANDS		
NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH	7	SOLE VOTING POWER 9,993,717 (1)	
	8	SHARED VOTING POWER - 0 -	
	9	SOLE DISPOSITIVE POWER 9,993,717 (1)	
	10	SHARED DISPOSITIVE POWER - 0 -	
11	AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON 9,993,717 (1)		
12	CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES		¨
13	PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11) 8.8%		
14	TYPE OF REPORTING PERSON PN		

(1) Includes 2,500,000 Shares underlying call options.

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CUSIP NO. 779382100

1	NAME OF REPORTING PERSON STEEL PARTNERS LLC		
2	CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP		(a) o (b) o
3	SEC USE ONLY		
4	SOURCE OF FUNDS AF		
5	CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEM 2(d) OR 2(e)		¨
6	CITIZENSHIP OR PLACE OF ORGANIZATION DELAWARE		
NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH	7	SOLE VOTING POWER 9,993,717 (1)	
	8	SHARED VOTING POWER - 0 -	
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	10	SHARED DISPOSITIVE POWER - 0 -	
11	AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON 9,993,717 (1)		
12	CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES		¨
13	PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11) 8.8%		
14	TYPE OF REPORTING PERSON OO		

(1) Includes 2,500,000 Shares underlying call options.

CUSIP NO. 779382100

1	NAME OF REPORTING PERSON WARREN G. LICHTENSTEIN		
2	CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP		(a) o (b) o
3	SEC USE ONLY		
4	SOURCE OF FUNDS AF		
5	CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEM 2(d) OR 2(e)		¨
6	CITIZENSHIP OR PLACE OF ORGANIZATION USA		
NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH	7	SOLE VOTING POWER 9,993,717 (1)	
	8	SHARED VOTING POWER - 0 -	
	9	SOLE DISPOSITIVE POWER 9,993,717 (1)	
	10	SHARED DISPOSITIVE POWER - 0 -	
11	AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON 9,993,717 (1)		
12	CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES		¨
13	PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11) 8.8%		
14	TYPE OF REPORTING PERSON IN		

(1) Includes 2,500,000 Shares underlying call options

CUSIP NO. 779382100

The following constitutes Amendment No. 9 to the Schedule 13D filed by the undersigned ("Amendment No. 9"). This Amendment No. 9 amends the Schedule 13D as specifically set forth.

Item 3. Source and Amount of Funds or Other Consideration.

Item 3 is hereby amended and restated to read as follows:

The aggregate purchase price of the 7,493,717 Shares owned directly by Steel Partners II is approximately $240,600,201, including brokerage commissions. The aggregate purchase price of the call options exercisable into 2,500,000 Shares owned by Steel Partners II is approximately $12,415,000, including brokerage commissions. The Shares and call options owned by Steel Partners II were acquired with partnership funds.

Steel Partners II effects purchases of securities primarily through margin accounts maintained for it with prime brokers, which may extend margin credit to it as and when required to open or carry positions in the margin accounts, subject to applicable federal margin regulations, stock exchange rules and the prime brokers' credit policies. In such instances, the positions held in the margin accounts are pledged as collateral security for the repayment of debit balances in the accounts.

Item 5. Interest in Securities of the Issuer.

Item 5(a) is hereby amended and restated to read as follows:

(a) The aggregate percentage of Shares reported owned by each person named herein is based upon 113,003,698 Shares outstanding, which is the total number of Shares outstanding as of October 31, 2008 as reported in the Issuer's quarterly report on Form 10-Q for the quarter ended September 30, 2008, filed with the Securities and Exchange Commission on November 7, 2008.

As of the close of business on December 22, 2008, Steel Partners II beneficially owned 9,993,717 Shares (including 2,500,000 Shares underlying call options), constituting approximately 8.8% of the Shares outstanding. By virtue of their relationships with Steel Partners II discussed in further detail in Item 2, each of Steel GP LLC, Steel Master, Partners LLC and Warren G. Lichtenstein may be deemed to beneficially own the Shares owned by Steel Partners II.

Item 5(c) is hereby amended to add the following:

(c) Schedule A annexed hereto lists all transactions in the securities of the Issuer by the Reporting Persons since the filing of Amendment No. 8 to the Schedule 13D. All of such transactions were effected in the open market.

Item 6. Contracts, Arrangements, Understandings or Relationships With Respect to Securities of the Issuer.

Item 6 is hereby amended and restated to read as follows:

As of the close of business on December 22, 2008, Steel Partners II held call options to purchase 500,000 Shares at a strike price of $35 per Share and call options to purchase 2,000,000 Shares at a strike price of $10.00 per Share and were short call options to purchase 2,000,000 Shares at a strike price of $30 per Share. The call options and short call options expire on January 17, 2009.

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As of the close of business on December 22, 2008, Steel Partners II was a party to certain equity swap arrangements (the "Swap Arrangements") with UBS Securities LLC as counterparty. Pursuant to these Swap Arrangements, Steel Partners II has agreed to pay to or receive from such counterparty, an amount of cash equal to the change in price on a total of 700,000 Shares. The Swap Arrangements require cash settlement. Steel Partners II has no right to physical settlement. Steel Partners II does not have voting or dispositive power with respect to any Shares that may be actually owned by the counterparty to hedge its position in the Swap Arrangements.

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SIGNATURES

After reasonable inquiry and to the best of his knowledge and belief, each of the undersigned certifies that the information set forth in this statement is true, complete and correct.

Dated: December 23, 2008

STEEL PARTNERS II, L.P.

By: Steel Partners II GP LLC
General Partner

By: /s/ Sanford Antignas
Sanford Antignas
as Attorney-In-Fact for Warren G. Lichtenstein,
Managing Member

STEEL PARTNERS II GP LLC

By: /s/ Sanford Antignas
Sanford Antignas
as Attorney-In-Fact for Warren G. Lichtenstein,
Managing Member

STEEL PARTNERS II MASTER FUND L.P.

By: Steel Partners II GP LLC
General Partner

By: /s/ Sanford Antignas
Sanford Antignas
as Attorney-In-Fact for Warren G. Lichtenstein,
Managing Member

STEEL PARTNERS LLC

By: /s/ Sanford Antignas
Sanford Antignas
as Attorney-In-Fact for Warren G. Lichtenstein,
Manager

/s/ Sanford Antignas
SANFORD ANTIGNAS

as Attorney-In-Fact for Warren G. Lichtenstein

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SCHEDULE A

Transactions in Securities of the Issuer Since the Filing of Amendment No. 8 to the Schedule 13D

Class of Security	Securities Purchased / (Sold)	Price ($)	Date of Purchase / Sale
	STEEL PARTNERS II, L.P.		
Call Option ($7.50 Strike Price)	(10,000)	8.2500	12/09/08
Call Option ($7.50 Strike Price)	(10,000)	8.2500	12/09/08
Call Option ($10.00 Strike Price)	10,000	6.1000	12/09/08
Call Option ($10.00 Strike Price)	10,000	6.1000	12/09/08
Common Stock	375,000	15.3333	12/19/08
Common Stock	375,000	15.3333	12/19/08
Common Stock	375,000	14.8463	12/22/08
Common Stock	375,000	14.8463	12/22/08

STEEL PARTNERS II GP LLC
None

STEEL PARTNERS II MASTER FUND L.P.
None

STEEL PARTNERS LLC
None

WARREN G. LICHTENSTEIN

None

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2,663

20,999

Total average loans

1,465,142

54,142

154,708

1,673,992

Total estimated assets (4)

	2,954,661
	486,749
	574,251
	4,015,661
Total average deposits	
	2,561,321
	452,504
	195,309
	3,209,134

(1) For operating segment reporting purposes, the Company reports net charge-offs as the provision for loan losses. Thus, the Other column includes $(0.5) million and $(0.9) million for the three-month periods ended March 31, 2003 and March 31, 2002, respectively, which represent the difference between net charge-offs and the provision for loan losses.

(2) Noninterest income presented in the Merchant Banking column included warrant income of $2.0 million and $0.1 million, for the periods ended March 31, 2003 and March 31, 2002, respectively.

(3) Commercial Banking column included depreciation and amortization of $0.3 million for the periods ended March 31, 2003 and March 31, 2002.

(4) Total estimated assets presented in the Other column included investments held by Silicon Valley Bancshares, the parent company, and goodwill primarily related to the Alliant acquisition of $100.6 million and $98.4 million as of March 31, 2003 and March 31, 2002, respectively.

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10. Common Stock Repurchase

The Company repurchased 1.9 million shares of common stock totaling $32.5 million during the first quarter of 2003, in conjunction with the $100.0 million share repurchase program authorized by the Board of Directors on September 16, 2002.

In January 2003, the Company entered into an accelerated stock repurchase (ASR) agreement for 1.7 million shares of common stock for $29.9 million. The terms of this second ASR arrangement are substantially the same as those in the ASR agreement entered into in November 2002 with the exception of the size. See Item 8. Consolidated Financial Statements and Supplementary Data Note 15 to the Consolidated Financial Statements Common Stock Repurchases in our 2002 Annual Report on Form 10-K, as filed with the SEC, for terms of the ASR agreement. As of March 31, 2003, the Company completed all obligations under the ASR.

In November 2002, the Company entered into an ASR agreement to facilitate the repurchase of its shares of common stock. Pursuant to the agreement, the Company purchased approximately 2.3 million shares from the counterparty for approximately $40.0 million. As of March 31, 2003, the Company completed all obligations under the ASR. See Item 8. Consolidated Financial Statements and Supplementary Data Note 15 to the Consolidated Financial Statements Common Stock Repurchases in our 2002 Annual Report on Form 10-K, as filed with the SEC, for terms of the ASR agreement.

Additionally, during 2002, prior to the ASR agreement, the Company also repurchased 2.3 million shares of common stock, at an average price of $21.83 per share, for a total purchase price of $50.2 million in conjunction with the $50.0 million shares repurchase program authorized by the Board of Directors on March 21, 2002.

11. Obligations Under Guarantees

The Company provides guarantees related to financial and performance standby letters of credit issued to its clients to enhance their credit standing and enable them to complete a wide variety of business transactions. Financial standby letters of credit are conditional commitments issued by the Company to guarantee the payment by a client to a third party (beneficiary). Financial standby letters of credit are primarily used to support many types of domestic and international payments. Performance standby letters of credit are issued to guarantee the performance of a client to a third party when certain specified future events have occurred. Performance standby letters of credit are primarily used to support performance instruments such as bid bonds, performance bonds, lease obligations, repayment of loans, and past due notices. These standby letters of credit have fixed expiration dates and generally require a fee paid by a client at the time the Company issue the commitment. Fees generated from these standby letters of credit are recognized in noninterest income over the commitment period.

The credit risk involved in issuing letters of credit is essentially the same as that involved with extending loan commitments to clients, and accordingly, we use a credit evaluation process and collateral requirements similar to those for loan commitments. The Company s standby letters of credit often are cash-secured by its clients. The actual liquidity needs or the credit risk that the Company have experienced historically have been lower than the contractual amount of letters of credit issued because a significant portion of these conditional commitments expire without being drawn upon.

The table below summarizes at March 31, 2003 our standby letter of credits at the inception of the contract. The maximum potential amount of future payments represents the amount that could be lost under the standby letter of credits if there were a total default by the guaranteed parties, without consideration of possible recoveries under recourse provisions or from the collateral held or pledged.

	Expires within one year	Expires after one year	Total amount outstanding	Maximum amount of future payments
		(dollars in thousands)		
Financial standby	$ 510,852	$ 90,435	$ 601,287	$ 601,287
Performance standby	4,091	599	4,690	4,690
Total	$ 514,943	$ 91,034	$ 605,977	$ 605,977

At March 31, 2003, the carrying amount of the liabilities related to financial and performance standby letters of credit was zero. At March 31, 2003, cash collateral available to us to reimburse losses under financial and performance standby letters of credits was $319.6 million.

12. Subsequent Event

On April 17, 2003, the Company s Board of Directors authorized a share repurchase program of up to $160.0 million. As of the filing date of this document, the Company has not purchased common stock under this program.

ITEM 2 - MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Results of Operations

Throughout the following management discussion and analysis when we refer to Silicon Valley Bancshares, or we or similar words, we intend to include Silicon Valley Bancshares and all of its subsidiaries collectively, including Silicon Valley Bank. When we refer to Silicon, we are referring only to Silicon Valley Bancshares.

The following discussion and analysis of financial condition and results of operations should be read in conjunction with our interim consolidated financial statements and supplementary data as presented in Part I - Item 1 of this report and in conjunction with our Annual Report on Form 10-K for the year ended December 31, 2002.

This discussion and analysis contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Our senior management have 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:

(1) Projections of our revenues, income, earnings per share, capital expenditures, capital structure or other financial items
(2) Descriptions of strategic initiatives, plans or objectives of our management for future operations, including pending acquisitions
(3) Descriptions of products, services, and industry sectors
(4) Forecasts of future economic performance
(5) Descriptions of assumptions underlying or relating to any of the foregoing

In this report, we make forward-looking statements discussing our management s expectations about:

(1) Future investment gains or losses from private equity and venture capital fund investments
(2) Future market conditions and impairment charges on investments
(3) Future credit losses due to nonperformance of other parties
(4) Future changes in allowance for loan losses balance
(5) Future revenues of Alliant Partners
(6) Future changes in our average loan balances and their impact on our net interest margin
(7) Future changes in short-term interest rates and their impact on our earnings
(8) Future changes in private label investment product balances due to transferring of private label investment operations from Silicon Valley Bank to its wholly-owned broker-dealer subsidiary
(9) Future nonperforming loans
(10) Future funds generated through earnings and their impact on liquidity
(11) Future common stock repurchases; and
(12) Future changes in trust preferred securities distributions expense due to changes in hedging interest rates

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 words, or

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comparable terminology. Although we believe that the expectations reflected in these forward-looking statements are reasonable, and we have based these expectations on our beliefs, as well as our assumptions, such expectations may prove to be incorrect. Our actual results of operations and financial performance could differ significantly from those expressed in or implied by our management s forward-looking statements.

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 7A of our annual report on Form 10-K as filed with the Securities and Exchange Commission (SEC) on March 5, 2003. We urge 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 our company or persons acting on our 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. We do not intend, and undertake 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 our results of operations or stockholders equity.

Critical Accounting Policies

Marketable Equity Securities

Investments in marketable equity securities include warrants for shares of publicly-traded companies and investments in shares of publicly-traded companies. Equity securities in our warrant, direct equity, and venture capital fund portfolios generally become marketable when a portfolio company completes an initial public offering on a publicly-reported market, or is acquired by a publicly-traded company. Our merchant banking marketable warrant and equity securities totaled $0.1 million at March 31, 2003 and $0.8 million at December 31, 2002. Marketable equity securities related to Taurus, L.P. and Libra, L.P. totaled approximately $6.8 million, see Part 1. Financial Information Item 1. Notes to the interim Consolidated Financial Statements Note 2 to the interim Consolidated Financial Statements Business Combinations. These instruments are classified as available-for-sale and are accounted for at fair value. We recognized gains from the disposition of client warrants in our consolidated statements of income of $2.0 million for the three months ended March 31, 2003, and $0.1 million for the three months ended March 31, 2002.

Unrealized gains or losses on warrant and equity investment securities are recorded upon the establishment of a readily determinable fair value of the underlying security, as defined by Statement of Financial Accounting Standard (SFAS) No. 115, Accounting for Certain Investments in Debt and Equity Instruments.

1. Unrealized gains or losses after applicable taxes on available-for-sale marketable equity securities that result from initial public offerings are excluded from earnings and are reported in accumulated other comprehensive income, which is a separate component of stockholders equity. We are often contractually restricted from selling equity securities subsequent to a portfolio company s initial public offering. Gains or losses on these

marketable equity instruments are recorded in our consolidated statements of income in the period the underlying securities are sold to a third party.

2. Gains or losses on marketable warrant and equity investment securities that result from a portfolio company being acquired by a publicly-traded company are marked to market when the acquisition occurs. The resulting gains or losses are recognized into income on that date, in accordance with Emerging Issues Task Force, Issue No. 91-5, Nonmonetary Exchange of Cost-Method Investments. Further fluctuations in the market value of these marketable equity instruments, prior to eventual sale, are excluded from earnings and are reported in accumulated other comprehensive income, which is a separate component of stockholders equity. Upon the sale of these equity securities to a third party, gains and losses, which are measured from the acquisition price, are recognized in our consolidated statements of income.

Notwithstanding the foregoing, a decline in the fair value of any of these securities that is considered other than temporary is recorded in our consolidated statements of income in the period the impairment occurs. Further, the cost basis of the underlying security is written down to fair value as a new cost basis.

We consider our marketable equity securities accounting policies to be critical, as the timing and amount of income, if any, from these instruments typically depend upon factors beyond our control. These factors include the general condition of the public equity markets, levels of mergers and acquisitions activity, fluctuations in the market prices of the underlying common stock of these companies, and legal and contractual restrictions on our ability to sell the underlying securities. Hence, the amount of income we realize from these equity instruments in future periods may vary materially from the current unrealized amount of $0.1 million and are likely to vary materially from period to period.

Non-Marketable Equity Securities

We invest in non-marketable equity securities in several ways:

Through the exercise of warrants obtained in the normal course of lending

By direct purchases of preferred or common stock in privately held companies

By capital contributions to venture capital funds, which in turn, make investments in preferred or common stock of privately held companies

Through our venture capital fund, Silicon Valley BancVentures, L.P., which makes investments in preferred or common stock of privately held companies

Through our fund of funds, SVB Strategic Investors Fund, L.P., which makes investments in venture capital funds, which in turn invest in privately held companies

Unexercised warrant securities are recorded at a nominal value on our consolidated balance sheets. They are carried at this value until they become marketable or expire.

A summary of our accounting policies for other non-marketable equity securities is presented in the following table. A complete description of the accounting policies follows the table.

	Private Equity and Venture Capital Fund Investments
Wholly-Owned by Silicon	Cost Basis Less Identified Impairment, If Any
Owned by Silicon Valley BancVentures, L.P. and SVB Strategic Investors Fund, L.P.	Investment Accounting, Adjust To Fair Value On A Quarterly Basis Through The Statement Of Income

Non-marketable venture capital fund investments and other direct private equity investments wholly-owned by Silicon totaled $31.3 million at March 31, 2003 and $31.6 million at December 31, 2002 (excluding our ownership interest in our managed funds, SVB Strategic Investors Fund, L.P. and Silicon Valley BancVentures, L.P., which are described below.) We record these investments on a cost basis as our interests are considered minor because we own less than 5% of the company and have no influence over the companys operating and financial policies. Our cost basis in each investment is reduced by returns until the cost basis of the individual investment is fully recovered. Returns in excess of the cost basis are recorded as investment gains in noninterest income.

The values of the non-marketable venture capital fund investments and other direct private equity investments are reviewed at least quarterly, giving consideration to the facts and circumstances of each individual investment. Management s review of these equity investments typically includes the relevant market conditions, offering prices, operating results, financial conditions, and exit strategies. A decline in the fair value that is considered other than temporary is recorded in our consolidated statements of income in the period the impairment occurs. Any estimated loss is recorded in noninterest income as investment losses.

Investments held by Silicon Valley BancVentures, L.P. totaled $9.9 million at March 31, 2003 and $10.0 million at December 31, 2002 and are recorded at fair value using investment accounting rules. The investments consist of stock in private companies that are not traded on a public market and are subject to restrictions on resale. These investments are carried at estimated fair value as determined by the general partner, Silicon Valley BancVentures, Inc. The valuation generally remains at cost until such time that there is significant evidence of a change in values based upon consideration of the relevant market conditions, offering prices, operating results, financial conditions, exit strategies, and other pertinent information. Silicon Valley BancVentures, Inc. is owned and controlled by Silicon and has an ownership interest of 10.7% in Silicon Valley BancVentures, L.P. Therefore, Silicon Valley BancVentures, L.P. is fully consolidated and any gains or losses resulting from changes in the estimated fair value of the investments are recorded as investment gains or losses in our consolidated statements of income. The portion of any gains or losses belonging to the limited partners is reflected in minority interest and adjusts Silicon s income to its percentage ownership.

The SVB Strategic Investors Fund, L.P. portfolio consists primarily of investments in venture capital funds. These funds totaled $20.9 million at March 31, 2003 and $22.1 million at December 31, 2002, and are recorded at fair value using investment accounting rules. The carrying value of the investments is determined by the general partner, SVB Strategic Investors, LLC, based on the percentage of SVB Strategic Investors Fund, L.P. s interest in the total fair market value as provided by each venture capital fund investment. SVB Strategic Investors, LLC generally utilizes the fair values assigned to the underlying portfolio investments by the management of the venture capital funds. The estimated fair value of the investments is determined after giving consideration to the relevant market conditions, offering prices, operating results, financial conditions, exit strategy, and other pertinent information. SVB Strategic Investors, LLC, is owned and controlled by Silicon and has an ownership interest of 11.1% in SVB Strategic Investors Fund, L.P. Therefore, SVB Strategic Investors Fund, L.P. is fully consolidated and any gains or losses resulting from changes in the estimated fair value of the venture capital fund investments are recorded as investment gains or losses in our consolidated statements of income. The limited partner s share of any gains or losses is reflected in minority interest and adjusts Silicon s income to its percentage ownership.

Please refer to Part 1. Financial Information Item 1. Notes to the interim Consolidated Financial Statements Note 4 to the Consolidated Financial Statements Investments, for the carrying value of our non-marketable venture capital and other private equity investments for the three months ended March 31, 2003.

We consider our non-marketable equity securities accounting policies to be critical, as the timing and amount of gain or losses, if any, from these instruments depend upon factors beyond our control. These factors include the general condition of the public equity markets, levels of mergers and acquisitions activity, and legal and contractual restrictions on our ability to sell the underlying securities. Therefore, we cannot predict future gains or losses with any degree of accuracy and any gains or losses are likely to vary materially from period to period. In addition, the valuation of non-marketable equity securities included in our financial statements at March 31, 2003 represents our best interpretation of the underlying equity securities performance at this time. Because of the inherent uncertainty of valuations, the estimated values of these securities may differ significantly from the values that would have been used had a ready market for the securities existed, and the differences could be material. Future adverse changes in market conditions or poor operating results of underlying investments could result in losses or an inability to recover the carrying value of the investments that may not be reflected in an investment s carrying value, thereby possibly requiring an impairment charge in the future.

Allowance for Loan Losses

We consider our accounting policy relating to the estimation of the allowance for loan losses to be critical as it involves material estimates by our management and is particularly susceptible to significant changes in the near term.

We define credit risk as the probability of sustaining a loss because other parties to the financial instrument fail to perform in accordance with the terms of the contract. Through the administration of loan policies and monitoring of the loan portfolio, our management seeks to reduce such credit risks. While we follow underwriting and credit monitoring procedures, which we believe are appropriate in growing and managing the loan portfolio, in the event of nonperformance by these other parties, our potential exposure to credit losses could significantly affect our consolidated financial position and earnings.

The allowance for loan losses is established through a provision for loan losses charged to expense to provide for credit risk. Our allowance for loan losses is established for loan losses not yet realized. The process of anticipating loan losses is imprecise. Our management applies the following evaluation process to our loan portfolio to estimate the required allowance for loan losses.

We maintain a systematic process for the evaluation of individual loans and pools of loans for inherent risk of loan losses. On a quarterly basis, each loan in our portfolio is assigned a credit risk-rating. Credit risk-ratings are assigned on a scale of 1 to 10, with 1 representing loans with a low risk of nonpayment, 9 representing loans with the highest risk of nonpayment, and 10 representing loans which have been charged-off. This credit risk-rating evaluation process includes, but is not limited to, consideration of factors such as payment status, the financial condition of the borrower, borrower compliance with loan covenants, underlying collateral values, potential loan concentrations, and general economic conditions. Our policies require a committee of senior management to review credit relationships that exceed specific dollar values, at least quarterly. Our review process evaluates the appropriateness of the credit risk rating and allocation of allowance for loan losses, as well as other account management functions. In addition, our management receives and approves an analysis for all impaired loans, as defined by the Statement of Financial Accounting Standards (SFAS) No. 114 Accounting by Creditors for Impairment of a Loan. The allowance for loan losses is calculated based on a formula allocation for similarly risk-rated loans, or for specific risk issues, which suggest a probable loss factor exceeding the formula allocation for a specific loan, or for individual impaired loans as determined by SFAS No. 114.

Our evaluation process was designed to determine the adequacy of the allowance for loan losses. We assess the risk of losses inherent in the loan portfolio by utilizing modeling techniques. For this purpose, we have developed a statistical model based on historical loan loss migration to estimate an appropriate allowance for outstanding loan balances. In addition, we apply macro allocations to the results of the aforementioned model to ascertain the total allowance for loan losses. While this evaluation process uses historical and other objective information, the classification of loans and the establishment of the allowance for loan losses, relies, to a great extent, on the judgment and experience of our management.

Historical Loan Loss Migration Model

We use the historical loan loss migration model as a basis for determining expected loan loss factors by credit risk-rating category. The effectiveness of the historical loan loss migration model is predicated on the theory that historical trends are predictive of future experience. Specifically, the model calculates the likelihood and rate of a loan in one risk-rating category moving one category lower using loan data from our portfolio.

We analyze the historical loan loss migration trend by compiling gross loan loss data and by credit risk rating for the four-quarter period preceding the current period end. Each of the loans charged-off over the four-quarter period is assigned a credit risk rating at the end of each of the preceding quarters. On a quarter-by-quarter basis, the model calculates charged-off loans as a percentage of current period end loans by credit risk-rating category. These percentages are weighted, based on the age of the data, and are aggregated to estimate our loan loss factors. These expected loan loss factors are ultimately applied to the current period end aggregate outstanding loan balances to provide an estimation of the allowance for loan losses.

Macro Allocations

Additionally, we apply a contingent allocation to the results of this model. Our contingent allocation acknowledges that unfunded credit obligations can result in future losses. Unfunded credit obligations at each quarter end are allocated to credit risk-rating categories in accordance with the client s credit risk-rating. We provide for the risk of loss on unfunded credit obligations by allocating fixed credit risk-rating factors to our unfunded credit obligations.

A macro allocation is calculated each quarter based upon an assessment of the risks that may lead to a loan loss experience different from our historical results. These risks are aggregated to become our macro allocation. Based on management s prediction or estimates of changing risks in the lending environment, the macro allocation may vary significantly from period to period and includes but is not limited to consideration of the following factors:

(1) Changes in lending policies and procedures, including underwriting standards and collections, charge-off and recovery practices
(2) Changes and development in national and local economic business conditions, including the market and economic condition of our clients industry sectors
(3) Changes in the nature of our loan portfolio
(4) Changes in experience, ability and depth of lending management and staff
(5) Changes in the trend of the volume and severity of past due and classified loans
(6) Changes in the trend of the volume of nonaccrual loans, troubled debt restructurings and other loan modifications

Finally, we compute several modified versions of the model, which provide additional assurance that the statistical results of the historical loan loss migration model are reasonable. Our Chief Credit Officer and Chief Financial Officer evaluate the adequacy of the allowance for loan losses based on the results of the historical loan loss migration model.

In addition to risk-rating every loan in our portfolio, our management concluded that our allowance for loan and lease losses at March 31, 2003 was appropriate in consideration of the following factors:

(1) The past due and nonaccrual loans are performing at satisfactory levels
(2) A decreased risk of loan losses resulting from client instigated corporate fraud, due to the enforcement of recent government corporate governance regulations
(3) An increase of $17.2 million in our average loan balance between December 31, 2002 and March 31, 2003
(4) A continued weakness in the U.S. economy
(5) A declining venture capital fund investment into our clients in our core industry sectors

We consider our allowance for loan losses at March 31, 2003 to be adequate but not excessive and to be our best estimate using the historical loan loss experience and our perception of variables potentially leading to deviation from the historical loss experience. However, future changes in circumstances, economic conditions or other

factors could cause us to increase or decrease the allowance for loan losses as deemed necessary. In addition, various regulatory agencies, as an integral part of their examination process, periodically review our allowance for loan losses. Such agencies may require us to make adjustments to the allowance for loan losses based on their judgment of information available to them at the time of their examination.

Goodwill

As discussed in Part 1. Financial Information Item 1. Notes to the interim Consolidated Financial Statements Note 1 to the Consolidated Financial Statements Significant Accounting Policies, we adopted the provisions of Statement of Financial Accounting Standard No. 142 (SFAS No.142), Goodwill and Other Intangible Assets on January 1, 2002. Under this standard, we are required to test intangible assets identified as having an indefinite useful life for impairment in accordance with the provisions of SFAS No. 142 each year.

In testing for a potential impairment of goodwill, SFAS 142 requires us to: (1) allocate goodwill to the reporting units to which the acquired goodwill relates, (2) estimate the fair value of those reporting units to which goodwill relates, and (3) determine the carrying value (book value) of those reporting units. Furthermore, if the estimated fair value is less than the carrying value for a particular reporting unit, then we are required to estimate the fair value of all identifiable assets and liabilities of the reporting unit in a manner similar to a purchase price allocation for an acquired business. Only after this process is completed is the amount of goodwill impairment determined. Accordingly, the process of evaluating the potential impairment of goodwill is highly subjective and requires significant judgment at many points during the analysis.

Substantially all of our goodwill pertains to the acquisition of Alliant, discussed in Part 1. Financial Information Item 1. Notes to the interim Consolidated Financial Statements Note 2 to the Consolidated Financial Statements Business Combinations. In accordance with the provisions of SFAS No. 142, the goodwill balance was determined to be unamortizable. We completed our initial test for goodwill impairment in July 2002. Based on our best estimates, we have concluded that there is no impairment of our goodwill. However, changes in these estimates could cause the businesses to be valued differently. If Alliant does not meet projected operating results, then this analysis could potentially result in a non-cash goodwill impairment charge, depending on the estimated value of the Alliant business unit and the value of the other assets and liabilities attributed to the business. We will perform the test of impairment in July 2003, and do not anticipate an impairment of goodwill. At March 31, 2003, our goodwill totaled $100.6 million.

Earnings Summary

We reported net income of $10.4 million, or $0.26 per diluted share, for the first quarter of 2003, compared with net income of $13.4 million, or $0.29 per diluted share, for the first quarter of 2002. The annualized return on average assets (ROA) was 1.1% in the first quarter of 2003 compared with 1.3% in the first quarter of 2002. The annualized return on average equity (ROE) for the first quarter of 2003 was 7.3%, compared with 8.5% in the first quarter of 2002.

The decrease in net income for the first quarter of 2003, as compared with the first quarter of 2002, primarily resulted from a decline in net interest income combined with an increase in noninterest expense, partially offset by an increase in noninterest income and a decline in income

tax expense. The decrease in net interest income was primarily due to a 50 basis point decline in the average prime rate. The major components of net income and changes in these components are summarized in the following table for the three months ended March 31, 2003 and 2002, and are discussed in more detail below.

	For the Three Months Ended March 31,		
(Dollars in thousands)	2003	2002	2002 to 2003 Increase (Decrease)
Net interest income	$ 47,978	$ 49,002	$ (1,024)
Provision for loan losses	3,384	3,426	(42)
Noninterest income	17,446	16,901	545
Noninterest expense	50,108	43,318	6,790
Minority interest	3,479	1,840	1,639
Income before income taxes	15,411	20,999	(5,588)
Income tax expense	4,993	7,639	(2,646)
Net income	$ 10,418	$ 13,360	$ (2,942)

Net Interest Income and Margin

Net interest income is defined as the difference between interest earned, primarily on loans, investment securities, federal funds sold, securities purchased under agreement to resell, and interest paid on funding sources, primarily deposits. Net interest income is our principal source of revenue. Net interest margin is defined as the amount of annualized net interest income, on a fully taxable-equivalent basis, expressed as a percentage of average interest-earning assets. The average yield earned on interest-earning assets is the amount of annualized taxable-equivalent interest income expressed as a percentage of average interest-earning assets. The average rate paid on funding sources is defined as annualized interest expense as a percentage of average interest-earning assets.

The following table sets forth average assets, liabilities, minority interest, stockholders equity, interest income, interest expense, average yields and rates, and the composition of our net interest margin for the three months ended March 31, 2003 and 2002, respectively.

AVERAGE BALANCES, RATES AND YIELDS
For the three months ended March 31,

(Dollars in thousands)	2003 Average Balance	2003 Interest Income/ Expense	2003 Yield/ Rate	2002 Average Balance	2002 Interest Income/ Expense	2002 Yield/ Rate
Interest-earning assets:						
Federal funds sold and securities purchased under agreement to resell (1)	$ 248,384	$ 830	1.4%	$ 55,709	$ 245	1.8%
Investment securities:						
Taxable	1,233,457	10,377	3.4	1,631,706	13,850	3.4
Non-taxable (2)	144,727	2,455	6.9	234,865	3,023	5.2
Loans:						
Commercial	1,547,717	34,241	9.0	1,435,717	34,699	9.8
Real estate construction and term	100,879	1,437	5.8	102,720	1,913	7.6
Consumer and other	207,899	2,158	4.2	135,555	1,713	5.1
Total loans	1,856,495	37,836	8.3	1,673,992	38,325	9.3
Total interest-earning assets	3,483,063	51,498	6.0	3,596,272	55,443	6.3
Cash and due from banks	185,405			210,467		
Allowance for loan losses	(73,094)			(74,393)		
Goodwill	100,571			96,399		
Other assets	198,616			186,916		
Total assets	$ 3,894,561			$ 4,015,661		
Funding sources:						
Interest-bearing liabilities:						
NOW deposits	$ 22,214	25	0.5	$ 45,449	84	0.7
Regular money market deposits	306,882	456	0.6	341,150	834	1.0
Bonus money market deposits	609,104	903	0.6	641,365	1,576	1.0
Time deposits	558,558	1,067	0.8	673,730	2,404	1.4
Short-term borrowings	9,153	69	3.1	43,453	275	2.6
Long-term debt	17,451	141	3.3	25,762	210	3.3
Total interest-bearing liabilities	1,523,362	2,661	0.7	1,770,909	5,383	1.2
Portion of noninterest-bearing funding sources	1,959,701			1,825,363		
Total funding sources	3,483,063	2,661	0.3	3,596,272	5,383	0.6
Noninterest-bearing funding sources:						
Demand deposits	1,662,936			1,507,440		
Other liabilities	57,767			34,712		
Trust preferred securities (3)	38,701			38,643		
Minority interest	36,516			27,910		
Stockholders equity	575,279			636,047		
Portion used to fund interest-earning assets	(1,959,701)			(1,825,363)		

Total liabilities, minority interest, and stockholders equity	$	3,894,561				$	4,015,661				
Net interest income and margin			$	48,837	5.7%			$	50,060	5.6%	
Total deposits	$	3,159,694				$	3,209,134				

(1) Includes average interest-bearing deposits in other financial institutions of $1,311 and $2,463 for the three months ended March 31, 2003 and 2002, respectively.

(2) Interest income on non-taxable investments is presented on a fully taxable-equivalent basis using the federal statutory rate of 35% in 2003 and 2002. The tax equivalent adjustments were $859 and $1,058 for the three months ended March 31, 2003 and 2002, respectively.

(3) The 8.25% annual distribution to SVB Capital I, which is a special-purpose trust formed for the purpose of issuing the trust preferred securities, is recorded as a component of noninterest expense.

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Net interest income is affected by changes in the amount and mix of interest-earnings assets and interest-bearing liabilities, referred to as volume change. Net interest income is also affected by changes in yields earned on interest-earning assets and rates paid on interest-bearing liabilities, referred to as rate change. The following table sets forth changes in interest income and interest expense for each major category of interest-earning assets and interest-bearing liabilities. The table also reflects the amount of simultaneous change attributable to both volumes and rates for the periods indicated. For this table, changes that are not solely due to either volume or rate are allocated in proportion to the percentage changes in average volume and average rate. Changes relating to investments in non-taxable municipal securities are presented on a fully taxable-equivalent basis using the federal statutory rate of 35% in 2003 and 2002.

	2003 Compared to 2002 Three Months Ended March 31, (Decrease) Increase Due to Change in		
(Dollars in thousands)	**Volume**	**Rate**	**Total**
Interest income:			
Federal funds sold and securities purchased under agreement to resell	$ 657	$ (72)	$ 585
Investment securities	(4,713)	672	(4,041)
Loans	3,950	(4,439)	(489)
Decrease in interest income	(106)	(3,839)	(3,945)
Interest expense:			
NOW deposits	(33)	(26)	(59)
Regular money market deposits	(77)	(301)	(378)
Bonus money market deposits	(76)	(597)	(673)
Time deposits	(360)	(977)	(1,337)
Short-term borrowings	(250)	44	(206)
Long-term debt	(67)	(2)	(69)
Decrease in interest expense	(863)	(1,859)	(2,722)
Increase (decrease) in net interest income	$ 757	$ (1,980)	$ (1,223)

Net interest income, on a fully taxable-equivalent basis, totaled $48.8 million for the first quarter of 2003, a decrease of $1.2 million, or 2.4%, from the $50.1 million total for the first quarter of 2002. The decrease in net interest income for the first quarter of 2003 was due to a $3.9 million, or 7.1%, decrease in interest income, offset by a $2.7 million, or 50.6%, decrease in interest expense over the first quarter of 2002.

We have implemented numerous measures to minimize the impact of the decline in market interest rates. These measures included diversifying the product mix in the investment portfolio to higher-yielding, high-quality assets, reducing rates paid on interest-bearing deposits, and embedding minimum interest rate floors into client loan agreements. We also increased the average expected life of investments in our portfolio by replacing some assets from lower-yielding short-term securities to higher-yielding longer-term securities, thereby taking advantage of the steeper interest rate curve. Overall, the expected average life of portfolio investments was approximately 1.7 years at March 31, 2003.

The $3.9 million decrease in interest income for the first quarter of 2003, as compared to the first quarter of 2002, was primarily the result of a $3.8 million unfavorable rate variance.

Average loans increased $182.5 million, or 10.9%, in the 2003 first quarter as compared to the 2002 first quarter, resulting in a $4.0 million favorable volume variance. We grew our total average loan portfolio to a record level for the fourth consecutive quarter, in part by refocusing on attracting middle-market and mature technology and life sciences clients, which we believe are currently under-served by competitors exiting these industry sectors. We experienced loan growth across most of the industry sectors we served. Nevertheless, new loans continue to be subject to our sound underwriting practices. We expect loan growth to continue in the latter half of 2003, although at a slower pace than we experienced in 2002. We expect further growth in our loan balances to bolster our net interest margin since it will shift lower yielding short-term, highly-liquid interest-earning assets, to loans with yields ranging from approximately 4.2% to 9.0%.

Average investment securities for the first quarter of 2003 decreased $488.4 million, or 26.2%, as compared to the 2002 first quarter, resulting in a $4.7 million unfavorable volume variance. The decrease in average investment securities was primarily centered in U.S. agency securities, obligations of states and political subdivisions, and money market mutual funds, which collectively decreased $700.1 million. These decreases were partially offset by a $300.4 million increase in mortgage-backed securities. The decrease in average investment securities resulted from a shift in interest-earning assets to loans and federal funds sold. Additionally, we repurchased approximately 7.5 million shares of common stock for approximately $142.3 million from the second quarter of 2002 through the first quarter of 2003, thus reducing our investable funds.

Average federal funds sold and securities purchased under agreement to resell in the first quarter of 2003 increased $192.7 million, or 345.9%, from the first quarter of 2002, resulting in a $0.7 million favorable volume variance. We shifted funds from money market mutual funds to federal funds sold and securities purchased under agreement to resell, which provided comparatively higher yields in the 2003 first quarter.

Unfavorable rate variances associated with federal funds sold and securities purchased under agreement to resell and loans caused a $4.5 million decline in our interest income for the first quarter of 2003 as compared to the first quarter of 2002. Short-term market interest rates decreased 50 basis points in November 2002. Thus, we earned lower yields in the first quarter of 2003 on federal funds sold and securities purchased under agreements to resell.

In the first quarter of 2003, we incurred a $4.4 million unfavorable rate variance associated with our loan portfolio. The average yield on loans in first quarter 2003 decreased 100 basis points to 8.3% from 9.3% in the prior year first quarter. This was primarily due to two related factors. First, the lower average prime rate reduced yields on floating rate loans, which represent approximately 81% of our total loan portfolio. The weighted-average prime rate declined 50 basis points from 4.8% in the first quarter of 2002 to 4.3% in the first quarter of 2003. Second, our fixed-rate loans are priced by reference to U.S. Treasury securities. During 2002, the treasury yield curve moved lower and flattened. Thus, we earned lower yields in new, renewed, and refinanced fixed rate loans. Active management of the investment portfolio assets resulted in a higher yield in investment securities primarily due to a shift in investments to mortgage-backed securities. Many elements of our interest-earning assets are extremely interest rate sensitive, thus we expect that any increase in interest rates will be incremental to our earnings.

The yield on average interest-earning assets decreased 30 basis points in the first quarter of 2003 from the first quarter of 2002. This decrease primarily resulted from a decline in market interest rates.

Total interest expense in the 2003 first quarter decreased $2.7 million from the first quarter of 2002. This decrease was due to a favorable volume variance of $0.9 million combined with a favorable rate variance of $1.9 million. The favorable rate variance primarily resulted from a reduction in the average rate paid on our time deposit product, from 1.4% in the first quarter 2002 to 0.8% in the first quarter of 2003.

The average cost of funds paid in the first quarter of 2003 was 0.3%, down from 0.6% paid in the first quarter of 2002. The decrease in the average cost of funds was largely due to a decrease of 60 basis points in the average rate paid on our time deposit product.

Provision For Loan Losses

The provision for loan losses is based on our evaluation of the adequacy of the existing allowance for loan losses in relation to total loans, and on our periodic assessment of the inherent and identified risk dynamics of the loan portfolio resulting from reviews of selected individual loans and loan commitments.

Our provision for loan losses totaled $3.4 million for the first quarter of 2003, relatively unchanged from the first quarter of 2002. We incurred net charge-off of $3.9 million in the first quarter of 2003, as compared to $4.4 million in the first quarter of 2002. See Financial Condition - Credit Quality and the Allowance for Loan Losses for additional related discussion.

Noninterest Income

The following table summarizes the components of noninterest income for the three months ended March 31, 2003 and 2002:

(Dollars in thousands)	For the Three Months Ended March 31, 2003	2002
Client investment fees	$ 6,332	$ 8,638
Corporate finance fees	4,144	2,962
Letter of credit and foreign exchange income	3,503	3,777
Deposit service charges	2,876	2,236
Disposition of client warrants	1,962	126
Investment losses	(4,705)	(2,597)
Other	3,334	1,759
Total noninterest income	$ 17,446	$ 16,901

Noninterest income increased $0.5 million to a total of $17.4 million in the first quarter of 2003, as compared to $16.9 million in the first quarter of 2002. This increase was primarily due to an increase of $1.8 million in the disposition of client warrants and a $1.2 million increase in corporate finance fees, partially offset by a decrease of $2.3 million in client investment fees. Client investment fees totaled $6.3 million for the three months ended March 31, 2003, a decrease of $2.3 million, or 26.7%, from $8.6 million in the first quarter of 2002. We offer private label investment and sweep products to clients on which we earn fees ranging from 14 to 95 basis points on the average balance of these products. At March 31, 2003, $8.1 billion in client funds were invested in private label investments and sweep products, including $6.2 billion in the mutual fund products compared to $8.9 billion and $7.1 billion for the first quarter of 2002, respectively. The decrease in client investment fees was due to a shift of client funds from more profitable products to less profitable ones combined with a decline in our clients balances.

In the third quarter of 2002, we completed a short-term initiative of transferring the private label investment operations from Silicon Valley Bank into a wholly-owned registered, broker-dealer subsidiary of Silicon Valley Bank. In the first quarter of 2003, we formed a registered investment advisor unit to attract larger private-label client investment balances. These actions will allow us to provide a more expansive and competitive array of investment products and service to our clients. While the fees earned per dollar managed has been reduced, we expect to make up for the lower fees though greater volume. We expect average client investment balances in the second quarter of 2003 to be slightly below the first quarter of 2003. However, as we continue to re-align our sales effort, we expect private-label client investment balances to increase later this year.

Corporate finance fees generated by Alliant, our mergers and acquisitions subsidiary, totaled $4.1 million in the first quarter of 2003, an increase of $1.2 million, or 39.9%, from the $3.0 million earned in the 2002 first quarter. The increased pace of merger and acquisition deal closings caused first quarter revenues to be the second highest since we acquired Alliant. Due to the nature of the mergers and acquisitions industry, we expect Alliant revenues to continue to be volatile, but to exhibit a general upward trend over the long run.

Letter of credit fees, foreign exchange fees, and other trade finance income totaled $3.5 million in the first quarter of 2003, a decrease of $0.3 million, or 7.3%, from the $3.8 million earned in the first quarter of 2002. The decrease in the first quarter of 2003 as compared to the 2002 first quarter was primarily due to lower volume of client exchange transactions, which resulted from the impact of recent global political events.

Deposit service charges totaled $2.9 million for the first quarter of 2003, an increase of $0.6 million, or 28.6% from the first quarter of 2002. As we have expanded and enhanced our suite of fee-based financial (depository) services and client usage has increased, overall service fees have increased quarter over quarter. Additionally, clients compensate us for depository services, either through earnings credits computed on their demand deposit balances, or via explicit payments we recognized as deposit service charges income. Earnings credits are calculated using client average daily deposit balances, less a reserve requirement and a discounted U.S. Treasury bill interest rate. Clients received lower earnings credits in the first quarter of 2003 as compared with the first quarter of 2002 due to lower average client deposit balances and lower market interest rates. As such, our clients had fewer credits to offset explicit deposit service charges. Thus, we earned higher explicit deposit service charges in the three months ended March 31, 2003, as compared to the three months ended March 31, 2002.

Income from disposition of client warrants totaled $2.0 million in the first quarter of 2003, an increase of $1.8 million, or 1,457.1%, from the $0.1 million in the first quarter of 2002. We have historically obtained rights to acquire stock, in the form of warrants, in certain clients, primarily as part of negotiated credit facilities. The receipt of warrants does not change the loan pricing, covenants or other collateral control techniques we employ to mitigate the risk of a loan becoming nonperforming. The collateral requirements on loans with warrants are similar to lending arrangements where warrants are not obtained. The timing and amount of income from the disposition of client warrants typically depends upon factors beyond our control, including the general condition of the public equity markets as well as the merger and acquisition environment. We therefore cannot predict the timing and amount of warrant related income with any degree of accuracy and it is likely to vary materially from period to period.

Investment losses totaled $4.7 million in the first quarter of 2003, an increase of $2.1 million, or 81.2%, as compared to the first quarter of 2002. This increase was primarily related to the write-down of certain venture capital fund and direct equity investments. Excluding the impact of minority interest, the net write-downs of our equity securities totaled $1.7 million in the first quarter of 2003 compared to $1.3 million in the first quarter of 2002. The increase in investment losses primarily related to our share of losses recorded by venture capital funds in which we invested either directly or through our managed funds. During the first quarter of 2003, venture capital funds recorded write-downs in connection with year-end procedures and we recorded our share of those write-downs. We expect future equity write-downs to be of a smaller magnitude than those we experienced in the 2003 first quarter.

Other noninterest income largely consists of service-based fee income, which increased $1.6 million, or 89.5%, to $3.3 million in the first quarter of 2003 from $1.8 million in the first quarter of 2002. The increase in other noninterest income was primarily due to an increase in merchant and corporate card fees.

Noninterest Expense

Noninterest expense in the first quarter of 2003 totaled $50.1 million, a $6.8 million, or 15.7%, increase from the $43.3 million incurred in the 2002 first quarter. The following table presents the detail of noninterest expense:

(Dollars in thousands)	Three Months Ended March 31, 2003	2002
Compensation and benefits	$ 31,432	$ 24,928
Net occupancy	4,402	4,518
Professional services	3,439	3,036
Furniture and equipment	2,194	2,096
Business development and travel	1,616	2,123
Correspondent bank fees	1,040	707
Telephone	778	901
Tax credit funds amortization	715	449
Postage and supplies	584	783
Trust preferred securities distributions	281	825
Other	3,627	2,952
Total noninterest expense	$ 50,108	$ 43,318

Compensation and benefits expenses totaled $31.4 million in the first quarter of 2003, a $6.5 million, or 26.1%, increase from the $24.9 million incurred in the first quarter of 2002. Compensation and benefits expenses increased in the first quarter of 2003 over the 2002 first quarter due to the following factors: incentive compensation accruals increased by $3.9 million, salaries increased by $2.2 million primarily due to severance related costs, and average full-time equivalent (FTE) personnel we employed increased. FTE personnel was 985 at March 31, 2003, compared with 979 at March 31, 2002. We are continuing with a strategic alignment of our business activities to control the number of FTE personnel we employ.

Professional services expenses, which consist of costs associated with corporate legal services, litigation settlements, accounting and auditing services, consulting, and our board of directors, totaled $3.4 million in the first quarter of 2003, a $0.4 million, or 13.3% increase from the $3.0 million incurred in the first quarter of 2002. The increase was due to a variety of professional services, and was not largely attributable to any particular business initiative.

Business development and travel expenses totaled $1.6 million in the first quarter of 2003, a decrease of $0.5 million, or 23.9%, compared to $2.1 million in the first quarter of 2002. These decreases in business development and travel expenses were largely attributable to our efforts to control noninterest expense.

Correspondent bank fees totaled $1.0 million in the first quarter of 2003, an increase of $0.3 million, or 47.1%, compared to $0.7 million in the first quarter of 2002. Many of our correspondent banks provide earnings credits to offset the bank fees we incur when using their services. Earnings credits are generally calculated using average daily deposit balances, less a reserve requirement and a short-term market interest rate. We received lower earnings credits in the first quarter of 2003 as compared with the first quarter of 2002, due to lower market interest rates and our maintaining lower average balances with our correspondent banks. As a result, we had fewer earnings credits to offset bank fees we incurred. Thus, we incurred higher recognizable bank fees in the first quarter of 2003 as compared with the first quarter of 2002. Our management made the decision to lower the average balances with correspondent banks because our investment alternatives yielded a higher return than our earning credit rate.

Trust preferred securities distributions totaled $0.3 million for the three months ended March 31, 2003, a decrease of $0.5 million, or 65.9%, compared to $0.8 million in the comparable 2002 period. The trust preferred securities, with an aggregate par value of $40.0 million, pay a fixed rate quarterly distribution of 8.25% and have a maximum maturity of 30 years. On June 3, 2002, we entered into a derivative agreement with a notional amount of $40.0 million. The agreement hedges against the risk of changes in fair value associated with our $40.0 million, fixed rate, Trust Preferred Securities. The terms of the agreement provide for quarterly receipt of 8.25% fixed-rate and payment of London Inter-Bank Offer Rate (LIBOR) plus a spread, based on the $40.0 million notional amount. The derivative agreement provided a $0.5 million decrease in trust preferred security distribution expense for the three months ended March 31, 2003. The counterparty to the derivative agreement has the option to cancel the agreement in June 2003. Should the derivative agreement be cancelled, we will evaluate whether additional hedging is warranted. There is no assurance that a similar hedging opportunity will become available at that time.

Tax credit fund amortization expense totaled $0.7 million in the first quarter of 2003, an increase of $0.3 million or 59.2%, compared with $0.4 million in the first quarter of 2002. This increase was due to an increase in tax credit fund investments made by us between the 2002 first quarter and the 2003 first quarter.

Other noninterest expense totaled $3.4 million for the three months ended March 31, 2003, an increase of $0.4 million, or 14.1%, compared to $3.0 million for the respective 2002 period. The difference in other noninterest expense between the first quarter of 2003 as compared with the first quarter of 2002 was primarily due to a $0.6 million increase in non-recurring miscellaneous expenses.

Minority Interest

Minority interest primarily relating to our managed funds, SVB Strategic Investors Fund, L.P. and Silicon Valley BancVentures, L.P. totaled $3.5 million for the three months ended March 31, 2003, an increase of $1.6 million or 89.1%, compared to $1.8 million for the three months ended March 31, 2002. Investment losses related to these managed funds are included in noninterest income. Minority interest primarily represents investment losses attributable to the minority interest holders in these managed funds.

Income Taxes

Our effective tax rate was 32.4% for the three months ended March 31, 2003, compared with 36.4% for the three months ended March 31, 2002, respectively. The change in rate was primarily due to an increase in items giving rise to permanent tax benefits. In August 2002, we implemented a real estate investment trust (REIT), which provided $0.5 million in tax benefits during the first quarter of 2003.

Operating Segment Results

Commercial banking income before income tax expense decreased $4.9 million to a total of $13.3 million in the first quarter of 2003, compared to $18.3 million in the first quarter of 2002.

This decrease was primarily attributable to a decline in net interest income of $0.8 million and a decline in noninterest income of $1.3 million, and an increase of $3.3 million in noninterest expense. The same factors that impacted consolidated net interest income and noninterest expense had similar effects on the commercial bank. The provision for loan losses decreased by $0.5 million. Unlike accounting principles generally accepted in the United States of America, our segment reporting includes actual net charge-offs in favor of provision expense in determining the commercial bank s financial performance. The decrease in provision for loan losses of $0.5 million is representative of lower net charge-offs in the first quarter of 2003 compared to the 2002 first quarter. Noninterest income decreased primarily from a decline in client investment fees. Contributing factors included a decrease of approximately $800 million in private label client investment and sweep product balances under management and a continued migration of the client investment mix towards less profitable products.

Merchant banking pretax income increased by $1.0 million to $1.1 million in the 2003 first quarter, from $0.1 million in the 2002 first quarter. Merchant banking net interest income was affected by the same factors that impacted consolidated results. However, a $35.0 million, or 64%, increase in average merchant banking loan balances between the 2003 first quarter and 2002 first quarter more than offset the adverse market interest rate environment. The combination of these factors resulted in a $0.6 million, or 21%, increase in net interest income. Noninterest income increased $1.4 million from $0.1 million in the 2002 first quarter to $1.5 million in the first quarter of 2003. Compared to the 2002 first quarter, an increased of $1.8 million in warrant income was partially offset by an increase of $0.5 million in net securities losses. Noninterest expense increased between the first quarter of 2002 and the first quarter of 2003, consistent with the consolidated entity.

The Other column includes the remaining segments, Investment Banking, Private Banking, Other Business Services and includes all other activities not allocated to clients. Our segment reporting is based on client data and is under continuous refinement. As a result this column will be subject to large variations from period to period as our management reporting process evolves. The $0.8 million decrease in net interest income and $2.5 million increase in noninterest expense are consistent with the factors and influences on the consolidated entity as discussed in the earnings summary. The $0.4 million increase in noninterest income is primarily attributable to fees generated by Woodside Asset Management not present in the first quarter of 2002; and an increase of $1.2 million in fee income from Alliant Partners.

Financial Condition

Our total assets were $4.0 billion at March 31, 2003, a decrease of $195.1 million, or 4.7%, compared to $4.2 billion at December 31, 2002. We experienced a shift in the composition of our assets as reflected by a decrease in cash and due from banks of $94.1 million and a decrease in investment securities of $244.1 million. The aforementioned decreases were partially offset by a $150.5 million increase in federal funds sold and securities purchased under agreement to resell.

Federal Funds Sold and Securities Purchased Under Agreement to Resell

Federal funds sold and securities purchased under agreement to resell totaled $353.2 million at March 31, 2003, an increase of $150.5 million, or 74.3%, compared to the $202.7 million outstanding at December 31, 2002. In the first quarter of 2003, yields on federal funds sold and securities purchased under agreement to resell became more attractive than yields on money market mutual funds. Therefore, we shifted funds from money market mutual funds, which were included in our investment securities portfolio, to federal funds sold and securities purchased under agreement to resell in the 2003 first quarter.

Investment Securities

Investment securities totaled $1.3 billion at March 31, 2003, a decrease of $244.1 million, or 15.9%, from December 31, 2002. The decrease was due to the aforementioned decline in money market mutual funds of $278.6 million and a decline in obligations of state and political subdivisions of $50.0 million. These declines were partially offset by increases in mortgage-backed securities of $52.3 million and commercial paper of $44.2 million.

Based on March 31, 2003 market valuations, we had potential pre-tax warrant gains totaling $0.1 million related to 10 companies. We are restricted from exercising many of these warrants until later in 2003. As of March 31, 2003, we held 1,859 warrants in 1,379 companies, and had made investments in 244 venture capital funds, and direct equity investments in 22 companies, many of which are private. Additionally, we have made investments in 20 venture capital funds through our fund of funds, SVB Strategic Investors Fund, L.P., and made direct equity investments in 25 companies through our venture capital fund, Silicon Valley BancVentures, L.P. See Part 1. Financial Information Item 2. Management s Discussion and Analysis of Financial Condition and Results of Operations Critical Accounting Policies. Additionally, we are typically contractually precluded from taking steps to secure the current unrealized gains associated with many of these equity instruments. Hence, the amount of income we realize 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.

Loans

Loans, net of unearned income, at March 31, 2003, totaled $2.1 billion, relatively unchanged from the balance at December 31, 2002. We continue to increase the number of client lending relationships in most of our technology, life science, and wine practices. New loans continue to be subject to our sound underwriting practices.

Credit Quality and the Allowance for Loan Losses

For a description of the accounting policies related to the allowance for loan losses, see Part 1. Financial Information Item 2. Management s Discussion and Analysis of Financial Condition and Results of Operations Critical Accounting Policies.

The allowance for loan losses totaled $70.0 million at March 31, 2003, a decrease of $0.5 million, or 0.7% compared to $70.5 million at December 31, 2002.

We incurred $8.7 million in gross loan charge-offs during the first quarter of 2003. We realized $4.8 million in gross loan loss recoveries during the first quarter of 2003. Gross loan charge-offs for the 2003 first quarter included four commercial credits totaling $5.7 million from our software, life science, and wine practices. Our loan loss recoveries in the 2003 first quarter primarily related to five loans totaling $4.2 million.

Nonperforming assets consist of well-secured loans that are past due 90 days or more but are still accruing interest and loans on nonaccrual status. The table below sets forth certain relationships between nonperforming assets and the allowance for loan losses:

(Dollars in thousands)		**March 31, 2003**		**December 31, 2002**
Nonperforming assets:				
Nonaccrual loans	$	19,124	$	20,411
Total nonperforming assets	$	19,124	$	20,411
Nonperforming loans as a percentage of total gross loans		0.9%		1.0%
Nonperforming assets as a percentage of total assets		0.5%		0.5%
Allowance for loan losses:	$	70,000	$	70,500
As a percentage of total gross loans		3.4%		3.4%
As a percentage of nonaccrual loans		366.0%		345.4%
As a percentage of nonperforming loans		366.0%		345.4%

Nonperforming loans totaled $19.1 million, or 0.9% of total gross loans, at March 31, 2003, a decrease of $1.3 million, or 6.3%, from the December 31, 2002 total of $20.4 million, or 1.0% of total gross loans. The decrease in non-performing loans reflects our strong credit quality at March 31, 2003.

In addition to the loans disclosed in the foregoing analysis, we have identified three loans totaling $16.4 million, that, on the basis of information known to us, were judged to have a higher than normal risk of becoming nonperforming. We are not aware of any other loans where known information about possible problems of the borrower casts serious doubts about the ability of the borrower to comply with the loan repayment terms.

Deposits

Total deposits were $3.3 billion at March 31, 2003, a decrease of $185.0 million, or 5.4%, from $3.4 billion at December 31, 2002. A significant portion of the decrease in deposits during the first three months of 2003 was concentrated in our noninterest-bearing demand deposits and money market deposits, which decreased $122.2 million and $41.1 million, respectively. This overall decrease was explained by a slowdown in the capital markets and venture capital fundings which has reduced our clients liquidity levels.

Stock Option Program

Our stock option program is a broad-based, long-term retention program that is intended to attract and retain talented employees and align stockholder and employee interests. We consider our option program critical to our operations and productivity. Our 1997 Equity Incentive Plan provides for the granting of incentive stock options to employees and nonstatutory stock options, stock appreciation rights, restricted stock purchase awards and stock bonuses (collectively stock awards) to employees, directors and consultants. These grants entitle qualified parties to purchase shares of our common stock, through incentive stock options at a price not less than

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100% and nonstatutory stock options at a price not less than 85%, in lieu of compensation, of the fair market value of the common stock on the date the option is granted. Options may vest over various periods not in excess of five years from the date of grant and expire five to ten years from the date of grant.

Decisions regarding compensation of our executive officers, including those related to stock and stock options, are considered by our full board of directors, based upon the recommendations and analysis performed by the Compensation Committee, currently composed of members from our board of directors. All members of the Compensation Committee are independent directors, as defined in the applicable rules for issuers traded on the Nasdaq Stock Market. See the Report of the Compensation and Benefits Subcommittee of the Executive Committee of the Board on Executive Compensation included in our proxy statement dated March 5, 2003, for further information concerning our policies and procedures regarding the use of stock options.

The following table describes the employee and executive option grants.

	Three months ended March 31, 2003	**Years Ended December 31, 2002**
Net (forfeitures) grants during the period as a % of outstanding shares	(0.4)%	2.8%
Grants to listed officers* during the period as a % of total options granted	0%	9.3%
Grants to listed officers* during the period as % of outstanding shares	0%	0.5%
Cumulative outstanding options held by listed officers* as % of total options outstanding	10.1%	9.8%

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* See section Executive Options for listed officers, who are the five highest compensated members of our executive management team, as identified in the company s proxy statement filed with the Securities & Exchange Commission on March 5, 2003.

During the first three months of 2003, 100% of the options we granted went to employees other than the top five officers. During the first three months of 2003, we granted 89,900 options, 61,898 options were exercised and 193,305 options were forfeited resulting in a net decrease of 165,303 in the number of options outstanding. The net decrease in options after exercises and forfeitures represented 0.4% of our total outstanding shares of 38,874,487 as of March 31, 2003.

For the first three months of this year, no options were granted to the five most highly compensated executive officers, 100% of the grants made were to employees. Options granted to these executive officers will vary from quarter to quarter.

The following table is a summary of option activity as of March 31, 2003.

	Options Outstanding	
	Number of Shares	**Average Exercise Price**

Outstanding at December 31, 2002	6,234,638	$	22.63
Granted	89,900		17.76
Exercised	(61,898)		8.94
Forfeited	(193,305)		27.16
Expired			
Outstanding at March 31, 2003	6,069,335	$	22.40

The following table is a summary of options available for future grant as of March 31, 2003.

	Shares Available For Grant		Average Price
Available at December 31, 2002	1,035,725		
Options and Awards Granted	(201,149)	$	17.38
Options Exercised	61,898		8.94
Options and Awards Forfeited	196,389	$	26.81
Options and Awards Expired			
Additional shares reserved			
Available at March 31, 2003	1,030,965		

The following table describes the in-the-money and out-of-the-money option information as of March 31, 2003.

	Exercisable		Unexercisable		Total	
(Shares in millions)	**Shares**	**Average Exercise Price**	**Shares**	**Average Exercise Price**	**Shares**	**Average Exercise Price**
In-the-Money	1,369,250	$ 10.91	721,209	$ 16.68	2,090,459	$ 12.90
Out-of-the-Money (1)	1,147,896	27.81	2,830,980	27.23	3,978,876	27.40
Total Options Outstanding	2,517,146	18.62	3,552,189	25.08	6,069,335	22.40

(1) Out of money options are those options with an exercise price equal to or above the closing price of $18.19 on March 31, 2003.

For additional information about our stock option plan for years 2000 through 2002, and the pro-forma earnings presentation as if we had expensed our stock options grants using the fair value method of accounting, please refer to our 2002 Annual Report to Stockholders on Form 10-K filed March 5, 2003 and Part 1. Financial Information Item 1. Notes to the interim Consolidated Financial Statements Note 1 to the Consolidated Financial Statements Summary of Significant Accounting Policies of this Form 10-Q.

<u>Market Information</u>

The following table shows the high and low sales prices for our common stock for each quarterly period during the last two years, based on the daily closing price as reported by the Nasdaq National Market.

	2003		2002	
Quarter	**Low**	**High**	**Low**	**High**
First	$ 15.75	$ 19.07	$ 21.17	$ 31.25

Executive Options:

The following table describes the options exercised during the first three months of 2003, and the remaining holdings of listed officers as of March 31, 2003.

			Number of Securities Underlying Unexercised Options at End of Quarter Date		Values of Unexercised In-the-Money Option at End of Quarter Date (1)	
Name	**Shares Acquired on Exercise**	**Value Realized**	**Exercisable**	**Unexercisable**	**Exercisable**	**Unexercisable**
Lauren Friedman			10,000	52,500		$ 11,200
Harry W. Kellogg, Jr.			106,250	66,250	$ 873,960	$ 16,800
James L. Kochman						
Marc J. Verissimo			53,825	59,375	$ 272,682	$ 16,800
Kenneth P. Wilcox			132,500	132,500	$ 1,072,760	$ 33,600

(1) The dollar value of options does not represent actual realizable value to the optionee, but was computed by multiplying the number of shares by the closing market price of our common stock at March 31, 2003, less the number of shares times the closing market price of our common stock on the date grants were approved by our Board of Directors. Market prices used were those quoted in the National Association of Securities Dealers Automated Quotation/National Market.

Equity Compensation Plan Information:

Plan category	**Number of securities to be issued upon exercise of outstanding options**	**Average exercise price of outstanding options**	**Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column two)**
Equity compensation plans approved by shareholders	6,069,335	$ 22.40	1,030,965
Equity compensation plans not approved by shareholders	n/a	n/a	n/a
TOTAL	6,069,335		1,030,965

Capital Resources

Our management seeks to maintain adequate capital to support anticipated asset growth and credit risks, and to ensure that Silicon and Silicon Valley Bank are in compliance with all regulatory capital guidelines. Our primary sources of new capital include the issuance of trust preferred securities and common stock, as well as retained earnings.

We repurchased 1.9 million shares of common stock totaling $32.5 million during the first quarter of 2003, in conjunction with the $100.0 million share repurchase program authorized by the Board of Directors on September 16, 2002.

We repurchased 3.3 million shares of common stock, at an average price of $18.21 per share, for a total purchase price of $59.7 million during 2002, in conjunction with the $100.0 million share repurchase program authorized by the Board of Directors on September 16, 2002. A large portion of the aforementioned common stock repurchases occurred on November 2002, when we entered into an accelerated stock repurchase (ASR) agreement. Pursuant to the agreement, we purchased approximately 2.3 million shares from the counterparty for approximately $40.0 million. In January 2003, we entered into a second ASR agreement for 1.7 million shares of common stock for $29.9 million. The terms of this ASR arrangement are substantially the same as those in the first ASR agreement entered into in November 2002 with the exception of the size. As of March 31, 2003, the Company completed all obligations under both ASRs. See Item 8. Consolidated Financial Statements and Supplementary Data Note 15 to the Consolidated Financial Statements Common Stock Repurchases for terms of the ASR agreement.

Additionally, during 2002, prior to the ASR agreement, we also repurchased 2.3 million shares of common stock, at an average price of $21.83 per share, for a total purchase price of $50.2 million in conjunction with the $50.0 million shares repurchase program authorized by the Board of Directors on March 21, 2002.

During 2002, we implemented a real estate investment trust (REIT) to serve as a future-funding vehicle. We expect to be able to raise capital through the REIT at a lower cost of funds than funds raised directly through Silicon Valley Bank. Additionally, we expect to obtain a tax benefit from the REIT structure for several quarters.

Stockholders equity totaled $566.1 million at March 31, 2003, a decrease of $24.2 million, or 4.1%, from the $590.4 million balance at December 31, 2002. This decrease was primarily due to the net decline of our additional paid-in capital of $30.3 million related to the aforementioned stock repurchases, offset by net income of $10.4 million. We have not paid a cash dividend on our common stock since 1992, and we do not have any material commitments for capital expenditures as of March 31, 2003.

Funds generated through retained earnings are a significant source of capital and liquidity and are expected to continue to be so in the future. Our management engages in a periodic capital planning process in an effort to make effective use of the capital available to us. The capital plan considers capital needs for the foreseeable future and allocates capital to both existing business activities and expected future business activities. Expected future activities for which capital is set aside include potential product expansions and acquisitions of new business lines. Once capital is allocated to both existing and future business needs, management determines if any excess capital is available. If there is, management recommends to the board of directors action steps to use the excess capital. In 2002, excess capital was used to repurchase shares. In the future, excess capital may be used to continue repurchases or pay dividends. As of March 31, 2003, there are no plans for payment of dividends. Management expects to complete the $100.0 million repurchase program authorized in September 2002 in the second quarter of 2003. On April 17, 2003, our board of directors authorized a share repurchase program of up to $160.0 million. As of the filing date of this document, we have not purchased common stock under this program.

Both Silicon and Silicon Valley Bank are subject to capital adequacy guidelines issued by the Federal Reserve Board. Under these capital guidelines, the minimum total risk-based capital ratio and Tier 1 risk-based capital ratio requirements are 10.0% and 6.0%, respectively.

The Federal Reserve Board has also established minimum capital leverage ratio guidelines for state member banks. The ratio is determined using Tier 1 capital divided by quarterly average total assets. The guidelines require a minimum of 5.0% for a well capitalized depository institution.

Both Silicon Valley Bancshares and Silicon Valley Bank s capital ratios were in excess of regulatory guidelines for a well capitalized depository institution as of March 31, 2003, and December 31, 2002. Capital ratios for Silicon Valley Bancshares are set forth below:

	March 31, 2003	December 31, 2002
Silicon Valley Bancshares:		
Total risk-based capital ratio	15.2%	16.0%
Tier 1 risk-based capital ratio	13.9%	14.8%
Tier 1 leverage ratio	13.1%	13.9%

The decrease in our total risk-based capital ratio and the Tier 1 risk-based capital ratio from December 31, 2002 to March 31, 2003 was primarily attributable to a decrease in Tier 1 capital. This decrease was primarily due to the reduction of additional paid in capital, which resulted from our stock repurchase programs.

ITEM 3 QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Interest Rate Risk Management

A key objective of asset/liability management is to manage interest rate risk associated with changing asset and liability cash flows and market interest rate movements. Interest rate risk occurs when interest rate sensitive assets and liabilities do not re-price simultaneously both in timing and volume. Our asset/liability committee (ALCO) provides oversight to our interest rate risk management process and recommends policy guidelines regarding exposure to interest rates for approval by our board of directors. Adherence to these policies is monitored on an ongoing basis, and decisions related to the management of interest rate exposure are made when appropriate.

We manage interest rate risk principally through strategies involving our investment securities portfolio. Our policies permit the use of off-balance-sheet derivative instruments in managing interest rate risk.

Our monitoring activities related to managing interest rate risk include both interest rate sensitivity gap analysis and the use of a simulation model. While traditional gap analysis provides a simple picture of the interest rate risk embedded in the balance sheet, it provides only a static view of interest rate sensitivity at a specific point in time and does not measure the potential volatility in forecasted results relating to changes in market interest rates over time. Accordingly, we combine the use of gap analysis with use of a simulation model that provides a dynamic assessment of interest rate sensitivity. For further information see Item 7A. Quantitative and Qualitative Disclosures About Market Risk in our 2002 Annual Report on Form 10-K for disclosure of the quantitative and qualitative information regarding the interest rate risk inherent in interest rate risk sensitive instruments as of December 31, 2002.

Liquidity

Another important objective of asset/liability management is to manage liquidity. The objective of liquidity management is to ensure that funds are available in a timely manner to meet loan demand, to meet depositors needs, and to service other liabilities as they become due without causing an undue amount of cost or risk and without causing a disruption to normal operating conditions.

We regularly assess the amount and likelihood of projected funding requirements through a review of factors such as historical deposit volatility and funding patterns, present and forecasted market and economic conditions, individual client funding needs, and existing and planned business activities. Our ALCO provides oversight to the liquidity management process and recommends policy guidelines, subject, to board of directors approval, and courses of action to address our actual and projected liquidity needs.

The ability to attract a stable, low-cost base of deposits is our primary source of liquidity. We continue to expand on opportunities to increase our liquidity. We take steps to carefully manage our liquidity. In the third quarter of 2002, we became a member of the Federal Home Loan Bank of San Francisco, thereby adding to our liquidity channels. Other sources of liquidity available to us include federal funds purchased, reverse repurchase agreements, and other short-term borrowing arrangements. Our liquidity requirements can also be met through the use of our

portfolio of liquid assets. Our definition of liquid assets includes cash and cash equivalents in excess of the minimum levels necessary to carry out normal business operations, federal funds sold, securities purchased under resale agreements, investment securities maturing within six months, investment securities eligible and available for financing or pledging purposes with a maturity in excess of six months, and anticipated near-term cash flows from investments.

Our policy guidelines provide that liquid assets as a percentage of total deposits should not fall below 20.0%. At March 31, 2003, the Bank s ratio of liquid assets to total deposits was 44.5%. This ratio is well in excess of our minimum policy guidelines and was higher than the comparable ratio of 43.7% as of December 31, 2002. In addition to monitoring the level of liquid assets relative to total deposits, we also utilize other policy measures in liquidity management activities. As of March 31, 2003, we were in compliance with all of these policy measures.

On a stand-alone basis, Silicon s primary source of liquidity is dividends from Silicon Valley Bank. The ability of Silicon Valley Bank to pay dividends is subject to certain regulations descried in the Supervision and Regulation section of our Annual Report on Form 10-K for the year ended December 31, 2002.

ITEM 4   EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES

Based on an evaluation of our disclosure controls and procedures (as defined in Rules 13a-14(c) and 15-d-14(c) of the Securities Exchange Act of 1934, as amended) as of a date (the Evaluation Date) within 90 days prior to the filing date of this quarterly report, our chief executive officer and our chief financial officer have concluded that, as of the Evaluation Date, our controls and other procedures designed to ensure the timely recording, processing, summarizing and reporting of information required to be disclosed by us in our periodic reports were effective.

Subsequent to the Evaluation Date, there were no significant changes in our internal controls or, to our knowledge, in other factors that could significantly affect our disclosure controls and procedures subsequent to the Evaluation Date.

PART II - OTHER INFORMATION

ITEM 1 - LEGAL PROCEEDINGS

There were no legal proceedings requiring disclosure pursuant to this item pending at March 31, 2003, or at the date of this report.

ITEM 2 - CHANGES IN SECURITIES AND USE OF PROCEEDS

None.

ITEM 3 - DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4 - SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None.

ITEM 5 - OTHER INFORMATION

None.

ITEM 6 - EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits:

Exhibit No.	Description
3.1*	Certificate of Amendment to Certificate of Incorporation as filed with the Secretary of State of Delaware on May 18, 2001.
31.1	Certification of Chief Executive Officer of Silicon Valley Bancshares pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer of Silicon Valley Bancshares pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certifications of the Chief Executive Officer and Chief Financial Officer of Silicon Valley Bancshares pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act Of 2002.

* Previously filed.

(b) Reports on Form 8-K:

1. On January 27, 2003, Silicon Valley Bancshares filed a report on Form 8-K to announce that on January 16, 2003, it held a conference call relating to its earning release for the three months ended December 31, 2002.

2. On January 16, 2003, Silicon Valley Bancshares filed a report on Form 8-K to announce its financial results for the quarter ended December 31, 2002.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

SILICON VALLEY BANCSHARES

Date: September 25, 2003

/s/ Donal D. Delaney
Donal D. Delaney
Controller
(Principal Accounting Officer)

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* Previously filed