

SILICON VALLEY BANCSHARES

Form S-3

August 14, 2003

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As filed with the Securities and Exchange Commission on August 14, 2003  
Registration No. 333-

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# SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

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## FORM S-3

REGISTRATION STATEMENT

*Under*

*The Securities Act of 1933*

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## SILICON VALLEY BANCSHARES

(Exact name of registrant as specified in its charter)

**Delaware**

(State or other jurisdiction of  
incorporation or organization)

**91-1962278**

(I.R.S. Employer  
Identification Number)

**3003 Tasman Drive  
Santa Clara, California 95054-1191  
(408) 654-7400**

(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

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**Derek Witte, Esq.  
General Counsel and Secretary  
Silicon Valley Bancshares  
3003 Tasman Drive  
Santa Clara, California 95054-1191  
(408) 654-7400**

(Name, address, including zip code, and telephone number, including area code, of agent for service)

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*Copies to:*

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**Approximate date of commencement of proposed sale to the public:** As soon as practicable after the effective date of this Registration Statement.

If the only securities being registered on this Form are being offered pursuant to dividend or interest reinvestment plans, please check the following box. ☐

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, other than securities offered only in connection with dividend or interest reinvestment plans, check the following box. ☐

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If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box. o

### CALCULATION OF REGISTRATION FEE

Title of Securities to be Registered	Amount to be Registered(1)	Proposed Maximum Offering Price Per Share(2)	Proposed Maximum Aggregate Offering Price	Amount of Registration Fee
Zero Coupon Convertible Subordinated Notes due June 15, 2008	\$150,000,000	89.06%	\$133,590,000	\$10,808
Common Stock, \$0.001 par value, and the associated preferred stock purchase rights	(3)	(3)	(3)	(4)

- (1) The Zero Coupon Convertible Subordinated Notes due June 15, 2008 (the "Notes") were issued at an original price of \$1,000 per \$1,000 principle amount at maturity, which represents an aggregate initial issue price and an aggregate principal amount at maturity of \$150,000,000.
- (2) Estimated solely for the purpose of calculating the registration fee, based on the average of the bid and ask prices for the registrant's Notes on August 11, 2003 in accordance with Rule 457(c) under the Securities Act of 1933, as amended.
- (3) Such indeterminate number of shares of common stock, and associated preferred stock purchase rights, as may be issued from time to time upon conversion of the notes registered hereby. Also includes, pursuant to Rule 416 under the Securities Act, such number of shares of common stock registered hereby an indeterminate number of shares of common stock that may be issued in connection with a stock split, stock dividend, recapitalization or similar event.
- (4) Pursuant to Rule 457(i) under the Securities Act, there is no additional filing fee with respect to the shares of common stock issuable upon conversion of the notes because no additional consideration will be received in connection with the exercise of the conversion privilege.

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the registration statement shall become effective on such date as the Commission acting pursuant to said Section 8(a) may determine.

**The information in this prospectus is not complete and may be changed. These securities may not be sold until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.**

**SUBJECT TO COMPLETION, DATED AUGUST 14, 2003**

**\$150,000,000**

## **Zero Coupon Convertible Subordinated Notes due June 15, 2008 and the Common Stock Issuable Upon Conversion of the Notes**

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We issued the notes in a private placement in May 2003. This prospectus will be used by selling securityholders to resell their notes and the common stock issuable upon conversion of their notes. We will not receive any proceeds from this offering.

The notes will mature on June 15, 2008. We may not redeem the notes prior to their maturity.

The notes are convertible at any time on or before the maturity date into shares of our common stock at an initial conversion price of \$33.6277 per share if (1) the price of our common stock issuable upon conversion of a note reaches a specified threshold, (2) specified corporate transactions occur or (3) the trading price for the notes falls below certain thresholds. The conversion price will be subject to adjustment for specified events. The conversion price is equivalent to a conversion rate of approximately 29.7374 shares per \$1,000 principal amount of notes. Our common stock is quoted on The Nasdaq National Market under the symbol "SIVB." The closing sale price of our common stock on August 13, 2003 was \$23.30 per share.

The notes are subordinated to our existing and future senior indebtedness and effectively subordinated to all indebtedness and all liabilities of our subsidiaries. Payment of principal of the notes may be accelerated only in the case of certain events of our bankruptcy or reorganization. There is no right of acceleration in the case of our default in the performance of any agreement or covenant.

The interest rate on the notes is zero. The notes do not accrete interest.

**The notes are not savings accounts, deposits or other obligations of any bank or nonbank subsidiary and are not insured by The Federal Deposit Insurance Corporation, or other government entity.**

**The securities offered hereby involve risks. See "Risk Factors" on page 6.**

Neither the Securities Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The date of this prospectus is \_\_\_\_\_, 2003.

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**You should rely only on the information contained or incorporated by reference in this prospectus. We have not authorized anyone to provide you with information that is different. This prospectus may only be used where it is legal to sell these securities. The**

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information in this prospectus may only be accurate on the date of this prospectus.

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### WHERE YOU CAN FIND MORE INFORMATION

We file annual, quarterly and current reports, proxy statements and other information with the SEC under the Securities Exchange Act of 1934, as amended (the "Exchange Act"). You may read and copy this information at the SEC's Public Reference Room, 450 Fifth Street, N.W., Room 1024, Washington, D.C. 20549. You may obtain information on the operation of the public reference room by calling the SEC at 1-800-SEC-0330. The SEC maintains a Web site at <http://www.sec.gov> that contains reports, proxy statements, and other information regarding companies, such as Silicon Valley Bancshares, that file electronically with the SEC. You can also inspect reports, proxy statements and other information about our company at the offices of The National Association of Securities Dealers, Inc., 1735 K Street, N.W., Washington, D.C. 20006.

We incorporate information into this prospectus by reference, which means that we disclose important information to you by referring you to another document filed separately with the SEC. The information incorporated by reference is deemed to be part of this prospectus, except for any such information superseded by information contained in later-filed documents or directly in this prospectus. This prospectus incorporates by reference the documents set forth below that we have previously filed with the SEC. These documents contain important information about us and our financial condition.

#### Silicon Valley Bancshares SEC Filings (File No. 0-15637)

#### Period

Annual Report on Form 10-K (including the portions of our Proxy Statement for our 2003 Annual Meeting of Stockholders incorporated by reference therein)

Year ended December 31, 2002

Current Reports on Form 8-K

Filed on January 16, 2003, May 7, 2003 and May 15, 2003

Quarterly Reports on Form 10-Q

Quarter ended March 31, 2003 and June 30, 2003

Description of our common stock as set forth in our Registration Statement on Form 8-A and all amendments thereto

Filed on April 23, 1987

Description of our preferred share purchase rights as set forth in our Registration Statement on Form 8-A and all amendments thereto

Filed on October 27, 1998

All documents that we file with the SEC under Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act from the date of this prospectus to the end of the offering of the notes under this document shall also be deemed to be incorporated in this prospectus by reference; provided, however, that we are not incorporating any information from any future filed documents furnished under either Item 9 or Item 12 of any Current Report on Form 8-K.

You may request a copy of these filings at no cost, by writing or calling us at the following address or telephone number:

Silicon Valley Bancshares  
3003 Tasman Drive  
Santa Clara, CA 95054  
(408) 654-7400  
Attn: Investor Relations

Exhibits to the filings will not be sent, however, unless those exhibits have specifically been incorporated by reference in this document. These filings are also available free of charge through our Internet website, at <http://www.svb.com>.

### SUMMARY

*The following summary may not contain all the information that may be important to you. You should read the entire prospectus, as well as the information to which we refer you and the information incorporated by reference, before making an investment decision. When used in this prospectus, the terms "Silicon Valley Bancshares," "we," "our" and "us" refer to Silicon Valley Bancshares and its consolidated subsidiaries,*

*unless otherwise specified.*

### Silicon Valley Bancshares

We are a bank holding company and a financial holding company. Our principal subsidiary, Silicon Valley Bank, is a California state-chartered bank and a member of the Federal Reserve System. Silicon Valley Bank's deposits are insured by the Federal Deposit Insurance Corporation.

Silicon Valley Bank's profitability, like most financial institutions, is primarily dependent on interest rate differentials. In general, the difference between the interest rates paid by Silicon Valley Bank on interest-bearing liabilities, such as deposits and other borrowings, and the interest rates received on its interest-earning assets, such as loans extended to its clients and securities held in its investment portfolio, comprise the major portion of its earnings. Silicon Valley Bank also provides a wide variety of fee-based financial services to its clients, including private label client investment and sweep products, foreign exchange products and deposit services. Over the long term, Silicon Valley Bank seeks to generate strong operating results by leveraging its lending practice to obtain warrant agreements to purchase equity in the technology and life sciences companies of the future.

Our strategy is to increase our revenues by marketing our full range of financial products and services to clients and venture capital industry contacts we originally developed through our commercial banking business. In addition to our commercial banking services, we engage in venture capital fund and direct equity investment activities, fee-based merger and acquisition services and venture capital fund and fund of funds management. We believe that our ability to successfully cross-sell our banking and financial services to our clients is one of the strengths of our business model.

We serve more than 9,500 clients across the country through 27 regional offices. We have 11 offices throughout California and operate regional offices across the country, including Arizona, Colorado, Florida, Georgia, Illinois, Massachusetts, Minnesota, New York, North Carolina, Oregon, Pennsylvania, Texas, Virginia, and Washington. We serve emerging-growth and mature companies in the technology and life sciences markets, as well as premium wineries. We believe our focus on specialized markets and extensive knowledge of the people and business issues driving them allows us to provide a level of service and partnership that contributes to our clients' success.

We originally incorporated in California in 1982, and reincorporated in Delaware in 1999. Our corporate headquarters is located at 3003 Tasman Drive, Santa Clara, California 95054, and our telephone number is (408) 654-7400.

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### The Offering

The following is a brief summary of some of the terms of the notes offered for resale in this prospectus. For a more complete description of the term of the notes, see the section entitled "Description of the Notes" in this prospectus.

Securities Offered	\$150,000,000 principal amount of Zero Coupon Convertible Subordinated Notes due June 15, 2008 and shares of common stock issuable upon conversion of the notes.
Interest	Interest on the notes will be zero unless specified defaults under the registration rights agreement occur. See "Description of the Notes Registration Rights."
Maturity Date	June 15, 2008.
Conversion Rights	<p>You will have the right, at your option, to convert your notes, in whole or in part, into shares of our common stock at any time prior to maturity, subject to certain limitations described herein, at the conversion price of \$33.6277 per share, if:</p> <p>during the period ending June 15, 2007, the closing sale price of our common stock for the last trading day of the immediately preceding fiscal quarter was 110% or more of the then current conversion price of the notes;</p> <p>during the period after June 15, 2007, the closing sale price of our common stock on the previous trading day was 110% or more of the then current conversion price of the notes;</p>

we distribute to all or substantially all holders of our common stock certain rights entitling them to purchase common stock at less than the closing sale price of our common stock on the day preceding the declaration for such distribution;

we distribute to all or substantially all holders of our common stock cash or other assets, debt securities or certain rights to purchase our securities, which distribution has a per share value as determined by our board of directors exceeding 10% of the closing sale price of our common stock on the day preceding the declaration for such distribution; or

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we become a party to a consolidation, merger or sale of all or substantially all of our assets or other similar transactions occur, in each case, pursuant to which our common stock would be converted into cash, stock or other property unless, in the case of a consolidation or merger, all of the consideration, excluding cash payments for fractional shares and cash payments made pursuant to dissenters' appraisal rights, in such merger or consolidation consists of shares of common stock, American Depositary Shares or other certificates representing common equity interests traded on a United States national securities exchange or quoted on The Nasdaq National Market, or will be so traded or quoted when issued or exchanged in connection with such merger or consolidation, and as a result of such merger or consolidation the notes become convertible solely into such common stock or other certificates representing common equity interests.

You may also convert your notes into shares of our common stock:

at any time prior to June 15, 2006 after any five consecutive trading-day period in which the average trading prices for the notes for that five trading-day period was less than 103% of the average conversion value for the notes during that period; and

at any time on or after June 15, 2006 and prior to maturity after any five consecutive trading-day period in which the average trading prices for the notes for that five trading-day period was less than 97% of the average conversion value for the notes during that period, however, you may not convert your notes on or after June 15, 2006 if, at the time of the calculation, the closing sale price of shares of our common stock is between the then current conversion price on the notes and 110% of the then current conversion price on the notes.

For each \$1,000 of aggregate principal amount of notes converted, we will deliver approximately 29.7374 shares of our common stock. Upon conversion and subject to our having received prior approval of the Board of Governors of the Federal Reserve System (the "Federal Reserve") if then required under applicable capital regulations, guidelines or policies, we may elect to deliver cash in lieu of shares of common stock or a combination of cash and shares of common stock. The conversion price is subject to adjustment upon certain events. See "Description of the Notes Conversion of Notes."

Optional Redemption

We may not redeem the notes prior to their maturity date.

Sinking Fund

None.

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Subordination

The notes are general unsecured obligations of Silicon Valley Bancshares. The notes are subordinated in right of payment to all existing and future senior indebtedness. The notes are also be effectively subordinated to the existing and future indebtedness and other liabilities of our subsidiaries. As of June 30, 2003, we

had \$27.3 million of senior indebtedness outstanding for purposes of the indenture and our subsidiaries had approximately \$140.8 million of outstanding indebtedness and other liabilities (excluding intercompany liabilities and liabilities of the type not required to be reflected on a balance sheet in accordance with generally accepted accounting principles). We and our subsidiaries are not prohibited from incurring senior indebtedness or other debt under the indenture.

Limited Right of Acceleration

The notes may be accelerated only in the event of our bankruptcy or reorganization. The indenture does not provide for any right of acceleration of the payment of principal of the notes as a result of any failure by us to comply with the covenants or agreements contained in the indenture. In the event of a failure by us to perform any covenants or agreements contained in the indenture, the trustee, subject to certain limitations and conditions, may, in lieu of accelerating the maturity of the notes, seek to enforce the performance of such covenants or agreements.

Use of Proceeds

We will not receive any of the proceeds from the sale by any selling security holder of the notes or the underlying common stock into which the notes may be converted.

Listing of Common Stock

The common stock is listed on The Nasdaq National Market under the symbol "SIVB."

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## RISK FACTORS

*Our business faces significant risks. The risks described below may not be the only risks we face. Additional risks that we do not yet know of or that we currently think are immaterial may also impair our business operations. If any of the events or circumstances described in the following risks actually occur, our business, financial condition or results of operations could suffer, and the trading price of our common stock and the notes offered by this prospectus could decline.*

### Risks Related to Our Business

**If a significant number of clients fail to perform under their loans, our business, profitability, and financial condition would be adversely affected.**

As a lender, the largest risk we face is the possibility that a significant number of our client borrowers will fail to pay their loans when due. If borrower defaults cause losses in excess of our allowance for loan losses, it could have an adverse effect on our business, profitability, and financial condition. We have established an evaluation process designed to determine the adequacy of the allowance for loan losses. While this evaluation process uses historical and other objective information, the classification of loans and the establishment of loan losses are dependent to a great extent on our experience and judgment. We cannot assure you that our allowance for loan losses will be sufficient to absorb future loan losses or prevent a material adverse effect on our business, profitability or financial condition.

**Because of the credit profile of our loan portfolio, our levels of nonperforming assets and charge-offs can be volatile, and we may need to make material provisions for loan losses in any period, which could cause reduced net income or increased net losses in that period.**

Our loan portfolio has a credit profile different from that of most other banking companies. Many of our loans are made to companies in the early stages of development with negative cash flow and no established record of profitable operations. In many cases, repayment of the loan is dependent upon receipt of additional equity financing from venture capitalists or others. Collateral for many of the loans often includes intellectual property, which is difficult to value and may not be readily salable in the case of default. Because of the intense competition and rapid technological change that characterizes the companies in our technology and life science industry sectors, a borrower's financial position can deteriorate rapidly. We also make loans that are larger, relative to the revenues of the borrower, than those made by traditional small business lenders, so the impact of any single borrower default may be more significant to us. Because of these characteristics, our level of nonperforming loans and loan charge-offs can be volatile and can vary materially from period to period. Changes in our level of nonperforming loans may require us to make material provisions for loan losses in any period, which could reduce our net income or cause net losses in that

period.

**Decreases in amount of capital available to start-up and emerging growth companies could adversely affect our business, profitability, and growth prospects.**

Our strategy has focused on providing banking products and services to emerging growth and middle-market companies receiving financial support from sophisticated investors, including venture capitalists, "angels," and corporate investors. In some cases, our lending credit decision is based on our analysis of the likelihood that our venture capital or angel-backed client will receive a second or third round of equity infusion from investors. The amount of capital available to startup and emerging growth companies has decreased in the past three years, which has caused our client deposit balances to decline. If the amount of capital available to such companies continues to decrease, it is likely that the number of new clients and investor financial support to our existing borrowers would decrease, having an adverse effect on our business, profitability and growth prospects.

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Among the factors that have and could in the future affect the amount of capital available to startup and emerging growth companies are the receptivity of the capital markets to initial public offerings or mergers and acquisitions of companies within our technology and life science industry sectors, the availability and return on alternative investments, and general economic conditions in the technology and life sciences industries. Over the past three years, the stock prices of many technology and life science companies have declined substantially, and the capital markets have been less receptive to initial public offerings. Reduced capital markets valuations could further reduce the amount of capital available to startup and emerging growth companies, including companies within our technology and life science industry sectors.

**We are subject to extensive regulation that could limit or restrict our activities and impose financial requirements or limitations on the conduct of our business.**

Silicon Valley Bancshares, Silicon Valley Bank, and their subsidiaries are extensively regulated under federal and state law. These regulations are intended primarily for the protection of depositors, other clients, and the deposit insurance fund not for the benefit of stockholders or security holders. Federal and state laws and regulations limit the activities in which Silicon Valley Bancshares, Silicon Valley Bank, and their subsidiaries may engage. In addition, Silicon Valley Bancshares, Silicon Valley Bank and their subsidiaries are required to maintain certain minimum levels of capital. Federal and state banking regulators possess broad powers to take supervisory action, as they deem appropriate, with respect to Silicon Valley Bancshares and Silicon Valley Bank. Alliant Partners and SVB Securities, both broker-dealer subsidiaries, are regulated by the SEC and the NASD. Violations of the stringent regulations governing the actions of a broker-dealer can result in the revocation of broker-dealer licenses, the imposition of censures or fines, the issuance of cease and desist orders, and the suspension or expulsion from the securities business of a firm, its officers or employees. Supervisory actions can result in higher capital requirements, higher insurance premiums, and limitations on the activities of Silicon Valley Bancshares, Silicon Valley Bank or their subsidiaries. These supervisory actions could have a material adverse effect on our business and profitability.

**Warrant, venture capital fund, and direct equity investment portfolio gains or losses depend upon the performance of the portfolio investments and the general condition of the public equity markets, which is uncertain.**

We have historically obtained rights to acquire stock, in the form of warrants, in certain clients as part of negotiated credit facilities. We may not be able to realize gains from warrants in future periods, or our realized gains may be materially less than the current level of unrealized gains disclosed in this prospectus. We also have made investments in venture capital funds as well as direct equity investments in companies. The timing and amount of income, if any, from the disposition of client warrants, venture capital funds and direct equity investments typically depend upon factors beyond our control, including the performance of the underlying portfolio companies, investor demand for initial public offerings, fluctuations in the market prices of the underlying common stock of these companies, levels of mergers and acquisitions activity, and legal and contractual restrictions on our ability to sell the underlying securities. In addition, our investments in venture capital funds and direct equity investments have lost value and could continue to lose value or become worthless, which would reduce our net income or could cause a net loss in any period. All of these factors are difficult to predict, particularly in the current economic environment. If equity market conditions do not improve, it is likely that additional investments within our existing portfolio will become impaired. However, we are not in a position to know at the present time which specific investments, if any, are likely to be impaired or the extent or timing of individual impairments. Therefore, we cannot predict future investment gains or losses with any degree of accuracy, and any gains or losses are likely to vary materially from period to period.

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**Public offerings and mergers and acquisitions involving our clients can cause loans to be paid off early, which could adversely affect our business and profitability.**

While an active market for public equity offerings and mergers and acquisitions generally has positive implications for our business, one negative consequence is that our clients may pay off or reduce their loans with us if they complete a public equity offering or are acquired or merge with another company. Any significant reduction in our outstanding loans could have a material adverse effect on our business and profitability.

**Our current level of interest rate spread may decline in the future. Any material reduction in our interest spread could have a material impact on our business and profitability.**

A major portion of our net income comes from our interest rate spread, which is the difference between the interest rates paid by us on interest-bearing liabilities, such as deposits and other borrowings, and the interest rates we receive on interest-earning assets, such as loans extended to our clients and securities held in our investment portfolio. Interest rates are highly sensitive to many factors beyond our control, such as inflation, recession, global economic disruptions, and unemployment. In addition, legislative changes could affect the manner in which we pay interest on deposits or other liabilities. For example, Congress has for many years debated repealing a law that prohibits banks from paying interest rates on checking accounts. If this law were to be repealed, we would be subject to competitive pressure to pay interest on our clients' checking accounts, which would negatively affect our interest rate spread. Any material decline in our interest rate spread would have a material adverse effect on our business and profitability. For example, between January 1, 2001 and June 30, 2003, the federal funds interest rate declined by 550 basis points. Consequently, our quarterly net interest margin decreased by 160 basis points, from the fourth quarter of 2000 to the second quarter of 2003.

**Adverse changes in domestic or global economic conditions, especially in the technology sector and especially in California, could have a material adverse effect on our business, growth, and profitability.**

If conditions worsen in the domestic or global economy, especially in the technology sector, our business, growth and profitability are likely to be materially adversely affected. Many of our technology clients have been harmed by the current economic slowdown, and would be further harmed by the continuation or worsening of the global or U.S. economic slowdown. Our clients may be particularly sensitive to disruptions in the growth of the technology sector of the U.S. economy. In addition, a substantial number of our clients are geographically concentrated in California, and adverse economic conditions in California could harm the businesses of a disproportionate number of our clients. To the extent that our clients' underlying businesses are harmed, they are more likely to default on their loans. The current economic slowdown has resulted in both lower average interest-earning assets and average client deposit balances, as compared to prior periods, thus reducing our net interest income. Net interest income in 2002 was \$194.7 million, down from \$263.0 million in 2001.

**If we fail to retain our key employees, our growth and profitability could be adversely affected.**

We rely on experienced client relationship managers and on officers and employees with strong relationships with the venture capital community to generate new business. If a significant number of these employees were to leave us, our growth and profitability could be adversely affected. We believe that our employees frequently have opportunities for alternative employment with competing financial institutions and with our clients. We did not pay any incentive compensation in 2001 and paid minimal amounts in 2002. The lack of meaningful incentive compensation payouts increases the risk associated with employee retention.

**We cannot assure you that we will be able to maintain our historical levels of profitability in the face of sustained competitive pressures.**

Other banks and specialty and diversified financial services companies, many of which are larger and have more capital than we do, offer lending, leasing and other financial products to our customer base. In some cases, our competitors focus their marketing on our industry sectors and seek to increase their lending and other financial relationships with technology companies, early stage growth companies or special industries such as wineries. In other cases, our competitors may offer a financial product that provides an alternative to one of the products we offer to our clients. When new competitors seek to enter one of our markets, or when existing market participants seek to increase their market share, they sometimes undercut the pricing and/or credit terms prevalent in that market. Our pricing and credit terms could deteriorate if we act to meet these competitive challenges.

**We face risks in connection with completed or potential acquisitions.**

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We completed one acquisition in each of 2002 and 2001 and, if appropriate opportunities present themselves, we intend to acquire businesses, technologies, services or products that we believe are strategic. There can be no assurance that we will be able to identify, negotiate or finance future acquisitions successfully, or to integrate such acquisitions with our current business.

Future acquisitions could result in potentially dilutive issuances of equity securities, the incurrence of debt, contingent liabilities and/or amortization expenses related to goodwill and other intangible assets, which could have a material adverse effect on our business, results of operations, and/or financial condition. Any such future acquisitions of other businesses, technologies, services or products might require us to obtain additional equity or debt financing, which might not be available on terms favorable to us, or at all; and such financing, if available, might be dilutive.

Upon completion of an acquisition, we are faced with the challenges of integrating the operations, services, products, personnel, and systems of acquired companies into our business, which may divert management's attention from ongoing business operations. In addition, acquisitions of new businesses may subject us to regulatory scrutiny. We cannot assure you that we will be successful in integrating any acquired business effectively into the operations of our business. Moreover, there can be no assurance that the anticipated benefits of any acquisition will be realized.

### **We could be liable for breaches of security in our online banking services. Fear of security breaches could limit the growth of our online services.**

We offer various Internet-based services to our clients, including online banking services, a client exchange program, and a Web site where our clients can exchange information with one another. The secure transmission of confidential information over the Internet is essential to maintain our clients' confidence in our online services. Advances in computer capabilities, new discoveries or other developments could result in a compromise or breach of the technology we use to protect client transaction data. Although we have developed systems and processes that are designed to prevent security breaches and periodically test our security, failure to mitigate breaches of security could adversely affect our ability to offer and grow our online services and could harm our business.

People generally are concerned with security and privacy on the Internet and any publicized security problems could inhibit the growth of the Internet as a means of conducting commercial transactions. Our ability to provide financial services over the Internet would be severely impeded if clients became unwilling to transmit confidential information online. As a result, our operations and financial condition could be adversely affected.

### **We face risks associated with international operations.**

A component of our strategy is to expand internationally on a limited basis. Expansion into international markets, albeit on a limited basis, will require management attention and resources. We have limited experience in internationalizing our service, and we believe that many of our competitors are also undertaking expansion into foreign markets. There can be no assurance that we will be successful in expanding into international markets. In addition to the uncertainty regarding our ability to generate revenues from foreign operations and to expand our international presence, there are certain risks inherent in doing business on an international basis, including, among others, regulatory requirements, legal uncertainty regarding liability, tariffs, and other trade barriers, difficulties in staffing and managing foreign operations, longer payment cycles, different accounting practices, problems in collecting accounts receivable, political instability, seasonal reductions in business activity, and potentially adverse tax consequences, any of which could adversely affect the success of our international operations. To the extent we expand into international operations and have additional portions of our international revenues denominated in foreign currencies, we could become subject to increased risks relating to foreign currency exchange rate fluctuations. There can be no assurance that one or more of the factors discussed above will not have a material adverse effect on our business, results of operations, and/or financial condition.

### **Maintaining or increasing our market share depends on market acceptance and regulatory approval of new products and services.**

Our success depends, in part, upon our ability to adapt our products and services to evolving industry standards and consumer demand. There is increasing pressure on financial services companies to provide products and services at lower prices. In addition, the widespread adoption of new technologies, including Internet-based services, could require us to make substantial expenditures to modify or adapt our existing products or services. A failure to achieve market acceptance of any new products we introduce, or a failure to introduce products that the market may demand, could have an adverse effect on our business, profitability, or growth prospects.

### **We have businesses other than banking.**

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In addition to commercial banking services, we provide merger and acquisition advisory services, merchant banking services, investment advisory services, and other business services. We may in the future develop or acquire other non-banking businesses. As a result of other such businesses, our earnings could be subject to risks and uncertainties that are different than our commercial banking services.

### **If Alliant Partners does not meet earnings targets or is unable to retain key employees, we could have further impairment of related goodwill.**

In 2001, we acquired the assets of Alliant Partners, which offers merger and acquisition advisory services. The success of this business is dependent on a number of factors, including the general level of merger and acquisition activity and client company valuations, which have been negatively affected by the current economic slowdown. Alliant Partners' success is also dependent on the continued employment of several key employees of Alliant Partners.

We test for impairment of goodwill relating to Alliant Partners on an annual basis, or more frequently if events or changes in circumstances indicate that goodwill might be impaired. We conducted our annual valuation analysis of the Alliant Partners reporting unit as of the end of the second quarter of 2003. We concluded at that time that we had an impairment of goodwill based on our market approach valuation and forecasted discounted cash flows for that reporting unit. In measuring the amount of goodwill impairment, we made a hypothetical allocation of the estimated fair

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value of the reporting unit to the tangible and intangible assets (other than goodwill) of the reporting unit. Based on this allocation, we concluded that \$17.0 million of the related goodwill was impaired and was required to be expensed as a non-cash charge to continuing operations during the second quarter of 2003.

If Alliant Partners does not meet the most recent projected revenues targets, or if certain key employees were to leave Alliant Partners, we could conclude that the value of the business has decreased and that goodwill relating to Alliant Partners has been further impaired. If we were to conclude that goodwill has been further impaired, that conclusion would result in a non-cash goodwill impairment charge to us, which would adversely affect our results of operations.

### **Risks Related to the Notes and Our Common Stock**

**The notes are subordinated and there are no financial covenants in the indenture. In addition, as a holding company, our ability to service our debt is dependent on the earnings of, and the receipt of distributions from, our subsidiaries.**

The notes are general unsecured obligations of Silicon Valley Bancshares and are subordinated in right of payment to all of our existing and future senior indebtedness. In the event of our bankruptcy, liquidation or reorganization, or upon acceleration of the notes due to an event of default under the indenture and in certain other events, our assets will be available to pay obligations on the notes only after all senior indebtedness has been paid. As a result, there may not be sufficient assets remaining to pay amounts due on any or all of the outstanding notes. In addition, we will not make any payments on the notes in the event of payment defaults or other specified defaults on our designated senior indebtedness.

We are a bank holding company and a financial holding company. Substantially all of our operations are conducted through subsidiaries. As a result, our cash flow and our ability to service our debt, including the notes, depends upon the earnings of our subsidiaries. In addition, we are dependent on the distribution of earnings, loans or other payments by our subsidiaries to us.

Our subsidiaries are separate and distinct legal entities. Our subsidiaries have no obligation to pay any amounts due on the notes or to provide us with funds for our payment obligations, whether by dividends, distributions, loans or other payments. Any payment of dividends, distributions, loans or advances by our subsidiaries will also be contingent upon our subsidiaries' earnings and could be subject to contractual restrictions. In addition, various federal and state statutes and regulations limit the amount of dividends that our banking and other subsidiaries may pay to us without regulatory approval.

Our right to receive any assets of any of our subsidiaries upon their liquidation or reorganization, and therefore the right of the holders of the notes to participate in those assets, will be structurally subordinated to the claims of that subsidiary's creditors. In addition, even if we were a creditor of any of our subsidiaries, our rights as a creditor would be subordinate to any security interest in the assets of our subsidiaries and any indebtedness of our subsidiaries senior to that held by us.

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As of June 30, 2003, we had approximately \$27.3 million of senior indebtedness outstanding and our subsidiaries had approximately \$140.8 million of outstanding indebtedness and other liabilities (excluding intercompany liabilities and liabilities of the type not required to be reflected on a balance sheet in accordance with generally accepted accounting principles) to which the notes would have been effectively subordinated.

Neither we nor our subsidiaries are restricted from incurring additional debt, including senior indebtedness, under the indenture. If we or our subsidiaries incur additional debt or liabilities, our ability to pay our obligations on the notes could be adversely affected. We expect that we and our

subsidiaries will from time to time incur additional indebtedness and other liabilities. In addition, we are not restricted from paying dividends or issuing or repurchasing our securities under the indenture.

### **You have limited rights of acceleration in the event of a default.**

The notes may only be accelerated in the event of our bankruptcy or reorganization. The indenture does not provide for any right of acceleration of the payment of the principal of the notes as a result of any failure by us to comply with the covenants or agreements contained in the indenture. In the event of a failure by us to perform any covenants or agreements contained in the indenture, the trustee, subject to certain limitations and conditions, may, in lieu of accelerating the maturity of the notes, seek to enforce the performance of such covenants or agreements.

### **The conditional conversion feature of the notes could result in you receiving less than the value of the common stock into which a note is convertible.**

The notes are convertible into shares of our common stock only if specified conditions are met. If the specific conditions for conversion are not met, you will not be able to convert your notes, and you may not be able to receive the value of the common stock into which the notes would otherwise be convertible.

### **A market may not develop for the notes.**

There is no established public trading market for the notes. At the time of the original issuance of the notes in a private placement in May 2003, the initial purchaser advised us that it intended to make a market in the notes. However, the initial purchaser is not obligated to make a market and may discontinue this market-making activity at any time without notice. In addition, market-making activity by the initial purchaser will be subject to the limits imposed by the Securities Act and the Exchange Act. As a result, a market for the notes may not develop or, if one does develop, it may not be maintained. If an active market for the notes fails to develop or be sustained, the trading price of the notes could decline significantly.

### **The price of our common stock, and therefore the price of the notes, may fluctuate significantly, which may make it difficult for holders to resell the notes or the common stock issuable upon conversion of the notes when desired or at attractive prices.**

The market price of our common stock could decrease in price rapidly and significantly at any time. The market price of our common stock has fluctuated in recent years. Between January 1, 2001 and August 13, 2003, the price of our common stock has ranged from a low of \$14.00 per share to a high of \$39.13 per share, and on August 13, 2003, the closing sale price was \$23.30. Fluctuations may occur, among other reasons, in response to:

operating results;

market interest rates;

perceived value of our warrants, venture capital investments, and direct equity investments;

trends in our nonperforming assets or the nonperforming assets of other banks;

announcements by competitors;

economic changes;

general market conditions; and

legislative and regulatory changes.

The trading price of our common stock may continue to be subject to wide fluctuations in response to the factors set forth above and other factors, many of which are beyond our control. In addition, the stock market in recent years has experienced extreme price and trading volume fluctuations that often have been unrelated or disproportionate to the operating performance of individual companies. These broad market fluctuations may adversely affect the price of our stock, regardless of our operating performance. Because the notes are convertible into shares of our common stock, volatility or depressed prices for our common stock could have a similar effect on the trading price of the notes. Holders who receive common stock on conversion also will be subject to the risk of volatility and depressed prices of our common stock.

**Hedging transactions and other transactions may affect the value of the notes.**

We have entered into convertible note hedge and warrant transactions with respect to our common stock, the exposure for which was held at the time the notes were originally issued by Credit Suisse First Boston International. The convertible note hedge and warrant transactions are expected to reduce the potential dilution from conversion of the notes. In connection with these hedging arrangements, Credit Suisse First Boston International may have taken, and may continue to take, positions in our common stock in secondary market transactions and/or may have entered into, or may enter into various derivative transactions at or after the pricing of the notes. Such hedging arrangements could increase the price of our common stock. Credit Suisse First Boston International, or any transferee of any of its positions, is likely to modify its hedge positions from time to time prior to conversion or maturity of the notes by purchasing and selling shares of our common stock, our other securities or other instruments they may wish to use in connection with such hedging. We cannot assure you that such activity will not adversely affect the market price of our common stock. In addition, the existence of the notes may encourage short selling in our common stock by market participants because the conversion of the notes could depress the price of our common stock.

**The notes may receive a lower rating than anticipated.**

One or more rating agencies may rate the notes. On May 13, 2003, Moody's Investors Service assigned a rating of "Baa2" to the notes. If one or more rating agencies assign the notes a rating lower than the rating expected by investors, or reduces their rating in the future, the market price of the notes and our common stock would be harmed.

**FORWARD-LOOKING STATEMENTS**

This prospectus and the documents incorporated by reference contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. We have in the past and may in the future make forward-looking statements orally to analysts, investors, the media, and others. Forward-looking statements are statements that are not historical facts. Broadly speaking, forward-looking statements include:

projections of our future revenues, income, earnings per share, capital expenditures, capital structure or other financial items;

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descriptions of strategic initiatives, plans or objectives for future operations, including pending acquisitions;

descriptions of products, services, and industry sectors;

forecasts of future economic performance; and

descriptions of assumptions underlying or relating to any of the foregoing.

In this prospectus and the documents incorporated by reference, we make forward-looking statements discussing our expectations about:

future changes in our average loan balances and their impact on our net interest margin;

future changes in short-term interest rates and their impact on our earnings;

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;

future revenues of Alliant Partners;

future investment gains or losses from private equity and venture capital fund investments;

future changes in trust preferred securities distributions expense due to changes in hedging interest rates;

future changes in equity market prices of client companies and its impact on future warrant income;

future market conditions and impairment charges on investments;

future credit losses due to nonperformance of other parties;

future changes in allowance for loan losses balance;

future cost of funds savings from raising capital through real estate investment trust;

future tax benefits from a real estate investment trust;

future common stock repurchases;

future funds generated through earnings and related impact on liquidity; and

future non-performing loans.

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You can identify these and other forward-looking statements by words such as "becoming," "may," "will," "should," "predicts," "potential," "continue," "anticipates," "believes," "estimates," "seeks," "expects," "plans," "intends," or using the negative of such words, or 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 and assumptions, such expectations may prove to

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be incorrect. Our actual results of operations and financial performance could differ significantly from those expressed in or implied by our forward-looking statements.

For information about factors that could cause actual results to differ from the expectations stated in the forward-looking statements, see the "Risk Factors" section of this prospectus. We urge investors to consider these factors carefully in evaluating the forward-looking statements contained in this prospectus. 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 prospectus are made only as of the date of this prospectus. We do not intend, and undertake no obligation, to update these forward-looking statements.

### USE OF PROCEEDS

We will not receive any of the proceeds from the sale by any selling security holder of the notes or the underlying common stock into which the notes may be converted.

### RATIO OF EARNINGS TO FIXED CHARGES

	As of and for the Six Months Ended June 30,		As of and for the Years Ended December 31,				
	2003	2002	2002	2001	2000	1999	1998
Ratio of earnings to fixed charges(1)	2.6x	4.3x	4.2x	4.2x	5.3x	2.1x	1.6x
Ratio of earnings to fixed charges(2)	4.4x	10.8x	9.9x	20.7x	53.2x	19.8x	17.2x

(1) This computation of the ratio of earnings to fixed charges includes interest expense on deposits. Ratio of earnings to fixed charges is computed by dividing (i) earnings before taxes adjusted for fixed charges by (ii) fixed charges, which include deposit and other interest expense, distribution expense associated with trust preferred securities, plus the portion of interest expense under operating leases deemed by us to be representative of the interest factor.

(2) This computation of the ratio of earnings to fixed charges excludes interest expense on deposits. Ratio of earnings to fixed charges is computed by dividing (i) earnings before taxes adjusted for fixed charges by (ii) fixed charges, which include other interest expense, distribution expense associated with trust preferred securities, plus the portion of interest expense under operating leases deemed by us to be representative of the interest factor.

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### DESCRIPTION OF THE NOTES

We issued the notes under an indenture dated as of May 20, 2003 between us and Wells Fargo Bank Minnesota, National Association, as trustee. The following summarizes some, but not all, provisions of the notes and the indenture. We urge you to read the indenture because the indenture, and not this description, defines your rights as a holder of the notes. A copy of the form of indenture and the form of certificate

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evidencing the notes is filed as an exhibit to the registration statement to which this prospectus relates.

In this section of the prospectus entitled "Description of the Notes," when we refer to "Silicon Valley Bancshares," "we," "our," or "us," we are referring to Silicon Valley Bancshares and not any of its subsidiaries.

### General

The notes are general unsecured obligations of Silicon Valley Bancshares and are subordinate in right of payment as described under " Subordination of Notes." The notes are convertible into common stock as described under " Conversion of Notes." The notes were issued only in denominations of \$1,000 or in multiples of \$1,000. The notes will mature on June 15, 2008.

Neither we nor our subsidiaries are restricted from paying dividends, incurring debt, or issuing or repurchasing our securities under the indenture. In addition, there are no financial covenants in the indenture. You are not protected under the indenture in the event of a highly leveraged transaction or a change in control of Silicon Valley Bancshares.

We will not pay interest on the notes unless specified defaults under the registration rights agreement occur.

We will maintain an office in The City of New York where the notes may be presented for registration, transfer, exchange or conversion. This office will initially be an office or agency of the trustee. Except under limited circumstances described below, the notes will be issued only in fully-registered book-entry form, without coupons, and will be represented by one or more global notes. There will be no service charge for any registration of transfer or exchange of notes. We may, however, require holders to pay a sum sufficient to cover any tax or other governmental charge payable in connection with certain transfers or exchanges.

### Conversion of Notes

You will have the right, at your option, to convert your notes, in whole or in part, into shares of our common stock at any time prior to maturity at the conversion price of \$33.6277 per share, subject to the adjustments described below, if:

during the period ending June 15, 2007, the closing sale price of our common stock for the last trading day of the immediately preceding fiscal quarter was 110% or more of the then current conversion price;

during the period after June 15, 2007, the closing sale price of our common stock on the previous trading day was 110% or more of the then current conversion price of the notes;

we distribute to all or substantially all holders of our common stock certain rights entitling them to purchase common stock at less than the closing sale price of our common stock on the day preceding the declaration for such distribution;

we distribute to all or substantially all holders of our common stock cash or other assets, debt securities or certain rights to purchase our securities, which distribution has a per share value as

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determined by our board of directors exceeding 10% of the closing sale price of our common stock on the day preceding the declaration for such distribution; or

we become a party to a consolidation, merger or sale of all or substantially all of our assets or other similar transactions occur, in each case, pursuant to which our common stock would be converted into cash, stock or other property unless, in the case of a consolidation or merger, all of the consideration, excluding cash payments for fractional shares and cash payments made pursuant to dissenters' appraisal rights, in such merger or consolidation consists of shares of common stock, American Depositary Shares or other certificates representing common equity interests traded on a United States national securities exchange or quoted on The Nasdaq National Market, or will be so traded or quoted when issued or exchanged in connection with such merger or consolidation, and as a result of such merger or consolidation the notes become convertible solely into such common stock or other certificates representing common equity interests.



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In the case of the third and fourth bullet points above, we must notify holders of notes at least 20 days prior to the ex-dividend date for such distribution. Once we have given such notice, holders may surrender their notes for conversion at any time until the earlier of the close of business on the business day prior to the ex-dividend date or our announcement that such distribution will not take place. In the case of the fifth bullet point above, a holder may surrender notes for conversion at any time from and after the date which is 15 days prior to the anticipated effective date of the transaction until 15 days after the actual date of the transaction. In the case of a distribution identified in the third or fourth bullets above, the ability of a holder of notes to convert would not be triggered if the holder may participate in the distribution without converting.

You also may convert your notes into shares of our common stock:

at any time prior to June 15, 2006 after any five consecutive trading-day period in which the average trading prices for the notes for that five trading-day period was less than 103% of the average conversion value for the notes during that period; and

at any time on or after June 15, 2006 and prior to maturity after any five consecutive trading-day period in which the average trading prices for the notes for that five trading-day period was less than 97% of the average conversion value for the notes during that period, however, you may not convert your notes on or after June 15, 2006 pursuant to this clause if, at the time of the calculation, the closing sale price of shares of our common stock is between the then current conversion price on the notes and 110% of the then current conversion price of the notes.

Upon the occurrence of the circumstances described in either of the foregoing two bullet points, a holder may surrender notes for conversion at any time beginning on the date on which the notes become convertible through and including the close of business on the later of 10 trading days after the notes become convertible and the business day prior to the first day on which the average trading value for the notes for a five consecutive trading-day period exceeds the 103% or 97% conversion value thresholds, as the case may be.

We define conversion value in the indenture to be equal to the product of the closing sale price of our shares of common stock on a given day multiplied by the then current conversion rate, which is the number of shares of common stock into which each note is convertible.

The initial conversion price of \$33.6277 is equivalent to a conversion rate of approximately 29.7374 shares per \$1,000 principal amount of notes.

Except as described below, we will not make any payment or other adjustment for dividends on any common stock issued upon conversion of the notes.

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To convert your notes (other than a note held in book-entry form through DTC) into shares of our common stock you must:

complete and manually sign the conversion notice on the back of the note and deliver the notice to the conversion agent;

surrender the note to the conversion agent;

if required, furnish appropriate endorsements and transfer documents; and

if required, pay all transfer or similar taxes.

Holders of notes held in book-entry form through DTC must follow DTC's customary practices. The date you comply with these requirements is the conversion date under the indenture. Settlement of our obligation to deliver shares and cash (if any) with respect to a conversion will occur on the dates described below. Delivery of shares will be accomplished by delivery to the conversion agent of certificates for the relevant number of shares, other than in the case of holders of notes in book-entry form with DTC, which shares shall be delivered in accordance with DTC customary practices.

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Upon conversion, we will satisfy all of our obligations (the "conversion obligation") by delivering to you, at our option, and subject to our having received prior approval of the Federal Reserve if then required under applicable capital regulations, guidelines or policies, either shares of our common stock, cash or a combination of cash (which cash amount will not be less than the principal amount of the notes converted) and shares of our common stock, as follows:

*Share Settlement.* If we elect to satisfy the entire conversion obligation in shares of our common stock, then we will deliver to you a number of shares of our common stock equal to the aggregate principal amount of the notes you are converting divided by the then applicable conversion price.

*Cash Settlement.* If we elect to satisfy the entire conversion obligation in cash, then we will deliver to you cash in an amount equal to the product of (a) a number equal to the aggregate principal amount of notes to be converted by you divided by the then applicable conversion price, and (b) the arithmetic mean of the volume weighted average prices of our common stock on each trading day during the applicable cash settlement averaging period described below.

*Combined Settlement.* If we elect to satisfy a portion of the conversion obligation in cash (the "partial cash amount") and a portion in shares of our common stock, then we will deliver to you such partial cash amount plus a number of shares equal to (a) the cash settlement amount as set forth in clause (2) above minus such partial cash amount divided by (b) the arithmetic mean of the volume weighted average prices of our common stock on each trading day during the applicable cash settlement averaging period described below. The partial cash amount will not be less than the principal amount of the notes that you convert.

If we receive your notice of conversion on or prior to the day that is 30 days prior to the maturity date of the notes, then the following procedures shall apply:

If we choose to satisfy the conversion obligation by share settlement, then settlement in shares will be made on or prior to the tenth trading day following receipt of your notice of conversion.

If we choose to satisfy the conversion obligation by cash settlement or combined settlement, then we will notify you, through the trustee, of the dollar amount to be satisfied in cash (which must be expressed either as 100% of the conversion obligation or as a fixed dollar amount that is not less than the aggregate principal amount of notes tendered for conversion) at any time on or before the date that is two business days following receipt of your notice of conversion (the "settlement notice period"). Share settlement will apply automatically if we do not notify you that we have chosen another settlement method.

If we timely elect cash settlement or combined settlement, then you may retract your conversion notice at any time during the two business day period beginning on the day after the settlement notice period (the "conversion retraction period"). You cannot retract your conversion notice (and your conversion notice therefore will be irrevocable) if we elect share settlement. If you have not retracted your conversion notice, then cash settlement or combined settlement will occur on the first trading day following the applicable "cash settlement averaging period". The applicable cash settlement averaging period will be the five trading day period beginning on the first trading day after the conversion retraction period.

If we receive your notice of conversion after the day that is 30 days prior to the maturity date of the notes, then the following procedures will apply:

On or prior to the day that is 30 days prior to the maturity date of the notes, we may notify you, through the trustee, that we intend to satisfy all conversion obligations by either cash settlement or combined settlement, and we will tell you in the notice the fixed dollar amount of cash that will be delivered to you, which will not be less than the aggregate principal amount of notes you tender for conversion. Share settlement will apply automatically if we do not notify you that we have chosen another settlement method. In any case, we will settle all conversions in the same way. You cannot retract your conversion notice if you deliver such notice after the day that is 30 days prior to the maturity date of the notes (and your

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conversion notice therefore will be irrevocable).

If we have timely elected cash settlement or combined settlement, then with respect to all subsequent conversions, settlement amounts will be computed as set forth above, except that the applicable "cash settlement averaging period" will be the 20 trading-day period that begins on the date that is the 22nd trading day expected to occur prior to the maturity date and that ends no later than the trading day immediately preceding the maturity date. However, if 20 trading days do not occur after such date and prior to the maturity date, then the cash settlement averaging period will be the number of trading days that do occur prior to the maturity date.

Settlement (in shares and/or cash) will occur on or prior to the fifth trading day following the maturity date (or, if the maturity date is not a trading day, on the first trading day thereafter).

Regardless of which method of settlement we chose, we will not issue fractional shares of common stock upon conversion of notes. Instead, we will pay cash for the fractional amount based upon the volume weighted average price of the common stock determined during the applicable cash settlement averaging period relating to the conversion.

A "trading day" is a day during which trading in securities generally occurs on The Nasdaq National Market (or, if the common stock is not quoted on The Nasdaq National Market, on the principal other market on which the common stock is then traded), other than a day on which a material suspension of or limitation on trading is imposed that affects either The Nasdaq National Market (or, if applicable, such other market) in its entirety or only the shares of our common stock (by reason of movements in price exceeding limits permitted by the relevant market on which the shares are traded or otherwise) or on which The Nasdaq National Market (or, if applicable, such other market) cannot clear the transfer of our shares due to an event beyond our control.

The "volume weighted average price" of one share of our common stock on any trading day will be the volume weighted average prices as displayed under the heading "Bloomberg VWAP" on Bloomberg Page SIVB equity AQR in respect of the period from 9:30 a.m. to 4:00 p.m. (New York City time) on that trading day (or if such volume weighted average price is not available, the market value of one share of our common stock on such trading day as we determine in good faith using a volume weighted method).

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If an event of default, as described under "Events of Default and Limited Right of Acceleration" below (other than a default in a cash payment upon conversion of the notes), has occurred and is continuing, we may not pay cash upon conversion of any note or portion of the note (other than cash for fractional shares).

The conversion price will be adjusted upon the occurrence of:

- (1) the issuance of shares of our common stock as a dividend or distribution on our common stock;
- (2) the subdivision or combination of our outstanding common stock;
- (3) the issuance to all or substantially all holders of our common stock of rights or warrants entitling them for a period of not more than 60 days to subscribe for or purchase our common stock, or securities convertible into our common stock, at a price per share or a conversion price per share less than the then current market price per share, provided that the conversion price will be readjusted to the extent that such rights or warrants are not exercised prior to the expiration;
- (4) the distribution to all or substantially all holders of our common stock of shares of our capital stock, evidences of indebtedness or other non-cash assets, or rights or warrants, excluding: dividends, distributions and rights or warrants referred to in clause (1) or (3) above; dividends or distributions exclusively in cash referred to in clause (5) below; and distribution of rights to all holders of common stock pursuant to an adoption of a shareholder rights plan;
- (5)

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the dividend or distribution to all or substantially all holders of our common stock of all-cash distributions in an aggregate amount that together with (a) any cash and the fair market value of any other consideration payable in respect of any tender offer by us or any of our subsidiaries for our common stock consummated within the preceding 12 months not triggering a conversion price adjustment and (b) all other all-cash distributions to all or substantially all holders of our common stock made within the preceding 12 months not triggering a conversion price adjustment, exceeds an amount equal to 10% of our market capitalization on the business day immediately preceding the day on which we declare such distribution; and

(6)

the purchase of our common stock pursuant to a tender offer made by us or any of our subsidiaries to the extent that the same involves aggregate consideration that together with (a) any cash and the fair market value of any other consideration payable in respect of any tender offer by us or any of our subsidiaries for our common stock consummated within the preceding 12 months not triggering a conversion price adjustment and (b) all-cash distributions to all or substantially all holders of our common stock made within the preceding 12 months not triggering a conversion price adjustment, exceeds an amount equal to 10% of our market capitalization on the expiration date of such tender offer.

We will not make any adjustment if holders of notes may participate in the transactions described above without converting.

To the extent we have a rights plan in effect upon conversion of the notes into common stock, you will receive, in addition to the common stock, the rights under the rights plan whether or not the rights have separated from the common stock at the time of conversion, subject to certain limited exceptions, and no adjustments to the conversion price will be made except in limited circumstances. See "Description of Capital Stock."

In the event of:

any reclassification of our common stock; or

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a consolidation, merger or combination involving Silicon Valley Bancshares; or

a sale or conveyance to another person of the property and assets of Silicon Valley Bancshares as an entirety or substantially as an entirety,

in which holders of our outstanding common stock would be entitled to receive stock, other securities, other property, assets or cash for their common stock, holders of notes will generally be entitled to convert their notes into the same type of consideration received by common stock holders immediately prior to one of these types of events.

We are permitted to reduce the conversion price of the notes by any amount for a period of at least 20 days if our board of directors determines that such reduction would be in our best interest. We are required to give at least 15 days prior notice of any reduction in the conversion price. We may also reduce the conversion price to avoid or diminish income tax to holders of our common stock in connection with a dividend or distribution of stock or similar event.

No adjustment in the conversion price will be required unless it would result in a change in the conversion price of at least one percent. Any adjustment not made will be taken into account in subsequent adjustments. Except as stated above, we will not adjust the conversion price for the issuance of our common stock or any securities convertible into or exchangeable for our common stock or the right to purchase our common stock or such convertible or exchangeable securities.

You may, in some circumstances, be deemed to have received a distribution or dividend subject to United States federal income tax as a result of an adjustment or the nonoccurrence of an adjustment to the conversion price.

### Subordination of Notes

The payment of the principal of, premium, if any, on and additional interest on the notes, if any, is subordinated to the prior payment in full, in cash or other payment satisfactory to the holders of senior indebtedness, of all existing and future senior indebtedness. If we dissolve, wind-up, liquidate or reorganize, or if we are the subject of any bankruptcy, insolvency, receivership or similar proceedings, we will pay the

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holders of senior indebtedness in full in cash, or other payment satisfactory to the holders of senior indebtedness, before we pay the holders of the notes. If the notes are accelerated because of an event of default we must pay the holders of senior indebtedness in full all amounts due and owing thereunder before we pay the note holders. The indenture will require that we must promptly notify holders of senior indebtedness if payment of the notes is accelerated because of an event of default under the indenture.

We may not make any payment on the notes or purchase or otherwise acquire the notes if:

a default in the payment of any senior indebtedness occurs and is continuing beyond any applicable period of grace; or

any other default of senior indebtedness occurs and is continuing that permits holders of the senior indebtedness to accelerate its maturity.

As a result of these subordination provisions, in the event of our bankruptcy or reorganization, holders of senior indebtedness may receive more, ratably, and holders of the notes may receive less, ratably, than our other creditors.

If either the trustee or any holder of notes receives any payment or distribution of our assets in contravention of these subordination provisions before all senior indebtedness is paid in full, then such payment or distribution will be held by the recipient in trust for the benefit of holders of senior indebtedness to the extent necessary to make payment in full of all senior indebtedness remaining unpaid.

We are a bank holding company and a financial holding company. Substantially all of our operations are conducted through subsidiaries. As a result, our cash flow and our ability to service our debt, including the notes, depends upon the earnings of our subsidiaries. In addition, we are dependent on the distribution of earnings, loans or other payments by our subsidiaries to us.

Our subsidiaries are separate and distinct legal entities. Our subsidiaries have no obligation to pay any amounts due on the notes or to provide us with funds for our payment obligations, whether by dividends, distributions, loans or other payments. Any payment of dividends, distributions, loans or advances by our subsidiaries will also be contingent upon our subsidiaries' earnings and could be subject to contractual restrictions. In addition, various federal and state statutes and regulations limit the amount of dividends that our banking and other subsidiaries may pay to us without regulatory approval.

Our right to receive any assets of any of our subsidiaries upon their liquidation or reorganization, and therefore the right of the holders of the notes to participate in those assets, will be structurally subordinated to the claims of that subsidiary's creditors. In addition, even if we were a creditor of any of our subsidiaries, our rights as a creditor would be subordinate to any security interest in the assets of our subsidiaries and any indebtedness of our subsidiaries senior to that held by us.

As of June 30, 2003, we had approximately \$27.3 million of senior indebtedness outstanding and our subsidiaries had approximately \$140.8 million of outstanding indebtedness and other liabilities (excluding intercompany liabilities and liabilities of the type not required to be reflected on a balance sheet in accordance with generally accepted accounting principles) to which the notes would have been effectively subordinated.

Neither we nor our subsidiaries are restricted from incurring additional debt, including senior indebtedness, under the indenture. If we or our subsidiaries incur additional debt or liabilities, our ability to pay our obligations on the notes could be adversely affected. We expect that we and our subsidiaries will from time to time incur additional indebtedness and other liabilities.

We are obligated to pay reasonable compensation to the trustee. We will indemnify the trustee against any losses, liabilities or expenses incurred by it in connection with its duties. The trustee's claims for such payments will be senior to the claims of the note holders.

"indebtedness" means:

(1)

all of our indebtedness, obligations and other liabilities, contingent or otherwise, (a) for borrowed money, including overdrafts, foreign exchange contracts, currency exchange agreements, interest rate protection agreements, and any loans or advances from banks, whether or not evidenced by notes or similar instruments, or (b) evidenced by credit or loan agreements, bonds, debentures, repurchase agreements, notes or similar instruments or agreements;

- (2) all of our reimbursement obligations and other liabilities, contingent or otherwise, with respect to letters of credit, bank guarantees or bankers' acceptances;
- (3) all of our obligations and liabilities, contingent or otherwise, in respect of leases required, in conformity with generally accepted accounting principles, to be accounted for as capitalized lease obligations on our balance sheet;
- (4) all of our obligations and other liabilities, contingent or otherwise, under any lease or related document, including a purchase agreement, conditional sale or other title retention agreement, in connection with the lease of real property or improvements thereon (or any personal property included as part of any such lease) which provides that we are contractually obligated to purchase or cause a third party to purchase the leased property or pay an agreed upon residual value of the leased property, including our obligations under such lease or related

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- document to purchase or cause a "third party" to purchase such leased property or pay an agreed upon residual value of the leased property to the lessor;
- (5) all of our obligations, contingent or otherwise, with respect to an interest rate or other swap, cap, floor or collar agreement or hedge agreement, forward contract or other similar instrument or agreement or foreign currency hedge, exchange, purchase or similar instrument or agreement;
  - (6) all of our direct or indirect guarantees or similar agreements by us in respect of, and all of our obligations or liabilities to purchase or otherwise acquire or otherwise assure a creditor against loss in respect of, indebtedness, obligations or liabilities of another person of the kinds described in clauses (1) through (5); and
  - (7) any and all deferrals, renewals, extensions, refinancings and refundings of, or amendments, modifications or supplements to, any indebtedness, obligation or liability of the kinds described in clauses (1) through (6).

"senior indebtedness" means the principal of, premium, if any, interest, including any interest accruing after the commencement of any bankruptcy or similar proceeding, whether or not a claim for post-petition interest is allowed as a claim in the proceeding, and rent payable on or in connection with, and all fees, costs, expenses and other amounts accrued or due on or in connection with, our indebtedness whether secured or unsecured, absolute or contingent, due or to become due, outstanding on the date of the indenture or thereafter created, incurred, assumed, guaranteed or in effect guaranteed by us, including all deferrals, renewals, extensions or refundings of, or amendments, modifications or supplements to, the foregoing. Senior indebtedness does not include:

- (1) any indebtedness or obligation whose terms expressly provide that such indebtedness or obligation shall not be senior in right of payment to the notes or expressly provides that such indebtedness is on the same basis or junior to the notes;
- (2) our obligations with respect to the trust preferred securities; and
- (3)