SILICON VALLEY BANCSHARES
Form 10-Q/A
September 25, 2003

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q/A

(Mark One)

ý	**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
	For the quarterly period ended June 30, 2003
	OR
o	**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 [NO FEE REQUIRED]**
	For the transition period from to .

Commission File Number: 000-15637

SILICON VALLEY BANCSHARES

(Exact name of registrant as specified in its charter)

Delaware	**91-1962278**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
3003 Tasman Drive, Santa Clara, California	**95054-1191**
(Address of principal executive offices)	(Zip Code)

(408) 654-7400
Registrant s telephone number, including area code:

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes ý No o

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act.)
Yes ý No o

At July 31, 2003, 34,512,616 shares of the registrant s common stock ($0.001 par value) were outstanding.

EXPLANATORY NOTE

This Amendment No.1 to Quarterly Report on Form 10-Q for the period ended June 30, 2003 is being filed for the purpose of deleting certain disclosures relating to the calculation of the Company s efficiency ratio, which was originally included under Part 1, Item 2, Management s Discussion and Analysis of Financial Condition and Results of Operations. Except for the changes described above and the certifications of the Company s officers included as exhibits to this amended Quarterly Report on Form 10-Q, none of the information contained in the Company s original Quarterly Report on Form 10-Q has been updated, modified or revised. The remainder of the Company s Quarterly Report on Form 10-Q is included herein for the convenience of the reader and all information is as of and for the three and six months ended June 30, 2003, and does not reflect any subsequent information or events.

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SILICON VALLEY BANCSHARES AND SUBSIDIARIES
INTERIM CONSOLIDATED BALANCE SHEETS

(Dollars in thousands, except par value)	June 30, 2003	December 31, 2002
Assets:		
Cash and due from banks	$ 238,202	$ 239,927
Federal funds sold and securities purchased under agreement to resell	305,609	202,662
Investment securities	1,663,920	1,535,694
Loans, net of unearned income	1,964,800	2,086,080
Allowance for loan losses	(69,500)	(70,500)
Net loans	1,895,300	2,015,580
Premises and equipment	15,585	17,886
Goodwill	83,548	100,549
Accrued interest receivable and other assets	92,426	70,883
Total assets	$ 4,294,590	$ 4,183,181
Liabilities, minority interest, and stockholders equity:		
Liabilities:		
Deposits:		
Noninterest-bearing demand	$ 1,893,707	$ 1,892,125
NOW	55,164	21,531
Money market	1,029,987	933,255
Time	509,526	589,216
Total deposits	3,488,384	3,436,127
Short-term borrowings	9,264	9,127
Other liabilities	115,551	47,550
Long-term debt	163,057	17,397
Total liabilities	3,776,256	3,510,201
Company obligated mandatorily redeemable trust preferred securities of subsidiary trust holding solely junior subordinated debentures (trust preferred securities)	38,718	39,472
Minority interest	47,481	43,158
Stockholders equity:		
Preferred stock, $0.001 par value, 20,000,000 shares authorized; none outstanding		
Common stock, $0.001 par value, 150,000,000 shares authorized; 34,490,249 and 40,578,093 shares outstanding at June 30, 2003 and December 31, 2002, respectively	34	41
Additional paid-in capital	1,758	99,979

Retained earnings		419,999		476,610
Unearned compensation		(1,839)		(652)
Accumulated other comprehensive income:				
Net unrealized gains on available-for-sale investments		12,183		14,372
Total stockholders equity		432,135		590,350
Total liabilities, minority interest, and stockholders equity	$	4,294,590	$	4,183,181

See notes to interim consolidated financial statements.

SILICON VALLEY BANCSHARES AND SUBSIDIARIES
INTERIM CONSOLIDATED STATEMENTS OF INCOME

	For the three months ended June 30,		For the six months ended June 30,	
(Dollars in thousands, except per share amounts)	**2003**	**2002**	**2003**	**2002**
Interest income:				
Loans	$ 38,134	$ 39,652	$ 75,970	$ 77,977
Investment securities	10,143	13,468	22,116	29,283
Federal funds sold and securities purchased under agreement to resell	1,129	591	1,959	836
Total interest income	49,406	53,711	100,045	108,096
Interest expense:				
Deposits	2,389	4,162	4,840	9,060
Other borrowings	317	476	527	961
Total interest expense	2,706	4,638	5,367	10,021
Net interest income	46,700	49,073	94,678	98,075
Provision for loan losses	1,162	(3,207)	4,546	219
Net interest income after provision for loan losses	45,538	52,280	90,132	97,856
Noninterest income:				
Client investment fees	6,034	7,774	12,366	16,412
Corporate finance fees	4,641	4,424	8,785	7,386
Letter of credit and foreign exchange income	3,128	3,575	6,631	7,352
Deposit service charges	3,245	2,294	6,121	4,530
Disposition of client warrants	1,051	681	3,013	807
Credit card fees	988	239	2,034	348
Investment losses	(3,839)	(2,001)	(8,544)	(4,598)
Other	2,257	1,868	4,545	3,518
Total noninterest income	17,505	18,854	34,951	35,755
Noninterest expense:				
Compensation and benefits	29,272	28,821	60,704	53,749
Impairment of goodwill	17,000		17,000	
Net occupancy	4,103	6,433	8,505	10,951
Professional services	3,985	4,367	7,424	7,403
Furniture and equipment	2,710	1,571	4,904	3,667
Business development and travel	2,296	1,933	3,912	4,056
Data processing services	1,392	918	2,483	1,783
Correspondent bank fees	1,094	608	2,134	1,315
Telephone	857	701	1,635	1,602
Tax credit fund amortization	716	836	1,431	1,286
Postage and supplies	632	792	1,216	1,575
Trust preferred securities distributions	313	746	594	1,571
Other	2,833	1,292	5,369	3,378
Total noninterest expense	67,203	49,018	117,311	92,336
Minority interest	2,765	1,397	6,244	3,237
(Loss) income before income taxes	(1,395)	23,513	14,016	44,512

Income tax (benefit) expense		(819)		8,528		4,174		16,167
Net (loss) income	$	(576)	$	14,985	$	9,842	$	28,345
Net (loss) income per common share - basic	$	(0.02)	$	0.33	$	0.26	$	0.63
Net (loss) income per common share - diluted	$	(0.02)	$	0.32	$	0.25	$	0.61

See notes to interim consolidated financial statements.

SILICON VALLEY BANCSHARES AND SUBSIDIARIES
INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Dollars in thousands)	For the three months ended June 30, 2003	For the three months ended June 30, 2002	For the six months ended June 30, 2003	For the six months ended June 30, 2002
Net (loss) income	$ (576)	$ 14,985	$ 9,842	$ 28,345
Other comprehensive income (loss), net of tax:				
Change in unrealized gains (losses) on available-for-sale investments:				
Unrealized holding gains (losses)	949	5,546	(73)	2,714
Reclassification adjustment for gains included in net income	(434)	(434)	(2,116)	(514)
Other comprehensive income (loss)	515	5,112	(2,189)	2,200
Comprehensive (loss) income	$ (61)	$ 20,097	$ 7,653	$ 30,545

See notes to interim consolidated financial statements.

SILICON VALLEY BANCSHARES AND SUBSIDIARIES
INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

(Dollars in thousands)	For the six months ended June 30, 2003	June 30, 2002
Cash flows from operating activities:		
Net income	$ 9,842	$ 28,345
Adjustments to reconcile net income to net cash provided by operating activities:		
Impairment of goodwill	17,000	
Provision for loan losses	4,546	219
Minority interest	(6,244)	(3,237)
Depreciation and amortization	3,927	3,512
Net loss on available for sale securities	8,544	4,598
Net gains on disposition of client warrants	(3,013)	(807)
Changes in other assets and liabilities:		
Decrease in accrued interest receivable	989	4,752
Deferred income tax benefits	(7,615)	(2,932)
(Increase) decrease in taxes receivable	(6,393)	12,578
Increase in accrued retention, warrant, and other incentive plans	4,403	4,081
Increase in investment payable	48,137	
Other, net	8,173	5,731
Net cash provided by operating activities	82,296	56,840
Cash flows from investing activities:		
Proceeds from maturities and paydowns of investment securities	524,597	1,622,094
Proceeds from sales of investment securities	5,020,896	23,818
Purchases of investment securities	(5,685,395)	(1,273,114)
Net decrease (increase) in loans	107,552	(116,572)
Proceeds from recoveries of charged-off loans	7,854	18,195
Purchases of premises and equipment	(1,626)	(2,288)
Net cash (used) provided by investing activities	(26,122)	272,133
Cash flows from financing activities:		
Net increase (decrease) in deposits	52,257	(387,798)
Proceeds from issuance of convertible notes and warrants, net of issuance costs and convertible note hedge	123,493	
Proceeds from issuance of common stock	4,426	7,172
Repurchase of common stock	(148,969)	(8,281)
Capital contributions from minority interest participants	13,841	5,518
Net cash provided (used) by financing activities	45,048	(383,389)
Net increase (decrease) in cash and cash equivalents	101,222	(54,416)
Cash and cash equivalents at January 1,	442,589	440,532
Cash and cash equivalents at June 30,	$ 543,811	$ 386,116
Supplemental disclosures:		
Interest paid	$ 5,509	$ 10,441
Income taxes paid	$ 14,327	$ 1,304

See notes to interim consolidated financial statements.

SILICON VALLEY BANCSHARES AND SUBSIDIARIES
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

The accounting and reporting policies of Silicon Valley Bancshares and its subsidiaries (the Company) conform with accounting principles generally accepted in the United States of America, rule 10-01 of regulation S-X. Certain reclassifications have been made to the Company s 2002 interim consolidated financial statements to conform to the 2003 presentations. Such reclassifications had no effect on the results of operations or stockholders equity.

Descriptions of the significant accounting policies of the Company are included in Note 1 (Significant Accounting Policies) to the Consolidated Financial Statements in the Company s 2002 Annual Report on Form 10-K. As of June 30, 2003, there have been no significant changes to these policies.

Nature of Operations

Silicon Valley Bancshares is a bank holding company and a financial holding company whose principal subsidiary is Silicon Valley Bank (the Bank), a California-chartered bank, founded in 1983, and headquartered in Santa Clara, California. The Bank serves more than 9,500 clients across the country, through its 27 regional offices. The Bank has 11 offices throughout California and operates regional offices across the country, including Arizona, Colorado, Florida, Georgia, Illinois, Massachusetts, Minnesota, New York, North Carolina, Oregon, Pennsylvania, Texas, Virginia, and Washington. The Bank serves emerging growth and mature companies in the technology and life sciences markets, as well as the premium wine industry. Substantially all of the assets, liabilities, and earnings of the Company relate to its investment in the Bank. The Company offers its clients financial products and services including commercial, investment, merchant and private banking. Merger, acquisition, and corporate partnering services are provided through its wholly-owned investment banking subsidiary, Alliant Partners (Alliant).

Consolidation

The interim Consolidated Financial Statements include the accounts of Silicon Valley Bancshares and its subsidiaries. Intercompany accounts and transactions have been eliminated in consolidation. For a description of accounting policies related to consolidation, refer to Note 1 (Significant Accounting Policies Consolidation) to the Consolidated Financial Statements in the Company s 2002 Annual Report on Form 10-K.

Interim Consolidated Financial Statements

In the opinion of Management, the interim Consolidated Financial Statements contain all adjustments (consisting of only normal, recurring adjustments) necessary to present fairly the Company s consolidated financial position at June 30, 2003, the interim results of its operations for the three and six months ended June 30, 2003 and June 30, 2002 and interim cash flow for the six months ended June 30, 2003 and June 30, 2002. The December 31, 2002, Consolidated Balance Sheet was derived from audited financial statements. Certain information and footnote disclosures, normally presented therein, and prepared in accordance with accounting principles generally accepted in the United States of America, have been omitted from this report. The results of operations for the three and six months ended June 30, 2003, may not necessarily be indicative of the Company s operating results for the full year. The interim Consolidated

Financial Statements should be read in conjunction with the Consolidated Financial Statements and notes thereto included in the Company s 2002 Annual Report on Form 10-K.

Basis of Financial Statement Presentation

The preparation of interim consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and judgments that affect the reported amounts of assets and liabilities as of the balance sheet date and the results of operations for the reported periods. Actual results could differ from those estimates. See Part 1. Financial Information Item 2. Management s Discussion and Analysis of Financial Condition and Results of Operations Critical Accounting Policies. An estimate of possible changes or a range of possible changes cannot be made.

Stock-Based Compensation

The Company has elected to follow Accounting Principles Board Opinion No. 25, Accounting for Stock Issued to Employees (APB No. 25), and related interpretations, in accounting for its employee stock options rather than the alternative fair value accounting allowed by Statement of Financial Accounting Standards (SFAS) No. 123, Accounting for Stock-Based Compensation , as amended by SFAS No. 148, Accounting for Stock-Based Compensation Transition and Disclosure. APB No. 25 provides that the compensation expense relative to the Company s employee stock options is measured based on the intrinsic value of the stock option. SFAS No. 123 as amended by SFAS No. 148 requires companies that continue to follow APB No. 25 to provide a pro-forma disclosure of the impact of applying the fair value method of SFAS No. 123. The Company accounts for stock issued to non-employees in accordance with the provisions of SFAS No. 123 and Financial Accounting Standards Board Interpretation No. 44, Accounting for Certain Transactions Involving Stock Compensation.

A comparison of reported and pro-forma net income, including effects of expensing stock options, follows.

		For the three months ended June 30,		For the six months ended June 30,	
		2003	2002	2003	2002
		(Dollars in thousands, except per share amounts)			
Net (loss) income, as reported		$ (576)	$ 14,985	$ 9,842	$ 28,345
Add:	Stock-based compensation expense included in reported net income, net of tax	253	211	391	399
Less:	Total stock-based employee compensation expense determined under fair value based method, net of tax	(4,836)	(6,086)	(8,548)	(10,072)
Net (loss) income, pro-forma		$ (5,159)	$ 9,110	$ 1,685	$ 18,672
Basic (loss) income per share:					
As reported		$ (0.02)	$ 0.33	$ 0.26	$ 0.63
Pro-forma		(0.14)	0.22	0.04	0.43
Diluted (loss) income per share:					
As reported		(0.02)	0.32	0.25	0.61
Pro-forma		(0.13)	0.23	0.05	0.44

Obligation Under Guarantees

The Company provides guarantees related to financial and performance standby letters of credit. The Company accounts for these guarantees in accordance with the provision of the Financial Accounting Standards Board (FASB) Interpretation No. 45, Guarantor s Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others. The Company recognizes a liability with respect to its stand-ready obligation under the guarantee even if the probability of future payments under the guarantee is remote. The Company recognizes a liability for the fair value of the guarantee at the inception of the contract. See Part 1. Financial Information Item 1. Notes to the Interim Consolidated Financial Statements Note 10 to the Interim Consolidated Financial Statements Obligation Under Guarantees.

Recent Accounting Pronouncements

In January 2003, FASB issued Interpretation No. 46, Consolidation of Variable Interest Entities (VIE). It defined a VIE as a corporation, partnership, trust, or any other legal structure used for the business purpose that either (a) does not have equity investors with voting rights or (b) has equity investors that do not provide sufficient financial resources for the entity to support its activities. This interpretation will require a VIE to be consolidated by a company if that company is subject to a majority of the risk of loss from the VIE s activities or entitled to receive a majority of the entity s residual return. The interpretation states that if a VIE was acquired before February 1, 2003, the Company is required to disclose the impact of the VIE in its interim and annual financial statements beginning after June 15, 2003. However, if it is reasonably possible that the Company will consolidate or disclose information about a VIE when this

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interpretation becomes effective, then the Company is required to disclose the nature, purpose, size, activities, and it s maximum exposure to loss as a result of its investment with that VIE in its financial statements issued after January 31, 2003 regardless of the date on which the VIE was created. As of June 30, 2003, the Company has identified one VIE which would require consolidation treatment if we continue to hold an ownership interest of greater than 50%. This VIE is a real estate partnership, which invests in affordable housing projects and provides its investors federal and state income tax credits, and had $9.4 million in total assets and $4.6 million in total liabilities at June 30, 2003. As of June 30, 2003, the Company committed approximately $5.1 million to this partnership of which $4.6 million had been funded. This partnership was not consolidated in the Company s financial statements at June 30, 2003. The Company does not expect the consolidation of this partnership to have a significant impact on its results of operations or financial position.

In April 2003, the FASB issued SFAS No. 149, Amendment of Statement 133 on Derivative Instruments and Hedging Activities, to amend and provide clarification on the accounting for derivative instruments, including certain derivative instruments embedded in other contracts and for hedging activities under Statement of Financial Accounting Standards No. 133, Accounting for Derivative Instruments and Hedging Activities. SFAS No. 149 will be applied prospectively and is effective for contracts entered into or modified after June 30, 2003. This statement will be applicable to existing contracts and new contracts entered into after June 30, 2003 if those contracts relate to forward purchases or sales of when-issued securities or other securities that do not yet exist. The Company does not expect the adoption of SFAS No. 149 to have a material effect on the Company s results of operations or financial condition.

In May 2003, the FASB issued SFAS No. 150, Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity, to establish standards for how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity. It requires that an issuer classify a financial instrument that is within the Statement s scope as a liability (or an asset in some circumstances). Many of those instruments were previously classified as equity, or between the liabilities and equity sections of the statement of financial position. SFAS No. 150 requires financial instruments issued in the form of shares that are mandatorily redeemable (or embodies an unconditional obligation requiring the issuer to redeem it by transferring its assets at a specified or determinable date or upon an event that is certain to occur) to be classified as liabilities. The statement is effective for financial instruments entered into or modified after May 31, 2003, and otherwise is effective at the beginning of the first interim period beginning after June 15, 2003. It is to be implemented by reporting the cumulative effect of a change in accounting principle for financial instruments created before the issuance date of the Statement and still existing at the beginning of the interim period of adoption. Restatement is not permitted.

As of June 30, 2003, the Company had $38.7 million in Company Mandatorily Redeemable Trust Preferred Securities of Subsidiary Trust Holding Solely Junior Subordinated Debentures, or Trust Preferred Securities (TPS) outstanding. These securities are classified between the liability and equity sections of the Company s Interim Consolidated Balance Sheets at June 30, 2003, and their related expense is classified as noninterest expense on the Company s Interim Consolidated Statements of Income, under the heading Trust preferred securities distributions, for the three and six months ended June 30, 2003. Adoption of SFAS No. 150 will result in a reclassification of TPS to the liabilities section of the Consolidated Balance Sheet and future

TPS distribution expense to be classified as interest expense on the Consolidated Statements of Income. Other than the aforementioned impact, SFAS No. 150 will not have a material impact on the Company s results of operations or financial condition.

2. Earnings Per Share (EPS)

The following is a reconciliation of basic EPS to diluted EPS for the three and six months ended June 30, 2003 and 2002.

(Dollars and shares in thousands, except per share amounts)	For the Three months ended June 30 Net Income	Shares	Per Share Amount	For the Six months ended June 30 Net Income	Shares	Per Share Amount
2003:						
Basic EPS:						
Income available to common stockholders	$ (576)	36,735	$ (0.02)	$ 9,842	37,909	$ 0.26
Effect of Dilutive Securities:						
Stock options and restricted stock		1,079			908	
Diluted EPS:						
Income available to common stockholders plus assumed conversions	$ (576)	37,814	$ (0.02)	$ 9,842	38,817	$ 0.25
2002:						
Basic EPS:						
Income available to common stockholders	$ 14,985	45,389	$ 0.33	$ 28,345	45,283	$ 0.63
Effect of Dilutive Securities:						
Stock options and restricted stock		1,586			1,489	
Diluted EPS:						
Income available to common stockholders plus assumed conversions	$ 14,985	46,975	$ 0.32	$ 28,345	46,772	$ 0.61

3. Investment Securities

The detailed composition of the Company s available-for-sale and non-marketable investment securities is presented as follows:

(Dollars in thousands)	**June 30, 2003**	**December 31, 2002**
Available-for-sale securities, at fair value	$ 1,571,529	$ 1,444,231
Non-marketable investment securities:		
Federal Reserve Bank stock and tax credit funds	25,241	25,649
Federal home loan bank stock	2,948	2,172
Venture capital fund investments (1)	47,842	46,822
Private equity investments (2)	16,360	16,820
Total investment securities	$ 1,663,920	$ 1,535,694

(1) Non-marketable venture capital fund investments included $23.2 million and $22.1 million related to SVB Strategic Investors Fund, L.P., at June 30, 2003, and December 31, 2002, respectively. The Company has a controlling ownership interest of 11.1% in the fund. Excluding the minority interest owned portion of SVB Strategic Investors Fund, L.P., the Company had non-marketable venture capital fund investments of $27.2 million as of June 30, 2003, and December 31, 2002.

(2) Non-marketable private equity investments included $10.3 million and $10.0 million related to Silicon Valley BancVentures, L.P., at June 30, 2003, and December 31, 2002, respectively. The Company has a controlling ownership interest of 10.7% in the fund. Excluding the minority interest owned portion of Silicon Valley BancVentures, L.P., the Company had non-marketable other private equity investments of $7.1 million and $7.9 million as of June 30, 2003, and December 31, 2002, respectively.

The following tables present the carrying value of our non-marketable venture capital and other private equity investments at and for the six months ended June 30, 2003.

	Wholly-Owned Equity Investments		(As consolidated) Managed Funds Activities		
	Venture Capital Funds	Other Private Equity	Silicon Valley BancVentures, L.P.	SVB Strategic Investors Fund, L.P.	Total
	(Dollars in thousands)				
Fund size			$ 56,100	$ 121,800*	$ 177,900
Commitments	$ 58,455	$ 15,168	16,631	101,277	191,531
Capital investment	37,915	15,168	16,631	36,350	106,064
Carrying value	24,670	6,038	10,322	23,172	64,202
Year-to-date net investment losses	(1,608)	(931)	(1,963)	(3,733)	(8,235)

	Wholly-Owned Equity Investments		(Net of minority interest ownership of managed funds) Managed Funds Activites		
	Venture Capital Funds	Other Private Equity	Silicon Valley BancVentures, L.P.	SVB Strategic Investors Fund, L.P.	Total
	(Dollars in thousands)				
Commitments	$ 58,455	$ 15,168	$ 6,000	$ 13,500*	$ 93,123
Capital investment	37,915	15,168	2,280	4,860	60,223
Carrying value	24,670	6,038	1,104	2,568	34,380
Year-to-date net investment losses	(1,608)	(931)	(210)	(414)	(3,163)
Year-to-date management fee revenue			541	499	1,040

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* Effective January 1, 2003, SVB Strategic Investors Fund, L.P. reduced the total capital that can be called from $135.3 million to $121.8 million as a result of the reductions in the size of the underlying venture capital fund investments. Our committed capital that can be called was reduced from $15.0 million to $13.5 million.

4. Loans and Allowance for Loan Losses

The detailed composition of loans, net of unearned income of $12.6 million and $11.8 million, at June 30, 2003, and December 31, 2002, respectively, is presented in the following table:

(Dollars in thousands)	June 30, 2003	December 31, 2002
Commercial	$ 1,674,702	$ 1,756,182
Real estate construction	52,940	43,178
Real estate term	55,770	56,190
Consumer and other	181,388	230,530
Total Loans	$ 1,964,800	$ 2,086,080

The activity in the allowance for loan losses for the three and six months ended June 30, 2003 and 2002 was as follows:

	Three months ended June 30,		Six months ended June 30,	
(Dollars in thousands)	2003	2002	2003	2002
Beginning balance	$ 70,000	$ 71,375	$ 70,500	$ 72,375
Provision for loan losses	1,162	(3,207)	4,546	219
Loans charged off				