



**SPD SILICON VALLEY BANK
2014 ANNUAL REPORT AND
ACCOUNTING STATEMENT**

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This Annual Report is the SPD Silicon Valley Bank 2014 Annual Report and Accounting Statement. According to the Commercial Bank Information Disclosure Policy issued by China Banking Regulatory Commission, this Report shall include a BOD report, a financial report, an independent audit report and other information.

This Annual Report and Accounting Statement is prepared in both Chinese and English. The English is a translation version for reference purposes only. In case of any discrepancy between the Chinese version and the English version, the Chinese version shall prevail.

Bank Briefing and Financial Abstract

Financial Abstract
(USD MM)

	2014	2013
Yearly		
Operating Income	11.63	2.89
Operating Expense	14.07	6.31
Operating Profit	-2.44	-3.42
Total Profit (Loss)	0.23	-2.41
Net Profit (Loss)	0.18	-1.81
Balance Sheet as of Dec. 31		
Loan	52.81	10.05
Total Assets	285.38	222.49
Customer Deposits	111.63	58.77
Total Liabilities	126.08	63.37
Total Owner's Equity	159.3	159.12
Capital Adequacy Ratio	102.47%	258.99%

PS Operating Income = Net Interest Income + Net Fee and Commission Income
+ Net Losses on FX and Derivative Transactions
Operating Expense = Business Tax and Levies + General and Administrative
Expenses
Operating Profit = Operating Income - Operating Expense
Total Profit (Loss) = Operating Profit + Non-Operating Income
Net Profit (Loss) = Total Loss - Income Tax

SPD Silicon Valley Bank (“SSVB” or the “Bank”) is a Sino-foreign joint venture bank held 50%-50% by Shanghai Pudong Development Bank (“SPDB”) and Silicon Valley Bank (“SVB”). SSVB has a registered capital of RMB 1 billion.

Our Chinese shareholder SPDB plays a leading role in domestic corporate banking business. As a listed joint-stock bank with business across the country, after over a decade’s rapid development, SPDB has established a strong nationwide network and gained comparative edge in corporate banking business.

Our foreign shareholder SVB is the California bank subsidiary and the commercial banking operation of SVB Financial Group. SVB is headquartered in Santa Clara, California, the heart of Silicon Valley and is established with the approval of the California Department of Financial Institutions. SVB is focused on providing financial services to technology companies. In the U.S. or even worldwide, SVB is almost the only commercial bank that has consistently and exclusively focused on serving the technology space.

On October 14, 2011, CBRC approved the preparation of SPD Silicon Valley Bank (Yin Jian Han [2011] No. 278). After nearly ten months’ preparation and efforts, SSVB formally opened on July 30, 2012 as approved by CBRC (Yin Jian Fu [2012] No. 415).

Except for the head office, the Bank had no branch.
SPD Silicon Valley Bank Co., Ltd.
2-3 Floor, Block A, North America Plaza, No. 518, Kunming Road, Yangpu District, Shanghai, 200082
Tel: (8621) 35159088/89 Fax: (8621) 35159070/71

The Bank plans to move to the new address on May 25, 2015: Floor 21 (which is the nominal floor number, the actual floor is 18) and Unit 01, 06 , Floor 22 (which is the nominal floor number, the actual floor is 19) , Tower B of Baoland Plaza, No. 558, Dalian Road, Yangpu District.

As approved by CBRC, the Bank will engage in foreign exchange business for all clients within the following scope: accepting public deposits, making short-term, medium-term and long-term loans, acceptance and discount of negotiable instruments, buying and selling government bonds and financial bonds, buying and selling non-stock negotiable securities denominated in a foreign currency, providing L/C services and guarantee, domestic and international settlements, buying and selling foreign exchange for itself or on an agency basis, inter-bank funding, bank card business, safe deposit box, providing credit-standing investigation and consultation services, and other business approved by CBRC.

On March 19, 2015, CBRC approved the Bank to provide RMB services to clients other than citizens inside the territory of China. The Bank is under the preparation for RMB business. After the Bank completes legal process according to the relevant laws and regulations, the business will be extended to foreign exchange business for all clients and RMB business to clients other than citizens inside the territory of China within the above scope.

The Bank will leverage the advantages of its two shareholders and focus on providing commercial banking services for China's technology and innovation companies. The strategic goal of the Bank is to become the model for China's banking industry in serving China's rapidly developing technology and innovation companies as well as risk management, and become an active driver of China's innovation ecosystem.

BOD Report – Corporate Governance

BOD

As of December 31, 2014, the BOD of SSVB consisted of the following members:

Zhu Yuchen	Chairman
Dave Jones	President, Executive Director
Ken Wilcox	Non-executive Director
Ge Yufei	Non-executive Director
Jiang Mingsheng	Non-executive Director
Bruce Wallace	Non-executive Director
Gary Rieschel	Independent Director

The BOD shall be responsible to and report to the Shareholders Meeting, and shall perform duties according to the Articles of Association of SPD Silicon Valley Bank.

The BOD duly performed the duties of trusteeship and custody this year. In 2014, the BOD and its sub-committees (including the Strategy Committee, the Risk Management Committee, the Related-Party Transaction Control Committee, the Audit Committee and the Remuneration and Evaluation Committee) complied with applicable laws and regulations, regulatory requirements and the Articles of Association, duly performed their duties under the Bank's corporate governance structure and mechanism, and approved important matters within their authorities. The BOD and its sub-committees also conducted risk monitoring and oversight on the senior management's performance through hearing the reports made by senior management, reviewing reports on the performance of internal control and risk management, etc.

The directors were diligent and responsible, and actively attended BOD and sub-committee meetings. The directors actively participated in discussions and proposed professional opinions and advice based on their expertise and experience.

CBRC Shanghai approved the appointment of Mr. Liu Xiaodong as the independent director on February 9, 2015. The Bank have two independent directors now: Mr. Gary Rieschel and Mr. Liu Xiaodong. As approved by the BOD, Mr. Gary Rieschel served as Chairman of the Risk Management Committee and the Remuneration and Evaluation Committee. The independent directors diligently and duly performed his duties as independent director and convener of BOD committees. Mr. Gary Rieschel actively attended BOD meetings, proposed independent opinions and advice on the Bank's major business issues based on their expertise and experience, and played an active role in the establishment of the BOD and its sub-committees, the preparation of business development strategy plan, the appointment of senior management members, internal and external audit, risk management, etc.

The BOD held four meetings on February 11, May 15, August 14 and November 6 in 2014. The BOD deliberated and adopted the business development strategy plan, the budget plan, audit plan, remuneration proposal and the revisions on articles of association and other important resolutions.

The Risk Management Committee held three meetings in 2014. The Strategy Committee held two meetings in 2014. The Audit Committee held three meetings in 2014. The Remuneration and Evaluation Committee one meeting in 2014. The Related-Party Transaction Committee held two meetings in 2014.

Supervisor

As of December 31, 2014, the Bank had one supervisor, assumed by Mr. Lu Xiongwen. The supervisor is appointed by the Shareholders Meeting, and shall be responsible to the Shareholders Meeting and report to the shareholders. The supervisor was diligent and responsible, and effectively performed his duties. The supervisor attended BOD and sub-committee meetings (as non-voting delegate), reviewed BOD documents, heard reports made by senior management at BOD meetings, actively participated in discussions from the supervisor's perspective, inspected the Bank's financial conditions, supervised the performance of directors and senior management, conducted performance evaluation and reported the evaluation results to the Shareholders Meeting.

Senior Management

As appointed by the BOD and approved by the regulator, as of December 31, 2014, the senior management of SSVB consisted of the following members:

Dave Jones	President
Oscar Jazdowski	Vice President Head of Corporate Banking Department
Harvey Lum	Vice President Chief Risk Officer and Head of Risk Management
Ke Pei	Vice President Chief Compliance Officer and Head of Strategy and Compliance
Maggie Shao	Vice President Chief Financial Officer and Head of Finance and Treasury

Shareholders' Meeting

The Bank held a shareholders meeting on May 14, 2014, the shareholders' representatives deliberated and adopted the 2013 final account plan, 2014 budget plan, 2013 BOD report, 2013 BOD and Director Performance Evaluation Report, the change of BOD Directors and other important resolutions.

External Auditor

As approved by the Shareholders Meeting, the Bank appointed PricewaterhouseCoopers Zhongtian Certified Public Accountants as its external auditor for 2014 fiscal year.

Capital Adequacy

As of December 31, 2014, SSVB had US\$ 158 million (RMB 966 million equivalent) of net core Tier 1 capital, with \$159 million of paid-in capital (equivalent to RMB 1 billion). The audited net profit was US\$ 180.8 thousand (RMB 1.11 million equivalent).

The calculation of SSVB's capital adequacy ratio covered credit risk, market risk and operational risk, and the weight approach, standardized approach and basic indicator approach were adopted respectively to calculate related risk-weighted assets.

As of December 31, 2014, SSVB had no domestic or international branches or directly or indirectly held financial institutions. As a result, the calculation of both consolidated and unconsolidated capital adequacy ratios covered only the head office.

As of December 31, 2014, all of the core Tier 1 capital adequacy ratio, the Tier 1 capital adequacy ratio and the capital adequacy ratio of SSVB were well above regulatory requirements.

Financial Snapshot

By the end of 2014, total assets of SSVB reach to US\$ 285 million (RMB 1.74 billion equivalent), which is 28.38% more than 2013. The outstanding deposit is US\$ 112 million (RMB 685 million equivalent), 90% more than 2013. The average outstanding balance is US\$ 77.91 million (RMB 477 million). By the end of 2014, the outstanding loan is US\$ 52.81 million (RMB 323 million); the average outstanding loan for 2013 is about US\$ 32.53 million (RMB 199 million). There are total 233 customers have opened 318 accounts in our bank. Among which 135 are non-resident accounts and 183 are domestic accounts.

The 2014 net income is a profit of US\$ 180.8 thousand (RMB 1.11 million equivalents). The total operating expense of 2013 is US\$ 13.13 million (RMB 80.34 million equivalent), which is 11% more than 2013. Among them: the total compensation and benefits is 7.72 million USD (RMB 47.24 million Yuan), 19% increased from 2013; The Premises, facilities, furniture and office equipment in total is 1.93 million USD (RMB 11.81 million Yuan), 6% more than 2013; the technology and communications cost about 1.25 million USD (RMB 7.65 million), 14% less than 2013; The other operation expense is 2.23 million (RMB 13.65 million Yuan), 7% more than 2013; The PMO expense in 2014 cost 1.1 million USD (RMB 6.73 million Yuan). The total revenue is US\$11.63 million (RMB 71.16 million equivalent), 35% more than 2013. Among them: the net interest income is 9.27 million USD (RMB 56.72 million Yuan), 47% more than 2013; Non-interest income is 2.07 million USD (RMB 12.67 million Yuan), considerably more than 2013 by 127%.

Risk Management

Risk management of the Bank has three broad objectives:

- To align risk management with the Bank’s vision, values, mission and overall business strategy;
- To instill ownership of risk management throughout the Bank, from individual employees in each business unit to the executives on Steering Committee; and
- To continuously improve risk management by identifying, developing and managing risk measures in an economically efficient manner via business plans, risk controls and supporting technology.

The Bank implements enterprise-wide risk management so as to identify various risks that the Bank may have and to monitor them from the top management and based on a unified risk management framework. The risks identified include: credit risk, market risk, liquidity risk, operational risk, compliance risk, reputational risk and strategy risk.

The BOD provides general risk oversight, with its sub-committees (the Audit Committee, the Strategy Committee, the Risk management Committee, the Remuneration and Evaluation Committee, and the Related-Party Transaction Control Committee) focusing on specific risk categories. In addition, the Audit Committee provides oversight for enterprise-wide risk management.

At quarterly board meetings, RMC provides the risk assessment report to BOD for awareness and discussion of risk management strategies.

The Risk Management Committee (RMC) provides the last round of feedback to the business unit, ensuring that all possible risks and risk mitigants have been identified and documented. The RMC also elevates any key risks, if appropriate, to the Board of Directors.

The Chief Risk Officer and other management personnel shall ensure the establishment and implementation of enterprise-wide risk management policies and strategies governing key factors related to credit, market, liquidity, operational/technology, legal/compliance and strategic/reputational risk, and shall report to the Risk Management Committees on a quarterly basis. The Risk Management Committee and Risk Management Department will be responsible for carrying out enterprise-wide risk management on the Bank. In 2014, we have completed the risk assessment for credit risk, market risk, liquidity risk, operational risk, compliance risk, reputation risk and strategy risk. The results are as follows:

	Rating	Remark	Trend	Remark
Credit Risk	Medium	Credit quality remains strong with fast growth in loan portfolio	Stable	Continue focusing on our niches to build up granular loan portfolio
Market Risk	Medium	Loan portfolio slightly moderates our interest rate sensitivity	Stable	Growth will further stabilize our net interest income.

	Rating	Remark	Trend	Remark
Liquidity Risk	Medium	The bank remains liquid	Increasing	Strong growth in loan business will require more proactive liquidity management in both FCY and CNY
Operational Risk	Medium	System upgrades and refined processes keep operational risk controllable with the expansion of business	Increasing	More challenges ahead: 1) the multiple critical/complex IT projects being undertaken simultaneously 2) the increasing likelihood of operational error due to the strong business growth
Compliance Risk	Low	Overall satisfactory, no significant violation or control gap	Stable	More challenges ahead: 1) the multiple critical/complex IT projects being undertaken simultaneously 2) the increasing likelihood of operational error due to the strong business growth
Reputation Risk	Low	Maintaining brand equity, leveraging new media	Increasing	Proactive management / education needed for responding to the expectation and demands of our clients in an ever-changing environment
Strategy Risk	Medium	The flexible business strategy brought significant business growth	Stable	Commitment to follow the course

Internal audit, as a 3rd line of defence for risk management, evaluates the adequacy and effectiveness of the Bank's risk management processes for identifying, measuring, monitoring and controlling risk, reports their findings to the Audit Committee and follows up with the corrections. To maintain independence, the Head of Internal Audit reports directly to the Chair of the Audit Committee.

Credit Risk

Credit risk refers to the risk of loss caused to the Bank due to client or counterparty's failure to perform contractual obligations. It arises principally from lending, trade finance and Treasury activities.

The Bank's BOD is ultimately responsible for credit risk management. It is responsible for approving the Bank's credit risk management framework, strategy and profile; reviewing and approving the credit risk management reports submitted by the Bank's Senior Management; determining the Delegated Credit Approval Authority Matrix and any changes thereof.

The Risk Management Committee is responsible for ensure, with management assistance, that the Bank maintains credit policies and practices that conform to applicable laws and regulations, and monitors the Bank's adherence to credit policies through comprehensive credit portfolio reports and credit review reports.

Loan Committee is responsible for reviewing and approving credit applications, charge-offs and write-downs above individual delegated authority.

The Bank adopts the organization structure where front office, middle office and back office are segregated. Credit Front Office, including Relationship Management team and Treasury team, is responsible for managing customer relationships, structuring the loan facility and submitting credit applications, monitoring customers' performance and recommending timely necessary credit actions to ensure the accuracy of credit risk ratings and timely follow-up of issues. The Credit Risk Management team, as the middle office, is in charge of monitoring and controlling credit risks involved in the Bank's businesses and activities. The Loan and Trade Operations team of Operations Department is responsible for examining the completeness and validity of customer materials/credit approval materials and credit agreements; examine the completeness and validity of drawdown materials to process loan disbursement; filing legal documents, i.e. loan agreement, collateral pledge contract and guaranty contract and other supporting documents; the entry and maintenance of core system.

The Bank managed the credit quality proactively and carefully, the lending strategy is to leverage SVB's over 30 years lending experience in technology innovation companies, focus on core niches and work with well-known VCs. The Bank reviewed each borrower in loan portfolio on monthly basis, to track the financial, funding and business performance of the company.

Without meaningful historical data, the Bank is leveraging SVB's loan loss allowance accrual methodology within the year 2014. The Bank is collecting meaningful data for setting up own model in near future. We also further studied and applied SVB methodology with prudent approach.

Market Risk

Market risks refer to the risks of loss to off-or on-balance sheet business due to any adverse change to the market price or rate (such as exchange rate, interest rate, stock price and commodity price). The main market risks to the Bank are interest rate risk and foreign exchange risk.

Our FX trading transactions are mainly comprised of client initiated RMB spot foreign exchange transactions and interbank transactions to square positions generated by clients' deals. FX exposures were well managed within the established limits. As a start-up bank, the scale of customer deposits is much larger than customer loans, generating commercial surplus which is invested in interbank deposits according to matching with the tenor of customer term deposits. The growth of loan portfolio continues decreasing the NII sensitivity. Moreover, we have reduced the sensitivity of our capital investment to fluctuations in short-term interest rates through the interbank

deposit in SPDB. We conduct regular NII sensitivity analysis and use conservative method to manage assets and liabilities by matching duration as far as possible.

Liquidity Risk

Since SSVB was open for business, we always follow conservative principal to manage liquidity risk. As a start-up bank, the loan portfolio is limited so loan to deposit ratio and liquidity ratio far exceed the regulatory requirements. Our liquidity risk is low.

According to the liquidity maturity gap analysis based on the financial positions as of December 31, 2014, the cumulative net cash flows projected per the contractual maturity are positive for all time buckets up to 1 year.

Liquidity Risk Metric	Tolerance Levels			Result
	Warning	Trigger	Limit	2014-12-31
Loans/Deposits Ratio	70%	72%	75%	48.04%
Liquidity Ratio	50%	30%	25%	85.55%
Liquidity Coverage Ratio	150%	125%	100%	35.37%
Net Stable Funding Ratio	150%	125%	100%	266.38%

Note: Liquidity Coverage Ratio is currently 32% as we do not hold enough assets that qualify as “Highly Liquid Assets” according to the current definition. With the expansion of our business, we are trying to increase the proportion of highly liquid assets.

Operational Risk

Operational risks refer to the risk of loss or lost income opportunities resulting from inadequate or ineffective internal processes, people and systems, or from external events.

The Bank establishes effective internal control policies and operating procedures and reduce business interruption at all levels within the organization, so as to identify, assess, monitor, mitigate and control key operational risks. All departments are faced with different levels of operational risks, so all business lines and employees of the Bank shall carry out business and management according to the policies and operating procedures of the Bank.

The BOD considers operational risk as one of major risks faced by the Bank, and is ultimately responsible for the efficiency of operational risk management. The Senior Management of the Bank shall be responsible for implementing the strategies and policies on operational risk management and the framework as approved by the BOD. The RMD is responsible for the consistency and efficiency of the operational

risk management throughout the Bank. Other departments, in particular, Corporate Banking Department, Finance and Treasury Department, Operations Department, Strategy and Compliance Department, HR Department, IT Department, etc., are responsible for the management of operational risks attached to their respective business/activity area.

The Bank adopts various tools for operational risk management including RSA, operational risk event collection and reporting, and KRI.

The Bank has gradually established a comprehensive Business Continuity Management Program which enables us to quickly provide customers with a safe banking environment in the face of a disaster and to maintain service requirements, mitigate damage, stabilize and continue critical business functions and to restore the business after any interruption. The Business Continuity Plan is under periodic review and testing. Moreover, we also organize the annual awareness education for all employees.

Compliance Risk

Our current compliance risk profile is low as we have knowledgeable and experienced compliance management, manageable activity levels and processes in place to maintain adherence.

The Bank's deposit deviation was 9.57% as at the end of December 2014, breach 3% regulatory ratio. The Bank reported the breach to CBRC SHH in January 2015. There was no other violation or compliance defect identified in 2014. The Bank's deposit deviation was 12.29% as at the end of February 2015, breach 3% regulatory ratio. The Bank reported the breach to CBRC SHH in March 2015. The compliance risk management of SSVB is timely and effective. As required by new regulations, the Strategy and Compliance Department has led relevant departments to revise the operating procedures and provide trainings for relevant employees, classified the compliance risk points based on business and operations, and regularly conducted compliance self-examination and examination, so as to ensure the compliance risk of SSVB remains at a low level.

Reputational Risk

We are proactively managing our reputational risk in the process of educating our staff, the media, our client base and other external constituencies.

We have launched our new Corporate Communication Policy, which provides a guideline in terms of external communication and its dos and don'ts when dealing with the media. The effective reputation management will help us maintaining a low risk. This policy also provides a system of checks and balances to avoid inadvertently releasing sensitive or competitive information, and to avoid creating misperceptions about the bank.

With a coordinated and informed process, which was centrally managed by Marketing and PR, we've effectively and efficiently communicated the company's key messages through media channels. In 2014, we maintained a good relation with

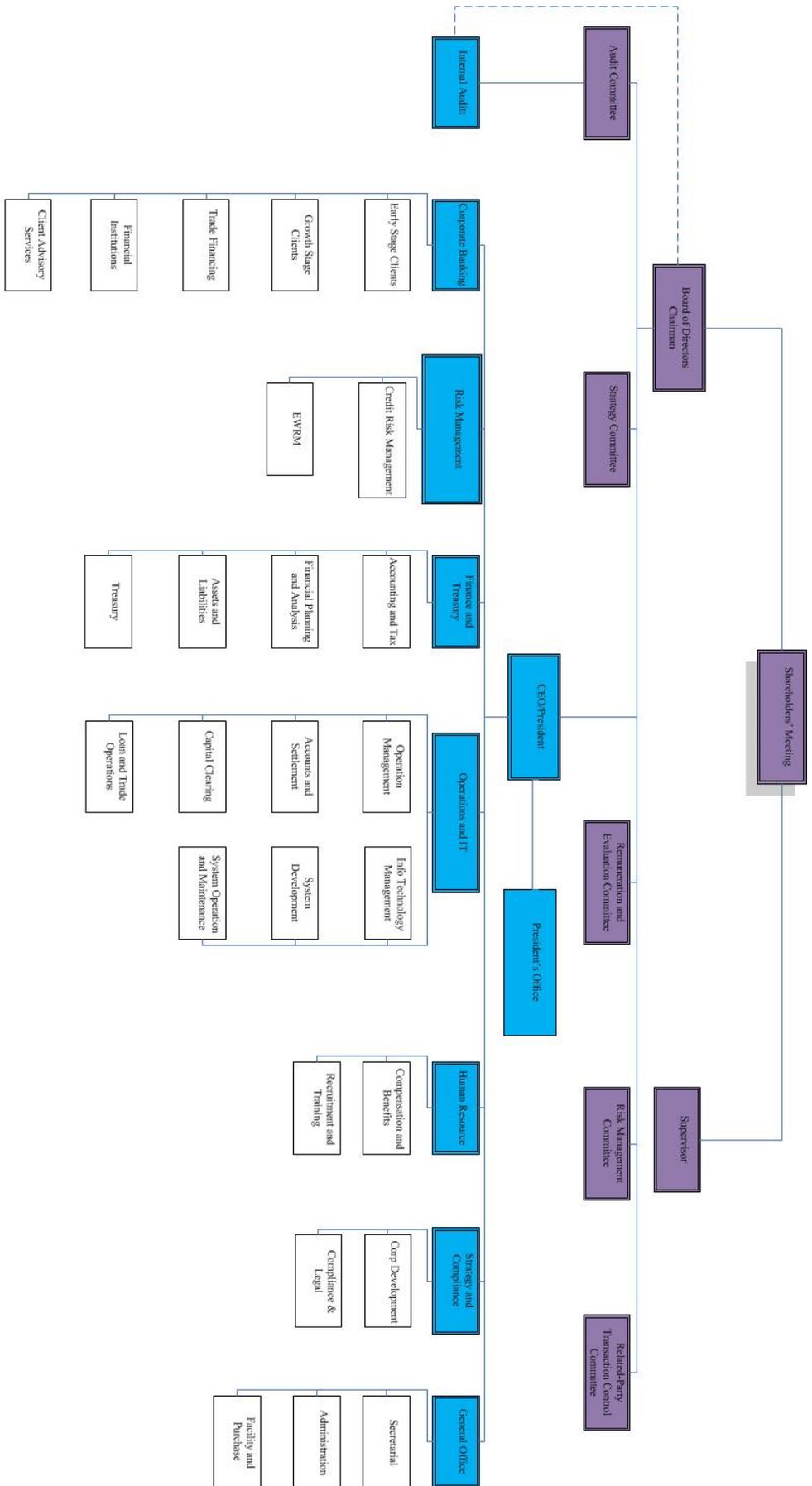
media and have received coverage from some mainstream top tier media, such as *CCTV, Xinhua News Agency, People's Daily, China Daily, Science and Technology Daily, CBN TV* and etc.

Strategy Risk

Our strategic risk is medium given the difficulty inherent in the combination of our USD limitation, our requirement to be profitable and our desire to stay focused on the innovation space. The risk will be mitigated after we can conduct RMB business. To control strategy risk, the Bank has made three-year strategy plan. The obtain of RMB license will help the Bank to execute the plan effectively. The support from Chinese financial market, laws and policies to SMEs and innovation companies will enhance the Bank to exert its expertise.

朱玉辰(Zhu Yuchen) Chairman
Shanghai, April 24, 2014

Organization Chart (ended on December,31th, 2014)



Org Chart of SPD Silicon Valley Bank

71 formal employees as of 12/31/2014

2014 Financial Statement and the Report of the Auditors Attached Separately