



SPD SILICON VALLEY BANK 2015 ANNUAL REPORT AND ACCOUNTING STATEMENT

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This Annual Report is the SPD Silicon Valley Bank 2015 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)

	2015	2014
Yearly		
Operating Income	77.92	71.18
Operating Expense	93.58	86.10
Operating Profit	-15.66	-14.92
Total Profit (Loss)	-4.75	1.43
Net Profit (Loss)	-3.68	1.11
Balance Sheet as of Dec. 31		
Loan	579.00	323.14
Total Assets	2608.94	1746.27
Customer Deposits	1553.44	683.07
Total Liabilities	1578.56	771.51
Total Owner's Equity	1030.38	974.76
Capital Adequacy Ratio	82.54%	102.47%

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). 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.
21-22 Floor, Tower B of Baoland Plaza, No. 558, Dalian Road, Yangpu District.
Tel: (8621) 35159088/89 Fax: (8621) 35963099/35963199

The Bank moved to the address on May 25, 2015: from 2-3 Floor, Block A, North America Plaza, No. 518, Kunming Road, Yangpu District, Shanghai

On March 19, 2015, CBRC approved the Bank to provide RMB services to clients other than citizens inside the territory of China. After the Bank completing 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.

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, forex sale and purchase business, 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. According to the relevant laws and regulations, the business is 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:

Liu Xinyi	Chairman
Dave Jones	Executive Director, President
Ken Wilcox	Non-executive Director
Jiang Mingsheng	Non-executive Director
Yuan Rui	Non-executive Director
Michael Descheneaux	Non-executive Director
Liu Xiaodong	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 2015, 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. As approved by the BOD, Mr. Liu Xiaodong served as Chairman of the Internal Audit committee, Related Party Transaction Control Committee and Remuneration and Evaluation Committee. The independent directors diligently and duly performed his duties as independent director and convener of BOD committees. Mr. Liu Xiaodong 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 12, May 15, August 13 and November 18 in 2014. The BOD deliberated and adopted the business development strategy plan, the budget plan, audit plan, remuneration proposal and other important resolutions.

The Risk Management Committee held two meetings in 2015. The Strategy Committee held one meeting in 2015. The Audit Committee held two meetings in 2015. The Remuneration and Evaluation Committee one meeting in 2015. The Related-Party Transaction Committee held one meeting in 2015.

Supervisor

As of December 31, 2015, 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, 2015, 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
Bradley Gao	Chief Operation Office and Head of the Operation
Sharon Yang	Head of the Human Resource

Shareholders' Meeting

The Bank held a shareholders meeting on May 13, 2015, the shareholders' representatives deliberated and adopted the 2014 final account plan, 2015 budget plan, 2014 BOD report, 2014 BOD and Director Performance Evaluation Report, the plan of office relocation and other important resolutions.

External Auditor

As approved by the Shareholders Meeting, the Bank appointed Price waterhouse Coopers Zhongtian Certified Public Accountants as its external auditor for 2015 fiscal year.

Capital Adequacy

As of December 31, 2015, SSVB had CNY ¥ 1.02 billion of net core Tier 1 capital, with 1 billion of paid-in capital, 35 million of capital reserve and 4 million of retained earnings.

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, 2015, 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, 2015, 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.

Remuneration Policy

Remuneration policies in SSVB are designed to support the Bank's business strategies and goals, to improve the risk management efficiency, to provide flexibility to respond dynamic business needs, and to promote the Bank's core value of "CHENGGONG".

The Remuneration and Evaluation Committee ("the Committee") is a committee of the Board of Directors of SSVB. The Committee members are appointed by the Board, and have at least three members and one convening person. The convening person of the Remuneration and Evaluation Committee is the independent director nominated by shareholders.

The Remuneration and Evaluation Committee mainly have the following duties and responsibilities: drafting appropriate standards for evaluating directors and senior management, performing the evaluation and submitting the comments to the Board; conducting research regarding the evaluation and salary policy and scheme of directors and senior management; supervising the implementation of the Bank's remuneration schemes and material incentive programs; other matters prescribed by the laws, regulations and rules or matters otherwise authorized by the Board of directors.

The major components of remuneration comprise fixed pay, variable pay such as performance-based incentives or bonuses, and employee benefits. The remuneration data may differ across different job grades and departments according to established industry norms. The Bank believes the principle of "pay-for-performance" so the variable pay is linked with the Bank's overall business performance as well as

individual staff's performance. The budget for the performance-based incentive is reviewed by the Remuneration & Evaluation Committee and approved by SSVB Board.

The Bank believes that the organizational culture and employees' behaviours are the critical factors in helping to achieve the Bank's corporate goals and maximize the business performance. Therefore, SSVB employees overall performance are measured based on both the employee's goal achievements and also the employee's citizenship behaviour in demonstrating the Bank's Core Value and Standards. The performance management process is transparent, fair, and applied consistently to all employees.

The Bank aligns remuneration with prudent risk-taking and responsibilities. If any employee, who breaches the Banking laws and regulations, or the Bank's internal policies and standards, will be no or less considered for the incentive reward for that year, depending on the seriousness of his misconduct.

SSVB will continuously review our remuneration policies in order to support the Bank's stable operations and continued business growth.

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 inoculate the ownership conscious of risk management throughout the Bank, from individual employee 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 mitigates 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 growth in RMB loan commitments; however utilization is below expectations	Stable	Strong, pipeline and quality of deal flow; continued focus on niches and leveraging SVB industry expertise to manage risk
Market Risk	Medium	Remains within the tolerance aligned with our business strategy	Stable	Growth will further stabilize our net interest income and the increased FX transaction volume will provide enhanced profitability without taking more risks
Liquidity Risk	Medium	The bank remains liquid	Increasing	Strong growth in loan business and relatively high concentration on deposits 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; roll out online banking (OLB) in Q4; reliance on outside vendors and vendor management	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 3) managing increased volume with limited automation systems in place 4) more channels more exposure to frauds

Compliance Risk	Low	Overall satisfactory, no significant violation or control gap, but greater regulatory attention	Stable	Continued training and self-inspection to avoid inadvertent mistakes
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	Stage of development still requires flexibility in managing business growth. Competitors continue to emerge for core elements of business, but none have the capability to provide the global platform	Stable	Continue to stay the course, but stay mindful and disciplined

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.

With the increasing knowledge of local market and borrowers, the bank will focus on the credit operations, to smooth the process and refine the procedures. The bank revised the credit policy with emphasis on portfolio management procedure; we aim to ensure the lending team conducts robust portfolio management to get ready for potential rapid business bloom.

--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. The increased FX transaction volume provided enhanced profitability without taking more risks. The customer deposits and loans achieved balanced growth in 2015, generating commercial surplus which is invested in interbank deposits according to matching with the tenor of customer term deposits. 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. This year, SSVB formally launched RMB business. At the beginning, our liquidity management principle remains conservative and cautious. For some of the key liquidity indicators, SSVB's internal control requirements are higher

than the regulatory required levels. So liquidity risk management of our bank is more stringent, the probability of liquidity problem is low.

According to the liquidity maturity gap analysis based on the financial positions as of December 31, 2015, the cumulative net cash flows projected per the contractual maturity are positive up to 1 year.

Liquidity Risk Metric	Tolerance Levels			Result
	Warning	Trigger	Limit	2015-12-31
Loans/Deposits Ratio (RMB)	60%	75%	75%	33.02%
Loans/Deposits Ratio (FCY)	75%	90%	90%	56.55%
Liquidity Ratio (RMB)	50%	25%	25%	65.94%
Liquidity Ratio (FCY)	50%	25%	25%	346.53%
Liquidity Coverage Ratio	150%	125%	100%	19.90%
Net Stable Funding Ratio	150%	125%	100%	312.05%

Note: Liquidity Coverage Ratio is currently 19.90% 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 12.29%, 4.05%, 32.17% and 18.99% respectively in February, May and August as of 2015, breach 3% regulatory ratio. The Bank reported the breach to CBRC SHH in January 2015.

When we implemented the newly released calculating method in the first month, due to the miscalculation, , total amount of RMB reserve accounts and the assessment of day end were lower than the regulatory requirement by average method, which is non-compliance. The Bank decided to take the following 2 actions to ensure the deposit deviation ratio meets the regulatory requirement:

- (1) Sufficient DD before account opening, knowing the time and the amount of investment; and
- (2) Encouraging customers to tell the Bank large amount inflow in advance.

To meet the requirement of the deposit reserve accounts, the following measures will be taken:

- (1) When there is a decline of deposit balance in every 10 days, it is required to return the outstanding deposit reserve part but keeping at least 5% excessive deposit reserve in the account.
- (2) Convene all the relevant staff to be trained for Average balance assessment method.

(3) By strengthening the internal procedure, Operation Department shall conduct reconciliation with PBOC per day and Finance Department shall file the report of liquidity monitoring according to Operations' balance data. Besides, Finance Department shall check day-end balance of deposit reserve with Treasury Team on the last working day of each assessment period and calculate the average balance of deposit reserve until the very date by using the number of day-end balance. If it doesn't meet the criteria, the deficiency of deposit reserve shall be filled up in time.

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

In 2015, we continue to proactively manage our reputational risk in the process of educating our staff, the media, our client base and other external constituencies. With a coordinated and informed process, we've effectively and efficiently communicated the company's key messages through media channels. In 2015, 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. The Bank has made a five-year strategy plan, which includes the top VC institutions, incubators, angel investment institutions and establishing a close relationship with government, giving customers a good service experience, a reasonable return on shareholders and a high degree of concern about the government and so on. Strategic planning emphasized that if SSVB could manage to possess the market share and the scale, the capabilities of risk-control, operation, the construction of personnel, branch-expansion shall be enhanced accordingly to implement the strategic plan.

Social Responsibility

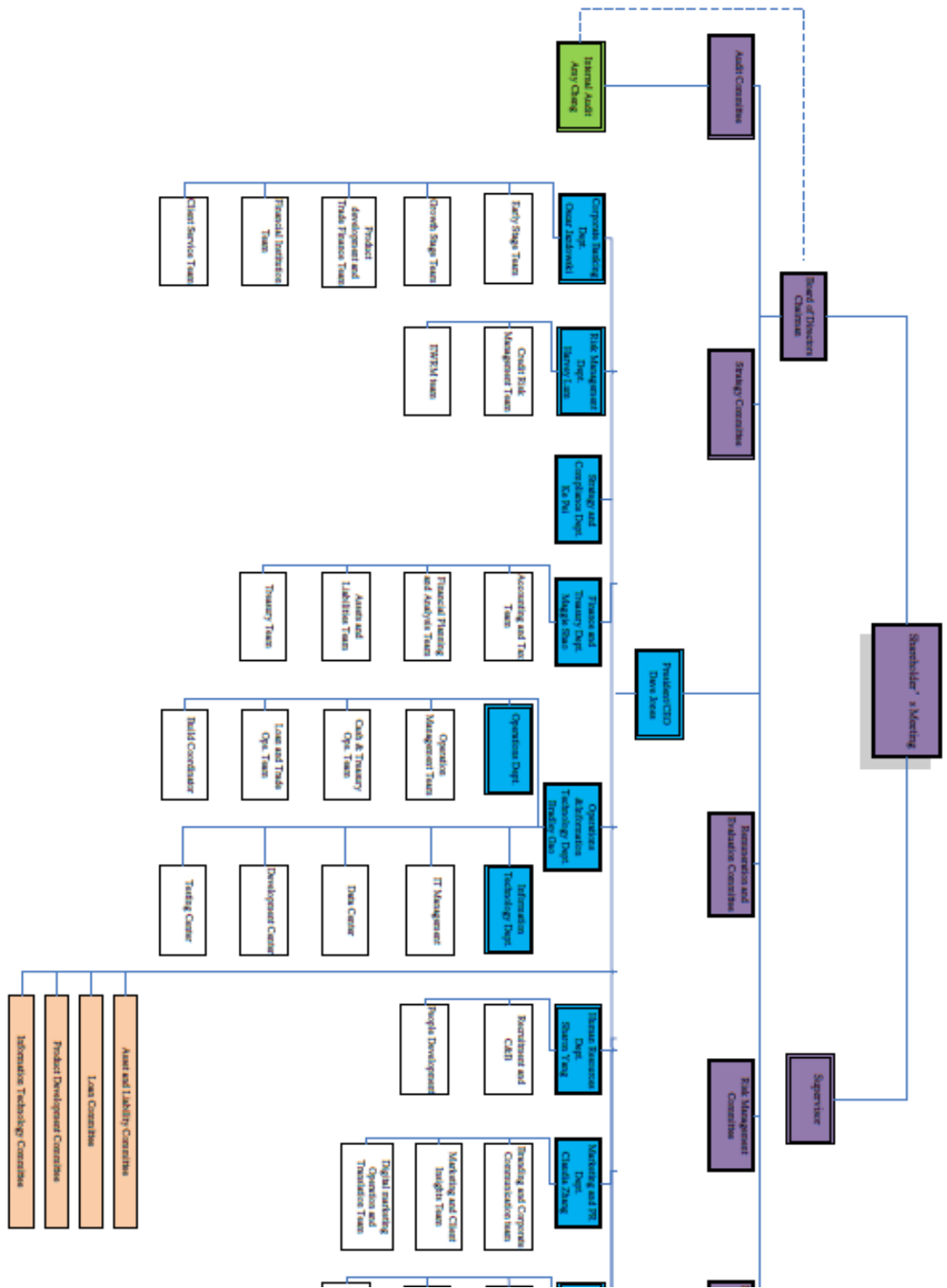
SPD Silicon Valley Bank pays great attention on corporate social responsibility and always encourages employees to participate in charity activities. SSVB provides employees one day for charity leave each year. The Charity Leave is part of the bank's commitment to corporate social responsibility, and allows our staff act more proactively for the benefit of society at large.

In 2015, our bank staff took part in a side project of a national charity program of “Training for Rural Area Teachers”, helping teachers from rural areas to achieve their students wishes. We had claimed 50 wishes and bought gifts for the children voluntarily.

Last year, four of our bank employees participated in the Oxfam Trail, a worldwide known charity that organized by Oxfam. The members of Oxfam Trail team not only had challenged their personal limit and overcame this difficult trail, but also leveraged this event to raise money for poverty. Oxfam Trail had full support from all bank’s staff and eventually raised a charity fund of over RMB 50,000.

Liu Xinyi 刘信义
Chairman
Shanghai, April 27th, 2016

Organization Chart (ended on December,31th, 2015)



**2015 Financial Statement and the Report of the Auditors
(Attached Separately)**