



**SPD SILICON VALLEY BANK
2022 ANNUAL REPORT AND
ACCOUNTING STATEMENT**

Zheng Yang 郑杨
Chairman
Shanghai, April 30th, 2023

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This Annual Report is the SPD Silicon Valley Bank 2022 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 Financial Statements 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
(in RMB MM)

	2022	2021
Yearly		
Operating Income	400.81	487.21
Operating Expense	356.22	395.61
Net Operating Profit	44.59	91.60
Total Profit	44.63	91.87
Net Profit	52.11	51.25
Balance Sheet as of Dec. 31		
Loans and advances	11,320.55	9,138.38
Total Assets	23,176.27	23,852.05
Customer Deposits	20,969.20	21,400.01
Total Liabilities	21,107.64	21,833.14
Total Owner's Equity	2,068.64	2,018.91
Capital Adequacy Ratio	14.19%	15.18%

Regulatory Indicator	Regulatory Tolerance Levels	Actual result
Loan provision rate	1.80%	2.16%
Loan provision coverage ratio	130%	165.93%

PS Operating Income = Net Interest Income + Net Fee and Commission Income
+ Losses from investment + Other Income + Losses on Changes in Fair Value + Net Gains from Foreign Exchange + Other Operating income
Operating Expense = Tax and Levies + General and Administrative Expenses + Credit losses + Impairment Losses on Assets
Net Operating Profit = Operating Income - Operating Expense
Total Profit = Net Operating Profit + Non-Operating Income - Non-Operating Expense
Net Profit = Total Profit - Income Tax Expense

SPD Silicon Valley Bank (“SSVB” or the “Bank”) is a Sino-foreign joint venture bank held 50%-50% by Shanghai Pudong Development Bank Co., Ltd. (“SPDB”) and Silicon Valley Bank (“SVB”). In Sep 2021, shareholders of both sides completed the same proportion of capital injection. As a result, SSVB has a registered capital of 2 billion RMB.

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).

Besides the head office, Beijing Branch got the formal approval of opening from CBRC Beijing on Dec 30, 2016 (Jing Yin Jian Fu [2016] No. 733) and was officially opened in March 1, 2017. And Shenzhen Branch got the formal approval of opening from CBRC Shenzhen on Aug 24, 2018 (Shen Yin Jian Fu [2018] No. 201) and was officially opened in Nov 1, 2018. And Suzhou Branch got the formal approval of opening from CBIRC Suzhou on Dec 28, 2021 (Su Yin Bao Jian Fu [2021] No. 551) and) and was officially opened in June 01, 2022.

Registered address: Floor 21 and Unit 01, 06B, Floor 22, Tower B of Baoland Plaza, No. 558, Dalian Road, Yangpu District. (Post code: 200082) Tel: (8621) 35159088 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, and other business approved by The banking supervision institution of the State Council.

The Bank 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.

Corporate Governance

Shareholders' Meeting

The Bank held a shareholders meeting on June 28, 2022, the shareholders' representatives deliberated and adopted the 2021 BOD report, 2021 Final Financial Report, 2021 profit distribution plan, 2022 budget plan, 2021 BOD and Director Performance Evaluation Report and other important resolutions.

BOD

As of December 31, 2022, the BOD of SSVB consisted of the following members:

Zheng Yang	Chairman
Dave Jones	Vice Chairman
Wang Xinhao	Vice Chairman
Jade Lu	Executive Director, President
Yuan Rui	Non-executive Director
Katherine Andersen	Non-executive Director
Li Jiaqing	Independent Director
Lu Xiongwen	Independent Director

Xinhao Wang resigned on January 2023 and no longer serves as the Vice Chairman and Director of the Bank. Katherine Andersen resigned on April 2023 and no longer serves as the Director of the Bank.

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 2022, 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 BOD held four meetings on March 23, June 15, August 17, and December 23 in 2022. 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 four meetings in 2022. The Strategy Committee held three meetings in 2022. The Audit Committee held three meetings in 2022. The Remuneration and Evaluation Committee held two meetings in 2022. The Related-Party Transaction Committee held four meetings in 2022.

Supervisor

As of December 31, 2022, the Bank had one supervisor, assumed by Mr. Hua Renchang, the Chairman of Shanghai Liansheng Venture Capital Co., Ltd. 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.

Mr. Renchang Hua resigned as the supervisor in December 2022, and Professor Karl Wang replaced Mr. Renchang Hua as the supervisor of the Bank from Jan 03, 2023. Professor Karl Wang is Professor and doctoral supervisor of China University of Political Science and Law, Director of the Institute of Business Law of School of Civil and Commercial Economics of China University of Political Science and Law. Professor Karl Wang has profound professional knowledge related to law, commerce and finance. He has previously served as a director, independent director and other positions in more than ten companies and enterprises. He has the relevant knowledge, experience and ability required to serve as an institutional supervisor, has the basic knowledge of commercial bank operation, and is familiar with the laws and regulations related to the operation and management of commercial banks.

Senior Management

Members of the Bank's senior management include the Bank's President, Managing Director, heads of departments and other senior management personnel as determined by the Board of Directors. As of December 31, 2022, the members of our senior management are:

Jade Lu	President
Allan Ao	Managing Director, Head of Corporate Banking
Hanna Zhu	Managing Director, Chief Financial Officer
Ivy Yang	Managing Director, Chief Compliance Officer & Board Secretary (Proposed Appointment)
Mandy Li	Managing Director, Chief Credit Officer
Bradley Gao	Managing Director, Chief Operations Officer
Angela He	Senior Director, Acting Head of HR
Sophie Xia	Managing Director, Head of Marketing and PR
Vicky Huang	Executive Director, Head of General Office
Kaelyn Huang	Executive Director, Head of Internal Audit

CBIRC Shanghai approved the appointment of Ms. Hanna Zhu as the Managing Director, Chief Financial Officer on Mar 11, 2022.

Ms. Pei Ke resigned on August 31, 2022 and ceased to serve as Managing Director, Secretary of the Board. Ms. Ivy Yang 's application for qualifications to serve as Managing Director, Chief Compliance Officer & Board Secretary has been approved by the CBIRC Shanghai on April 19, 2023.

In accordance with the requirements of "Guiding Opinions on the Recusal of Employees of Banking and Insurance Institutions in the Performance of Duties", Ms. Sharon Yang began her job rotation for one year starting from September 2022. During the rotation period of Ms. Yang, the daily management of the Human Resources Department is performed by Ms. Angela He, Senior Director, Human Resources.

External Auditor

As approved by the Shareholders Meeting, the Bank appointed KPMG HuaZhen LLP, Shanghai Branch as its external auditor for 2022 fiscal year.

Capital Adequacy

As of December 31, 2021, SSVB had RMB 1.91 billion of net core Tier 1 capital, with RMB 2 billion of paid-in capital, RMB 35 million of capital reserve, RMB 0 million of other comprehensive income, RMB 0 million of accumulated loss, RMB 6 million of surplus reserve, RMB 27 million of statutory general reserve.

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, 2022, there is no subsidiaries for the bank, the basis of capital adequacy ratio preparation is the same as financial statement. The basis is at incorporation level of the bank, including headquarter and branches.

As of December 31, 2022, all of the core Tier 1 capital adequacy ratio, the Tier 1 capital adequacy ratio and the capital adequacy ratio of SSVB were all 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".

i. Remuneration structure and total amount

The major components of remuneration comprise fixed pay, variable pay such as performance-based incentives or bonuses, and employee benefits.

Fixed pay shall be reviewed on an annual basis according to the Bank's salary review process. Merit-based increments to fixed pay shall take into account China market norms, external competitiveness, internal equity and Bank/business units/individual performance and contribution. Variable pay is the total sum of all types of performance-based incentives, including but not limited to the types of incentive plans that we currently have in the bank. An appropriate remuneration mix shall apply to all employees.

The Bank measures total annual compensation by taking into account a variety of factors, including risk control. The annual compensation budget is reviewed by the Remuneration and Evaluation Committee and approved by the Board of Directors, taking into account both quantitative and qualitative factors, including but not limited to the company's overall performance, achievement of strategic plans or long-term objectives, financial strength and the expected operating environment. Performance compensation reflects sufficient risks and incentive and constraint requirements of the bank's sustainable development, and considers the completion of the overall performance indicators of the bank in the current period, including but not limited to financial performance, business development, risk management, compliance operation, talent management, infrastructure and social responsibility targets. In 2022 there was no exception case that exceeding the annual budget.

In 2022, the total compensation of all employees of the Bank was RMB204.89 million. The total remuneration of the Board of Directors and Supervisors, senior managers and employees who have an important impact on the risks of the Bank in 2022 was RMB62.29 million.

ii. Standards for compensation and performance measurement and risk adjustment

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 not or less considered for the incentive reward for that year, depending on the seriousness of his/her misconduct.

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.

iii. Deferred Pay

In SSVB, certain portion of the performance-based incentive compensation to all senior executives as well as other employees who have a material impact on the risks in the bank is paid under deferral arrangement. This is to get individual staff's compensation and risk control aligned. For the core senior executives, the deferred payments of performance-based compensation shall be no less than 50%, and for the senior executives and the employees who have a material impact on the risks, the deferral payments of performance-based compensation shall be at least 40%. The deferral arrangement is for a period of 3-year, and equally be paid each year (i.e. 1/3 of the deferred portion per year).

The core senior executive includes those management members, whose position appointment is approved by CBIRC and reports to the President directly. The senior executive includes those whose position appointment is approved by SSVB Board or the President. The employees who have a material impact on the risks in the bank include staff with job grade of Senior Director and above at positions like Frontline Sales, Credit Approver, Head of IT, Head of Operations Management, etc. The Bank will review and adjust the above definition from time to time based on the bank's growth, size expansion and risk profile.

In the case of abnormal exposure of risks as a result of some senior executives and relevant employees within the prescribed time period, the Bank has the right to require refund of all the performance-based incentive within the corresponding time period, and cease all the outstanding compensation. The provisions of the Bank on the clawback of the deferred performance-based incentive shall also apply to employees who have left their positions. In 2022, there is no deferred recourse, stop payment and withholding of performance salary for any reason.

Risk Management

Risk management of the Bank has three objectives:

- To align risk management with the Bank's vision, values, mission statement and overall business strategy;

- To pursue a prudential risk culture, cultivate the appropriate awareness of risk management, value criterion and professional integrity throughout the Bank, establish a training, communication and oversight mechanism, promote all employees to understand and implement them, and cultivate the sense of duty of risk management from individual employee in each business unit to the management; and
- To continuously improve risk management quality in an efficient manner via governance, tools & instruments, analytics, review and reporting.

The Bank implements enterprise-wide risk management so as to identify and management the risks that the Bank is exposed to from the top management and based on a unified risk management framework and identify, measure, assess, monitor, report, control or mitigate various types of risks in quantitative and qualitative terms. The risks identified include: credit risk, market risk, liquidity risk, operational risk, compliance risk, country risk, bank account interest rate risk, reputation risk, strategic risk, IT risk and other risks.

In accordance with regulatory guidelines and best practice, the Bank has established a comprehensive risk governance with sound organizational structure and clear responsibilities and separation of duties. We have defined and clarified the duties and responsibilities in risk management of the board of directors, the risk management committee, the senior management, the business units, the risk management department, the internal audit, as well as all employees, and established a multi-level, interconnected operating mechanism with effective checks and balances.

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 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 ensuring, 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 manages the credit quality proactively and carefully, and is dedicated to provide commercial lending for technology innovative enterprises, leveraging over 10 years of credit management experience in the local innovation ecosystem. The Bank effectively evaluates credit risks based on the enterprise value evaluation model, and meanwhile conducts differentiated post-loan management based on the credit risk level of each borrower in loan portfolio to track the financial, funding and business performance of the company, and dynamically adjusts the ratings and account plans of the portfolio.

The loan balance as of 31 December 2022 was RMB 11.548 billion which represented a 23.57% year to year growth. As of 2022 year-end, credit portfolio quality remains stable with Non-Performing Loan (NPL) Ratio at 1.30%.

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, and stock price and commodity price). The main market risks to the Bank are interest rate risk and foreign exchange risk.

The BOD's responsibilities in relation to market risk management include: 1) to examine and approve the market risk management strategies and policy; 2) to determine the market risk level that the Bank may tolerate; 3) to urge Senior Management to adopt necessary measures for the identification, measurement, monitoring and control of market risk; 4) to periodically obtain and review reports on the nature and level of the market risk, and conduct supervision and control from Risk Management Committee; 5) to evaluate the completeness and effectiveness of the market risk management system and the performance of market risk management duties by Senior Management; 6) to examine and approve the market risk crisis management plan prepared by Senior Management.

The Risk Management Committee is responsible for reviewing risk strategy and policy of the Bank and addressing issues relating to market risk management and trading strategy within the Bank.

SSVB has built up the market risk management framework, and review/revise market risk management policy annually. The Bank ensure the market risk exposure is within the acceptable level through establishing through limits and hedging strategies. The first line of defence, Treasury team ensure the transactions are within the limits and complying with hedging strategy; and the second line of defence, Risk Management Department monitor the adherence of the limits and hedging strategy on daily basis. The regular interest rate sensitivity testing is being conducted to monitor interest rate risk in the Banking Book.

Liquidity Risk

Liquidity risk is the risk faced by the bank in case of its inability to timely obtain sufficient funds in order to repay debts, fulfil other obligations of payment, and to keep the business development.

SSVB has developed a comprehensive liquidity management framework and always follow conservative principles to manage liquidity risk.

The Board is responsible to review and approve the liquidity risk management system and policy of the Bank, and assumes the final responsibility of liquidity risk management, which including review and approve the liquidity risk appetite and liquidity risk tolerance, risk policies, procedures, risk limit and contingency plan of the Bank;

SSVB's liquidity indicators fully satisfied with regulatory requirements during 2022. As the end of 2022, we have met the regulatory requirement of ratios: LCR reached 204.57% (above 100%), NSFR at 141.46% (above 100%), Liquidity Matching Ratio at 203.32% (above 100%) and Liquidity Ratio reached 65.7% (above 25%).

Liability Quality Management

Liability quality management refers to the management activities of liability sources, structure, costs and other aspects carried out by commercial banks in accordance with the principles of business strategy, risk appetite and overall business characteristics for the purpose of ensuring the safety, liquidity and efficiency. The goal of SPD Silicon Valley Bank's liability quality management is to effectively measure, monitor and control the quality of liabilities by establishing a scientific and complete liability quality management system, and to ensure the stability, diversity, appropriateness, rationality, initiative and authenticity of liability quality, on the premise of meeting regulatory requirements. During the reporting period, the SPD Silicon Valley Bank's liability quality management system was adapted to the scale and complexity of its own liabilities, and

complied with the requirements of Commercial Banks' Liability Quality Management Policy. The identification, measurement, monitoring and control system of liability quality management is fully functional. During the reporting period, all indicators of the bank's liability quality management were normal and in line with the requirements of current rules and regulations.

Operational Risk

Operational risk refers to the risk of loss caused by imperfect or problematic internal procedures, employees, information technology systems, and external events.

Our bank has established effective internal control policies and operating procedures to reduce business interruptions at all levels of the organization, so as to identify, assess, monitor, mitigate and control key operational risks. All departments are faced with various degrees of operational risk, so all business lines and employees of the bank shall carry out business and management in accordance with the bank's policies and operating procedures.

Our bank adopts three operational risk management tools: Risk Self-Assessment, Key Risk Indicator (KRI), Loss Data Collection/Incident Reporting. For the corrective actions or improvement actions for the operational risk incidents and self-assessment, we regularly tracks the progress to ensure the effective promotion of rectification measures.

In 2021, our bank's operational risk was stable as a whole, and there was no significant operational event occurred. The Bank has established and continued to improve various business procedure manual, operational risk management policy, key risk indicators, risk self-assessment and corrective action plan processes. The related work has been carried out normally. IT risk remained stable, and the availability of critical systems and the availability of data center met both regulatory requirements and internal thresholds, there was no unscheduled shut-down.

Reputational Risk

Continuing the positioning as the sought-after bank for innovators, enterprises and investors over the years, the Bank keeps maintaining sound relationships with major financial and tech media in Shanghai, Beijing, Shenzhen and Suzhou, leveraging proactive media relationship management and targeted media communications.

In 2022, the Bank fully demonstrated its brand influence, featured services and advantages in the innovation ecosystem to government, regulators, startups, investors and partners, while enhancing publicity through efficient online and offline communications. Content-driven activities were conducted, including Suzhou branch opening, capital connections meetings, seminars on startup cash management and Chapter 18C Scheme of HKEX, etc. In the event of the Bank's 10th anniversary, the SSVB Gravity Innovation Club was launched to provide a platform to further concentrate, probe, nurture and empower startups and partners with outstanding potential, as well as all round value-added services. The NPS score of the Bank's 2022 customer satisfaction survey was significantly increased and reached a new high of 70. And a series of innovation industry reports with in-depth insights were launched to the target market. The Bank also continued to strengthen internal management by conducting reputation risk management drills and 7x24 media monitoring during essential periods.

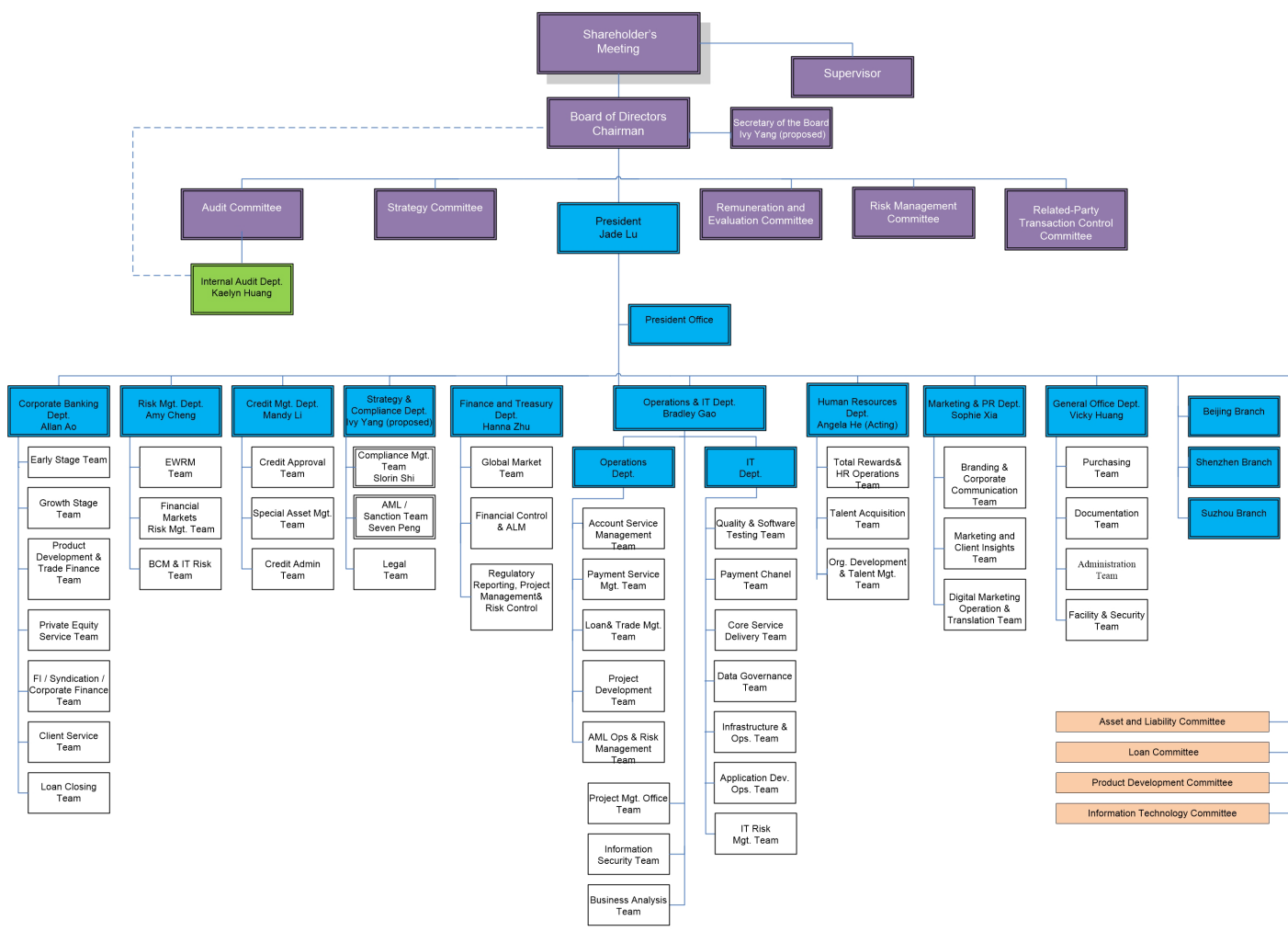
Social Responsibility

SPD Silicon Valley Bank pays great attention to corporate social responsibility and always encourages employees to participate in charity activities. With 98% of our clients are local tech and innovation enterprises, we are dedicated to building innovation eco-system in China and fueling development of local

tech innovation companies. This reflects our firm commitment to proactively shoulder social responsibilities and support national strategic development.

SSVB provides employees one day for charity leave each year. The Charity Leave is part of the Bank's commitment to corporate social responsibility, which enables as well as encourages our staff to act more proactively for the benefit of society at large.

Organization Chart (ended on December, 31th, 2022)



SSVB Organization Chart

**2022 Financial Statement and the Report of the Auditors
(Attached Separately)**