

China Merchants Bank (Europe) S.A. Remuneration Policy

The China Merchants Bank (Europe) S.A.'s ("The Bank") Remuneration Policy complies with the regulation requirements in terms of remuneration policy and principles, and it has been defined about the following key points:

1. Basis for the application of the proportionality principle

The application of the proportionality principle may lead to the neutralization of some remuneration policy requirements. These requirements relate to:

- pay-out of part of the variable remuneration in instruments;
- retention policy;
- deferral of part of the variable remuneration;
- ex post incorporation of risk;
- establishment of a remuneration committee.

Notwithstanding the proportionality principle, the Bank shall be committed to the implementation of sound remuneration practices that prevent excessive risk taking.

2. Governance

Define the governance of the Remuneration Policy, and clarify the responsibilities of The Board of Directors, the Authorised Management, the internal control functions and Human Resources Function.

3. Define Remuneration structure

The Bank offers Remuneration packages based on the following components:

- Fixed Remuneration components;
- Variable Remuneration components.

4. The principle for fixed remuneration.

The fixed remuneration is the portion of the total remuneration received in cash on a periodic basis. It remunerates the competences of the member of staff and is guaranteed irrespective of their performance. It is defined based on (i) job complexity and responsibility, (ii) local market conditions and (iii) so as to allow for a fully flexible variable remuneration policy.

The Bank offers staff members a variety of fringe benefits that are designed to be market competitive, that assist them in carrying out their duties efficiently and are valued by the staff members.

5. The principle for variable remuneration.

Variable remuneration component is the portion of the total remuneration, which is entirely at the Bank's discretion and is determined based on individual and collective, financial and non-financial performance criteria.

To limit excessive risk taking, the variable remuneration respects the principle of risk-alignment as defined by CSSF Circulars and CRD V.

When granting a variable remuneration to its employees, a particular attention will be paid to ensure that an adequate balance between the fixed and variable portion of the remuneration exists. The total variable remuneration shall not limit the ability of the Bank to strengthen its capital base.

6. Remuneration Principles for specific categories of staff

Define the Remuneration Principles for Non-executive Directors, Members of the Authorised Management and Internal Control Functions.

7. Determination of the Material Risk Taker.

The Bank performs, at least on an annual basis, a detailed analysis in order to identify its staff members whose professional activities have a material impact on the Bank's risk profile (hereafter referred to as the "Material Risk Taker") on qualitative and quantitative criteria. The Bank applies the guidance provided by the EBA when determining its "Material Risk Taker" and recommended to Board of Directors to approve.

8. Documentation and record keeping

Ensuring the preparation, evaluation and decision of Remuneration Policy is well documented.