

DISCLOSURE ON REMUNERATION FOR YEAR 2014

INTRODUCTION

In accordance with the "Guideline on a Sound Remuneration System" (the "**Guideline**") issued by the Hong Kong Monetary Authority in March 2010, Industrial and Commercial Bank of China (Asia) Limited (the "**Bank**") has prepared its 2014 arrangement for bonus distribution according to its remuneration policy.

The remuneration policy is applicable to the Bank's employees in Hong Kong and covers all categories of employees including senior management, proprietary traders and dealers, marketing and sales, loan officers, risk management, financial control and compliance personnel.

In general, risk factors have been considered in the performance rating of staff, which affect the bonus for him/her. Also, the current and future risk of the Bank will be considered by the Remuneration Committee in the determination of overall bonus to be allocated.

GENERAL PRINCIPLES

Remuneration should facilitate the delivery of long term financial stability for the business and promote sound risk management principles. Risk control functions have played a defining role in the remuneration related procedures and decisions of the Bank. The remuneration policy is initiated by Human Resources Department after consultation of the external consultant, the risk controls units including risk management, financial management and compliance prior to submission to the Remuneration Committee and the Board of Directors for approval. The aim of the remuneration policy and the arrangement is to enable the Bank to maintain a fair, equitable and market-competitive remunerative structure for its employees based on the Bank's performance and industry practice, and is designed to encourage employee behaviour that supports the institution's risk tolerance, risk management, business strategies and long-term financial soundness of the Bank. Total bonus is funded based on the Bank's overall performance, after factoring in the financial, non-financial and other long-term strategic measures, as well as risk-adjusted elements. Legacy losses realized (ex post) in the performance year should be taken into consideration to determine the bonus pool created and the deferral payout. All the above factors have no adverse impact on remuneration in 2014. Remunerations and incentives of key risk personnel will be independent of the performance of the business areas they oversee.

REMUNERATION COMMITTEE

A Remuneration Committee has been set up with specific terms of reference and delegated with the authority and duties which include, amongst others, making recommendations to the board of directors (the "**Board**") on the Bank's policy and structure for remuneration of all directors, senior management (who are responsible for overseeing the Bank's business strategy or activities or those of the Bank's material business duties) and key personnel (whose duties or activities in the course of their employment involve the assumption of material risk or the taking on of material exposure on behalf of the Bank) of the Bank, determining the specific remuneration packages of all executive directors, senior management and key personnel, and reviewing and approving performance-based remuneration of directors, senior management and key personnel of the Bank by reference to corporate goals and objectives as determined by the Board from time to time. Factors such as business performance of the Bank and emoluments paid by comparable banks will be considered. No director will be involved in deciding his own remuneration. The Remuneration Committee will also review the remuneration policy of other employees.

The terms of reference require that the Remuneration Committee shall comprise not less than 3 independent non-executive directors, constituting more than half of the members of the Committee. Chairman of the Remuneration Committee should also be an independent non-executive director. Currently, members of the Remuneration Committee are Mr. Yuen Kam Ho, George (independent non-executive director), Mr. Wong Yue Chim, Richard (independent non-executive director), Mr. Tsui Yiu Wa, Alec (independent non-executive director), Mr. Wu Hongbo (non-executive director) (with his office ended in 22 May 2015) Mr. Ma Xiangjun (non-executive director) (with his office commenced from 18 August 2015) and Mr. Wu Jie Si (independent non-executive director). Mr. Yuen Kam Ho, George is the chairman of the Remuneration Committee.

Remuneration Committee has held 4 meetings (including 2 written resolutions) in the year of 2014.

During 2014, major changes to the remuneration policy were:

- i) Inclusion of all staff of the Bank in the deferral policy.
- ii) Inclusion of Chief Executive and Deputy Chief Executive of the two wholly owned subsidiaries, i.e. Chinese Mercantile Bank and ICBC (Asia) Investment Management Co. Ltd. to the Key Personnel list.

REMUNERATION STRUCTURE

The remuneration package is comprised of both fixed and variable incentive-based elements in line with the seniority, role, responsibilities and activities of an employee within the Group.

Fixed remuneration refers to an employee's annual salary (including double pay and pension contributions), while variable cash-based remuneration is awarded based on the employee's performance which aims to advocate the pay-for-performance philosophy and internal equity to encourage the achievements and desirable activities that align with the Bank's risk management framework, long term goals and strategies. Variable remuneration is directly related to performance, and poor performance (including both financial and non-financial factors) will result in a reduction or elimination of variable remuneration.

CHIEF EXECUTIVE, SENIOR MANAGEMENT AND KEY PERSONNEL COMPENSATION

The Remuneration Committee annually reviews the remuneration packages of the Chief Executive, members of the senior management and key personnel. The aggregate payout of the Chief Executive, senior management and key personnel for 2014 is shown in the section "Remuneration for the Chief Executive Officer, Senior Management and Key Personnel" in accordance with the disclosure requirement of 3.2.3 of the Guideline. In the year of 2014, the senior management (9 Persons) of the Bank includes: Chief Executive Officer, Deputy Chief Executives and Assistant Chief Executive. Key Personnel (19 Persons) includes Chief Operation Officer, Chief Executive and Deputy Chief Executive of Chinese Mercantile Bank, Chief Executive and Deputy Chief Executive of ICBC (Asia) Investment Management Co. Ltd., Department Head and Deputy Head of Global Markets and Trading,, Chief Traders (i.e. Head of Desks with dealing activities) and Department Head of Legal and Compliance.

DEFERMENT OF VARIABLE REMUNERATION

The award of variable remuneration to the Chief Executive, members of the senior management, and key personnel is subject to deferral mechanism. The key deferral principles are:

- deferral applies when the amount of performance-based variable remuneration is considered "significant" according to the remuneration policy of the bank;
- deferral amount needs to be "meaningful" according to the remuneration policy of the bank;

- the period of deferred performance-based variable remuneration is no less than 3 years and aligned the nature and risks of business, activities undertaken by the employee and the time frame during which the risks from the activities are likely to be realised.

In addition, the deferral remuneration is subject to forfeiture/claw-back in circumstances where it is later established that any performance measurement for a particular year has been manifestly misstated, or it is later established that the relevant employee has committed fraud or other malfeasance, or a violation of any regulatory requirements or the Bank's policy or procedures, or there has been a significant financial performance deterioration of the Bank, i.e. financial loss, or significant variation in the economic capital or in the qualitative valuation of risk.

The rationale and justification for any forfeiture/claw-back imposed must be recorded and retained for 7 years.

POLICY REVIEW

The remuneration policy shall be reviewed at intervals to be determined by the Remuneration Committee. The policy shall at minimum be reviewed annually from the effective date.

REMUNERATION FOR THE CHIEF EXECUTIVE, SENIOR MANAGEMENT AND KEY PERSONNEL

Pursuant to CG-5 Guideline on a Sound Remuneration System issued by the Hong Kong Monetary Authority, details of the remuneration for the Chief Executive, Senior Management and Key Personnel of the Group for the year are as follows:

A) Remuneration awarded for the year

(i) Chief Executive & Senior Management

Year	2014	2013
No. of beneficiaries	9	10
Year	2014	2013
	HK\$'000	HK\$'000
Fixed remuneration	19,072	22,182
Variable remuneration		
- Cash	6,775	7,983

Deferred remuneration		
-Unvested		
-Cash	2,439	2,850
Total	28,286	33,015

Deferred remuneration		
Balance b/f	4,512	2,767
-Awarded	2,439	2,850
-Paid Out (previous years deferred remuneration)	(669)	(1,105)
-Forfeited	0	0
Balance c/f	6,282	4,512

(ii) Key Personnel*

Year	2014	2013
No. of beneficiaries	19	7
Year	2014	2013
	HK\$'000	HK\$'000
Fixed remuneration	15,374	8,881
Variable remuneration		
- Cash	4,559	2,062
Deferred remuneration		
-Unvested		
- Cash	1,333	0
Total	21,266	10,943

Deferred remuneration		
Balance b/f	56	111
-Awarded	1,333	0
-Paid Out (previous years deferred remuneration)	(150)	(55)
-Forfeited	0	0
Balance c/f	1,239	56

* Three key personnels are newly appointed in the year 2014, thus their remunerations are disclosed on a pro-rata basis according to the period they assume such key personnel role within the year.

Fixed remuneration included employee's annual salary, double pay and pension contributions.

Variable remuneration comprised of cash bonus payment only.

Deferred remuneration comprised cash bonus depend on pre-defined vesting, service and/or performance conditions. If certain conditions are not fulfilled during the vested period, all or part of the unvested portion of the deferred remuneration should be foregone.

No guaranteed or sign-on bonus and severance payments were awarded or made to the Chief Executive, senior management and key personnel in 2013 and 2014.