

Disclosure on Remuneration

Disclosure on Remuneration pursuant to the Hong Kong Monetary Authority's Supervisory Policy Manual CG-5 "Guideline on a Sound Remuneration System"**1) Design and implementation of the remuneration system**

Bank Morgan Stanley AG, Hong Kong Branch ("BMSAGHK"), adopts the remuneration policy and practices formulated by Bank Morgan Stanley AG ("BMSAG") and the Morgan Stanley Group. The Morgan Stanley Compensation Committee administers and oversees the broad-based equity and non-qualified deferred compensation plans, pursuant to which a broader base of employees receive their incentive compensation. At year-end, the Morgan Stanley Compensation Committee reviews the aggregate variable compensation pool, deferral formulas and the material terms of the year-end incentive awards granted to the eligible employee population.

The total compensation of employees will consist of a fixed base salary and may additionally include an above base compensation ("ABC"). BMSAG retains sole discretion over whether or not to make any ABC award(s), the amount and form of any ABC award(s), and the timing of any such award(s). There is no entitlement for employees to receive any ABC and respective payments made cannot be taken as a precedent for future or further ABC payments.

The ABC may be partially in the form of a discretionary year-end cash bonus and - at the sole discretion of BMSAG - partially in the form of a long-term incentive compensation (which may be deferred), and may consist of an equity-based award (such as Morgan Stanley restricted stock units and/or other equity-based awards in effect at the time) under one of BMSAG's compensation plans.

2) Aggregate quantitative information on remuneration for BMSAGHK senior management and Key Personnel for the year ended 31 December 2013 are as follows:

Senior management is defined as those persons who are responsible for oversight of BMSAGHK's strategy or activities and/or those of BMSAGHK's material business lines. Key Personnel are defined as individual employees whose duties or activities in the course of their employment involve the assumption of material risk or taking on of material exposures on behalf of BMSAGHK. For the year 2013, BMSAGHK does not have any staff considered as Key Personnel.

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Breakdown of remuneration awarded ⁽ⁱ⁾	2013
Number of senior management	19
Fixed remuneration	USD
• Cash based	4,961,738
• Share based	–
• Other	–
Variable remuneration ⁽ⁱⁱ⁾	USD
• Cash based	4,876,898
• Share based	1,219,571
• Other	–
Breakdown of deferred remuneration 2013	USD
• Vested	5,334,064
• Unvested	4,266,264
• Awarded during the year	329,466
• Paid out during the year	4,888,144

In 2013, there was one severance payment awarded and paid out to one departing member of senior management amounting to USD206,275.

No member of senior management has been awarded with sign-on awards in 2013.

Notes:

- (i) *The 19 senior management personnel includes 5 BMSAGHK employees who ceased employment with BMSAGHK on or before 31 December 2013 as well as 6 BMSAGHK employees who were newly appointed as senior management in 2013.*
- (ii) *Cash and share based variable remuneration are subject to the approval of BMSAG Board of Directors.*