

MORGAN STANLEY BANK ASIA LIMITED

Reports and financial statements

31 December 2025

MORGAN STANLEY BANK ASIA LIMITED

REPORTS AND FINANCIAL STATEMENTS

Year ended 31 December 2025

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MORGAN STANLEY BANK ASIA LIMITED

DIRECTORS' REPORT

Year ended 31 December 2025

The Directors present their annual report and audited financial statements (which comprise the income statement, the statement of comprehensive income, the statement of changes in equity, the statement of financial position, the statement of cash flows and related notes 1 to 32) for Morgan Stanley Bank Asia Limited (the “Company” or “MSBAL”) for the year ended 31 December 2025. Except where indicated otherwise, the financial information contained in these audited financial statements have been prepared on a Company-level standalone basis.

PRINCIPAL ACTIVITIES

The Company is a private limited company incorporated in Hong Kong, with a head office in Hong Kong and a branch in Singapore (“Branch”). The Company is a full licensed bank under the Banking Ordinance in Hong Kong, regulated by the Hong Kong Monetary Authority (“HKMA”). The Branch is licensed as a wholesale bank in Singapore, regulated by the Monetary Authority of Singapore (“MAS”). The Company is also a registered institution under the Securities and Futures Ordinance.

The principal activities of the Company are to engage in the business of banking (including deposit taking and lending), dealing in and advising on securities and discretionary portfolio management. The Company also acts as agent on behalf of its clients to transmit client instructions to other Morgan Stanley affiliates in connection with the provision of general investment, securities and futures dealing.

The Company has a subsidiary, Morgan Stanley Bank International (China) Limited (the “Subsidiary” or “MSBIC”), which is incorporated in mainland China and regulated by the National Financial Regulatory Administration (“NFRA”) and its local branch and bureaus. The Company and its Subsidiary together form the MSBAL Group (the “MSBAL Group”).

The Company’s ultimate parent undertaking and controlling entity is Morgan Stanley which, together with the Company and Morgan Stanley’s other subsidiary undertakings, form the Morgan Stanley Group (the “Morgan Stanley Group”).

The Company’s immediate parent undertaking is Morgan Stanley Hong Kong 1238 Limited, which is incorporated in Hong Kong.

RESULTS AND APPROPRIATIONS

The results of the Company for the year ended 31 December 2025 are set out in the income statement on page 6.

No interim dividends were paid to the sole shareholder during the year. The Directors do not recommend the payment of a final dividend and propose that the profits be retained.

SHARE CAPITAL

Details of the Company’s shares issued are set out in note 21 to the financial statements.

DIRECTORS

The following Directors held office throughout the year and up to the date of approval of this report:

Laroia, Gokul
Aronovitch David Bradley (appointed on 28 November 2025)
Chui, Yik Chiu Vincent
Almeida, Niall John
Bindra, Amar Raj Singh
Fung, Choi Cheung (resigned on 6 January 2025)
Gazzi, Robert Andrew
Kwan, Yin Ping (resigned on 1 April 2025)
Ong, Whatt Soon Ronald (resigned on 28 November 2025)
Taylor, George Alexander

MORGAN STANLEY BANK ASIA LIMITED

DIRECTORS' REPORT **Year ended 31 December 2025**

DIRECTORS (CONTINUED)

Tse, Kam Keung (appointed on 9 May 2025)

Ravikulachandran, Kanna (appointed on 19 June 2025)

DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS THAT ARE SIGNIFICANT IN RELATION TO THE COMPANY'S BUSINESS

No transactions, arrangements and contracts of significance to which the Company, its holding companies, subsidiary or any subsidiaries of its holding companies were a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' RIGHTS TO ACQUIRE SHARES AND DEBENTURES

Morgan Stanley, the Company's ultimate holding company, has several senior executive incentive compensation programs under which senior executives receive, as part of their total compensation, incentive awards of restricted stock units. All Directors of the Company except independent non-executive directors, are eligible to participate in such incentive compensation programs and receive awards of restricted stock units thereunder.

Details of the deferred stock awards of the ultimate holding company, in which the Directors of the Company are entitled to participate, are set out in note 30 to the financial statements.

Other than as disclosed above, at no time during the year was the Company, its holding companies, subsidiary or any subsidiaries of its holding companies a party to any arrangements to enable the Directors of the Company to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

PERMITTED INDEMNITY PROVISION

The Articles of Association of the Company provide that a Director or former Director of the Company may be indemnified out of the Company's assets against any liability incurred by the Director to a person other than the Company or an associated company of the Company in connection with any negligence, default, breach of duty or breach of trust in relation to the Company or associated company (as the case may be).

AUDITOR

A resolution will be submitted to the annual general meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as auditor of the Company.

On behalf of the Board of Directors

CHUI, YIK CHIU VINCENT

DIRECTOR

22 April 2026

INDEPENDENT AUDITOR'S REPORT

TO THE SOLE MEMBER OF MORGAN STANLEY BANK ASIA LIMITED

(incorporated in Hong Kong with limited liability)

Opinion

We have audited the financial statements of Morgan Stanley Bank Asia Limited (the "Company") set out on pages 6 to 63, which comprise the statement of financial position as at 31 December 2025, and the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information and other explanatory information.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 December 2025, and of its financial performance and its cash flows for the year then ended in accordance with the applicable HKFRS Accounting Standards as issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") relevant to these financial statements and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") as issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

The Directors are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT

TO THE SOLE MEMBER OF MORGAN STANLEY BANK ASIA LIMITED

(incorporated in Hong Kong with limited liability)

Responsibilities of Directors and Those Charged with Governance for the Financial Statements

The Directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with the applicable HKFRS Accounting Standards issued by the HKICPA that are relevant to these financial statements and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with HKSAAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

INDEPENDENT AUDITOR'S REPORT

TO THE SOLE MEMBER OF MORGAN STANLEY BANK ASIA LIMITED

(incorporated in Hong Kong with limited liability)

Auditor's Responsibilities for the Audit of the Financial Statements – continued

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit. The engagement partner on the audit resulting in this independent auditor's report is Ha, Hong Yiu Vico (practising certificate number: P06612).

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

22 April 2026

MORGAN STANLEY BANK ASIA LIMITED

INCOME STATEMENT Year ended 31 December 2025

	Note	2025 US\$'000	2024 US\$'000
Interest income		208,220	252,785
Interest expense		<u>(154,072)</u>	<u>(164,896)</u>
Net interest income	4	54,148	87,889
Fee and commission income		603,341	460,801
Fee and commission expense		<u>(2,311)</u>	<u>(1,869)</u>
Net fee and commission income	5	601,030	458,932
Net trading (expense)/income		(25,858)	167,770
Net gains on derecognition of financial assets measured at fair value through other comprehensive income ("FVOCI")	6	—	3
Other revenue	7	178,263	9,349
Total non-interest revenues		<u>753,435</u>	<u>636,054</u>
Net revenues		807,583	723,943
Non-interest expense:			
Other expense	8	(475,414)	(450,149)
Net reversal of impairment loss/ (impairment loss) on financial instruments	9	100	(95)
PROFIT BEFORE INCOME TAX		<u>332,269</u>	<u>273,699</u>
Income tax	10	(53,082)	(42,615)
PROFIT FOR THE YEAR		<u><u>279,187</u></u>	<u><u>231,084</u></u>

All results were derived from continuing operations.

The notes on pages 11 to 63 form an integral part of the financial statements.

MORGAN STANLEY BANK ASIA LIMITED

STATEMENT OF COMPREHENSIVE INCOME
Year ended 31 December 2025

	Note	2025 US\$'000	2024 US\$'000
PROFIT FOR THE YEAR		<u>279,187</u>	<u>231,084</u>
Items that may be reclassified subsequently to profit or loss:			
FVOCI reserve:	10		
Net change in fair value		334	66
Net amount reclassified to income statement		—	(3)
OTHER COMPREHENSIVE INCOME AFTER INCOME TAX		<u>334</u>	<u>63</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO OWNER OF THE COMPANY		<u><u>279,521</u></u>	<u><u>231,147</u></u>

The notes on pages 11 to 63 form an integral part of the financial statements.

MORGAN STANLEY BANK ASIA LIMITED

STATEMENT OF CHANGES IN EQUITY
Year ended 31 December 2025

	Note	Share capital US\$'000	FVOCI reserve US\$'000	Retained earnings US\$'000	Total equity US\$'000
Balance at 1 January 2024		930,000	388	770,632	1,701,020
Profit for the year		–	–	231,084	231,084
Other comprehensive income for the year:					
FVOCI reserve:	10				
Net change in fair value		–	66	–	66
Net amount reclassified to income statement		–	(3)	–	(3)
Total comprehensive income for the year		<u>–</u>	<u>63</u>	<u>231,084</u>	<u>231,147</u>
Transaction with owner:					
Equity based awards adjustments		<u>–</u>	<u>–</u>	<u>406</u>	<u>406</u>
Balance at 31 December 2024 and 1 January 2025		930,000	451	1,002,122	1,932,573
Profit for the year		–	–	279,187	279,187
Other comprehensive income for the year:					
FVOCI reserve:	10				
Net change in fair value		–	334	–	334
Net amount reclassified to income statement		–	–	–	–
Total comprehensive income for the year		<u>–</u>	<u>334</u>	<u>279,187</u>	<u>279,521</u>
Transaction with owner:					
Equity-based awards adjustments		<u>–</u>	<u>–</u>	<u>626</u>	<u>626</u>
Balance at 31 December 2025		<u>930,000</u>	<u>785</u>	<u>1,281,935</u>	<u>2,212,720</u>

The notes on pages 11 to 63 form an integral part of the financial statements.

MORGAN STANLEY BANK ASIA LIMITED

STATEMENT OF FINANCIAL POSITION As at 31 December 2025

	Note	2025 US\$'000	2024 US\$'000
ASSETS			
Cash and short-term deposits	22(a)	164,065	104,838
Trading financial assets	12	56,932	123,973
Secured financing	13	1,641,810	1,452,946
Loans and advances	14	5,767,321	4,524,781
Investment securities	15	1,440,882	1,966,272
Trade and other receivables	16	34,671	42,479
Prepayments		2,065	1,897
Deferred tax assets	20	19,060	18,194
Investment in a subsidiary	17	262,348	262,348
TOTAL ASSETS		<u>9,389,154</u>	<u>8,497,728</u>
LIABILITIES AND EQUITY			
LIABILITIES			
Deposits	18	6,885,735	6,116,602
Trading financial liabilities	12	14,335	11,828
Trade and other payables	19	260,019	374,529
Current tax liabilities		15,267	61,150
Accruals		1,078	1,046
TOTAL LIABILITIES		<u>7,176,434</u>	<u>6,565,155</u>
EQUITY			
Share capital	21	930,000	930,000
FVOCI reserve	21	785	451
Retained earnings		1,281,935	1,002,122
Equity attributable to owner of the Company		<u>2,212,720</u>	<u>1,932,573</u>
TOTAL EQUITY		<u>2,212,720</u>	<u>1,932,573</u>
TOTAL LIABILITIES AND EQUITY		<u>9,389,154</u>	<u>8,497,728</u>

These financial statements were approved by the Board and authorised for issue on 22 April 2026.

Signed on behalf of the Board of Directors

Chui, Yik Chiu Vincent
Director

Ravikulachandran, Kanna
Director

The notes on pages 11 to 63 form an integral part of the financial statements.

MORGAN STANLEY BANK ASIA LIMITED

STATEMENT OF CASH FLOWS

Year ended 31 December 2025

	Note	2025 US\$'000	2024 US\$'000
NET CASH FLOWS (USED IN) / FROM OPERATING ACTIVITIES			
	22(b)	(519,083)	686,078
INVESTING ACTIVITIES			
Purchase of investment securities		(2,511,355)	(3,244,640)
Proceeds from maturity/sale of investment securities		3,087,134	2,338,251
Interest received from investment securities		2,531	1,281
NET CASH FLOWS FROM / (USED IN) INVESTING ACTIVITIES		<u>578,310</u>	<u>(905,108)</u>
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		59,227	(219,030)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		<u>104,838</u>	<u>323,868</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	22(a)	<u><u>164,065</u></u>	<u><u>104,838</u></u>

The notes on pages 11 to 63 form an integral part of the financial statements.

MORGAN STANLEY BANK ASIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2025

1. CORPORATE INFORMATION

The Company is a private limited company with a head office in Hong Kong and a branch in Singapore (“Branch”). The Company is incorporated and is domiciled in Hong Kong, with the following principal place of business: Level 31, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong.

The Company is a full licensed bank under the Banking Ordinance in Hong Kong, regulated by the HKMA. The Branch is licensed as a wholesale bank in Singapore, regulated by the MAS. The Company is also a registered institution under the Securities and Futures Ordinance. The principal activities of the Company are to engage in the business of banking (including deposit taking and lending), dealing in and advising on securities and discretionary portfolio management. The Company also acts as agent on behalf of its clients to transmit client instructions to other Morgan Stanley affiliates in connection with the provision of general investment, securities and futures dealing.

The Company has a subsidiary, Morgan Stanley Bank International (China) Limited, which is incorporated in China. Details of the investment in a subsidiary of the Company is disclosed in note 17.

The Company’s immediate parent undertaking is Morgan Stanley Hong Kong 1238 Limited, which is incorporated in Hong Kong.

The Company’s ultimate parent undertaking and controlling entity is Morgan Stanley which, together with the Company and Morgan Stanley’s other subsidiary undertakings, form the Morgan Stanley Group. Morgan Stanley is incorporated in the State of Delaware, the United States of America. Copies of its financial statements can be obtained from www.morganstanley.com/investorrelations.

2. BASIS OF PREPARATION

Statement of compliance

MSBAL has prepared these Company-level annual financial statements for the years ended 31 December 2025 and 31 December 2024.

For the years ended 31 December 2025 and 31 December 2024, for the purposes of compliance with sections 379 and 380 of the Hong Kong Companies Ordinance, these financial statements have been prepared to present a true and fair view of the financial position and financial performance of the Company only. Consequently, they have been prepared in accordance with all applicable HKFRS Accounting Standards (“HKFRS”), which term collectively includes Interpretations as issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance that are relevant to the preparation of Company level financial statements by an intermediate parent company.

As the Company is a holding company that is a wholly owned subsidiary of another body corporate, Morgan Stanley, it satisfies the exemption criteria set out in section 379(3)(a) of the Hong Kong Companies Ordinance, and is therefore not required to prepare consolidated financial statements.

Given the above, these financial statements are not prepared for the purposes of compliance with HKFRS 10 ‘Consolidated Financial Statements’ (“HKFRS 10”) so far as the preparation of consolidated financial statements is concerned. As a consequence, the financial statements do not give all the information required by HKFRS 10 about the economic activities of MSBAL Group of which the Company is the parent. Furthermore, as these financial statements are prepared in respect of the Company only, HKFRS 12 ‘Disclosures of Interests in Other Entities’ does not apply to the financial statements.

MORGAN STANLEY BANK ASIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2025

2. BASIS OF PREPARATION (CONTINUED)

New standards and interpretations adopted during the year

The following amendments to standards relevant to the Company's operations were adopted during the year. Except where otherwise stated, these amendments to standards did not have a material impact on the Company's financial statements

Amendments to *HKAS 21 'The Effects of Changes in Foreign Exchange Rates'*: Lack of Exchangeability were issued by HKICPA in September 2023 for prospective application in accounting periods beginning on or after 1 January 2025.

There were no other standards, amendments to standards or interpretations relevant to the Company's operations which were adopted during the year.

New standards and interpretations not yet adopted

At the date of authorisation of these financial statements, the following standards and amendments to standards relevant to the Company's operations were issued by the HKICPA but not mandatory for accounting periods beginning 1 January 2025. Except where otherwise stated, the Company does not expect that the adoption of the following standards and amendments to standards will have a material impact on the Company's financial statements.

Amendments to HKFRS 9 'Financial Instruments' ("HKFRS 9") and HKFRS 7 'Financial Instruments: Disclosures' ("HKFRS 7") was issued by the HKICPA in August 2024 for retrospective application, except where otherwise prescribed by transitional provisions of the standard and is effective for annual periods beginning on or after 1 January 2026.

HKFRS 18 '*Presentation and Disclosure in Financial Statements*' was issued by the HKICPA in July 2024 for retrospective application in annual periods beginning on or after 1 January 2027. Earlier application is permitted. The Company is currently assessing the impact of HKFRS 18 on its financial statements.

Annual improvements to HKFRS 7 '*Financial Instruments: Disclosures*', HKFRS 9 '*Financial Instruments*', HKFRS 10 '*Consolidated Financial Statements*' and HKAS 7 '*Statement of Cash flows*' were issued by HKICPA in September 2024, for application in annual periods beginning on or after 1 January 2026. Earlier application is permitted.

Basis of measurement

The financial statements of the Company are prepared under the historical cost basis, except for certain financial instruments that have been measured at fair value as explained in the accounting policies below.

MORGAN STANLEY BANK ASIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2025

2. BASIS OF PREPARATION (CONTINUED)

Critical accounting judgements and key sources of estimation uncertainty

In preparing the financial statements, the Company makes judgements and estimates that affect the application of accounting policies and reported amounts.

Critical accounting judgements are key decisions made by management in the application of the Company's accounting policies, other than those involving estimations, which have the most significant effects on the amounts recognised in the financial statements.

Key sources of estimation uncertainty represent assumptions and estimations made by management that have a significant risk of resulting in a material adjustment to the carrying amount of assets and liabilities within the next financial year.

The critical judgement in applying the Company's accounting policies are existences of impairment of financial assets and investment in a subsidiary, the probability of outflow of resources relating to provisions, and the recognition of deferred tax assets, see notes 3(f), 17, 20 and 24.

The key source of estimation uncertainty is the valuation of certain financial instruments. For further details on the assumptions and estimation uncertainties in determining the fair value of certain assets and liabilities, see notes 3(d) and 27.

The Company evaluates the critical accounting judgements and key sources of estimation uncertainty on an ongoing basis and believes that these are reasonable.

The going concern assumption

The Company's business activities, together with the factors likely to affect its future development, performance and position, are reflected in the Directors' Report on pages 1 to 2.

In addition, notes to the financial statements include the Company's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments; and its exposures to credit risk and liquidity risk

As set out in the Directors' report, retaining sufficient liquidity and capital to withstand market pressures remains central to the Morgan Stanley Group's and the Company's strategy.

Taking the above factors into consideration, the Directors believe that the Company will have access to adequate resources to continue in operational existence for the foreseeable future being at least 12 months from the date of approval of these financial statements. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

MORGAN STANLEY BANK ASIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2025

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES

a. Functional currency

Items included in the financial statements are measured and presented in US dollars, the currency of the primary economic environment in which the Company operates.

All currency amounts in the financial statements are rounded to the nearest thousand US dollars unless otherwise stated.

b. Foreign currencies

All monetary assets and liabilities denominated in currencies other than US dollars are translated into US dollars at the rates ruling at the reporting date. Transactions and non-monetary assets and liabilities denominated in currencies other than US dollars are recorded at the rates prevailing at the dates of the transactions. Foreign exchange differences arising from remeasurement of the amortised cost of FVOCI assets are recognised in the income statement. All other gains and losses from movements in foreign exchange rates on FVOCI assets are recorded in other comprehensive income. All other translation differences are taken through the income statement. Exchange differences recognised in the income statement are presented in 'Other revenue' or 'Other expense', except where noted in 3(c) below.

c. Financial instruments

i) Financial instruments mandatorily at fair value through profit and loss

Trading financial instruments

Trading financial instruments include all derivatives contracts and debt securities.

Trading financial instruments are initially recorded on trade date at fair value (see note 3(d) below).

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial instrument. For all trading financial instruments, transaction costs are excluded from the initial fair value measurement of the financial instrument. These costs are recognised in the income statement in 'Other expense'(note 8).

Non-trading financial assets at fair value through profit or loss

Non-trading financial assets at FVPL include secured financing transactions such as securities purchased under agreements to resell.

Non-trading financial assets at FVPL are principally financial assets where the Company makes decisions based upon the assets' fair values. These assets are generally recognised on settlement date at fair value (see note 3(d) below), since they are neither regular way nor are they derivatives. From the date the terms are agreed (trade date), until the financial asset is funded (settlement date), the Company recognises any unrealised fair value changes in the financial asset as non-trading financial assets at FVPL. On settlement date, the fair value of consideration given is recognised as a non-trading financial asset at FVPL.

Transaction costs are excluded from the initial fair value measurement of the financial assets and are recognised in the income statement in 'Other expense'(note 8).

Subsequent measurement of financial instruments mandatorily at fair value through profit or loss

All subsequent changes in fair value and foreign exchange differences are reflected in the income statement in 'Net trading (expense)/income'. Realised interest is included within 'Interest income' or 'Interest expense'.

MORGAN STANLEY BANK ASIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2025

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

c. Financial instruments (continued)

ii) Financial assets measured at FVOCI

Financial assets measured at FVOCI include government debt securities.

Financial assets measured at FVOCI are financial instruments which are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets and the contractual terms of which give rise on specified dates to cash flows that are solely payments of principal and interest (“SPPI”) on the principal amount outstanding. Financial assets measured at FVOCI are recorded on trade date and are initially recognised and subsequently measured at fair value (see note 3(d) below).

Transaction costs that are directly attributable to the acquisition of a financial asset measured at FVOCI are added to the fair value on initial recognition.

Interest calculated using the effective interest rate (“EIR”) method is recognised in the income statement in ‘Interest income’. Foreign exchange differences on the amortised cost of the asset are recognised in the income statement in ‘Other revenue’ (note 7) or ‘Other expense’ (note 8). Movement in expected credit loss (“ECL”) allowance is recognised in both the income statement in ‘Net reversal of impairment loss/ (impairment loss) on financial instruments’ and in the statement of comprehensive income in the ‘FVOCI reserve’. All other gains and losses on financial assets measured at FVOCI are recognised in the ‘FVOCI reserve’ within equity.

On derecognition of a financial asset measured at FVOCI, the cumulative gain or loss in the ‘FVOCI reserve’ is reclassified to the income statement and reported in ‘Net gains/(losses) on derecognition of financial assets measured at FVOCI’.

iii) Financial assets and financial liabilities at amortised cost

Financial assets at amortised cost include cash and short-term deposits, trade and other receivables and loans and advances.

Financial assets are recognised at amortised cost when the Company’s business model objective is to collect the contractual cash flows of the assets and where these cash flows are SPPI on the principal amount outstanding until maturity. Such assets are recognised when the Company becomes a party to the contractual provisions of the instrument. The instruments are initially measured at fair value (see note 3(d) below) and subsequently measured at amortised cost less ECL allowance. Interest is recognised in the income statement in ‘Interest income’, using the EIR method. Transaction costs that are directly attributable to the acquisition of the financial asset are added to the fair value on initial recognition. ECL and reversals thereof are recognised in the income statement in ‘Net reversal of impairment loss/ (impairment loss) on financial instruments’.

Financial liabilities classified at amortised cost include deposits and trade and other payables.

Financial liabilities are classified as being subsequently measured at amortised cost, except where they are held for trading or are designated as measured at FVPL. They are recognised when the Company becomes a party to the contractual provisions of the instrument and are initially measured at fair value (see note 3(d) below) and subsequently measured at amortised cost. Interest is recognised in the income statement in ‘Interest expense’ using the EIR method. Transaction costs that are directly attributable to the issue of a financial liability are deducted from the fair value on initial recognition.

MORGAN STANLEY BANK ASIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2025

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

c. Financial instruments (continued)

iv) Investment in a subsidiary

Subsidiaries are entities over which the Company has control. The Company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Investment in a subsidiary is stated at cost, less any impairment (see note 3(f) below). Dividends, impairment losses and reversals of impairment losses, if any, are recognised in the income statement in 'Net gains/ (losses) on investment in a subsidiary'.

v) Secured financing

In the course of financing its business, the Company enters into arrangements which involve the purchase of securities with resale agreements.

Securities received by the Company under resale arrangements are generally not recognised on the statement of financial position. Where cash is paid under resale arrangements, the resulting cash balances receivable and accrued interest are classified as 'Non-trading at FVPL' as they are managed on a fair value basis.

d. Fair value

Fair value measurement

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e. the "exit price") in an orderly transaction between market participants at the measurement date.

Fair value is a market-based measure considered from the perspective of a market participant rather than an entity-specific measure. Therefore, even when market assumptions are not readily available, assumptions are set to reflect those that the Company believes market participants would use in pricing the asset or liability at the measurement date.

Where the Company manages a group of financial assets and financial liabilities on the basis of its net exposure to either market risk or credit risk, the Company measures the fair value of that group of financial instruments consistently with how market participants would price the net risk exposure at the measurement date.

In determining fair value, the Company uses various valuation approaches and establishes a hierarchy for inputs used in measuring fair value that requires the most observable inputs be used when available.

Observable inputs are inputs that market participants would use in pricing the asset or liability that were developed based on market data obtained from sources independent of the Company. Unobservable inputs are inputs that reflect assumptions the Company believes other market participants would use in pricing the asset or liability, that are developed based on the best information available in the circumstances.

MORGAN STANLEY BANK ASIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2025

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

d. Fair value (continued)

Fair value measurement (continued)

The fair value hierarchy is broken down into three levels based on the observability of inputs as follows, with Level 1 being the highest and Level 3 being the lowest level:

- Level 1 - Quoted prices (unadjusted) in an active market for identical assets or liabilities

Valuations based on quoted prices in active markets that the Morgan Stanley Group has the ability to access for identical assets or liabilities. Valuation adjustments, block discounts and discounts for equity-specific and contractual restrictions that would not transfer to market participants are not applied to Level 1 instruments. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these products does not entail a significant degree of judgement.

- Level 2 - Valuation techniques using observable inputs

Valuations based on quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in inactive markets, significant market inputs other than quoted prices that are observable for the asset or liability, or market-corroborated inputs.

- Level 3 - Valuation techniques with significant unobservable inputs

Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

The availability of observable inputs can vary from product to product and is affected by a wide variety of factors, including the type of product, whether the product is new and not yet established in the marketplace, the liquidity of markets and other characteristics particular to the product. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgement. Accordingly, the degree of judgement exercised by the Company in determining fair value is greatest for instruments categorised in Level 3 of the fair value hierarchy.

The Company considers prices and inputs that are current as of the measurement date, including during periods of market dislocation. In periods of market dislocation, the observability of prices and inputs may be reduced for many instruments. This condition could cause an instrument to be reclassified from Level 1 to Level 2 or from Level 2 to Level 3 of the fair value hierarchy.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the total fair value amount is disclosed in the level appropriate for the lowest level input that is significant to the total fair value of the asset or liability.

For assets and liabilities that are transferred between levels in the fair value hierarchy during the period, fair values are ascribed as if the assets or liabilities had been transferred as of the beginning of the period.

Valuation techniques

Many cash instruments and over-the-counter (“OTC”) derivative contracts have bid and ask prices that can be observed in the marketplace. Bid prices reflect the highest price that a party is willing to pay for an asset. Ask prices represent the lowest price that a party is willing to accept for an asset. The Company carries positions at the point within the bid-ask range that meets its best estimate of fair value. For offsetting positions in the same financial instrument, the same price within the bid-ask spread is used to measure both the long and short positions.

Fair value for many cash instruments and OTC derivative contracts is derived using pricing models. Pricing models take into account the contract terms, as well as multiple inputs including, where applicable, commodity prices, equity prices, interest rate yield curves, credit curves, correlation, creditworthiness of the counterparty, creditworthiness of the Company, option volatility and currency rates.

Where appropriate, valuation adjustments are made to account for various factors such as liquidity risk (bid-ask adjustments), credit quality, model uncertainty and concentration risk and funding in order to arrive at fair value.

MORGAN STANLEY BANK ASIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2025

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

d. Fair value (continued)

Valuation techniques (continued)

Adjustments for liquidity risk adjust model-derived mid-market amounts of Level 2 and Level 3 financial instruments for the bid-mid or mid-ask spread required to properly reflect the exit price of a risk position. Bid-mid and mid-ask spreads are marked to levels observed in trade activity, broker quotes or other external third-party data. Where these spreads are unobservable for the particular position in question, spreads are derived from observable levels of similar positions.

Valuation process

Valuation Control (“VC”) within Finance is responsible for ensuring that the inventory carried at fair value in the Company’s financial statements and associated disclosures is presented in accordance with applicable accounting standards. VC is independent of the business units and reports to the Chief Financial Officer of the Morgan Stanley Group (“CFO”), who has final authority over the valuation of the Company’s inventory. VC implements valuation control processes designed to validate the fair value of the Company’s financial instruments measured at fair value including those derived from pricing models.

Model Control

VC, in conjunction with the Model Risk Management Department (“MRM”), which reports to the Chief Risk Officer of the Morgan Stanley Group (“CRO”), independently reviews valuation models. VC is responsible for reviewing that the model valuation methodology is appropriate, model inputs and valuations are consistent with accounting standards and an independent price verification can be performed. The Company generally subjects valuations and models to a review process initially and on a periodic basis thereafter.

Independent Price Verification

The business units are responsible for determining the fair value of financial instruments using approved valuation models and valuation methodologies. Generally on a monthly basis, VC performs an independent review of the valuation in the books and records by determining the appropriateness of the inputs used by the business units and by testing compliance with the documented valuation methodologies approved in the model review process described above. External pricing data used to validate the valuation must meet minimum quality standards set by VC.

The results of this independent price verification and any adjustments made to the fair value generated by the business units are presented to management of the Morgan Stanley Group’s three business segments (i.e. Institutional Securities, Wealth Management and Investment Management), the CFO and the CRO on a regular basis.

VC reviews the models and valuation methodology used to price new material Level 2 and Level 3 transactions, and both Finance and MRM must approve the fair value of the trade that is initially recognised.

Gains and losses on inception

In the normal course of business, the fair value of a financial instrument on initial recognition is the transaction price (i.e. the fair value of the consideration given or received). In certain circumstances, however, the fair value will be based on other observable current market transactions in the same instrument, without modification or repackaging, or on a valuation technique whose variables include only data from observable markets. When such evidence exists, the Company recognises a gain or loss on inception of the transaction.

When the use of unobservable market data has a significant impact on determining fair value at the inception of the transaction, the entire initial gain or loss indicated by the valuation technique as at the transaction date is not recognised immediately in the income statement but is deferred and recognised over the life of the instrument or at the earlier of when the unobservable market data become observable, maturity or disposal of the instrument.

MORGAN STANLEY BANK ASIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2025

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

e. Derecognition of financial assets and liabilities

The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risk and rewards of ownership of the asset.

If the asset has been transferred, and the Company neither transfers nor retains substantially all of the risks and rewards of the asset, then the Company determines whether it has retained control of the asset.

If the Company has retained control of the asset, it continues to recognise the financial asset to the extent of its continuing involvement in the financial asset. If the Company has not retained control of the asset, it derecognises the asset and separately recognises any rights or obligations created or retained in the transfer.

Upon derecognition of a financial asset, the difference between the previous carrying amount and the sum of any consideration received, together with the transfer of any cumulative gain/loss previously recognised in equity, are recognised in the income statement within 'Net gains/ (losses) on derecognition of financial assets measured at amortised cost and FVOCI' for financial assets which are measured at amortised cost or FVOCI (see note 3(c)(ii)), and within 'Net gains/(losses) from financial instruments at fair value through profit or loss' for financial assets which are measured at FVPL (see note 3(c)(i)).

The Company derecognises financial liabilities when the Company's obligations are discharged or cancelled or when they expire.

f. Impairment of financial instruments

The Company recognises loss allowances for ECL for the following financial instruments that are not measured at FVPL:

- financial assets measured at amortised cost; and
- financial assets measured at FVOCI.

Measurement of ECL

The Company applies a three stage approach to measuring ECLs based on the change in credit risk since initial recognition:

- Stage 1: if the credit risk of the financial instrument at the reporting date has not increased significantly since initial recognition then the loss allowance is calculated as the lifetime cash shortfalls that will result if a default occurs in the next 12 months, weighted by the probability of that default occurring.
- Stage 2: if there has been a significant increase in credit risk ("SICR") since initial recognition, the loss allowance is calculated as the ECL over the remaining life of the financial instrument. If it is subsequently determined that there has no longer been a SICR since initial recognition, then the loss allowance reverts to reflecting 12 month expected losses.
- Stage 3: if there has been a SICR since initial recognition and the financial instrument is deemed credit-impaired (see below for definition of credit-impaired), the loss allowance is calculated as the ECL over the remaining life of the financial instrument. If it is subsequently determined that there has no longer been a SICR since initial recognition, then the loss allowance reverts to reflecting 12 month expected losses.

Notwithstanding the above, for trade receivables, and contract assets under HKFRS 15 'Revenue from Contracts with Customers' ('HKFRS 15') which do not have a significant financing component, a lifetime ECL is always calculated, without considering whether a SICR has occurred.

MORGAN STANLEY BANK ASIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2025

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

f. Impairment of financial instruments (continued)

Assessment of significant increase in credit risk

When assessing SICR, the Company considers both quantitative and qualitative information and analysis based on the Company's historical experience and expert credit risk assessment, including forward-looking information.

The determination of a SICR is generally based on changes in the probability of default ("PD"), in conjunction with a rebuttable presumption that a SICR has occurred if a financial asset is more than 30 days past due.

Calculation of ECL

ECL is calculated using three main components:

- PD: for accounting purposes, the 12 month and lifetime PD represent the expected point-in-time probability of a default over the next 12 months and over the remaining lifetime of the financial instrument respectively, based on conditions existing at the balance sheet date and future economic conditions.
- Loss given default ("LGD"): the LGD represents expected loss conditional on default, taking into account the mitigating effect of collateral, including the expected value of the collateral when realised and the time value of money.
- Exposure at default ("EAD"): this represents the expected EAD, taking into account the expected repayment of principal and interest from the balance sheet date to the date of default event together with any expected drawdowns of the facility over that period.

These parameters are generally derived from internally developed statistical models, incorporating historical, current and forward-looking macro-economic data and country risk expert judgement. The macro-economic scenarios are reviewed quarterly.

The 12 month ECL is equal to the sum over the next 12 months of quarterly PD multiplied by LGD and EAD, with such expected losses being discounted at the EIR. Lifetime ECL is calculated using the discounted present value of total quarterly PDs multiplied by LGD and EAD, over the full remaining life of the facility.

When measuring ECLs, the Company considers multiple scenarios, except where practical expedients are used to determine ECL. Practical expedients are used where they are consistent with the principles described above. ECL on certain trade receivables are calculated using a 'matrix' approach which reflects the previous history of credit losses on these financial assets, applying different provision levels based on the age of the receivable. Alternatively where there is a history of no credit losses, and where this is expected to persist into the future for structural or other reasons, such as collateral or other credit enhancement, it may be determined that the ECL for a financial instrument is de minimis (highly immaterial) and it may not be necessary to recognise the ECL.

The Company measures ECL on an individual asset basis and has no purchased or originated credit-impaired ("POCI") financial assets.

More information on measurement of ECL is provided in note 24(a)(v) Financial risk management.

Presentation of ECL

ECL is recognised in the income statement within 'Net reversal of impairment loss/ (impairment loss) on financial instruments'.

MORGAN STANLEY BANK ASIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2025

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

f. Impairment of financial instruments (continued)

Credit-impaired financial instruments

In assessing the impairment of financial instruments under the ECL model, the Company defines credit-impaired financial instruments in accordance with the Credit Risk Management Department's policies and procedures. A financial instrument is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred.

Definition of Default

In assessing the impairment of financial instruments under the ECL model, the Company defines default in accordance with the Credit Risk Management Department's policies and procedures. This considers whether the borrower is unlikely to pay its credit obligations to the Company in full and takes into account qualitative indicators, such as breaches of covenants. The definition of default also includes a presumption that a financial asset which is more than 90 days past due has defaulted.

Write-offs

Loans and debt securities are written off (either partially or in full) when they are deemed uncollectible. Financial assets that are written off could still be subject to enforcement activities for recoveries of amounts due.

Impairment loss on investment in a subsidiary

Investment in a subsidiary is assessed for impairment when an indicator of impairment exists or, where no indicator exists, at each external reporting date. Impairment loss on investment in a subsidiary is measured as the difference between cost and the current estimated recoverable amount. When the recoverable amount is less than the cost, an impairment is recognised within the income statement in 'Net gains/(losses) on investment in a subsidiary' and is reflected against the carrying amount of the impaired asset on the statement of financial position.

MORGAN STANLEY BANK ASIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2025

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

g. Revenue recognition

Revenues are recognised when the promised services are delivered to the Company's customers, in an amount that is based on the consideration the Company expects to receive in exchange for those services when such amounts are not probable of significant reversal.

Fee and commission income

Fee and commission income results from transaction-based arrangements in which the client is charged a fee for the execution of transactions. Such revenues primarily arise from the Company providing services in connection with the provision of general investment, securities and futures dealing, as well as discretionary management to its customers and as an agent on behalf of its clients to transmit client instructions to other Morgan Stanley affiliates in connection with the provision of general investment, securities and futures dealing. Fee and commission income is recognised on trade date when the performance obligation is satisfied.

Management charge income

Management charge income includes management charges to other Morgan Stanley Group undertakings for the provision of infrastructure services. These amounts are recognised as the related services are performed.

h. Fee and commission expense

Fee and commission expense in the income statement include service fees. Amounts are recognised as the related services are received.

i. Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents comprise cash and demand deposits with banks along with highly liquid investments, with original maturities of three months or less, that are readily convertible to known amounts of cash and subject to insignificant risk of change in value.

j. Income tax

The tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is calculated based on taxable profit for the year. Taxable profit may differ from profit before income tax as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. Taxable profit is also adjusted if it is considered that it is not probable that a taxation authority will accept an uncertain tax treatment. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting date. Current tax is charged or credited in the income statement, except when it relates to items charged or credited directly to other comprehensive income or equity, in which case the current tax is also recorded within other comprehensive income or equity, respectively.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and limited to the extent that it is probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to other comprehensive income or equity, in which case the deferred tax is reflected within other comprehensive income or equity, respectively.

MORGAN STANLEY BANK ASIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2025

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

j. Income tax (continued)

Current tax assets are offset against current tax liabilities when there is a legally enforceable right to set off current tax assets against current tax liabilities and the Company intends to settle its current tax assets and current tax liabilities on a net basis or to realise the asset and settle the liability simultaneously. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and current tax liabilities on a net basis.

k. Provisions and commitments

Provisions are recognised when the Company has an identified present obligation as a result of a past event, when it is probable that an outflow of resources embodying economic benefits will be required to settle that obligation and when a reliable estimate can be made of the amount of the obligation.

A commitment is any legal obligation to potentially make or receive cash payments or transfer cash.

Commitments are not recognised in the financial statements. Disclosure is made unless the probability of settlement is remote.

l. Offsetting of financial assets and financial liabilities

Where there is a current legally enforceable right to set off the recognised amounts and an intention to either settle on a net basis or to realise the asset and the liability simultaneously, financial assets and financial liabilities are offset and the net amount is presented on the statement of financial position. In the absence of such conditions, financial assets and financial liabilities are presented on a gross basis.

m. Employee compensation plans

i) Equity-settled share-based compensation plans

Morgan Stanley issues awards in the form of restricted stock units (“RSUs”) to employees of the Morgan Stanley Group for services rendered to the Company. Awards are equity-settled and the cost of the equity-based transactions with employees is measured based on the fair value of the equity instruments at grant date. The fair value of RSUs is based on the market price of Morgan Stanley common stock, measured as the volume-weighted average price on the grant date (“VWAP”). The fair value of RSUs not entitled to dividends until conversion is measured at VWAP reduced by the present value of dividends expected to be paid on the underlying shares prior to the scheduled conversion date.

Awards generally contain clawback and cancellation provisions.

The Company recognises compensation cost over the relevant vesting period for each separately vesting portion of the award. An estimation of awards that will be forfeited prior to vesting due to the failure to satisfy service conditions is considered in calculating the total compensation cost to be amortised over the relevant vesting period.

Under Morgan Stanley Group chargeback agreements, the Company pays Morgan Stanley for the procurement of shares. The Company pays Morgan Stanley the grant date fair value and any subsequent movement in fair value up to the time of conversion of the award and delivery of shares to the employees.

Share-based compensation expense is recorded within ‘Other expense’ in the income statement.

MORGAN STANLEY BANK ASIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS **Year ended 31 December 2025**

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

m. Employee compensation plans (continued)

ii) Deferred cash-based compensation plans

Morgan Stanley may award deferred cash-based compensation on behalf of the Company for the benefit of employees, providing a return to the participating employees based upon the performance of various referenced investments. Compensation expense for deferred cash-based compensation awards is calculated based on the notional value of the award granted, adjusted for changes in the fair value of the referenced investments that employees select.

The Company recognises compensation cost over the relevant vesting period for each separately vesting portion of the award. Forfeitures due to failure to satisfy service conditions are accounted for as they occur.

Deferred cash-based compensation expense is recorded within 'Other expense' in the income statement. The liability for the awards is measured at fair value and is included within 'Trade and other payables' in the statement of financial position.

n. Post-employment benefits

The Company participates defined contribution post-employment plans. Additionally, the Branch of the Company participates in a defined contribution plan, the Singapore Central Provident Fund.

Contributions due in relation to the Company's defined contribution post-employment benefit plan are recognised in 'Other expense' in the income statement when payable. Details of the plans are given in note 31 to these financial statements.

In addition, the Company has an obligation to pay long service payment ("LSP"), a defined benefit plan. The LSP obligations are measured on an actuarial basis in accordance with the advice of an independent qualified actuary using the projected unit credit method. Key assumptions include the discount rate which reflects the current rate of return on government bonds yield of the duration of the liabilities approximately 11.5 years and staff turnover.

The current and past service costs, together with the net interest on the net defined benefit obligation / assets are charged to 'Staff costs' within 'Other expense' in the income statement. Remeasurements that arise in calculating the Company's obligation in respect of a plan are recognised in other comprehensive income, in the period in which they occur.

MORGAN STANLEY BANK ASIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2025

4. INTEREST INCOME AND INTEREST EXPENSE

The table below presents interest income and expense by accounting classification. Interest income and expense is calculated using the EIR method for financial assets and financial liabilities measured at amortised cost and financial assets measured at FVOCI. Interest income includes accrued interest on certain financial assets measured at FVPL.

	2025 US\$'000	2024 US\$'000
Financial assets measured at amortised cost	140,743	161,609
Financial assets measured at FVOCI	40,259	42,865
Financial assets not measured at FVPL	<u>181,002</u>	<u>204,474</u>
Trading financial assets	84	22
Non-trading financial assets measured at FVPL	27,134	48,289
Financial assets measured at FVPL	<u>27,218</u>	<u>48,311</u>
Total interest income	<u><u>208,220</u></u>	<u><u>252,785</u></u>
Financial liabilities measured at amortised cost	<u>(154,072)</u>	<u>(164,896)</u>
Total interest expense	<u><u>(154,072)</u></u>	<u><u>(164,896)</u></u>
Net interest income	<u><u>54,148</u></u>	<u><u>87,889</u></u>

'Interest income' represents total interest generated from financial assets whilst 'Interest expense' represents total interest arising on financial liabilities.

The recognition of negative interest income may result from transactions in certain currencies which may at times have negative interest rates, mainly arising from securities purchased under agreements to resell transactions.

No other gains or losses have been recognised in respect of financial assets measured at amortised cost other than as disclosed as 'Interest income', impairment losses and reversals of impairment losses disclosed in 'Net reversal of impairment loss/(impairment loss) on financial instruments' (note 9) and foreign exchange differences disclosed in 'Other revenue' (note 7) or 'Other expense' (note 8).

No other gains or losses have been recognised in respect of financial liabilities measured at amortised cost other than as disclosed as 'Interest expense', and foreign exchange differences disclosed in 'Other revenue' (note 7) or 'Other expense' (note 8).

MORGAN STANLEY BANK ASIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2025

5. FEE AND COMMISSION

	2025	2024
	US\$'000	US\$'000
Fee and commission income:		
Sales commissions and fees	603,193	460,714
Other fees	148	87
Total fee and commission income	<u>603,341</u>	<u>460,801</u>
<i>Of which, revenue from contracts with customers</i>	43,222	19,362
Fee and commission expense:		
Sales commissions and fees	(2,311)	(1,869)
Total fee and commission expense	<u>(2,311)</u>	<u>(1,869)</u>
Net fee and commission income	<u>601,030</u>	<u>458,932</u>

The Company had no unsatisfied performance obligations from contracts with customers. Total fee and commission income is stated after the transfer of revenues totalling US\$559,971,000 (2024: US\$441,352,000) from other Morgan Stanley Group undertakings. These transfers do not relate to revenue from contracts with customers.

6. NET GAINS ON DERECOGNITION OF FINANCIAL ASSETS MEASURED AT FVOCI

During the year, the Company sold certain financial assets measured at FVOCI for liquidity management purpose.

The table below summarises the carrying amount of the derecognised financial assets measured at FVOCI, and the gain on derecognition.

	2025		2024	
	Carrying amount of financial assets sold US\$'000	Gains arising from derecognition US\$'000	Carrying amount of financial assets sold US\$'000	Gains arising from derecognition US\$'000
Investment securities	<u>997</u>	<u>—</u>	<u>9,994</u>	<u>3</u>

MORGAN STANLEY BANK ASIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2025

7. OTHER REVENUE

	2025 US\$'000	2024 US\$'000
Net foreign exchange gains	167,647	—
Management charges to other Morgan Stanley Group undertakings	10,503	9,287
Others	113	62
	<u>178,263</u>	<u>9,349</u>
<i>Of which, revenue from contracts with customers</i>	<i>10,503</i>	<i>9,287</i>

The Company had no unsatisfied performance obligations from contracts with customers.

8. OTHER EXPENSE

	2025 US\$'000	2024 US\$'000
Staff costs	273,324	236,289
Directors' remuneration		
Fees	183	223
Contribution to defined contribution plan	39	38
Others	8,643	7,462
Auditors' remuneration:		
Fees payable to the Company's auditor for the audit of the Company's annual financial statements	942	825
Fees payable to the Company's auditor for other services to the Company	2	2
Non-audit professional services	21,084	14,159
Management charges from other Morgan Stanley Group undertakings relating to staff costs	46,594	33,600
Management charges from other Morgan Stanley Group undertakings relating to other services	117,894	105,369
Net foreign exchange losses	—	45,515
Others	6,709	6,667
	<u>475,414</u>	<u>450,149</u>

Information regarding employee compensation plans and key management compensation are provided in note 30 and note 32(b) respectively.

In 2024, \$32,136,000 relating to movements in the fair value of equity-settled share-based awards granted to employees has been re-classified from "staff costs" to "management charges from other Morgan Stanley Group undertakings relating to staff costs" to conform to current year presentation.

MORGAN STANLEY BANK ASIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2025

9. NET REVERSAL OF IMPAIRMENT LOSS / (IMPAIRMENT LOSS) ON FINANCIAL INSTRUMENTS

The following table shows the net ECL reversal/(charge) and write-offs for the year.

	2025			2024		
	Net ECL US\$'000	Write-offs US\$'000	Total US\$'000	Net ECL US\$'000	Write-offs US\$'000	Total US\$'000
Loans and advances	100	—	100	(95)	—	(95)

All of the above impairment losses were calculated on an individual basis. No collective impairment assessments were made during the year or prior year. More information on measurement of ECL is provided in note 24(a).

10. INCOME TAX

	2025 US\$'000	2024 US\$'000
Current tax		
Current year		
Hong Kong	45,192	38,377
Other jurisdiction	8,669	8,619
	<u>53,861</u>	<u>46,996</u>
Adjustments in respect of prior years		
Hong Kong	218	126
Other jurisdiction	(169)	563
	<u>49</u>	<u>689</u>
	<u>53,910</u>	<u>47,685</u>
Deferred tax		
Origination and reversal of temporary differences	(685)	(5,053)
Adjustments in respect of prior years	(143)	(17)
	<u>(828)</u>	<u>(5,070)</u>
Income tax	<u>53,082</u>	<u>42,615</u>

MORGAN STANLEY BANK ASIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2025

10. INCOME TAX (CONTINUED)

Reconciliation of effective tax rate

The current year income tax expense is lower (2024: lower) than that resulting from applying the standard rate of profits tax in Hong Kong for the year of 16.5% (2024:16.5%). The main differences are explained below:

	2025 US\$'000	2024 US\$'000
Profit before income tax	332,269	273,699
Income tax using the standard rate of profits tax in Hong Kong of 16.5%	54,824	45,160
Impact on tax of:		
Expenses not deductible for tax purposes	2,848	3,203
Tax exempt income	(3,085)	(5,089)
Concessionary tax rate	(1,878)	(1,558)
Effect of tax rates in foreign jurisdiction	309	272
Tax (over)/under provided in prior years	(94)	672
Others	158	(45)
Total income tax expense in the income statement	53,082	42,615

In addition to the amount charged to the income statement, the aggregate amount of current and deferred tax relating to each component of other comprehensive income was as follows:

	2025			2024		
	Before tax	Tax	Net of tax	Before tax	Tax	Net of tax
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
FVOCI reserve:						
Net change in fair value	398	(64)	334	80	(14)	66
Net amount reclassified to income statement	—	—	—	(3)	—	(3)
Other comprehensive income	<u>398</u>	<u>(64)</u>	<u>334</u>	<u>77</u>	<u>(14)</u>	<u>63</u>

The Company has no current tax exposure in relation to the OECD Pillar Two Model Rules.

MORGAN STANLEY BANK ASIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2025

11. FINANCIAL ASSETS AND LIABILITIES BY MEASUREMENT CATEGORY

The following table analyses financial assets and financial liabilities as presented in the statement of financial position by HKFRS 9 classifications.

31 December 2025	FVPL (mandatorily) US\$'000	FVOCI US\$'000	Amortised cost US\$'000	Total US\$'000
Cash and short-term deposits	—	—	164,065	164,065
Trading financial assets	56,932	—	—	56,932
Secured financing	1,641,810	—	—	1,641,810
Loans and advances	—	—	5,767,321	5,767,321
Investment securities	—	1,440,882	—	1,440,882
Trade and other receivables	—	—	34,671	34,671
Total financial assets	1,698,742	1,440,882	5,966,057	9,105,681
Deposits	—	—	6,885,735	6,885,735
Trading financial liabilities	14,335	—	—	14,335
Trade and other payables	—	—	260,019	260,019
Total financial liabilities	14,335	—	7,145,754	7,160,089

31 December 2024	FVPL (mandatorily) US\$'000	FVOCI US\$'000	Amortised cost US\$'000	Total US\$'000
Cash and short-term deposits	—	—	104,838	104,838
Trading financial assets	123,973	—	—	123,973
Secured financing	1,452,946	—	—	1,452,946
Loans and advances	—	—	4,524,781	4,524,781
Investment securities	—	1,966,272	—	1,966,272
Trade and other receivables	—	—	42,479	42,479
Total financial assets	1,576,919	1,966,272	4,672,098	8,215,289
Deposits	—	—	6,116,602	6,116,602
Trading financial liabilities	11,828	—	—	11,828
Trade and other payables	—	—	374,529	374,529
Total financial liabilities	11,828	—	6,491,131	6,502,959

MORGAN STANLEY BANK ASIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2025

12. TRADING FINANCIAL ASSETS AND LIABILITIES

Trading assets and trading liabilities are summarised as follows:

	2025			2024		
	Notional amount US\$'000	Fair value		Notional amount US\$'000	Fair value	
		Assets US\$'000	Liabilities US\$'000		Assets US\$'000	Liabilities US\$'000
Derivatives:						
Foreign exchange contracts	5,084,145	26,367	14,335	4,211,702	123,265	11,828
Debt securities	30,601	30,565	—	696	708	—
		<u>56,932</u>	<u>14,335</u>		<u>123,973</u>	<u>11,828</u>

The derivatives are entered with the Company's direct and indirect parent undertakings and other Morgan Stanley Group undertakings (see note 32(c)).

13. SECURED FINANCING

	2025 US\$'000	2024 US\$'000
Non-trading at FVPL		
Securities purchased under agreements to resell	<u>1,641,810</u>	<u>1,452,946</u>

The fair value of collateral accepted under these arrangements is disclosed in note 25.

14. LOANS AND ADVANCES

	2025 US\$'000	2024 US\$'000
Loans and advances to customers	5,767,227	3,940,585
Loans and advances to other Morgan Stanley Group undertakings	94	584,296
Less: ECL	—	(100)
	<u>5,767,321</u>	<u>4,524,781</u>

Loans and advances to customers are repayable on demand and bear interest at floating rates or fixed rates.

MORGAN STANLEY BANK ASIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2025

15. INVESTMENT SECURITIES

	2025	2024
	US\$'000	US\$'000
Government debt securities:		
US Treasury bills and securities	1,138,408	1,737,733
Singapore Government Treasury bills	232,227	196,682
HKMA Exchange Fund Bills & Notes	70,247	31,857
	<u>1,440,882</u>	<u>1,966,272</u>

16. TRADE AND OTHER RECEIVABLES

	2025	2024
	US\$'000	US\$'000
Trade receivables	18,313	24,560
Other receivables		
Amounts due from other Morgan Stanley Group undertakings	586	3,157
Interest receivable	15,450	14,240
Other amounts receivable	322	522
	<u>34,671</u>	<u>42,479</u>

17. INVESTMENT IN A SUBSIDIARY

	2025	2024
	US\$'000	US\$'000
Cost		
At 1 January, and 31 December	<u>262,348</u>	<u>262,348</u>
Carrying amounts		
At 31 December	<u>262,348</u>	<u>262,348</u>

Details of the significant investment in subsidiary of the Company at 31 December 2025 and 31 December 2024 are as follows:

Name of Company	Country of incorporation/ Principal place of business	Type of shares held	Proportion of shares held		Proportion of voting rights held		Nature of business
			2025	2024	2025	2024	
Morgan Stanley Bank International (China) Limited	China	Ordinary	100%	100%	100%	100%	Financial services

MORGAN STANLEY BANK ASIA LIMITED

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Year ended 31 December 2025

18. DEPOSITS

	2025	2024
	US\$'000	US\$'000
Deposits of banks		
Current account balances	—	294
Deposits of non-bank customers		
Current account balances	2,741,920	2,636,002
Term deposits	3,295,748	3,480,306
Deposits of other Morgan Stanley Group undertakings	848,067	—
	<u>6,885,735</u>	<u>6,116,602</u>

19. TRADE AND OTHER PAYABLES

	2025	2024
	US\$'000	US\$'000
Trade payables	11,626	104,537
Other payables		
Amounts due to other Morgan Stanley Group undertakings	22,581	15,476
Staff compensation and benefits payable	175,718	160,996
Interest payable	35,553	36,321
Other amounts payable	14,541	57,199
	<u>260,019</u>	<u>374,529</u>

20. DEFERRED TAX ASSETS

Deferred taxes are calculated on all temporary differences under the balance sheet liability method. The movement in the deferred tax account is as follows:

	2025	2024
	US\$'000	US\$'000
At 1 January	18,194	13,105
Amount recognised in the income statement	828	5,070
Amount recognised in other comprehensive income:		
Financial assets measured at FVOCI	(64)	(14)
Foreign exchange revaluation	102	33
At 31 December	<u>19,060</u>	<u>18,194</u>

MORGAN STANLEY BANK ASIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2025

20. DEFERRED TAX ASSETS (CONTINUED)

For the purpose of presentation in the statement of financial position, certain deferred tax assets and liabilities have been offset. The deferred tax included in the statement of financial position and changes recorded in 'Income tax' / 'Other comprehensive income' are as follows:

	2025			
	Deferred Tax Asset US\$'000	Deferred Tax Liability US\$'000	Income Statement Gain US\$'000	Other Comprehensive Income Loss US\$'000
Deferred compensation	19,239	—	(828)	—
Financial assets measured at FVOCI	—	(179)	—	64
Effect of netting within tax jurisdictions	(179)	179	—	—
	<u>19,060</u>	<u>—</u>	<u>(828)</u>	<u>64</u>
	2024			
	Deferred Tax Asset US\$'000	Deferred Tax Liability US\$'000	Income statement Gain US\$'000	Other Comprehensive Income Loss US\$'000
Deferred compensation	18,271	—	(5,070)	—
Financial assets measured at FVOCI	—	(77)	—	14
Effect of netting within tax jurisdictions	(77)	77	—	—
	<u>18,194</u>	<u>—</u>	<u>(5,070)</u>	<u>14</u>

The deferred tax assets recognised are based on management assessment that it is probable that the Company will have taxable profits against which the temporary differences can be utilised.

MORGAN STANLEY BANK ASIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2025

21. EQUITY

Ordinary share capital

	Ordinary shares Number	Ordinary shares US\$'000
Authorised, issued and fully paid		
At 31 December 2024 and 2025	<u>930,000,000</u>	<u>930,000</u>

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at general meetings of the Company. All shares rank equally with regard to the Company's residual assets.

Reserve

FVOCI reserve

The 'FVOCI reserve' of US\$785,000 surplus (2024: US\$451,000 surplus) includes the cumulative net change in the fair value of FVOCI financial assets held at the reporting date. The tax effect of these movements is also included in the 'FVOCI reserve'.

22. ADDITIONAL CASH FLOW INFORMATION

a. Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents comprise the following balances, which have less than three months maturity from the date of acquisition:

	2025 US\$'000	2024 US\$'000
Cash with central bank	40,301	62,345
Cash at banks	<u>123,764</u>	<u>42,493</u>
	<u>164,065</u>	<u>104,838</u>

MORGAN STANLEY BANK ASIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2025

22. ADDITIONAL CASH FLOW INFORMATION (CONTINUED)

b. Reconciliation of cash flows from operating activities

	2025	2024
	US\$'000	US\$'000
Profit for the year	279,187	231,084
<i>Adjustments for:</i>		
Net gains on derecognition of financial assets measured at FVOCI	—	(3)
Equity-based awards adjustments	626	406
Interest income	(208,220)	(252,785)
Interest expense	154,072	164,896
Income tax expense	53,082	42,615
Operating cash flows before changes in operating assets and liabilities	<u>278,747</u>	<u>186,213</u>
Changes in operating assets		
(Increase)/decrease in secured financing	(181,195)	401,695
Increase in loans and advances	(1,242,540)	(646,038)
Decrease in trade and other receivables	9,017	92,101
Decrease/(increase) in trading financial assets	67,041	(116,264)
Increase in prepayments	(168)	(677)
	<u>(1,347,845)</u>	<u>(269,183)</u>
Changes in operating liabilities		
Increase in deposits	769,133	553,051
(Decrease)/increase in trade and other payables	(113,743)	192,392
Increase/(decrease) in trading financial liabilities	2,507	(42,401)
Increase in accruals	32	1
	<u>657,929</u>	<u>703,043</u>
Interest received	158,999	233,175
Interest paid	(154,839)	(166,936)
Income tax paid	(100,314)	(8,562)
Effect of foreign exchange movements	(11,760)	8,328
Net cash flows (used in)/from operating activities	<u><u>(519,083)</u></u>	<u><u>686,078</u></u>

MORGAN STANLEY BANK ASIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2025

23. EXPECTED MATURITY OF ASSETS AND LIABILITIES

The table below shows an analysis of assets and liabilities analysed according to when they are expected to be recovered, realised or settled.

At 31 December 2025	Less than or equal to twelve months US\$'000	More than twelve months US\$'000	Total US\$'000
ASSETS			
Cash and short-term deposits	164,065	—	164,065
Trading financial assets	56,932	—	56,932
Secured financing	1,641,810	—	1,641,810
Loans and advances	5,767,227	94	5,767,321
Investment securities	1,440,882	—	1,440,882
Trade and other receivables	34,671	—	34,671
Prepayments	2,065	—	2,065
Deferred tax assets	—	19,060	19,060
Investment in a subsidiary	—	262,348	262,348
	<u>9,107,652</u>	<u>281,502</u>	<u>9,389,154</u>
LIABILITIES			
Deposits	6,037,668	848,067	6,885,735
Trading financial liabilities	14,335	—	14,335
Trade and other payables	181,943	78,076	260,019
Current tax liabilities	15,267	—	15,267
Accruals	1,078	—	1,078
	<u>6,250,291</u>	<u>926,143</u>	<u>7,176,434</u>

MORGAN STANLEY BANK ASIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2025

23. EXPECTED MATURITY OF ASSETS AND LIABILITIES (CONTINUED)

At 31 December 2024	Less than or equal to twelve months US\$'000	More than twelve months US\$'000	Total US\$'000
ASSETS			
Cash and short-term deposits	104,838	—	104,838
Trading financial assets	123,265	708	123,973
Secured financing	1,452,946	—	1,452,946
Loans and advances	3,938,585	586,196	4,524,781
Investment securities	1,966,272	—	1,966,272
Trade and other receivables	42,314	165	42,479
Prepayments	1,897	—	1,897
Deferred tax assets	—	18,194	18,194
Investment in a subsidiary	—	262,348	262,348
	<u>7,630,117</u>	<u>867,611</u>	<u>8,497,728</u>
LIABILITIES			
Deposits	6,116,602	—	6,116,602
Trading financial liabilities	11,828	—	11,828
Trade and other payables	326,030	48,499	374,529
Current tax liabilities	61,150	—	61,150
Accruals	1,046	—	1,046
	<u>6,516,656</u>	<u>48,499</u>	<u>6,565,155</u>

MORGAN STANLEY BANK ASIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2025

24. FINANCIAL RISK MANAGEMENT

Risk management procedures

Risk is an inherent part of the Company's business activities. The Company seeks to identify, assess, monitor, and manage each of the various types of risk involved in its business activities in accordance with defined policies and procedures. The Company has developed its own risk management policy framework, which is consistent with and leverages the risk management policies and procedures of the Morgan Stanley Group and which include escalation to appropriate senior management personnel of the Company as well as oversight through the Company's Board of Directors (the "Board") and through a dedicated Risk Committee that reports to the Board.

Significant risks faced by the Company resulting from its Private Wealth Management, trading, and assets and liabilities management activities are set out below.

a. Credit risk

Credit risk refers to the risk of loss arising when a borrower, counterparty or issuer does not meet its financial obligations to the Company. The Company is primarily exposed to credit risk from margin loans to clients of the Private Wealth Management business, and to a lesser extent from treasury activities related to deposit placement, investment portfolio, securities purchased under agreements to resell transactions, and interest rate and foreign exchange hedges.

i) Credit risk management

Credit risk exposure is managed on a global basis and in consideration of each significant legal entity within the Morgan Stanley Group. The credit risk management policies and procedures establish the framework for identifying, measuring, monitoring and controlling credit risk whilst ensuring transparency of material credit risks, compliance with established limits and escalating risk concentrations to appropriate senior management and the Board of Directors.

The Company incurs credit risk primarily in the Private Wealth Management business through margin loans to its clients. Margin loans are asset-based in nature secured by mostly cash and marketable securities held with the Company as collateral.

The Company also incurs credit risk through a variety of treasury activities, including, but not limited to, the following:

- entering into derivative contracts with other Morgan Stanley Group undertakings under which counterparties may have obligations to make payments to the Company;
- posting margin and/or collateral to banks and other financial counterparties;
- placing funds on deposit at other financial institutions; and
- entering into securities transactions, whereby the value of these assets may fluctuate based on realised or expected defaults on the underlying obligations.

1) *Monitoring and Control*

In order to help protect the Company from losses, the Credit Risk Management Department establishes firm-wide practices to evaluate, monitor and control credit risk at the transaction, obligor and portfolio levels. The Credit Risk Management Department approves extensions of credit, evaluates the creditworthiness of the Company's counterparties and borrowers on a regular basis, and helps ensure that credit exposure is actively monitored and managed. The evaluation of counterparties and borrowers includes an assessment of the probability that an obligor will default on its financial obligations and any subsequent losses that may occur when an obligor defaults. In addition, credit risk exposure is actively managed by credit professionals and committees within the Credit Risk Management Department and through various other risk committees, whose membership includes individuals from the Credit Risk Management Department.

MORGAN STANLEY BANK ASIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2025

24. FINANCIAL RISK MANAGEMENT (CONTINUED)

a. Credit risk (continued)

i) Credit risk management (continued)

1) *Monitoring and Control (continued)*

A Credit Limits Framework is utilised to manage credit risk levels across the Company. The Credit Limits Framework is calibrated within the Company's risk appetite and includes stress loss, product, collateral concentration, correlated collateral, single-name, regulatory, connected lending limits. The Credit Risk Management Department helps ensure timely and transparent communication of material credit risks, compliance with established limits and escalation of risk concentrations to appropriate senior management.

The Credit Risk Management Department also works closely with the Market Risk Department and applicable business units to monitor risk exposures and to perform stress tests to identify, analyse and control credit risk concentrations arising from the Company's lending and treasury activities. The stress tests shock market factors (e.g. interest rates, security prices, credit spreads) and risk parameters (e.g. probability of default), in order to assess the impact of stresses on exposures, profit and loss, and the Company's capital position. Stress tests are conducted in accordance with established policies and procedures of Morgan Stanley Group and the Company and comply with methodologies outlined in the Basel regulatory framework.

2) *Credit Evaluation*

The evaluation of corporate and institutional counterparties and borrowers includes assigning obligor credit ratings, which reflect an assessment of an obligor's PD and LGD. An obligor credit rating can be categorised into Investment grade, Non-investment grade and Default. Credit evaluations typically involve the assessment of financial statements, leverage, liquidity, capital strength, asset composition and quality, market capitalisation, access to capital markets, the adequacy of collateral, if applicable, and in the case of certain loans, cash flow projections and debt service requirements. The Credit Risk Management Department also evaluates strategy, market position, industry dynamics, management and other factors that could affect the obligor's risk profile. Additionally, the Credit Risk Management Department evaluates the relative position of the Morgan Stanley Group's exposure in the borrower's capital structure and relative recovery prospects, as well as adequacy of collateral (if applicable) and other structural elements of the particular transaction.

The Company's Private Wealth Management business generates minimal credit exposure due to the collateralised nature of the business. In addition to standard counterparty and borrower due diligence, the credit assessment framework places strong emphasis on collateral quality at loan origination and through ongoing monitoring, to ensure exposures remain well collateralised and credit risk is effectively mitigated. Obligor credit ratings for individual clients and their personal holding companies are assigned based on the lowest applicable obligor rating. EAD is measured on a net basis, after deducting the value of collateral pledged by borrowers to the Company. LGD assumptions reflect highly conservative recovery expectations on any residual unsecured exposures not covered by client collateral, which are considered de minimis in light of the over-collateralised business model.

In addition to assessing and monitoring its credit exposure and risk at the individual obligor level, the Company also reviews its credit exposure and risk to geographic regions. As at 31 December 2025 and 31 December 2024, credit exposure was concentrated in North American and Asian countries. In addition, the Company pays particular attention to smaller exposures in emerging markets given their unique risk profile. Sovereign ceiling ratings i.e. the maximum credit rating that can be assigned to a counterparty with a designated country of risk, are derived using methodologies generally consistent with those employed by external rating agencies.

The Company also reviews its credit exposure and risk to certain types of customers. At 31 December 2025 and 31 December 2024, the Company's material credit exposure was to sovereigns, sovereign related entities, corporate entities, financial institutions and individuals.

MORGAN STANLEY BANK ASIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2025

24. FINANCIAL RISK MANAGEMENT (CONTINUED)

a. Credit risk (continued)

i) Credit risk management (continued)

3) Risk Mitigation

The Credit Risk Management Department may seek to mitigate credit risk from its lending and treasury activities in multiple ways, including collateral provisions, guarantees and hedges.

In connection with the Company's Private Wealth Management business, the Company relies on the use of collateral to manage credit risk. The amount and type of collateral required by the Company depends on an assessment of the credit risk of the obligor. Collateral held is managed in accordance with the Company's guidelines and the relevant underlying agreements. Collateral is primarily cash and publicly traded debt and equity securities, as well as a small amount of other collateral including unlisted securities, notes, mutual funds, insurance policies and real estate that fulfill the risk management requirement of being valuable and realisable at short notice.

In connection with the Company's derivatives activities with the Company's direct and indirect parent undertakings and other Morgan Stanley Group undertakings, the Company generally enters into master netting agreements and collateral arrangements with counterparties. These agreements provide the Company with the ability to demand collateral, as well as to liquidate collateral and offset receivables and payables covered under the same master agreement in the event of a counterparty default.

In connection with the securities purchased under agreements to resell transactions, the Company manages credit exposure arising from such transactions by, in appropriate circumstances, entering into Global Master Repurchase Agreements with counterparties that provide the Company, in the event of a counterparty default, with the right to net a counterparty's rights and obligations under such agreement and liquidate and set off collateral held by the Company against the net amount owed by the counterparty. Under these securities purchased under agreements to resell transactions, the Company receives collateral, including Japan and US government securities. The Company also monitors the fair value of the underlying securities as compared with the related receivable or payable, including accrued interest, and, as necessary, requests additional collateral to ensure such transactions are adequately collateralised.

ii) Exposure to credit risk

The maximum exposure to credit risk ("gross credit exposure") of the Company as at 31 December 2025 and 31 December 2024 is disclosed below, based on the carrying amounts of the financial assets and the maximum amount that the Company could have to pay in relation to unrecognised financial instruments, which the Company believes are subject to credit risk. The table includes financial instruments subject to ECL and not subject to ECL. Those financial instruments that bear credit risk but are not subject to ECL are subsequently measured at fair value. The Company does not have any significant exposure arising from items not recognised on the balance sheet.

Where the Company enters into credit enhancements, including receiving cash and security as collateral and master netting agreements, to manage the credit exposure on these financial instruments the financial effect of the credit enhancements is also disclosed below. The net credit exposure represents the credit exposure remaining after the effect of the credit enhancements.

iii) Collateral and other credit enhancements

The Company employs a range of policies and practices to mitigate credit risk, the most common being acceptance of collateral for funds advanced. The main types of collateral held are cash and marketable securities. The Company has internal policies on the acceptability of specific classes of collateral or credit risk mitigation.

MORGAN STANLEY BANK ASIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2025

24. FINANCIAL RISK MANAGEMENT (CONTINUED)

a. Credit risk (continued)

iii) Collateral and other credit enhancements (continued)

The market value of securities received as collateral is monitored on a daily basis and securities received as collateral generally are not recognised on the statement of financial position. The Company monitors the creditworthiness of counterparties on an ongoing basis and requests additional collateral in accordance with collateral arrangements when deemed necessary.

At 31 December 2025, the carrying amount of financial assets on which no ECL were recognised because of collateral held was US\$5,767,227,000 (2024: US\$3,940,585,000).

The Company closely monitors collateral held for financial assets considered to be credit-impaired, as in such cases it is considered more likely that the Company will take possession of collateral to mitigate potential credit losses.

At 31 December 2025, none of the financial assets held by the Company are considered to be credit-impaired (2024: Nil).

Exposure to credit risk by class

Class	31 December 2025			31 December 2024		
	Gross credit exposure ⁽¹⁾ US\$'000	Credit enhancements US\$'000	Net credit exposure US\$'000	Gross credit exposure ⁽¹⁾ US\$'000	Credit enhancements US\$'000	Net credit exposure US\$'000
Subject to ECL:						
Cash and short-term deposits	164,065	—	164,065	104,838	—	104,838
Loans and advances ⁽²⁾	5,767,321	(5,767,227)	94	4,524,781	(3,940,585)	584,196
Investment securities	1,440,882	—	1,440,882	1,966,272	—	1,966,272
Trade and other receivables ⁽³⁾	34,671	—	34,671	42,479	—	42,479
Not subject to ECL:						
Trading financial assets:						
Derivatives	26,367	(18,153)	8,214	123,265	(115,833)	7,432
Debt securities	30,565	—	30,565	708	—	708
Secured financing	1,641,810	(1,583,098)	58,712	1,452,946	(1,436,186)	16,760
	<u>9,105,681</u>	<u>(7,368,478)</u>	<u>1,737,203</u>	<u>8,215,289</u>	<u>(5,492,604)</u>	<u>2,722,685</u>

(1) The carrying amount recognised in the statement of financial position best represents the Company's maximum exposure to credit risk.

(2) Loans and advances comprise (a) loans and advances to customers of US\$5,767,227,000 (2024: US\$3,940,585,000) which is fully secured and (b) loans and advances to other Morgan Stanley Group undertakings of US\$94,000 (2024: US\$584,196,000) which is unsecured. For loans and advances to customers, the amount of credit enhancements disclosed in the above table include collateral held as security which is capped at the amount of secured loans and advances. Such collateral consists of cash of US\$739,259,000 (2024: US\$923,947,000), securities of US\$2,518,348,000 (2024: US\$1,536,146,000) and other collateral of US\$2,509,620,000 (2024: US\$1,480,492,000).

(3) Trade and other receivables include cash collateral pledged against the payable on OTC derivative positions. These derivative liabilities are included within trading financial liabilities in the statement of financial position.

MORGAN STANLEY BANK ASIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2025

24. FINANCIAL RISK MANAGEMENT (CONTINUED)

a. Credit risk (continued)

iv) Credit quality

Exposure to credit risk by internal rating grades

Internal credit ratings, as below, are derived using methodologies generally consistent with those used by external agencies:

Investment grade: AAA - BBB

Non-investment grade: BB - CCC

Default: D

The table below shows gross carrying amount and, in the case of unrecognised financial instruments, nominal amounts by internal rating grade. All exposures subject to ECL are Stage 1, unless otherwise shown.

31 December 2025	Investment grade				Non- Investment Grade	Unrated	Default	Total	Net of ECL
	AAA	AA	A	BBB					
US\$'000									
Subject to ECL:									
Cash and short-term deposits	7,783	101,413	53,834	1,035	–	–	–	164,065	164,065
Loans and advances	–	–	–	–	5,767,227	94	–	5,767,321	5,767,321
Investment securities	1,370,635	–	70,247	–	–	–	–	1,440,882	1,440,882
Trade and other receivables	1,692	170	19,054	42	13,713	–	–	34,671	34,671
	<u>1,380,110</u>	<u>101,583</u>	<u>143,135</u>	<u>1,077</u>	<u>5,780,940</u>	<u>94</u>	<u>–</u>	<u>7,406,939</u>	<u>7,406,939</u>
Not Subject to ECL:									
Trading financial assets:									
Derivatives	–	–	26,367	–	–	–	–	26,367	26,367
Debt securities	–	–	28,391	2,174	–	–	–	30,565	30,565
Secured financing	–	–	1,641,810	–	–	–	–	1,641,810	1,641,810
	<u>–</u>	<u>–</u>	<u>1,696,568</u>	<u>2,174</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>1,698,742</u>	<u>1,698,742</u>

MORGAN STANLEY BANK ASIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2025

24. FINANCIAL RISK MANAGEMENT (CONTINUED)

a. Credit risk (continued)

iv) Credit quality (continued)

Exposure to credit risk by internal rating grades (continued)

31 December 2024	Investment grade					Unrated	Default	Total	Net of ECL
	AAA	AA	A	BBB	Non- Investment Grade				
US\$'000									
Subject to ECL:									
Cash and short-term deposits	10,339	22,179	71,500	737	83	–	–	104,838	104,838
Loans and advances	–	–	284,249	–	3,940,585	300,047	–	4,524,881	4,524,781
Investment securities	1,934,417	–	31,855	–	–	–	–	1,966,272	1,966,272
Trade and other receivables	1,320	–	27,719	76	13,364	–	–	42,479	42,479
	<u>1,946,076</u>	<u>22,179</u>	<u>415,323</u>	<u>813</u>	<u>3,954,032</u>	<u>300,047</u>	<u>–</u>	<u>6,638,470</u>	<u>6,638,370</u>
Not Subject to ECL:									
Trading financial assets:									
Derivatives	–	–	123,265	–	–	–	–	123,265	123,265
Debt securities	–	–	708	–	–	–	–	708	708
Secured financing	–	–	1,452,946	–	–	–	–	1,452,946	1,452,946
	<u>–</u>	<u>–</u>	<u>1,576,919</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>1,576,919</u>	<u>1,576,919</u>

MORGAN STANLEY BANK ASIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2025

24. FINANCIAL RISK MANAGEMENT (CONTINUED)

a. Credit risk (continued)

v) Expected credit loss allowance

Financial instruments subject to the impairment requirements of HKFRS 9

There have been no changes made to estimation techniques or significant assumptions for estimating impairment during the year. There were no modifications to financial assets during the year or since origination and therefore modifications have not impacted ECL staging.

ECL on cash and short-term deposits, loans and advances and trade and other receivables is de minimis owing to their short-term tenure and/or the collateralised nature of loans and advances. For investment securities, the gross carrying amount on which no ECL is recognised because they have an investment grade internal credit rating, corresponding to a low risk of default. See note 9 for details.

b. Liquidity risk

Liquidity risk refers to the risk that the Company will be unable to finance its operations due to a loss of access to capital markets or difficulty in liquidating its assets. Liquidity risk encompasses the Company's ability (or perceived ability) to meet its financial obligations without experiencing significant business disruption or reputational damage that may threaten the Company's viability as a going concern. Liquidity risk also encompasses the associated funding risks triggered by the market or idiosyncratic stress events that may cause unexpected changes in funding needs or an inability to raise new funding. Generally, the Company incurs liquidity risk as a result of its trading, lending, investing and client facilitation activities.

The Morgan Stanley Group's Liquidity Risk Management Framework is critical to helping ensure that the Company maintains sufficient liquidity reserves and durable funding sources to meet its daily obligations and to withstand unanticipated stress events. The Liquidity Risk Department is a distinct area in Risk Management, which oversees and monitors liquidity risk. The Liquidity Risk Department ensures transparency of material liquidity risks, compliance with established risk limits and Key Risk Indicators ("KRIs") as well as escalation of risk concentrations to appropriate senior management. To execute these responsibilities, the Liquidity Risk Department:

- Establishes limits in line with the Morgan Stanley Group's risk appetite;
- Identifies and analyses emerging liquidity risks to ensure such risks are appropriately mitigated;
- Monitors and reports risk exposures against limits and KRIs; and
- Reviews the methodologies and assumptions underpinning the Morgan Stanley Group's Liquidity Stress Tests to ensure sufficient liquidity and funding under a range of adverse scenarios.

The liquidity risks identified by these processes are summarised in reports produced by the Liquidity Risk Department that are circulated to and discussed with the Company's Asset & Liability Committee ("ALCO") and regional ALCO and risk committees, as appropriate.

The Treasury Department and applicable business units have primary responsibility for evaluating, monitoring and controlling the liquidity risks arising from the Morgan Stanley Group's business activities, and for maintaining processes and controls to manage the key risks inherent in their respective areas. The Liquidity Risk Department coordinates with the Treasury Department and these business units to help ensure a consistent and comprehensive framework for managing liquidity risk across the Morgan Stanley Group.

The Company's liquidity risk management policies and procedures are consistent with those of the Morgan Stanley Group. The Board of Directors of the Company is ultimately responsible for establishing the liquidity risk appetite and ensuring the Company's liquidity risk is appropriately managed. In addition to the internal liquidity risk management framework, the Company is locally subject to the liquidity regulations prescribed by the HKMA. The Company has daily monitoring and reporting processes in place to ensure compliance with its regulatory requirements.

MORGAN STANLEY BANK ASIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2025

24. FINANCIAL RISK MANAGEMENT (CONTINUED)

b. Liquidity risk (continued)

The primary goal of the Company's liquidity risk management framework is to ensure that the Company has access to sufficient liquid assets across a wide range of market conditions and time horizons. The framework is designed to enable the Company to fulfil its financial obligations and support the execution of its business strategies.

The following principles guide the Company's liquidity risk management framework:

- Sufficient liquid assets should be maintained to cover maturing liabilities and other planned and contingent outflows;
- Maturity profile of assets and liabilities should be aligned, with limited reliance on short-term funding;
- Source, counterparty, currency, region, and term of funding should be diversified; and
- Liquidity Stress Tests should account for stressed liquidity requirements and the amount of liquidity held should be greater than those stressed requirements.

The key components of the Company's liquidity risk management framework that support our target liquidity profile, are the Required Liquidity Framework, Liquidity Stress Tests and Liquidity Reserve (as defined below).

i) Required Liquidity Framework

The Required Liquidity Framework establishes the amount of liquidity the Company must hold in both normal and stressed environments to ensure that its financial condition and overall soundness are not adversely affected by an inability (or perceived inability) to meet its financial obligations in a timely manner. The Required Liquidity Framework considers the most constraining liquidity requirement to satisfy all regulatory and internal limits at a Morgan Stanley Group and legal entity level.

ii) Liquidity Stress Tests

The Company uses Liquidity Stress Tests to model external and intercompany liquidity flows across multiple scenarios and a range of time horizons. These scenarios contain various combinations of idiosyncratic and market stress events of different severity and duration. The methodology, implementation, production and analysis of the Company's Liquidity Stress Tests are important components of the Required Liquidity Framework.

Liquidity Stress Tests are produced for the Company, to capture specific cash requirements and cash availability. The Liquidity Stress Tests assume that a legal entity will use its own liquidity first to fund its obligations before drawing liquidity from its ultimate parent undertaking, Morgan Stanley. Morgan Stanley will support its subsidiaries and will not have access to subsidiaries' liquidity resources that are subject to any regulatory, legal or tax constraints. In addition to the assumptions underpinning the Liquidity Stress Tests, the Company takes into consideration settlement risk related to intra-day settlement and clearing of securities and financing activities.

At 31 December 2025 and 31 December 2024, the Company maintained sufficient liquidity to meet current and contingent funding obligations as modelled in its Liquidity Stress Tests.

MORGAN STANLEY BANK ASIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2025

24. FINANCIAL RISK MANAGEMENT (CONTINUED)

b. Liquidity risk (continued)

iii) *Liquidity Resources*

The Company maintains sufficient liquidity resources which consists of unencumbered highly liquid securities and cash deposits with banks (including central banks) (“Liquidity Resources”) to meet regulatory requirements, cover daily funding needs and to meet strategic liquidity targets sized by the Required Liquidity Framework and Liquidity Stress Tests. The Company actively manages the amount of Liquidity Resources considering the following components: balance sheet size and composition; funding needs in a stressed environment inclusive of contingent cash outflows; regulatory requirements; and collateral requirements.

The amount of liquidity resources the Company holds is based on the Company’s risk appetite and is calibrated to meet various internal and regulatory requirements and to fund prospective business activities. Unencumbered highly liquid securities consist netted trading assets, investment securities and securities received as collateral.

The Company has a comprehensive set of limits, KRI and targets to manage liquidity risk within the defined liquidity risk appetite. The Liquidity risk limit and KRI framework is owned by the Liquidity Risk Department (“LRD”), who then recommend and set the Company’s liquidity risk limits and KRIs taking into consideration the risk profile, complexity, activities and size. LRD maintains limits at various levels of governance structure to support linkages between overall risk appetite, and more granular risk-taking decisions and activities. Liquidity limits are set to manage various risk drivers, e.g. Minimum Liquidity requirements, Secured Funding, Unsecured funding, Derivatives and Currency risk.

The Company holds its own Liquidity Resources which is composed of diversified cash and cash equivalents and unencumbered highly liquid securities.

Eligible unencumbered highly liquid securities include primarily non-US government securities in addition to US government securities.

iv) *Funding management*

The Company manages its funding in a manner that reduces the risk of disruption to the Company’s operations. The Company pursues a strategy of diversification of secured and unsecured funding sources (by product, investor and region) and attempts to ensure that the tenor of its liabilities equals or exceeds the expected holding period of the assets being financed.

The Company funds itself through diverse sources. These sources include the Company’s equity capital, borrowings and deposits.

v) *Balance sheet management*

In managing both the Morgan Stanley Group’s and the Company’s funding risk the composition and size of the entire balance sheet, not just financial liabilities, is monitored and evaluated. The liquid nature of the marketable securities and short-term receivables provides the Morgan Stanley Group and the Company with flexibility in managing the composition and size of its balance sheet.

MORGAN STANLEY BANK ASIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2025

24. FINANCIAL RISK MANAGEMENT (CONTINUED)

b. Liquidity risk (continued)

vi) Maturity analysis

In the following maturity analysis of financial liabilities, derivatives not held as part of the Company's trading activities are disclosed according to their earliest contractual maturity; all such amounts are presented at their fair value, consistent with how these financial liabilities are managed. All other amounts represent undiscounted cash flows payable by the Company arising from its financial liabilities to earliest contractual maturities as at 31 December 2025 and 31 December 2024. Repayments of financial liabilities that are subject to immediate notice are treated as if notice were given immediately and are classified as on demand. This presentation is considered by the Company to appropriately reflect the liquidity risk arising from those financial liabilities, presented in a way that is consistent with how the liquidity risk on these financial liabilities is managed by the Company.

31 December 2025	On demand US\$'000	Less than 1 month US\$'000	1 month - 3 months US\$'000	3 months - 1 year US\$'000	1 year - 5 years US\$'000	Greater than 5 years US\$'000	Total US\$'000
Financial liabilities							
Deposits of banks	—	—	—	—	—	—	—
Deposits of non-bank customers	2,762,475	882,709	1,172,865	1,219,619	—	—	6,037,668
Deposits of other Morgan Stanley Group undertakings	—	—	—	—	848,067	—	848,067
Trading financial liabilities:							
Derivatives	118	3,865	3,811	6,541	—	—	14,335
Trade and other payables	38,358	70,550	64,874	8,161	76,671	1,405	260,019
Total financial liabilities	2,800,951	957,124	1,241,550	1,234,321	924,738	1,405	7,160,089
31 December 2024	On demand US\$'000	Less than 1 month US\$'000	1 month - 3 months US\$'000	3 months - 1 year US\$'000	1 year - 5 years US\$'000	Greater than 5 years US\$'000	Total US\$'000
Financial liabilities							
Deposits of banks	294	—	—	—	—	—	294
Deposits of non-bank customers	2,685,033	629,398	1,980,432	821,445	—	—	6,116,308
Trading financial liabilities:							
Derivatives	1,269	8,807	1,752	—	—	—	11,828
Trade and other payables	129,922	123,347	59,330	13,431	47,454	1,045	374,529
Total financial liabilities	2,816,518	761,552	2,041,514	834,876	47,454	1,045	6,502,959

MORGAN STANLEY BANK ASIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2025

24. FINANCIAL RISK MANAGEMENT (CONTINUED)

c. Market risk

Market risk is defined by HKFRS 7 *Financial Instruments: Disclosures* (“HKFRS 7”) as the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices.

The Company manages the market risk associated with its assets and liabilities management activities at both division and legal entity level.

Sound market risk management is an integral part of the Company’s culture. The Company is responsible for ensuring that market risk exposures are well-managed and monitored. The Company also ensures transparency of material market risks, monitors compliance with established limits, and escalates risk concentrations to appropriate senior management.

To execute these responsibilities, the Morgan Stanley Group monitors the market risk of the firm against limits on aggregate risk exposures, performs a variety of risk analyses including monitoring Value-at-risk (“VaR”) and stress testing analyses, routinely reports risk summaries and maintains the VaR and scenario analysis methodologies. The Company is managed within the Morgan Stanley Group’s global framework and within applicable HKMA regulations. The market risk management policies and procedures of the Company include performing risk analyses and reporting material risks identified to appropriate senior management of the Company.

The Company is exposed to the following types of market risk under this definition: interest rate risk and currency risk.

i) *Interest rate risk*

Interest rate risk is defined by HKFRS 7 as the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is primarily exposed to interest rate risk under this definition as a result of changes in the future cash flows of deposits and loans, bank balance and secured financing, changes in the fair value of fixed rate debt investments measured at FVOCI.

The Company measures and reports interest rate risk in the banking book (“IRRBB”) using the standardised framework through HKMA Return of IRRBB in accordance with HKMA requirements. The Company measures its IRRBB exposures mainly through the Economic Value of Equity (“EVE”) and Net Interest Income (“NII”). These are calculated weekly for internal risk management purposes, as well as monthly as part of the monthly closing process.

The Company’s IRRBB is managed by the Treasury Department, being the risk owner (the first line of defense). The asset and liability structure is actively managed to ensure the Company does not assume excessive interest rate risk relative to its overall development strategy and commensurate with the scale, nature and complexity of its business. The Company may also enter into additional hedges such as interest rate swaps from time to time. The ALCO is responsible for ensuring that these objectives are met on an ongoing basis.

Independent market risk (including interest rate risk) management oversight is provided by Market Risk Department (“MRD”), being the independent risk management function (the second line of defense). MRD identifies market risks including IRRBB, and develops and employs risk measures and tools to monitor, control and mitigate those risks. MRD also monitors risk exposures against established limits, and produces and distributes comprehensive reports designed to keep senior management apprised of the Company’s market risk and IRRBB exposures. The Company’s Market Risk Management Policy sets forth principles and practices for sound management of its market risk, including interest rate risk. The policy has been established to evidence the Company’s standards for independent identification, measurement, monitoring, reporting, challenge, and escalation of market risk (including interest rate risk) arising from the Company’s business activities.

MORGAN STANLEY BANK ASIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2025

24. FINANCIAL RISK MANAGEMENT (CONTINUED)

c. Market risk (continued)

i) Interest rate risk (continued)

The Company's interest rate risk is controlled through conservative risk limits approved by the Board or its delegated Risk Committees including the Board Risk Committee, the Bank Risk Committee and the Credit and Market Risk Committee. The Company has clearly defined EVE and NII limits in place, in addition to other sensitivity and exposure based risk limits. These limits are set by taking into account the size of the Company's balance sheet, projected business growth and risk appetite as set by the MSBAL Board of Directors. Exposure is monitored at least weekly for EVE and NII limits, and daily for sensitivity and exposure based limits. These are reported back to the Risk Committees on a monthly and quarterly basis.

The Company applies the model assumptions for IRRBB prescribed by the HKMA with no deviations. The models used are reviewed on an annual basis at a minimum and independently verified by the Morgan Stanley Group's Model Risk Management ("MRM") group.

The standardised EVE risk measure is calculated according to the six shock scenarios defined in the HKMA Supervisory Policy Manual ("SPM") IR-1 "Interest Rate Risk in the Banking Book" ("SPM IR-1"). For the calculation of the change in NII, in addition to the two shock scenarios defined in SPM IR-1 for parallel up and parallel down interest rate moves, the Company also calculates a range of internal shock scenarios covering non-parallel interest rate moves combined with different repricing assumptions for customer deposits.

The net gain or loss in the income statement resulted from the application of a parallel shift in market interest rates, with a range of 100 to 400 basis points increase or decrease as defined in SPM IR-1, to these positions is disclosed in the following table.

	2025	2024
	US\$'000	US\$'000
Parallel up	(41,028)	(35,051)
Parallel down	41,028	35,051

Note: Positive values indicate losses and negative values indicate profits under the respective scenario.

MORGAN STANLEY BANK ASIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2025

24. FINANCIAL RISK MANAGEMENT (CONTINUED)

c. Market risk (continued)

ii) Currency risk

The Company has foreign currency exposure arising from its assets and liabilities (other than its investment in a subsidiary stated at cost, see note (3)(c)(iv)) in currencies other than US dollars, which it actively manages by hedging with other Morgan Stanley Group undertakings.

In addition, upon the acquisition of MSBIC, the MSBAL Group has foreign currency exposure in Chinese Yuan Renminbi arising from its foreign operation through MSBIC (presented as ‘investment in a subsidiary’ in the statement of financial position). To hedge this foreign currency risk at the MSBAL Group level, the Company has entered into forward foreign currency exchange contracts with its ultimate parent undertaking, Morgan Stanley (note 32(c)(ii)), which results in foreign currency exposure in Chinese Yuan Renminbi at the Company level.

The analysis below details the material foreign currency exposure for the Company, by foreign currency. The analysis calculates the impact on total comprehensive income of a reasonably possible parallel shift of the foreign currency in relation to the US dollar, with all other variables held constant.

	2025			2024		
	Foreign currency exposure US\$'000	Percentage change applied %	Sensitivity to applied percentage change in currency (+/-) Profit or loss US\$'000	Foreign currency exposure US\$'000	Percentage change applied %	Sensitivity to applied percentage change in currency (+/-) Profit or loss US\$'000
Chinese Yuan Renminbi	(252,054)	5	12,603	(246,720)	3	7,402
Hong Kong Dollar	(12,911)	1	129	(13,234)	1	132
Singapore Dollar	(4,338)	6	260	(5,269)	4	211
	<u>(269,303)</u>			<u>(265,223)</u>		

The reasonably possible percentage change in the currency rate in relation to US dollars has been calculated based on the greatest annual percentage change over the 2-year period from 1 January 2024 to 31 December 2025 (2024: from 1 January 2023 to 31 December 2024). Thus, the percentage change applied may not be the same percentage as the actual change in the currency rate for the year ended 31 December 2025, or for the year ended 31 December 2024.

MORGAN STANLEY BANK ASIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2025

25. FINANCIAL ASSETS ACCEPTED AS COLLATERAL

The Company's policy is generally to take possession of securities purchased under agreements to resell which the arrangement is presented as "Secured financing" in the statement of financial position. The Company monitors the fair value of the underlying securities as compared with the related receivable or payable, including accrued interest, and, as necessary, requests additional collateral to ensure such transactions are adequately collateralised. Where deemed appropriate, the Company's agreements with third parties specify its rights to request additional collateral. These transactions are mostly conducted under standard documentation used by financial market participants.

The fair value of collateral accepted under these arrangements where the Company is permitted to sell or repledge the collateral in the absence of default by the owner of the collateral, as at 31 December 2025 was US\$1,583,098,000 (2024: US\$1,436,186,000). None of this collateral has been sold or repledged to third parties in connection with financing activities, or to comply with commitments under short sale transactions (2024: Nil).

26. FINANCIAL ASSETS AND FINANCIAL LIABILITIES SUBJECT TO OFFSETTING

In order to manage credit exposure arising from its business activities, the Company applies various credit risk management policies and procedures, see note 24(a) for further details. Primarily in connection with securities purchased under agreements to resell and derivative transactions, the Company enters into master netting arrangements and collateral arrangements with its counterparties. These agreements provide the Company with the right, in the ordinary course of business and/or in the event of a counterparty default (such as bankruptcy or a counterparty's failure to pay or perform), to net a counterparty's rights and obligations under such agreement and, in the event of counterparty default, set off collateral held by the Company against the net amount owed by the counterparty.

However, in certain circumstances, the Company may not have such an agreement in place; the relevant insolvency regime (which is based on type of counterparty of the entity and the jurisdiction of organisation of the counterparty) may not support the enforceability of the agreement; or the Company may not have sought legal advice to support the enforceability of the agreement.

In the statement of financial position, financial assets and financial liabilities are only offset and presented on a net basis where there is a current legally enforceable right to set off the recognised amounts and an intention to either settle on a net basis or to realise the assets and the liabilities simultaneously. In the absence of such conditions, financial assets and financial liabilities are presented on a gross basis.

The following tables present information about the offsetting of financial instruments and related collateral amounts. The tables do not include information about financial instruments that are subject only to a collateral agreement. The effect of master netting arrangements, collateral agreements and other credit enhancements, on the Company's exposure to credit risk is disclosed in notes 24(a)(ii) and (iii).

MORGAN STANLEY BANK ASIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2025

**26. FINANCIAL ASSETS AND FINANCIAL LIABILITIES SUBJECT TO OFFSETTING
(CONTINUED)**

Amounts not offset

	Gross amounts US\$'000	Amounts offset US\$'000	Net amounts US\$'000	Financial instruments US\$'000	Cash collateral⁽¹⁾ US\$'000	Net exposure US\$'000
31 December 2025						
Assets						
Secured financing:						
Securities purchased under agreements to resell	1,641,810	—	1,641,810	(1,583,098)	—	58,712
Trading financial assets:						
Derivatives	26,367	—	26,367	(11,190)	(6,963)	8,214
Total assets	1,668,177	—	1,668,177	(1,594,288)	(6,963)	66,926
Liabilities						
Trading financial liabilities:						
Derivatives	14,335	—	14,335	(11,190)	(2,976)	169
Total liabilities	14,335	—	14,335	(11,190)	(2,976)	169
31 December 2024						
Assets						
Secured financing:						
Securities purchased under agreements to resell	1,452,946	—	1,452,946	(1,436,186)	—	16,760
Trading financial assets:						
Derivatives	123,265	—	123,265	(11,398)	(104,435)	7,432
Total assets	1,576,211	—	1,576,211	(1,447,584)	(104,435)	24,192
Liabilities						
Trading financial liabilities:						
Derivatives	11,828	—	11,828	(11,398)	(430)	—
Total liabilities	11,828	—	11,828	(11,398)	(430)	—

⁽¹⁾ Cash collateral posted and received not offset are recognised in the statement of financial position within “Trade and other receivables” and ‘Trade and other payables’ respectively.

MORGAN STANLEY BANK ASIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2025

27. ASSETS AND LIABILITIES MEASURED AT FAIR VALUE

a. Financial assets and liabilities recognised at fair value on a recurring basis

The following tables present the carrying value of the Company's financial assets and financial liabilities recognised at fair value on a recurring basis, classified according to the fair value hierarchy.

2025

	Quoted prices in active market (Level 1) US\$'000	Valuation techniques using observable inputs (Level 2) US\$'000	Valuation techniques with significant unobservable inputs (Level 3) US\$'000	Total US\$'000
Trading financial assets:				
- Derivatives				
Foreign exchange contracts	—	26,367	—	26,367
- Debt securities	30,565	—	—	30,565
Total trading financial assets	30,565	26,367	—	56,932
Secured financing:				
- Securities purchased under agreements to resell	—	1,641,810	—	1,641,810
Investment securities:				
- Government debt securities	1,440,882	—	—	1,440,882
Total financial assets measured at fair value	1,471,447	1,668,177	—	3,139,624
Trading financial liabilities:				
- Derivatives				
Foreign exchange contracts	—	14,335	—	14,335
Total financial liabilities measured at fair value	—	14,335	—	14,335

MORGAN STANLEY BANK ASIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2025

27. ASSETS AND LIABILITIES MEASURED AT FAIR VALUE (CONTINUED)

a. Financial assets and liabilities recognised at fair value on a recurring basis (continued)

2024

	Quoted prices in active market (Level 1) US\$'000	Valuation techniques using observable inputs (Level 2) US\$'000	Valuation techniques with significant unobservable inputs (Level 3) US\$'000	Total US\$'000
Trading financial assets:				
- Derivatives				
Foreign exchange contracts	—	123,265	—	123,265
- Debt securities	—	708	—	708
Total trading financial assets	—	123,973	—	123,973
Secured financing:				
- Securities purchased under agreements to resell	—	1,452,946	—	1,452,946
Investment securities:				
- Government debt securities	1,737,733	228,539	—	1,966,272
Total financial assets measured at fair value	1,737,733	1,805,458	—	3,543,191
Trading financial liabilities:				
- Derivatives				
Foreign exchange contracts	—	11,828	—	11,828
Total financial liabilities measured at fair value	—	11,828	—	11,828

MORGAN STANLEY BANK ASIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2025

27. ASSETS AND LIABILITIES MEASURED AT FAIR VALUE (CONTINUED)

a. Financial assets and liabilities recognised at fair value on a recurring basis (continued)

The Company's valuation approach and fair value hierarchy categorisation for certain significant classes of financial instruments recognised at fair value on a recurring basis is as follows:

Asset and Liability / Valuation Techniques	Valuation Hierarchy Classification
<i>Government debt securities</i>	
US treasury securities	<ul style="list-style-type: none"> Level 1 - as inputs are observable and in an active market
<ul style="list-style-type: none"> Fair value is determined using quoted market prices. 	
Non US Government Obligations	<ul style="list-style-type: none"> Level 1 - if actively traded and inputs are observable Level 2 - if the market is less active or prices are dispersed Level 3 - in instances where the trading activity is limited or prices are unobservable
<ul style="list-style-type: none"> Fair value is determined using quoted prices in active markets when available. When not available, quoted prices in less-active markets are used. In the absence of position-specific quoted prices, fair value may be determined through benchmarking from comparable instruments. 	
<i>Debt securities</i>	
<ul style="list-style-type: none"> Fair value is determined using quoted prices in active markets when available. When not available, quoted prices in less-active markets are used. In the absence of position-specific quoted prices, fair value may be determined through benchmarking from comparable instruments. 	<ul style="list-style-type: none"> Level 1 - if actively traded and inputs are observable Level 2 - if the market is less active or prices are dispersed Level 3 - in instances where the trading activity is limited or prices are unobservable
<i>Derivatives</i>	
OTC derivative contracts (include swap contracts related to foreign currencies)	<ul style="list-style-type: none"> Level 2 - when valued using observable inputs, or where the unobservable input is not deemed significant Level 3 - when valued using observable inputs with limited market liquidity, or if an unobservable input is deemed significant
<ul style="list-style-type: none"> Depending on the product and the terms of the transaction, the fair value of OTC derivative products can be modelled using a series of techniques, including closed-form analytic formulas, such as the Black-Scholes option-pricing model, simulation models or a combination thereof. Many pricing models do not entail material subjectivity as the methodologies employed do not necessitate significant judgement, since model inputs may be observed from actively quoted markets, as is the case for generic interest rate swaps. In the case of more established derivative products, the pricing models used by the Company are widely accepted by the financial services industry. 	
<i>Securities purchased under agreements to resell</i>	
<ul style="list-style-type: none"> Fair value is computed using a standard cash flow discounting methodology. The inputs to the valuation include contractual cash flows and collateral funding spreads, which are the incremental spread over the overnight indexed swap ("OIS") rate for a specific collateral rate (which refers to the rate applicable to a specific type of security pledged as collateral). 	<ul style="list-style-type: none"> Level 2 - when the valuation inputs are observable and supported by market liquidity Level 3 - in instances where the unobservable inputs is observable but not supported by market liquidity or if an unobservable input is deemed significant

MORGAN STANLEY BANK ASIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2025

27. ASSETS AND LIABILITIES MEASURED AT FAIR VALUE (CONTINUED)

b. Transfers between Level 1 and Level 2 of the fair value hierarchy for financial assets and liabilities recognised at fair value on a recurring basis

There were no material transfers between Level 1 and Level 2 of the fair value hierarchy during the current year and prior year.

c. Changes in Level 3 financial assets and liabilities recognised at fair value on a recurring basis

There were no transfers between Level 2 and Level 3 of the fair value hierarchy during the current year and prior year.

d. Assets and liabilities measured at fair value on a non-recurring basis

Non-recurring fair value measurements of assets or liabilities are those which are required or permitted in the statement of financial position in particular circumstances. There were no assets or liabilities measured at fair value on a non-recurring basis during the current year and prior year.

28. ASSETS AND LIABILITIES NOT MEASURED AT FAIR VALUE

For all financial instruments not measured at fair value, the carrying amount is considered to be a reasonable approximation of fair value.

29. CAPITAL MANAGEMENT

The Morgan Stanley Group manages its capital on a global basis with consideration for its legal entities. The capital managed by the Morgan Stanley Group broadly includes ordinary share capital, preference share capital, subordinated loans and reserves.

The Morgan Stanley Group manages its consolidated capital position based upon, among other things, business opportunities, risks, capital availability and rates of return together with internal capital policies, regulatory requirements and rating agency guidelines. In the future, the Morgan Stanley Group may adjust its capital base in reaction to the changing needs of its businesses.

The Company views capital as an important source of financial strength. It manages and monitors its capital in line with established policies and procedures and in compliance with local regulatory requirements.

The Morgan Stanley Group also aims to adequately capitalise at a legal entity level whilst safeguarding that entity's ability to continue as a going concern and ensuring that it meets all regulatory capital requirements, so that it can continue to provide returns for the Morgan Stanley Group.

In order to maintain or adjust the capital structure as described above, the Company may adjust the amount of dividends paid, return capital to shareholder, issue new shares, issue subordinated debt or sell assets to reduce debt.

MORGAN STANLEY BANK ASIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2025

29. CAPITAL MANAGEMENT (CONTINUED)

The Company is regulated by the HKMA and as such is subject to minimum capital requirements. The Company's capital is monitored on an ongoing basis to ensure compliance with these requirements. At a minimum, the Company must ensure that capital is greater than the capital requirement covering credit, market and operational risk.

The Company complied with all of its regulatory capital requirements during the current and prior year.

The Company manages the following items as capital:

	2025	2024
	US\$'000	US\$'000
Share capital	930,000	930,000
FVOCI reserve	785	451
Retained earnings	1,281,935	1,002,122
	<u>2,212,720</u>	<u>1,932,573</u>

The Company has earmarked part of its retained earnings for maintaining its regulatory reserve for general banking risks to satisfy the provisions of the Banking Ordinance for prudential supervision purposes. At 31 December 2025, US\$28,837,000 (2024: US\$22,539,000) in the retained earnings was earmarked for this purpose.

30. EMPLOYEE COMPENSATION PLANS

Morgan Stanley maintains various equity-settled share-based and cash-based deferred compensation plans for the benefit of employees. Awards under these plans are generally granted in January following the performance year.

Equity-settled share-based compensation plans

Morgan Stanley has granted RSU awards pursuant to several equity-based compensation plans. The plans provide for the deferral of a portion of certain current and former employees' incentive compensation, with awards made in the form of restricted common stock. Awards under these plans are generally subject to vesting over time, generally three years, and are generally contingent upon continued employment and subject to restrictions on sale, transfer or assignment until conversion to common stock. All, or a portion of, an award may be forfeited if employment is terminated before the end of the relevant vesting period or cancelled after the vesting period in certain situations. Recipients of equity-based awards may have voting rights, at Morgan Stanley's discretion, and generally receive dividend equivalents if the awards vest, unless this is prohibited by regulation.

During the year, Morgan Stanley granted 299,034 RSUs (2024: 288,946 RSUs) to employees of the Company with a weighted average fair value per unit of US\$136.77 (2024: US\$84.49), based on the market value of Morgan Stanley common stock at grant date.

The equity-based compensation expense recognised in the year is US\$32,181,000 (2024: US\$29,707,000). The Company has entered into a chargeback agreement with Morgan Stanley under which it is committed to pay to Morgan Stanley the grant date fair value of the awards granted as well as subsequent movements in their fair value. Therefore, the total amount included within 'Staff costs' and 'Management charges from other Morgan Stanley Group undertakings relating to staff costs' within 'Other expense' of US\$77,710,000 (2024: US\$61,843,000) includes the equity-based compensation expense and the movements in the fair value of the awards granted to employees.

The related liability due to Morgan Stanley at the end of the year, reported within 'Trade and other payables' in the statement of financial position, is US\$119,592,000 (2024: US\$114,388,000). US\$42,985,000 (2024: US\$66,934,000) is expected to be settled wholly within one year and US\$76,607,000 (2024: US\$47,454,000) thereafter.

MORGAN STANLEY BANK ASIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2025

30. EMPLOYEE COMPENSATION PLANS (CONTINUED)

Deferred cash-based compensation plans

Morgan Stanley may grant deferred cash-based compensation awards to certain employees which defer a portion of the employees' discretionary compensation. The plans generally provide a return based upon the performance of various referenced investments. Awards under these plans are generally subject to a sole vesting condition of service over time, which is normally three years from the grant date. All or a portion of an award may be forfeited if employment is terminated before the end of the relevant vesting period or cancelled after the vesting period in certain situations. The awards are settled in cash at the end of the relevant vesting period.

No deferred cash awards were granted to employees of the Company during the year (2024: US\$Nil).

The liability to employees at the end of the year, reported within 'Trade and other payables' in the statement of financial position, is US\$2,000 (2024: US\$Nil). US\$1,000 (2024: US\$Nil) is expected to be settled wholly within one year, and US\$1,000 (2024: US\$Nil) thereafter.

31. POST-EMPLOYMENT BENEFITS

Defined contribution plans

The Company is an employer of a defined contribution plan operated by one of the Morgan Stanley Group undertakings, which requires contributions to be made to funds held in trust, separate from the assets of the Company.

Additionally, the employees of the Branch are members of a state-managed retirement benefit plan, the Central Provident Fund, operated by the Government of Singapore. The Branch is required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Branch with respect to the retirement plan is to make the specified contributions.

The defined contribution pension charge recognised within 'Staff costs' and 'Directors' remuneration' in 'Other expense' in the income statement was US\$8,060,000 for the year (2024: US\$7,448,000) of which US\$342,000 was accrued at 31 December 2025 (2024: US\$313,000).

32. RELATED PARTY DISCLOSURES

a. Parent and subsidiary relationships

i) Parent and ultimate controlling entity

The Company's immediate parent undertaking is Morgan Stanley Hong Kong 1238 Limited, incorporated in Hong Kong.

The ultimate parent undertaking and controlling entity and the largest group of which the Company is a member and for which group financial statements are prepared is Morgan Stanley. Morgan Stanley is incorporated in the State of Delaware, the United States of America. Copies of its financial statements can be obtained from www.morganstanley.com/investorrelations.

MORGAN STANLEY BANK ASIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2025

32. RELATED PARTY DISCLOSURES (CONTINUED)

b. Key management compensation

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Company. Key management personnel include the Board of Directors of the Company.

Key management personnel compensation, in respect of their services rendered to the Company, comprised the following:

	2025 US\$'000	2024 US\$'000
Short-term employee benefits	8,672	7,029
Post-employment benefits	85	72
Share-based payments	17,364	13,320
	<u>26,121</u>	<u>20,421</u>

The share-based payment costs disclosed above reflect the amortisation of equity-based awards granted to key management personnel and are therefore not directly aligned with other staff costs in the current year.

Key management personnel compensation is borne by other Morgan Stanley Group undertakings in both the current and prior years. Where these costs are charged to the Company they are included in 'Management charges from other Morgan Stanley Group undertakings relating to staff costs' within 'Other expense', as disclosed in note 8.

For the years ended 31 December 2025 and 31 December 2024, the Company has not paid any (a) payments or benefits in respect of the termination of the service of directors whether in the capacity of directors or in any other capacity while being a director of the Company, and (b) consideration provided to or receivable by any third party for making available the services of a person as a director or in any other capacity while being a director of the Company.

During the year, the Company has not granted any loans, quasi-loans nor entered into any other dealings in favor of (a) the Directors, (b) entities controlled by the Directors; or (c) entities connected with the Directors (2024: Nil).

c. Transactions with related parties

The Morgan Stanley Group conducts business for clients globally through a combination of both functional and legal entity organisational structures. Accordingly, the Company is closely integrated with the operations of the Morgan Stanley Group and enters into transactions with other Morgan Stanley Group undertakings on an arm's length basis for the purposes of utilising financing, trading and risk management, and infrastructure services. The nature of these relationships along with information about the transactions and outstanding balances is given below. Settlement of the outstanding balances will be made in cash.

MORGAN STANLEY BANK ASIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2025

32. RELATED PARTY DISCLOSURES (CONTINUED)

c. Transactions with related parties (continued)

i) Funding

The Company receives funding from and provides funding to other Morgan Stanley Group undertakings in the following form:

General funding

The Company has certain funding which is dated on a rolling 395-day term. Funding may be received or provided for specific transaction related funding requirements, or for general operational purposes. The interest rates are established by the Morgan Stanley Group Treasury function for all entities within the Morgan Stanley Group and approximate the market rate of interest that the Morgan Stanley Group incurs in funding its business.

Details of the outstanding balances on these funding arrangements and the related interest income or expense recognised in the income statement during the year are shown in the table below:

	2025		2024	
	Interest US\$'000	Balance US\$'000	Interest US\$'000	Balance US\$'000
Rolling 395-day term				
Amounts due from other Morgan Stanley Group undertakings	21,285	94	21,001	584,196
Amounts due to other Morgan Stanley Group undertakings	1,139	848,067	547	—

The Company has reversed US\$100,000 of ECL expense (2024: recognised US\$95,000 of ECL expense) in the income statement, and US\$Nil loss allowances for ECL (2024: US\$100,000 of loss allowances for ECL) on the above outstanding balance in the statement of financial position.

ii) Trading and risk management

In the course of funding its business, the Company enters into securities purchased under agreements to resell transactions with other Morgan Stanley Group undertakings. All such transactions are entered into on an arm's length basis.

At 31 December 2025, the Company has outstanding balance relating to securities purchased under agreements to resell transaction with other Morgan Stanley Group undertakings of US\$1,241,105,000 (2024: US\$332,906,000) which falls under 'Secured Financing' in the statement of financial position. For the year ended 31 December 2025, the Company received interest of US\$8,619,000 (2024: US\$37,330,000) from other Morgan Stanley Group undertakings arising from such transactions during the year, which is recognized within 'interest income' in the income statement (note 4).

MORGAN STANLEY BANK ASIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2025

32. RELATED PARTY DISCLOSURES (CONTINUED)

c. Transactions with related parties (continued)

ii) Trading and risk management (continued)

The Company enters into purchases and sales of securities and derivative transactions primarily to meet local regulatory liquidity requirements and to manage the market risks associated with such transactions respectively. These transactions are executed with other Morgan Stanley Group undertakings. The Company also has a cash sweep service with other Morgan Stanley Group undertakings to facilitate provision of financial services to clients on a global basis. All such transactions are entered into on an arm's length basis. The total amounts receivable and payable on such transactions not yet settled and the fair value of such derivatives contracts outstanding at the year end were as follows:

	2025 US\$'000	2024 US\$'000
Amounts due from the Company's direct and indirect parent undertakings	<u>7</u>	<u>5,774</u>
Amounts due from other Morgan Stanley Group undertakings	<u>41,698</u>	<u>141,520</u>
Amounts due to the Company's direct and indirect parent undertakings	<u>3,112</u>	<u>—</u>
Amounts due to other Morgan Stanley Group undertakings	<u>11,223</u>	<u>11,828</u>

At 31 December 2025, the Company has received collateral of US\$Nil (2024: US\$5,242,000) from and has pledged collateral of US\$2,976,000 (2024: US\$Nil) to the Company's direct and indirect parent undertakings, and the Company has received collateral of US\$8,443,000 (2024: US\$99,193,000) from and has pledged collateral of US\$Nil (2024: US\$531,000) to other Morgan Stanley Group undertakings to mitigate credit risk on exposures arising under derivatives contracts between the Company and other Morgan Stanley Group undertakings. This is reported in the statement of financial position in 'Trade and other payables' and 'Trade and other receivables' (2024: 'Trade and other payables' and 'Trade and other receivables').

For the year ended 31 December 2025, the Company received interest of US\$29,000 (2024: US\$64,000) from and incurred interest charges of US\$61,000 (2024: US\$30,000) to the Company's direct and indirect parent undertakings and interest of US\$1,201,000 (2024: US\$1,491,000) from and incurred interest charges of US\$1,081,000 (2024: US\$1,705,000) to other Morgan Stanley Group undertakings arising from collateral pledged and received respectively during the year.

iii) Infrastructure services and fees and commissions

The Company receives and incurs management charges from and to other Morgan Stanley Group undertakings for infrastructure services, including the provision of staff, administrative support and office facilities. Management recharges received and incurred during the year are as follows:

	2025 US\$'000	2024 US\$'000
Amounts recharged from other Morgan Stanley Group undertakings	<u>164,488</u>	<u>138,969</u>
Amounts recharged to other Morgan Stanley Group undertakings	<u>10,503</u>	<u>9,287</u>

MORGAN STANLEY BANK ASIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2025

32. RELATED PARTY DISCLOSURES (CONTINUED)

c. Transactions with related parties (continued)

iii) Infrastructure services and fees and commissions (continued)

The management and execution of business strategies on a global basis results in many Morgan Stanley transactions impacting a number of Morgan Stanley Group undertakings. The Morgan Stanley Group operates a number of intra-group policies to ensure that, where possible, revenues and related costs are matched.

The Company earns fee and commission income from other Morgan Stanley Group undertakings for value added services which include sales commissions and fees arising from such policies. It also incurs fee and commission expense in respect of such services performed by other Morgan Stanley Group undertakings. Fees and commissions received during the year are as follows:

	2025	2024
	US\$'000	US\$'000
Fees and commissions received from other Morgan Stanley Group undertakings	<u>559,971</u>	<u>441,352</u>
Fees and commissions paid to other Morgan Stanley Group undertakings	<u>2,311</u>	<u>1,869</u>

Amounts arising from infrastructure services and fee and commission income outstanding at the reporting date are undated, unsecured and non-interest bearing, details are as follows.

	2025	2024
	US\$'000	US\$'000
Amounts due from other Morgan Stanley Group undertakings	<u>586</u>	<u>3,157</u>
Amounts due to other Morgan Stanley Group undertakings	<u>22,581</u>	<u>15,476</u>

MORGAN STANLEY BANK ASIA LIMITED

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

Year ended 31 December 2025

A. BASIS OF PREPARATION

The unaudited supplementary financial information is prepared in accordance with the Banking (Disclosure) Rules and disclosed as part of the accompanying information to the financial statements to comply with the Banking (Disclosure) Rules. It does not form part of the audited financial statements.

Upon the acquisition of MSBIC, starting from the reporting period ended 31 March 2022, the unaudited supplementary financial information has been prepared on a consolidated basis (i.e. including the business of the subsidiary of the MSBAL Group), unless otherwise indicated, in accordance with the Banking (Disclosure) Rules.

Where applicable, the templates and tables disclosed as part of the unaudited supplementary financial information show the standard disclosure templates and tables specified by the HKMA under the Banking (Disclosure) Rules. Other templates or tables which are not applicable to the MSBAL Group, or have no reportable amount for the period, are not disclosed.

MORGAN STANLEY BANK ASIA LIMITED

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION **Year ended 31 December 2025**

B. CORPORATE GOVERNANCE

Corporate Governance Practices

The Company and Morgan Stanley are committed to upholding high standards in its corporate governance practices. The HKMA has issued statutory guidelines on Corporate Governance of Locally Incorporated Authorised Institutions (“CG-1”) under section 7(3) of the Banking Ordinance applicable to all locally incorporated Authorised Institutions (“AIs”). The Company has in place an effective framework which is consistent with the principles and best practices in corporate governance as set forth in the guidelines on CG-1.

Board of Directors

The Board of the Company comprises of nine members as of 31 December 2025, including three Independent Non-Executive Directors. All Directors have the appropriate experience, competence, personal and professional integrity to discharge their responsibilities effectively. The Directors have sufficient independence, expertise and experience to oversee the Company’s operations and manage risks appropriately.

Board Practices

Board meetings are held at least four times a year, with one in each quarter. Notice of each Board meeting is given to all Directors in advance and the agenda is sent to the Directors in advance of each Board meeting. Minutes of each Board meeting are circulated to all Directors for their comments prior to confirmation of the minutes at the following Board meeting. Minutes of Board meetings are kept by the Company Secretary and are available for inspection by the Directors.

There are four Board committees: (a) Board Audit Committee, (b) Board Remuneration and Culture, Values and Conduct Committee, (c) Board Risk Committee; and (d) Board Nomination Committee.

In addition, there are two Management committees: (a) Management Committee; and (b) Bank Risk Committee, which are in turn supported by a number of management sub-committees.

Key Board Committees

(a) Board Audit Committee

Three Board members sit on the Board Audit committee, comprising of three Independent Non-Executive Directors. The Board Audit Committee is chaired by an Independent Non-Executive Director and expects to meet at least 4 times a year. The Board Audit Committee’s mandate is to ensure that there is effective supervision of the Company’s financial reporting processes, systems of internal controls and internal audit function. The Board Audit Committee also will review and endorse the recommendation on the appointment or re-appointment of external auditors and reviews the financial statements before recommending them to the Board for approval.

MORGAN STANLEY BANK ASIA LIMITED

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION Year ended 31 December 2025

B. CORPORATE GOVERNANCE (CONTINUED)

Key Board Committees (continued)

- (b) **Board Remuneration and Culture, Values and Conduct Committee**
Three Board members sit on the Board Remuneration and Culture, Values and Conduct Committee including two Independent Non-Executive Directors and one Non-Executive Director. The Board Remuneration and Culture, Values and Conduct Committee is chaired by an Independent Non-Executive Director and meets at least twice a year. The Board Remuneration and Culture, Values and Conduct Committee's responsibility is to assist the Board in discharging its responsibility for the design and operation of the Company's remuneration system, and the oversight of the Company's culture, values and conduct programme. The Board has delegated to the Board Remuneration and Culture, Values and Conduct Committee the authority to approve the remuneration packages for the Company's senior management and key personnel, except for the chief executive and the alternate chief executive(s) with a view to creating a remuneration system that incentivises proper employee behavior, and to oversee the implementation of the Company's culture, values and conduct programme.
- (c) **Board Risk Committee**
The Board Risk Committee comprises three Board members, including two Independent Non-Executive Directors and one Non-Executive Director. The Board Risk Committee meets at a minimum of 4 times a year and is chaired by an Independent Non-Executive Director. The Board Risk Committee oversees key financial and non-financial risk related matters and risk governance and recommends to the Board the Company's risk appetite statements. It also reviews annually the Company's risk management strategy and policy, and reviews and ensures that the Company has appropriate manpower resources, infrastructure and other resources and systems to identify, assess, monitor, and manage risks.
- (d) **Board Nomination Committee**
Three Board members sit on the Board Nomination Committee including two Independent Non-Executive Directors and one Non-Executive Director. The Board Nomination Committee is chaired by an Independent Non-Executive Director and meets as frequently as is properly required to carry out its functions and at least once a year. The Board Nomination Committee is responsible for assisting and providing guidance to the Board in relation to the appointment of board members, and the assessment of board performance for the Company.

Key Management Committees

- (a) **Management Committee**
The Management Committee is chaired by the Chief Executive of the Company. The Management Committee oversees the operations of the Company and provides a regular forum for business leaders across the Company to identify and discuss key issues and actions that need to be taken to fulfill the Company's strategy.
- (b) **Bank Risk Committee**
The Bank Risk Committee is a management level committee of MSBAL with responsibility overseeing risk management practices within the Bank and its consolidated subsidiary. It is held at least monthly and shall be chaired by the Chief Executive or in his absence, the Chief Risk Officer.

MORGAN STANLEY BANK ASIA LIMITED

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION Year ended 31 December 2025

B. CORPORATE GOVERNANCE (CONTINUED)

Internal Audit

The Internal Audit Department (“IAD”)’s purpose is to identify and assess risks facing the Company and provide independent, objective, and timely assurance to stakeholders about the effectiveness of risk management, governance and controls over key risks within the Company’s businesses and functions. Every activity (including outsourced activities) and every entity of the Company (including subsidiaries and branches) are subject to IAD coverage. IAD develops and executes a comprehensive risk-based assurance plan to fulfill its role and purpose, which includes evaluating effectiveness of controls over risk (including processes underlying compliance with policies, procedures, laws and regulations). IAD may also conduct activities such as retrospective reviews; pre-implementation reviews; investigations of suspected wrongdoings (e.g., fraudulent activities, ethics violations), or other activities as requested by the Board Audit Committee, Senior Management or the Company’s regulators. IAD evaluates issue remediation or risk-acceptance.

IAD executes its activities in accordance with the mandatory elements of The Global Internal Audit Standards issued by the Institute of Internal Auditors, as well as the Firm’s Code of Ethics and Business Conduct, regulatory requirements, and IAD’s policies and procedures. The Head of MSBAL Internal Audit reports directly to the MSBAL Audit Committee and Morgan Stanley Asia Head of Internal Audit. IAD’s responsibilities are carried out independently with support and oversight from the Board Audit Committee. The teams within IAD report to Morgan Stanley Chief Audit Officer and do not have reporting lines to business management.

Compliance

The Company is committed to maintaining and upholding high standards of corporate governance. The Company has been in compliance with the HKMA Module on “Corporate Governance of Locally Incorporated Authorised institutions” (“CG-1”) issued under the HKMA’s Supervisory Policy Manual (“SPM”).

Financial disclosure policy

The Company has in place the financial disclosure policy which is reviewed and approved by the Board of the Company. It sets out (a) the process and approach in determining the content, appropriateness, frequency, relevance and adequacy of the information disclosed, and (b) governance and oversight of the Company’s disclosures for verifying or reviewing the accuracy of the information disclosed.

MORGAN STANLEY BANK ASIA LIMITED

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION Year ended 31 December 2025

C. OVERVIEW OF RISK MANAGEMENT AND RWA

Table OVA: Overview of risk management

Risk Management Framework

The MSBAL Group has established a risk governance framework (“RGF”), which defines the MSBAL Group's strategies and processes to manage, hedge and mitigate risks that arise from its business activities. The RGF integrates the diverse roles of the Business Units, Support and Control Functions, Risk Management Functions, and Compliance Functions into a holistic enterprise structure that facilitates the incorporation of risk assessment into decision-making processes across the MSBAL Group. The MSBAL Group's RGF affirms to Morgan Stanley's firm-wide RGF.

RGF recognises that risks are often interrelated and therefore should be managed group-wide on an aggregate and individual basis. RGF encompasses the MSBAL Group's risk management culture, principles and practices that support risk identification, measurement, monitoring, escalation and decision-making processes. RGF views risk in a broad context and considers the risk to earnings and capital adequacy in a stressed market environment, as well as the risks to future earnings due to reputational damage.

The principal risks involved in the MSBAL Group's business activities include market, interest rate, credit, liquidity, operational (including cybersecurity), model, compliance (including conduct), financial crimes, strategic and reputational risk. Strategic risk is integrated into the MSBAL Group's business planning, embedded in the evaluation of all principal risks and overseen by the MSBAL Group's Board of Directors (or a committee thereof). Climate-related and environmental change is being considered as a driver of existing risks.

The aggregate level and types of risk that the MSBAL Group is willing to accept in order to achieve its business objectives are established, communicated and monitored in accordance with the MSBAL Group's Risk Appetite Statement utilising policies, processes, controls and systems, including risk identifications, qualitative risk tolerance statements, quantitative limits, stress testing and risk data controls and governance. The Risk Appetite Framework aims to ensure that the MSBAL Group's capital base, franchise and reputation are protected in both normal and stress environments and business is carried out in line with the risk appetite established by the MSBAL's Board. There is regular reporting, including reporting on breaches, to both management and Board committees.

Risk Management Culture

The cornerstone of the MSBAL Group's risk management philosophy is the execution of our business through prudent risk-taking that protects the MSBAL Group's capital base and franchise, utilising risk limits and tolerances that avoid outsized risk taking.

The MSBAL Group's risk management culture is based on the following five key principles:

- **Integrity:** critical to Morgan Stanley Group's approach to Enterprise Risk Management (“ERM”) is strong risk culture and risk governance. Developing the Morgan Stanley Group's risk culture is a continuous process and builds upon the Morgan Stanley Group's commitment to “doing the right thing” and its values that make managing risk each employee's responsibility;
- **Comprehensiveness:** a well-defined, comprehensive risk governance structure maintained by employees with appropriate risk management expertise that provides for periodic assessment of the efficacy of the Morgan Stanley Group's risk management framework;
- **Independence:** independent lines of reporting for risk managers in regard to identification, measurement, monitoring, escalation and mitigation of risk;
- **Accountability:** well-defined roles and responsibilities that establish clear accountability for risk management and are aligned with the Morgan Stanley Group's disciplinary and compensation structure;
- **Transparency:** strong risk culture that encourages open dialogue, effective challenge, escalation and appropriate reporting of risk to senior management, the Board (or a committee thereof) and the MSBAL Group's regulators as well as external disclosures of risk matters.

MORGAN STANLEY BANK ASIA LIMITED

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION Year ended 31 December 2025

C. OVERVIEW OF RISK MANAGEMENT AND RWA (CONTINUED)

Table OVA: Overview of risk management (continued)

Risk Management Culture (continued)

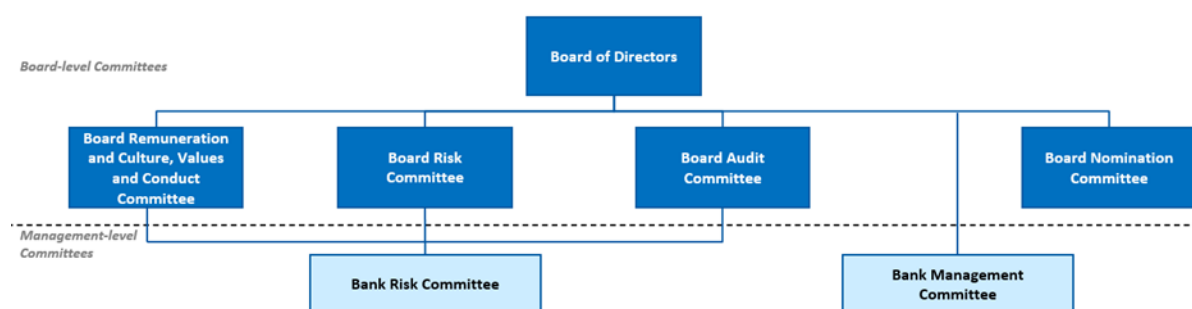
The MSBAL Group executes risk oversight through multiple lines of defense, which separately identify risk owners from independent risk control functions:

- **Risk Owners (the first line of defense)** are organizational units or functions that have the ability to generate revenue or control expenses for the MSBAL Group, or that provide certain operational or information technology support and services to units or functions within the MSBAL Group. Collectively, these groups include, for example, front-line Business Units, the Operations Division and the Technology Division, as well as the Finance Division. Risk Owners are accountable for management and oversight of all financial and non financial risks associated with their activities and are specifically responsible for actively identifying, measuring, monitoring, escalating, mitigating, and controlling these risks within appetite.
- **Risk Management Functions (the second line of defense)** independently identify, measure, and monitor risks against appetite and assess the effectiveness and consistency of risk management processes carried out by Risk Owners and across risk categories. Independent 2nd line Risk Management includes, for example, functions performed by the Market Risk Department, Credit Risk Management Department, Liquidity Risk Department, Operational Risk Department, Model Risk Management, Compliance Department, Global Financial Crimes Group (“GFC”), as well as certain functions performed by the Legal Department.
- **Internal Audit (the third line of defense)** provides independent assurance on the effectiveness of risk management, governance and controls over key risks within the MSBAL Group’s businesses and functions.

Risk Governance Structure

Risk management requires independent Group-level oversight, accountability of the MSBAL Group’s business segments, and effective communication of risk matters to senior management and the Board.

The Board and its committees of the Company provide oversight of the MSBAL Group’s risk management. The Company’s risk governance structure includes:



Additional information on the above committees are detailed in Section B of the Unaudited Supplementary Financial Information.

MORGAN STANLEY BANK ASIA LIMITED

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION Year ended 31 December 2025

C. OVERVIEW OF RISK MANAGEMENT AND RWA (CONTINUED)

Table OVA: Overview of risk management (continued)

Risk Appetite Monitoring and Reporting

The MSBAL Group's Risk Appetite Framework requires a comprehensive approach to monitor, assess and report on the risk profiles of the MSBAL Group on an ongoing basis, with regular reporting to the Bank Risk Committee and Board Risk Committee.

Monitoring is an ongoing review of major risks and/or controls at a set frequency. The scope and frequency of monitoring depends on the types of risk, as well as on the specific business risk operations and activities. Adequate monitoring enables the MSBAL Group to understand its risk profile across risk types, groups, and lines of business. It also helps the MSBAL Group to ascertain how particular risks may be evolving or changing in reaction to controls and the impact of emerging risks.

The reporting includes quantitative measurements and qualitative assessments that enable a comparison of the MSBAL Group's current risk profile against risk limits, key risk indicators ("KRIs") and risk tolerance statements. Reporting must identify matters for escalation and decisions, as well as highlight emerging risks, mitigating actions and matters that are significant to the MSBAL Group's strategy. The goal of effective risk reporting is to provide actionable information that informs daily business decisions, prompts responses to key current and emerging issues, and ensures that senior management and the Board maintain a comprehensive view of key risk profiles.

Firm Risk Management Functions

Market Risk

The Market Risk Department ("MRD") oversees the market risk arising from the MSBAL Group's trading and non-trading business activities. This includes identifying and defining market risks; developing and employing risk measures and tools to monitor, control and mitigate those risks; establishing limits; monitoring usage against these limits; and producing and distributing comprehensive reports designed to keep senior management apprised of the MSBAL Group's market risk exposures. MRD helps ensure transparency of material market risks, which includes, but is not limited to, the escalation of risk concentrations to senior management, as well as the disclosure and reporting of market risks to the Board and the MSBAL Group's regulatory authorities.

Credit Risk

The Credit Risk Management Department ("CRM") oversees, assesses, monitors, measures, controls and reports on credit risk exposure to institutions and individuals primarily through the MSBAL Group's business activities. CRM helps ensure transparency of material credit risks, which includes the escalation of risk concentrations to senior management, as well as the disclosure and reporting of credit risks to the Board and the MSBAL Group's regulatory authorities. CRM also works closely with MRD and applicable Business Units to monitor risk exposures and to perform stress tests to identify, analyse and control credit risk concentrations arising in the MSBAL Group's lending and trading activities.

Liquidity Risk

The Liquidity Risk Department ("LRD") oversees the liquidity risk arising from the MSBAL Group's business activities. LRD independently ensures transparency of material liquidity risks, compliance with established risk limits, escalation of risk concentrations to senior management, adherence to sound business practices, and compliance with applicable regulations and supervisory guidance.

Operational Risk

The Operational Risk Department ("ORD") provides independent oversight and challenge of Operational Risk management within the MSBAL Group by identifying, measuring and monitoring Operational Risks and independently assessing and validating the effectiveness and consistency of risk management processes via its Operational Risk management framework.

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C. OVERVIEW OF RISK MANAGEMENT AND RWA (CONTINUED)

Table OVA: Overview of risk management (continued)

Legal and Compliance Department

The MSBAL Group has established procedures based on legal and regulatory requirements that are designed to facilitate compliance with applicable statutory and regulatory requirements as well as Morgan Stanley's global standard relating to business conduct, ethics and practices.

Compliance Department

- The Compliance Department provides advice that helps the MSBAL Group to ensure compliance and adherence to the relevant laws, regulations, and standards that govern its business activities as well as adherence to the internal policies and procedures. Moreover, Compliance Department also assists in identifying, measuring, mitigating and reporting on compliance related risks.

Legal Department

- The Legal Department reports to the International General Counsel and provides legal and regulatory advice that protects the MSBAL Group's financial well-being and reputation and assists the Business Units to understand legal risk and to comply with relevant financial services related laws, regulations, guidance, policies and standards.

Global Financial Crimes

- The Global Financial Crimes ("GFC") is responsible for the development and maintenance of a GFC program that implements and supports the objectives of the Group's Global Anti-Money Laundering ("AML") Program. The GFC Program comprises anti-money laundering, economic sanctions, as well as anti-bribery and corruption elements.

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C. OVERVIEW OF RISK MANAGEMENT AND RWA (CONTINUED)

Table OVA: Overview of risk management (continued)

Internal Audit Department

IAD provides independent, objective, and timely assurance to both senior management and the Board Audit Committee for their consideration in discharging their legal, fiduciary, and oversight responsibilities. It is further detailed in Section B of the Unaudited Supplementary Financial Information.

Stress Testing

Stress testing is one of the MSBAL Group's principal risk management tools, which is used to identify and assess the impact of scenarios on its portfolios and capital. Stress testing complements other Morgan Stanley Group-wide risk metrics by providing a flexible approach to understanding risk and assessing the MSBAL Group's resilience to different scenarios over a range of severities, relevant to current market conditions and forward looking macroeconomic views. Most notably, stress testing is used for:

- Risk Management: Identifying areas of potential weakness in the MSBAL Group's portfolio as a basis for senior management to take portfolio-level decisions, determining risk mitigation actions, setting risk limits, and improving risk and control environment.
- Capital and Liquidity planning: Informing the proposed stressed capital and liquidity forecasts through severe but plausible stress tests.
- Others including recovery planning, business planning, new product evaluation and strategic business decision.

The MSBAL Stress Testing Framework utilises stress testing methodologies, including single factors shocks and scenario analyses, to identify and assess the MSBAL Group's resilience to different stress conditions.

Adequacy of Risk Management Arrangements

The MSBAL Group is satisfied that the risk management arrangements and systems, as described, are appropriate given the strategy and risk profile of the MSBAL Group. These elements are reviewed at least annually and, where applicable, updated to reflect best practice, evolving market conditions and changing regulatory requirements.

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C. OVERVIEW OF RISK MANAGEMENT AND RWA (CONTINUED)

Template KM1 : Key Prudential Ratios

		The MSBAL Group				
		As at 31 December 2025	As at 30 September 2025	As at 30 June 2025	As at 31 March 2025	As at 31 December 2024
		US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Regulatory capital (amount)						
1 & 1a	Common Equity Tier 1 ("CET1")	2,150,240	2,077,494	2,008,177	1,961,664	1,875,430
2 & 2a	Tier 1	2,150,240	2,077,494	2,008,177	1,961,664	1,875,430
3 & 3a	Total capital	2,179,210	2,105,251	2,033,968	1,985,380	1,898,231
Risk-weighted amount ("RWA") (amount)						
4	Total RWA	4,922,926	4,931,732	4,534,604	4,175,785	3,797,295
4a	Total RWA (pre-floor) ⁽¹⁾	4,922,926	4,931,732	4,534,604	4,175,785	Not applicable
Risk-based regulatory capital ratios (as a percentage of RWA)						
5 & 5a	CET1 ratio (%)	44%	42%	44%	47%	49%
5b	CET 1 ratio (%) (pre-floor ratio) ⁽¹⁾	44%	42%	44%	47%	Not applicable
6 & 6a	Tier 1 ratio (%)	44%	42%	44%	47%	49%
6b	Tier 1 ratio (%) (pre-floor ratio) ⁽¹⁾	44%	42%	44%	47%	Not applicable
7 & 7a	Total capital ratio (%)	44%	43%	45%	48%	50%
7b	Total capital ratio (%) (pre-floor ratio) ⁽¹⁾	44%	43%	45%	48%	Not applicable
Additional CET1 buffer requirements (as a percentage of RWA)						
8	Capital conservation buffer requirement (%)	2.500%	2.500%	2.500%	2.500%	2.500%
9	Countercyclical capital buffer requirement (%)	0.254%	0.285%	0.313%	0.323%	0.338%
10	Higher loss absorbency requirements (%) (applicable only to G-SIBs or D-SIBs)	0 %	0 %	0 %	0 %	0 %
11	Total Authorised Institution ("AI")-specific CET1 buffer requirements (%)	2.754%	2.785%	2.813%	2.823%	2.838%
12	CET1 available after meeting the AI's minimum capital requirements (%)	36%	35%	37%	40%	42%
Basel III leverage ratio						
13	Total leverage ratio ("LR") exposure measure	10,101,147	9,862,101	9,511,159	8,594,422	8,722,890
13a	LR exposure measure based on mean values of gross assets of securities financing transactions ("SFTs")	10,220,672	10,104,054	9,637,915	8,769,838	Not applicable
14, 14a & 14b	LR (%)	21%	21%	21%	23%	22%
14c & 14d	LR (%) based on mean values of gross assets of SFTs	21%	21%	21%	22%	Not applicable
Liquidity Maintenance Ratio ("LMR")						
17a	LMR (%) ⁽²⁾	61%	62%	69%	69%	77%
Core Funding Ratio ("CFR")						
20a	CFR (%) ⁽²⁾	135%	138%	147%	150%	255%

Note 1: The MSBAL Group has disclosed the same value under both pre-floor and post-floor scenarios as the output floor requirement is not applicable.

Note 2: The LMR and CFR disclosed above represent the arithmetic mean of the average LMR and average CFR of the 3 calendar months within each quarter respectively. The MSBAL Group is not required, under the Banking (Liquidity) Rules, to calculate Liquidity Coverage Ratio or Net Stable Funding Ratio for its liquidity risk.

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C. OVERVIEW OF RISK MANAGEMENT AND RWA (CONTINUED)

Template OV1: Overview of RWA

		The MSBAL Group		
		RWA		Minimum capital requirements ⁽¹⁾
		As at 31 December 2025	As at 30 September 2025	As at 31 December 2025
		US\$'000	US\$'000	US\$'000
1	Credit risk for non-securitization exposures	3,402,334	3,554,599	272,187
2	Of which Standardised (Credit Risk) Approach (“STC approach”)	3,402,334	3,554,599	272,187
2a	Of which Basic Approach (“BSC approach”)	—	—	—
3	Of which foundation Internal Ratings-Based (“IRB”) Approach	—	—	—
4	Of which supervisory slotting criteria approach	—	—	—
5	Of which advanced IRB approach	—	—	—
5a	Of which retail IRB approach	—	—	—
5b	Of which specific risk-weight approach	—	—	—
6	Counterparty credit risk and default fund contributions	83,577	56,506	6,686
7	Of which Standardised (Counterparty Credit Risk) (“SA-CCR”) Approach	46,805	31,262	3,744
7a	Of which Current Exposure Method (“CEM”)	—	—	—
8	Of which Internal Models (Counterparty Credit Risk) Approach (“IMM(CCR) approach”)	—	—	—
9	Of which others	36,772	25,244	2,942
10	Credit Valuation Adjustment (“CVA”) risk	46,805	31,262	3,744
11	Equity positions in banking book under the simple risk-weight method and internal models method	Not applicable	Not applicable	Not applicable
12	Collective investment scheme (“CIS”) exposures – look-through approach / third-party approach	—	—	—
13	CIS exposures – mandate-based approach (“MBA”)	—	—	—
14	CIS exposures – fall-back approach (“FBA”)	—	—	—
14a	CIS exposures – combination of approaches	—	—	—
15	Settlement risk	—	—	—
16	Securitization exposures in banking book	—	—	—
17	Of which Securitization Internal Ratings-Based Approach (“SEC-IRBA”)	—	—	—
18	Of which Securitization External Ratings-Based Approach (“SEC-ERBA”) (including Internal Assessment Approach (“IAA”))	—	—	—
19	Of which Securitization Standardised Approach (“SEC-SA”)	—	—	—
19a	Of which Securitization Fall-Back Approach (“SEC-FBA”)	—	—	—
20	Market risk	340,223	285,905	27,218
21	Of which Standardised (Market Risk) Approach (“STM approach”)	340,223	285,905	27,218
22	Of which Internal Models Approach (“IMA”)	—	—	—
22a	Of which Internal Models Approach (“IMA”)	—	—	—
23	Capital charge for moving exposures between trading book and banking book	—	—	—
24	Operational risk	1,049,987	1,003,460	83,999
24a	Sovereign concentration risk	—	—	—
25	Amounts below the thresholds for deduction (subject to 250% Risk-Weight (“RW”))	—	—	—
26	Output floor level applied	—	—	—
27	Floor adjustment (before application of transitional cap)	—	—	—
28	Floor adjustment (after application of transitional cap)	Not applicable	Not applicable	Not applicable
28a	Deduction to RWA	—	—	—
28b	Of which portion of regulatory reserve for general banking risks and collective provisions which is not included in Tier 2 Capital	—	—	—
28c	Of which portion of cumulative fair value gains arising from the revaluation of land and buildings which is not included in Tier 2 Capital	—	—	—
29	Total	4,922,926	4,931,732	393,834

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C. OVERVIEW OF RISK MANAGEMENT AND RWA (CONTINUED)

Template OV1: Overview of RWA (continued)

Note 1: The disclosure on minimum capital requirement is made by multiplying the MSBAL Group's RWA derived from the relevant calculation approach by 8%, not the MSBAL Group's actual "regulatory capital".

The following approaches are used to calculate its capital charge for:

- (a) credit risk: STC approach;
- (b) counterparty credit risk: SA-CCR approach for derivatives and comprehensive approach in recognition of collateral for securities financing transactions;
- (c) operational risk: Standardized Approach (effective from 1 January 2025) and Basic Indicator Approach ("BIA approach") (before 1 January 2025);
- (d) market risk: STM approach; and
- (e) CVA risk: the SA-CCR capital charge amount (from 1 January 2025).

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D. LINKAGES BETWEEN FINANCIAL STATEMENTS AND REGULATORY EXPOSURES

Template LI1: Differences between accounting and regulatory scopes of consolidation and mapping of financial statement categories with regulatory risk categories

	(a)	(b)	(c)	(d)	(e)	(f)	(g)
	Carrying values as reported in published financial statements	Carrying values under scope of regulatory consolidation	Carrying values of items:				
			subject to credit risk framework	subject to counterparty credit risk framework	subject to the securitization framework	subject to market risk framework	not subject to capital requirements or subject to deduction from capital
As at 31 December 2025 ⁽¹⁾	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Assets							
Cash and short-term deposits	164,065	217,017	217,017	—	—	—	—
Trading financial assets	56,932	432,312	—	31,658	—	405,945	—
Secured financing	1,641,810	1,641,810	—	1,641,810	—	—	—
Loans and advances	5,767,321	5,793,441	5,794,005	—	—	—	(564)
Investment securities	1,440,882	1,440,882	1,440,882	—	—	—	—
Trade and other receivables	34,671	44,062	40,654	1,735	—	4,212	—
Prepayments	2,065	3,966	3,966	—	—	—	—
Deferred tax assets	19,060	20,029	—	—	—	—	20,029
Fixed assets	—	3,347	3,347	—	—	—	—
Investment in a subsidiary	262,348	—	—	—	—	—	—
Intangible assets	—	1,098	—	—	—	—	1,098
Total assets	9,389,154	9,597,964	7,499,871	1,675,203	—	410,157	20,563
Liabilities							
Deposits	6,885,735	7,090,019	—	—	—	—	7,090,019
Trading financial liabilities	14,335	19,017	—	19,017	—	4,682	—
Trade and other payables	260,019	270,627	—	—	—	—	270,627
Current tax liabilities	15,267	15,267	—	—	—	—	15,267
Accruals	1,078	1,154	—	—	—	—	1,154
Total liabilities	7,176,434	7,396,084	—	19,017	—	4,682	7,377,067

Note 1: The values reported in column (b) may not necessarily equal the sum of values in columns (c) to (g), as some items may be subject to regulatory capital charges in more than one risk category.

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UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

Year ended 31 December 2025

**D. LINKAGES BETWEEN FINANCIAL STATEMENTS AND REGULATORY EXPOSURES
(CONTINUED)**

Template LI2: Main sources of differences between regulatory exposure amounts and carrying values in financial statements

	(a)	(b)	(c)	(d)	(e)	
		Total	Items subject to:			
			credit risk framework	securitization framework	counterparty credit risk framework	market risk framework
As at 31 December 2025 ⁽¹⁾	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	
1	Asset carrying value amount under scope of regulatory consolidation (as per template LI1)	9,577,401	7,499,871	—	1,675,203	410,157
2	Liabilities carrying value amount under regulatory scope of consolidation (as per template LI1)	19,017	—	—	19,017	4,682
3	Total net amount under regulatory scope of consolidation	9,558,384	7,499,871	—	1,656,186	405,475
4	Off-balance sheet amounts	384,922	384,922	—	—	—
5	Differences due to credit risk mitigation	(4,403,550)	(2,842,684)	—	(1,560,866)	—
6	Differences due to replacement cost of derivatives	1,940	—	—	1,940	—
7	Differences due to potential future exposures of derivatives	116,768	—	—	116,768	—
8	Exposure amounts considered for regulatory purposes	5,658,464	5,042,109	—	214,028	405,475

Note 1: The values reported in column (a) may not necessarily equal the sum of values in columns (b) to (e), as some items may be subject to regulatory capital charges in more than one risk category.

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D. LINKAGES BETWEEN FINANCIAL STATEMENTS AND REGULATORY EXPOSURES (CONTINUED)

Template LIA: Explanations of differences between accounting and regulatory exposure amounts

The difference of “Carrying values as reported in published financial statements” and “Carrying values under scope of regulatory consolidation” in Template LI1 represents the difference in basis of preparation. The audited financial statements are prepared on a company-level standalone basis. Pillar 3 disclosures are prepared on a consolidated basis (i.e. including the business of the subsidiary of the MSBAL Group). Details of basis of preparation are further detailed in note 2 to the audited financial statements and section A of the unaudited supplementary financial information respectively.

The key differences between “Asset carrying value amount under scope of regulatory consolidation” and “Exposure amounts considered for regulatory purposes” in Template LI2 are:

Off-balance sheet amounts

Off-balance sheet amounts include the undrawn portions of committed facilities and guarantees after application of credit conversion factors.

Differences due to credit risk mitigation

Exposure value under the STC approach is calculated after deducting credit risk mitigation (which is subject to standard supervisory haircut in accordance with the Banking (Capital) Rules), whereas carrying value is before such deductions.

Differences due to replacement cost and potential future exposures of derivatives

Derivative regulatory exposures are netted (where an enforceable master netting agreement is in place). Replacement cost and potential future exposures are included for counterparty credit risk.

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D. LINKAGES BETWEEN FINANCIAL STATEMENTS AND REGULATORY EXPOSURES (CONTINUED)

Template PV1: Prudent valuation adjustments

The following table shows the detailed breakdown of the constituent elements of prudent valuation adjustments, for assets measured at fair value.

	Equity	Interest rates	Foreign Exchange ("FX")	Credit	Commodities	Total	Of which: In the trading book	Of which: In the banking book
As at 31 December 2025	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
1 Close-out uncertainty, of which ⁽¹⁾	—	243	2,337	—	—	2,580	184	2,396
2 Mid-market value	—	197	799	—	—	996	158	838
3 Close-out costs	—	32	34	—	—	66	19	47
4 Concentration	—	14	1,504	—	—	1,518	7	1,511
5 Early termination	—	—	—	—	—	—	—	—
6 Model risk	—	10	—	—	—	10	10	—
7 Operational risks	—	11	42	—	—	53	9	44
8 Investing and funding costs	—	—	—	—	—	—	—	—
9 Unearned credit spreads	—	—	—	—	—	—	—	—
10 Future administrative costs	—	—	—	—	—	—	—	—
11 Other adjustments ⁽²⁾	—	(119)	(417)	—	—	(536)	(94)	(442)
12 Total adjustments	—	145	1,962	—	—	2,107	109	1,998

Note 1: Increase in close-out uncertainty was mainly driven by the subsidiary's loans and advances to customers, which results in the highest amounts of valuation adjustment in 2025.

Note 2: For other adjustments, it mainly refers to the diversification benefits from mid-market value and close-out costs, resulting in reduction in valuation adjustment required.

For rows that are not applicable, there are immaterial risks and financial impacts from those elements of valuation adjustments relating to the MSBAL Group's financial assets.

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E. COMPOSITION OF REGULATORY CAPITAL

Template CC1: Composition of regulatory capital

As at 31 December 2025		The MSBAL Group	
		Amount US\$'000	Source based on reference numbers/ letters of the balance sheet under the regulatory scope of consolidation (Template CC2)
CET1 capital: instruments and reserves			
1	Directly issued qualifying CET1 capital instruments plus any related share premium	930,000	(1)
2	Retained earnings	1,298,169	(2)
3	Disclosed reserves	(26,289)	(2)
5	Minority interests arising from CET1 capital instruments issued by consolidated bank subsidiaries and held by third parties (amount allowed in CET1 capital of the consolidation group)	—	
6	CET1 capital before regulatory deductions	2,201,880	
CET1 capital: regulatory deductions			
7	Valuation adjustments	2,107	
8	Goodwill (net of associated deferred tax liabilities)	—	
9	Other intangible assets (net of associated deferred tax liabilities)	1,098	(4)
10	Deferred tax assets (net of associated deferred tax liabilities)	20,029	(3)
11	Cash flow hedge reserve	—	
12	Excess of total EL amount over total eligible provisions under the IRB approach	—	
13	Credit-enhancing interest-only strip, and any gain-on-sale and other increase in the CET1 capital arising from securitization transactions	—	
14	Gains and losses due to changes in own credit risk on fair valued liabilities	—	
15	Defined benefit pension fund net assets (net of associated deferred tax liabilities)	—	
16	Investments in own CET1 capital instruments (if not already netted off paid-in capital on reported balance sheet)	—	
17	Reciprocal cross-holdings in CET1 capital instruments	—	
18	Insignificant LAC investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	—	
19	Significant LAC investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	—	
20	Mortgage servicing rights (net of associated deferred tax liabilities)	Not applicable	Not applicable
21	Deferred tax assets arising from temporary differences (net of associated deferred tax liabilities)	Not applicable	Not applicable
22	Amount exceeding the 15% threshold	Not applicable	Not applicable
23	of which: significant investments in the ordinary share of financial sector entities	Not applicable	Not applicable
24	of which: mortgage servicing rights	Not applicable	Not applicable
25	of which: deferred tax assets arising from temporary differences	Not applicable	Not applicable
26	National specific regulatory adjustments applied to CET1 capital	—	
26a	Cumulative fair value gains arising from the revaluation of land and buildings (own-use and investment properties)	—	
26b	Regulatory reserve for general banking risks	28,406	
26c	Securitization exposures specified in a notice given by the MA	—	
26d	Cumulative losses below depreciated cost arising from the institution's holdings of land and buildings	—	
26e	Capital shortfall of regulated non-bank subsidiaries	—	
26f	Capital investment in a connected company which is a commercial entity (amount above 15% of the reporting institution's capital base)	—	
27	Regulatory deductions applied to CET1 capital due to insufficient AT1 capital and Tier 2 capital to cover deductions	—	

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Year ended 31 December 2025

E. COMPOSITION OF REGULATORY CAPITAL (CONTINUED)

Template CC1: Composition of regulatory capital (continued)

		The MSBAL Group	
		Amount US\$'000	Source based on reference numbers/ letters of the balance sheet under the regulatory scope of consolidation (Template CC2)
As at 31 December 2025			
28	Total regulatory deductions to CET1 capital	51,640	
29	CET1 capital	2,150,240	
AT1 capital: instruments			
30	Qualifying AT1 capital instruments plus any related share premium	—	
31	of which: classified as equity under applicable accounting standards	—	
32	of which: classified as liabilities under applicable accounting standards	—	
34	AT1 capital instruments issued by consolidated bank subsidiaries and held by third parties (amount allowed in AT1 capital of the consolidation group)	—	
36	AT1 capital before regulatory deductions	—	
AT1 capital: regulatory deductions			
37	Investments in own AT1 capital instruments	—	
38	Reciprocal cross-holdings in AT1 capital instruments	—	
39	Insignificant LAC investments in AT1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	—	
40	Significant LAC investments in AT1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	—	
41	National specific regulatory adjustments applied to AT1 capital	—	
42	Regulatory deductions applied to AT1 capital due to insufficient Tier 2 capital to cover deductions	—	
43	Total regulatory deductions to AT1 capital	—	
44	AT1 capital	—	
45	Tier 1 capital (T1 = CET1 + AT1)	2,150,240	
Tier 2 capital: instruments and provisions			
46	Qualifying Tier 2 capital instruments plus any related share premium	—	
48	Tier 2 capital instruments issued by consolidated bank subsidiaries and held by third parties (amount allowed in Tier 2 capital of the consolidation group)	—	
50	Collective provisions and regulatory reserve for general banking risks eligible for inclusion in Tier 2 capital	28,970	
51	Tier 2 capital before regulatory deductions	28,970	
Tier 2 capital: regulatory deductions			
52	Investments in own Tier 2 capital instruments	—	
53	Reciprocal cross-holdings in Tier 2 capital instruments and non-capital LAC liabilities	—	
54	Insignificant LAC investments in Tier 2 capital instruments issued by, and non-capital LAC liabilities of, financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold and, where applicable, 5% threshold)	—	
54a	Insignificant LAC investments in non-capital LAC liabilities of financial sector entities that are outside the scope of regulatory consolidation (amount formerly designated for the 5% threshold but no longer meets the conditions) (for institutions defined as “section 2 institution” under §2(1) of Schedule 4F to BCR only)	—	
55	Significant LAC investments in Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (net of eligible short positions)	—	
55a	Significant LAC investments in non-capital LAC liabilities of financial sector entities that are outside the scope of regulatory consolidation (net of eligible short positions)	—	

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E. COMPOSITION OF REGULATORY CAPITAL (CONTINUED)

Template CC1: Composition of regulatory capital (continued)

		The MSBAL Group	
		Amount US\$'000	Source based on reference numbers/ letters of the balance sheet under the regulatory scope of consolidation (Template CC2)
As at 31 December 2025			
56	National specific regulatory adjustments applied to Tier 2 capital	—	
56a	Add back of cumulative fair value gains arising from the revaluation of land and buildings (own-use and investment properties) eligible for inclusion in Tier 2 capital	—	
56b	Regulatory deductions applied to Tier 2 capital to cover the required deductions falling within BCR §48(1)(g)	—	
57	Total regulatory adjustments to Tier 2 capital	—	
58	Tier 2 capital (T2)	28,970	
59	Total regulatory capital (TC = T1 + T2)	2,179,210	
60	Total RWA	4,922,926	
Capital ratios (as a percentage of RWA)			
61	CET1 capital ratio	44 %	
62	Tier 1 capital ratio	44 %	
63	Total capital ratio	44 %	
64	Institution-specific buffer requirement (capital conservation buffer plus countercyclical capital buffer plus higher loss absorbency requirements)	2.754 %	
65	of which: capital conservation buffer requirement	2.500 %	
66	of which: bank specific countercyclical capital buffer requirement	0.254 %	
67	of which: higher loss absorbency requirement	—	
68	CET1 (as a percentage of RWA) available after meeting minimum capital requirements	36 %	
National minima (if different from Basel 3 minimum)			
69	National CET1 minimum ratio	Not applicable	Not applicable
70	National Tier 1 minimum ratio	Not applicable	Not applicable
71	National Total capital minimum ratio	Not applicable	Not applicable
Amounts below the thresholds for deduction (before risk weighting)			
72	Insignificant LAC investments in CET1, AT1 and Tier 2 capital instruments issued by, and non-capital LAC liabilities of, financial sector entities that are outside the scope of regulatory consolidation	—	
73	Significant LAC investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	—	
74	Mortgage servicing rights (net of associated deferred tax liabilities)	Not applicable	Not applicable
75	Deferred tax assets arising from temporary differences (net of associated deferred tax liabilities)	Not applicable	Not applicable
Applicable caps on the inclusion of provisions in Tier 2 capital			
76	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to the BSC approach, or the STC approach and SEC-ERBA, SEC-SA and SEC-FBA (prior to application of cap)	28,970	
77	Cap on inclusion of provisions in Tier 2 under the BSC approach, or the STC approach, and SEC-ERBA, SEC-SA and SEC-FBA	43,574	
78	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to the IRB approach and SEC-IRBA (prior to application of cap)	—	
79	Cap for inclusion of provisions in Tier 2 under the IRB approach and SEC-IRBA	—	

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E. COMPOSITION OF REGULATORY CAPITAL (CONTINUED)

Template CC1: Composition of regulatory capital (continued)

Elements where a more conservative definition has been applied in the BCR relative to that set out in Basel III capital standards are disclosed below in Notes to the template.

As at 31 December 2025		The MSBAL Group	
Description		Hong Kong basis	Basel III basis
		US\$'000	US\$'000
9	Other intangible assets (net of associated deferred tax liabilities)	1,098	1,098
	<p><u>Explanation</u></p> <p>As set out in paragraph 87 of the Basel III text issued by the Basel Committee (December 2010), mortgage servicing rights ("MSRs") may be given limited recognition in CET1 capital (and hence be excluded from deduction from CET1 capital up to the specified threshold). In Hong Kong, an AI is required to follow the accounting treatment of including MSRs as part of intangible assets reported in the AI's financial statements and to deduct MSRs in full from CET1 capital. Therefore, the amount to be deducted as reported in row 9 may be greater than that required under Basel III. The amount reported under the column "Basel III basis" in this box represents the amount reported in row 9 (i.e. the amount reported under the "Hong Kong basis") adjusted by reducing the amount of MSRs to be deducted to the extent not in excess of the 10% threshold set for MSRs and the aggregate 15% threshold set for MSRs, DTAs arising from temporary differences and significant investments in CET1 capital instruments issued by financial sector entities (excluding those that are loans, facilities or other credit exposures to connected companies) under Basel III.</p>		
10	Deferred tax assets ("DTAs") (net of associated deferred tax liabilities)	20,029	—
	<p><u>Explanation</u></p> <p>As set out in paragraphs 69 and 87 of the Basel III text issued by the Basel Committee (December 2010), DTAs of the bank to be realised are to be deducted, whereas DTAs which relate to temporary differences may be given limited recognition in CET1 capital (and hence be excluded from deduction from CET1 capital up to the specified threshold). In Hong Kong, an AI is required to deduct all DTAs in full, irrespective of their origin, from CET1 capital. Therefore, the amount to be deducted as reported in row 10 may be greater than that required under Basel III. The amount reported under the column "Basel III basis" in this box represents the amount reported in row 10 (i.e. the amount reported under the "Hong Kong basis") adjusted by reducing the amount of DTAs to be deducted which relate to temporary differences to the extent not in excess of the 10% threshold set for DTAs arising from temporary differences and the aggregate 15% threshold set for MSRs, DTAs arising from temporary differences and significant investments in CET1 capital instruments issued by financial sector entities (excluding those that are loans, facilities or other credit exposures to connected companies) under Basel III.</p>		

Abbreviations:

CET1: Common Equity Tier 1

AT1: Additional Tier 1

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E. COMPOSITION OF REGULATORY CAPITAL (CONTINUED)

Template CC2: Reconciliation of regulatory capital to balance sheet

	Balance sheet as in published financial disclosure statements	Under regulatory scope of consolidation	Reference to template CC1
As at 31 December 2025	US\$'000	US\$'000	
Assets			
Cash and short-term deposits	164,065	217,017	
Trading financial assets	56,932	432,312	
Secured financing	1,641,810	1,641,810	
Loans and advances	5,767,321	5,793,441	
Investment securities	1,440,882	1,440,882	
Trade and other receivables	34,671	44,062	
Prepayments	2,065	3,966	
Deferred tax assets	19,060	20,029	(3)
Fixed assets	—	3,347	
Investment in a subsidiary	262,348	—	
Intangible assets	—	1,098	(4)
Total assets	9,389,154	9,597,964	
Liabilities			
Deposits	6,885,735	7,090,019	
Trading financial liabilities	14,335	19,017	
Trade and other payables	260,019	270,627	
Current tax liabilities	15,267	15,267	
Accruals	1,078	1,154	
Total liabilities	7,176,434	7,396,084	
Shareholders' equity			
Share capital	930,000	930,000	
Of which: amount eligible for CET1	930,000	930,000	(1)
FVOCI reserve	785	785	(2)
Retained earnings and other comprehensive income	1,281,935	1,271,095	(2)
Total shareholders' equity	2,212,720	2,201,880	

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E. COMPOSITION OF REGULATORY CAPITAL (CONTINUED)

Table CCA: Main features of regulatory capital instruments

The following table shows the main features of outstanding capital instruments issued.

	Quantitative / qualitative information
1 Issuer	Morgan Stanley Bank Asia Limited
2 Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	Not applicable
3 Governing law(s) of the instrument	Hong Kong Law
Regulatory treatment	
4 Transitional Basel III rules ¹	Not applicable
5 Basel III rules ²	Common Equity Tier 1
6 Eligible at solo / group / solo and group	Solo
7 Instrument type (types to be specified by each jurisdiction)	Ordinary shares
8 Amount recognised in regulatory capital (currency in millions, as of most recent reporting date)	US\$930 million
9 Par value of instrument	Not applicable
10 Accounting classification	Shareholders' equity
11 Original date of issuance	<ul style="list-style-type: none"> · 1 share issued on 19 May 2014 · 13,000,000 shares issued on 11 July 2014 · 156,999,998 shares issued on 13 January 2015 · 1 share issued on 9 February 2015 · 500,000,000 shares issued on 22 March 2019 · 260,000,000 shares issued on 15 March 2022
12 Perpetual or dated	Perpetual
13 Original maturity date	No maturity
14 Issuer call subject to prior supervisory approval	No
15 Optional call date, contingent call dates and redemption amount	Not applicable
16 Subsequent call dates, if applicable	Not applicable
Coupons / dividends	
17 Fixed or floating dividend / coupon	Floating
18 Coupon rate and any related index	Not applicable
19 Existence of a dividend stopper	No
20 Fully discretionary, partially discretionary or mandatory	Fully discretionary
21 Existence of step-up or other incentive to redeem	No
22 Non-cumulative or cumulative	Non-cumulative
23 Convertible or non-convertible	Non-convertible
24 If convertible, conversion trigger(s)	Not applicable
25 If convertible, fully or partially	Not applicable
26 If convertible, conversion rate	Not applicable
27 If convertible, mandatory or optional conversion	Not applicable
28 If convertible, specify instrument type convertible into	Not applicable
29 If convertible, specify issuer of instrument it converts into	Not applicable
30 Write-down feature	No
31 If write-down, write-down trigger(s)	Not applicable
32 If write-down, full or partial	Not applicable
33 If write-down, permanent or temporary	Not applicable

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E. COMPOSITION OF REGULATORY CAPITAL (CONTINUED)

Table CCA: Main features of regulatory capital instruments (continued)

		Quantitative / qualitative information
34	If temporary write-down, description of write-up mechanism	Not applicable
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument in the insolvency creditor hierarchy of the legal entity concerned).	Represents the most subordinated claim in liquidation
36	Non-compliant transitioned features	Not applicable
37	If yes, specify non-compliant features	Not applicable

Footnote:

1. Regulatory treatment of capital instruments subject to transitional arrangements provided for in Schedule 4H to the BCR.
2. Regulatory treatment of capital instruments not subject to transitional arrangements provided for in Schedule 4H to the BCR.

Information relating to the disclosure of the full terms and conditions of the MSBAL Group's capital instruments can be viewed on the website: <http://www.morganstanley.com/about-us/global-offices/hong-kong>.

F. COUNTERCYCLICAL CAPITAL BUFFER RATIO

Template CCyB1: Geographical distribution of credit exposures used in countercyclical capital buffer ("CCyB")

Geographical breakdown by Jurisdiction (J)		The MSBAL Group			
		As at 31 December 2025			
		Applicable JCCyB ratio in effect	RWA used in computation of CCyB ratio	AI-specific CCyB ratio	CCyB amount
		%	US\$'000	%	US\$'000
1	Hong Kong SAR	0.500 %	1,705,643		
2	Australia	1.000 %	1		
3	Netherlands	2.000 %	1,218		
4	United Kingdom	2.000 %	4,847		
5	Sum		1,711,709		
6	Total (Note)		3,407,128	0.254 %	12,504

Note:

The geographical allocation of private sector credit exposures to the various jurisdictions is based on "ultimate risk basis" where possible. "Ultimate risk basis" means the allocation of exposures to the jurisdictions where the risk ultimately lies, as defined as the location where the "ultimate obligor" resides.

Total RWA on Row 6 represents total sum of the RWA for private sector credit exposures across all jurisdictions to which the MSBAL Group is exposed, including jurisdictions with no applicable JCCyB ratio or with applicable JCCyB ratio set at zero.

The CCyB amount as at 31 December 2025 represents the MSBAL Group's specific CCyB ratio multiplied by the MSBAL Group's total RWA, as specified by the standard disclosure templates issued by the HKMA, instead of the MSBAL Group's RWA relating to private sector credit exposures.

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G. LEVERAGE RATIO

Template LR1: Summary comparison of accounting assets against leverage ratio exposure measure

As at 31 December 2025		The MSBAL Group
		Value under the LR framework
Item		US\$'000
1	Total consolidated assets as per published financial statements	9,597,964
2	Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	—
3	Adjustment for securitised exposures that meet the operational requirements for the recognition of risk transference	—
4	Adjustments for temporary exemption of central bank reserves	Not applicable
5	Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting standard but excluded from the LR exposure measure	—
6	Adjustments for regular-way purchases and sales of financial assets subject to trade date accounting	—
7	Adjustments for eligible cash pooling transactions	—
8	Adjustments for derivative contracts	114,139
9	Adjustment for SFTs (i.e. repos and similar secured lending)	57,600
10	Adjustment for off-balance sheet ("OBS") items (i.e. conversion to credit equivalent amounts of OBS exposures)	384,922
11	Adjustments for prudent valuation adjustments and specific and collective provisions that are allowed to be excluded from LR exposure measure	(2,671)
12	Other adjustments	(50,807)
13	Leverage ratio exposure measure	10,101,147

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G. LEVERAGE RATIO (CONTINUED)

Template LR2: Leverage Ratio

		The MSBAL Group	
		As at 31 December 2025	As at 30 September 2025
		US\$'000	US\$'000
On-balance sheet exposures			
1	On-balance sheet exposures (excluding derivative contracts and SFTs, but including related on-balance sheet collateral)	7,923,318	7,347,939
2	Gross-up for derivative contracts collateral provided where deducted from balance sheet assets pursuant to the applicable accounting standard	—	—
3	Less: Deductions of receivables assets for cash variation margin provided under derivative contracts	—	—
4	Less: Adjustment for securities received under SFTs that are recognised as an asset	—	—
5	Less: Specific and collective provisions associated with on-balance sheet exposures that are deducted from Tier 1 capital	(564)	(474)
6	Less: Asset amounts deducted in determining Tier 1 capital	(51,640)	(46,314)
7	Total on-balance sheet exposures (excluding derivative contracts and SFTs) (sum of rows 1 to 6)	7,871,114	7,301,151
Exposures arising from derivative contracts			
8	Replacement cost associated with all derivative contracts (where applicable net of eligible cash variation margin and/or with bilateral netting)	26,248	32,901
9	Add-on amounts for potential future exposure (“PFE”) associated with all derivative contracts	119,453	95,284
10	Less: Exempted Central Counterparty (“CCP”) leg of client-cleared trade exposures	—	—
11	Adjusted effective notional amount of written credit-related derivative contracts	—	—
12	Less: Permitted reductions in effective notional amount and permitted deductions from add-on amounts for PFE of written credit-related derivative contracts	—	—
13	Total exposures arising from derivative contracts (sum of rows 8 to 12)	145,701	128,185
Exposures arising from SFTs			
14	Gross amount of SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	1,641,810	1,983,049
15	Less: Netted amounts of cash payables and cash receivables of gross SFT assets	—	—
16	Counterparty Credit Risk (“CCR”) exposure for SFT assets	57,600	17,319
17	Agent transaction exposures	—	—
18	Total exposures arising from SFTs (sum of rows 14 to 17) ⁽¹⁾	1,699,410	2,000,368
Other off-balance sheet exposures			
19	Off-balance sheet exposure at gross notional amount	3,849,170	4,323,922
20	Less: Adjustments for conversion to credit equivalent amounts	(3,464,248)	(3,891,525)
21	Less: Specific and collective provisions associated with off-balance sheet exposures that are deducted from Tier 1 capital	—	—
22	Off-balance sheet items (sum of rows 19 to 21)	384,922	432,397
Capital and total exposures			
23	Tier 1 capital	2,150,240	2,077,494
24	Total exposures (sum of rows 7, 13, 18 and 22)	10,101,147	9,862,101
Leverage ratio			
25 & 25a	Leverage ratio	21 %	21 %
26	Minimum leverage ratio requirement	3 %	3 %
27	Applicable leverage buffers	Not applicable	Not applicable

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G. LEVERAGE RATIO (CONTINUED)

Template LR2: Leverage Ratio (continued)

		The MSBAL Group	
		As at	As at
		31 December 2025	30 September 2025
		US\$'000	US\$'000
Disclosure of mean values			
28	Mean value of gross assets of SFTs, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables	1,761,335	2,225,002
29	Quarter-end value of gross amount of SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables	1,641,810	1,983,049
30 & 30a	Total exposures based on mean values from row 28 of gross assets of SFTs (after adjustment for sale accounting transactions and netted amounts of associated cash payables and cash receivables)	10,220,672	10,104,054
31 & 31a	Leverage ratio based on mean values from row 28 of gross assets of SFTs (after adjustment for sale accounting transactions and netted amounts of associated cash payables and cash receivables)	21 %	21 %

Note 1: In the fourth quarter of 2025, decrease in total exposures arising from SFTs is mainly due to a decrease in secured financing.

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H. CREDIT RISK

Table CRA: General information about credit risk

Overview

Credit risk refers to the risk of loss arising when a borrower, counterparty or issuer does not meet its financial obligations to the MSBAL Group.

The MSBAL Group incurs credit risk primarily from the MSBAL Group's lending activities through the Company and MSBIC, investment portfolio, trading activities including securities purchased under agreements to resell, and derivatives transactions for hedging purpose, and to a lesser extent from treasury activities related to deposit placement.

Credit Risk Management

The MSBAL Group's credit risk management policies and procedures establish the framework for identifying, measuring, monitoring and controlling credit risk while ensuring transparency of material credit risks, compliance with established limits and escalating risk concentrations to appropriate senior management and the Board of Directors. A Credit Limits Framework is utilised to manage credit risk levels across the MSBAL Group. The Credit Limits Framework is calibrated within the MSBAL Group's risk appetite and includes stress loss, single name, product, industry, collateral concentration, correlated collateral, as well as regulatory and internal limits on large exposures (to single counterparty or single counterparty group ("SCG")) and connected parties exposures per regulatory definitions.

The MSBAL Group executes oversight of credit risk management through three lines of defense. The MSBAL Group believes this structure creates clear delineation of responsibilities and facilitates effective implementation of the control framework. The three lines of defense is further detailed in Table OVA: Overview of risk management.

Credit risk exposure is actively managed by business unit, CRM and senior management. A variety of credit risk reports are distributed daily to business unit and CRM, monthly to Credit and Market Risk Committee and Bank Risk Committee where membership includes senior management, and quarterly to Board Risk Committee and the Board of Directors.

Credit risk management of the MSBAL Group is consistent with the Company. Details of the Financial Risk Managements are further detailed in note 24 to the audited financial statements, and Table OVA of the Unaudited Supplementary Financial Information.

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H. CREDIT RISK (CONTINUED)

Template CR1: Credit quality of exposures

		The MSBAL Group						
Gross carrying amounts of				Of which expected credit loss ("ECL") accounting provisions for credit losses on STC approach exposures		Of which ECL accounting provisions for credit losses on IRB approach exposures	Net values	
Defaulted exposures	Non-defaulted exposures	Allowances / impairments		Allocated in regulatory category of specific provisions	Allocated in regulatory category of collective provisions			
As at 31 December 2025	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	
1	Loans	—	5,807,779	564	—	564	—	5,807,215
2	Debt securities	—	1,440,882	—	—	—	—	1,440,882
3	Off-balance sheet exposures	—	3,849,170	—	—	—	—	3,849,170
4	Total	—	11,097,831	564		564		11,097,267

Loans included loans and advances and related accrued interest receivables. Off-balance sheet exposures that are subject to capital requirements under the BCR are included in the above table (see note 14).

The MSBAL Group determines if any exposure is defaulted exposure in accordance with section 67 of the BCR.

Table CRB: Additional disclosure related to credit quality of exposures

A financial asset is considered past due when a counterparty has failed to make a payment when contractually due.

A financial instrument is credit-impaired when, based on current information and events, it is probable that the MSBAL Group will be unable to collect all scheduled payments of principal or interest when due according to the contractual terms of the agreement.

Methods adopted for determining impairments of the MSBAL Group are consistent with the Company, please refer to the note 3(f) to the audited financial statements for details.

As at 31 December 2025, the MSBAL Group had no exposure which is past due for more than 90 days but is not impaired.

Restructured exposures refer to assets that have been restructured and renegotiated between the MSBAL Group and the counterparties because of a deterioration in the financial position of the counterparties or of the inability of the counterparties to meet the original repayment schedule and for which the revised repayment terms, either of interest or of repayment period, are non-commercial to the MSBAL Group. As at 31 December 2025, the MSBAL Group had no restructured exposures.

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H. CREDIT RISK (CONTINUED)

Table CRB: Additional disclosure related to credit quality of exposures (continued)

The following tables show the breakdown of the MSBAL Group's exposures by geographical areas, industry and residual maturity as at 31 December 2025. These amounts do not include the effects of recognised credit risk mitigation.

	2025
	US\$'000
Exposures by geographical areas	
Hong Kong	3,822,108
Mainland China	1,590,897
Others ⁽¹⁾	2,086,866
Total	<u><u>7,499,871</u></u>

	2025
	US\$'000
Exposures by industry	
Industrial, commercial and financial	5,061,018
Individuals	750,693
Others ⁽¹⁾	1,688,160
Total	<u><u>7,499,871</u></u>

	2025
	US\$'000
Exposures by residual maturity	
Less than 1 year	7,479,116
Between 1 and 5 years	20,755
Total	<u><u>7,499,871</u></u>

Note 1: Any segment which constitutes less than 10% of the MSBAL Group's total RWA for credit risk (after taking into account of any recognised credit risk mitigation) is not separately disclosed and grouped on an aggregated basis under the category "others".

Table CRC: Qualitative disclosures related to credit risk mitigation

In order to manage credit exposure arising from its business activities, the MSBAL Group also applies various and consistent credit risk management policies and procedures with the Company, see note 24(a) to the audited financial statements for further details.

The MSBAL Group's primary method of mitigating credit risk is the use of eligible collateral for the margin loan portfolio. Eligible collaterals include cash, marketable securities and other investment products. Majority of the MSBAL Group's collaterals are cash and marketable securities, including equity securities, bonds and mutual funds, where collateral values are being revaluated daily. The MSBAL Group maintains policies and procedures related to collateral management. It applies a conservative margin policy to ensure with a high degree of confidence that claims can be repaid in full through the liquidation of assets in the client portfolio securing the exposure.

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H. CREDIT RISK (CONTINUED)

Table CRC: Qualitative disclosures related to credit risk mitigation (continued)

The Company's subsidiary, MSBIC, also considers a combination of approaches to mitigate credit risk during the process to evaluate and approve an extension of credit. Approaches to mitigating credit risk, in addition to client selection, due diligence and credit analysis, include, documentation/covenants, collaterals, guarantees and participations.

In addition, the MSBAL Group enters into valid bilateral netting agreements with Morgan Stanley affiliates which satisfied the conditions set out under section 2 of the Banking (Capital) Rules for recognised netting. As at 31 December 2025, minimal recognised netting is applied for both on- and off-balance sheet exposures.

Template CR3: Overview of recognised credit risk mitigation

		The MSBAL Group				Exposures secured by recognised credit derivative contracts
		Exposures unsecured: carrying amount ⁽¹⁾	Exposures to be secured	Exposures secured by recognised collateral	Exposures secured by recognised guarantees	
As at 31 December 2025		US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
1	Loans	26,258	5,780,957	2,828,977	—	—
2	Debt securities	1,440,882	—	—	—	—
3	Total	1,467,140	5,780,957	2,828,977	—	—
4	Of which defaulted	—	—	—	—	—

Loans included loans and advances and related accrued interest receivables.

Note 1: As at 31 December 2025, loans and advances of the Group comprise (a) the MSBAL's loans and advances to customers of US\$5,780,957,000 which is fully secured, (b) the MSBAL's loans and advances to other non-bank Morgan Stanley Group undertakings of US\$94,000 which is unsecured and (c) the subsidiary's loans and advances to customers of US\$26,728,000 which is unsecured. For the MSBAL Group's loans and advances to customers, unsecured exposures disclosed in the above table are either because the loans are unsecured, or the relevant collateral is not considered as recognised collateral, or the carrying amount of such recognised collateral is subject to standard supervisory haircut in accordance with the Banking (Capital) Rules.

Table CRD: Qualitative disclosures on use of ECAI ratings under STC approach

The MSBAL Group uses the STC approach to calculate its credit risk capital requirement.

Standard & Poor's Global Ratings, Moody's Ratings and Fitch Ratings are the external credit assessment institutions (the "ECAIs") that the MSBAL Group used to determine the risk weights applicable to its rated exposures within the ECAI ratings based portfolio (as defined under the Banking (Capital) Rules), including sovereign exposures, bank exposures, qualifying non-bank financial institution exposures and general corporate exposures. The MSBAL Group follows the process as prescribed in Part 4 of the Banking (Capital) Rules to map ECAI issuer ratings or ECAI issue-specific ratings to exposures booked in its banking book.

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H. CREDIT RISK (CONTINUED)

Template CR4: Credit risk exposures and effects of recognised credit risk mitigation – for STC approach

As at 31 December 2025		The MSBAL Group					
		Exposures pre-CCF and pre-CRM		Exposures post-CCF and post-CRM		RWA and RWA density	
		On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
Exposure classes		US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	%
1	Sovereign exposures	1,526,883	—	1,526,883	—	8,774	1 %
2	Public Sector Entity (“PSE”) exposures	—	—	—	—	—	—
3	Multilateral development bank exposures	—	—	—	—	—	—
3a	Unspecified multilateral body exposures	—	—	—	—	—	—
4	Bank exposures	134,760	—	134,760	—	27,212	20 %
4a	Qualifying non-bank financial institution exposures	18,204	—	8,127	—	2,407	30 %
5	Eligible covered bond exposures	—	—	—	—	—	—
6	General corporate exposures	4,969,027	12,602,589	2,536,424	6	2,536,360	100 %
6a	Of which: non-bank financial institution exposures excluding those reported under row 4a	170,327	724,882	131,780	—	131,780	100 %
6b	Specialized lending	—	—	—	—	—	—
7	Equity exposures	—	—	—	—	—	—
7a	Significant capital investments in commercial entities	—	—	—	—	—	—
7b	Holdings of capital instruments issued by, and non-capital LAC liabilities of, financial sector entities	—	—	—	—	—	—
7c	Subordinated debts issued by banks, qualifying non-bank financial institutions and corporates	—	—	—	—	—	—
8	Retail exposures	729,387	3,698,072	362,715	369,807	732,522	100 %
8a	Exposures arising from IPO financing	—	—	—	—	—	—
9	Real estate exposures	113,297	153,703	79,965	15,109	86,746	91 %
9a	Of which: regulatory residential real estate exposures (not materially dependent on cash flows generated by mortgaged properties)	—	—	—	—	—	—
9b	Of which: regulatory residential real estate exposures (materially dependent on cash flows generated by mortgaged properties)	—	—	—	—	—	—

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H. CREDIT RISK (CONTINUED)

Template CR4: Credit risk exposures and effects of recognised credit risk mitigation – for STC approach (continued)

		The MSBAL Group					
		Exposures pre-CCF and pre-CRM		Exposures post-CCF and post-CRM		RWA and RWA density	
		On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
As at 31 December 2025		US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	%
Exposure classes		US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	%
9c	Of which: regulatory commercial real estate exposures (not materially dependent on cash flows generated by mortgaged properties)	—	—	—	—	—	—
9d	Of which: regulatory commercial real estate exposures (materially dependent on cash flows generated by mortgaged properties)	—	—	—	—	—	—
9e	Of which: other real estate exposures (not materially dependent on cash flows generated by mortgaged properties)	113,297	153,703	79,965	15,109	86,746	91 %
9f	Of which: other real estate exposures (materially dependent on cash flows generated by mortgaged properties)	—	—	—	—	—	—
9g	Of which: land acquisition, development and construction exposures	—	—	—	—	—	—
10	Defaulted exposures	—	—	—	—	—	—
11	Other exposures	8,313	—	8,313	—	8,313	100 %
11a	Cash and gold	—	—	—	—	—	—
11b	Items in the process of clearing or settlement	—	—	—	—	—	—
12	Total	7,499,871	16,454,364	4,657,187	384,922	3,402,334	67 %

For the year ended 31 December 2025, the increase in RWA from credit risk was mainly due to (i) increase in loans and advances, and (ii) increase in investment securities. The amount of off-balance sheet exposures disclosed in the above table include those that are subject to 0% CCF under the BCR.

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H. CREDIT RISK (CONTINUED)

Template CR5: Credit risk exposures by exposure classes and by risk weights – for STC approach

		The MSBAL Group							Total credit exposure amount (post-CCF and post-CRM)
		As at 31 December 2025							
		US\$'000							
		0%	20%	50%	100%	150%	Other		
1	Sovereign exposures	1,483,012	43,871	—	—	—	—	1,526,883	
2	Public sector entity exposures	—	—	—	—	—	—	—	
3	Multilateral development bank exposures	—	—	—	—	—	—	—	
3a	Unspecified multilateral body exposures	—	—	—	—	—	—	—	
4	Bank exposures	134,560	—	—	—	—	200	134,760	
4a	Qualifying non-bank financial institution exposures	5,522	—	—	2,605	—	—	8,127	

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H. CREDIT RISK (CONTINUED)

Template CR5: Credit risk exposures by exposure classes and by risk weights – for STC approach (continued)

		The MSBAL Group									
		As at 31 December 2025									
		US\$'000									
		10%	15%	20%	25%	35%	50%	100%	Other	Total credit exposure amount (post-CCF and post-CRM)	
5	Eligible covered bond exposures	—	—	—	—	—	—	—	—	—	
		20%	30%	50%	65%	75%	85%	100%	150%	Other	Total credit exposure amount (post-CCF and post-CRM)
6	General corporate exposures	—	—	142	—	—	—	2,536,288	—	—	2,536,430
6a	Of which: non-bank financial institution exposures excluding those reported under row 4a	—	—	142	—	—	—	131,638	—	—	131,780
		20%	50%	75%	80%	100%	130%	150%	Other	Total credit exposure amount (post-CCF and post-CRM)	
6b	Specialized lending	—	—	—	—	—	—	—	—	—	
		100%		250%		400%		Other	Total credit exposure amount (post-CCF and post-CRM)		
7	Equity exposures	—		—		—		—	—		
		250%		400%		1250%		Other	Total credit exposure amount (post-CCF and post-CRM)		
7a	Significant capital investments in commercial entities	—		—		—		—	—		

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H. CREDIT RISK (CONTINUED)

Template CR5: Credit risk exposures by exposure classes and by risk weights – for STC approach (continued)

		The MSBAL Group				
		As at 31 December 2025				
		US\$'000				
		150%	250%	400%	Other	Total credit exposure amount (post-CCF and post-CRM)
7b	Holdings of capital instruments issued by, and non-capital LAC liabilities of, financial sector entities	—	—	—	—	—
7c	Subordinated debts issued by banks, qualifying non-bank financial institutions and corporates	150%		Other		Total credit exposure amount (post-CCF and post-CRM)
		—		—		—
8	Retail exposures	45%	75%	100%	Other	Total credit exposure amount (post-CCF and post-CRM)
		—	—	732,522	—	732,522
8a	Exposures arising from IPO financing	0%		Other		Total credit exposure amount (post-CCF and post-CRM)
		—		—		—

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H. CREDIT RISK (CONTINUED)

Template CR5: Credit risk exposures by exposure classes and by risk weights – for STC approach (continued)

		The MSBAL Group																				Total credit exposure amount (post-CCF and post-CRM)
		As at 31 December 2025																				
		US\$'000																				
		0%	20%	25%	30%	35%	40%	45%	50%	60%	65%	70%	75%	85%	90%	100%	105%	110%	150%	Other		
9	Real estate exposures	—	—	—	—	—	—	—	—	—	—	—	33,313	—	—	61,761	—	—	—	—	95,074	
9a	Of which: regulatory residential real estate exposures (not materially dependent on cash flows generated by mortgaged properties)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	
9b	Of which: no loan splitting applied	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	
9c	Of which: loan splitting applied (secured)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	
9d	Of which: loan splitting applied (unsecured)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	
9e	Of which: regulatory residential real estate exposures (materially dependent on cash flows generated by mortgaged properties)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	
9f	Of which: regulatory commercial real estate exposures (not materially dependent on cash flows generated by mortgaged properties)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	
9g	Of which: no loan splitting applied	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	

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H. CREDIT RISK (CONTINUED)

Template CR5: Credit risk exposures by exposure classes and by risk weights – for STC approach (continued)

		The MSBAL Group																			Total credit exposure amount (post-CCF and post-CRM)
		As at 31 December 2025																			
		US\$'000																			
		0%	20%	25%	30%	35%	40%	45%	50%	60%	65%	70%	75%	85%	90%	100%	105%	110%	150%	Other	
9h	Of which: loan splitting applied (secured)																				
9i	Of which: loan splitting applied (unsecured)																				
9j	Of which: regulatory commercial real estate exposures (materially dependent on cash flows generated by mortgaged properties)											—			—			—		—	—
9k	Of which: other real estate exposures (not materially dependent on cash flows generated by mortgaged properties)	—	—		—		—		—				33,313	—		61,761			—	—	95,074
9l	Of which: no loan splitting applied	—	—		—		—		—				33,313	—		61,761			—	—	95,074
9m	Of which: loan splitting applied (secured)																				
9n	Of which: loan splitting applied (unsecured)																				
9o	Of which: other real estate exposures (materially dependent on cash flows generated by mortgaged properties)																		—	—	—
9p	Of which: land acquisition, development and construction exposures															—			—	—	—

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H. CREDIT RISK (CONTINUED)

Template CR5: Credit risk exposures by exposure classes and by risk weights – for STC approach (continued)

		The MSBAL Group				
		As at 31 December 2025				
		US\$'000				
		50%	100%	150%	Other	Total credit exposure amount (post-CCF and post-CRM)
10	Defaulted exposures	—	—	—	—	—
11	Other exposures	100%	1250%		Other	Total credit exposure amount (post-CCF and post-CRM)
		8,313	—		—	8,313
11a	Cash and gold	0%	100%		Other	Total credit exposure amount (post-CCF and post-CRM)
		—	—		—	—
11b	Items in the process of clearing or settlement	0%	20%		Other	Total credit exposure amount (post-CCF and post-CRM)
		—	—		—	—

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H. CREDIT RISK (CONTINUED)

Template CR5: Credit risk exposures by exposure classes and by risk weights – for STC approach (continued)

Exposure amounts and CCFs applied to off-balance sheet exposures, categorised based on risk bucket of converted exposures:

		The MSBAL Group			
		As at 31 December 2025			
	(a)	(b)	(c)	(d)	
Risk Weight	On-balance sheet exposure	Off-balance sheet exposure (pre-CCF)	Weighted average CCF*	Exposure (post-CCF and post-CRM)	
	US\$'000	US\$'000	%	US\$'000	
1	Less than 40%	1,677,016	—	1,666,965	
2	40 - 70%	6,406	—	2,747	
3	75%	21,306	10 %	33,313	
4	85%	—	—	—	
5	90 - 100%	5,794,943	2 %	3,338,884	
6	105 - 130%	—	—	—	
7	150%	200	—	200	
8	250%	—	—	—	
9	400%	—	—	—	
10	1,250%	—	—	—	
11	Total exposures	7,499,871	2 %	5,042,109	

*Weighting is based on off-balance sheet exposure (pre-CCF).

Exposures (post-CCF and post-CRM) are calculated by first applying credit risk mitigation measures, then CCFs, where applicable.

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I. COUNTERPARTY CREDIT RISK

Table CCRA: Qualitative disclosures related to counterparty credit risk (including those arising from clearing through CCPs)

Counterparty credit risk refers to the risk of loss associated with the failure by one or more sales and trading counterparties to perform against its contractual obligations. The MSBAL Group's counterparty credit risk mainly arises from securities purchased under agreements to resell and derivative transactions in relation to treasury activities of the Company, and derivative trading activities under MSBIC. Majority of counterparty credit exposure is managed by eligible collateral with daily margining between the Group and counterparties and the collateral requirement is not linked to credit rating. Given the nature of such transactions, there is no major general wrong-way-risk and specific wrong-way risk within the Group. Operating limits in relation to exposures arising from the derivative transactions with Morgan Stanley affiliates are set as a percentage of the Company's capital based on historical usage of such activities.

Details of such transactions are further detailed in note 24(a) and note 26 to the audited financial statements.

Template CCR1: Analysis of counterparty credit risk exposures (other than those to CCPs) by approaches

		The MSBAL Group					
		Replacement cost ("RC")	PFE	Effective EPE	Alpha (α) used for computing default risk exposure	Default risk exposure after CRM	RWA
As at 31 December 2025		US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
1	SA-CCR approach (for derivative contracts)	11,654	83,406		1.4	133,084	46,805
1a	CEM (for derivative contracts)	—	—		1.4	—	—
2	IMM (CCR) approach			—	—	—	—
3	Simple approach (for SFTs)					—	—
4	Comprehensive approach (for SFTs)					80,944	36,772
5	Value-at-risk ("VaR") (for SFTs)					—	—
6	Total						83,577

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I. COUNTERPARTY CREDIT RISK (CONTINUED)

Template CCR3: Counterparty credit risk exposures (other than those to CCPs) by exposure classes and by risk weights – for STC approach

		The MSBAL Group											
		As at 31 December 2025											
Risk Weight		0%	10%	20%	30%	40%	50%	75%	85%	100%	150%	Others	Total default risk exposure after CRM
Exposure class		US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000
1	Sovereign exposures	—	—	—	—	—	—	—	—	—	—	—	—
2	Public sector entity exposures	—	—	—	—	—	—	—	—	—	—	—	—
3	Multilateral development bank exposures	—	—	—	—	—	—	—	—	—	—	—	—
4	Unspecified multilateral body exposures	—	—	—	—	—	—	—	—	—	—	—	—
5	Bank exposures	—	—	—	116,552	—	12,548	—	—	2,776	—	—	131,876
6	Qualifying non-bank financial institution exposures	—	—	653	11,635	—	—	—	—	—	—	—	12,288
7	General corporate exposures	—	—	—	—	—	67,820	52	—	1,992	—	—	69,864
8	Retail exposures	—	—	—	—	—	—	—	—	—	—	—	—
9	Defaulted exposures	—	—	—	—	—	—	—	—	—	—	—	—
10	Other exposures	—	—	—	—	—	—	—	—	—	—	—	—
11	Total	—	—	653	128,187	—	80,368	52	—	4,768	—	—	214,028

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I. COUNTERPARTY CREDIT RISK (CONTINUED)

Template CCR5: Composition of collateral for counterparty credit risk exposures (including those for contracts or transactions cleared through CCPs)

	The MSBAL Group					
	Derivative contracts				SFTs ⁽¹⁾	
	Fair value of recognised collateral received		Fair value of posted collateral		Fair value of recognised collateral received	Fair value of posted collateral
	Segregated	Unsegregated	Segregated	Unsegregated		
As at 31 December 2025	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Cash - domestic currency	—	7,094	—	3,266	1,349	275
Cash - other currencies	—	—	—	1,736	—	—
Domestic sovereign debt	—	—	—	—	—	—
Other sovereign debt	—	—	—	—	1,543,402	—
Government agency debt	—	—	—	—	—	—
Corporate bonds	—	—	—	—	—	—
Equity securities	—	—	—	—	—	—
Other collateral	—	—	—	—	—	—
Total	—	7,094	—	5,002	1,544,751	275

Domestic currency refers to the reporting currency of the MSBAL Group, i.e. USD.

Note 1: The disclosed fair value of recognized collateral received is after standard supervisory haircut under the Banking (Capital) Rules.

J. CREDIT VALUATION ADJUSTMENT RISK

Table CVAA: Qualitative disclosures related to CVA risk

CVA risk refers to the risk of losses arising from changing CVA values in response to changes in counterparty credit spreads and market risk factors that drive prices of derivative transactions. MSBAL Group follows the standards set forth in the global risk management policy on credit, funding and collateral valuation adjustments (“XVA”) of the Morgan Stanley Group in its CVA risk management. As at 31 December 2025, XVA on MSBAL Group is de-minimis given majority of the derivative transactions are collateralized. No CVA hedge was executed during the year.

For MSBAL Group’s RWA for CVA risk, MSBAL is qualified and has chosen to set it at 100% of its RWA for counterparty credit risk exposures as prescribed under the BCR.

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K. MARKET RISK

Table MRA: Qualitative disclosures related to market risk

a. Definition

Market risk refers to the risk that a change in the level of one or more market prices, rates, indices, implied volatilities (the price volatility of the underlying instrument imputed from option prices), correlations or other market factors, such as market liquidity, will result in losses for a position or portfolio.

b. Governance

The MSBAL Group manages the market risk associated with its trading activities commensurate with the nature and volume of transactions. Market risk is managed at a division, business area and individual product level, and includes consideration of market risk at the legal entity level.

Sound market risk management is an integral part of the Morgan Stanley Group culture. The MSBAL Group is responsible for ensuring that market risk exposures are well-managed and monitored. The MSBAL Group Market Risk Department (“MRD”) is responsible for ensuring transparency of material market risks, monitors compliance with established limits, and escalates risk concentrations to appropriate senior management. MRD is an independent risk oversight group headed by the Asia Head of Market Risk, who reports directly to both the Asia Chief Risk Officer and the Global Head of Market Risk.

Market risk policies and limits are reviewed at least annually. Together with any significant market risk matters, these are reviewed and discussed in the appropriate risk forums on a monthly/quarterly basis. These forums include the MSBAL Credit and Market Risk Committee, the MSBAL Bank Risk Committee, and the MSBAL Board Risk Committee, and are attended by the MSBAL Group’s senior management including the MSBAL Group CRO and CEO.

c. Risk Measurement and Monitoring

To execute these responsibilities, MRD monitors the market risk against limits on aggregate risk exposures and performs a variety of risk analyses. This includes monitoring VaR, stress testing and scenario analyses, routine reporting of risk exposures, and maintenance of the VaR and scenario analysis methodologies. The material risks identified by these processes are summarised and reported to senior management.

The market risk management policies and procedures for the MSBAL Group are consistent with those of the Morgan Stanley Group and include escalation to the MSBAL Group’s Board of Directors and appropriate senior management personnel.

d. Risk Mitigation Policies

The MSBAL Group manages its trading positions by employing a variety of risk mitigation strategies. These strategies include diversification of risk exposures and hedging. Hedging activities consist of the purchase or sale of positions in related securities and financial instruments, including a variety of derivative products (e.g., futures, forwards, swaps, and options). Hedging activities may not always provide effective mitigation against trading losses due to differences in the terms, specific characteristics or other basis risks that may exist between the hedge instrument and the risk exposure that is being hedged. The MSBAL Group manages and monitors its market risk exposures, including outright and basis risks, in such a way as to maintain a portfolio that the MSBAL Group believes is well-diversified in the aggregate with respect to market risk factors, and that reflects the MSBAL Group’s aggregate risk tolerance as established by the MSBAL Group senior management. The effectiveness of hedges and mitigants is monitored using processes such as risk and limit reporting.

e. Data Quality

MRD has a data quality control process to monitor, validate, remediate, escalate, and report data quality issues that impact market risk and capital reporting. The Market Risk Middle Office team is responsible for coordinating data quality control with the aim of providing MRD with high quality data that is accurate, complete, and delivered in a timely manner. Threshold based checks are performed on market risk data. Large moves are validated, and data adjustments are made where necessary, along with the appropriate escalation to ensure ongoing remediation, completeness, accuracy, and timeliness. Key Performance Indicators (“KPIs”) for market risk metrics are reported to the senior management risk committees.

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K. MARKET RISK (CONTINUED)

Table MRA: Qualitative disclosures related to market risk (continued)

f. Value at Risk (“VaR”)

The MSBAL Group uses the statistical technique known as VaR as one of the tools used to measure, monitor, and review the market risk exposures of its trading portfolios. MRD calculates and distributes daily VaR-based risk measures to various levels of management.

The MSBAL Group calculates VaR using a model based on historical simulation for general market risk factors and for name-specific equity risk and on Monte Carlo simulation for name-specific risk in bonds. Market risk factors' daily moves are modelled either as absolute changes or relative changes, dependent on the most suitable stochastic process (normal or lognormal diffusion process) to describe the daily risk factor changes. The model constructs a distribution of hypothetical daily changes in the value of trading portfolios based on historical observation of daily changes in key market indices or other market risk factors, and information on the sensitivity of the portfolio values to these market risk factor changes. The methodology for VaR at Morgan Stanley Group, which is also applicable to MSBAL Group, is 1-year historical simulation.

A set of internal processes and controls ensure that all relevant trading positions booked by the MSBAL Group are included in VaR. VaR is most appropriate as a risk measure for trading positions in liquid financial markets and will understate the risk associated with severe events such as periods of extreme illiquidity. The MSBAL Group is aware of these and other limitations and therefore uses VaR as only one component in its risk management oversight process. This process also incorporates stress testing and scenario analyses and extensive risk monitoring, analysis, quantification of risk not captured in VaR, and control at the trading desk, division and the MSBAL Group levels.

The MSBAL Group is committed to continuous review and enhancement of VaR methodologies and assumptions in order to capture evolving risks associated with changes in market structure and dynamics. As part of regular process improvement, additional systematic and name-specific risk factors may be added to improve the VaR model's ability to more accurately estimate risks to specific asset classes or industry sectors. The Morgan Stanley Group's VaR model, which is adopted by the MSBAL Group, is reviewed at least annually and verified by the Morgan Stanley Group's independent Model Risk Management (“MRM”) group.

Template MR1: Market risk under STM approach

		The MSBAL Group
		Market risk capital charges under STM approach
As at 31 December 2025		US\$'000
1	General interest rate risk	11
2	Equity risk	—
3	Commodity risk	—
4	Foreign exchange risk	2
5	Credit spread risk (non-securitization)	5
6	Credit spread risk (securitization: non-correlation trading portfolio (“CTP”))	—
7	Credit spread risk (securitization: CTP)	—
8	Standardized default risk charge (“SA-DRC”) (non-securitization)	9
9	SA-DRC (securitization: non-CTP)	—
10	SA-DRC (securitization: CTP)	—
11	Residual risk add-on	—
12	Total	27

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L. ASSET ENCUMBRANCE

Template ENC: Asset encumbrance

	The MSBAL Group		
	Encumbered assets	Unencumbered assets	Total
As at 31 December 2025	US\$'000	US\$'000	US\$'000
Cash and short-term deposits	—	217,017	217,017
Trading financial assets	—	432,312	432,312
Secured Financing	—	1,641,810	1,641,810
Loans and advances	—	5,793,441	5,793,441
Investment securities	—	1,440,882	1,440,882
Trade and other receivables	—	44,062	44,062
Prepayments	—	3,966	3,966
Deferred tax assets	—	20,029	20,029
Fixed assets	—	3,347	3,347
Intangible assets	—	1,098	1,098
Total assets	—	9,597,964	9,597,964

M. INTEREST RATE RISK IN THE BANKING BOOK

Table IRRBBA: Interest rate risk in banking book – risk management objectives and policies

Interest rate risk in the banking book (IRRBB) arises due to maturity mismatches from the MSBAL Group's balance sheet positions in the banking book.

Management and oversight of the interest rate risk in the banking book of the MSBAL Group is consistent with that of the Company, which is detailed in note 24(c)(i).

In addition, the IAD, being the third line of defense, independently assesses the MSBAL Group's control environment and risk management processes through conducting regular audit reviews. IAD reports to the Board Audit Committee and is independent of the business units and risk management functions.

The standardised EVE risk measure is calculated according to the six shock scenarios defined in the HKMA SPM IR-1. For non-maturity deposits (NMDs), behavioral maturities have been modelled using the MSBAL Group's own observed data covering over the past 10 years. The MSBAL Group's longest behavioral maturity of NMDs is 4 years.

For the calculation of the change in NII, in addition to the two shock scenarios defined in SPM IR-1 for parallel up and parallel down interest rate moves, the MSBAL Group also calculates a range of internal shock scenarios covering non-parallel interest rate moves combined with different repricing assumptions for customer deposits.

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M. INTEREST RATE RISK IN THE BANKING BOOK (CONTINUED)

Template IRRBB1: Quantitative information on interest rate risk in banking book

The following table shows the impact of six interest rate scenarios on EVE of the MSBAL Group, and impact of parallel up and parallel down scenarios on the earnings of the MSBAL Group in a period of 12 months, as prescribed in the SPM IR-1 issued by the HKMA and the Return on IRRBB.

		The MSBAL Group			
		ΔEVE		ΔNII	
		As at 31 December 2025	As at 31 December 2024	As at 31 December 2025	As at 31 December 2024
		US\$'000	US\$'000	US\$'000	US\$'000
1	Parallel up	12,606	2,743	(40,662)	(36,233)
2	Parallel down	21,186	10,934	40,662	36,233
3	Steeper	11,612	3,923		
4	Flattener	14,605	3,003		
5	Short rate up	18,394	2,873		
6	Short rate down	21,820	8,098		
7	Maximum	21,820	10,934	40,662	36,233
		The MSBAL Group			
		As at 31 December 2025		As at 31 December 2024	
		US\$'000		US\$'000	
8	Tier 1 capital	2,150,240		1,875,429	

Note: Positive values indicate losses and negative values indicate profits under the respective scenario.

As at 31 December 2025 and 31 December 2024, MSBAL Group's maximum change in EVE, calculated under the HKMA's standardised framework in SPM IR-1, remained below the 15% of Tier 1 Capital threshold as prescribed by HKMA. The year-on-year increase in the EVE measure primarily reflects a change in the classification of certain loans and advances to customers, from fixed rate to managed rate products, to reflect the underlying loan feature. A further increase arose from higher FX funding swap activity undertaken to support growth in the loan portfolio.

N. LIQUIDITY RISK

Table LIQA: Liquidity risk management

a. Governance of liquidity risk management

(i) Risk tolerance

Liquidity risk refers to the risk that the MSBAL Group will be unable to finance its operations due to a loss of access to the capital markets or difficulty in liquidating its assets.

The MSBAL Group's Liquidity Risk Management Framework is critical to helping ensure that the MSBAL Group maintains sufficient liquidity reserves and durable funding sources to meet its daily obligations and to withstand unanticipated stress events.

Details of the Required Liquidity Framework is further detailed in note 24(b)(i) to the audited financial statements.

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N. LIQUIDITY RISK (CONTINUED)

Table LIQA: Liquidity risk management (continued)

a. Governance of liquidity risk management (continued)

(ii) Risk management function

Senior management establishes and maintains liquidity policies. Through various risk and control committees, senior management reviews business performance relative to these policies, monitors the availability of alternative sources of financing, and oversees the liquidity, interest rate and currency sensitivity of asset and liability positions. Treasury Department, Liquidity Risk Department, ALCO and other committees and control groups assist in evaluating, monitoring and controlling the impact that business activities have on the balance sheet, liquidity and capital structure. Liquidity matters are reported regularly to the Board and the Risk Committees of the MSBAL Group.

b. Funding strategy

The primary goal of the MSBAL Group's liquidity risk and funding management framework is to ensure that the MSBAL Group has access to adequate funding across a wide range of market conditions and time horizons. Details of the funding strategy is further detailed in note 24(b) to the audited financial statements.

c. Liquidity Stress Tests

The MSBAL Group uses Liquidity Stress Tests to model external and intercompany liquidity flows across multiple scenarios and a range of time horizons. Details of the Liquidity Stress Tests is further detailed in note 24(b)(ii) to the audited financial statements.

d. Liquidity risk mitigation techniques

Liquidity Resources

The MSBAL Group maintains sufficient liquidity resources which consists of unencumbered highly liquid securities and cash deposits with banks (including central banks) ("Liquidity Resources") to meet regulatory requirements, cover daily funding needs and to meet strategic liquidity targets sized by the Required Liquidity Framework and Liquidity Stress Tests. Details of the Liquidity Resources is further detailed in note 24(b)(iii) to the audited financial statements.

Funding Management

The MSBAL Group manages its funding in a manner that reduces the risk of disruption to the MSBAL Group's operations. Details of the Funding Management is further detailed in note 24(b)(iv) to the audited financial statements.

The MSBAL Group funds itself through diverse sources. These sources may include the MSBAL Group's equity capital, borrowings and deposits. The table below shows the MSBAL Group's significant funding sources as at 31 December 2025:

	As at 31 December 2025
Significant funding sources (as a percentage of the total liabilities and equity)	
Funding from deposits	74 %
Funding from share capital	10 %

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N. LIQUIDITY RISK (CONTINUED)

Table LIQA: Liquidity risk management (continued)

d. Liquidity risk mitigation techniques (continued)

Balance sheet management

Details of the balance sheet management is further detailed in note 24(b)(v) to the audited financial statements.

The table below shows the MSBAL Group's future cash flows, taking into account off-balance sheet risks, as at 31 December 2025, which is disclosed in accordance with the numbers reported in the Return of Liquidity Position for the month of 31 December 2025 submitted to the HKMA.

	As at 31 December 2025 US\$'000
Liquefiable assets (weighted amount)	3,024,943
Qualifying liabilities (weighted amount)	5,173,657

Maturity analysis

The table below shows the analysis of on- and off- balance sheet items by remaining maturity and the resultant liquidity gaps. This presentation is considered by the MSBAL Group to appropriately reflect the liquidity risk arising from those assets and liabilities, presented in a way that is consistent with how the liquidity risk is managed by the MSBAL Group. The below information is prepared in accordance with the numbers reported in the Return of Liquidity Monitoring Tools as at 31 December 2025, based on the completion instruction from the HKMA. Accordingly, the classification of on-balance sheet assets, on-balance sheet liabilities, off-balance sheet claims and off-balance sheet obligations are not the same as that disclosed under the audited financial statements.

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Year ended 31 December 2025

N. LIQUIDITY RISK (CONTINUED)

Table LIQA: Liquidity risk management (continued)

d. Liquidity risk mitigation techniques (continued)

	Breakdown of cash flows by remaining maturity						
	Not more than 1 month	More than 1 month but not more than 3 months	More than 3 months but not more than 6 months	More than 6 months but not more than 1 year	More than 1 year but not more than 5 years	Over 5 years	Balancing amount
As at 31 December 2025	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
On-balance sheet items							
Amount receivable arising from securities financing transactions	780,635	861,175	—	—	—	—	—
Amount receivable arising from derivative contracts	3,034,278	1,716,333	702,739	777,391	21,263	—	—
Due from banks and central banks ⁽¹⁾	205,497	8	—	—	—	—	11,690
Debt securities	1,542,090	107,251	79,869	83,460	28,868	—	—
Loans and advances to non-bank customers	5,780,387	—	2	6,070	20,755	—	—
Other assets	20,931	2,068	3,309	—	1,672	—	28,292
Total on-balance sheet assets	11,363,818	2,686,835	785,919	866,921	72,558	—	39,982
Total off-balance sheet claims	221,563	—	—	—	—	—	—
On-balance sheet items							
Deposits from non-bank customers	3,693,055	1,206,722	763,735	601,948	862,148	—	—
Amount payable arising from derivative contracts	3,023,821	1,705,471	697,549	762,461	20,480	—	—
Due to banks	—	—	—	—	—	—	—
Other liabilities	98,205	55,348	3,763	7,499	78,205	4,160	—
Capital and reserves	—	—	—	—	—	—	2,201,879
Total on-balance sheet liabilities	6,815,081	2,967,541	1,465,047	1,371,908	960,833	4,160	2,201,879
Total off-balance sheet obligations	1,389,202	—	—	—	—	—	—
Contractual Maturity Mismatch	3,381,098	(280,706)	(679,128)	(504,987)	(888,275)	(4,160)	N/A
Cumulative Contractual Maturity Mismatch	3,381,098	3,100,392	2,421,264	1,916,277	1,028,002	1,023,842	N/A

Note (1): "Due from banks and central banks" includes due from banks, due from HKMA for accounts of exchange fund, and due from overseas central banks

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N. LIQUIDITY RISK (CONTINUED)

Table LIQA: Liquidity risk management (continued)

e. Contingency funding plan

The MSBAL Group has developed a Recovery Plan which serve the purpose of Contingency Funding Plan. The Recovery Plan defines the roles and responsibilities and primary functions that manage the MSBAL Group's operating and strategic response to liquidity stress events.

The Recovery Plan supports the existing liquidity risk management framework and outlines the process by which the MSBAL Group:

- Determines whether there is a potential or actual liquidity stress event;
- Enacts a heightened decision-making and governance structure;
- Identifies available contingent funding sources;
- Identifies a liquidity stress event management team that would execute the action plan;
- Takes action in a deliberate and coordinated way to respond to liquidity shortfalls;
- Strategically communicates with internal and external stakeholders;
- Decides to return to standard operating liquidity management status; and
- Reviews its preparedness for a stress event through post-event analysis.

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O. OPERATIONAL RISK

Table ORA: General information on operational risk framework

Operational risk refers to the risk of loss, or of damage to the MSBAL Group's reputation, resulting from inadequate or failed processes, people and systems, or from external events (e.g. fraud, theft, legal, regulatory and compliance risks, cyberattacks or damage to physical assets). Operational risk relates to the following risk event categories as defined by Basel Capital Standards: internal fraud; external fraud; employment practices and workplace safety; clients, products and business practices; business disruption and system failure; damage to physical assets; and execution, delivery and process management.

The MSBAL Group may incur operational risk across the full scope of its business activities. The scope includes oversight of technology risk, cybersecurity risk, information security risk, and third party risk management (supplier and affiliate risk).

Operational Risk Management

The MSBAL Group has established an operational risk framework to identify, measure, monitor and control risk across the MSBAL Group. This framework is consistent with the framework established by the Morgan Stanley Group and includes escalation to the MSBAL's Board of Directors and appropriate senior management personnel. Effective operational risk management is essential to reducing the impact of operational risk incidents and mitigating legal and reputational risks. The framework is continually evolving to reflect changes in the MSBAL Group and to respond to the changing regulatory and business environment.

Operational risk incidents, key risk indicators, and material issues are reported to senior management and the Board to support effective oversight, risk monitoring, and decision-making, in line with the MSBAL Group's operational risk management framework.

The MSBAL Group has implemented operational risk data and assessment systems to monitor and analyse internal and external operational risk events, to assess business environment and internal control factors and to perform scenario analysis. The collected data elements are incorporated in the operational risk capital model. The model encompasses both quantitative and qualitative elements. Internal loss data and scenario analysis results are direct inputs to the capital model, while external operational incidents, business environment and internal control factors are evaluated as part of the scenario analysis process.

In addition, the MSBAL Group employs a variety of risk processes and mitigants to manage its operational risk exposures. These include a governance framework, a comprehensive risk management programme and insurance. Operational risks and associated risk exposures are assessed relative to the risk appetite established by the Board and are prioritised accordingly.

The breadth and variety of operational risk are such that the types of mitigating activities are wide-ranging. Examples of such activities include continuous enhancement of defences against cyberattacks; use of legal agreements and contracts to transfer and/or limit operational risk exposures; due diligence; implementation of enhanced policies and procedures; exception management processing controls; and segregation of duties. The Operational Risk Management Framework requires, among other things, the proper recording and verification of a large number of transactions and events as set out in the policies and procedures. The trading risk management strategies and techniques seek to balance our ability to profit from trading positions with our exposure to potential losses.

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O. OPERATIONAL RISK (CONTINUED)

Table ORA: General information on operational risk framework (continued)

Roles and responsibilities

Primary responsibility for the management of operational risk is with the business segments, the control groups and the business managers therein. The business managers maintain processes and controls designed to identify, assess, manage, mitigate and report operational risk. Each of the business segments has a designated operational risk coordinator. The operational risk coordinator regularly reviews operational risk issues and reports to the MSBAL Group's senior management within each business. Each control group also has a designated operational risk coordinator and a forum for discussing operational risk matters with the MSBAL Group's senior management. Oversight of operational risk is provided by the Operational Risk Oversight Committee, regional risk committees and senior management. In the event of a merger, joint venture, divestiture, reorganisation, or creation of a new legal entity, a new product or a business activity, operational risks are considered, and any necessary changes in processes or controls are implemented.

Operational Risk Department

The Operational Risk Department provides independent oversight of operational risk and assesses measures and monitors operational risk against appetite. The Operational Risk Department works with the business divisions and control groups to help ensure a transparent, consistent and comprehensive framework for managing operational risk within each area and across the MSBAL Group.

The Operational Risk Department's scope includes oversight of technology risk, cybersecurity risk, information security risk, the fraud risk management and prevention program and third party risk management (supplier and affiliate risk oversight and assessment) program. Furthermore, the Operational Risk Department supports the collection and reporting of operational risk incidents and the execution of operational risk assessments; provides the infrastructure needed for risk measurement and risk management; and ensures ongoing validation and verification of the Company's advanced measurement approach for operational risk capital.

Business continuity management and disaster recovery

The MSBAL Group's critical processes and businesses could be disrupted by events including cyberattacks, failure or loss of access to technology and/or associated data, military conflicts, acts of terror, natural disasters, severe weather events and infectious disease. The MSBAL Group maintains a resilience program designed to provide for operational resilience and enable it to respond to and recover critical processes and supporting assets in the event of a disruption impacting the MSBAL Group's people, technology, facilities and third parties. The key elements of the MSBAL Group's resilience program include business continuity management, technology disaster recovery, third-party resilience and key business service resilience. Resilience testing is performed both internally and with critical third parties to validate recovery capability in accordance with business requirements. Business units within the Morgan Stanley Group maintain business continuity plans, including identifying processes and strategies to continue business critical processes during a business continuity incident. The business units also test the documented preparation to provide a reasonable expectation that, during a business continuity incident, the business unit will be able to continue its critical business processes and limit the impact of the incident to the Morgan Stanley Group and its clients. Technical recovery plans are maintained for critical technology assets and detail the steps to be implemented to recover from a disruption impacting the assets' primary location. Disaster recovery testing is performed to validate the recovery capability of these critical technology assets.

The MSBAL Group's Cybersecurity and Information Security Framework, which includes policies, procedures and technologies, is designed to protect the MSBAL Group's environment from operational risk failures due to actions of a malicious cyber actor. This includes protecting the MSBAL Group's own data, client data and the MSBAL's employees' data against unauthorised disclosure, modification or misuse and is designed to address regulatory requirements. This framework covers a broad range of areas, including identification of internal and external threats, access control, data security, protective controls, detection of malicious or unauthorised activity, incident response and recovery planning.

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O. OPERATIONAL RISK (CONTINUED)

Table ORA: General information on operational risk framework (continued)

Third-party risk management

In connection with its ongoing operations, the MSBAL Group utilises third-party suppliers and anticipates that such usage will continue and may increase in the future. These services include, for example, outsourced processing and support functions and consulting and other professional services. The MSBAL Group's risk-based approach to managing exposure to these services includes the execution of due diligence, implementation of service level and other contractual agreements, consideration of operational risk and ongoing monitoring of third-party suppliers' performance. The MSBAL Group maintains a third-party risk program which is designed to align with its risk tolerance and meet regulatory requirements. The program includes governance, policies, procedures, and enabling technology. The third-party risk program includes the adoption of appropriate risk management controls and practices throughout the third-party management lifecycle to manage the risk of service failure, risk of data loss and reputational risk, among others.

Table OR2: Business indicator and business indicator components breakdown

		The MSBAL Group		
		31 December 2025	31 December 2024	31 December 2023
BI and its subcomponents		US\$'000	US\$'000	US\$'000
1	Interest, leases and dividend component	99,412		
1a	Interest and leases income	217,059	259,751	269,169
1b	Interest and leases expenses	158,770	166,150	122,823
1c	Interest earning assets	8,896,768	7,956,338	7,474,534
1d	Dividend income	—	—	—
2	Services component	476,018		
2a	Fee and commission income	619,499	470,573	334,016
2b	Fee and commission expenses	3,389	2,576	2,701
2c	Other operating income	194	343	187
2d	Other operating expenses	740	12	3,214
3	Financial component	124,561		
3a	Net P&L on trading book	3,462	8,242	3,864
3b	Net P&L on banking book	141,706	121,834	94,577
4	BI	699,992		
5	Business indicator component (BIC)	83,999		

Table OR3: Minimum operational risk capital requirement

		The MSBAL Group
		31 December 2025
		US\$'000
1	Business indicator component (BIC)	83,999
2	Internal loss multiplier (ILM)	1
3	Minimum operational risk capital requirement	83,999
4	Total RWA for operational risk	1,049,987

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P. CLIMATE RISK MANAGEMENT

Introduction

The Morgan Stanley Group and the MSBAL Group view climate risk as an overarching risk that can impact other risk types, including credit risk, operational risk, market risk, and liquidity risk. As climate risk is interconnected with other risk types, the Morgan Stanley Group has developed and continues to enhance processes to embed climate risk considerations into Morgan Stanley Group's risk management strategies and governance structures. Overall, the MSBAL Group's strategy for managing risks from climate change is closely aligned with Morgan Stanley Group's strategy as articulated in the latest Morgan Stanley Group Sustainability Report¹.

The Morgan Stanley Group aims to achieve net-zero financed emissions by 2050. The Morgan Stanley Group has a four-part climate strategy as set out in 'Strategy' section below.

This disclosure is specific to the MSBAL Group and is informed by the recommendations of the Task Force on Climate-Related Financial Disclosures ("TCFD") pursuant to regulatory requirements applicable to the MSBAL Group. It complements and should be read in conjunction with the latest Morgan Stanley Group Sustainability Report.

Governance

The Morgan Stanley Group's governance and business practices help foster client and stakeholder trust and to mitigate risk. The Morgan Stanley Group's approach to sustainability governance is supported by firmwide committees, which are further supported by regional and business unit specific committees.

Climate risk related matters are overseen by the Morgan Stanley Group's management-level Climate Risk Committee ("CRC"). The CRC reports to the Firm Risk Committee and, subsequently, to the Board Risk Committee, which oversees climate risk at the Morgan Stanley Group's Board level. The CRC also oversees the Firm Risk Management ("FRM") Climate Steering Committee, which is responsible for reviewing climate risk-related matters within FRM. For more details regarding sustainability and climate risk governance, refer to the "Sustainability Oversight" and "Climate Risk Management" sections of the latest Morgan Stanley Group Sustainability Report. Our Environmental and Social Risk Management ("ESRM") Group provides internal subject matter expertise on environmental and social risk, and manages the development and implementation of related policies and procedures, including the Environmental and Social Policy Statement and Statement on Human Rights.

The Asia Sustainability Committee assists in the coordination and supports the Asia region's efforts around sustainability. This committee, as part of the Morgan Stanley Group's global Sustainability governance framework, reports to the Firm Sustainability Committee in order to ensure a consistent and harmonised approach to sustainability and align local climate-related initiatives with global approaches.

Within the MSBAL Group, the framework for climate-related risk management is supported by a number of management and relevant committees, including the MSBAL Management Committee, the MSBAL Board Risk Committee, the MSBAL Bank Risk Committee and the MSBAL Credit and Market Risk Committee.

A dedicated Sustainability committee, the MSBAL PWM Asia Sustainability Committee, reports to the MSBAL Management Committee and MSBAL Bank Risk Committee and assists the MSBAL Board of Directors and senior management in their oversight of climate-related risks for PWM Asia. At MSBIC, the MSBIC Board of Directors have adopted a governance framework for green finance which is overseen by senior management and supported by relevant committees, including the MSBIC Strategy Committee, the MSBIC Risk Committee and the MSBIC Local Commitment Committee. Sustainability matters, as they pertain to MSBIC, are reported to the MSBAL Management Committee and the MSBAL Bank Risk Committee, which currently have MSBIC representatives to escalate risk and operational matters as necessary.

¹ Please refer to <https://www.morganstanley.com/about-us/sustainability-reports-research> for the latest Morgan Stanley Group Sustainability Report. As at publication date of this Group Management Report, the latest Morgan Stanley Group Sustainability Report is the 2024 Report. The 2025 Report will be available at this site when published.

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P. CLIMATE RISK MANAGEMENT (CONTINUED)

Strategy

The MSBAL Group's strategy is to support the Morgan Stanley Group in achieving the overall goal of net-zero financed emissions across its global business by 2050. It will contribute to each component of a four-part climate strategy:

- Finance – Morgan Stanley aims to reach net-zero financed emissions by 2050, with 2030 interim targets, and seeks to mobilise \$750 billion to support low-carbon and green solutions by 2030;
- Risk – FRM and the Operational Risk Department (“ORD”), in partnership with other areas of Morgan Stanley, identify, measure, manage and monitor climate-related financial and operational risks, respectively;
- Operations – Morgan Stanley has achieved carbon neutrality across its global operations since 2022 and maintained it through 2024²;
- Reporting – Climate-related disclosures are published in Morgan Stanley's annual Sustainability Report.

For details, please refer to the “Climate Strategy” section of the latest Morgan Stanley Group Sustainability Report.

Risk Management

The Morgan Stanley Group and the MSBAL Group categorise climate-related and environmental risk into two groups: transition risks and physical risks. These climate-related and environmental risks are managed through the application of the current risk management framework. This framework is divided into four steps: Identify, Measure, Manage and Communicate.

As part of its established risk identification and materiality assessment process, the MSBAL Group evaluates the impact of climate-related and environmental risks on risks identified under the MSBAL risk taxonomy for credit, market, liquidity and operational risk. The outcome of these assessments has guided the MSBAL Group in developing a key risk indicator (“KRI”) to monitor MSBAL Group's transition risk stress losses from credit and market risk. The KRI is being monitored and reported to MSBAL Credit and Market Risk Committee, MSBAL Bank Risk Committee and MSBAL Board Risk Committee on a quarterly basis. In addition, climate-related and environmental risk management is incorporated in the Risk Appetite Statement of the MSBAL Group as a driver of existing risks.

Scenario analysis is central to the Morgan Stanley Group's climate risk management framework and is used to identify and measure potential financial vulnerabilities from climate-related risks. For details, please refer to the “Climate Risk Management” section of the latest Morgan Stanley Group Sustainability Report.

The MSBAL Group adopts the abovementioned approach for climate-related and environmental risk management and continues to enhance its processes to meet the requirements set out in new and evolving regulations applicable to the MSBAL Group.

² For further information on how carbon neutrality is determined and has been achieved, refer to page 26 of the 2024 Morgan Stanley Group Sustainability Report. Morgan Stanley Group's 2025 carbon neutrality status will be addressed in the 2025 Morgan Stanley Group Sustainability Report.

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P. CLIMATE RISK MANAGEMENT (CONTINUED)

Metrics and Targets

Metrics and targets are important to Morgan Stanley's climate strategy and help track progress towards Morgan Stanley's climate-related goals. The Morgan Stanley Group has set 2030 interim financed emissions targets covering its corporate relationship lending exposure within the Energy, Power, Auto Manufacturing, Chemicals, Mining and Aviation sectors. These targets are managed at the Morgan Stanley Group-level and are disclosed in the latest Morgan Stanley Group Sustainability Report. These targets are designed to strike an appropriate balance between being ambitious and credible while also being realistic about present near-term global challenges. For all sectors, a target range has been established, with the upper bound target referencing science-based climate scenarios that are in line with a 1.5°C outcome, and the lower bound referencing a 1.7°C scenario outcome. For details, refer to the Morgan Stanley 2030 Interim Financed Emissions Targets Report³.

The MSBAL Group is considered as part of the Morgan Stanley Group's metrics and targets. In addition to the climate-related key risk indicator and review of climate risk related incidents, the MSBAL Group will continue to assess whether additional metrics and targets would further assist in the development of its climate change strategy.

³ Please refer to https://www.morganstanley.com/content/dam/msdotcom/en/assets/pdfs/MS_2024_Net-Zero_Methodology_Report_10.pdf for the latest Morgan Stanley 2030 Interim Financed Emissions Targets Report

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Q. SEGMENTAL INFORMATION

Below shows the segmental information of the Company by geographical area and class of business.

a. By geographical area

The geographical segmental analysis for the year ended 31 December 2025 is as follows:

2025	Hong Kong ⁽¹⁾ US\$'000	Singapore ⁽¹⁾ US\$'000	Total US\$'000
Total operating income (Net of interest expense)	688,086	119,497	807,583
Profit before ECL	286,894	45,275	332,169
Profit before income tax	<u>286,994</u>	<u>45,275</u>	<u>332,269</u>
Total assets	<u>5,075,496</u>	<u>4,313,658</u>	<u>9,389,154</u>
Total liabilities	<u>4,520,132</u>	<u>2,656,302</u>	<u>7,176,434</u>

(1) The amounts disclosed above are after elimination of interoffice balances or transactions between the head office in Hong Kong and the Branch.

b. By class of business

The Company structures its business segments primarily based upon the nature of the financial products and services provided to customers and the Company's internal management structure. The Company has one reportable business segment, Institutional Securities, which includes Private Wealth Management and Fixed Income Division. The Company engages in the business of banking (including deposit taking and lending), dealing in and advising on securities and discretionary portfolio management. The Company also acts as agent on behalf of its clients to transmit client instructions to other Morgan Stanley affiliates in connection with the provision of general investment, securities and futures dealing.

The Company's business segment results for the year ended 31 December 2025 are as follows:

2025	Institutional Securities US\$'000
Total operating income (Net of interest expense)	807,583
Profit before ECL	332,169
Profit before income tax	<u>332,269</u>
Total assets	<u>9,389,154</u>

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R. OFF-BALANCE SHEET EXPOSURE OTHER THAN DERIVATIVE TRANSACTIONS

The following table shows the nominal amounts of the off-balance sheet exposures (other than derivative transactions) of the MSBAL Group, which are subject to capital requirements under the BCR, and the total risk-weighted amounts for credit risk.

	As at 31 December 2025 US\$'000
Direct credit substitutes	6
Commitments that are unconditionally cancellable without prior notice	3,849,164
Total	<u>3,849,170</u>
Risk-weighted amounts	<u>381,145</u>

S. LOANS AND ADVANCES - SECTOR INFORMATION

The following breakdown of the Company's loans and advances by industry sectors is prepared in accordance with the categories as set out in the Banking (Disclosure) Rules, and the definitions contained in the Completion Instruction of HKMA Return of Quarterly Analysis of Loans and Advances and Provisions and HKMA Supervisory Policy Manual "CA-D-1 Guideline on the Application of the Banking (Disclosure) Rules".

Loans and Advances are exposures of counterparties based on the location of the counterparties after taking into account any risk transfer for the purpose of disclosure. Risk transfers include parent guarantees to branches, explicit guarantees by parents and third parties, collateral and credit derivatives.

As at 31 December 2025, loans and advances of the Company comprise (a) loans and advances to customers of US\$5,767,227,000 which is fully secured and (b) loans and advances to other Morgan Stanley Group undertakings of US\$94,000 which is unsecured.

Sector classification	As at 31 December 2025 US\$'000
Loans and advances for use in Hong Kong	
Industrial, commercial and financial:	
– Financial concerns	29,898
– Individuals	471,457
– Others ⁽¹⁾	2,092,934
Loans and advances for use outside Hong Kong	<u>3,173,032</u>
Total	<u>5,767,321</u>

(1) These represents loans and advances to "non-stockbroking companies for the purchase of shares" and "all others" defined in the Completion Instruction of HKMA Return of Quarterly Analysis of Loans and Advances and Provisions.

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S. LOANS AND ADVANCES - SECTOR INFORMATION (CONTINUED)

Below table shows the loans and advances by geographical areas in accordance with the location of the counterparties. The table shows individual geographical area to which not less than 10% of the Company's total amount of loans and advances are attributable in accordance with the Banking (Disclosure) Rules.

	As at 31 December 2025 US\$'000
Geographical Areas	
Hong Kong	2,639,694
British Virgin Islands	1,346,601
Singapore	596,214
Others	1,184,812
Total	<u><u>5,767,321</u></u>

T. INTERNATIONAL CLAIMS

The following breakdown of the Company's international claims is prepared in accordance with the completion instruction of the HKMA Return of International Banking Statistics ("IBS").

International claims are on-balance sheet exposures of counterparties based on the location of the counterparties after taking into account any risk transfer for the purpose of disclosure. In accordance with Completion Instruction of the HKMA Return of IBS, risk transfers include parent guarantees to branches, explicit guarantees by parents and third parties, collateral and credit derivatives.

The table shows individual geographical segment or country to which not less than 10% of the Company's total international claims are attributable, after taking into account of any recognized risk transfer, in accordance with the Banking (Disclosure) Rules.

	Bank	Official sector	Non-bank private sector		Total
			Non-bank financial institutions	Non-financial private sector	
31 December 2025	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Developed countries	287,133	2,776,599	220,485	1,196,964	4,481,181
of which: United States	48,177	2,041,673	138,620	1,109,861	3,338,331
Offshore centres	855,376	342,889	233,946	2,296,676	3,728,887
of which: Hong Kong	362,176	102,648	151,596	1,690,935	2,307,355
of which: Singapore	493,200	240,112	5,910	218,529	957,751
Developing Asia and Pacific	299,466	—	56,013	763,503	1,118,982

U. OVERDUE AND RESCHEDULED ASSETS

The Company has no overdue or rescheduled assets as at 31 December 2025.

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V. MAINLAND ACTIVITIES

The below breakdown is prepared on the same basis as the Return of Mainland Activities, which includes non-bank Mainland China exposures of the Hong Kong office of the Company and its subsidiary in China, in accordance with the Banking (Disclosure) Rules. The Mainland China exposures to non-bank counterparties are categorized into the specified categories as defined under the Banking (Disclosure) Rules with reference to the Return of Mainland Activities submitted to the HKMA.

As at 31 December 2025	On-balance sheet exposures	Off-balance sheet exposures ⁽¹⁾	Total
Type of counterparties	US\$'000	US\$'000	US\$'000
Central governments, central government-owned entities and their subsidiaries and joint ventures (“JVs”)	14,186	—	14,186
The People’s Republic of China (“PRC”) nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	49,401	612	50,013
Of which, PRC nationals residing in Mainland China or entities beneficially-owned by Mainland interest	22,671	—	22,671
Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	641,053	6	641,059
Total	<u>704,640</u>	<u>618</u>	<u>705,258</u>

(1) These represent off-balance sheet exposures of the Company’s Mainland subsidiary.

W. CURRENCY RISK

The disclosure in this note is prepared on the same basis as the Return of Foreign Currency Position, which includes foreign currency positions of the MSBAL Group, in accordance with the Banking (Disclosure) Rules. The currency risk arising from the MSBAL Group’s operation for those individual currencies which each constitutes more than 10% of the total net positions in all foreign currencies are as follows:

As at 31 December 2025	RMB US\$'000	SGD US\$'000	USD US\$'000
Spot assets	1,783,893	500,530	3,865,133
Spot liabilities	(1,058,631)	(310,535)	(7,181,939)
Forward purchases	574,098	54,413	4,789,222
Forward sales	(1,288,045)	(248,747)	(1,476,152)
Net long/(short) position⁽¹⁾	<u>11,315</u>	<u>(4,339)</u>	<u>(3,736)</u>

(1) Net long/(short) positions in individual currencies of the MSBAL Group are reported in gross, i.e. interoffice balances and transactions between the head office in Hong Kong and the Branch are not eliminated.

The net structural position of the MSBAL Group for each individual currency that constitutes not less than 10% of the MSBAL Group’s total net structural position in all foreign currencies are as follows:

As at 31 December 2025	US\$'000
RMB	<u>9,714</u>

The MSBAL Group had no option in any particular foreign currency as at 31 December 2025.

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Y. REMUNERATION

Table REMA: Remuneration policy

Governance structure

The Board Remuneration and Culture, Values and Conduct Committee appointed by the Board of Directors of the MSBAL Group assists the Board of Directors in discharging its responsibility for the design and operation of the MSBAL Group's remuneration system, and makes recommendation in respect of remuneration policy and practices to the Board of Directors. The Board Remuneration and Culture, Values and Conduct Committee comprises of three Board members, two of whom are independent non-executive directors of the MSBAL Group. No external consultants have been engaged by the MSBAL Group since the set up of the Board Remuneration and Culture, Values and Conduct Committee. Five meetings were held by the Board Remuneration and Culture, Values and Conduct Committee during the year ended 31 December 2025.

The Board of Directors endorses the remuneration policy for the MSBAL Group and its branch. The remuneration policy takes into consideration the global practices of the Morgan Stanley Group on remuneration. In addition, local market and competitor practices are also taken into consideration in determining the MSBAL Group's remuneration policy.

In order to align with the revised SPM CG-5 requirements, during the year ended 31 December 2023, the Board Remuneration and Culture, Values and Conduct Committee has reviewed and endorsed an insertion of a new section "Section 5: Senior Management & Key Personnel" to the MSBAL Remuneration Policy such that the In-scope Senior Management & Key Personnel employees receive incentive compensation in the form of Morgan Stanley restricted stock units with an extended vesting period of up to four years to reflect their seniority, roles and responsibilities within the MSBAL Group and to achieve effective alignment of their incentive awards to the time horizon of risks. A review of the In-scope employees will be conducted by MSBAL Management, Compliance and Human Resources and name lists to be approved by the MSBAL Remuneration and Culture, Values and Conduct Committee on an annual basis.

Senior management is defined as those persons who are responsible for oversight of the MSBAL Group's strategy or activities and/or those of the MSBAL Group'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 the MSBAL Group. For the year ended 31 December 2025, the MSBAL Group has 21 senior management and no key personnel. Quantitative information on the remuneration for senior management and key personnel is set out in Templates REM1, REM2 and REM3 below.

Remuneration structure

Firm compensation programs must be designed with consideration towards: (1) achieving an appropriate balance between fixed and variable compensation, (2) achieving an appropriate balance between current and deferred compensation, and (3) incorporating, as appropriate, other features, including cancellation and clawback provisions, which align incentives with the Firm's compensation objectives. Applicable independent risk management and control function personnel must have a meaningful role in the design of incentive compensation arrangements.

The MSBAL Group's remuneration policies and procedures are consistent with those of the Morgan Stanley Group. The Morgan Stanley Group is committed to responsible and effective compensation program, which is continually evaluated with a view towards balancing the following objectives, all of which support shareholders' interests:

Deliver Pay for Sustainable Performance

The Morgan Stanley Group applies "pay-for-performance" philosophy that aims to reward employees for the achievement of both financial and non-financial risk metrics and adherence to standards, including with respect to risk management. The Morgan Stanley Group rewards employees by directly linking compensation to performance based on their annual objective setting and annual performance evaluation, conduct, taking account of the overall performance of the MSBAL Group as a whole over the longer term; performance of the relevant business units; contribution of individual employees to the above performance; and outlook of the overall Morgan Stanley Group.

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Y. REMUNERATION (CONTINUED)

Table REMA: Remuneration policy (continued)

Remuneration structure (continued)

Deliver Pay for Sustainable Performance (continued)

Compensation programs for the majority of employees is comprised of two key elements, including base salary and discretionary compensation which may be payable in cash or partially in cash and partially in deferred compensation awards depending on the level of total compensation, seniority and the role of the employees.

In addition, for employees in the most senior roles, an appropriate portion of compensation is delivered in the form of long-term incentive awards, which closely tie such employees' compensation to the Morgan Stanley Group's long-term performance.

Investment Representatives ("IRs") are also eligible to receive commissions, which are formulaically calculated based on predetermined production goals and also payable in cash or partially in cash and partially in deferred compensation awards.

Align Employees' Compensation with Shareholders' Interests

The Morgan Stanley Group links an appropriate portion of employees' incentive compensation to deferred incentives that are subject to cancellation and clawback, over a multi-year-period, and tie that compensation directly to the Firm's stock price through grants of deferred equity awards.

Attract and Retain Top Talent

The Morgan Stanley Group competes for talent globally with other banks and financial institutions. The Morgan Stanley Group continually monitors competitive pay levels and structures its incentive awards to attract and retain the most qualified employees.

Mitigate Excessive Risk-Taking

The Compensation, Management Development and Succession Committee (the "CMDS Committee") of the Morgan Stanley Group is advised by the Morgan Stanley Group's CRO and the CMDS Committee's independent compensation consultant to help ensure that the structure and design of compensation arrangements disincentivise unnecessary or excessive risk-taking that threatens the Morgan Stanley Group's interests or give rise to risks that could have a material adverse effect on the Morgan Stanley Group.

To avoid conflicts of interest, compensation decisions for employees in risk control functions (including risk management, financial control, compliance, legal and internal audit functions) are determined by senior management of these divisions, wholly independent of the performance of the business units, and not by the management of the business units.

Remuneration process

Annually, senior management of the Morgan Stanley Group proposes and works with the members of the Morgan Stanley Group's Operating Committee (including the CRO of the Morgan Stanley Group) and the Board of Directors of the Morgan Stanley Group to establish financial and non-financial performance priorities that are aligned with the Morgan Stanley Group's business strategy and to incorporate risk-adjusted measures and objectives.

The CRO of the Morgan Stanley Group evaluates the Morgan Stanley Group's current compensation programs on annual basis and has determined that such programs do not encourage excessive risk-taking behavior, due in part to (i) the balance of fixed compensation and variable compensation; (ii) the balance between short-term and long-term incentives; (iii) mandatory deferrals into both equity-based and/or cash-based incentives programs; (iv) the governance procedures followed in making compensation decisions; and (v) the risk-mitigating features of the deferred incentive compensation awards, such as cancellation and clawback provisions. Details of the deferred compensation plans are set out in note 30 to the financial statements.

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Y. REMUNERATION (CONTINUED)

Table REMA: Remuneration policy (continued)

Remuneration process (continued)

The overall discretionary bonus pool is established in consultation with the CMDS Committee. The CMDS Committee reviews firmwide financial performance, including risk-adjusted returns and capital efficiency, as part of its assessment of the appropriate size of the aggregate incentive compensation pool. Employee eligibility for bonus compensation is discretionary and bonus decisions are subject to a multi-dimensional process, which considers financial and non-financial individual, business unit and Morgan Stanley Group's performance measures.

Non-financial performance criteria that may be taken into account in deciding whether to award, and the amount of any bonus compensation, include (but are not limited to):

- Individual conduct, including but not limited to, adherence to the Morgan Stanley Group's Code of Conduct and policies and the Morgan Stanley Group's cultural values;
- Contribution to the performance and profitability of both the business unit and the Morgan Stanley Group and the strategic objectives of the Morgan Stanley Group, business unit and the team and the associated value attributed to the role;
- Commercial impact, including business/functional knowledge and judgment, client relationships, innovation and execution;
- Leadership skills, including teamwork, communication and management;
- Professional skills, including recruiting, diversity and inclusion; and
- Adherence to compliance and risk policies, including ethics, control and risk management.

Senior management of the Morgan Stanley Group and the CMDS Committee oversee the Morgan Stanley Group's controls regarding the year-end compensation process to help eliminate incentives for excessive risk-taking, including:

- Sizing the incentive compensation pool to more fully consider risk-adjusted returns, compliance with risk limits and the market and competitive environment;
- Allocating the incentive compensation pool among businesses after consideration of the business' returns on certain financial and return on capital metrics;
- Delivering a substantial portion of compensation in multi-year deferrals subject to malus/cancellation;
- Directing compensation managers to consider malus/cancellation events and an employee's risk management activities and outcomes in making compensation decisions; and
- Undertaking a rigorous review process by risk control functions to identify potential malus/cancellation situations.

In addition, on an annual basis, business heads and Operating Committee members representing the Morgan Stanley Group's revenue-generating divisions will prepare a Pay and Performance Analysis report that is presented to the CMDS Committee. This report sets the stage for the CMDS Committee to understand the outcomes of pay from the prior year relative to the market, and the linkage of prior year pay and performance. In turn, this enables the CMDS Committee to consider where the starting baseline of pay either trails or leads the market and whether such a position is warranted or should be rectified in light of current year known performance. Compensation outcomes are symmetric with risk outcomes at the Morgan Stanley Group level.

The MSBAL Group's remuneration policy provides the MSBAL Group ability to adjust commission payments, discretionary bonus, and cancel unvested deferrals where the employee's conduct fall below the MSBAL Group's standard and expectation.

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Y. REMUNERATION (CONTINUED)

Template REM1: Remuneration awarded during financial year

Below table shows the quantitative information on remuneration for the year ended 31 December 2025.

Remuneration amount and quantitative information			2025	
			Senior management US\$'000	Key personnel US\$'000
1	Fixed remuneration	Number of employees	21	—
2		Total fixed remuneration	5,406	—
3		Of which: cash-based	5,406	—
4		Of which: deferred	—	—
5		Of which: shares or other share-linked instruments	—	—
6		Of which: deferred	—	—
7		Of which: other forms	—	—
8		Of which: deferred	—	—
9	Variable remuneration	Number of employees	21	—
10		Total variable remuneration	17,454	—
11		Of which: cash-based	10,252	—
12		Of which: deferred	—	—
13		Of which: shares or other share-linked instruments	7,202	—
14		Of which: deferred	7,202	—
15		Of which: other forms	—	—
16		Of which: deferred	—	—
17	Total remuneration		22,860	—

Notes:

1. Fixed remuneration includes base salary, pension contribution, extra payments, sign-on bonus, termination payments and other allowances where applicable.
2. Variable remuneration includes cash bonus and deferred stock units.

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Y. REMUNERATION (CONTINUED)

Template REM2: Special payments

Below table shows the quantitative information on special payment for the year ended 31 December 2025.

Special payments	2025					
	Guaranteed bonuses		Sign-on awards		Severance payments	
	Number of employees	Total amount US\$'000	Number of employees	Total amount US\$'000	Number of employees	Total amount US\$'000
1 Senior management	—	—	—	—	2	281
2 Key personnel	—	—	—	—	—	—

Template REM3: Deferred remuneration

Below table shows the quantitative information on deferred and retained remuneration.

Deferred and retained remuneration	2025				
	Total amount of outstanding deferred remuneration US\$'000	Of which: Total amount of outstanding deferred and retained remuneration exposed to ex post explicit and/or implicit adjustment US\$'000	Total amount of amendment during the year due to ex post explicit adjustments US\$'000	Total amount of amendment during the year due to ex post implicit adjustments US\$'000	Total amount of deferred remuneration paid out in the financial year US\$'000
	1 Senior management				
2 Cash	—	—	—	—	—
3 Shares	13,499	13,499	—	7,319	8,256
4 Cash-linked instruments	—	—	—	—	—
5 Others	—	—	—	—	—
6 Key personnel					
7 Cash	—	—	—	—	—
8 Shares	—	—	—	—	—
9 Cash-linked instruments	—	—	—	—	—
10 Others	—	—	—	—	—
11 Total	13,499	13,499	—	7,319	8,256

Note:

Total amount of amendment to total amount of outstanding deferred remuneration during the year due to ex post implicit adjustments was an increase of US\$7,319,000 (2024: an increase of US\$4,677,000), mainly due to an increase (2024: an increase) in market price of Morgan Stanley common stock during the year in relation to deferred share-based compensation.