

MORGAN STANLEY BANK ASIA LIMITED

Unaudited Quarterly Financial Disclosure Statement

As at 31 March 2023

MORGAN STANLEY BANK ASIA LIMITED

**UNAUDITED QUARTERLY FINANCIAL DISCLOSURE STATEMENT
As at 31 March 2023**

CONTENTS	PAGE
A. Basis of Preparation	1
B. Key Prudential Ratios, Overview of Risk Management and Risk-Weighted Amount	2
C. Leverage Ratio	4

MORGAN STANLEY BANK ASIA LIMITED

UNAUDITED QUARTERLY FINANCIAL DISCLOSURE STATEMENT As at 31 March 2023

A. BASIS OF PREPARATION

Corporate information

Morgan Stanley Bank Asia Limited (“MSBAL”, or the “Company”) is a private limited company incorporated in Hong Kong, with a head office in Hong Kong and a branch in Singapore. The Company has a subsidiary, Morgan Stanley Bank International (China) Limited, which is incorporated in China. MSBAL and its subsidiary together form the MSBAL Group (the “MSBAL Group”).

Basis of preparation

The unaudited quarterly financial disclosure statement 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.

The capital adequacy ratios of the MSBAL Group were calculated in accordance with Banking (Capital) Rules. The following approaches are used to calculate its capital charge for:

- (a) credit risk: Standardised (Credit Risk) Approach (“STC approach”);
- (b) counterparty credit risk: Standardised (Counterparty Credit Risk) Approach (“SA-CCR approach”);
- (c) operational risk: Basic Indicator Approach (“BIA approach”); and
- (d) market risk: Standardised (Market Risk) Approach (“STM approach”).

Where applicable, the templates and tables disclosed as part of the unaudited quarterly financial disclosure statement 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 QUARTERLY FINANCIAL DISCLOSURE STATEMENT As at 31 March 2023

B. KEY PRUDENTIAL RATIOS, OVERVIEW OF RISK MANAGEMENT AND RISK-WEIGHTED AMOUNT

Template KM1: Key Prudential Ratios

		The MSBAL Group				
		As at 31 March 2023	As at 31 December 2022	As at 30 September 2022	As at 30 June 2022	As at 31 March 2022
		USD'000	USD'000	USD'000	USD'000	USD'000
Regulatory capital (amount)						
1	Common Equity Tier 1 ("CET1")	1,532,181	1,488,405	1,459,364	1,430,636	1,409,697
2	Tier 1	1,532,181	1,488,405	1,459,364	1,430,636	1,409,697
3	Total capital	1,547,161	1,504,334	1,473,938	1,443,836	1,426,854
Risk-weighted amount ("RWA") (amount)						
4	Total RWA	2,230,786	2,266,195	2,165,505	2,038,196	2,391,293
Risk-based regulatory capital ratios (as a percentage of RWA)						
5	CET1 ratio (%)	69%	66%	67%	71%	59%
6	Tier 1 ratio (%)	69%	66%	67%	71%	59%
7	Total capital ratio (%)	69%	66%	68%	71%	60%
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 (%)	0.506%	0.484%	0.416%	0.379%	0.393%
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 (%)	3.006%	2.984%	2.916%	2.879%	2.893%
12	CET1 available after meeting the AI's minimum capital requirements (%)	61%	58%	60%	63%	52%
Basel III leverage ratio						
13	Total leverage ratio ("LR") exposure measure	8,062,208	7,738,008	7,784,942	9,236,779	10,572,757
14	LR (%)	19%	19%	19%	16%	13%
Liquidity Maintenance Ratio ("LMR")						
17a	LMR (%) ⁽¹⁾	68%	72%	67%	70%	69%
Core Funding Ratio ("CFR")						
20a	CFR (%) ⁽¹⁾⁽²⁾	219%	245%	265%	295%	260%

Note 1: 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 are not required, under the Banking (Liquidity) Rules, to calculate Liquidity Coverage Ratio or Net Stable Funding Ratio for its liquidity risk.

Note 2: Decrease in average CFR during the first quarter of 2023 is mainly due to a decrease in average deposits from customers and increase in average loans and advances.

MORGAN STANLEY BANK ASIA LIMITED

UNAUDITED QUARTERLY FINANCIAL DISCLOSURE STATEMENT As at 31 March 2023

B. KEY PRUDENTIAL RATIOS, OVERVIEW OF RISK MANAGEMENT AND RISK-WEIGHTED AMOUNT (CONTINUED)

Template OV1: Overview of RWA

		The MSBAL Group		
		RWA		Minimum capital requirements ⁽¹⁾
		As at 31 March 2023 USD'000	As at 31 December 2022 USD'000	As at 31 March 2023 USD'000
1	Credit risk for non-securitization exposures	1,140,940	1,246,358	91,275
2	Of which Standardised (Credit Risk) Approach (“STC approach”)	1,140,940	1,246,358	91,275
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	-	-	-
6	Counterparty default risk and default fund contributions	57,416	27,987	4,593
7	Of which Standardised (Counterparty Credit Risk) (“SA-CCR”) Approach	21,302	2,603	1,704
7a	Of which Current Exposure Method (“CEM”)	-	-	-
8	Of which Internal Models (Counterparty Credit Risk) Approach (“IMM(CCR) approach”)	-	-	-
9	Of which others	36,114	25,384	2,889
10	Credit Valuation Adjustment (“CVA”) risk	9,037	1,851	723
11	Equity positions in banking book under the simple risk-weight method and internal models method	-	-	-
12	Collective investment scheme (“CIS”) exposures – Look-Through Approach (“LTA”)	-	-	-
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	52,959	41,135	4,237
21	Of which Standardised (Market Risk) Approach (“STM approach”)	52,959	41,135	4,237
22	Of which Internal Models Approach (“IMM approach”)	-	-	-
23	Capital charge for switch between exposures in trading book and banking book (not applicable before the revised market risk framework takes effect)	Not applicable		
24	Operational risk	952,325	943,296	76,186
24a	Sovereign concentration risk	22,364	6,287	1,789
25	Amounts below the thresholds for deduction (subject to 250% Risk-Weight (“RW”))	-	-	-
26	Capital floor adjustment	-	-	-
26a	Deduction to RWA	4,255	719	340
26b	Of which portion of regulatory reserve for general banking risks and collective provisions which is not included in Tier 2 Capital	4,255	719	340
26c	Of which portion of cumulative fair value gains arising from the revaluation of land and buildings which is not included in Tier 2 Capital	-	-	-
27	Total	2,230,786	2,266,195	178,463

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”.

MORGAN STANLEY BANK ASIA LIMITED

UNAUDITED QUARTERLY FINANCIAL DISCLOSURE STATEMENT As at 31 March 2023

C. LEVERAGE RATIO

Template LR2: Leverage Ratio

		The MSBAL Group	
		As at 31 March 2023	As at 31 December 2022
		USD'000	USD'000
On-balance sheet exposures			
1	On-balance sheet exposures (excluding those arising from derivative contracts and securities financing transactions ("SFTs"), but including collateral)	4,958,876	4,912,886
2	Less: Asset amounts deducted in determining Tier 1 capital	(28,444)	(29,374)
3	Total on-balance sheet exposures (excluding derivative contracts and SFTs)	4,930,432	4,883,512
Exposures arising from derivative contracts			
4	Replacement cost associated with all derivative contracts (where applicable net of eligible cash variation margin and/or with bilateral netting)	-	-
5	Add-on amounts for potential future exposure ("PFE") associated with all derivative contracts	51,126	26,493
6	Gross-up for collateral provided in respect of derivative contracts where deducted from the balance sheet assets pursuant to the applicable accounting framework	-	-
7	Less: Deductions of receivables assets for cash variation margin provided under derivative contracts	-	-
8	Less: Exempted Central Counterparty ("CCP") leg of client-cleared trade exposures	-	-
9	Adjusted effective notional amount of written credit-related derivative contracts	-	-
10	Less: Adjusted effective notional offsets and add-on deductions for written credit-related derivative contracts	-	-
11	Total exposures arising from derivative contracts	51,126	26,493
Exposures arising from SFTs			
12	Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	3,066,434	2,813,802
13	Less: Netted amounts of cash payables and cash receivables of gross SFT assets	-	-
14	Counterparty Credit Risk ("CCR") exposure for SFT assets	7,621	8,662
15	Agent transaction exposures	-	-
16	Total exposures arising from SFTs	3,074,055	2,822,464
Other off-balance sheet exposures			
17	Off-balance sheet exposure at gross notional amount	7,327	6,386
18	Less: Adjustments for conversion to credit equivalent amounts	-	-
19	Off-balance sheet items	7,327	6,386
Capital and total exposures			
20	Tier 1 capital	1,532,181	1,488,405
20a	Total exposures before adjustments for specific and collective provisions	8,062,940	7,738,855
20b	Adjustments for specific and collective provisions	(732)	(847)
21	Total exposures after adjustments for specific and collective provisions	8,062,208	7,738,008
Leverage ratio			
22	Leverage ratio	19%	19%