

MORGAN STANLEY BANK ASIA LIMITED

Unaudited Quarterly Financial Disclosure Statement

As at 31 March 2024

MORGAN STANLEY BANK ASIA LIMITED

**UNAUDITED QUARTERLY FINANCIAL DISCLOSURE STATEMENT
As at 31 March 2024**

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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.

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

Template KM1: Key Prudential Ratios

		The MSBAL Group				
		As at 31 March 2024	As at 31 December 2023	As at 30 September 2023	As at 30 June 2023	As at 31 March 2023
		USD'000	USD'000	USD'000	USD'000	USD'000
Regulatory capital (amount)						
1	Common Equity Tier 1 ("CET1")	1,714,937	1,650,800	1,627,674	1,582,895	1,532,181
2	Tier 1	1,714,937	1,650,800	1,627,674	1,582,895	1,532,181
3	Total capital	1,733,825	1,667,928	1,644,933	1,595,709	1,547,161
Risk-weighted amount ("RWA") (amount)						
4	Total RWA	2,581,193	2,462,698	2,454,528	2,095,034	2,230,786
Risk-based regulatory capital ratios (as a percentage of RWA)						
5	CET1 ratio (%)	66%	67%	66%	76%	69%
6	Tier 1 ratio (%)	66%	67%	66%	76%	69%
7	Total capital ratio (%)	67%	68%	67%	76%	69%
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 (%)	0.599%	0.616%	0.635%	0.552%	0.506%
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 (%)	3.099%	3.116%	3.135%	3.052%	3.006%
12	CET1 available after meeting the AI's minimum capital requirements (%)	59%	60%	59%	68%	61%
Basel III leverage ratio						
13	Total leverage ratio ("LR") exposure measure	7,947,723	7,599,882	7,644,811	7,921,239	8,062,208
14	LR (%)	22%	22%	21%	20%	19%
Liquidity Maintenance Ratio ("LMR")						
17a	LMR (%) ⁽¹⁾	71%	70%	72%	73%	68%
Core Funding Ratio ("CFR")						
20a	CFR (%) ⁽¹⁾⁽²⁾	236%	202%	226%	236%	219%

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: Increase in average CFR during the first quarter of 2024 is mainly due to a decrease in average total loans and advances.

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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 2024 USD'000	As at 31 December 2023 USD'000	As at 31 March 2024 USD'000
1	Credit risk for non-securitization exposures	1,451,073	1,342,503	116,086
2	Of which Standardised (Credit Risk) Approach ("STC approach")	1,451,073	1,342,503	116,086
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	60,014	27,710	4,801
7	Of which Standardised (Counterparty Credit Risk) ("SA-CCR") Approach	31,535	5,531	2,523
7a	Of which Current Exposure Method ("CEM")	-	-	-
8	Of which Internal Models (Counterparty Credit Risk) Approach ("IMM(CCR) approach")	-	-	-
9	Of which others	28,479	22,179	2,278
10	Credit Valuation Adjustment ("CVA") risk	13,320	3,838	1,066
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	37,600	74,902	3,008
21	Of which Standardised (Market Risk) Approach ("STM approach")	37,600	74,902	3,008
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	1,020,771	1,016,784	81,662
24a	Sovereign concentration risk	-	-	-
25	Amounts below the thresholds for deduction (subject to 250% Risk-Weight ("RW"))	-	-	-
26	Capital floor adjustment	-	-	-
26a	Deduction to RWA	1,585	3,039	127
26b	Of which portion of regulatory reserve for general banking risks and collective provisions which is not included in Tier 2 Capital	1,585	3,039	127
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	2,581,193	2,462,698	206,496

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".

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C. LEVERAGE RATIO

Template LR2: Leverage Ratio

		The MSBAL Group	
		As at 31 March 2024	As at 31 December 2023
		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)	5,570,522	5,695,408
2	Less: Asset amounts deducted in determining Tier 1 capital	(31,204)	(33,720)
3	Total on-balance sheet exposures (excluding derivative contracts and SFTs)	5,539,318	5,661,688
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)	49,468	465
5	Add-on amounts for potential future exposure ("PFE") associated with all derivative contracts	56,682	41,454
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	106,150	41,919
Exposures arising from SFTs			
12	Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions ⁽¹⁾	2,284,013	1,877,457
13	Less: Netted amounts of cash payables and cash receivables of gross SFT assets	-	-
14	Counterparty Credit Risk ("CCR") exposure for SFT assets	11,743	12,402
15	Agent transaction exposures	-	-
16	Total exposures arising from SFTs	2,295,756	1,889,859
Other off-balance sheet exposures			
17	Off-balance sheet exposure at gross notional amount	7,043	7,070
18	Less: Adjustments for conversion to credit equivalent amounts	-	-
19	Off-balance sheet items	7,043	7,070
Capital and total exposures			
20	Tier 1 capital	1,714,937	1,650,800
20a	Total exposures before adjustments for specific and collective provisions	7,948,267	7,600,536
20b	Adjustments for specific and collective provisions	(544)	(654)
21	Total exposures after adjustments for specific and collective provisions	7,947,723	7,599,882
Leverage ratio			
22	Leverage ratio	22%	22%

Note 1: Increase in exposure arising from SFTs, along with a decrease in investment securities (included in on-balance sheet exposures), is part of the liquidity management activities of the MSBAL Group.