

**MORGAN STANLEY BANK ASIA LIMITED**

**Interim Financial Disclosure Statements**

**For the six months ended 30 June 2022**

# **MORGAN STANLEY BANK ASIA LIMITED**

## **INTERIM FINANCIAL DISCLOSURE STATEMENTS**

**For the six months ended 30 June 2022**

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# **MORGAN STANLEY BANK ASIA LIMITED**

## **CORPORATE INFORMATION**

### **For the six months ended 30 June 2022**

The Directors of Morgan Stanley Bank Asia Limited (the “Company”) hereby present the unaudited interim financial disclosure statements of the Company for the period ended 30 June 2022. The interim financial disclosure statements are prepared in accordance with the Banking (Disclosure) Rules pursuant to Section 60A of the Hong Kong Banking Ordinance. Except where indicated otherwise, the financial information contained in this Interim Financial Disclosure Statement has been prepared on a Company-level standalone basis. According to the Banking (Disclosure) Rules, disclosure of comparative information is not required unless otherwise specified in the standard disclosure templates.

### **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 Hong Kong Securities and Futures Ordinance.

The principal activities of the Company are to engage in the business of banking including deposit taking and lending. It also acts (a) as agent on behalf of its customers in connection with the provision of general investment, securities and futures dealing, as well as discretionary management and (b) as introducing broker to Morgan Stanley & Co. International plc for the provision of clearance, settlement and custody services in relation to the aforementioned transactions.

On 15 March 2022, 260,000,000 ordinary shares were issued by the Company to Morgan Stanley Hong Kong 1238 Limited (“MSHK1238”) for a cash consideration of US\$260,000,000 (the “capital injection”).

On 29 March 2022, the Company acquired all the ordinary shares of Morgan Stanley Bank International (China) Limited (“MSBIC”, or the “subsidiary”) from Morgan Stanley Bank International Limited (“MSBIL”) at a consideration of US\$262,347,618 (the “acquisition”). Post acquisition, MSBAL and its subsidiary together form the MSBAL Group (the “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”).

### **REQUIREMENT IN CONNECTION WITH PUBLICATION OF FINANCIAL STATEMENTS**

The financial information relating to the year ended 31 December 2021 that is included in the unaudited interim financial disclosure statements for the six months ended 30 June 2022 as comparative information does not constitute the Company’s statutory annual financial statements for the year ended 31 December 2021 but is derived from the audited financial statements for the year ended 31 December 2021. Further information related to the audited financial statements for the year ended 31 December 2021 required to be disclosed in accordance with section 436 of the Companies Ordinance is as follows:

# **MORGAN STANLEY BANK ASIA LIMITED**

## **CORPORATE INFORMATION**

**For the six months ended 30 June 2022**

### **REQUIREMENT IN CONNECTION WITH PUBLICATION OF FINANCIAL STATEMENTS (CONTINUED)**

As the Company is a private company, the Company is not required to deliver its financial statements to the Registrar of Companies, and has not done so.

The Company's auditor has reported on the audited financial statements for the year ended 31 December 2021. The auditor's report was unqualified; did not include a reference to any matter to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under section 406(2), 407(2) or (3) of the Companies Ordinance.

Signed on behalf of the Board

Chui, Vincent Yik Chiu  
Director  
27 September 2022

# MORGAN STANLEY BANK ASIA LIMITED

## UNAUDITED INCOME STATEMENT

For the six months ended 30 June 2022

		For the six months ended	For the six months ended
	Note	30 June 2022	30 June 2021
		US\$'000	US\$'000
Interest income		28,644	22,066
Interest expense		(2,831)	(5,542)
<b>Net interest income</b>	1	<u>25,813</u>	<u>16,524</u>
Fee and commission income		165,391	295,332
Fee and commission expense		(660)	(462)
<b>Net fee and commission income</b>	2	<u>164,731</u>	<u>294,870</u>
Net (losses) / gains from financial instruments at fair value through profit or loss		(19,172)	12,143
Net losses on derecognition of financial assets measured at fair value through other comprehensive income ("FVOCI")		(59)	-
Other revenue	3	37,240	3,506
<b>Total non-interest revenues</b>		<u>182,740</u>	<u>310,519</u>
Net revenues		<u>208,553</u>	<u>327,043</u>
Non-interest expense:			
Other expense	4	(171,060)	(227,976)
Net reversal of impairment loss on financial instruments		1	37
<b>PROFIT BEFORE INCOME TAX</b>		<u>37,494</u>	<u>99,104</u>
Income tax	5	(4,614)	(15,570)
<b>PROFIT FOR THE PERIOD</b>		<u><u>32,880</u></u>	<u><u>83,534</u></u>

The notes on pages 7 to 35 form an integral part of the financial disclosure statements.

# MORGAN STANLEY BANK ASIA LIMITED

## UNAUDITED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2022

	For the six months ended 30 June 2022 US\$'000	For the six months ended 30 June 2021 US\$'000
<b>PROFIT FOR THE PERIOD</b>	<u>32,880</u>	<u>83,534</u>
<b>Items that may be reclassified subsequently to profit or loss:</b>		
FVOCI reserve:		
Net change in fair value	(934)	(69)
Net amount reclassified to income statement	59	-
	<u>          </u>	<u>          </u>
<b>OTHER COMPREHENSIVE INCOME AFTER INCOME TAX</b>	<u>(875)</u>	<u>(69)</u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<u><u>32,005</u></u>	<u><u>83,465</u></u>

The notes on pages 7 to 35 form an integral part of the financial disclosure statements.

**MORGAN STANLEY BANK ASIA LIMITED**

**UNAUDITED STATEMENT OF CHANGES IN EQUITY**  
**For the six months ended 30 June 2022**

	<b>Share capital</b>	<b>FVOCI reserve</b>	<b>Retained earnings</b>	<b>Total</b>
	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>
<b>Balance at 1 January 2021</b>	670,000	35	354,042	1,024,077
<b>Profit for the year</b>	-	-	145,018	145,018
Other comprehensive income for the year:				
FVOCI reserve:				
Net change in fair value	-	22	-	22
<b>Total comprehensive income for the year</b>	<u>-</u>	<u>22</u>	<u>145,018</u>	<u>145,040</u>
<b>Balance at 31 December 2021 and 1 January 2022</b>	670,000	57	499,060	1,169,117
<b>Profit for the period</b>	-	-	32,880	32,880
Other comprehensive income for the period:				
FVOCI reserve:				
Net change in fair value	-	(934)	-	(934)
Net amount reclassified to income statement	-	59	-	59
<b>Total comprehensive income for the period</b>	<u>-</u>	<u>(875)</u>	<u>32,880</u>	<u>32,005</u>
Transaction with owner:				
Issue of share capital	260,000	-	-	260,000
<b>Balance at 30 June 2022</b>	<u>930,000</u>	<u>(818)</u>	<u>531,940</u>	<u>1,461,122</u>

The notes on pages 7 to 35 form an integral part of the financial disclosure statements.

# MORGAN STANLEY BANK ASIA LIMITED

## NOTES TO THE UNAUDITED FINANCIAL INFORMATION For the six months ended 30 June 2022

	Note	As at 30 June 2022 US\$'000	As at 31 December 2021 US\$'000
<b>ASSETS</b>			
Cash and short-term deposits	7	1,614,279	965,337
Trading financial assets	8	94,595	32,303
Secured financing	9	2,877,258	466,245
Loans and advances	10	2,995,854	4,073,273
Investment securities	11	1,106,769	4,297,072
Trade and other receivables		77,770	62,617
Deferred tax assets		11,512	15,603
Prepayments		2,624	858
Investment in subsidiary		262,348	-
<b>TOTAL ASSETS</b>		<u>9,043,009</u>	<u>9,913,308</u>
<b>LIABILITIES AND EQUITY</b>			
<b>LIABILITIES</b>			
Deposits	12	7,306,612	8,513,635
Trading financial liabilities	8	11,576	24,372
Trade and other payables		253,046	188,165
Current tax liabilities		9,519	16,998
Accruals		1,134	1,021
<b>TOTAL LIABILITIES</b>		<u>7,581,887</u>	<u>8,744,191</u>
<b>EQUITY</b>			
Share capital		930,000	670,000
FVOCI reserve		(818)	57
Retained earnings		531,940	499,060
<b>Equity attributable to owner of the Company</b>		<u>1,461,122</u>	<u>1,169,117</u>
<b>TOTAL EQUITY</b>		<u>1,461,122</u>	<u>1,169,117</u>
<b>TOTAL LIABILITIES AND EQUITY</b>		<u>9,043,009</u>	<u>9,913,308</u>

The notes on pages 7 to 35 form an integral part of the financial disclosure statements.



# MORGAN STANLEY BANK ASIA LIMITED

## NOTES TO THE UNAUDITED FINANCIAL INFORMATION For the six months ended 30 June 2022

### 1. INTEREST INCOME AND INTEREST EXPENSE

The table below presents interest income and expense by accounting classification. Interest income and expense is calculated using the effective interest rate method for financial assets and financial liabilities measured at amortised cost and financial assets measured at FVOCI. Interest income includes realised interest on certain financial assets measured at fair value through profit or loss (“FVPL”).

	<b>For the six months ended 30 June 2022</b>	<b>For the six months ended 30 June 2021</b>
	<b>US\$'000</b>	<b>US\$'000</b>
Financial assets measured at amortised cost	24,544	20,556
Financial assets measured at FVOCI	3,759	1,467
<b>Financial assets not measured at FVPL</b>	<u>28,303</u>	<u>22,023</u>
Non-trading financial assets measured at FVPL	341	43
<b>Financial assets measured at FVPL</b>	<u>341</u>	<u>43</u>
<b>Total interest income</b>	<u><u>28,644</u></u>	<u><u>22,066</u></u>
Financial liabilities measured at amortised cost	(2,831)	(5,542)
<b>Total interest expense</b>	<u><u>(2,831)</u></u>	<u><u>(5,542)</u></u>
<b>Net interest income</b>	<u><u>25,813</u></u>	<u><u>16,524</u></u>

No other gains or losses have been recognised in respect of financial assets measured at amortised cost other than as disclosed as ‘Interest income’ and foreign exchange differences disclosed in ‘Other revenue’ (note 3) or ‘Other expense’ (note 4).

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 3) or ‘Other expense’ (note 4).

## MORGAN STANLEY BANK ASIA LIMITED

### NOTES TO THE UNAUDITED FINANCIAL INFORMATION For the six months ended 30 June 2022

#### 2. FEE AND COMMISSIONS

	For the six months ended 30 June 2022 US\$'000	For the six months ended 30 June 2021 US\$'000
Fee and commission income:		
Sales commissions and fees	165,391	295,332
<b>Total fee and commission income</b>	<u>165,391</u>	<u>295,332</u>
<i>Of which, revenue from contracts with customers</i>	6,271	14,643
Fee and commission expense:		
Sales commissions and fees	(660)	(462)
<b>Total fee and commission expense</b>	<u>(660)</u>	<u>(462)</u>
<b>Net fee and commission income</b>	<u>164,731</u>	<u>294,870</u>

#### 3. OTHER REVENUE

	For the six months ended 30 June 2022 US\$'000	For the six months ended 30 June 2021 US\$'000
Net foreign exchange gains	33,857	-
Management charges to other Morgan Stanley Group undertakings	3,367	3,454
Others	16	52
	<u>37,240</u>	<u>3,506</u>

# MORGAN STANLEY BANK ASIA LIMITED

## NOTES TO THE UNAUDITED FINANCIAL INFORMATION For the six months ended 30 June 2022

### 4. OTHER EXPENSE

	For the six months ended 30 June 2022	For the six months ended 30 June 2021
	US\$'000	US\$'000
Staff costs	116,835	171,633
Management charges from other Morgan Stanley Group undertakings	46,154	41,375
Net foreign exchange losses	-	9,535
Others	8,071	5,433
	<u>171,060</u>	<u>227,976</u>

### 5. INCOME TAX

	For the six months ended 30 June 2022	For the six months ended 30 June 2021
	US\$'000	US\$'000
<b>Current tax</b>		
Hong Kong	-	14,766
Other jurisdiction	629	2,484
<b>Deferred tax</b>	<u>3,985</u>	<u>(1,680)</u>
<b>Income tax</b>	<u>4,614</u>	<u>15,570</u>

## MORGAN STANLEY BANK ASIA LIMITED

### NOTES TO THE UNAUDITED FINANCIAL INFORMATION For the six months ended 30 June 2022

#### 6. FINANCIAL ASSETS AND LIABILITIES BY MEASUREMENT CATEGORY

The following table analyses financial assets and financial liabilities as at 30 June 2022 presented in the unaudited statement of financial position.

	FVPL (mandatorily)	FVOCI	Amortised cost	Total
As at 30 June 2022	US\$'000	US\$'000	US\$'000	US\$'000
Cash and short-term deposits	-	-	1,614,279	1,614,279
Trading financial assets	94,595	-	-	94,595
Secured financing	2,877,258	-	-	2,877,258
Loans and advances	-	-	2,995,854	2,995,854
Investment securities	-	1,106,769	-	1,106,769
Trade and other receivables	-	-	77,770	77,770
<b>Total financial assets</b>	<b>2,971,853</b>	<b>1,106,769</b>	<b>4,687,903</b>	<b>8,766,525</b>
Deposits	-	-	7,306,612	7,306,612
Trading financial liabilities	11,576	-	-	11,576
Trade and other payables	-	-	253,046	253,046
<b>Total financial liabilities</b>	<b>11,576</b>	<b>-</b>	<b>7,559,658</b>	<b>7,571,234</b>

The following table analyses financial assets and financial liabilities as at 31 December 2021 presented in the statement of financial position.

	FVPL (mandatorily)	FVOCI	Amortised cost	Total
As at 31 December 2021	US\$'000	US\$'000	US\$'000	US\$'000
Cash and short-term deposits	-	-	965,337	965,337
Trading financial assets	32,303	-	-	32,303
Secured financing	466,245	-	-	466,245
Loans and advances	-	-	4,073,273	4,073,273
Investment securities	-	4,297,072	-	4,297,072
Trade and other receivables	-	-	62,617	62,617
<b>Total financial assets</b>	<b>498,548</b>	<b>4,297,072</b>	<b>5,101,227</b>	<b>9,896,847</b>
Deposits	-	-	8,513,635	8,513,635
Trading financial liabilities	24,372	-	-	24,372
Trade and other payables	-	-	188,165	188,165
<b>Total financial liabilities</b>	<b>24,372</b>	<b>-</b>	<b>8,701,800</b>	<b>8,726,172</b>

# MORGAN STANLEY BANK ASIA LIMITED

## NOTES TO THE UNAUDITED FINANCIAL INFORMATION For the six months ended 30 June 2022

### 7. CASH AND SHORT-TERM DEPOSITS

Cash and short-term deposits as at 30 June 2022 included the placement with the HKMA of US\$1,035,509,000 (31 December 2021: US\$659,267,000) and the placement with the MAS of US\$7,544,000 (31 December 2021: US\$7,867,000).

### 8. TRADING FINANCIAL ASSETS AND LIABILITIES

Trading assets and trading liabilities are summarised as follows:

	As at 30 June 2022			As at 31 December 2021		
	Notional	Fair value		Notional	Fair value	
	amount	Assets	Liabilities	amount	Assets	Liabilities
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Derivatives:	<u>3,564,177</u>	<u>94,595</u>	<u>11,576</u>	<u>4,138,772</u>	<u>32,303</u>	<u>24,372</u>

The above derivative assets and liabilities are computed at a transaction level and shown on a gross basis with no offsetting presentation due to bilateral netting agreements.

### 9. SECURED FINANCING

	As at	As at
	30 June	31 December
	2022	2021
	US\$'000	US\$'000
Securities purchased under agreements to resell	<u>2,877,258</u>	<u>466,245</u>

### 10. LOANS AND ADVANCES

	As at	As at
	30 June	31 December
	2022	2021
	US\$'000	US\$'000
Loans and advances to customers	2,938,191	3,875,696
Loans and advances to other Morgan Stanley Group undertakings	<u>57,663</u>	<u>197,577</u>
	<u>2,995,854</u>	<u>4,073,273</u>

# MORGAN STANLEY BANK ASIA LIMITED

## NOTES TO THE UNAUDITED FINANCIAL INFORMATION For the six months ended 30 June 2022

### 11. INVESTMENT SECURITIES

	As at 30 June 2022 US\$'000	As at 31 December 2021 US\$'000
Government debt securities:		
US Treasury bills and securities	870,402	4,064,140
Singapore Government Treasury bills	179,332	162,830
HKMA Exchange Fund Bills & Notes	57,035	70,102
	<u>1,106,769</u>	<u>4,297,072</u>

### 12. DEPOSITS

	As at 30 June 2022 US\$'000	As at 31 December 2021 US\$'000
Deposits of banks		
Current account balances	4,040	2,842
Deposits of non-bank customers		
Current account balances	6,890,458	7,277,264
Term deposits	412,114	1,233,529
	<u>7,306,612</u>	<u>8,513,635</u>

### 13. OFF-BALANCE SHEET EXPOSURE OTHER THAN DERIVATIVE TRANSACTIONS

The Company does not have off-balance sheet exposures other than derivative transactions as at 30 June 2022.

# MORGAN STANLEY BANK ASIA LIMITED

## NOTES TO THE UNAUDITED FINANCIAL INFORMATION For the six months ended 30 June 2022

### 14. 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 is considered transferred from the location of the branch to that of the head office if the claims are on an overseas branch of a bank whose head office is located in another geographical area.

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	Non-bank private sector		Total	
		Official sector	Non-bank financial institutions		Non-bank private sector
As at 30 June 2022	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Developed countries	499,546	870,468	2,186,886	-	3,556,900
of which: United States	160,348	870,468	2,109	-	1,032,925
of which: Japan	38,382	-	2,055,706	-	2,094,088
Offshore centres	851,840	-	194,588	1,672,762	2,719,190
of which: Hong Kong	851,824	-	77,769	701,303	1,630,896
Developing Asia and Pacific	34,693	-	34,392	788,968	858,053

# MORGAN STANLEY BANK ASIA LIMITED

## NOTES TO THE UNAUDITED FINANCIAL INFORMATION For the six months ended 30 June 2022

### 15. 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. The risk transfers have been made if the claims are on an overseas branch of a bank whose head office is located in another geographical area.

As at 30 June 2022, loans and advances of the Company comprise (a) loans and advances to customers of US\$2,938,191,000 which is fully secured and (b) loans and advances to other Morgan Stanley Group undertakings of US\$57,663,000 which is unsecured.

	<b>As at 30 June 2022 US\$'000</b>
<b>Sector classification</b>	
<b>Loans and advances for use in Hong Kong</b>	
Industrial, commercial and financial:	
- Financial concerns	16,406
- Individuals	259,324
- Others <sup>(1)</sup>	744,698
<b>Loans and advances for use outside Hong Kong</b>	<u>1,975,426</u>
<b>Total</b>	<u><u>2,995,854</u></u>

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

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.

	<b>As at 30 June 2022 US\$'000</b>
<b>Geographical Areas</b>	
Hong Kong	1,020,428
West Indies UK	711,685
China	358,454
Singapore	340,587
Others	<u>564,700</u>
<b>Total</b>	<u><u>2,995,854</u></u>



## MORGAN STANLEY BANK ASIA LIMITED

### NOTES TO THE UNAUDITED FINANCIAL INFORMATION For the six months ended 30 June 2022

#### 16. OVERDUE AND RESCHEDULED ASSETS

The Company has no impaired, overdue or rescheduled assets as at 30 June 2022.

#### 17. MAINLAND ACTIVITIES

The disclosure in this note 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.

<b>As at 30 June 2022</b>	<b>On-balance sheet exposures</b>	<b>Off-balance sheet exposures <sup>(1)</sup></b>	<b>Total</b>
<b>Type of counterparties</b>	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>
Central governments, central government-owned entities and their subsidiaries and joint ventures (“JVs”)	18,449	52	18,501
The People’s Republic of China (“PRC”) nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	111,559	14,950	126,509
Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland	416,091	-	416,091
<b>Total</b>	<b>546,099</b>	<b>15,002</b>	<b>561,101</b>

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

## MORGAN STANLEY BANK ASIA LIMITED

### NOTES TO THE UNAUDITED FINANCIAL INFORMATION For the six months ended 30 June 2022

#### 18. 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 Group, in accordance with the Banking (Disclosure) Rules. The currency risk arising from the 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:

	<b>CNY</b>	<b>SGD</b>	<b>USD</b>
<b>As at 30 June 2022</b>	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>
Spot assets	1,090,388	238,377	4,346,886
Spot liabilities	(1,107,706)	(75,138)	(6,080,596)
Forward purchases	271,697	21,593	2,680,204
Forward sales	<u>(254,909)</u>	<u>(187,139)</u>	<u>(945,801)</u>
Net (short)/long position <sup>(1)</sup>	<u><u>(530)</u></u>	<u><u>(2,307)</u></u>	<u><u>693</u></u>

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

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

<b>As at 30 June 2022</b>	<b>US\$'000</b>
CNY	<u><u>8,037</u></u>

The Group has no option in any particular foreign currency as at 30 June 2022.

# MORGAN STANLEY BANK ASIA LIMITED

## NOTES TO THE UNAUDITED FINANCIAL INFORMATION For the six months ended 30 June 2022

### 19. PILLAR 3 DISCLOSURE

#### Basis of preparation

The Pillar 3 information under this note is prepared in accordance with the Banking (Disclosure) Rules. Upon completion of the acquisition of MSBIC, the HKMA required the Company to calculate its capital adequacy ratio on a consolidated basis. According to the Banking (Disclosure) Rules, starting from the reporting period ended 31 March 2022, the financial information contained in this note has been prepared on a consolidated basis (i.e. including the business of the subsidiary of the Company), unless otherwise indicated. For reporting periods on and before 31 December 2021 that were before the acquisition, the financial information includes the business of the Company only.

The capital adequacy ratios of the Company and the Group (where applicable) 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”) <sup>(1)</sup>.

Note 1: Applicable to reporting periods on and after 31 March 2022.

For reporting periods ended on and before 31 December 2021, there was no risk-weighted amount (“RWA”) for market risk for the Company because the Company was exempted by the HKMA from the calculation of market risk. Upon completion of the acquisition, the HKMA has revoked the exemption as the Group will no longer meet the threshold and conditions required for the exemption under the Banking (Capital) Rules. As a result, starting from the reporting period ended 31 March 2022, market risk RWA is calculated for the Group.

This document shows the standard disclosure templates specified by the HKMA in relation to the Pillar 3 disclosure under the Banking (Disclosure) Rules. Other specified templates or tables not disclosed below either are not applicable to the Company and the Group or have no reportable amount for the period.

# MORGAN STANLEY BANK ASIA LIMITED

## NOTES TO THE UNAUDITED FINANCIAL INFORMATION For the six months ended 30 June 2022

### 19. PILLAR 3 DISCLOSURE (CONTINUED)

#### Template KM1: Key Prudential Ratios

		The Group		The Company		
		As at 30 June 2022	As at 31 March 2022	As at 31 December 2021	As at 30 September 2021	As at 30 June 2021
		USD'000	USD'000	USD'000	USD'000	USD'000
	Regulatory capital (amount)					
1	Common Equity Tier 1 ("CET1")	1,430,636	1,409,697	1,133,128	1,098,634	1,077,800
2	Tier 1	1,430,636	1,409,697	1,133,128	1,098,634	1,077,800
3	Total capital	1,443,836	1,426,854	1,149,042	1,119,380	1,095,391
	RWA (amount)					
4	Total RWA <sup>(1)</sup>	2,038,196	2,391,293	2,149,094	2,543,315	2,218,121
	Risk-based regulatory capital ratios (as a percentage of RWA)					
5	CET1 ratio (%)	71%	59%	53%	43%	49%
6	Tier 1 ratio (%)	71%	59%	53%	43%	49%
7	Total capital ratio (%) <sup>(1)</sup>	71%	60%	53%	44%	49%
	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 (%)	0.379%	0.393%	0.473%	0.481%	0.542%
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 (%)	2.879%	2.893%	2.973%	2.981%	3.042%
12	CET1 available after meeting the AI's minimum capital requirements (%)	63%	52%	45%	36%	41%
	Basel III leverage ratio					
13	Total leverage ratio ("LR") exposure measure <sup>(2)</sup>	9,236,779	10,572,757	9,875,839	10,631,640	9,396,269
14	LR (%) <sup>(2)</sup>	16%	13%	11%	10%	11%
	Liquidity Maintenance Ratio ("LMR")					
17a	LMR (%) <sup>(3)</sup>	70%	69%	67%	66%	63%
	Core Funding Ratio ("CFR")					
20a	CFR (%) <sup>(3)</sup>	295%	260%	235%	225%	226%

Note 1: Increase in capital adequacy ratios in the second quarter of 2022 is mainly due to a decrease in RWA. Refer to template OV1 for details.

Note 2: Increase in leverage ratio in the second quarter of 2022 is mainly due to a decrease in on-balance sheet exposures. Refer to template LR2 for details.

Note 3: 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 Company is not required, under the Banking (Liquidity) Rules, to calculate Liquidity Coverage Ratio or Net Stable Funding Ratio for its liquidity risk.

# MORGAN STANLEY BANK ASIA LIMITED

## NOTES TO THE UNAUDITED FINANCIAL INFORMATION For the six months ended 30 June 2022

### 19. PILLAR 3 DISCLOSURE (CONTINUED)

#### Template OV1: Overview of RWA

		The Group		The Group
		RWA		Minimum capital requirements <sup>(1)</sup>
		As at 30 June 2022 USD'000	As at 31 March 2022 USD'000	As at 30 June 2022 USD'000
1	Credit risk for non-securitization exposures	1,007,639	1,380,039	80,612
2	Of which Standardised (Credit Risk) Approach (“STC approach”)	1,007,639	1,380,039	80,612
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	48,352	40,607	3,868
7	Of which Standardised (Counterparty Credit Risk) (“SA-CCR”) Approach	25,010	21,325	2,001
7a	Of which Current Exposure Method (“CEM”)	-	-	-
8	Of which Internal Models (Counterparty Credit Risk) Approach (“IMM(CCR) approach”)	-	-	-
9	Of which others	23,342	19,282	1,867
10	Credit Valuation Adjustment (“CVA”) risk	10,795	9,167	864
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”)	Not applicable		
13	CIS exposures – Mandate-Based Approach (“MBA”)	Not applicable		
14	CIS exposures – Fall-Back Approach (“FBA”)	Not applicable		
14a	CIS exposures – combination of approaches	Not applicable		
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	47,051	53,669	3,764
21	Of which Standardised (Market Risk) Approach (“STM approach”)	47,051	53,669	3,764
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	896,565	883,922	71,725
24a	Sovereign concentration risk	30,340	23,889	2,427
25	Amounts below the thresholds for deduction (subject to 250% Risk-Weight (“RW”))	-	-	-
26	Capital floor adjustment	-	-	-
26a	Deduction to RWA	2,546	-	204
26b	Of which portion of regulatory reserve for general banking risks and collective provisions which is not included in Tier 2 Capital	2,546	-	204
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	<b>Total</b>	<b>2,038,196</b>	<b>2,391,293</b>	<b>163,056</b>

- (1) The disclosure on minimum capital requirement is made by multiplying the Company’s RWA derived from the relevant calculation approach by 8%, not the Company’s actual “regulatory capital”.
- (2) Decrease in total RWA during the second quarter in 2022 was US\$353,097,000. The key driver was due to decrease in RWA for credit risk for non-securitization exposures arising from loans and advances.

**MORGAN STANLEY BANK ASIA LIMITED**

**NOTES TO THE UNAUDITED FINANCIAL INFORMATION**  
**For the six months ended 30 June 2022**

**19. PILLAR 3 DISCLOSURE (CONTINUED)**

**Template CC1: Composition of regulatory capital**

		The Group	
		Amount USD'000	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation (Template CC2)
<b>As at 30 June 2022</b>			
<b>CET1 capital: instruments and reserves</b>			
1	Directly issued qualifying CET1 capital instruments plus any related share premium	930,000	(1)
2	Retained earnings	528,932	(2)
3	Disclosed reserves	(1,042)	(3)
4	<i>Directly issued capital subject to phase-out arrangements from CET1 (only applicable to non-joint stock companies)</i>	Not applicable	Not applicable
5	Minority interests arising from CET1 capital instruments issued by consolidated bank	-	
6	<b>CET1 capital before regulatory deductions</b>	1,457,890	
<b>CET1 capital: regulatory deductions</b>			
7	Valuation adjustments	77	
8	Goodwill (net of associated deferred tax liabilities)	-	
9	Other intangible assets (net of associated deferred tax liabilities)	-	
10	Deferred tax assets (net of associated deferred tax liabilities)	12,197	(4)
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	<i>Mortgage servicing rights (net of associated deferred tax liabilities)</i>	Not applicable	Not applicable
21	<i>Deferred tax assets arising from temporary differences (net of associated deferred tax liabilities)</i>	Not applicable	Not applicable
22	<i>Amount exceeding the 15% threshold</i>	Not applicable	Not applicable
23	<i>of which: significant investments in the ordinary share of financial sector entities</i>	Not applicable	Not applicable
24	<i>of which: mortgage servicing rights</i>	Not applicable	Not applicable
25	<i>of which: deferred tax assets arising from temporary differences</i>	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	14,980	

**MORGAN STANLEY BANK ASIA LIMITED**

**NOTES TO THE UNAUDITED FINANCIAL INFORMATION**  
**For the six months ended 30 June 2022**

**19. PILLAR 3 DISCLOSURE (CONTINUED)**

**Template CC1: Composition of regulatory capital (continued)**

		The Group	
		Amount USD'000	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation (Template CC2)
<b>As at 30 June 2022</b>			
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	-	
28	<b>Total regulatory deductions to CET1 capital</b>	27,254	
29	<b>CET1 capital</b>	1,430,636	
<b>AT1 capital: instruments</b>			
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	-	
33	<i>Capital instruments subject to phase-out arrangements from AT1 capital</i>	-	
34	AT1 capital instruments issued by consolidated bank subsidiaries and held by third parties (amount allowed in AT1 capital of the consolidation group)	-	
35	<i>of which: AT1 capital instruments issued by subsidiaries subject to phase-out arrangements</i>	-	
36	<b>AT1 capital before regulatory deductions</b>	-	
<b>AT1 capital: regulatory deductions</b>			
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	<b>Total regulatory deductions to AT1 capital</b>	-	
44	<b>AT1 capital</b>	-	
45	<b>Tier 1 capital (T1 = CET1 + AT1)</b>	1,430,636	
<b>Tier 2 capital: instruments and provisions</b>			
46	Qualifying Tier 2 capital instruments plus any related share premium	-	
47	<i>Capital instruments subject to phase-out arrangements from Tier 2 capital</i>	-	
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)	-	
49	<i>of which: capital instruments issued by subsidiaries subject to phase-out arrangements</i>	-	

**MORGAN STANLEY BANK ASIA LIMITED**

**NOTES TO THE UNAUDITED FINANCIAL INFORMATION**  
**For the six months ended 30 June 2022**

**19. PILLAR 3 DISCLOSURE (CONTINUED)**

**Template CC1: Composition of regulatory capital (continued)**

		The Group	
		Amount	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
As at 30 June 2022		USD'000	(Template CC2)
50	Collective provisions and regulatory reserve for general banking risks eligible for inclusion in Tier 2 capital	13,200	
51	<b>Tier 2 capital before regulatory deductions</b>	13,200	
	<b>Tier 2 capital: regulatory deductions</b>		
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)	-	
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 §48(1)(g) of BCR	-	
57	<b>Total regulatory adjustments to Tier 2 capital</b>	-	
58	<b>Tier 2 capital (T2)</b>	13,200	
59	<b>Total regulatory capital (TC = T1 + T2)</b>	1,443,836	
60	<b>Total RWA</b>	2,038,196	
<b>Capital ratios (as a percentage of RWA)</b>			
61	<b>CET1 capital ratio</b>	71%	
62	<b>Tier 1 capital ratio</b>	71%	
63	<b>Total capital ratio</b>	71%	
64	<b>Institution-specific buffer requirement (capital conservation buffer plus countercyclical capital buffer plus higher loss absorbency requirements)</b>	2.879%	
65	of which: capital conservation buffer requirement	2.500%	
66	of which: bank specific countercyclical capital buffer requirement	0.379%	
67	of which: higher loss absorbency requirement	-	
68	<b>CET1 (as a percentage of RWA) available after meeting minimum capital requirements</b>	63%	
<b>National minima (if different from Basel 3 minimum)</b>			
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



# MORGAN STANLEY BANK ASIA LIMITED

## NOTES TO THE UNAUDITED FINANCIAL INFORMATION For the six months ended 30 June 2022

### 19. PILLAR 3 DISCLOSURE (CONTINUED)

#### Template CC1: Composition of regulatory capital (continued)

		The Group	
		Amount USD'000	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation (Template CC2)
<b>As at 30 June 2022</b>			
<b>Amounts below the thresholds for deduction (before risk weighting)</b>			
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
<b>Applicable caps on the inclusion of provisions in Tier 2 capital</b>			
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)	15,746	
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	13,200	
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	-	
<b>Capital instruments subject to phase-out arrangements</b>			
80	Current cap on CET1 capital instruments subject to phase-out arrangements	Not applicable	Not applicable
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	Not applicable	Not applicable
82	Current cap on AT1 capital instruments subject to phase-out arrangements	-	
83	Amount excluded from AT1 capital due to cap (excess over cap after redemptions and maturities)	-	
84	Current cap on Tier 2 capital instruments subject to phase-out arrangements	-	
85	Amount excluded from Tier 2 capital due to cap (excess over cap after redemptions and maturities)	-	

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.

**MORGAN STANLEY BANK ASIA LIMITED**

**NOTES TO THE UNAUDITED FINANCIAL INFORMATION**  
**For the six months ended 30 June 2022**

**19. PILLAR 3 DISCLOSURE (CONTINUED)**

**Template CC1: Composition of regulatory capital (continued)**

Description	The Group	
	Hong Kong basis	Basel III basis
	USD'000	USD'000
10 <b>Deferred tax assets ("DTAs") (net of associated deferred tax liabilities)</b>	12,197	12,197
<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

# MORGAN STANLEY BANK ASIA LIMITED

## NOTES TO THE UNAUDITED FINANCIAL INFORMATION For the six months ended 30 June 2022

### 19. PILLAR 3 DISCLOSURE (CONTINUED)

#### Template CC2: Reconciliation of regulatory capital to balance sheet

As at 30 June 2022	Balance sheet as in published financial disclosure statements USD'000	Under regulatory scope of consolidation USD'000	Reference to template CC1
<b>Assets</b>			
Cash and short-term deposits	1,614,279	1,795,241	
Trading financial assets	94,595	241,297	
Secured Financing	2,877,258	2,877,258	
Loans and advances	2,995,854	3,053,455	
Investment securities	1,106,769	1,106,769	
Trade and other receivables	77,770	89,476	
Deferred tax assets	11,512	12,197	
Fixed assets	-	6,522	
Prepayments	2,624	4,021	
Investment in subsidiary	262,348	-	
<b>Total assets</b>	<b>9,043,009</b>	<b>9,186,236</b>	
<b>Liabilities</b>			
Deposits	7,306,612	7,442,208	
Trading financial liabilities	11,576	11,576	
Trade and other payables	253,046	262,157	
Current tax liabilities	9,519	11,246	
Accruals	1,134	1,159	
<b>Total liabilities</b>	<b>7,581,887</b>	<b>7,728,346</b>	
<b>Shareholders' equity</b>			
Share capital	930,000	930,000	
Of which: amount eligible for CET1	930,000	930,000	(1)
FVOCI reserve	(818)	(1,042)	(3)
Retained earnings and other comprehensive income	531,940	528,932	(2)
<b>Total shareholders' equity</b>	<b>1,461,122</b>	<b>1,457,890</b>	

# MORGAN STANLEY BANK ASIA LIMITED

## NOTES TO THE UNAUDITED FINANCIAL INFORMATION For the six months ended 30 June 2022

### 19. PILLAR 3 DISCLOSURE (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	Not applicable
3	Governing law(s) of the instrument	Hong Kong Law
	<i>Regulatory treatment</i>	
4	Transitional Basel III rules <sup>1</sup>	Not applicable
5	Post-transitional Basel III rules <sup>2</sup>	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"> <li>· 1 share issued on 19 May 2014</li> <li>· 13,000,000 shares issued on 11 July 2014</li> <li>· 156,999,998 shares issued on 13 January 2015</li> <li>· 1 share issued on 9 February 2015</li> <li>· 500,000,000 shares issued on 22 March 2019</li> <li>· 260,000,000 shares issued on 15 March 2022</li> </ul>
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
	<i>Coupons / dividends</i>	
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

# MORGAN STANLEY BANK ASIA LIMITED

## NOTES TO THE UNAUDITED FINANCIAL INFORMATION For the six months ended 30 June 2022

### 19. PILLAR 3 DISCLOSURE (CONTINUED)

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

		Quantitative / qualitative information
33	If write-down, permanent or temporary	Not applicable
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).	Not applicable
36	Non-compliant transitioned features	No
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 Company's capital instruments can be viewed on the website: <http://www.morganstanley.com/about-us/global-offices/hong-kong>.

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

		The Group			
		As at 30 June 2022			
		Applicable JCCyB ratio in effect	RWA used in computation of CCyB ratio	AI-specific CCyB ratio	CCyB amount
Geographical breakdown by Jurisdiction (J)		%	USD*000	%	USD*000
1	Hong Kong SAR	1.000%	309,592		
2	Luxembourg	0.500%	57,668		
3	Sum		367,260		
4	Total (Note)		892,712	0.379%	7,725

**Note:**

The geographical allocation of private sector credit exposures to the various jurisdictions is based on "ultimate risk basis". "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 4 represents total sum of the RWA for private sector credit exposures across all jurisdictions to which the Company is exposed, including jurisdictions with no applicable JCCyB ratio or with applicable JCCyB ratio set at zero.

The CCyB amount as at 30 June 2022 represents the Company's specific CCyB ratio multiplied by the Company's total RWA, as specified by the standard disclosure templates issued by the HKMA, instead of the Company's RWA relating to private sector credit exposure.

**MORGAN STANLEY BANK ASIA LIMITED**

**NOTES TO THE UNAUDITED FINANCIAL INFORMATION**  
**For the six months ended 30 June 2022**

**19. PILLAR 3 DISCLOSURE (CONTINUED)**

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

As at 30 June 2022		The Group
Item		Value under the LR framework USD'000
1	Total consolidated assets as per published financial disclosure statements	9,186,236
2	Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	-
2a	Adjustment for securitised exposures that meet the operational requirements for the recognition of risk transference	-
3	Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting standard but excluded from the LR exposure measure	-
3a	Adjustments for eligible cash pooling transactions	-
4	Adjustments for derivative contracts	76,184
5	Adjustment for securities financing transactions ("SFTs") (i.e. repos and similar secured lending)	1,617
6	Adjustment for off-balance sheet ("OBS") items (i.e. conversion to credit equivalent amounts of OBS exposures)	-
6a	Adjustments for prudent valuation adjustments and specific and collective provisions that are allowed to be excluded from exposure measure	(844)
7	Other adjustments	(26,414)
<b>8</b>	<b>Leverage ratio exposure measure</b>	<b>9,236,779</b>

# MORGAN STANLEY BANK ASIA LIMITED

## NOTES TO THE UNAUDITED FINANCIAL INFORMATION For the six months ended 30 June 2022

### 19. PILLAR 3 DISCLOSURE (CONTINUED)

#### Template LR2: Leverage Ratio

		The Group	
		As at 30 June 2022 USD'000	As at 31 March 2022 USD'000
<b>On-balance sheet exposures</b>			
1	On-balance sheet exposures (excluding those arising from derivative contracts and SFTs, but including collateral) <sup>(1)</sup>	6,215,144	8,423,586
2	Less: Asset amounts deducted in determining Tier 1 capital	(27,255)	(31,708)
3	<b>Total on-balance sheet exposures (excluding derivative contracts and SFTs)</b>	6,187,889	8,391,878
<b>Exposures arising from derivative contracts</b>			
4	Replacement cost associated with all derivative contracts (where applicable net of eligible cash variation margin and/or with bilateral netting)	116,228	50,573
5	Add-on amounts for potential future exposure ("PFE") associated with all derivative contracts	54,553	46,877
6	Gross-up for collateral provided in respect of derivatives 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	<b>Total exposures arising from derivative contracts</b>	170,781	97,450
<b>Exposures arising from SFTs</b>			
12	Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions <sup>(1)(2)</sup>	2,877,258	2,082,835
13	Less: Netted amounts of cash payables and cash receivables of gross SFT assets	-	-
14	Counterparty Credit Risk ("CCR") exposure for SFT assets	1,617	1,966
15	Agent transaction exposures	-	-
16	<b>Total exposures arising from SFTs</b>	2,878,875	2,084,801
<b>Other off-balance sheet exposures</b>			
17	Off-balance sheet exposure at gross notional amount	-	-
18	Less: Adjustments for conversion to credit equivalent amounts	-	-
19	<b>Off-balance sheet items</b>	-	-
<b>Capital and total exposures</b>			
20	<b>Tier 1 capital</b>	1,430,636	1,409,697
20a	<b>Total exposures before adjustments for specific and collective provisions</b>	9,237,545	10,574,129
20b	<b>Adjustments for specific and collective provisions</b>	(766)	(1,372)
21	<b>Total exposures after adjustments for specific and collective provisions <sup>(1)</sup></b>	9,236,779	10,572,757
<b>Leverage ratio</b>			
22	<b>Leverage ratio</b>	<b>16%</b>	<b>13%</b>

Note 1: Decrease in total exposures in the second quarter of 2022 is mainly due to a drop in investment securities and loans and advances (included as on-balance sheet exposures), partially offset by an increase in secured financing (included as Gross SFT assets).

Note 2: Increase in secured financing (included as Gross SFT assets) is mainly supported by a reduction in investment securities (included as on-balance sheet exposures) as part of the liquidity management activities of the Company.

# MORGAN STANLEY BANK ASIA LIMITED

## NOTES TO THE UNAUDITED FINANCIAL INFORMATION For the six months ended 30 June 2022

### 19. PILLAR 3 DISCLOSURE (CONTINUED)

#### Template CR1: Credit quality of exposures

		The Group						
		Gross carrying amounts of		Allowances / impairments	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		Allocated in regulatory category of specific provisions	Allocated in regulatory category of collective provisions		
As at 30 June 2022		USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000
1	Loans	-	3,058,450	446	-	446	-	3,058,004
2	Debt securities	-	1,106,769	-	-	-	-	1,106,769
3	Off-balance sheet exposures	-	15,002	44	-	44	-	14,958
4	<b>Total</b>	-	<b>4,180,221</b>	<b>490</b>	-	<b>490</b>	-	<b>4,179,731</b>

Loans included loans and advances and related accrued interest receivables.

#### Template CR3: Overview of recognised credit risk mitigation

		The Group				
		Exposures unsecured: carrying amount <sup>(1)</sup>	Exposures to be secured	Exposures secured by recognised collateral	Exposures secured by recognised guarantees	Exposures secured by recognised credit derivative contracts
As at 30 June 2022		USD'000	USD'000	USD'000	USD'000	USD'000
1	Loans	763,531	2,294,473	2,294,473	-	-
2	Debt securities	1,106,769	-	-	-	-
3	<b>Total</b>	<b>1,870,300</b>	<b>2,294,473</b>	<b>2,294,473</b>	-	-
4	Of which defaulted	-	-	-	-	-

Loans included loans and advances and related accrued interest receivables.

- (1) As at 30 June 2022, loans and advances of the Group comprise (a) the Company's loans and advances to customers of US\$2,938,191,000 which is fully secured, (b) the Company's loans and advances to other non-bank Morgan Stanley Group undertakings of US\$57,663,000 which is unsecured and (c) the subsidiary's loans and advances to customers of US\$57,601,000 which is unsecured. For the Company'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.



**MORGAN STANLEY BANK ASIA LIMITED**

**NOTES TO THE UNAUDITED FINANCIAL INFORMATION**  
**For the six months ended 30 June 2022**

**19. PILLAR 3 DISCLOSURE (CONTINUED)**

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

As at 30 June 2022		The 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		USD'000	USD'000	USD'000	USD'000	USD'000	%
1	Sovereign exposures	2,213,649	-	2,213,649	-	-	-
2	Public Sector Entity ("PSE") exposures	-	-	-	-	-	-
2a	Of which: domestic PSEs	-	-	-	-	-	-
2b	Of which: foreign PSEs	-	-	-	-	-	-
3	Multilateral development bank exposures	-	-	-	-	-	-
4	Bank exposures	691,238	-	691,238	-	138,277	20%
5	Securities firm exposures	80,106	-	58,400	-	29,200	50%
6	Corporate exposures	2,581,922	15,002	720,679	7,527	728,206	100%
7	CIS exposures	-	-	-	-	-	-
8	Cash items	-	-	-	-	-	-
9	Exposures in respect of failed delivery on transactions entered into on a basis other than a delivery-versus-payment basis	-	-	-	-	-	-
10	Regulatory retail exposures	-	-	-	-	-	-
11	Residential mortgage loans	-	-	-	-	-	-
12	Other exposures which are not past due exposures	487,321	-	111,956	-	111,956	100%
13	Past due exposures	-	-	-	-	-	-
14	Significant exposures to commercial entities	-	-	-	-	-	-
15	<b>Total</b>	<b>6,054,236</b>	<b>15,002</b>	<b>3,795,922</b>	<b>7,527</b>	<b>1,007,639</b>	<b>26%</b>

**MORGAN STANLEY BANK ASIA LIMITED**

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**19. PILLAR 3 DISCLOSURE (CONTINUED)**

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

		The Group										Total credit risk exposures amount (post CCF and post CRM)
		As at 30 June 2022										
Risk Weight		0%	10%	20%	35%	50%	75%	100%	150%	250%	Others	
Exposure class		USD '000	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000
1	Sovereign	2,213,649	-	-	-	-	-	-	-	-	-	2,213,649
2	PSE exposures	-	-	-	-	-	-	-	-	-	-	-
2a	Of which: domestic PSEs	-	-	-	-	-	-	-	-	-	-	-
2b	Of which: foreign PSEs	-	-	-	-	-	-	-	-	-	-	-
3	Multilateral development bank exposures	-	-	-	-	-	-	-	-	-	-	-
4	Bank exposures	-	-	691,202	-	-	-	36	-	-	-	691,238
5	Securities firm exposures	-	-	-	-	58,400	-	-	-	-	-	58,400
6	Corporate exposures	-	-	-	-	-	-	728,206	-	-	-	728,206
7	CIS exposures	-	-	-	-	-	-	-	-	-	-	-
8	Cash items	-	-	-	-	-	-	-	-	-	-	-
9	Exposures in respect of failed delivery on transactions entered into on a basis other than a delivery-versus-payment basis	-	-	-	-	-	-	-	-	-	-	-
10	Regulatory retail exposures	-	-	-	-	-	-	-	-	-	-	-
11	Residential mortgage loans	-	-	-	-	-	-	-	-	-	-	-
12	Other exposures which are not past due exposures	-	-	-	-	-	-	111,956	-	-	-	111,956
13	Past due exposures	-	-	-	-	-	-	-	-	-	-	-
14	Significant exposures to commercial entities	-	-	-	-	-	-	-	-	-	-	-
15	<b>Total</b>	<b>2,213,649</b>	<b>-</b>	<b>691,202</b>	<b>-</b>	<b>58,400</b>	<b>-</b>	<b>840,198</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,803,449</b>

**MORGAN STANLEY BANK ASIA LIMITED**

**NOTES TO THE UNAUDITED FINANCIAL INFORMATION**  
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**19. PILLAR 3 DISCLOSURE (CONTINUED)**

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

		The Group					
		Replacement cost ("RC")	PFE	Effective EPE	Alpha ( $\alpha$ ) used for computing default risk exposure	Default risk exposure after CRM	RWA
As at 30 June 2022		USD'000	USD'000	USD'000	USD'000	USD'000	USD'000
1	SA-CCR approach (for derivative contracts)	350	35,379		1.4	50,021	25,010
1a	CEM (for derivative contracts)	-	-		1.4	-	-
2	IMM (CCR) approach			-	-	-	-
3	Simple approach (for SFTs)						
4	Comprehensive approach (for SFTs)					54,218	23,342
5	Value-at-risk ("VaR") (for SFTs)						
6	<b>Total</b>						<b>48,352</b>

**Template CCR2: Credit Valuation Adjustment ("CVA") capital charge**

		The Group	
		Exposure at default ("EAD") post CRM	RWA
As at 30 June 2022		USD'000	USD'000
	Netting sets for which CVA capital charge is calculated by the advanced CVA method		
1	(i) VaR (after application of multiplication factor if applicable)		
2	(ii) Stressed VaR (after application of multiplication factor if applicable)		
3	Netting sets for which CVA capital charge is calculated by the standardised CVA method	50,021	10,795
4	<b>Total</b>	<b>50,021</b>	<b>10,795</b>

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**NOTES TO THE UNAUDITED FINANCIAL INFORMATION**  
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**19. PILLAR 3 DISCLOSURE (CONTINUED)**

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

		The Group										
		As at 30 June 2022										
Risk Weight		0%	10%	20%	35%	50%	75%	100%	150%	250%	Others	Total default risk exposure after CRM
Exposure class		USD '000	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000
1	Sovereign exposures	-	-	-	-	-	-	-	-	-	-	-
2	PSE exposures	-	-	-	-	-	-	-	-	-	-	-
2a	Of which: domestic PSEs	-	-	-	-	-	-	-	-	-	-	-
2b	Of which: foreign PSEs	-	-	-	-	-	-	-	-	-	-	-
3	Multilateral development bank exposures	-	-	-	-	-	-	-	-	-	-	-
4	Bank exposures	-	-	12,558	-	46,499	-	-	-	-	-	59,057
5	Securities firm exposures	-	-	-	-	41,660	-	-	-	-	-	41,660
6	Corporate exposures	-	-	-	-	3,522	-	-	-	-	-	3,522
7	CIS exposures	-	-	-	-	-	-	-	-	-	-	-
8	Regulatory retail exposures	-	-	-	-	-	-	-	-	-	-	-
9	Residential mortgage loans	-	-	-	-	-	-	-	-	-	-	-
10	Other exposures which are not past due exposures	-	-	-	-	-	-	-	-	-	-	-
11	Significant exposures to commercial entities	-	-	-	-	-	-	-	-	-	-	-
12	<b>Total</b>	-	-	<b>12,558</b>	-	<b>91,681</b>	-	-	-	-	-	<b>104,239</b>

**MORGAN STANLEY BANK ASIA LIMITED**

**NOTES TO THE UNAUDITED FINANCIAL INFORMATION**  
**For the six months ended 30 June 2022**

**19. PILLAR 3 DISCLOSURE (CONTINUED)**

**Template CCR5: Composition of collateral for counterparty default risk exposures (including those for contract or transactions cleared through CCPs)**

	The Group					
	Derivative contracts				SFTs	
	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 30 June 2022	USD'000	USD'000	USD'000	USD'000	USD'000	
Cash - domestic currency	-	92,354	-	1,603	63	401
Cash - other currencies	-	-	-	-	-	-
Domestic sovereign debt	-	-	-	-	-	-
Other sovereign debt	-	-	-	-	2,823,041	-
Government agency debt	-	-	-	-	-	-
Corporate bonds	-	-	-	-	-	-
Equity securities	-	-	-	-	-	-
Other collateral	-	-	-	-	-	-
<b>Total</b>	-	<b>92,354</b>	-	<b>1,603</b>	<b>2,823,104</b>	<b>401</b>

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

**Template MR1: Market risk under STM approach**

		The Group
		RWA
As at 30 June 2022		USD'000
	Outright product exposure	
1	Interest rate exposures (general and specific risk)	39,531
2	Equity exposures (general and specific risk)	-
3	Foreign exchange (including gold) exposures	7,520
4	Commodity exposures	-
	Option exposures	
5	Simplified approach	-
6	Delta-plus approach	-
7	Other approach	-
8	Securitization exposures	-
9	<b>Total</b>	<b>47,051</b>