

MORGAN STANLEY BANK ASIA LIMITED

Interim Financial Disclosure Statements

For the six months ended 30 June 2024

MORGAN STANLEY BANK ASIA LIMITED

INTERIM FINANCIAL DISCLOSURE STATEMENTS

For the six months ended 30 June 2024

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MORGAN STANLEY BANK ASIA LIMITED

CORPORATE INFORMATION

For the six months ended 30 June 2024

The Directors of Morgan Stanley Bank Asia Limited (“MSBAL”, or the “Company”) hereby present the unaudited interim financial disclosure statements of the Company for the period ended 30 June 2024. 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 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”), which is incorporated in mainland China, and regulated by the National Financial Regulatory Administration (“NFRA”) (formerly known as “China Banking and Insurance Regulatory Commission”) 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.

REQUIREMENT IN CONNECTION WITH PUBLICATION OF FINANCIAL STATEMENTS

The financial information relating to the year ended 31 December 2023 that is included in the unaudited interim financial disclosure statements for the six months ended 30 June 2024 as comparative information does not constitute the Company’s statutory annual financial statements for the year ended 31 December 2023 but is derived from the audited financial statements for the year ended 31 December 2023. Further information related to the audited financial statements for the year ended 31 December 2023 required to be disclosed in accordance with section 436 of the Companies Ordinance is as follows:

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.

MORGAN STANLEY BANK ASIA LIMITED

CORPORATE INFORMATION

For the six months ended 30 June 2024

REQUIREMENT IN CONNECTION WITH PUBLICATION OF FINANCIAL STATEMENTS (CONTINUED)

The Company's auditor has reported on the audited financial statements for the year ended 31 December 2023. 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
26 September 2024

MORGAN STANLEY BANK ASIA LIMITED

UNAUDITED INCOME STATEMENT

For the six months ended 30 June 2024

	Note	For the six months ended 30 June 2024 US\$'000	For the six months ended 30 June 2023 US\$'000
Interest income		132,159	119,374
Interest expense		(81,425)	(50,519)
Net interest income	1	<u>50,734</u>	<u>68,855</u>
Fee and commission income		214,992	167,318
Fee and commission expense		(688)	(730)
Net fee and commission income	2	<u>214,304</u>	<u>166,588</u>
Net gains from financial instruments at fair value through profit or loss		114,215	54,932
Net gains on derecognition of financial assets measured at fair value through other comprehensive income ("FVOCI")		3	55
Other revenue	3	3,106	11,915
Total non-interest revenues		<u>331,628</u>	<u>233,490</u>
Net revenues		<u>382,362</u>	<u>302,345</u>
Non-interest expense:			
Other expense	4	(260,730)	(183,619)
Net (impairment loss) / reversal of impairment loss on financial instruments		(34)	6
PROFIT BEFORE INCOME TAX		<u>121,598</u>	<u>118,732</u>
Income tax	5	(19,315)	(16,875)
PROFIT FOR THE PERIOD		<u><u>102,283</u></u>	<u><u>101,857</u></u>

The notes on pages 7 to 34 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 2024

	For the six months ended 30 June 2024 US\$'000	For the six months ended 30 June 2023 US\$'000
PROFIT FOR THE PERIOD	<u>102,283</u>	<u>101,857</u>
Items that may be reclassified subsequently to profit or loss:		
FVOCI reserve:		
Net change in fair value	(411)	194
Net amount reclassified to income statement	(3)	(55)
OTHER COMPREHENSIVE INCOME AFTER INCOME TAX	<u>(414)</u>	<u>139</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u><u>101,869</u></u>	<u><u>101,996</u></u>

The notes on pages 7 to 34 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 2024

	Share capital US\$'000	FVOCI reserve US\$'000	Retained earnings US\$'000	Total equity US\$'000
Balance at 1 January 2023	930,000	(151)	602,165	1,532,014
Profit for the year	—	—	168,199	168,199
Other comprehensive income for the year:				
FVOCI reserve:				
Net change in fair value	—	587	—	587
Net amount reclassified to income statement	—	(48)	—	(48)
Total comprehensive income for the year	<u>—</u>	<u>539</u>	<u>168,199</u>	<u>168,738</u>
Transaction with owner:				
Equity-based awards adjustments	—	—	268	268
Balance at 31 December 2023 and 1 January 2024	930,000	388	770,632	1,701,020
Profit for the period	—	—	102,283	102,283
Other comprehensive income for the period:				
FVOCI reserve:				
Net change in fair value	—	(411)	—	(411)
Net amount reclassified to income statement	—	(3)	—	(3)
Total comprehensive income for the period	<u>—</u>	<u>(414)</u>	<u>102,283</u>	<u>101,869</u>
Transaction with owner:				
Equity-based awards adjustments	—	—	406	406
Balance at 30 June 2024	<u>930,000</u>	<u>(26)</u>	<u>873,321</u>	<u>1,803,295</u>

The notes on pages 7 to 34 form an integral part of the financial disclosure statements.

MORGAN STANLEY BANK ASIA LIMITED

UNAUDITED STATEMENT OF FINANCIAL POSITION

For the six months ended 30 June 2024

	Note	As at 30 June 2024 US\$'000	As at 31 December 2023 US\$'000
ASSETS			
Cash and short-term deposits	7	146,071	323,868
Trading financial assets	8	82,663	7,709
Secured financing	9	2,033,537	1,877,457
Loans and advances	10	4,624,570	3,878,743
Investment securities	11	785,751	1,026,566
Trade and other receivables		61,476	135,042
Prepayments		2,750	1,220
Deferred tax assets		11,844	13,105
Investment in a subsidiary		262,348	262,348
TOTAL ASSETS		8,011,010	7,526,058
LIABILITIES AND EQUITY			
LIABILITIES			
Deposits	12	5,907,325	5,563,551
Trading financial liabilities	8	5,801	54,229
Trade and other payables		259,918	184,177
Current tax liabilities		34,149	22,036
Accruals		522	1,045
TOTAL LIABILITIES		6,207,715	5,825,038
EQUITY			
Share capital		930,000	930,000
FVOCI reserve		(26)	388
Retained earnings		873,321	770,632
Equity attributable to owner of the Company		1,803,295	1,701,020
TOTAL EQUITY		1,803,295	1,701,020
TOTAL LIABILITIES AND EQUITY		8,011,010	7,526,058

The notes on pages 7 to 34 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 2024

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”).

	For the six months ended 30 June 2024 US\$'000	For the six months ended 30 June 2023 US\$'000
Financial assets measured at amortised cost	83,060	86,951
Financial assets measured at FVOCI	21,710	5,512
Financial assets not measured at FVPL	<u>104,770</u>	<u>92,463</u>
Trading financial assets	9	—
Non-trading financial assets measured at FVPL	27,380	26,911
Financial assets measured at FVPL	<u>27,389</u>	<u>26,911</u>
Total interest income	<u>132,159</u>	<u>119,374</u>
Financial liabilities measured at amortised cost	(81,425)	(50,519)
Total interest expense	<u>(81,425)</u>	<u>(50,519)</u>
Net interest income	<u>50,734</u>	<u>68,855</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 (impairment loss) / reversal of impairment loss on financial instruments’ and foreign exchange differences disclosed in ‘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 expense’ (note 4).

MORGAN STANLEY BANK ASIA LIMITED

NOTES TO THE UNAUDITED FINANCIAL INFORMATION

For the six months ended 30 June 2024

2. FEE AND COMMISSION

	For the six months ended 30 June 2024 US\$'000	For the six months ended 30 June 2023 US\$'000
Fee and commission income:		
Sales commissions and fees	214,967	167,318
Other fees	25	—
Total fee and commission income	<u>214,992</u>	<u>167,318</u>
Fee and commission expense:		
Sales commissions and fees	(688)	(730)
Total fee and commission expense	<u>(688)</u>	<u>(730)</u>
Net fee and commission income	<u>214,304</u>	<u>166,588</u>

3. OTHER REVENUE

	For the six months ended 30 June 2024 US\$'000	For the six months ended 30 June 2023 US\$'000
Net foreign exchange gains	—	8,247
Management charges to other Morgan Stanley Group undertakings	3,095	3,659
Others	11	9
	<u>3,106</u>	<u>11,915</u>

MORGAN STANLEY BANK ASIA LIMITED

NOTES TO THE UNAUDITED FINANCIAL INFORMATION

For the six months ended 30 June 2024

4. OTHER EXPENSE

	For the six months ended 30 June 2024 US\$'000	For the six months ended 30 June 2023 US\$'000
Staff costs	134,539	129,386
Management charges from other Morgan Stanley Group undertakings	49,591	47,602
Net foreign exchange losses	67,539	—
Others	9,061	6,631
	<u>260,730</u>	<u>183,619</u>

5. INCOME TAX

	For the six months ended 30 June 2024 US\$'000	For the six months ended 30 June 2023 US\$'000
Current tax		
Hong Kong	14,180	11,117
Other jurisdiction	3,839	3,074
Deferred tax	1,296	2,684
Income tax	<u>19,315</u>	<u>16,875</u>

MORGAN STANLEY BANK ASIA LIMITED

NOTES TO THE UNAUDITED FINANCIAL INFORMATION For the six months ended 30 June 2024

6. FINANCIAL ASSETS AND LIABILITIES BY MEASUREMENT CATEGORY

The following table analyses financial assets and financial liabilities as at 30 June 2024 presented in the unaudited statement of financial position.

30 June 2024	FVPL (mandatorily) US\$'000	FVOCI US\$'000	Amortised cost US\$'000	Total US\$'000
Cash and short-term deposits	—	—	146,071	146,071
Trading financial assets	82,663	—	—	82,663
Secured financing	2,033,537	—	—	2,033,537
Loans and advances	—	—	4,624,570	4,624,570
Investment securities	—	785,751	—	785,751
Trade and other receivables	—	—	61,476	61,476
Total financial assets	2,116,200	785,751	4,832,117	7,734,068
Deposits	—	—	5,907,325	5,907,325
Trading financial liabilities	5,801	—	—	5,801
Trade and other payables	—	—	259,918	259,918
Total financial liabilities	5,801	—	6,167,243	6,173,044

The following table analyses financial assets and financial liabilities as at 31 December 2023 presented in the statement of financial position.

31 December 2023	FVPL (mandatorily) US\$'000	FVOCI US\$'000	Amortised cost US\$'000	Total US\$'000
Cash and short-term deposits	—	—	323,868	323,868
Trading financial assets	7,709	—	—	7,709
Secured financing	1,877,457	—	—	1,877,457
Loans and advances	—	—	3,878,743	3,878,743
Investment securities	—	1,026,566	—	1,026,566
Trade and other receivables	—	—	135,042	135,042
Total financial assets	1,885,166	1,026,566	4,337,653	7,249,385

MORGAN STANLEY BANK ASIA LIMITED

NOTES TO THE UNAUDITED FINANCIAL INFORMATION For the six months ended 30 June 2024

Deposits	—	—	5,563,551	5,563,551
Trading financial liabilities	54,229	—	—	54,229
Trade and other payables	—	—	184,177	184,177
Total financial liabilities	54,229	—	5,747,728	5,801,957

7. CASH AND SHORT-TERM DEPOSITS

	As at 30 June 2024	As at 31 December 2023
	US\$'000	US\$'000
Cash with central bank	40,062	81,594
Cash at banks	106,009	242,274
	<u>146,071</u>	<u>323,868</u>

8. TRADING FINANCIAL ASSETS AND LIABILITIES

Trading assets and trading liabilities are summarised as follows:

	As at 30 June 2024			As at 31 December 2023		
	Notional amount	Fair value		Notional amount	Fair value	
		Assets	Liabilities		Assets	Liabilities
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Derivatives:						
Foreign exchange contracts	4,190,113	75,050	5,801	3,358,444	7,709	54,229
Other debts	7,715	7,613	—	—	—	—
		<u>82,663</u>	<u>5,801</u>		<u>7,709</u>	<u>54,229</u>

The derivatives are entered with the Company's direct and indirect parent undertakings and other Morgan Stanley Group undertakings

MORGAN STANLEY BANK ASIA LIMITED

NOTES TO THE UNAUDITED FINANCIAL INFORMATION For the six months ended 30 June 2024

9. SECURED FINANCING

	As at 30 June 2024 US\$'000	As at 31 December 2023 US\$'000
Securities purchased under agreements to resell	<u>2,033,537</u>	<u>1,877,457</u>

10. LOANS AND ADVANCES

	As at 30 June 2024 US\$'000	As at 31 December 2023 US\$'000
Loans and advances to customers	4,122,895	3,787,419
Loans and advances to other Morgan Stanley Group undertakings	501,714	91,329
Less: Expected credit loss ("ECL")	(39)	(5)
	<u>4,624,570</u>	<u>3,878,743</u>

11. INVESTMENT SECURITIES

	As at 30 June 2024 US\$'000	As at 31 December 2023 US\$'000
Government debt securities:		
US Treasury bills and securities	590,590	843,019
Singapore Government Treasury bills	176,131	177,201
HKMA Exchange Fund Bills & Notes	19,030	6,346
	<u>785,751</u>	<u>1,026,566</u>

MORGAN STANLEY BANK ASIA LIMITED

NOTES TO THE UNAUDITED FINANCIAL INFORMATION For the six months ended 30 June 2024

12. DEPOSITS

	As at 30 June 2024 US\$'000	As at 31 December 2023 US\$'000
Deposits of banks		
Current account balances	722	604
Deposits of non-bank customers		
Current account balances	2,196,659	3,072,716
Term deposits	3,709,944	2,490,231
	<u>5,907,325</u>	<u>5,563,551</u>

13. PILLAR 3 DISCLOSURE

Basis of preparation

The Pillar 3 disclosure 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 interim 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

NOTES TO THE UNAUDITED FINANCIAL INFORMATION For the six months ended 30 June 2024

13. PILLAR 3 DISCLOSURE (CONTINUED)

Template KM1: Key Prudential Ratios

		The MSBAL Group				
		As at 30 June 2024	As at 31 March 2024	As at 31 December 2023	As at 30 September 2023	As at 30 June 2023
		US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
	Regulatory capital (amount)					
1	Common Equity Tier 1 ("CET1")	1,755,860	1,714,937	1,650,800	1,627,674	1,582,895
2	Tier 1	1,755,860	1,714,937	1,650,800	1,627,674	1,582,895
3	Total capital	1,779,173	1,733,825	1,667,928	1,644,933	1,595,709
	RWA (amount)					
4	Total RWA	3,202,592	2,581,193	2,462,698	2,454,528	2,095,034
	Risk-based regulatory capital ratios (as a percentage of RWA)					
5	CET1 ratio (%) ⁽¹⁾	55 %	66 %	67 %	66 %	76 %
6	Tier 1 ratio (%) ⁽¹⁾	55 %	66 %	67 %	66 %	76 %
7	Total capital ratio (%) ⁽¹⁾	56 %	67 %	68 %	67 %	76 %
	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 (%)	0.605 %	0.599 %	0.616 %	0.635 %	0.552 %
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 (%)	3.105 %	3.099 %	3.116 %	3.135 %	3.052 %
12	CET1 available after meeting the AI's minimum capital requirements (%)	48 %	59 %	60 %	59 %	68 %
	Basel III leverage ratio					
13	Total leverage ratio ("LR") exposure measure	8,153,723	7,947,723	7,599,882	7,644,811	7,921,239
14	LR (%)	22 %	22 %	22 %	21 %	20 %
	Liquidity Maintenance Ratio ("LMR")					
17a	LMR (%) ⁽²⁾	73 %	71 %	70 %	72 %	73 %
	Core Funding Ratio ("CFR")					
20a	CFR (%) ⁽²⁾⁽³⁾	217 %	236 %	202 %	226 %	236 %

Note 1: Decrease in capital adequacy ratios in the second quarter of 2024 is mainly due to a increase in RWA. Refer to template OV1 for details.

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.

Note 3: Lower average CFR for the second quarter of 2024 is mainly due to an increase in average loans and advances to other Morgan Stanley Group undertakings during the quarter.

MORGAN STANLEY BANK ASIA LIMITED

NOTES TO THE UNAUDITED FINANCIAL INFORMATION For the six months ended 30 June 2024

13. PILLAR 3 DISCLOSURE (CONTINUED)

Template OV1: Overview of RWA

The MSBAL Group				
		RWA		Minimum capital requirements ⁽¹⁾
		As at 30 June 2024 US\$'000	As at 31 March 2024 US\$'000	As at 30 June 2024 US\$'000
1	Credit risk for non-securitization exposures ⁽²⁾	2,030,196	1,451,073	162,415
2	Of which Standardised (Credit Risk) Approach (“STC approach”)	2,030,196	1,451,073	162,415
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	73,388	60,014	5,871
7	Of which Standardised (Counterparty Credit Risk) (“SA-CCR”) Approach	36,049	31,535	2,884
7a	Of which Current Exposure Method (“CEM”)	—	—	—
8	Of which Internal Models (Counterparty Credit Risk) Approach (“IMM(CCR) approach”)	—	—	—
9	Of which others	37,339	28,479	2,987
10	Credit Valuation Adjustment (“CVA”) risk	14,879	13,320	1,190
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	57,134	37,600	4,571
21	Of which Standardised (Market Risk) Approach (“STM approach”)	57,134	37,600	4,571
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	1,026,995	1,020,771	82,160
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	—
26b	Of which portion of regulatory reserve for general banking risks and collective provisions which is not included in Tier 2 Capital	—	1,585	—
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	3,202,592	2,581,193	256,207

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”.

Note 2: For the second quarter in 2024, increase in RWA from credit risk for non-securitization exposures was mainly due to increase in loans and advances to other Morgan Stanley Group undertakings.

MORGAN STANLEY BANK ASIA LIMITED

NOTES TO THE UNAUDITED FINANCIAL INFORMATION For the six months ended 30 June 2024

13. PILLAR 3 DISCLOSURE (CONTINUED)

Template CC1: Composition of regulatory capital

		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 30 June 2024			
CET1 capital: instruments and reserves			
1	Directly issued qualifying CET1 capital instruments plus any related share premium	930,000	(1)
2	Retained earnings	888,168	(2)
3	Disclosed reserves	(26,285)	(2)
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 subsidiaries and held by third parties (amount allowed in CET1 capital of the consolidation group)	—	
6	CET1 capital before regulatory deductions	1,791,883	
CET1 capital: regulatory deductions			
7	Valuation adjustments	540	
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)	12,508	(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	22,975	

MORGAN STANLEY BANK ASIA LIMITED

NOTES TO THE UNAUDITED FINANCIAL INFORMATION
For the six months ended 30 June 2024

13. PILLAR 3 DISCLOSURE (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 30 June 2024			
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	Total regulatory deductions to CET1 capital	36,023	
29	CET1 capital	1,755,860	
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	—	
33	Capital instruments subject to phase-out arrangements from AT1 capital	—	
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	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%	—	
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)	1,755,860	
Tier 2 capital: instruments and provisions			
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	of which: capital instruments issued by subsidiaries subject to phase-out	—	

MORGAN STANLEY BANK ASIA LIMITED

NOTES TO THE UNAUDITED FINANCIAL INFORMATION For the six months ended 30 June 2024

13. PILLAR 3 DISCLOSURE (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 30 June 2024			
50	Collective provisions and regulatory reserve for general banking risks eligible for inclusion in Tier 2 capital	23,313	
51	Tier 2 capital before regulatory deductions	23,313	
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)	—	
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	Total regulatory adjustments to Tier 2 capital	—	
58	Tier 2 capital (T2)	23,313	
59	Total regulatory capital (TC = T1 + T2)	1,779,173	
60	Total RWA	3,202,592	
Capital ratios (as a percentage of RWA)			
61	CET1 capital ratio	55 %	
62	Tier 1 capital ratio	55 %	
63	Total capital ratio	56 %	
64	Institution-specific buffer requirement (capital conservation buffer plus countercyclical capital buffer plus higher loss absorbency requirements)	3.105 %	
65	of which: capital conservation buffer requirement	2.500 %	
66	of which: bank specific countercyclical capital buffer requirement	0.605 %	
67	of which: higher loss absorbency requirement	—	
68	CET1 (as a percentage of RWA) available after meeting minimum capital requirements	48 %	
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

MORGAN STANLEY BANK ASIA LIMITED

NOTES TO THE UNAUDITED FINANCIAL INFORMATION For the six months ended 30 June 2024

13. PILLAR 3 DISCLOSURE (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 30 June 2024			
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)	23,313	
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	26,295	
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	—	

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.

		The MSBAL Group	
		Hong Kong basis US\$'000	Basel III basis US\$'000
10	Deferred tax assets ("DTAs") (net of associated deferred tax liabilities)	12,508	12,508
	<u>Explanation</u> 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.		

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 2024

13. PILLAR 3 DISCLOSURE (CONTINUED)

Template CC2: Reconciliation of regulatory capital to balance sheet

As at 30 June 2024	Balance sheet as in published financial disclosure statements US\$'000	Under regulatory scope of consolidation US\$'000	Reference to template CC1
Assets			
Cash and short-term deposits	146,071	248,090	
Trading financial assets	82,663	254,311	
Secured Financing	2,033,537	2,033,537	
Loans and advances	4,624,570	4,657,761	
Investment securities	785,751	785,751	
Trade and other receivables	61,476	73,943	
Prepayments	2,750	4,187	
Deferred tax assets	11,844	12,508	(3)
Fixed assets	—	6,226	
Investment in a subsidiary	262,348	—	
Total assets	8,011,010	8,076,314	
Liabilities			
Deposits	5,907,325	5,969,021	
Trading financial liabilities	5,801	5,973	
Trade and other payables	259,918	273,914	
Current tax liabilities	34,149	34,967	
Accruals	522	556	
Total liabilities	6,207,715	6,284,431	
Shareholders' equity			
Share capital	930,000	930,000	
Of which: amount eligible for CET1	930,000	930,000	(1)
FVOCI reserve	(26)	(26)	(2)
Retained earnings and other comprehensive income	873,321	861,909	(2)
Total shareholders' equity	1,803,295	1,791,883	

MORGAN STANLEY BANK ASIA LIMITED

NOTES TO THE UNAUDITED FINANCIAL INFORMATION For the six months ended 30 June 2024

13. 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 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	Post-transitional 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 share 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

MORGAN STANLEY BANK ASIA LIMITED

NOTES TO THE UNAUDITED FINANCIAL INFORMATION For the six months ended 30 June 2024

13. 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 MSBAL Group'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")

Geographical breakdown by Jurisdiction (J)		The MSBAL Group			
		As at 30 June 2024			
		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	1.000 %	1,015,892		
2	Australia	1.000 %	23		
3	France	1.000 %	1		
4	Luxembourg	0.500 %	284,027		
5	United Kingdom	2.000 %	36,828		
6	Sum		1,336,771		
7	Total (Note)		2,036,911	0.605 %	19,364

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 7 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 30 June 2024 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.

MORGAN STANLEY BANK ASIA LIMITED

NOTES TO THE UNAUDITED FINANCIAL INFORMATION For the six months ended 30 June 2024

13. PILLAR 3 DISCLOSURE (CONTINUED)

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

As at 30 June 2024		The MSBAL Group
		Value under the LR framework US\$'000
1	Total consolidated assets as per published financial disclosure statements	8,076,314
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	—
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	88,432
5	Adjustment for securities financing transactions (“SFTs”) (i.e. repos and similar secured lending)	17,981
6	Adjustment for off-balance sheet (“OBS”) items (i.e. conversion to credit equivalent amounts of OBS exposures)	7,019
6a	Adjustments for prudent valuation adjustments and specific and collective provisions that are allowed to be excluded from exposure measure	(878)
7	Other adjustments	(35,145)
8	Leverage ratio exposure measure	8,153,723

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NOTES TO THE UNAUDITED FINANCIAL INFORMATION
For the six months ended 30 June 2024

13. PILLAR 3 DISCLOSURE (CONTINUED)

Template LR2: Leverage Ratio

		The MSBAL Group	
		As at 30 June 2024	As at 31 March 2024
		US\$'000	US\$'000
On-balance sheet exposures			
1	On-balance sheet exposures (excluding those arising from derivative contracts and SFTs, but including collateral)	5,968,065	5,570,522
2	Less: Asset amounts deducted in determining Tier 1 capital	(36,023)	(31,204)
3	Total on-balance sheet exposures (excluding derivative contracts and SFTs)	5,932,042	5,539,318
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)	98,027	49,468
5	Add-on amounts for potential future exposure ("PFE") associated with all derivative contracts	65,455	56,682
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	163,482	106,150
Exposures arising from SFTs			
12	Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	2,033,537	2,284,013
13	Less: Netted amounts of cash payables and cash receivables of gross SFT assets	—	—
14	Counterparty Credit Risk ("CCR") exposure for SFT assets	17,981	11,743
15	Agent transaction exposures	—	—
16	Total exposures arising from SFTs ⁽¹⁾	2,051,518	2,295,756
Other off-balance sheet exposures			
17	Off-balance sheet exposure at gross notional amount	7,019	7,043
18	Less: Adjustments for conversion to credit equivalent amounts	—	—
19	Off-balance sheet items	7,019	7,043
Capital and total exposures			
20	Tier 1 capital	1,755,860	1,714,937
20a	Total exposures before adjustments for specific and collective provisions	8,154,061	7,948,267
20b	Adjustments for specific and collective provisions	(338)	(544)
21	Total exposures after adjustments for specific and collective provisions	8,153,723	7,947,723
Leverage ratio			
22	Leverage ratio	22 %	22 %

Note 1: In the second quarter of 2024, increase in total exposures arising from SFTs is mainly due to an increase in secured financing.

MORGAN STANLEY BANK ASIA LIMITED

NOTES TO THE UNAUDITED FINANCIAL INFORMATION For the six months ended 30 June 2024

13. PILLAR 3 DISCLOSURE (CONTINUED)

Template CR1: Credit quality of exposures

		The MSBAL 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 2024		US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
1	Loans	—	4,671,028	337	—	337	—	4,670,691
2	Debt securities	—	785,751	—	—	—	—	785,751
3	Off-balance sheet exposures	—	14,033	1	—	1	—	14,032
4	Total	—	5,470,812	338	—	338	—	5,470,474

Loans included loans and advances and related accrued interest receivables.

Template CR3: Overview of recognised credit risk mitigation

		The MSBAL Group				
		Exposures unsecured: carrying amount ⁽¹⁾	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 2024		US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
1	Loans	1,948,954	2,721,737	2,721,737	—	—
2	Debt securities	785,751	—	—	—	—
3	Total	2,734,705	2,721,737	2,721,737	—	—
4	Of which defaulted	—	—	—	—	—

Loans included loans and advances and related accrued interest receivables.

Note 1: As at 30 June 2024, loans and advances of the MSBAL Group comprise (a) the MSBAL Group's loans and advances to customers of US\$4,122,895,000 which is fully secured, (b) the MSBAL Group's loans and advances to other Morgan Stanley Group undertakings of US\$501,675,000 which is unsecured and (c) the subsidiary's loans and advances to customers of US\$33,489,000 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.

MORGAN STANLEY BANK ASIA LIMITED

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For the six months ended 30 June 2024

13. PILLAR 3 DISCLOSURE (CONTINUED)

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

		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 30 June 2024		US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	%
Exposure classes		US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	%
1	Sovereign exposures	867,751	—	867,751	—	2	0 %
2	Public Sector Entity (“PSE”) exposures	—	—	—	—	—	—
2a	Of which: domestic PSEs	—	—	—	—	—	—
2b	Of which: foreign PSEs	—	—	—	—	—	—
3	Multilateral development bank exposures	—	—	—	—	—	—
4	Bank exposures	167,642	—	167,642	—	33,529	20 %
5	Securities firm exposures	50,987	—	49,006	—	24,503	50 %
6	Corporate exposures	4,005,136	14,033	1,685,804	7,019	1,692,823	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	681,743	—	279,339	—	279,339	100 %
13	Past due exposures	—	—	—	—	—	—
14	Significant exposures to commercial entities	—	—	—	—	—	—
15	Total	5,773,259	14,033	3,049,542	7,019	2,030,196	66 %

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For the six months ended 30 June 2024

13. PILLAR 3 DISCLOSURE (CONTINUED)

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

		The MSBAL Group										
		As at 30 June 2024										
	Risk Weight	0%	10%	20%	35%	50%	75%	100%	150%	250%	Others	Total credit risk exposures amount (post CCF and post 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
1	Sovereign exposures	867,741	—	10	—	—	—	—	—	—	—	867,751
2	PSE exposures	—	—	—	—	—	—	—	—	—	—	—
2a	Of which: domestic PSEs	—	—	—	—	—	—	—	—	—	—	—
2b	Of which: foreign PSEs	—	—	—	—	—	—	—	—	—	—	—
3	Multilateral development bank exposures	—	—	—	—	—	—	—	—	—	—	—
4	Bank exposures	—	—	167,642	—	—	—	—	—	—	—	167,642
5	Securities firm exposures	—	—	—	—	49,006	—	—	—	—	—	49,006
6	Corporate exposures	—	—	—	—	—	—	1,692,823	—	—	—	1,692,823
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	—	—	—	—	—	—	279,339	—	—	—	279,339
13	Past due exposures	—	—	—	—	—	—	—	—	—	—	—
14	Significant exposures to commercial entities	—	—	—	—	—	—	—	—	—	—	—
15	Total	867,741	—	167,652	—	49,006	—	1,972,162	—	—	—	3,056,561

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For the six months ended 30 June 2024

MORGAN STANLEY BANK ASIA LIMITED

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For the six months ended 30 June 2024

13. PILLAR 3 DISCLOSURE (CONTINUED)

Template CCR1: Analysis of counterparty default 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 30 June 2024		US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
1	SA-CCR approach (for derivative contracts)	4,869	46,677		1.4	72,164	36,049
1a	CEM (for derivative contracts)	—	—		1.4	—	—
2	IMM (CCR) approach			—	—	—	—
3	Simple approach (for SFTs)					—	—
4	Comprehensive approach (for SFTs)					75,635	37,339
5	Value-at-risk ("VaR") (for SFTs)					—	—
6	Total						73,388

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

		The MSBAL Group	
		Exposure at default ("EAD") post CRM	RWA
As at 30 June 2024		US\$'000	US\$'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	72,164	14,879
4	Total	72,164	14,879

MORGAN STANLEY BANK ASIA LIMITED

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13. 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 MSBAL Group										
		As at 30 June 2024										
Risk Weight		0%	10%	20%	35%	50%	75%	100%	150%	250%	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
1	Sovereign exposures	—	—	—	—	—	—	—	—	—	—	—
2	PSE exposures	—	—	—	—	—	—	—	—	—	—	—
2a	Of which: domestic PSEs	—	—	—	—	—	—	—	—	—	—	—
2b	Of which: foreign PSEs	—	—	—	—	—	—	—	—	—	—	—
3	Multilateral development bank exposures	—	—	—	—	—	—	—	—	—	—	—
4	Bank exposures	—	—	1,707	—	65,602	—	—	—	—	—	67,309
5	Securities firm exposures	—	—	—	—	74,176	—	—	—	—	—	74,176
6	Corporate exposures	—	—	—	—	6,314	—	—	—	—	—	6,314
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	Total	—	—	1,707	—	146,092	—	—	—	—	—	147,799

MORGAN STANLEY BANK ASIA LIMITED

NOTES TO THE UNAUDITED FINANCIAL INFORMATION For the six months ended 30 June 2024

13. PILLAR 3 DISCLOSURE (CONTINUED)

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

	The MSBAL 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 2024	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Cash - domestic currency	—	65,267	—	—	177	106
Cash - other currencies	—	—	—	770	—	—
Domestic sovereign debt	—	—	—	—	—	—
Other sovereign debt	—	—	—	—	1,957,725	—
Government agency debt	—	—	—	—	—	—
Corporate bonds	—	—	—	—	—	—
Equity securities	—	—	—	—	—	—
Other collateral	—	—	—	—	—	—
Total	—	65,267	—	770	1,957,902	106

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

Template MRI: Market risk under STM approach

		The MSBAL Group
		RWA
As at 30 June 2024		US\$'000
	Outright product exposure	
1	Interest rate exposures (general and specific risk)	50,148
2	Equity exposures (general and specific risk)	—
3	Foreign exchange (including gold) exposures	6,986
4	Commodity exposures	—
	Option exposures	
5	Simplified approach	—
6	Delta-plus approach	—
7	Other approach	—
8	Securitization exposures	—
9	Total	57,134

14. OFF-BALANCE SHEET EXPOSURE OTHER THAN DERIVATIVE TRANSACTIONS

The Company does not have off-balance sheet exposure other than derivative transactions as at 30 June 2024.

MORGAN STANLEY BANK ASIA LIMITED

NOTES TO THE UNAUDITED FINANCIAL INFORMATION

For the six months ended 30 June 2024

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 2024, loans and advances of the Company comprise (a) loans and advances to customers of US\$4,122,895,000 which is fully secured and (b) loans and advances to other Morgan Stanley Group undertakings of US\$501,675,000 which is unsecured.

	As at 30 June 2024 US\$'000
Sector classification	
Loans and advances for use in Hong Kong	
Industrial, commercial and financial:	
– Financial concerns	21,837
– Individuals	398,588
– Others ⁽¹⁾	1,407,394
Loans and advances for use outside Hong Kong	<u>2,796,751</u>
Total	<u><u>4,624,570</u></u>

(1) These represents loans and advances to "non-stockbroking companies and individuals 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.

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 30 June 2024 US\$'000
Geographical Areas	
Hong Kong	1,827,819
West Indies UK	997,625
Singapore	481,499
Others	1,317,627
Total	<u><u>4,624,570</u></u>

MORGAN STANLEY BANK ASIA LIMITED

NOTES TO THE UNAUDITED FINANCIAL INFORMATION

For the six months ended 30 June 2024

16. 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 International Banking Statistics ("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.

		Non-bank private sector			
	Bank	Official sector	Non-bank financial institutions	Non-bank private sector	Total
As at 30 June 2024	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Developed countries	87,313	591,417	2,194,212	—	2,872,942
of which: Japan	89	—	1,009,590	—	1,009,679
of which: United Kingdom	252	—	898,840	—	899,092
Offshore centres	182,322	—	356,905	2,898,312	3,437,539
of which: Hong Kong	179,533	—	285,644	1,281,825	1,747,002
of which: West Indies UK	—	—	13,801	986,482	1,000,283
Developing Asia and Pacific	269,995	—	45,462	772,528	1,087,985

17. OVERDUE AND RESCHEDULED ASSETS

The Company has no overdue or rescheduled assets as at 30 June 2024.

MORGAN STANLEY BANK ASIA LIMITED

NOTES TO THE UNAUDITED FINANCIAL INFORMATION

For the six months ended 30 June 2024

18. 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 30 June 2024	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")	7,201	—	7,201
The People's Republic of China ("PRC") nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	79,474	14,027	93,501
Of which, PRC nationals residing in Mainland China or entities beneficially-owned by Mainland interest	59,034	—	59,034
Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	558,000	6	558,006
Total	<u>644,675</u>	<u>14,033</u>	<u>658,708</u>

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

19. 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 30 June 2024	RMB US\$'000	SGD US\$'000	USD US\$'000
Spot assets	633,871	403,929	4,312,428
Spot liabilities	(670,188)	(234,100)	(6,724,440)
Forward purchases	312,585	—	3,322,888
Forward sales	(291,474)	(173,323)	(897,656)
Net long / (short) position ⁽¹⁾	<u>(15,206)</u>	<u>(3,494)</u>	<u>13,220</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 and the Branch of the Company and its subsidiary are not eliminated.

MORGAN STANLEY BANK ASIA LIMITED

NOTES TO THE UNAUDITED FINANCIAL INFORMATION

For the six months ended 30 June 2024

19. CURRENCY RISK (CONTINUED)

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 30 June 2024	US\$'000
RMB	11,820

The MSBAL Group has no option in any particular foreign currency as at 30 June 2024.