MORGAN STANLEY BANK ASIA LIMITED

Unaudited Quarterly Financial Disclosure Statement

As at 30 September 2023

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UNAUDITED QUARTERLY FINANCIAL DISCLOSURE STATEMENT
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A. BASIS OF PREPARATION

Corporate information

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

Basis of preparation

The unaudited quarterly financial disclosure statement has been prepared on a consolidated basis (i.e. including the business of the subsidiary of the MSBAL Group), unless otherwise indicated, in accordance with the Banking (Disclosure) Rules.

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

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

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

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

Template KM1: Key Prudential Ratios

		The MSBAL Group				
		As at 30 September 2023	**As at 30 June 2023**	**As at 31 March 2023**	**As at 31 December 2022**	**As at 30 September 2022**
		USD'000	**USD'000**	**USD'000**	**USD'000**	**USD'000**
	Regulatory capital (amount)					
1	Common Equity Tier 1 ("CET1")	1,627,674	1,582,895	1,532,181	1,488,405	1,459,364
2	Tier 1	1,627,674	1,582,895	1,532,181	1,488,405	1,459,364
3	Total capital	1,644,933	1,595,709	1,547,161	1,504,334	1,473,938
	Risk-weighted amount ("RWA") (amount)					
4	Total RWA (1)	2,454,528	2,095,034	2,230,786	2,266,195	2,165,505
	Risk-based regulatory capital ratios (as a percentage of RWA)					
5	CET1 ratio (%) (2)	66%	76%	69%	66%	67%
6	Tier 1 ratio (%) (2)	66%	76%	69%	66%	67%
7	Total capital ratio (%) (2)	67%	76%	69%	66%	68%
	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 (%)	0.635%	0.552%	0.506%	0.484%	0.416%
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 (%)	3.135%	3.052%	3.006%	2.984%	2.916%
12	CET1 available after meeting the AI's minimum capital requirements (%)	59%	68%	61%	58%	60%
	Basel III leverage ratio					
13	Total leverage ratio ("LR") exposure measure	7,644,811	7,921,239	8,062,208	7,738,008	7,784,942
14	LR (%)	21%	20%	19%	19%	19%
	Liquidity Maintenance Ratio ("LMR")					
17a	LMR (%) (3)	72%	73%	68%	72%	67%
	Core Funding Ratio ("CFR")					
20a	CFR (%) (3) (4)	226%	236%	219%	245%	265%

Note 1: Refer to template OV1 for the increase in total RWA.

Note 2: Decrease in capital adequacy ratios in the third quarter of 2023 is mainly due to the increase in RWA. Refer to template OV1 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 MSBAL Group are not required, under the Banking (Liquidity) Rules, to calculate Liquidity Coverage Ratio or Net Stable Funding Ratio for its liquidity risk.

Note 4: Decrease in average CFR during the third quarter of 2023 is mainly due to a decrease in average deposits from customers partially offset by the decrease in average margin loans to customers and loans and advances to other Morgan Stanley Group undertakings.

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

Template OV1: Overview of RWA

		The MSBAL Group		
		RWA		Minimum capital requirements [1]
		As at 30 September 2023 USD'000	As at 30 June 2023 USD'000	As at 30 September 2023 USD'000
1	Credit risk for non-securitization exposures [2]	1,336,512	960,246	106,921
2	Of which Standardised (Credit Risk) Approach ("STC approach")	1,336,512	960,246	106,921
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	44,190	64,880	3,535
7	Of which Standardised (Counterparty Credit Risk) ("SA-CCR") Approach	25,560	28,389	2,045
7a	Of which Current Exposure Method ("CEM")	-	-	-
8	Of which Internal Models (Counterparty Credit Risk) Approach ("IMM(CCR) approach")	-	-	-
9	Of which others	18,630	36,491	1,490
10	Credit Valuation Adjustment ("CVA") risk	10,904	12,168	872
11	Equity positions in banking book under the simple risk-weight method and internal models method	-	-	-
12	Collective investment scheme ("CIS") exposures – Look-Through Approach ("LTA")	-	-	-
13	CIS exposures – Mandate-Based Approach ("MBA")	-	-	-
14	CIS exposures – Fall-Back Approach ("FBA")	-	-	-
14a	CIS exposures – combination of approaches	-	-	-
15	Settlement risk	-	-	-
16	Securitization exposures in banking book	-	-	-
17	Of which Securitization Internal Ratings-Based Approach ("SEC-IRBA")	-	-	-
18	Of which Securitization External Ratings-Based Approach ("SEC-ERBA") (including Internal Assessment Approach ("IAA"))	-	-	-
19	Of which Securitization Standardised Approach ("SEC-SA")	-	-	-
19a	Of which Securitization Fall-Back Approach ("SEC-FBA")	-	-	-
20	Market risk	52,421	56,883	4,194
21	Of which Standardised (Market Risk) Approach ("STM approach")	52,421	56,883	4,194
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	1,013,678	991,728	81,094
24a	Sovereign concentration risk	-	14,552	-
25	Amounts below the thresholds for deduction (subject to 250% Risk-Weight ("RW"))	-	-	-
26	Capital floor adjustment	-	-	-
26a	Deduction to RWA	3,177	5,423	254
26b	Of which portion of regulatory reserve for general banking risks and collective provisions which is not included in Tier 2 Capital	3,177	5,423	254
26c	Of which portion of cumulative fair value gains arising from the revaluation of land and buildings which is not included in Tier 2 Capital	-	-	-
27	**Total**	**2,454,528**	**2,095,034**	**196,362**

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 third quarter in 2023, increase in RWA from credit risk for non-securitization exposures was mainly due to increase in loans and advances.

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C. LEVERAGE RATIO

Template LR2: Leverage Ratio

		The MSBAL Group	
		As at 30 September 2023	As at 30 June 2023
		USD'000	USD'000
On-balance sheet exposures			
1	On-balance sheet exposures (excluding those arising from derivative contracts and securities financing transactions ("SFTs"), but including collateral) [1]	5,891,567	4,719,946
2	Less: Asset amounts deducted in determining Tier 1 capital	(31,431)	(29,030)
3	**Total on-balance sheet exposures (excluding derivative contracts and SFTs)**	5,860,136	4,690,916
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)	67,725	103,377
5	Add-on amounts for potential future exposure ("PFE") associated with all derivative contracts	47,920	58,519
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**	115,645	161,896
Exposures arising from SFTs			
12	Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions [2]	1,654,540	3,049,755
13	Less: Netted amounts of cash payables and cash receivables of gross SFT assets	-	-
14	Counterparty Credit Risk ("CCR") exposure for SFT assets	8,322	12,364
15	Agent transaction exposures	-	-
16	**Total exposures arising from SFTs**	1,662,862	3,062,119
Other off-balance sheet exposures			
17	Off-balance sheet exposure at gross notional amount	6,686	6,929
18	Less: Adjustments for conversion to credit equivalent amounts	-	-
19	**Off-balance sheet items**	6,686	6,929
Capital and total exposures			
20	**Tier 1 capital**	1,627,674	1,582,895
20a	**Total exposures before adjustments for specific and collective provisions**	7,645,329	7,921,860
20b	**Adjustments for specific and collective provisions**	(518)	(621)
21	**Total exposures after adjustments for specific and collective provisions**	7,644,811	7,921,239
Leverage ratio			
22	**Leverage ratio**	**21%**	**20%**

Note 1: Increase in on-balance sheet exposures in the third quarter of 2023 is mainly due to an increase in investment securities and loans and advances.

Note 2: Decrease in exposure arising from SFTs, along with an increase in investment securities (included in on-balance sheet exposures), is as part of the liquidity management activities of the MSBAL Group.