

**MORGAN STANLEY BANK ASIA LIMITED**

**Interim Financial Disclosure Statements**

**For the six months ended 30 June 2020**

**MORGAN STANLEY BANK ASIA LIMITED**

**INTERIM FINANCIAL DISCLOSURE STATEMENTS**

**For the six months ended 30 June 2020**

<b>CONTENTS</b>	<b>PAGE</b>
Corporate Information	1
Unaudited income statement	2
Unaudited statement of comprehensive income	3
Unaudited statement of changes in equity	4
Unaudited statement of financial position	5
Notes to the unaudited financial information	6

# **MORGAN STANLEY BANK ASIA LIMITED**

## **CORPORATE INFORMATION**

The Directors of Morgan Stanley Bank Asia Limited (the “Company”) hereby announce the unaudited interim financial disclosure statements of the Company for the period ended 30 June 2020. The interim financial disclosure statements are prepared under the Banking (Disclosure) Rules pursuant to Section 60A of the Hong Kong Banking Ordinance.

### **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.

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 2019 that is included in the unaudited interim financial disclosure statements for the six months ended 30 June 2020 as comparative information does not constitute the Company’s statutory annual financial statements for the year ended 31 December 2019 but is derived from the audited financial statements for the year ended 31 December 2019. Further information related to the audited financial statements for the year ended 31 December 2019 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.

The Company’s auditor has reported on the audited financial statements for the year ended 31 December 2019. 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  
22 September 2020

**MORGAN STANLEY BANK ASIA LIMITED****UNAUDITED INCOME STATEMENT  
For the six months ended 30 June 2020**

	<b>Note</b>	<b>For the six months ended 30 June 2020 US\$'000</b>	<b>For the six months ended 30 June 2019 US\$'000</b>
Interest income		38,046	49,576
Interest expense		(11,860)	(7,723)
<b>Net interest income</b>	1	<u>26,186</u>	<u>41,853</u>
Fee and commission income		201,212	132,615
Fee and commission expense		(534)	(1,097)
<b>Net fee and commission income</b>	2	<u>200,678</u>	<u>131,518</u>
Net trading income/(expense)		8,605	(1,228)
Other revenue		3,979	6,200
<b>Total non-interest revenues</b>		<u>213,262</u>	<u>136,490</u>
<b>Net revenues</b>		<u>239,448</u>	<u>178,343</u>
Non-interest expenses:			
Other expenses	3	(153,574)	(130,462)
<b>PROFIT BEFORE INCOME TAX</b>		<u>85,874</u>	<u>47,881</u>
Income tax	4	(13,325)	(7,243)
<b>PROFIT FOR THE PERIOD</b>		<u><u>72,549</u></u>	<u><u>40,638</u></u>

The notes on pages 6 to 31 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 2020**

	<b>For the six months ended 30 June 2020 US\$'000</b>	<b>For the six months ended 30 June 2019 US\$'000</b>
<b>PROFIT FOR THE PERIOD</b>	<u>72,549</u>	<u>40,638</u>
<b>Items that may be reclassified subsequently to profit or loss:</b>		
FVOCI reserve:		
Net change in fair value	(1,305)	2,159
<b>OTHER COMPREHENSIVE INCOME AFTER INCOME TAX</b>	<u>(1,305)</u>	<u>2,159</u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO OWNER OF THE COMPANY</b>	<u><u>71,244</u></u>	<u><u>42,797</u></u>

The notes on pages 6 to 31 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 2020**

	Share capital US\$'000	FVOCI reserve US\$'000	Retained earnings US\$'000	Total equity US\$'000
<b>Balance at 1 January 2019</b>	170,000	968	137,937	308,905
<b>Profit for the year</b>	-	-	84,458	84,458
Other comprehensive income for the year:				
FVOCI reserve:				
Net change in fair value	-	367	-	367
Net amount reclassified to income statement	-	(5)	-	(5)
<b>Total comprehensive income for the year</b>	-	362	84,458	84,820
<b>Transaction with owner:</b>				
Issue of share capital	500,000	-	-	500,000
<b>Balance at 31 December 2019 and 1 January 2020</b>	670,000	1,330	222,395	893,725
<b>Profit for the period</b>	-	-	72,549	72,549
Other comprehensive income for the period:				
FVOCI reserve:				
Net change in fair value	-	(1,305)	-	(1,305)
<b>Total comprehensive income for the period</b>	-	(1,305)	72,549	71,244
<b>Balance at 30 June 2020</b>	<u>670,000</u>	<u>25</u>	<u>294,944</u>	<u>964,969</u>

The notes on pages 6 to 31 form an integral part of the financial disclosure statements.

**MORGAN STANLEY BANK ASIA LIMITED**

**UNAUDITED STATEMENT OF FINANCIAL POSITION**

**As at 30 June 2020**

		<b>As at 30 June 2020 US\$'000</b>	<b>As at 31 December 2019 US\$'000</b>
	<b>Note</b>		
<b>ASSETS</b>			
Cash and short-term deposits	6	978,870	633,898
Trading financial assets	7	1,444	441
Secured financing	8	255,291	362,047
Loans and advances to customers	9	3,093,072	2,770,325
Investment securities	10	2,049,005	854,769
Trade and other receivables		118,853	62,570
Deferred tax assets		3,858	5,002
Prepayments		2,264	835
<b>TOTAL ASSETS</b>		<u>6,502,657</u>	<u>4,689,887</u>
<b>LIABILITIES AND EQUITY</b>			
Deposits	11	5,367,516	3,665,736
Trading financial liabilities	7	8,902	3,552
Trade and other payables		140,632	104,689
Current tax liabilities		19,002	21,251
Accruals		1,636	934
<b>TOTAL LIABILITIES</b>		<u>5,537,688</u>	<u>3,796,162</u>
<b>EQUITY</b>			
Share capital		670,000	670,000
FVOCI reserve		25	1,330
Retained earnings		294,944	222,395
<b>Equity attributable to owner of the Company</b>		<u>964,969</u>	<u>893,725</u>
<b>TOTAL EQUITY</b>		<u>964,969</u>	<u>893,725</u>
<b>TOTAL LIABILITIES AND EQUITY</b>		<u>6,502,657</u>	<u>4,689,887</u>

The notes on pages 6 to 31 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 2020

### 1. INTEREST INCOME AND INTEREST EXPENSE

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’ or ‘Other expenses’.

No other gains or losses have been recognised in respect of financial liabilities measured at amortised cost other than as disclosed as ‘Interest expense’ within the unaudited income statement and foreign exchange differences disclosed in ‘Other revenue’ or ‘Other expenses’.

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

	<b>For the six months ended 30 June 2020 US\$'000</b>	<b>For the six months ended 30 June 2019 US\$'000</b>
Financial assets measured at amortised cost	29,804	37,135
Financial assets measured at FVOCI	6,225	6,168
<b>Financial asset not measured at FVPL</b>	<u>36,029</u>	<u>43,303</u>
Non-trading financial assets at FVPL	2,017	6,273
<b>Financial assets measured at FVPL</b>	<u>2,017</u>	<u>6,273</u>
<b>Total interest income</b>	<u>38,046</u>	<u>49,576</u>
Financial liabilities measured at amortised cost	(11,860)	(7,702)
Financial liabilities designated at FVPL	-	(21)
<b>Total interest expense</b>	<u>(11,860)</u>	<u>(7,723)</u>
<b>Net interest income</b>	<u>26,186</u>	<u>41,853</u>

### 2. FEE AND COMMISSIONS

	<b>For the six months ended 30 June 2020 US\$'000</b>	<b>For the six months ended 30 June 2019 US\$'000</b>
Fee and commission income:		
Sales commissions and fees	201,202	132,604
Other fees	10	11
<b>Total fee and commission income</b>	<u>201,212</u>	<u>132,615</u>
<i>Of which, revenue from contracts with customers</i>	9,956	8,434
Fee and commission expense:		
Sales commissions and fees	(534)	(1,097)
<b>Total fee and commission expense</b>	<u>(534)</u>	<u>(1,097)</u>
<b>Net fee and commission income</b>	<u>200,678</u>	<u>131,518</u>



# MORGAN STANLEY BANK ASIA LIMITED

## NOTES TO THE UNAUDITED FINANCIAL INFORMATION

For the six months ended 30 June 2020

### 3. OTHER EXPENSES

	<b>For the six months ended 30 June 2020 US\$'000</b>	<b>For the six months ended 30 June 2019 US\$'000</b>
Staff costs	102,554	86,660
Management charges from other Morgan Stanley Group undertakings	38,864	37,731
Net foreign exchange losses	1,068	-
Other expenses	11,088	6,071
	<u>153,574</u>	<u>130,462</u>

### 4. INCOME TAX

	<b>For the six months ended 30 June 2020 US\$'000</b>	<b>For the six months ended 30 June 2019 US\$'000</b>
<b>Current tax</b>		
Hong Kong	9,919	4,812
Other jurisdictions	2,003	1,314
<b>Deferred tax</b>	1,403	1,117
<b>Income tax</b>	<u>13,325</u>	<u>7,243</u>

# MORGAN STANLEY BANK ASIA LIMITED

## NOTES TO THE UNAUDITED FINANCIAL INFORMATION For the six months ended 30 June 2020

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

The following table analyses financial assets and financial liabilities as at 30 June 2020 presented in the unaudited statement of financial position.

<b>30 June 2020</b>	<b>FVPL US\$'000</b>	<b>FVOCI US\$'000</b>	<b>Amortised cost US\$'000</b>	<b>Total US\$'000</b>
Cash and short-term deposits	-	-	978,870	978,870
Trading financial assets	1,444	-	-	1,444
Secured financing	255,291	-	-	255,291
Loans and advances to customers	-	-	3,093,072	3,093,072
Investment securities	-	2,049,005	-	2,049,005
Trade and other receivables	-	-	118,853	118,853
<b>Total financial assets</b>	<b>256,735</b>	<b>2,049,005</b>	<b>4,190,795</b>	<b>6,496,535</b>
Deposits	-	-	5,367,516	5,367,516
Trading financial liabilities	8,902	-	-	8,902
Trade and other payables	-	-	140,632	140,632
<b>Total financial liabilities</b>	<b>8,902</b>	<b>-</b>	<b>5,508,148</b>	<b>5,517,050</b>

The following table analyses financial assets and financial liabilities as at 31 December 2019 presented in the statement of financial position.

<b>31 December 2019</b>	<b>FVPL US\$'000</b>	<b>FVOCI US\$'000</b>	<b>Amortised cost US\$'000</b>	<b>Total US\$'000</b>
Cash and short-term deposits	-	-	633,898	633,898
Trading financial assets	441	-	-	441
Secured financing	362,047	-	-	362,047
Loans and advances to customers	-	-	2,770,325	2,770,325
Investment securities	-	854,769	-	854,769
Trade and other receivables	-	-	62,570	62,570
<b>Total financial assets</b>	<b>362,488</b>	<b>854,769</b>	<b>3,466,793</b>	<b>4,684,050</b>
Deposits	-	-	3,665,736	3,665,736
Trading financial liabilities	3,552	-	-	3,552
Trade and other payables	-	-	104,689	104,689
<b>Total financial liabilities</b>	<b>3,552</b>	<b>-</b>	<b>3,770,425</b>	<b>3,773,977</b>

# MORGAN STANLEY BANK ASIA LIMITED

## NOTES TO THE UNAUDITED FINANCIAL INFORMATION

For the six months ended 30 June 2020

### 6. CASH AND SHORT-TERM DEPOSITS

Included in cash and short-term deposits as at 30 June 2020 is an aggregate sum of US\$7,681,000 (31 December 2019: US\$8,037,000) which is placement with the MAS.

### 7. TRADING FINANCIAL ASSETS AND LIABILITIES

Trading assets and trading liabilities are summarised as follows.

	As at 30 June 2020			As at 31 December 2019		
	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:						
Foreign exchange contracts	<u>1,561,830</u>	<u>1,444</u>	<u>8,902</u>	<u>709,391</u>	<u>441</u>	<u>3,552</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.

### 8. SECURED FINANCING

The following table provides an analysis of secured financing by measurement classification:

	As at 30 June 2020 US\$'000	As at 31 December 2019 US\$'000
<b>Non-trading FVPL</b>		
Securities purchased under agreements to resell	<u>255,291</u>	<u>362,047</u>

# MORGAN STANLEY BANK ASIA LIMITED

## NOTES TO THE UNAUDITED FINANCIAL INFORMATION

For the six months ended 30 June 2020

### 9. LOANS AND ADVANCES TO CUSTOMERS

	As at 30 June 2020 US\$'000	As at 31 December 2019 US\$'000
Loans and advances to customers at amortised cost	3,093,072	2,770,325

There were no expected credit losses on loans and advances to customers as at 30 June 2020 and 31 December 2019.

### 10. INVESTMENT SECURITIES

	As at 30 June 2020 US\$'000	As at 31 December 2019 US\$'000
<b>Investment securities (FVOCI)</b>		
Government debt securities:		
Singapore government treasury bills	329,580	252,278
US treasury bills and securities	1,719,425	602,491
<b>Total</b>	<u>2,049,005</u>	<u>854,769</u>

### 11. DEPOSITS

	As at 30 June 2020 US\$'000	As at 31 December 2019 US\$'000
Deposits of banks		
Current account balances	4,283	2,149
Deposits of non-bank customers		
Current account balances	4,459,195	2,622,296
Term deposits	853,730	1,041,164
Deposits of other Morgan Stanley Group undertakings	50,308	127
	<u>5,367,516</u>	<u>3,665,736</u>

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

There were no off-balance sheet exposures other than derivative transactions as at 30 June 2020 and 31 December 2019.

# MORGAN STANLEY BANK ASIA LIMITED

## NOTES TO THE UNAUDITED FINANCIAL INFORMATION For the six months ended 30 June 2020

### 13. INTERNATIONAL CLAIMS

International claims are on-balance sheet exposures of counterparties based on the location of the counterparties after taking into account any risk transfer. The risk transfers have been made if the claims are guaranteed by a party in a geographical area which is different from that of the counterparty or if the claims are on an overseas branch of a bank whose head office is located in another geographical area.

	Bank	Non-bank private sector			Total
		Official sector	Non-bank financial institutions	Non-financial private sector	
30 June 2020	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Developed countries	802,345	1,719,140	107,252	3,274	2,632,011
of which: United States	195,337	1,719,140	156	-	1,914,633
Offshore centres	280,171	-	449,061	1,859,643	2,588,875
of which: Hong Kong	280,099	-	273,030	858,830	1,411,959
Developing Asia and Pacific	132,418	-	118,936	554,879	806,233
of which: China	132,418	-	118,936	278,297	529,651

  

	Bank	Non-bank private sector			Total
		Official sector	Non-bank financial institutions	Non-financial private sector	
31 December 2019	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Developed countries	504,115	602,575	54,128	3,223	1,164,041
of which: United States	132,951	602,575	362	743	736,631
Offshore centres	387,252	-	289,961	1,581,542	2,258,755
of which: Hong Kong	387,180	-	189,037	768,915	1,345,132
of which: Singapore	72	-	12,162	420,417	432,651
Developing Asia and Pacific	64,988	-	100,254	616,292	781,534
of which: China	64,988	-	100,254	302,938	468,180

**MORGAN STANLEY BANK ASIA LIMITED**

**NOTES TO THE UNAUDITED FINANCIAL INFORMATION**  
**For the six months ended 30 June 2020**

**14. LOANS AND ADVANCES – SECTOR INFORMATION**

	<b>As at 30 June 2020 US\$'000</b>	<b>As at 31 December 2019 US\$'000</b>
<b>Sector classification</b>		
<b>Loans and advances for use in Hong Kong</b>		
Industrial, commercial and financial:		
- Financial concerns	37,361	32,738
- Others	1,113,398	1,018,462
Individuals		
- Others	210,622	207,260
<b>Loans and advances for use outside Hong Kong</b>	<u>1,731,691</u>	<u>1,511,865</u>
<b>Total</b>	<u><u>3,093,072</u></u>	<u><u>2,770,325</u></u>

The total loans were fully secured by collateral as at 30 June 2020 and 31 December 2019.

	<b>As at 30 June 2020 US\$'000</b>	<b>As at 31 December 2019 US\$'000</b>
<b>Geographical Areas</b>		
Hong Kong	1,361,381	1,258,460
Mainland China	457,848	459,561
Singapore	340,773	443,762
Others	<u>933,070</u>	<u>608,542</u>
<b>Total</b>	<u><u>3,093,072</u></u>	<u><u>2,770,325</u></u>

Loans and Advances are exposures of counterparties based on the location of the counterparties after taking into account any risk transfer. The risk transfers have been made if the claims are guaranteed by a party in a geographical area which is different from that of the counterparty or if the claims are on an overseas branch of a bank whose head office is located in another geographical area.

**15. OVERDUE AND RESCHEDULED ASSETS**

There were no impaired, overdue or rescheduled assets as at 30 June 2020 and 31 December 2019.

# MORGAN STANLEY BANK ASIA LIMITED

## NOTES TO THE UNAUDITED FINANCIAL INFORMATION

For the six months ended 30 June 2020

### 16. MAINLAND ACTIVITIES

Below is a breakdown of the Company's Mainland exposures to non-bank counterparties on the Hong Kong office into the specified categories, in accordance with the numbers reported in the Return of Mainland Activities submitted to the HKMA.

<b>As at 30 June 2020</b>	<b>On-balance sheet exposures US\$'000</b>	<b>Off-balance sheet exposures US\$'000</b>	<b>Total US\$'000</b>
<b>Type of counterparties</b>			
The People's Republic of China ("PRC") nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	229,524	-	229,524
Of which, PRC nationals residing in Mainland China or entities beneficially-owned by Mainland interest	77,037	-	77,037
Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	451,283	-	451,283
<b>Total</b>	<b>680,807</b>	<b>-</b>	<b>680,807</b>
<b>As at 31 December 2019</b>	<b>On-balance sheet exposures US\$'000</b>	<b>Off-balance sheet exposures US\$'000</b>	<b>Total US\$'000</b>
<b>Type of counterparties</b>			
Local governments, local government-owned entities and their subsidiaries and joint ventures ("JVs")	999	-	999
The People's Republic of China ("PRC") nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	186,958	-	186,958
Of which, PRC nationals residing in Mainland China or entities beneficially-owned by Mainland interest	25,043	-	25,043
Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	454,505	-	454,505
<b>Total</b>	<b>642,462</b>	<b>-</b>	<b>642,462</b>

## MORGAN STANLEY BANK ASIA LIMITED

### NOTES TO THE UNAUDITED FINANCIAL INFORMATION For the six months ended 30 June 2020

#### 17. CURRENCY RISK

The currency risk arising from the Company's operation for those individual currencies which each constitutes more than 10% of the total net positions in all foreign currencies are as follows:

	SGD <sup>(1)</sup> US\$'000	USD <sup>(1)</sup> US\$'000
<b>As at 30 June 2020</b>		
Spot assets	463,204	4,883,740
Spot liabilities	(186,472)	(4,954,993)
Forward purchases	71,744	827,421
Forward sales	(351,546)	(744,755)
Net (short)/long position	<u>(3,070)</u>	<u>11,413</u>
	SGD <sup>(1)</sup> US\$'000	USD <sup>(1)</sup> US\$'000
<b>As at 31 December 2019</b>		
Spot assets	372,841	3,016,081
Spot liabilities	(238,210)	(3,320,163)
Forward purchases	-	515,310
Forward sales	(137,587)	(198,073)
Net (short)/long position	<u>(2,956)</u>	<u>13,155</u>

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

The Company has no option and structural positions in any particular foreign currency as at 30 June 2020 and 31 December 2019.

#### 18. PILLAR 3 DISCLOSURE

The capital adequacy ratios of the Company were calculated in accordance with Banking (Capital) Rules ("BCR") of the Banking Ordinance. The Company uses the following approaches to calculate its capital charge for:

- (a) credit risk: Standardised (Credit Risk) Approach ("STC approach"); and
- (b) operational risk: Basic Indicator Approach ("BIA approach").

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.

The following templates and tables show the standard disclosure templates and tables specified by the HKMA in relation to the Pillar 3 disclosures required under the Banking (Disclosure) Rules. Other Pillar 3 templates or tables not disclosed below either are not applicable to the Company 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 2020**

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

**Template KM1: Key Prudential Ratios**

		As at 30 June 2020	As at 31 March 2020	As at 31 December 2019	As at 30 September 2019	As at 30 June 2019
		USD'000	USD'000	USD'000	USD'000	USD'000
<b>Regulatory capital (amount)</b>						
1	Common Equity Tier 1 ("CET1")	945,537	905,692	860,933	846,872	825,606
2	Tier 1	945,537	905,692	860,933	846,872	825,606
3	Total capital	961,002	923,513	879,176	865,340	839,228
<b>RWA (amount)</b>						
4	Total RWA	1,979,754	2,033,105	2,022,152	2,016,322	1,600,787
<b>Risk-based regulatory capital ratios (as a percentage of RWA)</b>						
5	CET1 ratio (%)	48%	45%	43%	42%	52%
6	Tier 1 ratio (%)	48%	45%	43%	42%	52%
7	Total capital ratio (%)	49%	45%	43%	43%	52%
<b>Additional CET1 buffer requirements (as a percentage of RWA)</b>						
8	Capital conservation buffer requirement (%)	2.500%	2.500%	2.500%	2.500%	2.500%
9	Countercyclical capital buffer requirement (%)	0.463%	0.444%	0.877%	1.128%	1.124%
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 (%)	2.963%	2.944%	3.377%	3.628%	3.624%
12	CET1 available after meeting the AI's minimum capital requirements (%)	40%	37%	35%	35%	44%
<b>Basel III leverage ratio</b>						
13	Total leverage ratio ("LR") exposure measure	6,488,947	5,767,055	4,715,015	4,642,609	4,205,381
14	LR (%)	15%	16%	18%	18%	20%
<b>Liquidity Maintenance Ratio ("LMR")</b>						
17a	LMR (%) <sup>(1)</sup>	57%	54%	63%	62%	62%
<b>Core Funding Ratio ("CFR")</b>						
20a	CFR (%) <sup>(1)</sup>	225%	208%	231%	236%	251%

Note 1: The LMR and CFR disclosed above represent the arithmetic mean of the average LMR and average CFR of the 3 calendar months within each quarter respectively. The 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 2020**

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

**Template OV1: Overview of RWA**

		RWA		Minimum capital requirements
		As at 30 June 2020 USD'000	As at 31 March 2020 USD'000	As at 30 June 2020 USD'000
1	Credit risk for non-securitization exposures	1,327,760	1,417,236	106,220
2	Of which Standardised (Credit Risk) Approach (“STC approach”)	1,327,760	1,417,236	106,220
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	3,706	8,427	296
7	Of which Standardised Approach for measuring Counterparty Credit Risk (“SA-CCR”)	Not applicable		
7a	Of which Current Exposure Method (“CEM”)	3,123	6,048	249
8	Of which Internal Models (Counterparty Credit Risk) Approach (“IMM(CCR) approach”)	-	-	-
9	Of which others	583	2,379	47
10	Credit Valuation Adjustment (“CVA”) risk	1,419	2,750	114
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	-	-	-
21	Of which Standardised (Market Risk) Approach (“STM approach”)	-	-	-
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	646,869	617,813	51,750
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	-	13,121	-
26b	Of which portion of regulatory reserve for general banking risks and collective provisions which is not included in Tier 2 Capital	-	13,121	-
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>1,979,754</b>	<b>2,033,105</b>	<b>158,380</b>

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”.

Decrease in total RWA during the second quarter in 2020 was US\$53,351,000. The key driver was due to decrease in RWA for credit risk for non-securitization exposures arising from loans and advances to customers.

**MORGAN STANLEY BANK ASIA LIMITED**

**NOTES TO THE UNAUDITED FINANCIAL INFORMATION**  
**For the six months ended 30 June 2020**

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

**Template CC1: Composition of regulatory capital**

As at 30 June 2020		Amount USD'000	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation (Template CC2)
<b>CET1 capital: instruments and reserves</b>			
1	Directly issued qualifying CET1 capital instruments plus any related share premium	670,000	(1)
2	Retained earnings	294,944	(2)
3	Disclosed reserves	25	(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 subsidiaries and held by third parties (amount allowed in CET1 capital of the consolidation group)	-	
6	<b>CET1 capital before regulatory deductions</b>	964,969	
<b>CET1 capital: regulatory deductions</b>			
7	Valuation adjustments	109	
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)	3,858	(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	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	15,465	

**MORGAN STANLEY BANK ASIA LIMITED**

**NOTES TO THE UNAUDITED FINANCIAL INFORMATION**  
**For the six months ended 30 June 2020**

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

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

As at 30 June 2020		Amount USD'000	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation (Template CC2)
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>	19,432	
29	<b>CET1 capital</b>	945,537	
<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>	945,537	
<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 2020**

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

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

As at 30 June 2020		Amount USD'000	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation (Template CC2)
50	Collective provisions and regulatory reserve for general banking risks eligible for inclusion in Tier 2 capital	15,465	
51	<b>Tier 2 capital before regulatory deductions</b>	15,465	
	<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>	15,465	
59	<b>Total regulatory capital (TC = T1 + T2)</b>	961,002	
60	<b>Total RWA</b>	1,979,754	
	<b>Capital ratios (as a percentage of RWA)</b>		
61	<b>CET1 capital ratio</b>	48%	
62	<b>Tier 1 capital ratio</b>	48%	
63	<b>Total capital ratio</b>	49%	
64	<b>Institution-specific buffer requirement (capital conservation buffer plus countercyclical capital buffer plus higher loss absorbency requirements)</b>	2.963%	
65	of which: capital conservation buffer requirement	2.500%	
66	of which: bank specific countercyclical capital buffer requirement	0.463%	
67	of which: higher loss absorbency requirement	-	
68	<b>CET1 (as a percentage of RWA) available after meeting minimum capital requirements</b>	40%	
	<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 2020**

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

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

As at 30 June 2020		Amount USD'000	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation (Template CC2)
<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)	15,465	
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	16,643	
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 (only applicable between 1 Jan 2018 and 1 Jan 2022)</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 2020**

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

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

Notes to the Template

	Description	Hong Kong basis	Basel III basis
		USD'000	USD'000
10	<b>Deferred tax assets ("DTAs") (net of associated deferred tax liabilities)</b>	3,858	3,858
	<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 2020**

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

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

<b>As at 30 June 2020</b>	<b>Balance sheet as in published financial disclosure statements (Note) USD'000</b>	<b>Reference to template CC1</b>
<b>Assets</b>		
Cash and short-term deposits	978,870	
Trading financial assets	1,444	
Secured Financing	255,291	
Loans and advances to customers	3,093,072	
Investment securities	2,049,005	
Trade and other receivables	118,853	
Deferred tax assets	3,858	(4)
Prepayments	2,264	
<b>Total assets</b>	<b>6,502,657</b>	
<b>Liabilities</b>		
Deposits	5,367,516	
Trading financial liabilities	8,902	
Trade and other payables	140,632	
Current tax liabilities	19,002	
Accruals	1,636	
<b>Total liabilities</b>	<b>5,537,688</b>	
<b>Shareholders' equity</b>		
Share capital	670,000	
Of which: amount eligible for CET1	670,000	(1)
FVOCI reserve	25	(3)
Retained earnings	294,944	(2)
<b>Total shareholders' equity</b>	<b>964,969</b>	

**Note:** The Company's scope of accounting consolidation and its scope of regulatory consolidation are the same.



# MORGAN STANLEY BANK ASIA LIMITED

## NOTES TO THE UNAUDITED FINANCIAL INFORMATION For the six months ended 30 June 2020

### 18. PILLAR 3 DISCLOSURE (CONTINUED)

**Table CCA: Main features of regulatory capital instruments**

		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
	<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\$670 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> </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
33	If write-down, permanent or temporary	Not applicable

# MORGAN STANLEY BANK ASIA LIMITED

## NOTES TO THE UNAUDITED FINANCIAL INFORMATION For the six months ended 30 June 2020

### 18. PILLAR 3 DISCLOSURE (CONTINUED)

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

		Quantitative / qualitative information
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")

Geographical breakdown by Jurisdiction (J)		As at 30 June 2020			
		Applicable JCCyB ratio in effect	RWA used in computation of CCyB ratio	AI-specific CCyB ratio	CCyB amount
		%	USD'000	%	USD'000
1	Hong Kong SAR	1.000%	523,484		
2	Sum		523,484		
3	Total (Note)		1,131,690	0.463%	9,166

**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 3 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 2020 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 2020

### 18. PILLAR 3 DISCLOSURE (CONTINUED)

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

As at 30 June 2020		Value under the LR framework
	Item	USD'000
1	Total consolidated assets as per published financial disclosure statements	6,502,657
2	Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	-
3	Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting standard but excluded from the LR exposure measure	-
4	Adjustments for derivative contracts	4,803
5	Adjustment for securities financing transactions ("SFTs") (i.e. repos and similar secured lending)	919
6	Adjustment for off-balance sheet ("OBS") items (i.e. conversion to credit equivalent amounts of OBS exposures)	-
6a	Adjustment for specific and collective provisions that are allowed to be excluded from exposure measure	-
7	Other adjustments	(19,432)
<b>8</b>	<b>Leverage ratio exposure measure</b>	<b>6,488,947</b>

**MORGAN STANLEY BANK ASIA LIMITED**

**NOTES TO THE UNAUDITED FINANCIAL INFORMATION**  
**For the six months ended 30 June 2020**

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

**Template LR2: Leverage Ratio**

		As at 30 June 2020	As at 31 March 2020
		USD'000	USD'000
<b>On-balance sheet exposures</b>			
1	On-balance sheet exposures (excluding those arising from derivative contracts and SFTs, but including collateral)	6,245,922	4,848,506
2	Less: Asset amounts deducted in determining Tier 1 capital	(19,432)	(33,514)
3	<b>Total on-balance sheet exposures (excluding derivative contracts and SFTs)</b>	6,226,490	4,814,992
<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)	-	14,510
5	Add-on amounts for potential future exposure ("PFE") associated with all derivative contracts	6,247	10,466
6	Gross-up for derivatives collateral provided 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 derivative contracts	-	-
10	Less: Adjusted effective notional offsets and add-on deductions for written credit derivative contracts	-	-
11	<b>Total exposures arising from derivative contracts</b>	6,247	24,976
<b>Exposures arising from SFTs</b>			
12	Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	255,291	924,989
13	Less: Netted amounts of cash payables and cash receivables of gross SFT assets	-	-
14	Counterparty Credit Risk ("CCR") exposure for SFT assets	919	2,098
15	Agent transaction exposures	-	-
16	<b>Total exposures arising from SFTs</b>	256,210	927,087
<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>	945,537	905,692
20a	<b>Total exposures before adjustments for specific and collective provisions</b>	6,488,947	5,767,055
20b	<b>Adjustments for specific and collective provisions</b>	-	-
21	<b>Total exposures after adjustments for specific and collective provisions</b>	6,488,947	5,767,055
<b>Leverage ratio</b>			
22	<b>Leverage ratio</b>	<b>15%</b>	<b>16%</b>

The decrease in leverage ratio during the second quarter in 2020 is mainly due to an increase in total on-balance sheet exposures which was driven by an increase in deposits during the quarter ended 30 June 2020.

**MORGAN STANLEY BANK ASIA LIMITED**

**NOTES TO THE UNAUDITED FINANCIAL INFORMATION**  
**For the six months ended 30 June 2020**

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

**Template CR1: Credit quality of exposures**

		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 2020		USD’000	USD’000	USD’000	USD’000	USD’000	USD’000	USD’000
1	Loans	-	3,096,524	-	-	-	-	3,096,524
2	Debt securities	-	2,049,005	-	-	-	-	2,049,005
3	Off-balance sheet exposures	-	-	-	-	-	-	-
4	<b>Total</b>	-	<b>5,145,529</b>	-	-	-	-	<b>5,145,529</b>

Loans included loans and advances to customers and related accrued interest receivables.

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

		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 2020		USD’000	USD’000	USD’000	USD’000	USD’000
1	Loans	1,075,873	2,020,651	2,020,651	-	-
2	Debt securities	2,049,005	-	-	-	-
3	<b>Total</b>	<b>3,124,878</b>	<b>2,020,651</b>	<b>2,020,651</b>	-	-
4	Of which defaulted	-	-	-	-	-

Loans included loans and advances to customers and related accrued interest receivables.

(1) All exposures arising from loans are fully secured by collateral as at 30 June 2020. Unsecured exposures disclosed in the above table are either because 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 2020**

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

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

As at 30 June 2020		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	2,056,803	-	2,056,803	-	-	-
2	PSE exposures	-	-	-	-	-	-
2a	Of which: domestic PSEs	-	-	-	-	-	-
2b	Of which: foreign PSEs	-	-	-	-	-	-
3	Multilateral development bank exposures	-	-	-	-	-	-
4	Bank exposures	979,359	-	979,359	-	196,070	20%
5	Securities firm exposures	107,251	-	107,117	-	53,558	50%
6	Corporate exposures	2,616,518	-	873,040	-	873,040	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	482,266	-	205,092	-	205,092	100%
13	Past due exposures	-	-	-	-	-	-
14	Significant exposures to commercial entities	-	-	-	-	-	-
15	<b>Total</b>	<b>6,242,197</b>	<b>-</b>	<b>4,221,411</b>	<b>-</b>	<b>1,327,760</b>	<b>31%</b>

**MORGAN STANLEY BANK ASIA LIMITED**

**NOTES TO THE UNAUDITED FINANCIAL INFORMATION**

**For the six months ended 30 June 2020**

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

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

Exposure class		As at 30 June 2020										Total credit risk exposures amount (post CCF and post CRM)	
		0%	10%	20%	35%	50%	75%	100%	150%	250%	Others		
		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	2,056,803	-	-	-	-	-	-	-	-	-	-	2,056,803
2	PSE exposures	-	-	-	-	-	-	-	-	-	-	-	-
2a	Of which: domestic PSEs	-	-	-	-	-	-	-	-	-	-	-	-
2b	Of which: foreign PSEs	-	-	-	-	-	-	-	-	-	-	-	-
3	Multilateral development bank exposures	-	-	-	-	-	-	-	-	-	-	-	-
4	Bank exposures	-	-	978,699	-	660	-	-	-	-	-	-	979,359
5	Securities firm exposures	-	-	-	-	107,117	-	-	-	-	-	-	107,117
6	Corporate exposures	-	-	-	-	-	-	873,040	-	-	-	-	873,040
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	-	-	-	-	-	-	205,092	-	-	-	-	205,092
13	Past due exposures	-	-	-	-	-	-	-	-	-	-	-	-
14	Significant exposures to commercial entities	-	-	-	-	-	-	-	-	-	-	-	-
15	<b>Total</b>	<b>2,056,803</b>	<b>-</b>	<b>978,699</b>	<b>-</b>	<b>107,777</b>	<b>-</b>	<b>1,078,132</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,221,411</b>

**MORGAN STANLEY BANK ASIA LIMITED**

**NOTE TO THE UNAUDITED FINANCIAL INFORMATION**

**For the six months ended 30 June 2020**

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

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

		Replacement cost ("RC")	PFE	Effective EPE	Alpha ( $\alpha$ ) used for computing default risk exposure	Default risk exposure after CRM	RWA
<b>As at 30 June 2020</b>		<b>USD'000</b>	<b>USD'000</b>	<b>USD'000</b>	<b>USD'000</b>	<b>USD'000</b>	<b>USD'000</b>
1	SA-CCR (for derivative contracts)	Not applicable					
1a	CEM	-	6,247		1	6,247	3,123
2	IMM (CCR) approach			-	-	-	-
3	Simple Approach (for SFTs)					-	-
4	Comprehensive Approach (for SFTs)					2,913	583
5	Value-at-risk ("VaR") (for SFTs)					-	-
6	<b>Total</b>						<b>3,706</b>

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

		Exposure at default ("EAD") post CRM	RWA
<b>As at 30 June 2020</b>		<b>USD'000</b>	<b>USD'000</b>
	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	6,247	1,419
4	<b>Total</b>	<b>6,247</b>	<b>1,419</b>



**MORGAN STANLEY BANK ASIA LIMITED**

**NOTE TO THE UNAUDITED FINANCIAL INFORMATION**  
**For the six months ended 30 June 2020**

**18. 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**

Exposure class \ Risk Weight		As at 30 June 2020										
		0%	10%	20%	35%	50%	75%	100%	150%	250%	Others	Total default risk exposure after CRM
		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	-	-	2,913	-	6,247	-	-	-	-	-	9,160
5	Securities firm exposures	-	-	-	-	-	-	-	-	-	-	-
6	Corporate exposures	-	-	-	-	-	-	-	-	-	-	-
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>	-	-	2,913	-	6,247	-	-	-	-	-	9,160

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

	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		
<b>As at 30 June 2020</b>	<b>USD'000</b>	<b>USD'000</b>	<b>USD'000</b>	<b>USD'000</b>	<b>USD'000</b>	<b>USD'000</b>
Cash - domestic currency	-	-	-	7,515	-	169
Other sovereign debt	-	-	-	-	252,377	-
<b>Total</b>	-	-	-	7,515	252,377	169

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