

**MORGAN STANLEY BANK ASIA LIMITED**

**Interim Financial Disclosure Statements**

**For the six months ended 30 June 2023**

# **MORGAN STANLEY BANK ASIA LIMITED**

## **INTERIM FINANCIAL DISCLOSURE STATEMENTS**

**For the six months ended 30 June 2023**

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# **MORGAN STANLEY BANK ASIA LIMITED**

## **CORPORATE INFORMATION**

### **For the six months ended 30 June 2023**

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 2023. 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. 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 has a subsidiary, Morgan Stanley Bank International (China) Limited (the “Subsidiary”), which was incorporated in mainland China, regulated by the National Administration of Financial Regulation (“NAFR”) (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 2022 that is included in the unaudited interim financial disclosure statements for the six months ended 30 June 2023 as comparative information does not constitute the Company’s statutory annual financial statements for the year ended 31 December 2022 but is derived from the audited financial statements for the year ended 31 December 2022. Further information related to the audited financial statements for the year ended 31 December 2022 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 2023**

### **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 2022. 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

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Chui, Vincent Yik Chiu  
Director  
27 September 2023

# MORGAN STANLEY BANK ASIA LIMITED

## UNAUDITED INCOME STATEMENT

For the six months ended 30 June 2023

	Note	For the six months ended 30 June 2023 US\$'000	For the six months ended 30 June 2022 US\$'000
Interest income		119,374	28,644
Interest expense		(50,519)	(2,831)
<b>Net interest income</b>	1	<u>68,855</u>	<u>25,813</u>
Fee and commission income		167,318	165,391
Fee and commission expense		(730)	(660)
<b>Net fee and commission income</b>	2	<u>166,588</u>	<u>164,731</u>
Net gains / (losses) from financial instruments at fair value through profit or loss		54,932	(19,172)
Net gains / (losses) on derecognition of financial assets measured at fair value through other comprehensive income ("FVOCI")		55	(59)
Other revenue	3	11,915	37,240
<b>Total non-interest revenues</b>		<u>233,490</u>	<u>182,740</u>
<b>Net revenues</b>		<u>302,345</u>	<u>208,553</u>
Non-interest expense:			
Other expense	4	(183,619)	(171,060)
Net reversal of impairment loss on financial instruments		6	1
<b>PROFIT BEFORE INCOME TAX</b>		<u>118,732</u>	<u>37,494</u>
Income tax	5	(16,875)	(4,614)
<b>PROFIT FOR THE PERIOD</b>		<u><u>101,857</u></u>	<u><u>32,880</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 2023

	For the six months ended 30 June 2023 US\$'000	For the six months ended 30 June 2022 US\$'000
<b>PROFIT FOR THE PERIOD</b>	<u>101,857</u>	<u>32,880</u>
<b>Items that may be reclassified subsequently to profit or loss:</b>		
FVOCI reserve:		
Net change in fair value	194	(934)
Net amount reclassified to income statement	(55)	59
<b>OTHER COMPREHENSIVE INCOME AFTER INCOME TAX</b>	<u>139</u>	<u>(875)</u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<u><u>101,996</u></u>	<u><u>32,005</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 2023**

	<b>Share capital US\$'000</b>	<b>FVOCI reserve US\$'000</b>	<b>Retained earnings US\$'000</b>	<b>Total equity US\$'000</b>
<b>Balance at 1 January 2022</b>	670,000	57	499,060	1,169,117
<b>Profit for the year</b>	—	—	103,105	103,105
Other comprehensive income for the year:				
FVOCI reserve:				
Net change in fair value	—	(257)	—	(257)
Net amount reclassified to income statement	—	49	—	49
<b>Total comprehensive income for the year</b>	<u>—</u>	<u>(208)</u>	<u>103,105</u>	<u>102,897</u>
<b>Transaction with owner:</b>				
Issue of share capital	<u>260,000</u>	<u>—</u>	<u>—</u>	<u>260,000</u>
<b>Balance at 31 December 2022 and 1 January 2023</b>	930,000	(151)	602,165	1,532,014
<b>Profit for the period</b>	—	—	101,857	101,857
Other comprehensive income for the period:				
FVOCI reserve:				
Net change in fair value	—	194	—	194
Net amount reclassified to income statement	—	(55)	—	(55)
<b>Total comprehensive income for the period</b>	<u>—</u>	<u>139</u>	<u>101,857</u>	<u>101,996</u>
<b>Balance at 30 June 2023</b>	<u><u>930,000</u></u>	<u><u>(12)</u></u>	<u><u>704,022</u></u>	<u><u>1,634,010</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 FINANCIAL POSITION**  
**For the six months ended 30 June 2023**

	Note	As at 30 June 2023 US\$'000	As at 31 December 2022 US\$'000
<b>ASSETS</b>			
Cash and short-term deposits	7	335,413	670,280
Trading financial assets	8	79,937	4,483
Secured financing	9	3,049,755	2,813,802
Loans and advances	10	3,727,719	3,215,514
Investment securities	11	221,057	501,327
Trade and other receivables		82,294	142,692
Prepayments		3,057	1,570
Deferred tax assets		9,861	12,630
Investment in a subsidiary		262,348	262,348
<b>TOTAL ASSETS</b>		<u>7,771,441</u>	<u>7,624,646</u>
<b>LIABILITIES AND EQUITY</b>			
<b>LIABILITIES</b>			
Deposits	12	5,891,151	5,852,173
Trading financial liabilities	8	6,096	64,311
Trade and other payables		221,607	167,315
Current tax liabilities		17,191	6,862
Accruals		1,386	1,971
<b>TOTAL LIABILITIES</b>		<u>6,137,431</u>	<u>6,092,632</u>
<b>EQUITY</b>			
Share capital		930,000	930,000
FVOCI reserve		(12)	(151)
Retained earnings		704,022	602,165
<b>Equity attributable to owner of the Company</b>		<u>1,634,010</u>	<u>1,532,014</u>
<b>TOTAL EQUITY</b>		<u>1,634,010</u>	<u>1,532,014</u>
<b>TOTAL LIABILITIES AND EQUITY</b>		<u>7,771,441</u>	<u>7,624,646</u>

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 2023

### 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 2023 US\$'000	For the six months ended 30 June 2022 US\$'000
Financial assets measured at amortised cost	86,951	24,544
Financial assets measured at FVOCI	5,512	3,759
<b>Financial assets not measured at FVPL</b>	<u>92,463</u>	<u>28,303</u>
Non-trading financial assets measured at FVPL	26,911	341
<b>Financial assets measured at FVPL</b>	<u>26,911</u>	<u>341</u>
<b>Total interest income</b>	<u><u>119,374</u></u>	<u><u>28,644</u></u>
Financial liabilities measured at amortised cost	(50,519)	(2,831)
<b>Total interest expense</b>	<u><u>(50,519)</u></u>	<u><u>(2,831)</u></u>
<b>Net interest income</b>	<u><u>68,855</u></u>	<u><u>25,813</u></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’, reversals of impairment losses disclosed in ‘Net reversal of impairment loss on financial instruments’ and foreign exchange differences disclosed in ‘Other revenue’ (note 3).

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

# MORGAN STANLEY BANK ASIA LIMITED

## NOTES TO THE UNAUDITED FINANCIAL INFORMATION

For the six months ended 30 June 2023

### 2. FEE AND COMMISSION

	For the six months ended 30 June 2023 US\$'000	For the six months ended 30 June 2022 US\$'000
Fee and commission income:		
Sales commissions and fees	167,318	165,391
<b>Total fee and commission income</b>	<u>167,318</u>	<u>165,391</u>
Fee and commission expense:		
Sales commissions and fees	(730)	(660)
<b>Total fee and commission expense</b>	<u>(730)</u>	<u>(660)</u>
<b>Net fee and commission income</b>	<u>166,588</u>	<u>164,731</u>

### 3. OTHER REVENUE

	For the six months ended 30 June 2023 US\$'000	For the six months ended 30 June 2022 US\$'000
Net foreign exchange gains	8,247	33,857
Management charges to other Morgan Stanley Group undertakings	3,659	3,367
Others	9	16
	<u>11,915</u>	<u>37,240</u>

# MORGAN STANLEY BANK ASIA LIMITED

## NOTES TO THE UNAUDITED FINANCIAL INFORMATION

For the six months ended 30 June 2023

### 4. OTHER EXPENSE

	<b>For the six months ended 30 June 2023</b>	<b>For the six months ended 30 June 2022</b>
	<b>US\$'000</b>	<b>US\$'000</b>
Staff costs	129,386	116,835
Management charges from other Morgan Stanley Group undertakings	47,602	46,154
Others	6,631	8,071
	<u>183,619</u>	<u>171,060</u>

### 5. INCOME TAX

	<b>For the six months ended 30 June 2023</b>	<b>For the six months ended 30 June 2022</b>
	<b>US\$'000</b>	<b>US\$'000</b>
<b>Current tax</b>		
Hong Kong	11,117	—
Other jurisdiction	3,074	629
<b>Deferred tax</b>	<u>2,684</u>	<u>3,985</u>
<b>Income tax</b>	<u>16,875</u>	<u>4,614</u>

## MORGAN STANLEY BANK ASIA LIMITED

### NOTES TO THE UNAUDITED FINANCIAL INFORMATION For the six months ended 30 June 2023

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

The following table analyses financial assets and financial liabilities as at 30 June 2023 presented in the unaudited statement of financial position.

<b>30 June 2023</b>	<b>FVPL (mandatorily) US\$'000</b>	<b>FVOCI US\$'000</b>	<b>Amortised cost US\$'000</b>	<b>Total US\$'000</b>
Cash and short-term deposits	—	—	335,413	335,413
Trading financial assets	79,937	—	—	79,937
Secured financing	3,049,755	—	—	3,049,755
Loans and advances	—	—	3,727,719	3,727,719
Investment securities	—	221,057	—	221,057
Trade and other receivables	—	—	82,294	82,294
<b>Total financial assets</b>	<b>3,129,692</b>	<b>221,057</b>	<b>4,145,426</b>	<b>7,496,175</b>
Deposits	—	—	5,891,151	5,891,151
Trading financial liabilities	6,096	—	—	6,096
Trade and other payables	—	—	221,607	221,607
<b>Total financial liabilities</b>	<b>6,096</b>	<b>—</b>	<b>6,112,758</b>	<b>6,118,854</b>

The following table analyses financial assets and financial liabilities as at 31 December 2022 presented in the statement of financial position.

<b>31 December 2022</b>	<b>FVPL (mandatorily) US\$'000</b>	<b>FVOCI US\$'000</b>	<b>Amortised cost US\$'000</b>	<b>Total US\$'000</b>
Cash and short-term deposits	—	—	670,280	670,280
Trading financial assets	4,483	—	—	4,483
Secured financing	2,813,802	—	—	2,813,802
Loans and advances	—	—	3,215,514	3,215,514
Investment securities	—	501,327	—	501,327
Trade and other receivables	—	—	142,692	142,692
<b>Total financial assets</b>	<b>2,818,285</b>	<b>501,327</b>	<b>4,028,486</b>	<b>7,348,098</b>
Deposits	—	—	5,852,173	5,852,173
Trading financial liabilities	64,311	—	—	64,311
Trade and other payables	—	—	167,315	167,315
<b>Total financial liabilities</b>	<b>64,311</b>	<b>—</b>	<b>6,019,488</b>	<b>6,083,799</b>

## MORGAN STANLEY BANK ASIA LIMITED

### NOTES TO THE UNAUDITED FINANCIAL INFORMATION For the six months ended 30 June 2023

#### 7. CASH AND SHORT-TERM DEPOSITS

	As at 30 June 2023 US\$'000	As at 31 December 2022 US\$'000
Cash with central bank	83,772	321,621
Cash at banks	251,641	348,659
	<u>335,413</u>	<u>670,280</u>

#### 8. TRADING FINANCIAL ASSETS AND LIABILITIES

Trading assets and trading liabilities are summarised as follows:

	As at 30 June 2023			As at 31 December 2022		
	Notional amount US\$'000	Fair value		Notional amount US\$'000	Fair value	
		Assets US\$'000	Liabilities US\$'000		Assets US\$'000	Liabilities US\$'000
Derivatives:						
Foreign exchange contracts	<u>3,741,059</u>	<u>79,937</u>	<u>6,096</u>	<u>2,489,826</u>	<u>4,483</u>	<u>64,311</u>

The derivatives are entered with Morgan Stanley and other Morgan Stanley Group undertakings.

#### 9. SECURED FINANCING

	As at 30 June 2023 US\$'000	As at 31 December 2022 US\$'000
Securities purchased under agreements to resell	<u>3,049,755</u>	<u>2,813,802</u>

#### 10. LOANS AND ADVANCES

	As at 30 June 2023 US\$'000	As at 31 December 2022 US\$'000
Loans and advances to customers	3,653,664	2,966,770
Loans and advances to other Morgan Stanley Group undertakings	74,057	248,752
Less: Expected credit loss ("ECL")	(2)	(8)
	<u>3,727,719</u>	<u>3,215,514</u>

## MORGAN STANLEY BANK ASIA LIMITED

### NOTES TO THE UNAUDITED FINANCIAL INFORMATION For the six months ended 30 June 2023

#### 11. INVESTMENT SECURITIES

	<b>As at 30 June 2023 US\$'000</b>	<b>As at 31 December 2022 US\$'000</b>
Government debt securities:		
US Treasury bills and securities	—	299,581
Singapore Government Treasury bills	202,061	163,332
HKMA Exchange Fund Bills & Notes	18,996	38,414
	<u>221,057</u>	<u>501,327</u>

#### 12. DEPOSITS

	<b>As at 30 June 2023 US\$'000</b>	<b>As at 31 December 2022 US\$'000</b>
Deposits of banks		
Current account balances	6,439	1,648
Deposits of non-bank customers		
Current account balances	3,361,654	4,107,559
Term deposits	2,523,058	1,742,966
	<u>5,891,151</u>	<u>5,852,173</u>

# MORGAN STANLEY BANK ASIA LIMITED

## NOTES TO THE UNAUDITED FINANCIAL INFORMATION For the six months ended 30 June 2023

### 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 2023

### 13. PILLAR 3 DISCLOSURE (CONTINUED)

#### Template KM1: Key Prudential Ratios

		The MSBAL Group				
		As at 30 June 2023	As at 31 March 2023	As at 31 December 2022	As at 30 September 2022	As at 30 June 2022
		US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
	<b>Regulatory capital (amount)</b>					
1	Common Equity Tier 1 ("CET1")	1,582,895	1,532,181	1,488,405	1,459,364	1,430,636
2	Tier 1	1,582,895	1,532,181	1,488,405	1,459,364	1,430,636
3	Total capital	1,595,709	1,547,161	1,504,334	1,473,938	1,443,836
	<b>RWA (amount)</b>					
4	Total RWA	2,095,034	2,230,786	2,266,195	2,165,505	2,038,196
	<b>Risk-based regulatory capital ratios (as a percentage of RWA)</b>					
5	CET1 ratio (%) <sup>(1)</sup>	76 %	69 %	66 %	67 %	71 %
6	Tier 1 ratio (%) <sup>(1)</sup>	76 %	69 %	66 %	67 %	71 %
7	Total capital ratio (%) <sup>(1)</sup>	76 %	69 %	66 %	68 %	71 %
	<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 (%)	0.552 %	0.506 %	0.484 %	0.416 %	0.379 %
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 (%)	3.052 %	3.006 %	2.984 %	2.916 %	2.879 %
12	CET1 available after meeting the AI's minimum capital requirements (%)	68 %	61 %	58 %	60 %	63 %
	<b>Basel III leverage ratio</b>					
13	Total leverage ratio ("LR") exposure measure	7,921,239	8,062,208	7,738,008	7,784,942	9,236,779
14	LR (%)	20 %	19 %	19 %	19 %	16 %
	<b>Liquidity Maintenance Ratio ("LMR")</b>					
17a	LMR (%) <sup>(2)</sup>	73 %	68 %	72 %	67 %	70 %
	<b>Core Funding Ratio ("CFR")</b>					
20a	CFR (%) <sup>(2)(3)</sup>	236 %	219 %	245 %	265 %	295 %

Note 1: Increase in capital adequacy ratios in the second quarter of 2023 is mainly due to a decrease 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: Higher average CFR for the second quarter of 2023 is mainly due to an increase in average deposits from customers during the quarter.



# MORGAN STANLEY BANK ASIA LIMITED

## NOTES TO THE UNAUDITED FINANCIAL INFORMATION For the six months ended 30 June 2023

### 13. PILLAR 3 DISCLOSURE (CONTINUED)

#### Template OV1: Overview of RWA

		The MSBAL Group		
		RWA		Minimum capital requirements <sup>(1)</sup>
		As at 30 June 2023 US\$'000	As at 31 March 2023 US\$'000	As at 30 June 2023 US\$'000
1	Credit risk for non-securitization exposures <sup>(2)</sup>	960,246	1,140,940	76,821
2	Of which Standardised (Credit Risk) Approach (“STC approach”)	960,246	1,140,940	76,821
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	64,880	57,416	5,190
7	Of which Standardised (Counterparty Credit Risk) (“SA-CCR”) Approach	28,389	21,302	2,271
7a	Of which Current Exposure Method (“CEM”)	—	—	—
8	Of which Internal Models (Counterparty Credit Risk) Approach (“IMM(CCR) approach”)	—	—	—
9	Of which others	36,491	36,114	2,919
10	Credit Valuation Adjustment (“CVA”) risk	12,168	9,037	973
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	56,883	52,959	4,551
21	Of which Standardised (Market Risk) Approach (“STM approach”)	56,883	52,959	4,551
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	991,728	952,325	79,338
24a	Sovereign concentration risk	14,552	22,364	1,164
25	Amounts below the thresholds for deduction (subject to 250% Risk-Weight (“RW”))	—	—	—
26	Capital floor adjustment	—	—	—
26a	Deduction to RWA	5,423	4,255	434
26b	Of which portion of regulatory reserve for general banking risks and collective provisions which is not included in Tier 2 Capital	5,423	4,255	434
26c	Of which portion of cumulative fair value gains arising from the revaluation of land and buildings which is not included in Tier 2 Capital	—	—	—
27	<b>Total</b>	<b>2,095,034</b>	<b>2,230,786</b>	<b>167,603</b>

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 2023, decrease in RWA from credit risk for non-securitization exposures was mainly due to decrease 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 2023

### 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)
<b>As at 30 June 2023</b>			
<b>CET1 capital: instruments and reserves</b>			
1	Directly issued qualifying CET1 capital instruments plus any related share premium	930,000	(1)
2	Retained earnings	711,259	(2)
3	Disclosed reserves	(29,334)	(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	<b>CET1 capital before regulatory deductions</b>	1,611,925	
<b>CET1 capital: regulatory deductions</b>			
7	Valuation adjustments	126	
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)	10,667	(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	18,237	

**MORGAN STANLEY BANK ASIA LIMITED**

**NOTES TO THE UNAUDITED FINANCIAL INFORMATION**  
**For the six months ended 30 June 2023**

**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)
<b>As at 30 June 2023</b>			
26c	Securitization exposures specified in a notice given by the MA	—	
26d	Cumulative losses below depreciated cost arising from the institution's holdings of land and buildings	—	
26e	Capital shortfall of regulated non-bank subsidiaries	—	
26f	Capital investment in a connected company which is a commercial entity (amount above 15% of the reporting institution's capital base)	—	
27	Regulatory deductions applied to CET1 capital due to insufficient AT1 capital and Tier 2 capital to cover deductions	—	
28	<b>Total regulatory deductions to CET1 capital</b>	29,030	
29	<b>CET1 capital</b>	1,582,895	
<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	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	<b>Total regulatory deductions to AT1 capital</b>	—	
44	<b>AT1 capital</b>	—	
45	<b>Tier 1 capital (T1 = CET1 + AT1)</b>	1,582,895	
<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	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 2023

### 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)
<b>As at 30 June 2023</b>			
50	Collective provisions and regulatory reserve for general banking risks eligible for inclusion in Tier 2 capital	12,814	
51	<b>Tier 2 capital before regulatory deductions</b>	12,814	
<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)	—	
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)	12,814	
59	Total regulatory capital (TC = T1 + T2)	1,595,709	
60	Total RWA	2,095,034	
<b>Capital ratios (as a percentage of RWA)</b>			
61	<b>CET1 capital ratio</b>	76 %	
62	<b>Tier 1 capital ratio</b>	76 %	
63	<b>Total capital ratio</b>	76 %	
64	<b>Institution-specific buffer requirement (capital conservation buffer plus countercyclical capital buffer plus higher loss absorbency requirements)</b>	3.052 %	
65	of which: capital conservation buffer requirement	2.500 %	
66	of which: bank specific countercyclical capital buffer requirement	0.552 %	
67	of which: higher loss absorbency requirement	—	
68	CET1 (as a percentage of RWA) available after meeting minimum capital requirements	68 %	
<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 2023

### 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)
<b>As at 30 June 2023</b>			
<b>Amounts below the thresholds for deduction (before risk weighting)</b>			
72	Insignificant LAC investments in CET1, AT1 and Tier 2 capital instruments issued by, and non-capital LAC liabilities of, financial sector entities that are outside the scope of regulatory consolidation	—	
73	Significant LAC investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	—	
74	Mortgage servicing rights (net of associated deferred tax liabilities)	Not applicable	Not applicable
75	Deferred tax assets arising from temporary differences (net of associated deferred tax liabilities)	Not applicable	Not applicable
<b>Applicable caps on the inclusion of provisions in Tier 2 capital</b>			
76	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to the BSC approach, or the STC approach and SEC-ERBA, SEC-SA and SEC-FBA (prior to application of cap)	18,858	
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	12,814	
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	<b>Deferred tax assets ("DTAs") (net of associated deferred tax liabilities)</b>	10,667	10,667
	<b>Explanation</b> 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 2023

### 13. PILLAR 3 DISCLOSURE (CONTINUED)

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

As at 30 June 2023	Balance sheet as in published financial disclosure statements US\$'000	Under regulatory scope of consolidation US\$'000	Reference to template CC1
<b>Assets</b>			
Cash and short-term deposits	335,413	483,937	
Trading financial assets	79,937	222,059	
Secured Financing	3,049,755	3,049,755	
Loans and advances	3,727,719	3,759,928	
Investment securities	221,057	221,057	
Trade and other receivables	82,294	91,107	
Deferred tax assets	9,861	10,667	(3)
Fixed assets	—	6,190	
Prepayments	3,057	4,317	
Investment in subsidiary	262,348	—	
<b>Total assets</b>	<b>7,771,441</b>	<b>7,849,017</b>	
<b>Liabilities</b>			
Deposits	5,891,151	5,948,650	
Trading financial liabilities	6,096	6,096	
Trade and other payables	221,607	263,336	
Current tax liabilities	17,191	17,566	
Accruals	1,386	1,444	
<b>Total liabilities</b>	<b>6,137,431</b>	<b>6,237,092</b>	
<b>Shareholders' equity</b>			
Share capital	930,000	930,000	
Of which: amount eligible for CET1	930,000	930,000	(1)
FVOCI reserve	(12)	(12)	(2)
Retained earnings and other comprehensive income	704,022	681,937	(2)
<b>Total shareholders' equity</b>	<b>1,634,010</b>	<b>1,611,925</b>	

# MORGAN STANLEY BANK ASIA LIMITED

## NOTES TO THE UNAUDITED FINANCIAL INFORMATION For the six months ended 30 June 2023

### 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 <sup>1</sup>	Not applicable
5	Post-transitional Basel III rules <sup>2</sup>	Common Equity Tier 1
6	Eligible at solo / group / solo and group	Solo
7	Instrument type (types to be specified by each jurisdiction)	Ordinary shares
8	Amount recognised in regulatory capital (currency in millions, as of most recent reporting date)	US\$930 million
9	Par value of instrument	Not applicable
10	Accounting classification	Shareholders' equity
11	Original date of issuance	<ul style="list-style-type: none"> <li>· 1 share issued on 19 May 2014</li> <li>· 13,000,000 shares issued on 11 July 2014</li> <li>· 156,999,998 shares issued on 13 January 2015</li> <li>· 1 share issued on 9 February 2015</li> <li>· 500,000,000 shares issued on 22 March 2019</li> <li>· 260,000,000 share issued on 15 March 2022</li> </ul>
12	Perpetual or dated	Perpetual
13	Original maturity date	No maturity
14	Issuer call subject to prior supervisory approval	No
15	Optional call date, contingent call dates and redemption amount	Not applicable
16	Subsequent call dates, if applicable	Not applicable
	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 2023

### 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")

		The MSBAL Group			
		As at 30 June 2023			
		Applicable JCCyB ratio in effect	RWA used in computation of CCyB ratio	AI-specific CCyB ratio	CCyB amount
Geographical breakdown by Jurisdiction (J)		%	US\$'000	%	US\$'000
1	Hong Kong SAR	1.000 %	444,687		
2	Luxembourg	0.500 %	43,665		
3	United Kingdom	1.000 %	45,551		
4	Sum		533,903		
5	<b>Total (Note)</b>		<b>926,892</b>	<b>0.552 %</b>	<b>11,574</b>

**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 5 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 2023 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 2023

### 13. PILLAR 3 DISCLOSURE (CONTINUED)

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

As at 30 June 2023		The MSBAL Group
		Value under the LR framework US\$'000
1	Total consolidated assets as per published financial disclosure statements	7,849,017
2	Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	—
2a	Adjustment for securitised exposures that meet the operational requirements for the recognition of risk transference	—
3	Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting standard but excluded from the LR exposure measure	—
3a	Adjustments for eligible cash pooling transactions	—
4	Adjustments for derivative contracts	81,959
5	Adjustment for securities financing transactions (“SFTs”) (i.e. repos and similar secured lending)	12,364
6	Adjustment for off-balance sheet (“OBS”) items (i.e. conversion to credit equivalent amounts of OBS exposures)	6,929
6a	Adjustments for prudent valuation adjustments and specific and collective provisions that are allowed to be excluded from exposure measure	(747)
7	Other adjustments	(28,283)
<b>8</b>	<b>Leverage ratio exposure measure</b>	<b>7,921,239</b>

# MORGAN STANLEY BANK ASIA LIMITED

## NOTES TO THE UNAUDITED FINANCIAL INFORMATION For the six months ended 30 June 2023

### 13. PILLAR 3 DISCLOSURE (CONTINUED)

#### Template LR2: Leverage Ratio

		The MSBAL Group	
		As at 30 June 2023	As at 31 March 2023
		US\$'000	US\$'000
<b>On-balance sheet exposures</b>			
1	On-balance sheet exposures (excluding those arising from derivative contracts and SFTs, but including collateral)	4,719,946	4,958,876
2	Less: Asset amounts deducted in determining Tier 1 capital	(29,030)	(28,444)
3	<b>Total on-balance sheet exposures (excluding derivative contracts and SFTs)</b>	4,690,916	4,930,432
<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)	103,377	—
5	Add-on amounts for potential future exposure (“PFE”) associated with all derivative contracts	58,519	51,126
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	<b>Total exposures arising from derivative contracts</b>	161,896	51,126
<b>Exposures arising from SFTs</b>			
12	Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	3,049,755	3,066,434
13	Less: Netted amounts of cash payables and cash receivables of gross SFT assets	—	—
14	Counterparty Credit Risk (“CCR”) exposure for SFT assets	12,364	7,621
15	Agent transaction exposures	—	—
16	<b>Total exposures arising from SFTs</b>	3,062,119	3,074,055
<b>Other off-balance sheet exposures</b>			
17	Off-balance sheet exposure at gross notional amount	6,929	7,327
18	Less: Adjustments for conversion to credit equivalent amounts	—	—
19	<b>Off-balance sheet items</b>	6,929	7,327
<b>Capital and total exposures</b>			
20	<b>Tier 1 capital</b>	1,582,895	1,532,181
20a	<b>Total exposures before adjustments for specific and collective provisions</b>	7,921,860	8,062,940
20b	<b>Adjustments for specific and collective provisions</b>	(621)	(732)
21	<b>Total exposures after adjustments for specific and collective provisions</b>	7,921,239	8,062,208
<b>Leverage ratio</b>			
22	<b>Leverage ratio</b>	<b>20 %</b>	<b>19 %</b>

# MORGAN STANLEY BANK ASIA LIMITED

## NOTES TO THE UNAUDITED FINANCIAL INFORMATION For the six months ended 30 June 2023

### 13. PILLAR 3 DISCLOSURE (CONTINUED)

#### Template CRI: 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 2023		US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
1	Loans	—	3,774,031	566	—	566	—	3,773,465
2	Debt securities	—	221,057	—	—	—	—	221,057
3	Off-balance sheet exposures	—	13,852	6	—	6	—	13,846
4	<b>Total</b>	—	<b>4,008,940</b>	<b>572</b>	—	<b>572</b>	—	<b>4,008,368</b>

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 ( <sup>(i)</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 2023		US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
1	Loans	836,028	2,937,437	2,937,437	—	—
2	Debt securities	221,057	—	—	—	—
3	<b>Total</b>	<b>1,057,085</b>	<b>2,937,437</b>	<b>2,937,437</b>	—	—
4	Of which defaulted	—	—	—	—	—

Loans included loans and advances and related accrued interest receivables.

Note 1: As at 30 June 2023, loans and advances of the MSBAL Group comprise (a) the MSBAL Group's loans and advances to customers of US\$3,653,664,000 which is fully secured, (b) the MSBAL Group's loans and advances to other non-bank Morgan Stanley Group undertakings of US\$43,658,000 which is unsecured and (c) the subsidiary's loans and advances to customers of US\$62,606,000 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**

**NOTES TO THE UNAUDITED FINANCIAL INFORMATION**

**For the six months ended 30 June 2023**

**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 2023							
Exposure classes		US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	%
1	Sovereign exposures	352,264	—	352,264	—	13	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	353,472	—	353,472	—	70,694	20 %
5	Securities firm exposures	75,287	—	70,358	—	35,180	50 %
6	Corporate exposures	3,194,798	13,852	726,417	6,929	733,346	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	1,427	—	—	—	—	—
12	Other exposures which are not past due exposures	587,930	—	121,013	—	121,013	100 %
13	Past due exposures	—	—	—	—	—	—
14	Significant exposures to commercial entities	—	—	—	—	—	—
15	<b>Total</b>	<b>4,565,178</b>	<b>13,852</b>	<b>1,623,524</b>	<b>6,929</b>	<b>960,246</b>	<b>59 %</b>

**MORGAN STANLEY BANK ASIA LIMITED**

**NOTES TO THE UNAUDITED FINANCIAL INFORMATION**

**For the six months ended 30 June 2023**

**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 2023										
	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	352,198	—	66	—	—	—	—	—	—	—	352,264
2	PSE exposures	—	—	—	—	—	—	—	—	—	—	—
2a	Of which: domestic PSEs	—	—	—	—	—	—	—	—	—	—	—
2b	Of which: foreign PSEs	—	—	—	—	—	—	—	—	—	—	—
3	Multilateral development bank exposures	—	—	—	—	—	—	—	—	—	—	—
4	Bank exposures	—	—	353,472	—	—	—	—	—	—	—	353,472
5	Securities firm exposures	—	—	—	—	70,358	—	—	—	—	—	70,358
6	Corporate exposures	—	—	—	—	—	—	733,346	—	—	—	733,346
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	—	—	—	—	—	—	121,013	—	—	—	121,013
13	Past due exposures	—	—	—	—	—	—	—	—	—	—	—
14	Significant exposures to commercial entities	—	—	—	—	—	—	—	—	—	—	—
15	<b>Total</b>	<b>352,198</b>	<b>—</b>	<b>353,538</b>	<b>—</b>	<b>70,358</b>	<b>—</b>	<b>854,359</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>1,630,453</b>

**MORGAN STANLEY BANK ASIA LIMITED**

**NOTES TO THE UNAUDITED FINANCIAL INFORMATION**  
**For the six months ended 30 June 2023**

**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 ( $\alpha$ ) used for computing default risk exposure	Default risk exposure after CRM	RWA
As at 30 June 2023		US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
1	SA-CCR approach (for derivative contracts)	350	40,205		1.4	56,777	28,389
1a	CEM (for derivative contracts)	—	—		1.4	—	—
2	IMM (CCR) approach			—	—	—	—
3	Simple approach (for SFTs)					—	—
4	Comprehensive approach (for SFTs)					77,228	36,491
5	Value-at-risk ("VaR") (for SFTs)					—	—
6	<b>Total</b>						<b>64,880</b>

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

		The MSBAL Group	
		Exposure at default ("EAD") post CRM	RWA
As at 30 June 2023		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	56,777	12,168
4	<b>Total</b>	<b>56,777</b>	<b>12,168</b>

**MORGAN STANLEY BANK ASIA LIMITED**

**NOTES TO THE UNAUDITED FINANCIAL INFORMATION**

**For the six months ended 30 June 2023**

**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 2023										
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	—	—	7,078	—	52,220	—	—	—	—	—	59,298
5	Securities firm exposures	—	—	—	—	70,150	—	—	—	—	—	70,150
6	Corporate exposures	—	—	—	—	4,557	—	—	—	—	—	4,557
7	CIS exposures	—	—	—	—	—	—	—	—	—	—	—
8	Regulatory retail exposures	—	—	—	—	—	—	—	—	—	—	—
9	Residential mortgage loans	—	—	—	—	—	—	—	—	—	—	—
10	Other exposures which are not past due exposures	—	—	—	—	—	—	—	—	—	—	—
11	Significant exposures to commercial entities	—	—	—	—	—	—	—	—	—	—	—
12	<b>Total</b>	—	—	<b>7,078</b>	—	<b>126,927</b>	—	—	—	—	—	<b>134,005</b>

## MORGAN STANLEY BANK ASIA LIMITED

### NOTES TO THE UNAUDITED FINANCIAL INFORMATION For the six months ended 30 June 2023

#### 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 2023	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Cash - domestic currency	—	77,042	—	—	1,560	—
Cash - other currencies	—	—	—	—	—	—
Domestic sovereign debt	—	—	—	—	—	—
Other sovereign debt	—	—	—	—	2,972,527	—
Government agency debt	—	—	—	—	—	—
Corporate bonds	—	—	—	—	—	—
Equity securities	—	—	—	—	—	—
Other collateral	—	—	—	—	—	—
<b>Total</b>	—	<b>77,042</b>	—	—	<b>2,974,087</b>	—

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

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

		The MSBAL Group
		RWA
As at 30 June 2023		US\$'000
	<b>Outright product exposure</b>	
1	Interest rate exposures (general and specific risk)	40,309
2	Equity exposures (general and specific risk)	—
3	Foreign exchange (including gold) exposures	16,574
4	Commodity exposures	—
	<b>Option exposures</b>	
5	Simplified approach	—
6	Delta-plus approach	—
7	Other approach	—
8	Securitization exposures	—
9	<b>Total</b>	<b>56,883</b>

#### 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 2023.



## MORGAN STANLEY BANK ASIA LIMITED

### NOTES TO THE UNAUDITED FINANCIAL INFORMATION For the six months ended 30 June 2023

#### 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 2023, loans and advances of the Company comprise (a) loans and advances to customers of US\$3,653,664,000 which is fully secured and (b) loans and advances to other Morgan Stanley Group undertakings of US\$74,055,000 which is unsecured.

	<b>As at 30 June 2023 US\$'000</b>
<b>Sector classification</b>	
<b>Loans and advances for use in Hong Kong</b>	
Industrial, commercial and financial:	
– Financial concerns	20,795
– Individuals	310,035
– Others <sup>(1)</sup>	836,174
<b>Loans and advances for use outside Hong Kong</b>	<u>2,560,715</u>
<b>Total</b>	<u><u>3,727,719</u></u>

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

Below table shows the loans and advances by geographical areas in accordance with the location of the counterparties. The table shows individual geographical area to which not less than 10% of the Company's total amount of loans and advances are attributable in accordance with the Banking (Disclosure) Rules.

	<b>As at 30 June 2023 US\$'000</b>
<b>Geographical Areas</b>	
Hong Kong	1,167,004
West Indies UK	1,111,599
Singapore	459,025
Others	990,091
<b>Total</b>	<u><u>3,727,719</u></u>

## MORGAN STANLEY BANK ASIA LIMITED

### NOTES TO THE UNAUDITED FINANCIAL INFORMATION

For the six months ended 30 June 2023

#### 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.

		<b>Non-bank private sector</b>			
	<b>Bank</b>	<b>Official sector</b>	<b>Non-bank financial institutions</b>	<b>Non-bank private sector</b>	<b>Total</b>
<b>As at 30 June 2023</b>	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>
Developed countries	205,393	—	2,839,924	1,349	3,046,666
of which: Japan	19,249	—	1,873,898	—	1,893,147
of which: United Kingdom	37,393	—	920,764	—	958,157
Offshore centres	350,965	—	299,605	2,334,241	2,984,811
of which: Hong Kong	344,132	—	100,437	724,925	1,169,494
of which: West Indies UK	—	—	77,559	1,037,942	1,115,501
Developing Asia and Pacific	305,479	—	41,653	628,970	976,102

#### 17. OVERDUE AND RESCHEDULED ASSETS

The Company has no overdue or rescheduled assets as at 30 June 2023.

## MORGAN STANLEY BANK ASIA LIMITED

### NOTES TO THE UNAUDITED FINANCIAL INFORMATION

For the six months ended 30 June 2023

#### 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.

<b>As at 30 June 2023</b>	<b>On-balance sheet exposures</b>	<b>Off-balance sheet exposures<sup>(1)</sup></b>	<b>Total</b>
<b>Type of counterparties</b>	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>
Central governments, central government-owned entities and their subsidiaries and joint ventures (“JVs”)	24,669	—	24,669
The People’s Republic of China (“PRC”) nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	108,749	13,847	122,596
Of which, PRC nationals residing in Mainland China or entities beneficially-owned by Mainland interest	67,069	—	67,069
Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	391,880	5	391,885
<b>Total</b>	<b>525,298</b>	<b>13,852</b>	<b>539,150</b>

(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:

<b>As at 30 June 2023</b>	<b>RMB US\$'000</b>	<b>SGD US\$'000</b>	<b>USD US\$'000</b>
Spot assets	661,668	340,770	3,649,049
Spot liabilities	(545,512)	(175,558)	(6,310,902)
Forward purchases	117,700	—	3,239,021
Forward sales	(239,830)	(170,043)	(578,616)
<b>Net short position<sup>(1)</sup></b>	<b>(5,974)</b>	<b>(4,831)</b>	<b>(1,448)</b>

(1) Net 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 2023

### 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 2023	US\$'000
RMB	22,518

The MSBAL Group has no option in any particular foreign currency as at 30 June 2023.