

MORGAN STANLEY ASIA INTERNATIONAL LIMITED

Quarterly Financial Disclosure Statement

As at 30 September 2017

MORGAN STANLEY ASIA INTERNATIONAL LIMITED

UNAUDITED QUARTERLY FINANCIAL DISCLOSURE STATEMENT
As at 30 September 2017

CONTENTS	PAGE
Key capital ratios disclosures	1
Template OV1: Overview of risk-weighted amount (“RWA”)	1

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1. PILLAR 3 DISCLOSURE

The capital adequacy ratios of Morgan Stanley Asia International Limited (the “Company”) were calculated in accordance with Banking (Capital) Rules of the Banking Ordinance. The Company uses the following approaches to calculate its capital charge for:

- (a) credit risk: Standardized (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.

a. Key Capital Ratios Disclosures

	As at 30 September 2017 USD’000
Capital Adequacy Ratios	
Common Equity Tier 1 (“CET1”) capital	215,856
Tier 1 capital	215,856
Total capital	223,229
Total RWA	1,024,216
CET1 capital ratio	21%
Tier 1 capital ratio	21%
Total capital ratio	22%

	As at 30 September 2017 USD’000
Leverage ratio	
Tier 1 capital	215,856
Total exposures	4,705,903
Leverage ratio	4.59%

b. Template OV1: Overview of RWA

The following table shows the standard disclosure template specified by the Hong Kong Monetary Authority (“the HKMA”) in relation to the Pillar 3 disclosure required under the Banking (Disclosure) Rules. Other templates not disclosed either are not applicable to the Company or have no reportable amount for the period.

Increase in total RWA during the third quarter in 2017 was US\$125,975,000. The key drivers of the increase were (a) increase in RWA for credit risk for non-securitization exposures arising from loans and advances to customers and (b) increase in RWA for operational risk arising from higher average gross income for the preceding three-year period being included in the calculation. This is due to annualization of gross income of the earliest included-year starting from the third quarter in 2017, when the Company has been in operation for 2 years and 6 months or more but less than 3 years.

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1. PILLAR 3 DISCLOSURE (CONTINUED)

b. Template OV1: Overview of RWA (continued)

		RWA		Minimum capital requirements
		As at 30 September 2017 USD'000	As at 30 June 2017 USD'000	As at 30 September 2017 USD'000
1	Credit risk for non-securitization exposures	585,142	497,243	46,811
2	Of which Standardized (Credit Risk) Approach (“STC approach”)	585,142	497,243	46,811
2a	Of which Basic Approach (“BSC approach”)	-	-	-
3	Of which Internal Ratings-Based Approach (“IRB approach”)	-	-	-
4	Counterparty credit risk	6,728	6,225	538
5	Of which Current Exposure Method (“CEM”)	4,625	4,281	370
6	Of which Internal Models (Counterparty Credit Risk) Approach (“IMM(CCR) approach”)	-	-	-
7	Equity exposures in banking book under the market-based approach	-	-	-
8	CIS exposures – Look-Through Approach (“LTA”)	-	-	-
9	CIS exposures – Mandate-Based Approach (“MBA”)	-	-	-
10	CIS exposures – Fall-Back Approach (“FBA”)	-	-	-
11	Settlement risk	-	-	-
12	Securitization exposures in banking book	-	-	-
13	Of which Internal Ratings-Based (Securitization) Approach (“IRB(S) approach”) – ratings-based method	-	-	-
14	Of which IRB(S) approach – supervisory formula method	-	-	-
15	Of which Standardized (Securitization) Approach (“STC(S) approach”)	-	-	-
16	Market risk	-	-	-
17	Of which Standardized (Market Risk) Approach (“STM approach”)	-	-	-
18	Of which Internal Models Approach (“IMM approach”)	-	-	-
19	Operational risk	432,358	395,432	34,589
20	Of which Basic Indicator Approach (“BIA approach”)	432,358	395,432	34,589
21	Of which Standardized (Operational Risk) Approach (“STO approach”)	-	-	-
21a	Of which Alternative Standardized Approach (“ASA approach”)	-	-	-
22	Of which Advanced Measurement Approach (“AMA approach”)	N/A	N/A	N/A
23	Amounts below the thresholds for deduction (subject to 250% Risk-Weight (“RW”))	-	-	-
24	Capital floor adjustment	-	-	-
24a	Deduction to RWA	12	659	1
24b	Of which portion of regulatory reserve for general banking risks and collective provisions which is not included in Tier 2 Capital	12	659	1
24c	Of which portion of cumulative fair value gains arising from the revaluation of land and buildings which is not included in Tier 2 Capital	-	-	-
25	Total	1,024,216	898,241	81,937

N/A: Not applicable in the case of Hong Kong

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”.