

**MORGAN STANLEY BANK ASIA LIMITED**

**Unaudited Quarterly Financial Disclosure Statement**

**As at 30 September 2021**

**MORGAN STANLEY BANK ASIA LIMITED**

**UNAUDITED QUARTERLY FINANCIAL DISCLOSURE STATEMENT  
As at 30 September 2021**

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# MORGAN STANLEY BANK ASIA LIMITED

## UNAUDITED QUARTERLY FINANCIAL DISCLOSURE STATEMENT As at 30 September 2021

### 1. PILLAR 3 DISCLOSURE

Morgan Stanley Bank Asia Limited (the “Company”) is a private limited company incorporated in Hong Kong, with a head office in Hong Kong and a branch in Singapore.

The information contained in this document for the Company shows the standard disclosure templates specified by the Hong Kong Monetary Authority (“HKMA”) in relation to the Pillar 3 disclosure 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.

#### a. Template KM1: Key Prudential Ratios

		As at 30 September 2021	As at 30 June 2021	As at 31 March 2021	As at 31 December 2020	As at 30 September 2020
		USD'000	USD'000	USD'000	USD'000	USD'000
<b>Regulatory capital (amount)</b>						
1	Common Equity Tier 1 (“CET1”)	1,098,634	1,077,800	1,052,371	999,061	975,975
2	Tier 1	1,098,634	1,077,800	1,052,371	999,061	975,975
3	Total capital	1,119,380	1,095,391	1,068,460	1,014,779	992,788
<b>RWA (amount)</b>						
4	Total RWA	2,543,315	2,218,121	2,059,890	1,973,727	2,117,187
<b>Risk-based regulatory capital ratios (as a percentage of RWA)</b>						
5	CET1 ratio (%)	43%	49%	51%	51%	46%
6	Tier 1 ratio (%)	43%	49%	51%	51%	46%
7	Total capital ratio (%)	44%	49%	52%	51%	47%
<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 (%)	0.481%	0.542%	0.613%	0.575%	0.511%
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 (%)	2.981%	3.042%	3.113%	3.075%	3.011%
12	CET1 available after meeting the AI’s minimum capital requirements (%)	36%	41%	44%	43%	39%
<b>Basel III leverage ratio</b>						
13	Total leverage ratio (“LR”) exposure measure	10,631,640	9,396,269	9,900,101	7,973,729	6,662,895
14	LR (%)	10%	11%	11%	13%	15%
<b>Liquidity Maintenance Ratio (“LMR”)</b>						
17a	LMR (%) <sup>(1)</sup>	66%	63%	63%	64%	59%
<b>Core Funding Ratio (“CFR”)</b>						
20a	CFR (%) <sup>(1)</sup>	225%	226%	237%	255%	224%

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**

## **UNAUDITED QUARTERLY FINANCIAL DISCLOSURE STATEMENT As at 30 September 2021**

### **1. PILLAR 3 DISCLOSURE (CONTINUED)**

#### **b. Template OV1: Overview of RWA**

The capital adequacy ratios of 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: Standardised (Credit Risk) Approach (“STC approach”); and
- (b) operational risk: Basic Indicator Approach (“BIA approach”).

There was no RWA for market risk for the Company because the Company was exempted by the HKMA from the calculation of market risk.

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”.

# MORGAN STANLEY BANK ASIA LIMITED

## UNAUDITED QUARTERLY FINANCIAL DISCLOSURE STATEMENT As at 30 September 2021

### 1. PILLAR 3 DISCLOSURE (CONTINUED)

#### b. Template OV1: Overview of RWA (Continued)

		RWA		Minimum capital requirements
		As at 30 September 2021 USD'000	As at 30 June 2021 USD'000	As at 30 September 2021 USD'000
1	Credit risk for non-securitization exposures	1,604,327	1,391,005	128,346
2	Of which Standardised (Credit Risk) Approach ("STC approach")	1,604,327	1,391,005	128,346
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	55,394	16,290	4,432
7	Of which Standardised (Counterparty Credit Risk) ("SA-CCR") Approach	17,394	10,517	1,392
7a	Of which Current Exposure Method ("CEM")	-	-	-
8	Of which Internal Models (Counterparty Credit Risk) Approach ("IMM(CCR) approach")	-	-	-
9	Of which others	38,000	5,773	3,040
10	Credit Valuation Adjustment ("CVA") risk	7,906	4,781	632
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	844,265	808,675	67,541
24a	Sovereign concentration risk	33,484	-	2,679
25	Amounts below the thresholds for deduction (subject to 250% Risk-Weight ("RW"))	-	-	-
26	Capital floor adjustment	-	-	-
26a	Deduction to RWA	2,061	2,630	165
26b	Of which portion of regulatory reserve for general banking risks and collective provisions which is not included in Tier 2 Capital	2,061	2,630	165
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>2,543,315</b>	<b>2,218,121</b>	<b>203,465</b>

Increase in total RWA during the third quarter in 2021 was US\$325,194,000. The key driver was due to increase in RWA for credit risk for non-securitization exposures arising from loans and advances.

# MORGAN STANLEY BANK ASIA LIMITED

## UNAUDITED QUARTERLY FINANCIAL DISCLOSURE STATEMENT As at 30 September 2021

### 1. PILLAR 3 DISCLOSURE (CONTINUED)

#### c. Template LR2: Leverage Ratio

		As at 30 September 2021	As at 30 June 2021
		USD'000	USD'000
<b>On-balance sheet exposures</b>			
1	On-balance sheet exposures (excluding those arising from derivative contracts and securities financing transactions ("SFTs"), but including collateral)	8,119,138	8,358,727
2	Less: Asset amounts deducted in determining Tier 1 capital	(35,422)	(29,742)
3	<b>Total on-balance sheet exposures (excluding derivative contracts and SFTs)</b>	8,083,716	8,328,985
<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)	36,952	6,560
5	Add-on amounts for potential future exposure ("PFE") associated with all derivative contracts	33,883	20,775
6	Gross-up for collateral provided in respect of derivatives 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>	70,835	27,335
<b>Exposures arising from SFTs</b>			
12	Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	2,462,548	1,038,421
13	Less: Netted amounts of cash payables and cash receivables of gross SFT assets	-	-
14	Counterparty Credit Risk ("CCR") exposure for SFT assets	14,542	1,528
15	Agent transaction exposures	-	-
16	<b>Total exposures arising from SFTs</b>	2,477,090	1,039,949
<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>	1,098,634	1,077,800
20a	<b>Total exposures before adjustments for specific and collective provisions</b>	10,631,641	9,396,269
20b	<b>Adjustments for specific and collective provisions</b>	(1)	-
21	<b>Total exposures after adjustments for specific and collective provisions</b>	10,631,640	9,396,269
<b>Leverage ratio</b>			
22	<b>Leverage ratio</b>	<b>10%</b>	<b>11%</b>

Gross SFT assets as at 30 September 2021 increased mainly due to increase in SFTs driven by cash inflow from increase in customer deposits.