

MORGAN STANLEY BANK ASIA LIMITED

Unaudited Quarterly Financial Disclosure Statement

As at 31 March 2020

MORGAN STANLEY BANK ASIA LIMITED

**UNAUDITED QUARTERLY FINANCIAL DISCLOSURE STATEMENT
As at 31 March 2020**

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UNAUDITED QUARTERLY FINANCIAL DISCLOSURE STATEMENT As at 31 March 2020

1. PILLAR 3 DISCLOSURE

The following templates for Morgan Stanley Bank Asia Limited (the “Company”), show the standard disclosure templates specified by the Hong Kong Monetary Authority (“HKMA”) in relation to the Pillar 3 disclosure 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.

a. Template KM1: Key Prudential Ratios

		As at 31 March 2020	As at 31 December 2019	As at 30 September 2019	As at 30 June 2019	As at 31 March 2019
		USD'000	USD'000	USD'000	USD'000	USD'000
	Regulatory capital (amount)					
1	Common Equity Tier 1 (“CET1”)	905,692	860,933	846,872	825,606	808,927
2	Tier 1	905,692	860,933	846,872	825,606	808,927
3	Total capital	923,513	879,176	865,340	839,228	819,045
	Risk-weighted amount (“RWA”) (amount)					
4	Total RWA	2,033,105	2,022,152	2,016,322	1,600,787	1,295,339
	Risk-based regulatory capital ratios (as a percentage of RWA)					
5	CET1 ratio (%)	45%	43%	42%	52%	62%
6	Tier 1 ratio (%)	45%	43%	42%	52%	62%
7	Total capital ratio (%)	45%	43%	43%	52%	63%
	Additional CET1 buffer requirements (as a percentage of RWA)					
8	Capital conservation buffer requirement (%)	2.500%	2.500%	2.500%	2.500%	2.500%
9	Countercyclical capital buffer requirement (%)	0.444%	0.877%	1.128%	1.124%	1.072%
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 (%)	2.944%	3.377%	3.628%	3.624%	3.572%
12	CET1 available after meeting the AI’s minimum capital requirements (%)	37%	35%	35%	44%	55%
	Basel III leverage ratio					
13	Total leverage ratio (“LR”) exposure measure	5,767,055	4,715,015	4,642,609	4,205,381	4,517,029
14	LR (%)	16%	18%	18%	20%	18%
	Liquidity Maintenance Ratio (“LMR”)					
17 a	LMR (%) ⁽¹⁾	54%	63%	62%	62%	55%
	Core Funding Ratio (“CFR”)					
20 a	CFR (%) ⁽¹⁾	208%	231%	236%	251%	239%

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.

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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”.

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1. PILLAR 3 DISCLOSURE (CONTINUED)

b. Template OV1: Overview of RWA (Continued)

		RWA		Minimum capital requirements
		As at 31 March 2020	As at 31 December 2019	As at 31 March 2020
		USD'000	USD'000	USD'000
1	Credit risk for non-securitization exposures	1,417,236	1,456,548	113,379
2	Of which STC approach	1,417,236	1,456,548	113,379
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	8,427	2,898	674
7	Of which Standardised Approach for measuring Counterparty Credit Risk ("SA-CCR")	Not applicable		
7a	Of which Current Exposure Method ("CEM")	6,048	1,419	484
8	Of which Internal Models (Counterparty Credit Risk) Approach ("IMM(CCR) approach")	-	-	-
9	Of which others	2,379	1,479	190
10	Credit Valuation Adjustment ("CVA") risk	2,750	645	220
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	617,813	571,521	49,425
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	9,460	1,050
26b	Of which portion of regulatory reserve for general banking risks and collective provisions which is not included in Tier 2 Capital	13,121	9,460	1,050
26c	Of which portion of cumulative fair value gains arising from the revaluation of land and buildings which is not included in Tier 2 Capital	-	-	-
27	Total	2,033,105	2,022,152	162,648

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1. PILLAR 3 DISCLOSURE (CONTINUED)

c. Template LR2: Leverage Ratio

		As at 31 March 2020	As at 31 December 2019
		USD'000	USD'000
On-balance sheet exposures			
1	On-balance sheet exposures (excluding those arising from derivative contracts and securities financing transaction ("SFTs"), but including collateral)	4,848,506	4,327,399
2	Less: Asset amounts deducted in determining Tier 1 capital	(33,514)	(32,792)
3	Total on-balance sheet exposures (excluding derivative contracts and SFTs)	4,814,992	4,294,607
Exposures arising from derivative contracts			
4	Replacement cost associated with all derivative contracts (where applicable net of eligible cash variation margin and/or with bilateral netting)	14,510	-
5	Add-on amounts for potential future exposure ("PFE") associated with all derivative contracts	10,466	2,837
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	Total exposures arising from derivative contracts	24,976	2,837
Exposures arising from SFTs			
12	Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	924,989	413,847
13	Less: Netted amounts of cash payables and cash receivables of gross SFT assets	-	-
14	Counterparty Credit Risk ("CCR") exposure for SFT assets	2,098	3,724
15	Agent transaction exposures	-	-
16	Total exposures arising from SFTs	927,087	417,571
Other off-balance sheet exposures			
17	Off-balance sheet exposure at gross notional amount	-	-
18	Less: Adjustments for conversion to credit equivalent amounts	-	-
19	Off-balance sheet items	-	-
Capital and total exposures			
20	Tier 1 capital	905,692	860,933
20a	Total exposures before adjustments for specific and collective provisions	5,767,055	4,715,015
20b	Adjustments for specific and collective provisions	-	-
21	Total exposures after adjustments for specific and collective provisions	5,767,055	4,715,015
Leverage ratio			
22	Leverage ratio	16%	18%

The decrease in leverage ratio during the first quarter in 2020 was mainly due to an increase in total on-balance sheet exposures which was driven by an increase in deposits during the quarter ended 31 March 2020.