

MORGAN STANLEY BANK ASIA LIMITED

Interim Financial Disclosure Statements

For the six months ended 30 June 2021

MORGAN STANLEY BANK ASIA LIMITED

INTERIM FINANCIAL DISCLOSURE STATEMENTS For the six months ended 30 June 2021

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MORGAN STANLEY BANK ASIA LIMITED

CORPORATE INFORMATION

The Directors of Morgan Stanley Bank Asia Limited (the “Company”) hereby present the unaudited interim financial disclosure statements of the Company for the period ended 30 June 2021. The interim financial disclosure statements are prepared in accordance with 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 2020 that is included in the unaudited interim financial disclosure statements for the six months ended 30 June 2021 as comparative information does not constitute the Company’s statutory annual financial statements for the year ended 31 December 2020 but is derived from the audited financial statements for the year ended 31 December 2020. Further information related to the audited financial statements for the year ended 31 December 2020 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 2020. 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
23 September 2021

MORGAN STANLEY BANK ASIA LIMITED

UNAUDITED INCOME STATEMENT For the six months ended 30 June 2021

		For the six months ended	For the six months ended
	Note	30 June 2021	30 June 2020
		US\$'000	US\$'000
Interest income		22,066	38,046
Interest expense		(5,542)	(11,860)
Net interest income	1	<u>16,524</u>	<u>26,186</u>
Fee and commission income		295,332	201,212
Fee and commission expense		(462)	(534)
Net fee and commission income	2	<u>294,870</u>	<u>200,678</u>
Net trading income		12,143	8,605
Other revenue		3,506	3,979
Total non-interest revenues		<u>310,519</u>	<u>213,262</u>
Net revenues		<u>327,043</u>	<u>239,448</u>
Non-interest expenses:			
Other expenses	3	(227,976)	(153,574)
Reversal of net impairment loss on financial instruments		<u>37</u>	<u>-</u>
PROFIT BEFORE INCOME TAX		99,104	85,874
Income tax	4	(15,570)	(13,325)
PROFIT FOR THE PERIOD		<u><u>83,534</u></u>	<u><u>72,549</u></u>

The notes on pages 6 to 30 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 2021

	For the six months ended 30 June 2021 US\$'000	For the six months ended 30 June 2020 US\$'000
PROFIT FOR THE PERIOD	<u>83,534</u>	<u>72,549</u>
Items that may be reclassified subsequently to profit or loss:		
Fair value through other comprehensive income (“FVOCI”) reserve:		
Net change in fair value	(69)	(1,305)
OTHER COMPREHENSIVE INCOME AFTER INCOME TAX	<u>(69)</u>	<u>(1,305)</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO OWNER OF THE COMPANY	<u><u>83,465</u></u>	<u><u>71,244</u></u>

The notes on pages 6 to 30 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 2021

	Share capital US\$'000	FVOCI reserve US\$'000	Retained earnings US\$'000	Total equity US\$'000
Balance at 1 January 2020	670,000	1,330	222,395	893,725
Profit for the year	-	-	131,647	131,647
Other comprehensive income for the year:				
FVOCI reserve:				
Net change in fair value	-	(1,295)	-	(1,295)
Total comprehensive income for the year	-	(1,295)	131,647	130,352
Balance at 31 December 2020 and 1 January 2021	670,000	35	354,042	1,024,077
Profit for the period	-	-	83,534	83,534
Other comprehensive income for the period:				
FVOCI reserve:				
Net change in fair value	-	(69)	-	(69)
Total comprehensive income for the period	-	(69)	83,534	83,465
Balance at 30 June 2021	<u>670,000</u>	<u>(34)</u>	<u>437,576</u>	<u>1,107,542</u>

The notes on pages 6 to 30 form an integral part of the financial disclosure statements.

MORGAN STANLEY BANK ASIA LIMITED

UNAUDITED STATEMENT OF FINANCIAL POSITION
As at 30 June 2021

		As at 30 June 2021 US\$'000	As at 31 December 2020 US\$'000
	Note		
ASSETS			
Cash and short-term deposits	6	1,250,893	1,256,705
Trading financial assets	7	11,480	1,709
Secured financing	8	948,186	582,265
Loans and advances	9	4,044,238	3,438,202
Investment securities	10	2,854,432	2,616,724
Trade and other receivables		197,135	88,733
Deferred tax assets		9,475	7,801
Prepayments		2,554	1,086
TOTAL ASSETS		<u>9,318,393</u>	<u>7,993,225</u>
LIABILITIES AND EQUITY			
Deposits	11	8,036,696	6,808,011
Trading financial liabilities	7	6,794	11,272
Trade and other payables		137,941	130,616
Current tax liabilities		27,733	16,889
Accruals		1,687	2,360
TOTAL LIABILITIES		<u>8,210,851</u>	<u>6,969,148</u>
EQUITY			
Share capital		670,000	670,000
FVOCI reserve		(34)	35
Retained earnings		437,576	354,042
Equity attributable to owner of the Company		<u>1,107,542</u>	<u>1,024,077</u>
TOTAL EQUITY		<u>1,107,542</u>	<u>1,024,077</u>
TOTAL LIABILITIES AND EQUITY		<u>9,318,393</u>	<u>7,993,225</u>

The notes on pages 6 to 30 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 2021

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 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”).

	For the six months ended 30 June 2021 US\$'000	For the six months ended 30 June 2020 US\$'000
Financial assets measured at amortised cost	20,556	29,804
Financial assets measured at FVOCI	1,467	6,225
Financial asset not measured at FVPL	<u>22,023</u>	<u>36,029</u>
Non-trading financial assets at FVPL	43	2,017
Financial assets measured at FVPL	<u>43</u>	<u>2,017</u>
Total interest income	<u>22,066</u>	<u>38,046</u>
Financial liabilities measured at amortised cost	(5,542)	(11,860)
Total interest expense	<u>(5,542)</u>	<u>(11,860)</u>
Net interest income	<u>16,524</u>	<u>26,186</u>

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 expenses” (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 expenses” (note 3).

2. FEE AND COMMISSIONS

	For the six months ended 30 June 2021 US\$'000	For the six months ended 30 June 2020 US\$'000
Fee and commission income:		
Sales commissions and fees	295,332	201,202
Other fees	-	10
Total fee and commission income	<u>295,332</u>	<u>201,212</u>
<i>Of which, revenue from contracts with customers</i>	<i>14,643</i>	<i>9,956</i>
Fee and commission expense:		
Sales commissions and fees	(462)	(534)
Total fee and commission expense	<u>(462)</u>	<u>(534)</u>
Net fee and commission income	<u>294,870</u>	<u>200,678</u>

MORGAN STANLEY BANK ASIA LIMITED

NOTES TO THE UNAUDITED FINANCIAL INFORMATION For the six months ended 30 June 2021

3. OTHER EXPENSES

	For the six months ended 30 June 2021 US\$'000	For the six months ended 30 June 2020 US\$'000
Staff costs	171,633	102,554
Management charges from other Morgan Stanley Group undertakings	41,375	38,864
Net foreign exchange losses and others	14,968	12,156
	<u>227,976</u>	<u>153,574</u>

4. INCOME TAX

	For the six months ended 30 June 2021 US\$'000	For the six months ended 30 June 2020 US\$'000
Current tax		
Hong Kong	14,766	9,919
Other jurisdictions	2,484	2,003
Deferred tax	<u>(1,680)</u>	<u>1,403</u>
Income tax	<u>15,570</u>	<u>13,325</u>

MORGAN STANLEY BANK ASIA LIMITED

NOTES TO THE UNAUDITED FINANCIAL INFORMATION For the six months ended 30 June 2021

5. FINANCIAL ASSETS AND LIABILITIES BY MEASUREMENT CATEGORY

The following table analyses financial assets and financial liabilities as at 30 June 2021 presented in the unaudited statement of financial position.

30 June 2021	FVPL US\$'000	FVOCI US\$'000	Amortised cost US\$'000	Total US\$'000
Cash and short-term deposits	-	-	1,250,893	1,250,893
Trading financial assets	11,480	-	-	11,480
Secured financing	948,186	-	-	948,186
Loans and advances	-	-	4,044,238	4,044,238
Investment securities	-	2,854,432	-	2,854,432
Trade and other receivables	-	-	197,135	197,135
Total financial assets	959,666	2,854,432	5,492,266	9,306,364
Deposits	-	-	8,036,696	8,036,696
Trading financial liabilities	6,794	-	-	6,794
Trade and other payables	-	-	137,941	137,941
Total financial liabilities	6,794	-	8,174,637	8,181,431

The following table analyses financial assets and financial liabilities as at 31 December 2020 presented in the statement of financial position.

31 December 2020	FVPL US\$'000	FVOCI US\$'000	Amortised cost US\$'000	Total US\$'000
Cash and short-term deposits	-	-	1,256,705	1,256,705
Trading financial assets	1,709	-	-	1,709
Secured financing	582,265	-	-	582,265
Loans and advances	-	-	3,438,202	3,438,202
Investment securities	-	2,616,724	-	2,616,724
Trade and other receivables	-	-	88,733	88,733
Total financial assets	583,974	2,616,724	4,783,640	7,984,338
Deposits	-	-	6,808,011	6,808,011
Trading financial liabilities	11,272	-	-	11,272
Trade and other payables	-	-	130,616	130,616
Total financial liabilities	11,272	-	6,938,627	6,949,899

MORGAN STANLEY BANK ASIA LIMITED

NOTES TO THE UNAUDITED FINANCIAL INFORMATION For the six months ended 30 June 2021

6. CASH AND SHORT-TERM DEPOSITS

Cash and short-term deposits as at 30 June 2021 included the placement with the HKMA of US\$694,334,000 (31 December 2020: US\$585,704,000) and the placement with the MAS of US\$7,880,000 (31 December 2020: US\$8,101,000).

7. TRADING FINANCIAL ASSETS AND LIABILITIES

Trading assets and trading liabilities are summarised as follows.

	As at 30 June 2021			As at 31 December 2020		
	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	2,154,499	11,480	6,794	782,710	1,709	11,272

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

	As at 30 June 2021 US\$'000	As at 31 December 2020 US\$'000
Securities purchased under agreements to resell	948,186	582,265

9. LOANS AND ADVANCES

	As at 30 June 2021 US\$'000	As at 31 December 2020 US\$'000
Loans and advances to customers	4,044,238	3,368,801
Loans and advances to other Morgan Stanley Group undertakings	-	69,438
Less: expected credit loss ("ECL")	-	(37)
	4,044,238	3,438,202

10. INVESTMENT SECURITIES

	As at 30 June 2021 US\$'000	As at 31 December 2020 US\$'000
Government debt securities:		
US treasury bills and securities	2,352,725	2,224,669
Singapore government treasury bills	416,399	389,476
HKMA Exchange Fund Bills & Notes	85,308	2,579
	2,854,432	2,616,724

MORGAN STANLEY BANK ASIA LIMITED

NOTES TO THE UNAUDITED FINANCIAL INFORMATION For the six months ended 30 June 2021

11. DEPOSITS

	As at 30 June 2021 US\$'000	As at 31 December 2020 US\$'000
Deposits of banks		
Current account balances	3,648	2,053
Deposits of non-bank customers		
Current account balances	6,376,127	5,648,210
Term deposits	1,494,545	1,157,748
Deposits of other Morgan Stanley Group undertakings	162,376	-
	<u>8,036,696</u>	<u>6,808,011</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 2021.

13. 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.

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. 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.

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.

	Bank US\$'000	<u>Non-bank private sector</u>			Total US\$'000
		Official sector US\$'000	Non-bank financial institutions US\$'000	Non-financial private sector US\$'000	
30 June 2021					
Developed countries	437,063	2,353,292	827,878	-	3,618,233
of which: United States	125,922	2,353,292	4,576	-	2,483,790
Offshore centres	347,677	-	404,838	2,620,648	3,373,163
of which: Hong Kong	347,663	-	163,783	1,014,563	1,526,009
of which: West Indies UK	-	-	92,744	1,267,639	1,360,383
Developing Asia and Pacific	56,186	-	68,057	766,096	890,339

MORGAN STANLEY BANK ASIA LIMITED

NOTES TO THE UNAUDITED FINANCIAL INFORMATION For the six months ended 30 June 2021

14. 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 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.

All loans and advances of the Company were fully secured by collateral as at 30 June 2021.

	As at 30 June 2021 US\$'000
Sector classification	
Loans and advances for use in Hong Kong	
Industrial, commercial and financial:	
- Financial concerns	22,201
- Individuals ⁽¹⁾	350,123
- Others ⁽¹⁾	1,564,982
Loans and advances for use outside Hong Kong	<u>2,106,932</u>
Total	<u><u>4,044,238</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.

	As at 30 June 2021 US\$'000
Geographical Areas	
Hong Kong	1,358,718
West Indies UK	1,357,217
Others	<u>1,328,303</u>
Total	<u><u>4,044,238</u></u>

MORGAN STANLEY BANK ASIA LIMITED

NOTES TO THE UNAUDITED FINANCIAL INFORMATION For the six months ended 30 June 2021

15. OVERDUE AND RESCHEDULED ASSETS

There were no impaired, overdue or rescheduled assets as at 30 June 2021.

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.

As at 30 June 2021	On-balance sheet exposures US\$'000	Off-balance sheet exposures US\$'000	Total US\$'000
Type of counterparties			
Local governments, local government-owned entities and their subsidiaries and joint ventures ("JVs")	1	-	1
The People's Republic of China ("PRC") nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	112,876	-	112,876
Of which, PRC nationals residing in Mainland China or entities beneficially-owned by Mainland interest	112,876	-	112,876
Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	561,224	-	561,224
Total	674,101	-	674,101

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:

As at 30 June 2021	SGD⁽¹⁾ US\$'000	USD⁽¹⁾ US\$'000
Spot assets	513,867	6,231,481
Spot liabilities	(123,556)	(6,971,465)
Forward purchases	22,296	1,527,330
Forward sales	<u>(416,188)</u>	<u>(774,097)</u>
Net (short)/long position	<u>(3,581)</u>	<u>13,249</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 2021.

MORGAN STANLEY BANK ASIA LIMITED

NOTES TO THE UNAUDITED FINANCIAL INFORMATION For the six months ended 30 June 2021

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.

The Banking (Capital) (Amendment) Rules 2020 came into operation on 30 June 2021. The Company has replaced the calculation methodology of default risk exposures arising from derivative contracts from current exposure method (“CEM”) with standardised (counterparty credit risk) (“SACCR”) approach. The change resulted in an increase in default risk exposures arising from derivative contracts, calculated in accordance with BCR, which is reflected in the following Pillar 3 disclosure tables.

MORGAN STANLEY BANK ASIA LIMITED

NOTES TO THE UNAUDITED FINANCIAL INFORMATION For the six months ended 30 June 2021

18. PILLAR 3 DISCLOSURE (CONTINUED)

Template KM1: Key Prudential Ratios

		As at 30 June 2021	As at 31 March 2021	As at 31 December 2020	As at 30 September 2020	As at 30 June 2020
		USD'000	USD'000	USD'000	USD'000	USD'000
	Regulatory capital (amount)					
1	Common Equity Tier 1 ("CET1")	1,077,800	1,052,371	999,061	975,975	945,537
2	Tier 1	1,077,800	1,052,371	999,061	975,975	945,537
3	Total capital	1,095,391	1,068,460	1,014,779	992,788	961,002
	RWA (amount)					
4	Total RWA	2,218,121	2,059,890	1,973,727	2,117,187	1,979,754
	Risk-based regulatory capital ratios (as a percentage of RWA)					
5	CET1 ratio (%)	49%	51%	51%	46%	48%
6	Tier 1 ratio (%)	49%	51%	51%	46%	48%
7	Total capital ratio (%)	49%	52%	51%	47%	49%
	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 (%)	0.542%	0.613%	0.575%	0.511%	0.463%
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 (%)	3.042%	3.113%	3.075%	3.011%	2.963%
12	CET1 available after meeting the AI's minimum capital requirements (%)	41%	44%	43%	39%	40%
	Basel III leverage ratio					
13	Total leverage ratio ("LR") exposure measure	9,396,269	9,900,101	7,973,729	6,662,895	6,488,947
14	LR (%)	11%	11%	13%	15%	15%
	Liquidity Maintenance Ratio ("LMR")					
17a	LMR (%) ⁽¹⁾	63%	63%	64%	59%	57%
	Core Funding Ratio ("CFR")					
20a	CFR (%) ⁽¹⁾	226%	237%	255%	224%	225%

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 2021

18. PILLAR 3 DISCLOSURE (CONTINUED)

Template OV1: Overview of RWA

		RWA		Minimum capital requirements
		As at 30 June 2021 USD'000	As at 31 March 2021 USD'000	As at 30 June 2021 USD'000
1	Credit risk for non-securitization exposures	1,391,005	1,277,788	111,281
2	Of which Standardised (Credit Risk) Approach (“STC approach”)	1,391,005	1,277,788	111,281
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	16,290	9,343	1,303
7	Of which Standardised (Counterparty Credit Risk) (“SA-CCR”) Approach	10,517	Not applicable	841
7a	Of which Current Exposure Method (“CEM”)	-	5,137	-
8	Of which Internal Models (Counterparty Credit Risk) Approach (“IMM(CCR) approach”)	-	-	-
9	Of which others	5,773	4,206	462
10	Credit Valuation Adjustment (“CVA”) risk	4,781	2,334	382
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	808,675	774,594	64,694
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	2,630	4,169	210
26b	Of which portion of regulatory reserve for general banking risks and collective provisions which is not included in Tier 2 Capital	2,630	4,169	210
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	2,218,121	2,059,890	177,450

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

NOTES TO THE UNAUDITED FINANCIAL INFORMATION For the six months ended 30 June 2021

18. PILLAR 3 DISCLOSURE (CONTINUED)

Template CC1: Composition of regulatory capital

As at 30 June 2021		Amount USD'000	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation (Template CC2)
CET1 capital: instruments and reserves			
1	Directly issued qualifying CET1 capital instruments plus any related share premium	670,000	(1)
2	Retained earnings	437,576	(2)
3	Disclosed reserves	(34)	(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	CET1 capital before regulatory deductions	1,107,542	
CET1 capital: regulatory deductions			
7	Valuation adjustments	46	
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)	9,475	(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	20,221	

MORGAN STANLEY BANK ASIA LIMITED

NOTES TO THE UNAUDITED FINANCIAL INFORMATION
For the six months ended 30 June 2021

18. PILLAR 3 DISCLOSURE (CONTINUED)

Template CC1: Composition of regulatory capital (continued)

As at 30 June 2021		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	Total regulatory deductions to CET1 capital	29,742	
29	CET1 capital	1,077,800	
AT1 capital: instruments			
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	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% 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	Total regulatory deductions to AT1 capital	-	
44	AT1 capital	-	
45	Tier 1 capital (T1 = CET1 + AT1)	1,077,800	
Tier 2 capital: instruments and provisions			
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 2021

18. PILLAR 3 DISCLOSURE (CONTINUED)

Template CC1: Composition of regulatory capital (continued)

As at 30 June 2021		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	17,591	
51	Tier 2 capital before regulatory deductions	17,591	
	Tier 2 capital: regulatory deductions		
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	Total regulatory adjustments to Tier 2 capital	-	
58	Tier 2 capital (T2)	17,591	
59	Total regulatory capital (TC = T1 + T2)	1,095,391	
60	Total RWA	2,218,121	
	Capital ratios (as a percentage of RWA)		
61	CET1 capital ratio	49%	
62	Tier 1 capital ratio	49%	
63	Total capital ratio	49%	
64	Institution-specific buffer requirement (capital conservation buffer plus countercyclical capital buffer plus higher loss absorbency requirements)	3.042%	
65	of which: capital conservation buffer requirement	2.500%	
66	of which: bank specific countercyclical capital buffer requirement	0.542%	
67	of which: higher loss absorbency requirement	-	
68	CET1 (as a percentage of RWA) available after meeting minimum capital requirements	41%	
	National minima (if different from Basel 3 minimum)		
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 2021

18. PILLAR 3 DISCLOSURE (CONTINUED)

Template CC1: Composition of regulatory capital (continued)

As at 30 June 2021		Amount USD'000	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation (Template CC2)
Amounts below the thresholds for deduction (before risk weighting)			
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
Applicable caps on the inclusion of provisions in Tier 2 capital			
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)	20,221	
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	17,591	
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	-	
Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2018 and 1 Jan 2022)			
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 2021

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	Deferred tax assets (“DTAs”) (net of associated deferred tax liabilities)	9,475	9,475
	<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 2021

18. PILLAR 3 DISCLOSURE (CONTINUED)

Template CC2: Reconciliation of regulatory capital to balance sheet

As at 30 June 2021	Balance sheet as in published financial disclosure statements (Note) USD'000	Reference to template CC1
Assets		
Cash and short-term deposits	1,250,893	
Trading financial assets	11,480	
Secured Financing	948,186	
Loans and advances	4,044,238	
Investment securities	2,854,432	
Trade and other receivables	197,135	
Deferred tax assets	9,475	(4)
Prepayments	2,554	
Total assets	9,318,393	
Liabilities		
Deposits	8,036,696	
Trading financial liabilities	6,794	
Trade and other payables	137,941	
Current tax liabilities	27,733	
Accruals	1,687	
Total liabilities	8,210,851	
Shareholders' equity		
Share capital	670,000	
Of which: amount eligible for CET1	670,000	(1)
FVOCI reserve	(34)	(3)
Retained earnings	437,576	(2)
Total shareholders' equity	1,107,542	

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 2021

18. 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
	<i>Regulatory treatment</i>	
4	Transitional Basel III rules ¹	Not applicable
5	Post-transitional Basel III rules ²	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"> • 1 share issued on 19 May 2014 • 13,000,000 shares issued on 11 July 2014 • 156,999,998 shares issued on 13 January 2015 • 1 share issued on 9 February 2015 • 500,000,000 shares issued on 22 March 2019
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 2021

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 2021			
		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%	696,978		
2	Sum		696,978		
3	Total (Note)		1,285,662	0.542%	12,022

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 2021 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 2021

18. PILLAR 3 DISCLOSURE (CONTINUED)

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

As at 30 June 2021		Value under the LR framework
	Item	USD'000
1	Total consolidated assets as per published financial disclosure statements	9,318,393
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	15,855
5	Adjustment for securities financing transactions ("SFTs") (i.e. repos and similar secured lending)	91,763
6	Adjustment for off-balance sheet ("OBS") items (i.e. conversion to credit equivalent amounts of OBS exposures)	-
6a	Adjustments for prudent valuation adjustments and specific and collective provisions that are allowed to be excluded from exposure measure	(46)
7	Other adjustments	(29,696)
8	Leverage ratio exposure measure	9,396,269

MORGAN STANLEY BANK ASIA LIMITED

NOTES TO THE UNAUDITED FINANCIAL INFORMATION
For the six months ended 30 June 2021

18. PILLAR 3 DISCLOSURE (CONTINUED)

Template LR2: Leverage Ratio

		As at 30 June 2021	As at 31 March 2021
		USD'000	USD'000
On-balance sheet exposures			
1	On-balance sheet exposures (excluding those arising from derivative contracts and SFTs, but including collateral)	8,358,727	9,012,992
2	Less: Asset amounts deducted in determining Tier 1 capital	(29,742)	(26,558)
3	Total on-balance sheet exposures (excluding derivative contracts and SFTs)	8,328,985	8,986,434
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)	6,560	3,313
5	Add-on amounts for potential future exposure ("PFE") associated with all derivative contracts	20,775	10,221
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	Total exposures arising from derivative contracts	27,335	13,534
Exposures arising from SFTs			
12	Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	1,038,421	894,037
13	Less: Netted amounts of cash payables and cash receivables of gross SFT assets	-	-
14	Counterparty Credit Risk ("CCR") exposure for SFT assets	1,528	6,096
15	Agent transaction exposures	-	-
16	Total exposures arising from SFTs	1,039,949	900,133
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	1,077,800	1,052,371
20a	Total exposures before adjustments for specific and collective provisions	9,396,269	9,900,101
20b	Adjustments for specific and collective provisions	-	-
21	Total exposures after adjustments for specific and collective provisions	9,396,269	9,900,101
Leverage ratio			
22	Leverage ratio	11%	11%

MORGAN STANLEY BANK ASIA LIMITED

NOTES TO THE UNAUDITED FINANCIAL INFORMATION
For the six months ended 30 June 2021

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 2021		USD’000	USD’000	USD’000	USD’000	USD’000	USD’000	USD’000
1	Loans	-	4,048,112	-	-	-	-	4,048,112
2	Debt securities	-	2,854,432	-	-	-	-	2,854,432
3	Off-balance sheet exposures	-	-	-	-	-	-	-
4	Total	-	6,902,544	-	-	-	-	6,902,544

Loans included loans and advances and related accrued interest receivables.

Template CR3: Overview of recognised credit risk mitigation

		Exposures unsecured: carrying amount ⁽¹⁾	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 2021		USD’000	USD’000	USD’000	USD’000	USD’000
1	Loans	1,182,010	2,866,102	2,866,102	-	-
2	Debt securities	2,854,432	-	-	-	-
3	Total	4,036,442	2,866,102	2,866,102	-	-
4	Of which defaulted	-	-	-	-	-

Loans included loans and advances and related accrued interest receivables.

(1) All exposures arising from loans are fully secured by collateral as at 30 June 2021. 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 2021

18. PILLAR 3 DISCLOSURE (CONTINUED)

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

As at 30 June 2021		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	3,556,869	-	3,556,869	-	-	-
2	Public Sector Entity (“PSE”) exposures	-	-	-	-	-	-
2a	Of which: domestic PSEs	-	-	-	-	-	-
2b	Of which: foreign PSEs	-	-	-	-	-	-
3	Multilateral development bank exposures	-	-	-	-	-	-
4	Bank exposures	548,710	-	548,710	-	109,766	20%
5	Securities firm exposures	197,560	-	193,347	-	96,673	50%
6	Corporate exposures	3,512,403	-	1,043,389	-	1,043,389	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	538,265	-	141,177	-	141,177	100%
13	Past due exposures	-	-	-	-	-	-
14	Significant exposures to commercial entities	-	-	-	-	-	-
15	Total	8,353,807	-	5,483,492	-	1,391,005	25%

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**NOTES TO THE UNAUDITED FINANCIAL INFORMATION
For the six months ended 30 June 2021**

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 2021										
		0%	10%	20%	35%	50%	75%	100%	150%	250%	Others	Total credit risk exposures amount (post CCF and post 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	3,556,869	-	-	-	-	-	-	-	-	-	3,556,869
2	PSE exposures	-	-	-	-	-	-	-	-	-	-	-
2a	Of which: domestic PSEs	-	-	-	-	-	-	-	-	-	-	-
2b	Of which: foreign PSEs	-	-	-	-	-	-	-	-	-	-	-
3	Multilateral development bank exposures	-	-	-	-	-	-	-	-	-	-	-
4	Bank exposures	-	-	548,631	-	79	-	-	-	-	-	548,710
5	Securities firm exposures	-	-	-	-	193,347	-	-	-	-	-	193,347
6	Corporate exposures	-	-	-	-	1	-	1,043,388	-	-	-	1,043,389
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	-	-	-	-	-	-	141,177	-	-	-	141,177
13	Past due exposures	-	-	-	-	-	-	-	-	-	-	-
14	Significant exposures to commercial entities	-	-	-	-	-	-	-	-	-	-	-
15	Total	3,556,869	-	548,631	-	193,427	-	1,184,565	-	-	-	5,483,492

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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 (α) used for computing default risk exposure	Default risk exposure after CRM	RWA
As at 30 June 2021		USD'000	USD'000	USD'000	USD'000	USD'000	USD'000
1	SA-CCR approach (for derivative contracts)	185	14,839	-	1.4	21,034	10,517
1a	CEM (for derivative contracts)	-	-		1.4	-	-
2	IMM (CCR) approach			-	-	-	-
3	Simple approach (for SFTs)					-	-
4	Comprehensive approach (for SFTs)					15,596	5,773
5	Value-at-risk ("VaR") (for SFTs)					-	-
6	Total						16,290

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

		Exposure at default ("EAD") post CRM	RWA
As at 30 June 2021		USD'000	USD'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	21,034	4,781
4	Total	21,034	4,781

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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		As at 30 June 2021										
		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	-	-	6,749	-	21,034	-	-	-	-	-	27,783
5	Securities firm exposures	-	-	-	-	8,847	-	-	-	-	-	8,847
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	Total	-	-	6,749	-	29,881	-	-	-	-	-	36,630

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		
As at 30 June 2021	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000
Cash - domestic currency	-	4,531	-	30	-	-
Other sovereign debt	-	-	-	-	1,022,825	-
Total	-	4,531	-	30	1,022,825	-

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