

Morgan Stanley

Net Stable Funding Ratio Disclosures Report

For the Quarterly Period Ended September 30, 2023 and

For the Quarterly Period Ended December 31, 2023

Morgan Stanley

NSFR DISCLOSURES REPORT

For the two quarterly periods ended September 30, 2023 and December 31, 2023

Table of Contents		Page
1	Morgan Stanley	1
2	U.S. Net Stable Funding Ratio	1
3	NSFR Disclosure Requirements	1
4	NSFR Qualitative Disclosures	1
5	NSFR Quantitative Disclosures	2
6	Forward-Looking Statements	5

1. Morgan Stanley

Morgan Stanley is a global financial services firm that, through its subsidiaries and affiliates, provides a wide variety of products and services to a large and diversified group of clients and customers, including corporations, governments, financial institutions, and individuals. Unless the context otherwise requires, the terms “Morgan Stanley,” the “Firm,” “us,” “we,” and “our” mean Morgan Stanley (the “Parent Company”) together with its consolidated subsidiaries.

Morgan Stanley was originally incorporated under the laws of the State of Delaware in 1981, and its predecessor companies date back to 1924. The Firm is a financial holding company under the Bank Holding Company Act of 1956, as amended, and is subject to the regulation and oversight of the Board of Governors of the Federal Reserve System (the “Federal Reserve”).

The Firm conducts its business from its headquarters in and around New York City, its regional offices and branches throughout the United States of America (“U.S.”), and its principal offices in London, Tokyo, Hong Kong, and other world financial centers. The Federal Reserve establishes liquidity requirements for the Firm and evaluates the Firm’s compliance with such liquidity requirements. The Office of the Comptroller of the Currency (the “OCC”) establishes similar liquidity requirements and standards for the Firm’s U.S. bank subsidiaries, Morgan Stanley Bank N.A. (“MSBNA”) and Morgan Stanley Private Bank, National Association (“MSPBNA”) (collectively, “U.S. Bank Subsidiaries”).

Additional information related to the Firm’s business is included under “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in Part II, Item 7 of the Firm’s Annual Report on Form 10-K for the year ended December 31, 2023 (“2023 Form 10-K”).

2. U.S. Net Stable Funding Ratio

The U.S. Net Stable Funding Ratio rule (“NSFR rule”) requires certain U.S. banking organizations (“Covered Companies”), including the Firm and its U.S. Bank Subsidiaries, to maintain an amount of available stable funding (“ASF”), which is their regulatory capital and liabilities subject to standardized weightings, equal to or greater than their required stable funding (“RSF”), which is their projected minimum funding needs, over a one-year time horizon. The Firm, MSBNA and MSPBNA are required to maintain a minimum net stable funding ratio (“NSFR”) of 100%.

A Covered Company’s ASF amount, the numerator of the NSFR, measures the stability of a Covered Company’s regulatory capital elements and liabilities. Regulatory capital elements and liabilities are each assigned an ASF factor in the NSFR rule, which represents the extent to which the capital

element or liability is considered available for use by the Covered Company over a one-year time horizon. The ASF factors are scaled from zero (least stable) to 100 percent (most stable).

A Covered Company’s RSF amount, the denominator of the NSFR, is based on the liquidity characteristics of its assets, commitments, and derivative exposures. The RSF factors are scaled from zero (most liquid and least likely to need ongoing funding during the one-year time horizon) to 100 percent (least liquid and most likely to need ongoing funding during the one-year time horizon).

The NSFR rule recognizes that, under certain circumstances, it may be necessary for a Covered Company’s NSFR to fall temporarily below 100 percent. The NSFR rule establishes a framework for a flexible supervisory response when a Covered Company’s NSFR falls below 100 percent. Under the NSFR rule, a Covered Company must notify the appropriate U.S. banking regulator (which is the Federal Reserve, in the case of the Firm) no later than 10 business days, following the date the shortfall occurred. In addition, if a Covered Company’s NSFR is below 100 percent, the Covered Company must submit to its appropriate U.S. banking regulator a plan for remediation of the shortfall.

3. NSFR Disclosure Requirements

The NSFR rule requires the Firm to make quantitative and qualitative disclosures related to its NSFR calculations and liquidity management practices on a semiannual basis (“NSFR Disclosures”). This report contains the Firm’s NSFR Disclosures for December 31, 2023 (the “current quarter”, or “4Q 2023”) and September 30, 2023 (the “prior quarter”, or “3Q 2023”).

The Firm’s NSFR Disclosures are unaudited and may not be consistent with accounting principles generally accepted in the U.S. (“U.S. GAAP”).

4. NSFR Qualitative Disclosures

The main drivers of the net stable funding ratio

The Firm’s NSFR quantitative disclosures, shown in Section 5, reflect the average daily value of each disclosure category across the quarter. When discussing the main drivers of the Firm’s NSFR, we refer to these average daily values.

Our ASF for this and the prior quarter were principally driven by regulatory capital, unsecured borrowings, and retail deposits. Other ASF amount drivers are noted in Section 5.

Our RSF for the current and the prior quarters were principally driven by client loans, securities, and derivative assets, which primarily arose in connection with our Institutional Securities and Wealth Management business segments. Other RSF amount drivers are noted in Section 5.

These ASF and RSF amounts reflect prescribed, industry-wide mapping in the NSFR rule required to maintain sufficient stable funding in the Firm's business lines, activities and products, as measured over a one-year time horizon.

Changes in the net stable funding ratio over time and causes of such changes

The Firm's NSFR will fluctuate over time in response to changes in our funding profile, market conditions, client and counterparty behavior, monetary policy, legal or regulatory developments, or other factors in the markets in which we operate.

The Firm's increase in NSFR in 4Q 2023 is primarily due to increased ASF (unsecured borrowings) and reduced RSF (loans and securities). The Firm's average NSFR in 3Q 2023 is consistent with the 2Q 2023. As of September 30, 2023, and December 31, 2023, the Firm and its U.S. Bank Subsidiaries were compliant with the minimum required NSFR of 100%.

Concentration of funding sources and changes in funding structure

The Firm has adopted a comprehensive risk management program to ensure the durability of our funding, including concentration limits on certain funding sources. For the current and prior quarter, our core sources of funding were borrowings, deposits, secured funding, and shareholders' equity. Our borrowings are diversified across tenors, currencies and distribution channels, and our deposits are diversified across millions of Wealth Management business

segment household relationships. We execute our secured funding program in accordance with risk management principles that include risk limits on maturity and investor concentration.

Concentrations of available and required stable funding within the Firm's corporate structure

Our ASF is principally driven by regulatory capital and securities, and retail deposits. Our borrowings are diversified across tenors, currencies and distribution channels and primarily issued by the parent company. The retail deposits, which are primarily sourced from our Wealth Management Clients and are primarily held by our U.S. Bank Subsidiaries"). For a discussion of our Funding Management, see "MD&A—Liquidity and Capital Resources—Liquidity Risk Management Framework—Liquidity Resources" in Part II, Item 7 of the 2023 Form 10-K.

Our RSF is principally driven by Client Loans and Securities which are diversified across both our Institutional Securities and Wealth Management business segments and diversified across the U.S. Bank Subsidiaries and non-bank entities both within the U.S. and international subsidiaries.

5. NSFR Quantitative Disclosures

In the following tables, the figures reported in the "Average Weighted Amount" column reflect the prescribed, industry-wide assumptions defined by the NSFR rule to determine the Firm's eligible ASF and RSF. The figures reported in the "Average Unweighted Amount" columns reflect gross values that are not included in the calculation used to determine the Firm's compliance with NSFR rule requirements.

NSFR Quantitative Disclosures
Quarter ended 09/30/2023

ASF Item	Average Unweighted Amount					Average Weighted Amount
	Open Maturity	< 6 months	6 months to < 1 year	≥ 1 year	Perpetual	
<i>\$ in millions</i>						
ASF Item						
1 Capital and securities:	-	17,844	14,872	215,915	100,762	324,113
2 NSFR regulatory capital elements	-	-	-	13,250	100,762	114,012
3 Other capital elements and securities	-	17,844	14,872	202,665	-	210,101
4 Retail funding:	254,857	16,999	16,803	29,834	-	245,986
5 Stable deposits	8,191	-	-	-	-	7,782
6 Less stable deposits	87,263	-	-	-	-	78,537
7 Sweep deposits, brokered reciprocal deposits, and brokered deposits	142,964	16,999	16,801	28,125	-	150,593
8 Other retail funding	16,438	-	2	1,709	-	9,075
9 Wholesale funding:	162,020	56,791	18,249	20,816	-	58,440
10 Operational deposits	-	-	-	-	-	-
11 Other wholesale funding	162,020	56,791	18,249	20,816	-	58,440
Other liabilities:						
12 NSFR derivatives liability amount	-	-	-	-	-	-
13 Total derivatives liability amount	-	-	-	-	36,057	-
14 All other liabilities not included in the above categories	91,267	59,275	465	13,666	-	-
15 Total ASF¹						553,413
RSF Item						
16 Total high-quality liquid assets (HQLA)	70,544	31,766	14,431	231,886	12,083	22,368
17 Level 1 liquid assets	67,086	30,712	14,310	142,182	-	-
18 Level 2A liquid assets	90	807	82	87,140	-	13,218
19 Level 2B liquid assets	3,368	247	39	2,564	12,083	9,151
20 Zero percent RSF assets that are not level 1 liquid assets or loans to financial sector entities or their consolidated subsidiaries	1,764	2,188	36	4,630	-	-
21 Operational deposits placed at financial sector entities or their consolidated subsidiaries	2,204	-	-	-	-	1,102
22 Loans and securities:	219,742	142,593	25,357	177,085	75,229	306,089
23 Loans to financial sector entities secured by level 1 liquid assets	6,909	81,877	480	282	-	532
24 Loans to financial sector entities secured by assets other than level 1 liquid assets and unsecured loans to financial sector entities	108,243	36,820	11,488	21,278	-	48,781
25 Loans to wholesale customers or counterparties that are not financial sector entities and loans to retail customers or counterparties	101,385	23,486	13,386	64,134	-	123,642
26 Of which: With a risk weight no greater than 20 percent under Regulation Q (12 CFR part 217)	11,863	3,209	1,671	-	-	8,372
27 Retail mortgages	-	-	-	57,851	-	37,604
28 Of which: With a risk weight of no greater than 50 percent under Regulation Q (12 CFR part 217)	-	-	-	57,851	-	37,604
29 Securities that do not qualify as HQLA	3,206	410	2	33,540	75,229	95,530
Other assets:						
30 Commodities	-	-	-	-	2,493	2,119
31 Assets provided as initial margin for derivative transactions and contributions to CCPs' mutualized loss-sharing arrangements	-	-	-	-	41,730	35,425
32 NSFR derivatives asset amount	-	-	-	-	4,145	4,145
33 Total derivatives asset amount	-	-	-	-	40,202	-
34 RSF for potential derivatives portfolio valuation changes	-	-	-	-	92,204	4,610
35 All other assets not included in the above categories, including nonperforming assets	5,008	4,321	3,633	38,046	38,080	83,761
36 Undrawn commitments	-	-	-	-	173,428	8,671
37 Total RSF prior to application of required stable funding adjustment percentage						468,290
38 Required stable funding adjustment percentage						100%
39 Total adjusted RSF						468,290
40 Net Stable Funding Ratio (%)²						118%

¹ Total ASF excludes ASF held at subsidiaries after accounting for NSFR restrictions related to the transferability of ASF across subsidiaries.

² NSFR is calculated as a simple average of all daily NSFRs during the quarter.

NSFR Quantitative Disclosures
Quarter ended 12/31/2023

ASF Item	Average Unweighted Amount					Average Weighted Amount
	Open Maturity	< 6 months	6 months to < 1 year	≥ 1 year	Perpetual	
<i>\$ in millions</i>						
ASF Item						
1 Capital and securities:	-	21,554	11,094	221,127	99,757	326,431
2 NSFR regulatory capital elements	-	-	-	13,250	99,757	113,007
3 Other capital elements and securities	-	21,554	11,094	207,877	-	213,424
4 Retail funding:	250,088	16,987	16,728	31,156	-	253,866
5 Stable deposits	12,511	-	-	-	-	11,885
6 Less stable deposits	98,412	-	-	-	-	88,570
7 Sweep deposits, brokered reciprocal deposits, and brokered deposits	128,402	16,987	15,654	29,439	-	146,633
8 Other retail funding	10,763	-	1,073	1,717	-	6,777
9 Wholesale funding:	163,867	57,007	15,440	22,175	-	60,198
10 Operational deposits	-	-	-	-	-	-
11 Other wholesale funding	163,867	57,007	15,440	22,175	-	60,198
Other liabilities:						
12 NSFR derivatives liability amount	-	-	-	-	9	
13 Total derivatives liability amount	-	-	-	-	34,762	
14 All other liabilities not included in the above categories	94,564	59,332	516	15,037	-	-
15 Total ASF¹						555,884
RSF Item						
16 Total high-quality liquid assets (HQLA)	67,242	32,402	13,810	236,017	11,805	21,975
17 Level 1 liquid assets	64,814	31,180	13,659	145,893	-	-
18 Level 2A liquid assets	26	914	93	87,227	-	13,239
19 Level 2B liquid assets	2,403	308	58	2,898	11,805	8,736
20 Zero percent RSF assets that are not level 1 liquid assets or loans to financial sector entities or their consolidated subsidiaries	1,733	2,229	42	5,309	-	-
21 Operational deposits placed at financial sector entities or their consolidated subsidiaries	6,334	-	-	-	-	3,167
22 Loans and securities:	215,614	162,386	20,431	179,111	71,491	304,055
23 Loans to financial sector entities secured by level 1 liquid assets	11,505	90,982	410	338	-	553
24 Loans to financial sector entities secured by assets other than level 1 liquid assets and unsecured loans to financial sector entities	100,433	43,993	11,760	27,188	-	54,732
25 Loans to wholesale customers or counterparties that are not financial sector entities and loans to retail customers or counterparties	100,251	26,905	8,259	57,575	-	116,646
26 Of which: With a risk weight no greater than 20 percent under Regulation Q (12 CFR part 217)	12,378	2,650	1,178	-	-	8,103
27 Retail mortgages	-	-	-	59,475	-	38,659
28 Of which: With a risk weight of no greater than 50 percent under Regulation Q (12 CFR part 217)	-	-	-	59,475	-	38,659
29 Securities that do not qualify as HQLA	3,424	507	2	34,534	71,491	93,464
Other assets:						
30 Commodities	-	-	-	-	2,453	2,085
31 Assets provided as initial margin for derivative transactions and contributions to CCPs' mutualized loss-sharing arrangements	-	-	-	-	42,531	36,122
32 NSFR derivatives asset amount	-	-	-	-	2,325	2,325
33 Total derivatives asset amount	-	-	-	-	37,078	
34 RSF for potential derivatives portfolio valuation changes	-	-	-	-	89,149	4,457
35 All other assets not included in the above categories, including nonperforming assets	4,101	4,125	1,946	36,773	39,212	82,170
36 Undrawn commitments	-	-	-	-	177,412	8,871
37 Total RSF prior to application of required stable funding adjustment percentage						465,226
38 Required stable funding adjustment percentage						100%
39 Total adjusted RSF						465,226
40 Net Stable Funding Ratio (%)						120%

¹ Total ASF excludes ASF held at subsidiaries after accounting for NSFR restrictions related to the transferability of ASF across subsidiaries.

² NSFR is calculated as a simple average of all daily NSFRs during the quarter.

6. Forward-Looking Statements

We have included in this report, and our management may make, certain statements that may constitute “forward-looking statements” within the meaning of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. These forward-looking statements are not historical facts and represent only our beliefs regarding future events, many of which, by their nature, are inherently uncertain and beyond our control.

The risks and uncertainties involved in our businesses could affect the matters referred to in such statements, and it is possible that the stability of our funding sources and minimum funding requirements across a range of scenarios may differ, possibly materially, from the reported ASF and RSF and other anticipated results indicated in these forward-looking statements. Important factors that could cause actual results to differ from those in the forward-looking statements include, without limitation: (i) the effect of market conditions; (ii) changes and fluctuations to the main drivers of our NSFR; (iii) changes to our funding profile, including to our core sources of funding: borrowings, deposits, secured funding and shareholders’ equity; (iv) the level and volatility of equity, fixed income and commodity prices, interest rates, inflation and currency values, other market indices or other market factors, such as market liquidity; (v) our ability to effectively manage our capital and liquidity, including under stress tests designed by our banking regulators; (vi) the future state of our liquidity ratios; (vii) the impact of current, pending and future legislation or changes thereto, regulation (including capital, leverage, funding, liquidity, consumer protection, and recovery and resolution requirements) and our ability to address such requirements; (viii) uncertainty concerning fiscal or monetary policies established by central banks and financial regulators, government shutdowns, debt ceilings or funding; and (ix) other risks and uncertainties detailed under “Risk Factors” in our annual report on Form 10-K for the year ended December 31, 2023.

We undertake no obligation to update publicly or revise any forward-looking statements to reflect the impact of circumstances or events that arise after the dates they are made. You should, however, consult further disclosures we may make in future filings of our annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K and any amendments thereto or in future press releases or other public statements.