

Morgan Stanley International Limited Group

Pillar 3 Regulatory Disclosure Report

As at 31 December 2024

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1. Overview and Key Metrics

The principal activity of Morgan Stanley International Limited (“MSI”) together with its subsidiaries (the “MSI Group”) is the provision of financial services to corporations, governments and financial institutions. There have not been any significant changes in the MSI Group’s principal activities during 2024 and no significant change is expected.

As at 31 December 2024, Morgan Stanley & Co. International plc (“MSIP”) and Morgan Stanley Europe SE (“MSESE”) are considered large subsidiaries within the MSI Group. MSIP is authorised by the Prudential Regulation Authority (“PRA”) and regulated by the PRA and Financial Conduct Authority (“FCA”). MSESE and the Morgan Stanley Europe Holding SE Group (“MSEHSE Group”), of which MSESE is a subsidiary, are under the direct supervision of the European Central Bank (“ECB”) under the Single Supervisory Mechanism.

The Pillar 3 disclosures as at 31 December 2024 are prepared on the basis of the consolidated situation of the MSI Group. In addition, certain disclosures are required for MSIP and MSESE as large non-listed subsidiaries of MSI Group. MSESE is able to meet its capital requirements by incorporating its subsidiary Morgan Stanley Bank AG (“MSESE Consol”). As a result, MSESE Consol is considered the large subsidiary for disclosure purposes. The detailed large subsidiary disclosure requirements are included in the MSEHSE Group disclosure that is published separately and can be found at <https://www.morganstanley.com/about-us-ir/pillar-eu>.

Directors Responsibility Statement

I confirm that I have taken all reasonable measures to ensure that the information included in this disclosure complies to the best of my knowledge with section 4 of the PRA rulebook on Disclosure (CRR) and has been prepared in accordance with established formal policies and internal processes, systems and control.

Anthony Mullineaux

Chief Financial Officer

Morgan Stanley International Limited

Key Metrics

Table 1a: Key metrics (UK KM1) – MSI Group and MSIP

\$MM	a	b	c	d	e
MSI Group ¹	Q4'24	Q3'24	Q2'24	Q1'24	Q4'23
Available own funds					
1 Common Equity Tier 1 ("CET1") capital	24,786		25,598		24,898
2 Tier 1 ("T1") capital	29,086		29,898		29,198
3 Total capital	35,784		36,595		35,892
Risk-weighted exposure amounts²					
4 Total risk-weighted exposure amount	161,621		164,418		155,523
Capital ratios (as a percentage of risk-weighted exposure amount)					
5 Common Equity Tier 1 ratio (%)	15.34%		15.57%		16.01%
6 Tier 1 ratio (%)	18.00%		18.18%		18.77%
7 Total capital ratio (%)	22.14%		22.26%		23.08%
Additional own funds requirements based on Supervisory Review and Evaluation Process ("SREP") (as a percentage of risk-weighted exposure amount)					
UK 7a Additional CET1 SREP requirements (%)	1.68%		1.68%		1.68%
UK 7b Additional AT1 SREP requirements (%)	0.56%		0.56%		0.56%
UK 7c Additional Tier 2 ("T2") SREP requirements (%)	0.75%		0.75%		0.75%
UK 7d Total SREP own funds requirements (%)	10.99%		10.99%		10.99%
Combined buffer requirement (as a percentage of risk-weighted exposure amount)					
8 Capital conservation buffer (%)	2.50%		2.50%		2.50%
UK 8a Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State (%)	-		-		-
9 Institution specific countercyclical capital buffer (%)	0.61%		0.68%		0.62%
UK 9a Systemic risk buffer (%)	-		-		-
10 Global Systemically Important Institution buffer (%)	-		-		-
UK 10a Other Systemically Important Institution buffer	-		-		-
11 Combined buffer requirement (%)	3.11%		3.18%		3.12%
UK 11a Overall capital requirements (%)	14.10%		14.17%		14.11%
12 CET1 available after meeting the total SREP own funds requirements (%)	9.15%		9.39%		9.83%
Leverage ratio					
13 Total exposure measure excluding claims on central banks	463,696	515,674	498,582	499,409	477,649
14 Leverage ratio excluding claims on central banks (%)	6.27%	5.60%	6.00%	5.85%	6.11%
Additional leverage ratio disclosure requirements					
14a Fully loaded ECL accounting model leverage ratio excluding claims on central banks (%)	6.27%	5.60%	6.00%	5.85%	6.11%
14b Leverage ratio including claims on central banks (%)	6.09%	5.44%	5.82%	5.68%	5.94%
Average total exposure measure including claims on central banks	512,734	523,002	521,951	499,378	486,950
Average total exposure measure excluding claims on central banks	498,845	506,159	505,427	483,645	471,457
14c Average leverage ratio excluding claims on central banks (%)	5.91%	5.86%	5.92%	6.04%	6.15%
14d Average leverage ratio including claims on central banks (%)	5.75%	5.67%	5.73%	5.85%	5.96%
14e Countercyclical leverage ratio buffer (%)	0.21%	0.22%	0.24%	0.23%	0.22%
Liquidity Coverage Ratio					
15 Total high-quality liquid assets ("HQLA") (Weighted value - average)	52,289		51,391		54,419
UK 16a Cash outflows - Total weighted value	83,151		82,382		84,795
UK 16b Cash inflows - Total weighted value	56,308		55,011		55,462
16 Total net cash outflows (adjusted value)	26,842		27,371		29,333
17 Liquidity coverage ratio (%)	197.57%		188.36%		186.11%
Net Stable Funding Ratio					
18 Total available stable funding	124,294		120,831		117,468
19 Total required stable funding	110,349		106,768		102,047
20 NSFR ratio (%)	112.67%		113.17%		115.12%

1. The MSI Group is required to maintain a minimum ratio of own funds to Risk Weighted Exposure Amounts ("RWAs"). As at 31 December 2024, the MSI Group is in compliance with the PRA capital requirements.

2. Q2'24 RWAs have been updated to reflect an increase in Market Risk RWAs of \$2.8Bn.

Over the second half of 2024, MSI Group's capital ratio has decreased due to a decrease in total capital driven primarily by dividend payment partially offset by a decrease in RWA driven by reduction in market risk.

Over the second half of 2024, the leverage ratio excluding claims on central banks increased by 0.27% primarily driven by lower leverage exposure partially offset by a decrease in T1 capital. The average leverage ratio excluding claims on central banks decreased by 0.01% primarily driven by decrease in average T1 capital partially offset by lower average leverage exposures.

The Liquidity Coverage Ratio ("LCR") of the MSI Group increased by 9.21% following an increase in HQLA of \$898MM and decreased net cash outflows by \$529MM.

Net Stable Funding Ratio ("NSFR") of the MSI Group decreased by 0.50%, mainly due to an increase in Required Stable Funding ("RSF") of \$3,581MM, partially offset by an increase in Available Stable Funding ("ASF") of \$3,463MM.

\$MM MSIP ¹	a Q4'24	b Q3'24	c Q2'24	d Q1'24	e Q4'23
Available own funds					
1 Common Equity Tier 1 ("CET1") capital	17,226				17,498
2 Tier 1 ("T1") capital	21,526				21,798
3 Total capital	26,625				26,894
Risk-weighted exposure amounts					
4 Total risk-weighted exposure amount	122,626				117,820
Capital ratios (as a percentage of risk-weighted exposure amount)					
5 Common Equity Tier 1 ratio (%)	14.05%				14.85%
6 Tier 1 ratio (%)	17.55%				18.50%
7 Total capital ratio (%)	21.71%				22.83%
Additional own funds requirements based on Supervisory Review and Evaluation Process ("SREP") (as a percentage of risk-weighted exposure amount)					
UK 7a Additional CET1 SREP requirements (%)	1.65%				1.65%
UK 7b Additional AT1 SREP requirements (%)	0.55%				0.55%
UK 7c Additional Tier 2 ("T2") SREP requirements (%)	0.73%				0.73%
UK 7d Total SREP own funds requirements (%)	10.93%				10.93%
Combined buffer requirement (as a percentage of risk-weighted exposure amount)					
8 Capital conservation buffer (%)	2.50%				2.50%
UK 8a Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State (%)	-				-
9 Institution specific countercyclical capital buffer (%)	0.55%				0.62%
UK 9a Systemic risk buffer (%)	-				-
10 Global Systemically Important Institution buffer (%)	-				-
UK 10a Other Systemically Important Institution buffer	-				-
11 Combined buffer requirement (%)	3.05%				3.12%
UK 11a Overall capital requirements (%)	13.98%				14.05%
12 CET1 available after meeting the total SREP own funds requirements (%)	7.90%				8.70%
Leverage ratio					
13 Total exposure measure excluding claims on central banks	409,557	459,310	438,317	439,801	422,844
14 Leverage ratio excluding claims on central banks (%)	5.26%	4.58%	5.07%	4.96%	5.16%
Additional leverage ratio disclosure requirements					
14a Fully loaded ECL accounting model leverage ratio excluding claims on central banks (%)	5.26%	4.58%	5.07%	4.96%	5.16%
14b Leverage ratio including claims on central banks (%)	5.21%	4.54%	5.03%	4.93%	5.12%
Average total exposure measure including claims on central banks	443,093	451,811	449,421	431,651	423,685
Average total exposure measure excluding claims on central banks	439,941	448,318	446,215	428,069	420,626
14c Average leverage ratio excluding claims on central banks (%)	4.92%	4.86%	4.97%	5.10%	5.18%
14d Average leverage ratio including claims on central banks (%)	4.88%	4.82%	4.94%	5.05%	5.14%
14e Countercyclical leverage ratio buffer (%)	0.19%	0.20%	0.22%	0.22%	0.22%
Liquidity Coverage Ratio					
15 Total high-quality liquid assets ("HQLA") (Weighted value - average)	39,981				41,207
UK 16a Cash outflows - Total weighted value	75,620				74,988
UK 16b Cash inflows - Total weighted value	55,291				53,665
16 Total net cash outflows (adjusted value)	20,910				21,491
17 Liquidity coverage ratio (%)	193.53%				192.82%
Net Stable Funding Ratio					
18 Total available stable funding	106,539				100,521
19 Total required stable funding	100,420				91,809
20 NSFR ratio (%)	106.13%				109.49%

1. MSIP is required to maintain a minimum ratio of own funds to RWAs. As at 31 December 2024, MSIP is in compliance with the PRA capital requirements.

Over the year, MSIP's capital ratio decreased primarily due to an increase in RWAs driven by an increase in market risk and a decrease in total capital primarily due to dividends paid.

Over the second half of 2024, the leverage ratio excluding claims on central banks increased by 0.19% primarily driven by lower leverage exposure partially offset by decrease in T1 capital. The average leverage ratio excluding claims on central banks decreased by 0.05% primarily driven by decrease in average T1 capital partially offset by lower average leverage exposures.

LCR of MSIP increased by 0.71% following decreased net cash outflows by \$581MM, partially offset by a decrease in HQLA of \$1,226MM.

NSFR of MSIP decreased by 3.36%, mainly due to an increase in RSF of \$8,611MM, partially offset by an increase in ASF of \$6,018MM.

Table 1b: Key metrics (EU KM1) - MSESE Consol

\$MM¹		a	b
MSESE Consol		Q4'24	Q4'23
Available own funds (amounts)			
1	Common Equity Tier 1 (CET1) capital	6,406	6,636
2	Tier 1 capital	7,440	7,743
3	Total capital	8,484	8,849
Risk-weighted exposure amounts			
4	Total risk exposure amount	29,535	29,946
Capital ratios (as a percentage of risk-weighted exposure amount)			
5	Common Equity Tier 1 ratio (%)	21.69%	22.16%
6	Tier 1 ratio (%)	25.19%	25.86%
7	Total capital ratio (%)	28.72%	29.55%
Additional own funds requirements to address risks other than the risk of excessive leverage (as a percentage of risk-weighted exposure amount)			
EU 7a	Additional own funds requirements to address risks other than the risk of excessive leverage (%)	2.75%	2.75%
EU 7b	of which: to be made up of CET1 capital (percentage points)	1.55%	1.55%
EU 7c	of which: to be made up of Tier 1 capital (percentage points)	2.06%	2.06%
EU 7d	Total SREP own funds requirements (%)	10.75%	10.75%
Combined buffer and overall capital requirement (as a percentage of risk-weighted exposure amount)			
8	Capital conservation buffer (%)	2.50%	2.50%
EU 8a	Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State (%)	-	-
9	Institution specific countercyclical capital buffer (%)	0.83%	0.71%
EU 9a	Systemic risk buffer (%)	-	-
10	Global Systemically Important Institution buffer (%)	-	-
EU 10a	Other Systemically Important Institution buffer (%)	-	-
11	Combined buffer requirement (%)	3.33%	3.21%
EU 11a	Overall capital requirements (%)	14.08%	13.96%
12	CET1 available after meeting the total SREP own funds requirements (%)	15.64%	15.30%
Leverage ratio			
13	Total exposure measure	89,262	97,871
14	Leverage ratio (%)	8.34%	7.91%
Additional own funds requirements to address the risk of excessive leverage (as a percentage of total exposure measure)			
EU 14a	Additional own funds requirements to address the risk of excessive leverage (%)	-	-
EU 14b	of which: to be made up of CET1 capital (percentage points)	-	-
EU 14c	Total SREP leverage ratio requirements (%)	3.00%	3.00%
Leverage ratio buffer and overall leverage ratio requirement (as a percentage of total exposure measure)			
EU 14d	Leverage ratio buffer requirement (%)	-	-
EU 14e	Overall leverage ratio requirement (%)	3.00%	3.00%
Liquidity Coverage Ratio			
15	Total high-quality liquid assets (HQLA) (Weighted value -average)	15,666	15,780
EU 16a	Cash outflows - Total weighted value	22,715	25,686
EU 16b	Cash inflows - Total weighted value	12,917	14,327
16	Total net cash outflows (adjusted value)	9,798	11,359
17	Liquidity coverage ratio (%)	161.18%	140.00%
Net Stable Funding Ratio			
18	Total available stable funding	12,795	12,679
19	Total required stable funding	5,785	5,842
20	NSFR ratio (%)	221.15%	217.04%

1. All values are based on local regulatory rules and converted from Euro ("EUR") into U.S. Dollars ("USD") using the month end Foreign Exchange ("FX") spot rate of 1.034838.

Over the year, the MSESE Consol's capital ratio has decreased primarily due to an increase in EUR denominated RWAs, with movements in the USD/EUR FX conversion rate leading to a small decrease in RWAs and a more significant decrease in own funds when reported in USD.

The leverage ratio of the MSESE Consol increased by 0.43% over the period of 2024. The increase is mainly due to a decrease in the leverage exposure.

The LCR of MSESE Consol increased by 21.18% following decreased net cash outflows by \$1,561MM, partially offset by a decrease in HQLA of \$114MM.

NSFR of MSESE Consol increased by 4.11%, due to a decrease in RSF of \$57MM, in addition to an increase in ASF of \$116MM.

Morgan Stanley Group

The MSI Group's ultimate parent undertaking and controlling entity is Morgan Stanley, a Delaware corporation which, together with its consolidated subsidiaries, form the Morgan Stanley Group. Morgan Stanley is a "Financial Holding Company" as defined by the Bank Holding Company Act of 1956, as amended, and is subject to regulation and oversight of the Board of Governors of the Federal Reserve System ("FED") in the United States of America ("USA").

The MSI Group is a wholly owned sub-group of the Morgan Stanley Group. Whilst the MSI Group is a material sub-group, the information disclosed in this document is not necessarily indicative of the Morgan Stanley Group as a whole, nor is it comprehensively representative of the Morgan Stanley Group's activity in any particular region. Investors, stakeholders, creditors or other users seeking information on capital adequacy, liquidity, risk exposure and risk management policies should consult the public disclosures of Morgan Stanley Group.

Details of the latest Morgan Stanley Group Pillar 3 disclosure can be accessed at <http://www.morganstanley.com/about-us-ir/pillar-us>. Details of the latest Morgan Stanley Group LCR and NSFR disclosures can be accessed at <https://www.morganstanley.com/about-us-ir/lcr-disclosures-us> and <https://www.morganstanley.com/about-us-ir/nsfr-disclosures-us>.

Morgan Stanley is listed on the New York Stock Exchange and is required, by the US Securities and Exchange Commission ("SEC"), to file public disclosures, including Annual 10-K Report and Quarterly 10-Q Report. These can be accessed at <https://www.morganstanley.com/about-us-ir/sec-filings>.

Additional Regulatory Supervision

MSIP, a London-based broker dealer subsidiary, is subject to the capital requirements of the PRA.

MSIP is also conditionally registered with the SEC as a Security-Based Swap Dealer ("SBSD") and registered with the Commodity Futures Trading Commission ("CFTC") as a Swap Dealer ("SD"). It currently complies with home-country capital requirements in lieu of SEC and CFTC capital requirements pursuant to applicable substituted compliance rules.

Other Developments

In 2024, all French entities of the MSEHSE Group were merged into MSESE, their business operations were assumed by the MSESE Paris branch.

Business Environment

The economic environment, client and investor confidence and overall market sentiment improved in 2024. While interest rates declined in the latter half of 2024, elevated inflation, geopolitical risks, uncertainties surrounding government and policy developments in the markets the MSI Group operates in, and the timing and pace of further interest rate actions present ongoing risks to the economic environment.

These factors have impacted, and could continue to impact capital markets and the performance of the MSI Group.

2. Regulatory Frameworks

2.1 Regulatory Overview

The Basel Committee on Banking Supervision ("BCBS") sets the Standards for international banking prudential regulation in a series of accords ("Basel Accords"). It is a forum for regular cooperation on the supervision of the banking system and is made up of national banks and supervisory authorities from 28 countries. The Basel Accords are not directly applicable legislation, and they apply only to internationally active banks. The Basel Accords have been updated a number of times, most recently through a series of reforms known collectively as Basel III.

The Basel Accords are implemented in the United Kingdom ("UK") via the PRA Rulebook including retained European Union ("EU") Law under the European Union (Withdrawal) Act 2018.

The Basel Accords are implemented in the EU via the Capital Requirements Regulation ("CRR") and the Capital Requirements Directive ("CRD") as well as standards issued by the European Banking Authority ("EBA") and the ECB. These regulations and technical standards continue to be relevant for EU subsidiaries of the MSI Group.

The framework consists of three "Pillars":

- Pillar 1 – Minimum capital and liquidity requirements: defines rules for the calculation of own funds requirements for credit, market, operational and liquidity risk;
- Pillar 2 – Supervisory Review and Evaluation Process: including a requirement for firms to undertake an Internal Capital Adequacy Assessment Process ("ICAAP") and Internal Liquidity Adequacy Assessment Process ("ILAAP").
- Pillar 3 – Market discipline: requires expanded disclosures to allow investors and other market participants to understand capital and liquidity adequacy, particular risk exposures and risk management processes of individual firms.

Pillar 3 Disclosures

MSI Group Pillar 3 disclosures are prepared in accordance with the requirements of section 4 of the PRA Rulebook on Disclosure (CRR) applicable to CRR firms.

Investment Firm Regulation/Directive

In the UK, the FCA introduced the Investment Firms Prudential Regime ("IFPR") with effect from 1 January 2022, with requirements set out in the Prudential Sourcebook for MiFID Investment Firms ("MIFIDPRU"). The IFPR introduced a tailored capital adequacy and liquidity framework for UK investment firms, based on their size and type of business activity, and made changes to governance and remuneration requirements.

Morgan Stanley Investment Management Limited ("MSIM"), a non-material subsidiary of the MSI Group, is classified as a Markets in Financial Instruments Directive ("MiFID") Investment firm and is subject to MIFIDPRU. MSIM is required to also produce a stand-alone Pillar 3 disclosure. The disclosure is published separately and can be found at <https://www.morganstanley.com/about-us-ir/pillar-uk>.

In the EU, the Investment Firm Regulation ("IFR") and Investment Firm Directive ("IFD") were implemented with effect from 26 June 2021. Large systemic investment firms remain subject to existing requirements based on the CRR and CRD, whilst the new regime applies to other investment firms. This regime is largely consistent with that of the UK's IFPR. No EU subsidiaries are currently subject to the IFR.

2.2. Regulatory Developments

Finalising Basel III reforms

There are a number of remaining standards of the Basel III reform package (referred to as “Finalisation of Basel III”) that were not implemented as at 31 December 2024. These revisions cover requirements for RWAs across Credit, Market, Credit Valuation Adjustment (“CVA”) and Operational Risk.

In the UK, the PRA have issued their near final rules, referred to as Basel 3.1, to implement these final standards. These rules are effective from 1 January 2027 with no further material changes expected. The proposed rules are largely consistent with the Basel III reform package with some adjustments to address UK specificities.

In the EU, the proposed rules, referred to as CRR III and CRD VI, to implement the final elements of the Basel III reform package with some EU specific adjustments, are finalised and approved via the European legislative process by the European Parliament and the Council of the EU and are effective from 1 January 2025. This excludes the Fundamental Review of the Trading Book (“FRTB”) own funds requirements that have been postponed to 1 January 2026. The European Commission is also considering whether to recommend a further 1-year delay for the FRTB requirements. These finalised rules include an increased focus on Environmental, Social and Governance (“ESG”) risks.

CRD VI Article 21c

New rules amending the CRD VI entered into force on 9 July 2024. CRD VI includes provisions which will restrict certain non-EU entities from providing core banking services, including lending, to EU investors. Whilst each EU Member State is required to transpose the Directive's minimum requirements into their national laws by 10 January 2026, these specific provisions will take effect from 11 January 2027. The MSEHSE Group is analysing and monitoring the impact of these changes.

The above developments have been considered in the capital planning and ICAAP of MSI Group.

3. Risk Management

3.1 Overview

The quantitative disclosures in this document are calculated with reference to regulatory methodologies set out in the PRA Rulebook including the onshored EU CRR ("PRA Rulebook") and are not necessarily the primary exposure measures used for risk management.

The business strategy defines the MSI Group's business model, which in turn drives the risk strategy and the consequent risk profile of the MSI Group. The business strategy and risk strategy are considered and aligned as part of the annual strategic review, or more frequently if necessary.

3.2 Risk Management Framework

Risk taking is an inherent part of the MSI Group's business activities and effective risk management is vital to the success of the MSI Group. The MSI Group has established a Risk Management Framework which encompasses the risk management culture, risk governance, approach and practices that support risk identification, measurement, monitoring, reporting, challenge and escalation. This chapter covers the core components of the Framework.

Three Lines of Defence Framework

The MSI Group executes risk oversight through a "Three Lines of Defence" framework to create a clear delineation of responsibilities between risk owners and independent risk control functions with a view to addressing potential conflicts of interest. The functions responsible for carrying out the activities across the Three Lines of Defence are summarised below.

- **First Line of Defence:** Business units are responsible for managing their strategy and business activities in accordance with the MSI Group's Risk Appetite and Risk Management Framework. Support functions are independent of the business units and support strategy execution of MSI Group's revenue-generating activities.
- **Second Line of Defence:** Independent Risk Management and other Control Functions identify, measure, monitor, report, challenge and escalate risks. Independent Risk Management and other Control Functions include, for example, functions performed by the Europe, Middle East and Africa ("EMEA") Risk Division, EMEA Second Line Non-Financial Risk ("2LoD NFR") Organisation, EMEA Product Control and EMEA Valuation Control ("VC") that are part of Finance Division.
 - EMEA Risk Division: The EMEA Chief Risk Officer ("Head of Risk Management"/"CRO") leads, manages and oversees the EMEA Risk Division and is a member of the MSI Board. The EMEA Risk Division is responsible for the independent identification, measurement, monitoring, reporting, challenge and escalation of all market, credit, liquidity and model risks (including the financial risks from climate change) arising from MSI Group and EMEA-managed business. The EMEA CRO has overall responsibility for the Enterprise Risk Management Framework applicable to the MSI Group which includes development of risk appetite, oversight of relevant risks reflected in the Risk Appetite Statement ("RAS") and monitoring and reporting of risks in line with agreed appetite to relevant Boards. The EMEA CRO is assisted by governance across first and second line functions to discharge this responsibility.
 - EMEA Second-Line Non-Financial Risk Organisation: Includes Compliance, Global Financial Crimes and Operational Risk Departments and provides independent oversight and challenge of Non-Financial Risk Management across MSI Group by identifying, measuring, monitoring, reporting, challenging and escalating non-financial risks. The EMEA Head of Non-Financial Risk leads, manages and oversees the EMEA 2LoD NFR organisation.
 - Other Independent Control Functions: Finance Control and Assurance Functions determine whether the conceptual framework, governance, measurement and monitoring systems and controls are appropriate for the MSI Group's size, complexity and business activities. The primary EMEA Finance Control and Assurance Functions reporting to EMEA Chief Financial Officer ("CFO") include EMEA Product Control, EMEA VC and EMEA Regulatory Reporting Quality Assurance Group.

- **Third Line of Defence:** The EMEA Internal Audit Department ("IAD") provides independent, objective and timely assurance about the effectiveness of risk management, governance and controls over key risks within the businesses and functions. EMEA IAD's responsibilities are carried out independently with support and oversight from the MSI Audit Committee. The teams within EMEA IAD do not have reporting lines to business management. EMEA IAD executes its activities in accordance with the mandatory elements of The Institute of Internal Auditors' International Professional Practices Framework, including the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the International Standards for the Professional Practice of Internal Auditing, and the Definition of Internal Auditing.

There were no changes to the EMEA Heads of Risk Management and the IAD during 2024; with effect from 18 January 2024, the EMEA Head of Compliance changed.

Risk Policies and Processes

Morgan Stanley Group has several well-established policies and procedures which set out the standards that govern the identification, measurement, monitoring, reporting, challenge and escalation of the various types of risk involved in its business activities.

The MSI Group has implemented specific risk management policies to address local business and regulatory requirements, where appropriate. These policies are approved by the MSI Board and reviewed at least annually.

Risk Culture

MSI Group's Risk Management Culture is rooted in the following key principles: integrity, comprehensiveness, independence, accountability, and transparency.

The MSI Group has a risk culture that encourages open dialogue, effective challenge, escalation and appropriate reporting of risk to EMEA senior management, the MSI Board (or a committee thereof) and the MSI Group's regulators, as well as external risk disclosures. Developing the MSI Group's risk culture is a continuous process and builds upon Morgan Stanley Group's commitment to its values, including "doing the right thing", which make managing risk each employee's responsibility. Senior management promotes the MSI Group's risk culture, which enables individuals across the organisation to make appropriate risk decisions. The RAS of the MSI Group are embedded in the risk culture and linked to the MSI Group's short-term and long-term strategic, capital and financial plans, as well as compensation programmes.

The EMEA Compliance Department maintains an enterprise-wide, independent Compliance Risk Management Programme as detailed in the Global Compliance Policy. The EMEA Compliance Department is responsible for:

- Promoting a strong culture of compliance;
- Defining an operating model and setting standards for Compliance Risk Management;
- Identifying, assessing, addressing and reporting on Compliance Risks;
- Maintaining a risk-based programme for monitoring, testing and challenge of Compliance Risk Management by the first line of defence across the MSI Group;
- Providing advice, guidance (including Compliance policies and, where appropriate, procedures) and training concerning the laws, regulations and policies;
- Managing MSI Group's Compliance Risk reporting framework;
- Reviewing new products and business initiatives to assess Compliance Risks as part of the New Product Approval process; and
- Supporting and facilitating the framework for managing significant communications with regulators and regulatory relationships maintained by the EMEA Regulatory Relations Group.

This is reinforced by the Code of Conduct which sets out the high standards of conduct and ethical behaviour expected from all employees.

The EMEA Compliance Department is also responsible for the design and development of an EMEA Conduct Risk Framework and for the execution of Compliance's related responsibilities as set out in the EMEA and MSI Group Conduct Risk Management Supplement to the Global Conduct Risk Management Policy.

Risk Identification, Risk Appetite and Risk Limits/Tolerances

Risk Identification

The process of Risk Identification is performed on a continuous basis as a part of the day-to-day activities of the EMEA business units and the EMEA Independent Risk Management and other Control Functions including the EMEA Risk Division, and the EMEA 2LoD NFR Organisation. A number of risk management processes, such as regular risk reviews and stress testing, are conducted to identify business model vulnerabilities, review market events and regulations and support the continuous assessment process for risk identification.

As a part of these processes, the MSI Group identifies all potential material risks related to the MSI Group's business activities. The collection of risks identified through this process are assessed for capital and liquidity adequacy as part of the MSI Group's ICAAP and ILAAP and form an integral part of the development of the MSI Group RAS.

The following risk types involved in MSI Group's business activities are currently considered material as determined through the Risk Identification Framework:

Financial Risks

- Market Risk
- Credit Risk
- Model Risk
- Valuation Risk
- Leverage Risk
- Liquidity Risk

Non-Financial Risks

- Operational Risk
- Compliance Risk (including Conduct)
- Financial Crimes Risk

Other Material Risks

- Strategic Risk (including Earnings at Risk)
- Reputational Risk

ESG risks are a driver of existing risks and are managed within the MSI Group's existing Risk Appetite. For further detail, refer to Chapter 15 Climate and Environmental Risk.

The MSI Board has established frameworks to identify, measure, monitor, report, challenge and escalate these risks. The frameworks for Market Risk, Credit Risk, Valuation Risk, Leverage Risk, Liquidity Risk and Operational Risk are described in further detail in the respective chapters of this document.

A summary of the remaining material risks is outlined below:

- **Model Risk** is the potential for adverse consequences from decisions based on incorrect or misused model outputs. Model Risk can lead to financial loss, poor business and strategic decision-making, non-compliance with applicable laws and/or regulations or damage to the MSI Group's reputation.
- **Compliance Risk** is defined as the risk of legal or regulatory sanctions, material financial loss or damage to reputation resulting from the failure to comply with laws, rules, regulations, related self-regulatory organisation standards and codes of conduct applicable to MSI Group's activities. Compliance Risk includes Conduct Risk, which is defined as the risk arising from misconduct by individual employees or contingent workers (collectively, "Personnel") or groups of Personnel, or the risk arising from conduct by the MSI Group where the outcome has an adverse impact on clients, markets or MSI Group's reputation. Conduct Risk includes both intentional and unintentional behaviours.

- **Financial Crimes Risk** refers to the risk of regulatory sanctions and reputation damage posed to the MSI Group in the event of failure to comply with applicable anti-money laundering, economic sanctions, anti-tax evasion, or anti-bribery and corruption laws and regulations.
- **Strategic Risk (including Earnings at Risk)** is defined as risk to baseline earnings from misaligned design and implementation of the MSI Group's overall strategic objectives and the associated business unit strategic initiatives required to enable them, and any threat to the effective and efficient execution of the MSI Group's strategic business initiatives.
- **Reputational Risk** (also referred to as Franchise Risk) refers to potential risks associated with the way in which the MSI Group conducts its business and the perception of the MSI Group by external parties including shareholders, clients, regulators and the public. Reputational risks may be triggered by either the nature of the transaction (e.g., unusual complexity or novel issues) or business practice (e.g., a transaction without appropriate economic substance or business purpose), or by the identity or reputation of the client or counterparty (e.g., a client linked to alleged corruption or other improper activities).

Risk Appetite

The MSI Group's RAS articulates the aggregate level and types of risk that the MSI Group is willing to accept in order to execute its business strategy and protect its capital and liquidity resources. The MSI Group's Risk Appetite is set by the MSI Board in conjunction with its business strategy and in consideration of its capital and liquidity resource adequacy framework.

The RAS includes risks that have both qualitative and quantitative elements. The combination of qualitative Risk Appetite and Tolerance Statements and quantitative limits aims to ensure that MSI Group's businesses are carried out in line with the Risk Appetite approved by the MSI Board, and to protect MSI Group's reputation in both normal and stressed environments.

Where appropriate, RAS' are created for the legal entities within the MSI Group. These undergo review alongside the MSI Group's RAS and are recommended by the MSI Risk Committee, as appropriate, to the individual entity's boards for approval, at least annually. The entity's RAS' are aligned to the MSI Group's RAS taking into account the entity's business model and individual regulatory requirements.

Key ratios and figures are provided in UK KM1 and UK OV1, as well as the risk type specific chapters.

Risk Limits/Tolerances

The Risk Appetite of the MSI Group is translated into a comprehensive set of risk limits and tolerances. The MSI Group limits and tolerance framework mostly covers limits and tolerances across Credit Risk, Market Risk, Operational Risk, and Liquidity Risk, each at different granularity levels to manage risk taking in line with Risk Appetite. These limits and tolerance frameworks are approved and monitored by the relevant Boards, the MSI Risk Committee and the MSI Audit Committee (as appropriate), the EMEA Risk Committee ("ERC"), and the Independent Risk Management and other Control Functions.

The MSI Group employs integrated risk stress tests that set the boundary for risk-taking activities relative to the MSI Group's Risk Capital Resource Capacity by defining a set of limits. The MSI Board owns and approves the Macroeconomic Stress Loss Limit and the Climate Stress Loss Limit ("CSLL"). Macroeconomic and climate-related scenarios are used to monitor stress losses against the Stress Loss Limits. The potential impact of climate-related risks on Credit and Market Risk is assessed through a specific transition risk/carbon repricing scenario and managed via the CSLL.

Risk limits are reviewed and updated on an annual basis at a minimum, with more frequent updates as necessary.

Figure 1 outlines the MSI Group's Risk Limit Framework for specific risk areas.

Figure 1: MSI Group Limit Framework

	MARKET RISK	CREDIT RISK	OPERATIONAL RISK	LIQUIDITY RISK
RISK METRICS AND LIMITS	<ul style="list-style-type: none"> MSI Board-level portfolio Climate Stress Loss Limits MSI Board-level Macroeconomic Stress Loss limits 		<ul style="list-style-type: none"> Aggregate Operational Risk Loss Tolerance level 	<ul style="list-style-type: none"> Liquidity and Funding Limits
	<ul style="list-style-type: none"> Legal entity and Division Value at Risk ("VaR") and exposure limits 	<ul style="list-style-type: none"> Single name, country, and industry credit limits 	<ul style="list-style-type: none"> Operational Risk Loss Tolerances for each Priority Non-Financial Risk ("PNFR") 	<ul style="list-style-type: none"> Portfolio level Liquidity and Funding Limits
	<ul style="list-style-type: none"> Granular risk exposure limits are allocated by desk/products 	<ul style="list-style-type: none"> Granular product limits for certain business areas and sub-industry limits (incl.climate) Stress-based counterparty risk limits 		<ul style="list-style-type: none"> Granular business area/product specific limits on liquidity and funding

Stress Testing

Stress testing is a key risk management tool for the MSI Group, informing risk and capital management processes and decisions, and is performed in line with internal and external regulatory requirements. It provides an understanding of the aggregate risk for the MSI Group and an assessment of the MSI Group's resilience to different scenarios over a range of severities. At a more granular level, stress tests provide detailed coverage of potential areas of weaknesses at the business activity and counterparty level, respectively.

The MSI Group conducts both cross-risk stress tests and risk specific stress tests with the following objectives:

- Risk Identification: Identification of material risk concentrations and vulnerabilities in adverse scenarios;
- Risk Aggregation: Estimation of aggregate size of exposures and losses in adverse shocks;
- Risk Management: Management of tail risks or vulnerabilities against risk appetite;
- Capital and Liquidity Management: Informing capital and liquidity risk assessment processes and plans (ICAAP, ILAAP);
- Recovery and Resolution Planning ("RRP"): As a key component of the RRP exercises; and
- Regulatory Requirements: Meeting relevant regulatory requirements for stress testing.

The stress test methodologies used by MSI Group include:

- Cross-risk stress tests help ensure that concentration risks are captured and measured across the material risk areas. These encompass a suite of severe but plausible macroeconomic stress scenarios which are designed to comprehensively capture material portfolio vulnerabilities of the MSI Group across Market and Credit Risk.
 - Reverse Stress Tests ("RST") capture existential threats to the MSI Group's business model. The scenarios used in RST are extreme and borderline plausible and are designed to test a pre-defined outcome (e.g., viability of MSI Group's business model). RST are used to inform capital and liquidity planning and are a key input for recovery planning.
 - Topical Stress Tests assess specific market events or portfolio vulnerabilities, to evaluate the possible impact of "downside" scenarios on MSI Group's risk profile.
- Risk-specific stress tests identify, measure and monitor more granular vulnerabilities and concentrations in a particular risk area, country, or industry, as appropriate. The MSI Group conducts risk specific stress tests for Operational Risk, Market Risk, Credit Risk and Liquidity Risk.

The suite of macroeconomic stress scenarios is run on the complete MSI Group portfolio.

The MSI Group Stress Testing Framework utilises a range of stress testing methodologies to identify and assess the MSI Group's resilience to different scenarios. These include business area and product single and multi factor stress tests, holistic forward-looking stress tests supported by a macroeconomic narrative and extreme stress tests designed to test business model failure. Stress tests are performed in line with internal policy and external regulatory requirements with results reported to senior management on a regular basis.

Risk Reporting

The MSI Group has established a Risk Reporting Framework to monitor and report MSI Group's risk profile against set risk limits and tolerances, and to provide timely risk information and/or escalation to responsible limit owners, relevant MSI Group risk governance forums and/or the MSI Board and senior management, as appropriate (for further detail, refer to section "Risk Governance").

The Risk Reporting Framework covers all material risks, identification of matters for escalation and decision-making and highlights emerging risks, mitigating actions and other risk matters that are deemed significant to the relevant governance forums and/or the MSI Board and senior management. The key purpose of risk reporting is to provide decision makers and risk managers with an accurate and timely representation of risk exposures, including risk concentrations, at the MSI Group level, across business lines and between legal entities. To provide this information, MSI Group generates various risk reports across individual risk functions including Market, Credit, Liquidity and Model Risk, at different frequencies (e.g., daily, weekly).

In addition, MSI Group follows global principles for risk reports which are applied to risk reporting, such as the appropriate level of aggregation, balance between qualitative and quantitative information or implementation of controls to ensure reported information is complete and accurate.

MSI Group's Data Quality ("DQ") monitoring and reporting processes are integrated into the Morgan Stanley Group's global DQ management processes. The DQ for risk-related data is reviewed through defined Key Performance Indicators ("KPIs") which are summarised in respective DQ Dashboards for certain risk areas.

Risk Governance

The MSI Group has a comprehensive risk management governance framework which includes MSI Board approved policies and a defined senior management risk oversight and escalation process at various levels of the governance structure, including for key MSI Group legal entities as appropriate.

The MSI Board has overall responsibility for the business and affairs of the MSI Group and is ultimately responsible for MSI Group risk management. The MSI Risk and Audit Committees provide guidance to the MSI Board on the oversight of MSI Group risk management activities.

The MSI Board (and its committees) oversee the strategy for the MSI Group and provide oversight of the key risk and control issues that the execution of the strategy presents or is likely to present. The MSI Board has appointed four committees: Audit, Risk, Remuneration and Nomination and Governance committees. Each of the committees is comprised solely of non-executive directors. The MSI Board, through the MSI Risk Committee and executive management, is regularly informed of the MSI Group's risk profile and relevant trends impacting its risk profile.

As at 31 December 2024, the MSI Board was comprised of 16 directors (9 executive directors and 7 non-executive directors). Figure 2 provides an overview of the MSI Board of Directors.

Figure 2: MSI Board of Directors as at 31 December 2024

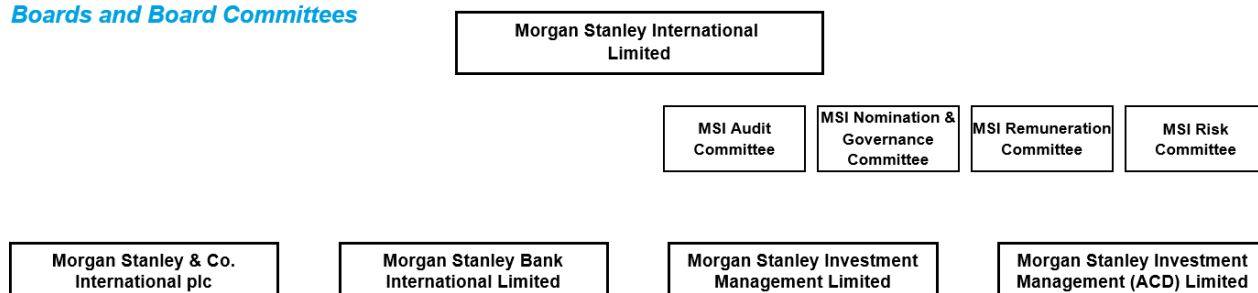
Non Executives	Executive Directors
<ul style="list-style-type: none"> David Cannon¹ - Chair and Chair of the MSI Nomination & Governance and the MSI Remuneration Committees Megan Butler - Chair of MSI Audit Committee Terri Duhon - Chair of MSI Risk Committee Frank Mattern - Chair of MSEHSE Group Supervisory Boards Jane Pearce Melanie Richards Paul Taylor 	<ul style="list-style-type: none"> Clare Woodman - EMEA Chief Executive Officer Anthony Mullineaux - EMEA Chief Financial Officer Arya Sekhar - EMEA Chief Risk Officer Christopher Beatty - EMEA Chief Operating Officer David Cantillon - EMEA Head of Institutional Equities Division Kim Lazaroo - EMEA Chief Administration Officer Andre Munkelt² - CEO & Chair Management Boards MSEHSE Group Salvatore Orlacchio - EMEA Head of Fixed Income Division Noreen Whyte - Global Head Loan Solutions & Securitisation Group

1. Jonathan Bloomer, Chair passed away on 19 August 2024. With effect from 19 September 2024 David Cannon was appointed Chair of MSI and with effect from 17 December 2024 Chair of the MSI Nomination & Governance and MSI Remuneration Committees ("RemCo").

2. Andre Munkelt was appointed as a director on 16 May 2024. Bill Greene resigned as a director on 16 May 2024 and Oliver Behrens resigned as a director on 26 June 2024.

For further details on the MSI Board members including detailed biographies and other directorships refer to Appendix I.

Day-to-day management of the MSI Group's business is delegated to executive management. The Executive Committees are the most senior MSI Group executive management committees and have responsibility for overseeing business performance, operations and risks identified in relation to the MSI Group. The management level committees support the Executive Committees in their oversight of specific areas of the MSI Group's activities.

Figure 3: MSI Board Committee Structure and EMEA Executive Management Structure as at 31 December 2024**Boards and Board Committees****Executive Committees****Management Committees****MSI Board Committees**

The MSI Risk Committee is appointed by the MSI Board to assist the MSI Board on the management of financial and non-financial risks, including: (i) risk strategy and appetite; (ii) risk identification and management; (iii) risk framework and policies; (iv) measurement of risk against tolerance and limits (v) risk culture (save for conduct risk, which is overseen by the MSI Audit Committee); (vi) financial resource management and capital; and (vii) recovery and resolution. The MSI Risk Committee met 8 times in 2024. The MSI Risk Committee reviews detailed risk reports on portfolio risk, market risk, credit risk, e-trading risk, liquidity risk, climate risk, franchise risk and product governance.

The Committee's focus during 2024 included:

- Geopolitical risk;
- The MSI Group's RAS, risk limit framework and Top Operational Risks ("TORs"); and
- Areas of regulatory focus and corresponding risk projects.

The MSI Audit Committee is appointed by the MSI Board to assist and provide guidance to the MSI Board in monitoring: (i) internal controls; (ii) legal and regulatory compliance and certain non-financial risks (including Compliance, Conduct, Financial Crime and Operational Risk); (iii) financial reporting; (iv) internal audit; (v) external auditors; and (vi) recovery and resolution planning.

The MSI RemCo is appointed by the MSI Board to (i) assist the Board in overseeing the implementation of remuneration policies and practices applicable to the MSI Group; and (ii) oversee compliance by the MSI Group with applicable EU and UK remuneration rules, statements and guidance.

The MSI Nomination and Governance Committee is appointed by the MSI Board to assist and provide guidance in relation to (i) the recruitment of board members; (ii) the assessment of the performance of the MSI Board and committees; and (iii) the corporate governance framework of the MSI Group.

EMEA Executive Committees

The EOC is the principal forum for key decisions regarding matters affecting the operations and performance of the MSI Group in accordance with the strategy approved by the MSI Board. EOC provides oversight of: (i) strategy; (ii) financial and business performance; (iii) risk and control; (iv) operational, legal and regulatory matters; and (v) Human Capital Management ("HCM").

The ERC assists in the oversight of the management of risk (including financial and non-financial risks) within the MSI Group. ERC provides oversight of: (i) risk strategy and appetite; (ii) risk framework and policies; (iii) risk identification and management; (iv) risk culture; and (v) financial resource management and capital.

The EROC provides executive oversight of EMEA remuneration matters and helps to ensure remuneration practices in EMEA are compliant with relevant UK and EU legislation and do not incentivise excessive risk taking.

EMEA Management Level Committees

The EMEA Asset and Liability Committee ("EMEA ALCO") assists the ERC to oversee the capital adequacy, funding and liquidity risk management of the MSI Group.

The Client Assets Governance Committee provides governance over MSI Group's approach to ensuring compliance and adherence to the relevant rules covering the arranging of and / or the safeguarding, including holding, of client financial instruments and client money in respect of relevant entities in the MSI Group.

The EMEA Electronic Trading Governance Committee is established by the ERC to review and challenge controls applicable to the electronic trading business undertaken by the MSI Group.

The EMEA ESG Committee supports the MSI Group in the development, governance and oversight of the incorporation of ESG risks, impacts and opportunities into risk management, business processes and strategy in EMEA.

The EMEA Franchise Committee assists in the oversight of potentially significant reputational or franchise risks in connection with relevant transactions, activities, or clients in EMEA.

The MSBIL Management Committee assists and provides guidance to the MSBIL CEO in matters relating to the management of MSBIL's business and strategy, and oversight of its capital and liquidity management and systems and controls.

The EMEA Non-Financial Risk Committee assists and provides guidance to the ERC in relation to the oversight of the management of non-financial risk of the MSI Group.

The EMEA Product Committee assists the ERC in discharging its responsibilities for the oversight of approvals of New Products and the oversight of Product Governance.

The EMEA Public Disclosure Review Committee provides governance and oversight over publicly disclosed information relating to the Morgan Stanley EMEA business.

The EMEA Regulatory Oversight Steering Committee provides oversight of (1) deliverables due in response to findings of or requests from the FCA and PRA, (2) initiatives to address regulatory priorities and expectations, and (3) MSI Group strategic initiatives.

The EMEA RRP, Operational Resilience, and Third Party Stakeholder Committee is responsible for overseeing the policies and procedures relating to RRP, Operational Resilience, and Third Party risk across EMEA.

3.3 Adequacy of Risk Management Arrangements

The MSI Board has approved, for the purposes of Article 435(1) CRR, the below concise risk statement and declaration on the adequacy of risk management arrangements:

The MSI Group Risk Management Framework, as described above, is embedded in the day-to-day operations of the MSI Group. The effectiveness of the framework is reviewed at least annually and, where appropriate, elements are updated to reflect best practice, evolving market conditions, lessons learned following market-wide or idiosyncratic risk events, and in response to changing regulatory expectations and requirements and any significant audit issues. The MSI Board has reviewed the adequacy of these risk management arrangements and systems, including Management's planned enhancements to strengthen these elements, and considers these appropriate given the strategy and risk profile of the MSI Group.

4. Basis of Preparation and Linkage to Financial Accounts

Basis of Consolidation

The MSI Group completes its prudential consolidation in compliance with the PRA rulebook, with all entities fully consolidated. The basis of consolidation for prudential purposes is materially the same as consolidation for accounting purposes.

This disclosure is prepared for the MSI Group, rather than on an individual basis for each regulated entity, as permissible under the PRA rulebook. As noted above, the most significant subsidiaries of the MSI Group are MSIP and MSESE Consol, the results of which are material to the MSI Group.

Financial Statements

This document does not constitute a set of financial statements and does not represent any form of forward-looking statement. Audited (statutory) financial statements are prepared for all subsidiaries where there is a legal requirement to do so. This includes financial statements prepared in accordance with applicable UK Company law and UK accounting requirements under Financial Reporting Standard 101 ("FRS 101"). For the MSIP Group, financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the EU and the UK; and for the MSEHSE Group IFRS as adopted by the EU with additional disclosure requirements from the German Commercial Code ("HGB").

The MSI Group applies the UK Companies Act 2006 exemption from producing statutory group accounts. The exemption applies to a UK parent company where certain conditions are met. Specifically, this includes where the UK parent and all of its subsidiaries are included in group accounts of a larger non-European Economic Area ("EEA") group, prepared in accordance with accounting standards which are equivalent to EU-adopted IFRS. The MSI Group is consolidated into the accounts of the Morgan Stanley Group, therefore does not need to publish statutory group accounts.

The MSI Group has prepared audited consolidated non-statutory financial information, in accordance with the recognition and measurement principles of IFRS, issued by the International Accounting Standards Board as adopted by the EU and the UK and Interpretations issued by the IFRS Interpretations Committee ("IFRIC"), which was approved by the MSI Board.

For further detail, refer to Appendix VI. All tables within the Pillar 3 disclosures for MSI Group which state their source to be financial statements are instead based on the audited consolidated non-statutory financial information. MSIP financial statements can be found at <https://www.morganstanley.com/about-us-ir/subsidiaries>. MSEHSE Group financial statements can be found at <https://www.unternehmensregister.de/ureg/>.

Trading Book/Non-Trading Book

In determining its overall capital requirement, the MSI Group classifies its exposures as either "Trading Book" or "Non-Trading Book" (otherwise referred to as Banking Book).

Positions are attributed to the Non-Trading Book unless they meet the criteria for Trading Book classification. Generally they are accounted for at amortised cost, fair value or under the equity method, and are subject to credit risk capital requirements as discussed in the Credit Risk section.

Trading Book positions represent positions that the MSI Group holds as part of its market-making and underwriting businesses, and should be resold in the short term, or the positions are intended to benefit from actual or expected short-term differences between bid and ask prices or other price or interest rate fluctuations. These Trading Book positions, which reflect assets or liabilities that are accounted for at fair value, along with certain Non-Trading Book positions which are subject to both credit risk and market risk, are subject to market risk capital requirements, as discussed in the Market Risk section. Some Trading Book positions, such as derivatives, are also subject to Counterparty Credit Risk ("CCR") capital requirements.

Credit and market risks related to securitisation exposures are discussed in the Securitisation section. Trading Book and Non-Trading Book definitions used in this document refers to the regulatory view and may differ from the accounting definitions.

Policies and Procedures

The MSI Group has policies and procedures in place to assess the appropriateness of its Pillar 3 disclosure. One or more members of the management body are required to confirm that the disclosure has been prepared in accordance with internal control processes agreed upon at the management body level. The MSI Group's Pillar 3 disclosures are not required to be, and have not been, audited by the MSI Group's auditor. The MSI Group's Pillar 3 disclosure as at 31 December 2024 is based on its current understanding of Section 4 of the PRA rulebook on Disclosure (CRR) and related legislation.

Balance Sheet under the Regulatory Scope of Consolidation

Below table shows MSI Group's balance sheet as at 31 December 2024 on both an accounting consolidation and regulatory consolidation basis. The carrying values under the scope of regulatory consolidation are broken down into the stated risk frameworks and where they are not subject to capital requirements or subject to deduction from capital.

Table 2: Differences between the accounting and regulatory scope of consolidation and mapping of financial statement categories with regulatory risk categories (UK LI1) – MSI Group

	a	b	c	d	e	f	g
\$MM	Carrying value of items						
	Carrying values as reported in published financial statements	Carrying values under scope of regulatory consolidation	Subject to the credit risk framework	Subject to the CCR framework	Subject to the securitisation framework ³	Subject to the market risk framework	Not subject to own funds requirements or subject to deduction from own funds
MSI Group^{1,2}							
Breakdown by asset class according to the balance sheet in the published financial statements							
1 Cash and short-term deposits	28,855	28,855	23,166	-	-	-	5,689
2 Trading financial assets	399,572	399,572	585	301,536	119	399,015	255
3 Secured financing	120,630	120,630	-	120,630	-	53,781	-
4 Loans and advances	350	350	343	-	-	212	-
5 Investment securities	30	30	30	-	-	-	-
6 Trade and other receivables	88,755	88,755	4,182	83,946	-	559	68
7 Current tax assets	416	416	416	-	-	-	-
8 Deferred tax assets	343	343	343	-	-	-	-
9 Other assets	172	172	143	-	-	-	29
10 Property plant and equipment	932	932	932	-	-	-	-
11 Intangible assets	881	881	-	-	-	-	881
Total assets	640,936	640,936	30,140	506,112	119	453,567	6,922
Breakdown by liability classes according to the balance sheet in the published financial statements							
1 Bank loans and overdrafts	(4,793)	(4,793)	-	-	-	-	(4,793)
2 Trading financial liabilities	(345,735)	(345,735)	-	(301,154)	-	(344,002)	(24)
3 Secured borrowing	(101,582)	(101,582)	-	(101,582)	-	(60,007)	-
4 Trade and other payables	(93,258)	(93,258)	-	(87,383)	-	(348)	(5,527)
5 Debt and other borrowings	(62,373)	(62,373)	-	-	-	-	(62,373)
6 Provisions	(134)	(134)	(5)	-	-	-	(129)
7 Current tax liabilities	(133)	(133)	-	-	-	-	(133)
8 Deferred tax liabilities	(3)	(3)	-	-	-	-	(3)
9 Post-employment benefit obligations	(27)	(27)	-	-	-	-	(27)
Total liabilities	(608,038)	(608,038)	(5)	(490,119)	-	(404,357)	(73,009)

1. MSI Group does not publish financial statements. See Appendix VI for MSI Group non-statutory financial information.

2. The total carrying values under the regulatory scope of consolidation do not equal the sum of the amounts shown in the remaining columns of this table as some of the assets included in these items are subject to regulatory capital charges in more than just one risk framework.

3. The column "Subject to securitisation framework" includes Non-Trading Book securitisation positions. Trading Book securitisation positions are included in "Subject to the market risk framework".

Below table shows the MSI Group consolidated regulatory balance sheet (as per Table 2: UK LI1) reconciled to the Exposures at Default ("EAD") for items subject to the Credit Risk, CCR and Securitisation frameworks.

Table 3: Main sources of differences between regulatory exposure amounts and carrying values in financial statements (UK LI2) – MSI Group

\$MM	a	b	c	d	e				
						Items subject to			
						Credit risk framework	Securitisation framework	CCR framework	Market risk framework ⁸
MSI Group ¹	Total								
¹ Assets carrying value amount under the scope of regulatory consolidation (as per template LI1)	634,014	30,140	119	506,112	453,567				
² Liabilities carrying value amount under the regulatory scope of consolidation (as per template LI1)	(535,029)	(5)	-	(490,119)	(404,357)				
³ Total net amount under the regulatory scope of consolidation	98,985	30,135	119	15,993	49,210				
⁴ Off-balance-sheet amounts ²	125,848	125,848	-	-					
⁵ Differences in valuations	-	-	-	-					
⁶ Differences due to different netting rules, other than those already included in row 2 ³	-	-	-	-					
⁷ Differences due to consideration of provisions ⁴	70	70	-	-					
⁸ Differences due to the use of credit risk mitigation techniques (CRMs) ⁵	(442,054)	(124,904)	-	(317,150)					
⁹ Differences due to credit conversion factors ⁶	(2,243)	(2,243)	-	-					
¹⁰ Differences due to Securitisation with risk transfer	-	-	-	-					
¹¹ Other differences ⁷	444,013	6,982	-	437,535					
¹² Exposure amounts considered for regulatory purposes ⁸	224,619	35,888	119	136,378					

1. The total carrying values under the regulatory scope of consolidation do not equal the sum of the amounts shown in the remaining columns of this table as some of the assets included in these items are subject to regulatory capital charges in more than just one risk framework.
2. Under the credit risk framework, off-balance sheet amounts principally consist of undrawn credit facilities and the aggregate value of Forward Starting Repos ("FSRs") and Reverse Repos ("FSRRs"), before the application of a Credit Conversion Factor ("CCF").
3. Differences due to different netting rules: This reflects the differences in regulatory netting compared to netting permitted under the relevant accounting standards.
4. Differences due to consideration of provisions: This reflects the removal of accounting provisions recorded for on and off-balance sheet credit risk exposures.
5. Differences due to use of CRMs: Impact of CRM such as guarantees and collaterals to regulatory exposure values after considering regulatory volatility adjustments.
6. Differences due to credit conversion factors: Impact of credit conversion factors on off-balance sheet exposures in accordance with regulatory rules.
7. Other differences: This reflects the difference between assets carrying values as defined per IFRS and the values defined for regulatory reporting purposes. This includes collateral posted in the form of securities, regulatory add-ons and differences in modelled and non-modelled approaches.
8. Row 12, "Exposure amounts considered for regulatory purposes", are disclosed only for Credit Risk, CCR and Securitisation frameworks, where applicable (columns b – d). No exposures are reported against the Market Risk framework (column e).

5. Capital Management

The MSI Group views capital as an important source of financial strength. It manages and monitors its capital in line with established policies and procedures and in compliance with local regulatory requirements. In line with Morgan Stanley Group capital management policies, the MSI Group manages its capital position based upon, among other things, business opportunities, risks, capital availability and rate of return together with, internal capital policies, current and future regulatory requirements i.e, Basel 3.1, and rating agency guidelines.

Therefore, in the future it may adjust its capital base in reaction to the changing needs of its businesses. The appropriate level of capital is determined at a legal entity level to safeguard that entity's ability to continue as a going concern and ensure that it meets all regulatory capital requirements. The key components of the capital management framework used by the MSI Group are set out in the MSI Group Capital Planning and Management Policy and include a point in time risk and leverage based capital assessment, forward-looking capital projections and stress testing. The MSI Group conducts an ICAAP at least annually to meet its obligations under the PRA rulebook.

The ICAAP is a key tool used to inform the MSI Board and the executive management on risk profile and capital adequacy. The MSI Group's ICAAP:

- Is designed to ensure that the risks to which the MSI Group is exposed are appropriately capitalised and risk managed, including those risks that are either not captured, or not fully captured under Pillar 1;
- Uses stress testing to size a capital buffer aimed at ensuring the MSI Group will continue to operate above regulatory requirements under a range of severe but plausible stress scenarios; and
- Assesses capital adequacy under normal and stressed operating environments over the three-year capital planning horizon to ensure that MSI Group maintains a capital position in line with internal pre and post stress minimum levels.

The key elements of the ICAAP are embedded in the MSI Group's day-to-day management processes and decision-making culture.

The PRA reviews the MSI Group ICAAP through its SREP and sets a Total Capital Requirement ("TCR"), comprising Pillar 1 and Pillar 2A, which establishes the minimum level of regulatory capital for the MSI Group and MSIP. As at 31 December 2024, the MSI Group TCR was \$17.8Bn, equivalent to 10.99% of RWAs. Further detail on the make-up of the TCR and applicable Combined Buffer Requirement can be found in Key Metrics, Table 1. If required, the PRA also sets a buffer in addition to the Basel Combined Buffer Requirement, which is available to support the MSI Group in a stressed market environment.

The principles of the MSI Group's ICAAP are applied, in a manner consistent with local regulatory requirements, at the subsidiary legal entities.

MSI Group capital is managed to ensure risk and leverage based requirements assessed through the ICAAP and SREP are met. Internal capital ratio minima are set by the MSI Board to ensure the MSI Group and its subsidiaries have sufficient capital to meet their regulatory requirements at all times.

The capital managed by the MSI Group broadly includes share capital, Additional Tier 1 ("AT1") capital instruments, subordinated debt and reserves. In order to maintain or adjust its capital structure, the MSI Group may pay dividends, return capital to its shareholders, issue new shares, or issue or repay AT1 capital instruments or subordinated debt.

There are no current or foreseen material, practical or legal impediments to the prompt transfer of capital resources or repayment of liabilities among MSI and its subsidiaries as at 31 December 2024.

6. Capital Resources

The capital resources of the MSI Group and MSIP are set out in the below table. All capital resources included in T1 and T2 capital are of standard form.

Table 4: Own funds – MSI Group and MSIP

\$MM	MSI Group	MSIP
Capital instruments eligible as CET1 capital	3,417	12,977
Prior Year Retained earnings	16,976	3,990
Independently reviewed interim profits net of any foreseeable charge or dividend	1,143	750
Accumulated other comprehensive income	(1,682)	(523)
Other reserves	7,461	1,403
Adjustments to CET1 due to prudential filters	(1,351)	(1,073)
Other intangible assets	(814)	(2)
Internal Ratings Based shortfall of credit risk adjustments to expected losses	(354)	(296)
Defined-benefit pension fund assets	(9)	-
Deferred tax assets that rely on future profitability and do not arise from temporary differences net of associated tax liabilities	(1)	-
CET1 capital elements or deductions - other	-	-
CET1 capital	24,786	17,226
AT1 capital	4,300	4,300
T1 capital	29,086	21,526
Capital instruments and subordinated loans eligible as Tier 2 capital	6,698	5,098
Instruments issued by subsidiaries that are given recognition in Tier 2 capital	-	-
T2 capital	6,698	5,098
Total own funds	35,784	26,625

Over the year, MSI Group's own funds decreased primarily due to dividend payment. This is partially offset by recognition of H1'24 and H2'23 profits post interim verification.

Over the year, MSIP's own funds decreased primarily due to dividend payment. This is partially offset by recognition of H1'24 and H2'23 profits post interim verification.

The MSI Group relies on its policies, procedures and systems to determine the adequacy of valuation for financial assets and compliance with accounting standards. To comply with the requirements of the PRA rulebook, Additional Valuation Adjustments ("AVAs") are applied to capital over and above those that are taken in order to comply with the accounting requirements. The regulatory adjustments are referred to in the above table as prudential filters.

The capital resources of the MSI Group are based on audited consolidated non-statutory financial information, and the capital resources of MSIP are based on audited financial statements.

Below table provides a reconciliation of audited shareholders' equity to regulatory capital.

Table 5: Reconciliation of balance sheet total equity to regulatory capital – MSI Group and MSIP

\$MM	MSI Group				MSIP			
	Total capital	CET1 capital	AT1 capital	T2 capital	Total capital	CET1 capital	AT1 capital	T2 capital
Equity instruments	7,678	3,378	4,300	-	16,765	12,465	4,300	-
Share premium	38	38	-	-	513	513	-	-
Other reserves	7,461	7,461	-	-	1,403	1,403	-	-
Other comprehensive income	(1,676)	(1,676)	-	-	(523)	(523)	-	-
Retained earnings	17,840	17,840	-	-	4,583	4,583	-	-
Independently reviewed interim profits net of any foreseeable charge or dividend	1,143	1,143	-	-	750	750	-	-
Non-controlling interest	414	414	-	-	-	-	-	-
Balance sheet total equity	32,898	28,598	4,300	-	23,491	19,191	4,300	-
Add:								
Tier 2 instruments classified as debt and other borrowings	6,698	-	-	6,698	5,098	-	-	5,098
Less:								
Qualifying own funds subordinated debt instruments not included in consolidated T2 capital	-	-	-	-	-	-	-	-
Amortised portion of subordinated debt instruments not included in T2 capital	-	-	-	-	-	-	-	-
Part of interim or year-end profit not eligible	(864)	(864)	-	-	(593)	(593)	-	-
Minority interests (amount not allowed in consolidated CET1)	(414)	(414)	-	-	-	-	-	-
Additional value adjustments	(1,550)	(1,550)	-	-	(1,332)	(1,332)	-	-
Negative amounts resulting from the calculation of expected loss amounts	(354)	(354)	-	-	(296)	(296)	-	-
Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	199	199	-	-	259	259	-	-
Deferred tax assets that rely on future profitability and do not arise from temporary differences	(1)	(1)	-	-	-	-	-	-
Intangible assets (net of related tax liability)	(814)	(814)	-	-	(2)	(2)	-	-
Defined-benefit pension fund assets (net of related tax liability)	(9)	(9)	-	-	-	-	-	-
Other comprehensive income adjustment	(6)	(6)	-	-	-	-	-	-
CET1 capital elements or deductions - other	-	-	-	-	-	-	-	-
Total own funds (transitional rules and fully loaded position)	35,784	24,786	4,300	6,698	26,625	17,226	4,300	5,098

The above table provides a bridge of balance sheet equity to regulatory own funds i.e., items considered or excluded to arrive at regulatory own funds.

7. Minimum Requirements for Own Funds and Eligible Liabilities

Material subsidiaries of a group that are not a UK resolution entity, such as MSI Group, are required to have sufficient own funds and eligible liabilities to meet internal Minimum Requirement for own funds and Eligible Liabilities ("MREL").

These requirements are designed to enhance the resilience of the financial system by ensuring institutions have sufficient capital and eligible liabilities to absorb losses and recapitalise in resolution.

The minimum requirements are set at higher of 2 x (Pillar 1 + Pillar 2A) of RWAs and 2 x (minimum leverage ratio) of leverage exposure. The Bank of England ("BoE") scales MREL requirements at 75% for internal MREL purposes, but may increase this up to 90% if considered appropriate.

Morgan Stanley's preferred resolution strategy is a Single Point of Entry ("SPOE") strategy. Further information on the resolution strategy can be found in Morgan Stanley Annual Reports on Form 10-K and Quarterly 10-Q Report as well as the Public Section of Morgan Stanley's Title I resolution plan that can be accessed at <https://www.fdic.gov/resources/resolutions/resolution-authority/resplans/>.

The MSI Group MREL key metrics are provided in below table.

Table 6: MREL Key Metrics – MSI Group

\$MM		
MSI Group ¹	Q4'24	Q3'24
MREL available	45,184	44,962
Total RWAs at the level of the resolution group	161,621	172,995
MREL as a percentage of RWAs (row 1/row2) (%)	27.96%	25.99%
Leverage ratio exposure measure at the level of the resolution group	463,696	515,674
MREL at a percentage of leverage ratio exposures measure (row1/row4) (%)	9.74%	8.72%

1. As at 31 December 2024, the MSI Group is in compliance with the MREL requirements.

Over the fourth quarter of 2024, increase in MSI Group's MREL available is driven by interim verification of H1'24 profits. Total RWAs decreased primarily due to credit risk.

Below table provides details of the composition of the MSI Group's MREL.

Table 7: MREL composition – MSI Group

\$MM	MSI Group
CET1 capital	24,786
AT1 capital before MREL adjustments	4,300
AT1 ineligible as MREL as issued out of subsidiaries to third parties	-
Other adjustments	-
AT1 instruments eligible under the MREL framework	4,300
T2 capital before MREL adjustments	6,698
Amortised portion of T2 instruments where remaining maturity >1 year	-
T2 Capital ineligible as MREL as issued out of subsidiaries to third parties	-
Other adjustments	-
T2 instruments eligible under the MREL framework	6,698
MREL arising from regulatory capital	35,784
MREL instruments subordinated to excluded liabilities	9,400
MREL arising from non-regulatory capital instruments before adjustments	9,400
MREL before deductions	45,184
Deduction of investments in own other MREL liabilities	-
Other adjustments to MREL	-
MREL after deductions	45,184
Total RWAs adjusted as permitted under the MREL regime	161,621
Leverage exposure measure	463,696
MREL (as a percentage of risk-weighted assets adjusted as permitted under the MREL regime)	27.96 %
MREL (as a percentage of leverage exposure)	9.74%
CET1 capital (as a percentage of RWAs) available after meeting the resolution group's Minimum Capital Requirement ("MCR") and MREL requirement	9.17%
Institution-specific buffer requirement	3.11%
Of which: capital conservation buffer requirement	2.50%
Of which: bank specific countercyclical buffer requirement	0.61%
Memorandum items	
Total amount of excluded liabilities referred to in Article 72a(2) CRR II	505,878

Over the second half of 2024, MSI Group's MREL as a percentage of RWAs primarily remains flat.

Below table provides a breakdown of eligible instruments in the creditor hierarchy of the MSI Group.

Table 8: MREL creditor ranking – MSI Group

\$MM	Creditor ranking				
	1	2	3	4	
MSI Group	(most junior)				(most senior)
				Senior	
Description of creditor ranking	Ordinary Shares¹	AT1 Instruments	Subordinated loans	Subordinated loans	Total
Total capital and liabilities	3,378	4,300	6,698	9,400	23,776
Excluded liabilities ²	-	-	-	-	-
Total capital and liabilities less excluded liabilities	3,378	4,300	6,698	9,400	23,776
Eligible as MREL	3,378	4,300	6,698	9,400	23,776
with 1 year ≤ residual maturity < 2 years	-	-	-	9,400	9,400
with 2 years ≤ residual maturity < 5 years	-	-	-	-	-
with 5 years ≤ residual maturity < 10 years	-	-	6,698	-	6,698
with residual maturity ≥ 10 years	-	-	-	-	-
perpetual securities	3,378	4,300	-	-	7,678

1. Ordinary Shares exclude the value of share premium and reserves.

2. As at 31 December 2024 MSI Group has no excluded liabilities as defined in CRR II Article 72a (2) that rank pari passu or junior to Minimum Requirements for Own Funds and Eligible Liabilities-eligible instruments.

Over the second half of 2024, MSI Group's MREL for creditor ranking primarily remains flat.

8. Leverage

The Basel III framework introduced a simple, transparent, non risk-based leverage ratio to act as a supplementary measure to the risk-based capital requirements. The Basel Committee is of the view that a simple leverage ratio framework is critical and complementary to the risk-based capital framework and that a credible leverage ratio ensures broad and adequate capture of both the on- and off-balance sheet sources of banks' leverage.

The MSI Group and MSIP are Leverage Ratio Requirements ("LREQ") entities. Their leverage ratios as at 31 December 2024 exceed the PRA's T1¹ and CET1² minimum requirements.

Risk of Excessive Leverage

Risk of excessive leverage refers to the risk resulting from an institution's vulnerability due to leverage or contingent leverage that may require unintended corrective measures to its business plan, including distressed selling of assets which might result in losses or in valuation adjustments to its remaining assets.

The EMEA ALCO is the primary governance committee responsible for monitoring the MSI Group's leverage ratio and for ensuring that it remains within the risk appetite approved by the MSI Group Board.

The MSEHSE Group's and MSESE's ALCO are the primary governance committees responsible for monitoring the leverage ratio and for ensuring that they remain within the risk appetite approved by the MSEHSE Group Management Boards.

The risk of excessive leverage is assessed and managed through the application and allocation of leverage ratio exposure limits of business unit and internal leverage ratio Early Warning Indicator ("EWI") levels. If internal limits are exceeded, cross functional teams identify the key drivers of the elevated exposures and consider appropriate remediation actions. EWI levels are monitored daily to ensure that any increases above the internal thresholds are escalated to governance forums to allow for any appropriate management actions to be taken, i.e., T1 capital increases and/or leverage exposure reductions, in a timely manner.

The leverage ratio exposures of MSI Group, MSIP and MSESE Consol, (including business unit limit utilisation) are regularly calculated and reported to either the EMEA ALCO or the MSEHSE Group and MSESE ALCO, as appropriate, alongside other additional factors that are considered, such as maturity and funding profiles considering both assets and liabilities and asset encumbrance metrics. Additionally, weekly capital resource meetings occur between senior cross-functional stakeholders to monitor, analyse, and optimise resources including, but not limited to leverage ratio exposure.

In addition to reporting of leverage ratio exposure, a quarterly risk identification assessment is in place to monitor leverage ratio exposure drivers, risks and quantify contingent leverage exposures to ensure compliance with internal and regulatory minimums in the event they were to crystallise. Output from this process is shared with the aforementioned governance forums quarterly who are responsible for monitoring the groups leverage ratio.

Moreover, robust capital planning ensures future LREQ are considered. The capital planning focuses on, but is not limited to, forecasted business activity, planned mitigation, future regulatory changes, net income forecasts and required capital.

In addition to capital planning, the Large Transaction Approval process requires the leverage ratio exposure impact to be assessed prior to execution. Trades are approved based on, amongst others, capacity and return metrics. Large transactions are defined as transactions that are anticipated to utilise capital resources in excess of defined thresholds. Thresholds relate to RWAs, leverage ratio exposure, liquidity, and funding. If a transaction exceeds the defined thresholds, management provides approval before the execution takes place. Approval is based on various criteria, such as capital resources, return on investment and refinancing costs carried out.

¹ A minimum leverage ratio of 3.25% is required.

² At least 75% of the firm's T1 capital must consist of CET1 capital. Additionally, the firm must maintain an additional countercyclical leverage ratio buffer of CET1 equal to 35% of its current Countercyclical Capital Buffer ("CCyB") rate.

Below table provides a reconciliation between total assets in the management accounts and the leverage exposure measure for the MSI Group and MSIP as at 31 December 2024.

Table 9: Summary reconciliation of accounting assets and leverage ratio exposures (UK LR1) – MSI Group and MSIP

\$MM	a	
	Applicable amount	
	MSI Group	MSIP
1 Total assets as per published financial statements¹	640,936	577,863
2 Adjustment for entities which are consolidated for accounting purposes but are outside the scope of prudential consolidation	-	-
3 (Adjustment for securitised exposures that meet the operational requirements for the recognition of risk transference)	-	-
4 (Adjustment for exemption of exposures to central banks)	(14,098)	(3,392)
(Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting framework but excluded from the total exposure measure in accordance with point (i) of Article 429a(1) of the CRR)	-	-
6 Adjustment for regular-way purchases and sales of financial assets subject to trade date accounting ²	-	-
7 Adjustment for eligible cash pooling transactions	-	-
8 Adjustments for derivative financial instruments	(150,572)	(158,006)
9 Adjustments for Securities Financing Transactions (“SFTs”)	20,114	19,503
10 Adjustment for off-balance sheet items (i.e., conversion to credit equivalent amounts of off-balance sheet exposures) ³	10,213	4,936
11 (Adjustment for prudent valuation adjustments and specific and general provisions which have reduced tier 1 capital (leverage))	(2,729)	(1,630)
UK-11a (Adjustment for exposures excluded from the total exposure measure in accordance with point (c) of Article 429a(1) of the CRR)	-	(431)
UK-11b (Adjustment for exposures excluded from the total exposure measure in accordance with point (j) of Article 429a(1) of the CRR)	-	-
12 Other adjustments	(40,168)	(29,286)
13 Total exposure measure	463,696	409,557

1. MSI Group does not publish financial statements. See Appendix VI for MSI Group non-statutory financial information.

2. As MSI Group follows settlement date accounting, no exposure is reported under regular-way purchases and sales subject to trade date accounting.

3. Regular-way purchases and sales subject to settlement date accounting are treated as off-balance sheet items.

MSI Group's and MSIP's total assets increased primarily due to derivatives.

Below table provides a detailed breakdown of the components of the leverage ratio exposure for the MSI Group and MSIP as at 31 December 2024.

Table 10: Leverage ratio common disclosure (UK LR2) – MSI Group and MSIP

MSI Group \$MM	a Leverage ratio exposures	
	Q4'24	Q4'23
On-balance sheet exposures (excluding derivatives and SFTs)		
1 On-balance sheet items (excluding derivatives, SFTs, but including collateral)	222,569	236,717
2 Gross-up for derivatives collateral provided, where deducted from the balance sheet assets pursuant to the applicable accounting framework	5,765	2,243
3 (Deductions of receivables assets for cash variation margin provided in derivatives transactions)	(41,682)	(38,873)
4 (Adjustment for securities received under securities financing transactions that are recognised as an asset)	-	-
5 (General credit risk adjustments to on-balance sheet items)	-	-
6 (Asset amounts deducted in determining tier 1 capital (leverage))	(2,729)	(2,348)
7 Total on-balance sheet exposures (excluding derivatives and SFTs)	183,923	197,739
Derivative exposures		
8 Replacement cost associated with SA-CCR derivatives transactions (i.e., net of eligible cash variation margin)	38,383	38,393
UK-8a Derogation for derivatives: replacement costs contribution under the simplified standardised approach	-	-
9 Add-on amounts for potential future exposure associated with SA-CCR derivatives transactions	100,598	104,643
UK-9a Derogation for derivatives: potential future exposure contribution under the simplified standardised approach	-	-
UK-9b Exposure determined under the original exposure method	-	-
10 (Exempted CCP leg of client-cleared trade exposures) (SA-CCR)	(2,749)	(2,352)
UK-10a (Exempted CCP leg of client-cleared trade exposures) (simplified standardised approach)	-	-
UK-10b (Exempted CCP leg of client-cleared trade exposures) (original exposure method)	-	-
11 Adjusted effective notional amount of written credit derivatives	389,338	409,099
12 (Adjusted effective notional offsets and add-on deductions for written credit derivatives)	(374,726)	(396,197)
13 Total derivative exposures	150,844	153,586
Securities financing transaction (SFT) exposures		
14 Gross SFT assets (with no recognition of netting), after adjustments for sales accounting transactions	235,830	219,159
15 (Netted amounts of cash payables and cash receivables of gross SFT assets)	(114,637)	(94,386)
16 Counterparty credit risk exposure for SFT assets	11,621	10,158
UK-16a Derogation for SFTs: counterparty credit risk exposure in accordance with Articles 429e(5) and 222 of the CRR	-	-
17 Agent transaction exposures	-	-
UK-17a (Exempted CCP leg of client cleared SFT exposures)	-	-
18 Total securities financing transaction exposures	132,814	134,931
Other off-balance sheet exposures		
19 Off-balance sheet exposures at gross notional amount	25,323	15,453
20 (Adjustments for conversion to credit equivalent amounts)	(15,110)	(10,419)
21 (General provisions deducted in determining tier 1 capital (leverage) and specific provisions associated with off-balance sheet exposures)	-	-
22 Off-balance sheet exposures	10,213	5,034
Excluded exposures		
UK-22a (Exposures excluded from the total exposure measure in accordance with point (c) of Article 429a(1) of the CRR)	-	-
UK-22b (Exposures exempted in accordance with point (j) of Article 429a(1) of the CRR (on- and off- balance sheet))	-	-
UK-22g (Excluded excess collateral deposited at triparty agents)	-	-
UK-22k (Total exempted exposures)	-	-
Capital and total exposure measure		
23 Tier 1 capital (leverage)	29,086	29,198
24 Total exposure measure including claims on central banks	477,794	491,290
UK-24a (-) Claims on central banks excluded	(14,098)	(13,641)
UK-24b Total exposure measure excluding claims on central banks	463,696	477,649

Leverage ratio		
25	Leverage ratio excluding claims on central banks (%)	6.27% 6.11%
UK-25a	Fully loaded ECL accounting model leverage ratio excluding claims on central banks (%)	6.27% 6.11%
UK-25b	Leverage ratio excluding central bank reserves as if the temporary treatment of unrealised gains and losses measured at fair value through other comprehensive income had not been applied (%)	6.27% 6.11%
UK-25c	Leverage ratio including claims on central banks (%)	6.09% 5.94%
26	Regulatory minimum leverage ratio requirement (%)	3.25% 3.25%
Additional leverage ratio disclosure requirements - leverage ratio buffers		
27	Leverage ratio buffer (%)	0.21% 0.22%
UK-27a	Of which: G-SII or O-SII additional leverage ratio buffer (%)	- -
UK-27b	Of which: countercyclical leverage ratio buffer (%)	0.21 % 0.22 %
Additional leverage ratio disclosure requirements - disclosure of mean values		
28	Mean of daily values of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivable	135,264 127,948
29	Quarter-end value of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables	121,193 124,773
UK-31	Average total exposure measure including claims on central banks	512,734 486,950
UK-32	Average total exposure measure excluding claims on central banks	498,845 471,457
UK-33	Average leverage ratio including claims on central banks	5.75% 5.96 %
UK-34	Average leverage ratio excluding claims on central banks	5.91% 6.15 %
MSIP		
Leverage ratio exposures		
\$MM		
Q4'24 Q4'23		
On-balance sheet exposures (excluding derivatives and SFTs)		
1	On-balance sheet items (excluding derivatives, SFTs, but including collateral)	186,593 199,301
2	Gross-up for derivatives collateral provided, where deducted from the balance sheet assets pursuant to the applicable accounting framework	4,424 1,683
3	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	(31,165) (28,437)
4	(Adjustment for securities received under securities financing transactions that are recognised as an asset)	- -
5	(General credit risk adjustments to on-balance sheet items)	- -
6	(Asset amounts deducted in determining tier 1 capital (leverage))	(1,630) (1,371)
7	Total on-balance sheet exposures (excluding derivatives and SFTs)	158,222 171,176
Derivative exposures		
8	Replacement cost associated with SA-CCR derivatives transactions (i.e., net of eligible cash variation margin)	28,615 28,731
UK-8a	Derogation for derivatives: replacement costs contribution under the simplified standardised approach	- -
9	Add-on amounts for potential future exposure associated with SA-CCR derivatives transactions	83,045 88,602
UK-9a	Derogation for derivatives: potential future exposure contribution under the simplified standardised approach	- -
UK-9b	Exposure determined under the original exposure method	- -
10	(Exempted CCP leg of client-cleared trade exposures) (SA-CCR)	(1,569) (1,155)
UK-10a	(Exempted CCP leg of client-cleared trade exposures) (simplified standardised approach)	- -
UK-10b	(Exempted CCP leg of client-cleared trade exposures) (original exposure method)	- -
11	Adjusted effective notional amount of written credit derivatives	371,575 390,746
12	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	(358,467) (379,082)
13	Total derivative exposures	123,199 127,842
Securities financing transaction (SFT) exposures		
14	Gross SFT assets (with no recognition of netting), after adjustments for sales accounting transactions	223,521 217,040
15	(Netted amounts of cash payables and cash receivables of gross SFT assets)	(107,507) (99,839)
16	Counterparty credit risk exposure for SFT assets	11,010 9,195
UK-16a	Derogation for SFTs: counterparty credit risk exposure in accordance with Articles 429e(5) and 222 of the CRR	- -
17	Agent transaction exposures	- -
UK-17a	(Exempted CCP leg of client cleared SFT exposures)	- -
18	Total securities financing transaction exposures	127,024 126,396

Other off-balance sheet exposures		
19	Off-balance sheet exposures at gross notional amount	9,535 4,375
20	(Adjustments for conversion to credit equivalent amounts)	(4,599) (3,453)
21	(General provisions deducted in determining tier 1 capital (leverage) and specific provisions associated with off-balance sheet exposures)	- -
22	Off-balance sheet exposures	4,936 922
Excluded exposures		
UK-22a	(Exposures excluded from the total exposure measure in accordance with point (c) of Article 429a(1) of the CRR)	(431) (432)
UK-22b	(Exposures exempted in accordance with point (j) of Article 429a(1) of the CRR (on- and off- balance sheet))	- -
UK-22g	(Excluded excess collateral deposited at triparty agents)	- -
UK-22k	(Total exempted exposures)	(431) (432)
Capital and total exposure measure		
23	Tier 1 capital (leverage)	21,526 21,798
24	Total exposure measure including claims on central banks	412,950 425,884
UK-24a	(-) Claims on central banks excluded	(3,393) (3,060)
UK-24b	Total exposure measure excluding claims on central banks	409,557 422,844
Leverage ratio		
25	Leverage ratio excluding claims on central banks (%)	5.26% 5.16%
UK-25a	Fully loaded ECL accounting model leverage ratio excluding claims on central banks (%)	5.26% 5.16%
UK-25b	Leverage ratio excluding central bank reserves as if the temporary treatment of unrealised gains and losses measured at fair value through other comprehensive income had not been applied (%)	5.26% 5.16%
UK-25c	Leverage ratio including claims on central banks (%)	5.21% 5.12%
26	Regulatory minimum leverage ratio requirement (%)	3.25% 3.25%
Additional leverage ratio disclosure requirements - leverage ratio buffers		
27	Leverage ratio buffer (%)	0.19% 0.22%
UK-27a	Of which: G-SII or O-SII additional leverage ratio buffer (%)	- -
UK-27b	Of which: countercyclical leverage ratio buffer (%)	0.19% 0.22%
Additional leverage ratio disclosure requirements - disclosure of mean values		
28	Mean of daily values of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivable	133,144 127,192
29	Quarter-end value of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables	116,014 117,200
UK-31	Average total exposure measure including claims on central banks	443,093 423,685
UK-32	Average total exposure measure excluding claims on central banks	439,941 420,626
UK-33	Average leverage ratio including claims on central banks	4.88% 5.14%
UK-34	Average leverage ratio excluding claims on central banks	4.92% 5.18%

MSI Group's leverage ratio increased by 0.16% to 6.27% primarily driven by lower leverage exposure due to cash products. The average leverage ratio decreased by 0.24% to 5.91% primarily driven by higher average leverage exposure.

MSIP's leverage ratio increased by 0.1% to 5.26% primarily driven by lower leverage exposure due to cash products. The average leverage ratio decreased by 0.26% to 4.92% primarily driven by higher average leverage exposure.

Below table provides a breakdown of on-balance sheet exposures into Trading and Non-Trading (Banking Book) exposures for MSI Group and MSIP as at 31 December 2024.

Table 11: Split of on-balance sheet exposures (excluding derivatives, SFTs and exempted exposures) (UK LR3) – MSI Group and MSIP

	a	
	Leverage ratio exposures	
\$MM	MSI Group	MSIP
UK-1 Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:	226,819	189,136
UK-2 Trading book exposures	191,201	169,218
UK-3 Banking book exposures, of which:	35,618	19,918
UK-4 Covered bonds	-	-
UK-5 Exposures treated as sovereigns	15,466	4,414
UK-6 Exposures to regional governments, MDB, international organisations and PSE not treated as sovereigns	9	9
UK-7 Institutions	14,963	13,242
UK-8 Secured by mortgages of immovable properties	-	-
UK-9 Retail exposures	-	-
UK-10 Corporates	2,557	1,532
UK-11 Exposures in default	284	181
UK-12 Other exposures (e.g., equity, securitisations, and other non-credit obligation assets)	2,339	540

MSI Group's and MSIP's on-balance sheet exposures decreased primarily due to Trading Book exposures mainly from cash products.

9. Capital Requirements and RWAs

RWAs reflect both on- and off-balance sheet risk, as well as capital charges attributable to the risk of loss arising from the following.

Credit and CCR refers to the risk of loss arising when a borrower, counterparty or issuer does not meet its financial obligations to the MSI Group. Credit and counterparty credit capital requirements are derived from RWAs, determined using the regulatory approved internal modelling approach - the Internal Model Method ("IMM") for CCR exposure. Standardised methods are applied for exposures not covered by internal models. Regulatory approved Foundation Internal Ratings Based ("F-IRB") approach for credit risk or Standardised Approach ("SA") Risk Weights are applied as applicable.

CVA capital requirements cover the risk of mark-to-market losses on the counterparty risk of derivatives. They are calculated using a combination of an Advanced Method based on internal modelling approaches and Standardised Method.

Settlement risk capital requirements cover the risk due to the possibility that a counterparty will fail to deliver on the terms of a contract at the agreed-upon time.

Securitisation exposures are transactions or schemes whereby the credit risk associated with an exposure or pool of exposures is tranching. Payments in the transaction or scheme are dependent upon the performance of the exposure or pool of exposures. The subordination of tranches determines the distribution of losses during the ongoing life of the transaction or scheme.

Market risk refers to the risk that a change in the level of one or more market prices, rates, indices, implied volatilities (the price volatility of the underlying instrument imputed from option prices), correlations or other market factors, such as market liquidity, will result in losses for a position or portfolio. The market risk capital requirements comprise capital associated with the regulatory approved Internal Model Approach ("IMA") approved by the PRA and those associated with the SA.

Large exposures refer to the capital requirement that covers the risk arising from concentrated exposures to a single counterparty or group of connected counterparties.

Operational risk refers to the risk of loss, or of damage to reputation, resulting from inadequate or failed processes, people and systems or from external events (e.g., fraud, theft, legal and compliance risks, cyber-attacks or damage to physical assets). Capital requirements for operational risk are currently calculated under the Basic Indicator Approach ("BIA").

Amounts below the thresholds for deduction correspond to items not deducted from own funds, as they are below the applicable thresholds for deduction, in accordance with the PRA rulebook.

The MSI Group enhances its risk management strategy and incorporates improvements in modelling techniques while maintaining compliance with the regulatory requirements. For further discussion, refer to the chapters on credit risk, CCR, market risk and operational risk.

RWAs Overview

Below table summarises RWAs and Total Own Funds Requirements ("TOFR") for the MSI Group and MSIP by risk type. MSI Group and MSIP calculate Pillar 1 capital requirements as 8% of RWAs.

Table 12: Overview of risk weighted exposure amounts (UK OV1) – MSI Group and MSIP

\$MM		MSI Group			MSIP		
		a	b	c	a	b	c
		RWAs	RWAs	TOFR	RWAs	RWAs	TOFR
		Q4'24	Q4'23	Q4'24	Q4'24	Q4'23	Q4'24
1	Credit risk (excluding CCR)	10,301	11,670	824	5,451	6,740	436
2	Of which standardised approach	3,475	3,746	278	1,819	1,788	145
3	Of which the Foundation IRB ("FIRB") approach	6,072	6,237	486	2,537	2,949	203
4	Of which slotting approach	-	-	-	0	-	0
UK 4a	Of which equities under the simple risk weighted approach ¹	754	1,687	60	1,095	2,003	88
5	Of which the Advanced IRB ("AIRB") approach	-	-	-	0	-	0
6	Counterparty credit risk – CCR	71,043	70,960	5,684	63,184	62,470	5,055
7	Of which standardised approach	13,350	13,631	1,068	12,732	13,108	1,019
8	Of which internal model method (IMM)	24,755	26,468	1,980	21,020	22,029	1,682
UK 8a	Of which exposures to a CCP	1,455	1,262	116	667	588	53
UK 8b	Of which credit valuation adjustment - CVA	23,412	23,104	1,873	20,647	20,277	1,652
9	Of which other CCR	8,071	6,495	647	8,118	6,468	649
15	Settlement risk	42	55	3	40	50	3
16	Securitisation exposures in the non-trading book (after the cap)	1,094	1,480	88	1,094	1,480	88
17	Of which SEC-IRBA approach	-	-	-	0	-	0
18	Of which SEC-ERBA (including IAA)	511	736	41	511	736	41
19	Of which SEC-SA approach	-	-	-	0	-	0
UK 19a	Of which 1250%/ deduction	583	744	47	583	744	47
20	Position, foreign exchange and commodities risks (Market risk)	59,176	52,781	4,734	41,136	35,559	3,291
21	Of which standardised approach	15,663	16,634	1,253	7,445	7,551	596
22	Of which IMA	43,513	36,147	3,481	33,691	28,008	2,695
UK 22a	Large exposures	4,309	2,923	345	1,178	775	94
23	Operational risk	15,656	15,654	1,252	10,543	10,746	843
UK 23a	Of which basic indicator approach	15,656	15,654	1,252	10,543	10,746	843
UK 23b	Of which standardised approach	-	-	-	0	-	0
UK 23c	Of which advanced measurement approach	-	-	-	0	-	0
24	Amounts below the thresholds for deduction (subject to 250% risk weight) (For information)¹	854	836	68	1,064	896	85
29	Total	161,621	155,523	12,930	122,626	117,820	9,810

1. Equity exposures subject to risk weight 1250% has been included under "Of which equities under the simple risk weighted approach" for MSI Group and MSIP.

The increase in overall RWAs for both the MSI Group and MSIP was driven by higher Risks Not In VaR ("RNIV") RWAs and higher Incremental Risk Charge ("IRC") RWAs as a result of the changes in the risk profile.

10. Credit Risk

10.1 Credit Risk Management

CCR refers to the risk of loss arising when a borrower, counterparty or issuer does not meet its financial obligations to the MSI Group. The MSI Group is exposed to credit risk from the extension of credit to clients through lending commitments, derivatives, securities financing and prime brokerage activities. The MSI Group primarily incurs credit risk exposure to Corporates, Institutions, Central Governments and Central Banks through its Institutional Securities business segment.

The MSI Group Credit Risk Management Department (“CRMD”) is an independent risk oversight group headed by the Head of Credit Risk who reports directly to the EMEA CRO. The MSI Group CRMD is responsible for managing and overseeing the credit risk profile of the MSI Group, including the design and oversight of the credit risk and limits framework covering the independent identification, analysis, monitoring, reporting and escalation of credit risks.

In order to help protect the MSI Group from losses resulting from its business activities, CRMD establishes practices to evaluate, monitor and control credit risk exposure at the transaction, obligor, and portfolio levels. CRMD analyses material lending and derivative transactions and helps to ensure that the creditworthiness of the MSI Group’s counterparties and borrowers is periodically reviewed and that credit exposure is actively monitored and managed.

Credit Risk Policies and Procedures

CRMD policies and procedures applicable to the MSI Group aim to ensure the identification of credit risks, compliance with established limits, requisite approvals for extensions of credit, and escalation of risk concentrations to appropriate senior management.

Credit Risk Limits

The MSI Group Credit Limits Framework (“CLF”) is one of the primary tools used to monitor, manage, and control credit risk exposures. The MSI Board approves limits that reflect the credit risk tolerance of the MSI Group and serve as a basis from which more detailed limits are established.

The CLF includes single name limits (e.g., counterparty, lending, settlement and treasury) and portfolio concentration limits by country, industry, and product type. The MSI Group’s credit limits restrict potential credit exposure to any one borrower or counterparty and to groups of connected borrowers or counterparties. The limits are assigned based on multiple factors including the size of counterparty, the counterparty’s Probability of Default (“PD”), the perceived correlation between the credit exposure and the counterparty’s credit quality, the Loss-Given Default (“LGD”) and the tenor profile of the specific credit exposure taking into account the effect of enforceable netting and eligible collateral.

To ensure that credit limits are consistent with the MSI Group’s credit risk appetite, a comprehensive process has been established whereby CRMD evaluates relevant quantitative and qualitative factors to make an informed decision when recommending or setting credit limits. CRMD develops and calibrates MSI Board and ERC credit risk Single Name and Portfolio limits by assuming full utilisation of the corresponding credit limit (i.e., “limit-long” assumption) in order to derive a limit-long stress loss. Limit-long stress losses are then compared to concentration thresholds which vary by the type of credit limit (i.e., Single Name or Portfolio). For example, any single industry limit-long stress loss may account for no more than a specified percentage (i.e., the concentration threshold) of the MSI Group’s risk appetite.

Credit Evaluation

Credit professionals in CRMD evaluate obligors and determine Credit Risk appetite before an initial transaction is approved. The evaluation may involve due diligence meetings and ongoing direct interaction with clients. Through close coordination with the first line of defence and regular credit meetings with Sales & Trading representatives, credit professionals are informed about business initiatives and new requests but are also able to communicate credit decisions effectively and highlight credit concerns early. This allows the credit professionals to influence the structure of a proposed transaction prior to it being submitted for approval.

10.2 Credit Risk Capital Requirements

The regulatory framework distinguishes between credit risk and CCR capital requirements.

The credit risk capital component reflects the capital requirements attributable to the risk of loss arising from a borrower failing to meet its obligations and relates to investments made in the Non-Trading Book such as loans and other securities that the MSI Group holds until maturity with no intention to trade.

CCR exposure arises from the risk that counterparties are unable to meet their payment obligations under contracts for traded products including derivatives and SFTs. The distinction between credit risk and CCR exposures is due to the bilateral nature of the risk for CCR exposures, see Section 10.4 Counterparty Credit Exposures.

RWAs are determined using the regulatory approved F-IRB approach which reflects the MSI Group's internal estimate of a borrower's or counterparty's creditworthiness.

For exposures not covered by the F-IRB approach, the SA is applied, typically for certain business units which are non-significant and certain exposure classes or types of exposures, which are immaterial in terms of size and perceived risk profile. This is consistent with the scope of MSI Group's regulatory approved F-IRB approach.

The SA assigns fixed risk weights to the following exposure classes in accordance with the CRR: Central Governments and Central Banks, Corporates, Institutions, Multilateral Development Banks, International Organisations, Public Sector Entities, Regional Governments and Local Authorities.

Credit Risk RWAs flow statements

Below table summarises the movement of RWAs for the MSI Group and MSIP's credit risk exposures under the Internal Ratings Based ("IRB") approach.

Table 13: RWAs flow statements of credit risk exposures under the IRB approach (UK CR8) – MSI Group and MSIP

\$MM	a MSI Group RWAs	a MSIP RWAs
1 RWAs as at the end of the previous reporting period ¹	6,237	2,949
2 Asset size	(82)	(421)
3 Asset quality	(83)	9
4 Model updates	-	-
5 Methodology and policy	-	-
6 Acquisitions and disposals	-	-
7 Foreign exchange movements	-	-
8 Other	-	-
9 RWAs as at the end of the reporting period	6,072	2,537

1. Previous reporting period was Q4'23.

The decrease in RWAs is primarily related to a reduction in cash balances held with agent banks.

External Credit Risk Assessments

External credit risk assessments are used within the MSI Group as part of the determination of risk weightings for exposure classes.

The MSI Group has nominated three External Credit Assessment Institutions ("ECAI") for this purpose – Moody's Investor Service ("Moody's"), Standard and Poor's rating agency ("S&P") and Fitch Ratings ("Fitch").

When calculating the risk-weighted value of an exposure in Trading or Banking Book using ECAI risk assessments, the ratings are obtained from a central database using client identifiers. The systems map ECAI ratings to Credit Quality Steps ("CQS") to derive the relevant risk weight prescribed by CRR. All other exposure classes are assigned corresponding risk weights according to CRR.

If more than one rating is available for a specific counterparty, the selection criteria as set out in Article 138 CRR is applied in order to determine the relevant risk weight for the capital calculation.

Below table summarises the CQS and associated ratings for the three nominated ECAI's used by the MSI Group for the determination of Standardised risk weights.

Table 14: External Credit Assessments Institutions – MSI Group

CQS	Moody's	Standard & Poor's / Fitch
1	Aaa to Aa3	AAA to AA-
2	A1 to A3	A+ to A-
3	Baa1 to Baa3	BBB+ to BBB-
4	Ba1 to Ba3	BB+ to BB-
5	B1 to B3	B+ to B-
6	Caa1 and below	CCC+ and below

The ECAI risk assessments of the three rating agencies are applicable to all exposure classes.

Below table shows prescribed risk weights with associated credit quality steps.

Table 15: Credit Quality Steps and Risk Weights under Standardised Approach¹

CQS	Exposure Class (as prescribed by regulators in Art. 112 of the Rulebooks)				
	Central governments or central banks	Institutions			Corporates
		Sovereign Method	Residual Maturity > 3 months	Residual Maturity 3 months or less	
1	0%	20%	20%	20%	20%
2	20%	50%	50%	20%	50%
3	50%	100%	50%	20%	100%
4	100%	100%	100%	50%	100%
5	100%	100%	100%	50%	150%
6	150%	150%	150%	150%	150%

1. Additional standardised risk weights may apply for specific exposures as described in the PRA rulebook (CRR).

Internal Ratings Based Approach

The MSI Group has permission to use the F-IRB approach for the calculation of credit and CCR capital requirements. The permission covers material portfolios and is applicable to exposures to Central Governments, Central Banks, Institutions and Corporates.

The MSI Group leverages the F-IRB process for internal risk management processes. Internal ratings are used in the sizing of credit limits and influence the terms under which credit exposures are undertaken, including collateral and documentation.

Rating Process

Credit Risk Management expresses the creditworthiness of each obligor by assigning a rating. The rating scale includes 17 grades on a scale from AAA to CCC, plus a single category for defaulted obligors.

Each rating is linked to a single name credit policy limit appetite and mapped to a specific PD. To monitor the credit risk of the portfolio, the MSI Group uses internally approved rating models to estimate various risk parameters related to each obligor.

Ratings are assigned using methodologies based on quantitative and qualitative obligor risk drivers. These include but are not limited to obligor's financial statements, market position, strategy, management, legal and environmental, industry dynamics and relevant other financial data. Outputs from the models are supplemented by expert judgment to include exogenous factors not captured by the methodology in the final rating.

MSI Group's F-IRB wholesale exposures fall into the following exposure classes: Central Governments or Central Banks, Institutions and Corporates. The Central Governments or Central Banks exposure class mainly includes traded products, lending and treasury exposures to Sovereign Governments, Central Banks, Government Guaranteed Entities, Government Guaranteed Banks and Supranational.

The Sovereign ratings process, used for Central Governments or Central Banks, applies a statistical shadow rating methodology based on quantitative and qualitative factors which incorporates consideration of the financial systems, legal and regulatory risks (e.g., macro-prudential supervision). There are 3 key models in this portfolio. The differences observed between PD and actual default rates can be attributed to the high-quality portfolio and conservative PD, resulting in fewer observed defaults.

The Institutions exposure class mainly includes traded products, lending and treasury exposures to banks and broker-dealers. There are 4 key models in this portfolio. The ratings process for Institutions applies a statistical shadow rating methodology that is based on a range of risk factors including capital adequacy, asset quality, earnings, funding, and management. The regulatory environment and implicit government support is incorporated where applicable and permitted. The differences observed between PD and actual default rates can be attributed to the high-quality portfolio and conservative PD, resulting in fewer observed defaults.

The Corporates exposure class mainly includes traded products and lending to wholesale counterparties. There are 12 key models in this portfolio. The ratings process for Corporates applies different statistical shadow rating methodologies depending on the industry to which the obligor belongs. The general characteristics employed include quantitative factors such as leverage, interest coverage, cash flow and company size, as well as qualitative factors such as industry and business risk, market position, liquidity/funding, event risk, management, and corporate governance. Implicit government support may be incorporated where applicable and permitted. The differences observed between PD and actual default rates can be attributed to the high-quality portfolio and conservative PD, resulting in fewer observed defaults.

Rating Philosophy and PD Estimation

The MSI Group internal rating process and philosophy are similar to S&P's, and the qualitative definitions of rating grades are aligned. MSI Group uses several rating models to rate its client portfolio for credit risk management purposes. Rating outputs from the models map to probability of default values derived from a PD calibration model, employed for all wholesale exposures. Additional calibration for credit risk capital purposes may be applied while preserving the rank ordering defined by the letter grades.

For the calibration of the PD Master Scale, Credit Risk Management maps internal ratings to S&P ratings and then applies S&P's extensive default history to determine the PD. Minor adjustments are made for specific items, such as preserving the monotonic relationship among rating grade PDs. The regulatory floor of 0.03% is applied for counterparties which are not defined as Sovereign. The appropriateness and conservatism of the S&P default rates are modelled and validated statistically.

The MSI Group takes different approaches to estimate PDs for its Low Default Portfolio ("LDP") and its non-LDP.

The MSI Group calculates PD for the non-LDP based on the long-run average of S&P's annual corporate default rates from 1981 to 2014. The incorporation of this data period ensures that the PD is representative of a long-run average default rate and therefore appropriate. The methodology employs an update rule, to determine the appropriateness of an update in the PDs based on annual data becoming available.

Portfolios where Morgan Stanley Group has experienced less than 20 defaults historically, and where no external default data is available for the reliable estimation of PDs are classified as low default. The methodology for deriving PDs for the LDP, is based on a Bayesian approach, and derives a single scaling factor that is used to scale the non-LDP PD into an appropriate and conservative PD for the LDP. This scaling factor is floored such that LDP must be equal to or higher than non-LDP PDs.

The MSI Group confirms through an internal validation process that the PD values it uses are prudent when compared to actual Morgan Stanley Group default experience. The MSI Group uses supervisory-prescribed factors to calculate LGDs and conversion factors.

Control Mechanisms for the Rating System

The rating system and its components are validated on a periodic basis. The model validation process is independent of the internal models' development, implementation and operation and is run by the Model Risk Management ("MRM") group as the second line of defence. The validation process includes independent review of the model's performance and conceptual soundness in line with the validation activity required every time. There are three main validation activities: initial review, annual recertification and revalidation. Additional to these activities, MRM reviews any material model changes. The validation process includes the following activities: assessment of the model's conceptual soundness, evaluation of the model specialist document, assessment of DQ and developmental tests, attestation of the model's sensitivity to key inputs and assumptions, the model performance, benchmarking to alternative models and diagnostic testing. Model Governance Committees are in place to provide appropriate technical and business review and oversight. IAD serves as the third line of defence with regard to the internal rating model development process and practices, through independent review it performs periodically.

On a regular basis a Model Risk Update is provided to relevant governance forums including the MSI Board which contains a model health assessment of the IRB models across rating templates and PD Calibration.

The performance of the rating system is assessed on a quarterly basis. This includes a review of key performance measures including a comparison of internal ratings versus agency ratings, the ratings of defaulted parties, the transitions across grades, and an analysis of expert overrides.

Non-Trading Book Equity Exposure and Specialised Lending

The MSI Group applies the IRB simple risk weight approach for equity exposures falling outside of the Trading Book. The majority of these equity positions are held as hedges for employee long-term compensation schemes. A Specialised Lending Slotting methodology is used in capital calculation for loans secured by Income Producing Real Estate, where applicable.

Below table shows the MSI Group's and MSIP's equity exposures using the simple risk-weighted approach and, where appropriate, specialised lending.

Table 16: IRB (Specialised Lending and Equities) (UK CR10.5) – MSI Group and MSIP

	a	b	c	d	e	f
	Equity exposures under the simple risk-weighted approach					
	On-balance sheet exposures	Off-balance sheet exposures	Risk weight	Exposure value	RWAs	Expected loss amount
	\$MM	\$MM	%	\$MM	\$MM	\$MM
MSI Group¹						
Private equity exposures	0	-	190%	0	0	0
Exchange-traded equity exposures	119	-	290%	119	347	1
Other equity exposures ²	3	-	370%	3	9	0
	32	-	250%/1250%	32	398	0
Total	154	-		154	754	1
MSIP¹						
Private equity exposures	-	-	190%	-	-	-
Exchange-traded equity exposures	118	-	290%	118	344	1
Other equity exposures ²	2	-	370%	2	6	0
	171	-	250%/1250%	171	745	-
Total	291	-		291	1,095	1

1. MSI Group and MSIP have no specialised lending.

2. Equity exposures subject to 1250% risk weight have been included under "Other equity exposures".

Equity exposures decreased during the year across a range of investments.

Credit Risk Adjustments

The calculation of credit risk adjustments is based on Expected Credit Losses ("ECL").

The MSI Group's accounting policy on the recognition and measurement of credit risk loss allowances is set out in the Group's accounting policy on impairment of financial instruments in the MSI Group Non Statutory Financial Information included in Appendix VI.

A financial asset is considered 'past due' where any amount of principal, interest or fee has not been paid at the date it was due. This definition is consistent for accounting and regulatory purposes.

Under the ECL model, a financial asset is considered credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred.

In assessing the impairment of financial instruments under the ECL model, the MSI Group defines default in accordance with the CRMD's policies and procedures. This considers whether the borrower is unlikely to pay its credit obligations to the MSI Group in full and takes into account qualitative indicators, such as breaches of covenants. The definition of default also includes a presumption that a financial asset which is more than 90 days past due has defaulted. For regulatory purposes, the definition of default considers when the obligor is unlikely to pay its credit obligation³ to the MSI Group in full, without recourse by the MSI Group to actions such as realising collateral (if held); or when an obligor is more than 90 days past due on a material credit obligation to the MSI Group.

10.3 Credit Risk Mitigation

The MSI Group may seek to mitigate credit risk from its lending and trading activities in multiple ways, including netting, collateral, guarantees and hedges.

At the transaction level, the MSI Group seeks to mitigate risk through management of key risk elements such as size, tenor, financial covenants, seniority and collateral. At the obligor level, the MSI Group may reduce credit risk to a direct obligor by means of third party guarantees. Moreover, the MSI Group actively hedges its credit exposure through various financial instruments that may include single-name and structured credit derivatives.

In connection with its derivatives trading activities, the MSI Group generally enters into master netting and collateral arrangements with counterparties.

In connection with its lending activities, the MSI Group may use participations to transfer some rights and obligations of the lender without transferring record ownership. Additionally, the MSI Group may sell, assign or syndicate funded loans and lending commitments to other financial institutions in the primary and secondary loan market.

Netting

The MSI Group has policies and procedures in place for assessing the validity, enforceability and treatment of netting agreements with clients in connection with its derivative trading activities.

In order to net a group of similar exposures with a counterparty, a qualifying master netting agreement must be in place between Morgan Stanley Group and the counterparty. The agreement must be valid and legally enforceable. Upon an event of default, including the event of bankruptcy or insolvency of the counterparty, all transactions within the netting set are terminated in a timely manner and a single net close-out amount is determined under a qualifying master netting agreement. Repo-style transactions must also be executed under an agreement that provides for the close-out on a net basis.

On-balance sheet exposures are generally based on the value per the financial statements. The MSI Group does not make use of on-balance sheet netting of loans and deposits in regulatory capital calculations. Off-balance sheet netting is not applied.

³ Material credit obligations in line with the PRA Policy Statement 17/19 and EBA Guidelines on Definition of Default EBA/GL/2016/07.

Collateral

The amount and type of collateral required by the MSI Group depends on an assessment of the creditworthiness of the counterparty, and any relevant regulation. Collateral held is managed in accordance with the MSI Group's guidelines and the relevant underlying agreements.

The MSI Group actively manages its credit exposure through the application of collateral arrangements. The use of collateral in managing Over-the-Counter ("OTC") derivative risk is standard in the marketplace, and is governed by appropriate documentation, for example, the Credit Support Annex to the International Swaps and Derivatives Association documentation. In line with these standards, the MSI Group generally accepts only cash and G7 government bonds, corporate debt and main index equities as eligible collateral. Other securities may be accepted in securities lending, repo and prime brokerage, subject to haircuts based on assessments of collateral volatility and liquidity.

CRMD utilises an established infrastructure to manage, maintain and value collateral daily. Haircuts are taken on eligible collateral to act as a buffer against adverse price movements prior to liquidation of the collateral during the close-out process following a counterparty's default. Standard haircuts are reviewed periodically and during volatile markets.

For issuer concentration, in the case of Private Wealth Management ("PWM") Asia exposure where there is potentially no meaningful recourse in the event of a counterparty default, the reliance on any single issuer would be reflected directly against the credit limits of the issuer. Monitoring of issuer concentration from collateral balances and security prices underlying derivative transactions is reviewed each month at the EMEA & MSI Credit Risk Committee.

For commercial real estate mortgage lending, third party appraisals are updated periodically or as may be required in the context of asset specific conditions or market developments. These updated appraisals are reviewed and evaluated by Credit Risk Management.

Guarantees

A guarantee may reduce the MSI Group's credit risk to a direct obligor through a documented arrangement in which a third party agrees to be responsible for some portion, or all, of the debt or obligation of a counterparty.

A guarantee is a financial guarantee, letter of credit, insurance or other similar financial instrument (other than a credit derivative) that allows one party (beneficiary) to transfer the credit risk of one or more specific exposures (guaranteed or reference exposure) to another party (guarantor or protection provider).

MSI Group maintains policies and procedures which set out the process for determining the eligibility of the guarantee. Only eligible guarantees can be used for risk mitigation purposes. The acceptable types of guarantors are sovereigns, certain supranational and multilateral development banks, banks and other financial institutions, and corporates that are rated at least investment grade.

Participations

The MSI Group also uses participation as one of the CRM techniques. A participation is a documented agreement through which a lender transfers to a third party (which may include an affiliate), certain rights and obligations of the lender under the applicable credit agreement(s), or a portion thereof, without transferring record ownership (i.e., the participant does not become lender of record on the agent's books and records).

The total risk exposure amounts covered by eligible credit mitigations are displayed in Tables CR3 and CR4. For further detail, refer to Chapter 23 Appendix V: Additional Credit and Counterparty Credit Risk Tables.

10.4 Counterparty Credit Exposures

Counterparty credit exposures arise from client and business activities in derivatives and SFTs. The MSI Group leverages models under regulatory approved IMM and Standardised Methods for calculation of CCR exposures. The majority of OTC derivatives and SFTs within the MSI Group are in scope of the IMM permission.

The central process in calculating CCR exposure under IMM is a Monte Carlo simulation, which generates independent realisations of market risk factors at future time horizons across a number of simulation paths. Each trade is revalued under the simulated market condition, with future collateral requirements along each simulation path determined by the simulated trade valuations. Finally, simulated trade values and collateral balances are aggregated based on netting agreements and legally confirmed enforceability to yield a distribution of CCR exposure across the simulation paths at each future time horizon. Selected measures of this distribution are then calculated to report CCR exposure and the full distribution is used for the capital requirements calculation. The most material risk factors are calibrated daily to market implied data, while other risk factors are calibrated based on three years or more of historical data.

Standardised Methods are applied for exposures not covered by IMM, including Standardised Approach for Counterparty Credit Risk ("SA-CCR") for derivatives and Financial Collateral Comprehensive Method or Master Netting Agreement for SFTs.

Under SA-CCR, the EAD is comprised of the sum of two components, the Replacement Cost ("RC") and the Potential Future Exposure ("PFE"), multiplied by a supervisory multiplier, alpha (1.4).

Below table shows a comprehensive view of the methods used to calculate CCR regulatory requirements and the main parameters used within each method for the MSI Group as at 31 December 2024.

Table 17: Analysis of CCR exposure by approach (UK CCR1) – MSI Group

\$MM		a	b	c	d	e	f	g	h
		Replacement cost (RC)	Potential future exposure (PFE)	EEPE	Alpha used for computing regulatory exposure value	Exposure value pre-CRM	Exposure value post-CRM	Exposure value	RWAs
MSI Group									
UK1	Original Exposure Method (for derivatives)	-	-	-	-	-	-	-	-
UK2	Simplified SA-CCR (for derivatives)	-	-	-	-	-	-	-	-
1	SA-CCR (for derivatives)	10,079	14,772		1.4	45,872	33,078	32,979	13,350
2	IMM (for derivatives and SFTs)	-	-	49,121	1.4	602,943	67,452	67,201	24,755
2a	Of which securities financing transactions netting sets	-	-	11,758	-	465,301	16,227	16,227	2,465
2b	Of which derivatives & long settlement transactions netting sets	-	-	37,363	-	137,642	51,225	50,974	22,290
2c	Of which from contractual cross product netting sets	-	-	-	-	-	-	-	-
3	Financial collateral simple method (for SFTs)	-	-	-	-	-	-	-	-
4	Financial collateral comprehensive method (for SFTs)					380,376	22,571	22,571	7,348
5	VaR for SFTs					-	-	-	-
6	Total					1,029,191	123,101	122,751	45,453

RWAs related to derivatives and SFT portfolios decreased during the year due to movements in market values and business volumes.

Below table summarises movements of RWAs for the MSI Group and MSIP's CCR exposures under IMM.

Table 18: RWAs flow statements of CCR exposures under IMM (UK CCR7) – MSI Group and MSIP

\$MM		a	a
		MSI Group RWAs	MSIP RWAs
1	RWAs at the end of the previous reporting period¹	26,468	22,029
2	Asset size	(410)	(194)
3	Credit quality of counterparties	(1,227)	(739)
4	Model updates (IMM only)	(76)	(76)
5	Methodology and policy (IMM only)	-	-
6	Acquisitions and disposals	-	-
7	Foreign exchange movements	-	-
8	Other	-	-
9	RWAs at the end of the current reporting period	24,755	21,020

1. Previous reporting period was Q4'23.

The decrease in RWAs is mainly due to internal credit rating changes, as well as portfolio and market driven movements within OTC derivatives.

Exposures to Central Counterparties ("CCPs")

Below table shows the breakdown of the exposures to Qualifying Central Counterparties ("QCCPs") and non-QCCPs as at 31 December 2024 for the MSI Group.

Table 19: Exposures to CCPs (UK CCR8) - MSI Group

\$MM		a	b
		Exposure value	RWAs
1	Exposures to QCCPs (total)		653
2	Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which	12,866	257
3	(i) OTC derivatives	3,830	76
4	(ii) Exchange-traded derivatives	6,281	126
5	(iii) SFTs	2,755	55
6	(iv) Netting sets where cross-product netting has been approved	-	-
7	Segregated initial margin	1,675	
8	Non-segregated initial margin	15,041	-
9	Prefunded default fund contributions	1,516	396
10	Unfunded default fund contributions	3,683	-
11	Exposures to non-QCCPs (total)		802
12	Exposures for trades at non-QCCPs (excluding initial margin and default fund contributions); of which	762	762
13	(i) OTC derivatives	5	5
14	(ii) Exchange-traded derivatives	757	757
15	(iii) SFTs	-	-
16	(iv) Netting sets where cross-product netting has been approved	-	-
17	Segregated initial margin	-	
18	Non-segregated initial margin	230	-
19	Prefunded default fund contributions	3	40
20	Unfunded default fund contributions	-	-

The overall increase in exposures during the year related primarily to listed derivatives with non-qualifying CCPs.

Wrong Way Risk

Specific wrong way risk arises when a transaction is structured in such a way that the exposure to the counterparty is positively correlated with the PD of the counterparty. For example, a counterparty writing put options on its own stock or a counterparty collateralised by its own or related party stocks. The MSI Group considers these correlations when approving transactions. Ongoing monitoring of transactions with specific wrong way risk is facilitated by systematic identification from inception of the trade throughout the entire lifecycle of the trade. Further, credit and capital exposures are adjusted to reflect the identified specific wrong way risk.

General wrong way risk arises when the counterparty PD is correlated with market or macroeconomic factors that affect the value of the counterparty's trades. General wrong way risk includes exposures correlated to sovereign default risk, which is subject to heightened monitoring and limits where appropriate, and exposure correlated to other market risk factors which is identified via single-factor stress tests. Where positions raise concerns, a risk mitigation strategy is agreed between CRMD and the business units.

Credit Valuation Adjustment

CVA capital requirements cover the risk of mark-to-market losses on the counterparty risk of derivatives. They are calculated using a combination of the Advanced Method based on internal modelling approaches and the Standardised Method.

Below table shows CVA by approach for the MSI Group as at 31 December 2024.

Table 20: Transactions subject to own funds requirements for CVA risk (UK CCR2) - MSI Group

\$MM	a	b
MSI Group	Exposure value	RWAs
1 Total transactions subject to the Advanced method	28,776	15,398
2 (i) VaR component (including the 3x multiplier)		1,943
3 (ii) Stressed VaR component (including the 3x multiplier)		13,455
4 Transactions subject to the standardised method	30,299	8,014
UK4 Transactions subject to the Alternative approach (Based on the Original Exposure Method)	-	-
5 Total transactions subject to own funds requirements for CVA risk	59,075	23,412

CVA RWAs remained stable overall during the year, with offsetting movements in Advanced and Standardised method portfolios.

Derivatives and SFTs Composition of Collateral

Below table shows the breakdown of all types of collateral posted or received to support or reduce CCR exposures related to derivative transactions or to SFTs, including transactions cleared through a CCP as at 31 December 2024 for the MSI Group.

Table 21: Composition of collateral for CCR exposures (UK CCR5) - MSI Group

	a	b	c	d	e	f
\$MM	Collateral used in derivative transactions				Collateral used in securities financing transactions (SFTs)	
	Fair value of collateral received		Fair value of posted collateral		Fair value of collateral received	Fair value of collateral posted
MSI Group	Segregated	Unsegregated	Segregated	Unsegregated		
1 Cash	6,152	124,634	1,675	80,186	466,855	557,629
2 Debt	12,294	22,055	9,102	11,674	266,199	237,607
3 Equity	4,036	37,480	6,273	175	102,773	119,832
4 Other	2,384	3,887	4,665	3,371	11,061	18,367
5 Total	24,866	188,056	21,715	95,406	846,888	933,435

Normal business activity resulted in an increase in unsegregated cash and equity collateral held for derivatives during the year. Equity collateral held for SFTs decreased in the same period.

Credit Derivative Transactions

Below table shows the extent of an institution's exposures to credit derivative transactions broken down between protection bought or sold for the MSI Group.

Table 22: Credit derivatives exposures (UK CCR6) - MSI Group

\$MM		a	b
MSI Group ¹		Protection bought	Protection sold
Notionals			
1	Single-name credit default swaps	111,501	110,479
2	Index credit default swaps	222,140	226,765
3	Total return swaps	15,250	18,374
4	Credit options	75,102	66,699
5	Other credit derivatives	15,404	16,545
6	Total notionals	439,397	438,862
Fair values			
7	Positive fair value (asset)	2,279	9,259
8	Negative fair value (liability)	(8,746)	(2,038)

1. Credit Derivatives are not used as a CRM technique for RWAs benefits.

The gross notional values of credit derivatives decreased during the year, particularly for single name credit default swaps and credit options, with a small impact on the overall net notional position.

Collateral Impact of a Downgrade

In connection with certain OTC trading agreements and certain other agreements where the MSI Group is a liquidity provider to certain financing vehicles, the MSI Group may be required to provide additional collateral or immediately settle any outstanding liability balances with certain counterparties or pledge additional collateral to certain exchanges and clearing organisations in the event of a future credit rating downgrade irrespective of whether the MSI Group is in a net asset or net liability position.

The additional collateral or termination payments that may be called in the event of a future credit rating downgrade vary by contract and can be based on ratings by either or both of Moody's and S&P.

As at 31 December 2024, the future potential collateral amounts and termination payments that could be called or required by counterparties or exchanges and clearing organisations, in the event of one-notch or two-notch downgrade scenarios, from the lowest of Moody's or S&P ratings, based on the relevant contractual downgrade triggers, were \$42MM and an incremental \$110MM, respectively.

11. Securitisation

The MSI Group acts, or has historically acted, as an originator, sponsor, liquidity provider, servicer and derivative counterparty to its own originated and sponsored securitisations, as well as those of third-party securitisations. The MSI Group also acts as market maker for, and refinancer of securitised products in EMEA. The majority of the securitisation exposures in the MSI Group result from where MSI Group acts as market maker for, and refinancer of securitised products in EMEA.

The PRA Rulebook defines securitisation positions as a transaction or investment in which the credit risk associated with a receivable or pool of receivables is split into tranches and also has the following characteristics:

- Payments are dependent on the performance of the exposure or pool of exposures; and
- Subordination of the tranches defines the distribution of losses during the lifecycle.

Within the scope of the securitisation, the roles of originator, sponsor and investor are defined in accordance with the regulatory rules. In addition, a distinction is made between traditional and synthetic securitisation.

The MSI Group's strategy has been to use securitisations for customer facilitation. The MSI Group has engaged in securitisation activities related to commercial and residential mortgage loans, corporate bonds and loans, and other types of financial instruments.

The MSI Group participated as a book runner or lead manager in a number of new securitisations during 2024. The MSI Group did not originate or sponsor any new securitisations in 2024.

The MSI Group employs the Securitisation Standardised Approach ("SEC-SA"), Securitisation External Ratings Based Approach ("SEC-ERBA") and Default 1250% Approach to calculate the capital on its securitisation positions. MSI Group does not apply the Securitisation Internal Ratings Based Approach ("SEC-IRBA"). The MSI Group uses ratings from three ECAL: Moody's, S&P and Fitch across all types of exposures.

Below table shows the securitisation exposures and MCR within the MSI Group as at 31 December 2024.

Table 23: Securitisation exposures summary - MSI Group

\$MM		
MSI Group	Trading Book	Non-Trading Book
Exposures	598	200
MCR	288	88

MSI Group's securitisation exposures and capital requirements decreased, driven by reduced exposure across both Trading and Non-Trading Book activity.

Below table shows securitisation exposures in the Non-Trading Book for MSI Group as at 31 December 2024.

Table 24: Securitisation exposures in the Non-Trading book (UK-SEC1) - MSI Group

	a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	
\$MM	Institution acts as originator							Institution acts as sponsor				Institution acts as investor				
MSI Group ¹	Traditional			Synthetic		Sub-total	Traditional		Synthetic		Sub-total	Traditional		Synthetic		Sub-total
	STS	Non-STS	of which SRT ²	STS	Non-STS		Sub-total	STS	Non-STS	Sub-total						
	of which SRT ²	of which SRT ²		of which SRT ²												
1 Total exposures	-	-	13	-	-	-	13	-	-	-	-	-	187	-	187	
2 Retail (total)	-	-	12	-	-	-	12	-	-	-	-	-	179	-	179	
3 Residential mortgage	-	-	12	-	-	-	12	-	-	-	-	-	59	-	59	
4 Credit card	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
5 Other retail exposures	-	-	-	-	-	-	-	-	-	-	-	-	120	-	120	
6 Re-securitisation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
7 Wholesale (total)	-	-	1	-	-	-	1	-	-	-	-	-	8	-	8	
8 Loans to corporates	-	-	1	-	-	-	1	-	-	-	-	-	-	-	-	
9 Commercial mortgage	-	-	-	-	-	-	-	-	-	-	-	-	8	-	8	
10 Lease and receivables	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
11 Other wholesale	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
12 Re-securitisation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	

1. No Simple, Transparent and Standardised ("STS") as at 31 December 2024.

2. No Significant Risk Transfer ("SRT") as at 31 December 2024.

The above table represents Non-Trading Book securitisation positions broken down on the basis of Traditional and Synthetic, Retail and Wholesale exposures where an Institution acts as an Originator, Sponsor or Investor. Currently MSI Group only has exposures acting as an Originator and Investor. Securitisation exposures decreased primarily due to sold and the downsizing of positions, within Retail exposures, where the Institution acts an investor.

Below table shows securitisation exposures in the Trading Book for MSI Group as at 31 December 2024.

Table 25: Securitisation exposures in the trading book (UK-SEC2) - MSI Group

\$MM	a	b	c	d	e	f	g	h	i	j	k	l
	Institution acts as originator			Sub-total	Institution acts as sponsor			Sub-total	Institution acts as investor			Sub-total
	Traditional	Non-STS	Synthetic		Traditional	Non-STS	Synthetic		Traditional	Non-STS	Synthetic	
MSI Group	STS	STS			STS	STS			STS	STS		
1 Total exposures	-	-	-	-	-	-	-	-	-	588	10	598
2 Retail (total)	-	-	-	-	-	-	-	-	-	269	10	279
3 Residential mortgage	-	-	-	-	-	-	-	-	-	226	10	236
4 Credit card	-	-	-	-	-	-	-	-	-	-	-	-
5 Other retail exposures	-	-	-	-	-	-	-	-	-	25	-	25
6 Re-securitisation	-	-	-	-	-	-	-	-	-	18	-	18
7 Wholesale (total)	-	-	-	-	-	-	-	-	-	319	-	319
8 Loans to corporates	-	-	-	-	-	-	-	-	-	232	-	232
9 Commercial mortgage	-	-	-	-	-	-	-	-	-	87	-	87
10 Lease and receivables	-	-	-	-	-	-	-	-	-	-	-	-
11 Other wholesale	-	-	-	-	-	-	-	-	-	-	-	-
12 Re-securitisation	-	-	-	-	-	-	-	-	-	-	-	-

The above table represents Trading Book securitisation positions broken down on the basis of Traditional and Synthetic, Retail and Wholesale exposures where an Institution acts as an Originator, Sponsor or Investor. Currently MSI Group only has Trading Book exposures acting as an Investor. Trading Book securitisation exposures decreased primarily due to a reduction in exposures to Retail Residential Mortgage and Wholesale Loans to Corporates where the Institution acts as an Investor.

Below table shows the securitisation positions broken down by SEC-SA capital approach and risk weight band within the MSI Group as at 31 December 2024.

Table 26: Securitisation exposures and capital requirements by standardised approach (SEC-SA) - MSI Group

\$MM	Trading Book exposure	Non-Trading Book exposure	Trading Book MCR	Non-Trading Book MCR
MSI Group¹				
Investor securitisations by risk weight				
>10% <=20%	69	-	1	-
>20%<=50%	-	-	-	-
Total	69	-	1	-

1. No STS as at 31 December 2024.

Trading Book exposures and capital requirements decreased due to sold and downsizing of SEC-SA positions within the 10 - 20% Risk Weight banding.

Below table shows the securitisation positions broken down by SEC-ERBA capital approach and risk weights band within the MSI Group as at 31 December 2024.

Table 27: Securitisation exposures and capital requirements by external ratings approach (SEC-ERBA) - MSI Group

\$MM				
MSI Group¹	Trading Book exposure	Non-Trading Book exposure	Trading Book MCR	Non-Trading Book MCR
Investor securitisations by risk weight				
<=10%	-	-	-	-
>10% <=20%	49	59	1	1
>20% <=50%	45	-	1	-
>50% <= 100%	54	-	4	-
>100% <=650%	97	58	18	23
>650% <1250%	59	-	44	-
1250%	25	15	25	15
Originator securitisations by risk weight				
<=10%	-	-	-	-
>10% <=20%	-	-	-	-
>20% <=50%	-	-	-	-
>50% <= 100%	-	1	-	0
>100% <=650%	-	12	-	2
>650% <1250%	-	-	-	-
1250%	-	-	-	-
Total	329	145	93	41

1. No STS as at 31 December 2024.

Trading Book and Non-Trading Book exposures decreased primarily within the >100<=650% and >650<1250% Risk Weight bandings due to sold and downsizing of SEC-ERBA positions.

Below table shows the securitisation positions broken down by Default 1250% (Risk Weight) capital approach within the MSI Group as at 31 December 2024.

Table 28: Securitisation exposures and capital requirements by default approach (1250% Risk Weight) - MSI Group

\$MM				
MSI Group	Trading Book exposure	Non-Trading Book exposure	Trading Book MCR	Non-Trading Book MCR
Investor securitisations	182	55	176	47
Originator securitisations	-	-	-	-
Investor re-securitisations	18	-	18	-
Originator re-securitisations	-	-	-	-
Total	200	55	194	47

Trading and Non-Trading Book exposures and capital requirements decreased due to downsizing of positions.

Below table shows securitisation exposures in the Non-Trading Book and associated regulatory capital requirements - institution acting as an originator or sponsor for MSI Group as at 31 December 2024.

Table 29: Securitisation exposures in the non-trading book and associated regulatory capital requirements - institution acting as originator or as sponsor (UK-SEC3) - MSI Group

\$MM	a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p	q
	Exposure values (by RW bands/deductions)					Exposure values (by regulatory approach)				RWAs (by regulatory approach)				Capital charge after cap			
MSI Group	≤20% RW	>20% to 50% RW	>50% to 100% RW	>100% to <1250% RW	1250% / deductions	SEC-IRBA	SEC-ERBA (including IAA)	SEC-SA	1250% / deductions	SEC-IRBA	SEC-ERBA (including IAA)	SEC-SA	1250% / deductions	SEC-IRBA	SEC-ERBA (including IAA)	SEC-SA	1250% / deductions
1 Total exposures	-	-	1	12	-	-	13	-	-	-	22	-	-	-	2	-	-
2 Traditional transactions	-	-	1	12	-	-	13	-	-	-	22	-	-	-	2	-	-
3 Securitisation	-	-	1	12	-	-	13	-	-	-	22	-	-	-	2	-	-
4 Retail underlying	-	-	-	12	-	-	12	-	-	-	21	-	-	-	2	-	-
5 Of which STS	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6 Wholesale	-	-	1	-	-	-	1	-	-	-	1	-	-	-	0	-	-
7 Of which STS	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
8 Re-securitisation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
9 Synthetic transactions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
10 Securitisation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11 Retail underlying	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12 Wholesale	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
13 Re-securitisation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

The above table represents Non-Trading Book securitisation positions broken down on the basis of Retail and Wholesale, Traditional and Synthetic exposures categorised by Risk Weight bandings and regulatory approach, where an Institution acts as an Originator or Sponsor. Currently MSI Group only has Non-Trading Book exposures acting as an Originator applying the SEC-ERBA regulatory approach. No material movements during the year.

Below table shows securitisation exposures in the Non-Trading Book and associated regulatory capital requirements - institution acting as investor for MSI Group as at 31 December 2024.

Table 30: Securitisation exposures in the non-trading book and associated regulatory capital requirements - institution acting as investor (UK-SEC4) - MSI Group

	a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p	q
\$MM	Exposure values (by RW bands/deductions)					Exposure values (by regulatory approach)				RWAs (by regulatory approach)				Capital charge after cap			
	≤20% RW	>20% to 50% RW	>50% to 100% RW	>100% to <1250% RW	1250% RW/ deductions	SEC-IRBA	SEC-ERBA (including IAA)	SEC-SA	1250%/ deductions	SEC-IRBA	SEC-ERBA (including IAA)	SEC-SA	1250%/ deductions	SEC-IRBA	SEC-ERBA (including IAA)	SEC-SA	1250%/ deductions
MSI Group																	
1 Total exposures	59	-	9	57	61	-	132	-	55	-	489	-	583	-	39	-	47
2 Traditional securitisation	59	-	9	57	61	-	132	-	55	-	489	-	583	-	39	-	47
3 Securitisation	59	-	9	57	61	-	132	-	55	-	489	-	583	-	39	-	47
4 Retail underlying	59	-	9	57	53	-	132	-	47	-	489	-	482	-	39	-	39
5 Of which STS	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6 Wholesale	-	-	-	-	8	-	-	-	8	-	-	-	101	-	-	-	8
7 Of which STS	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
8 Re-securitisation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
9 Synthetic securitisation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
10 Securitisation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11 Retail underlying	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12 Wholesale	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
13 Re-securitisation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

The above table represents Non-Trading Book securitisation positions broken down on the basis of Retail and Wholesale, Traditional and Synthetic exposures categorised by Risk Weight bandings and regulatory approach, where an Institution acts as an Investor. Currently MSI Group only has Non-Trading Book exposures applying the SEC-ERBA and 1250% Default regulatory approaches. MSI Group's Risk Weighted Assets decreased due to a reduction in Traditional Retail exposures.

Below table shows exposures securitised by the institution - exposures in default and specific credit risk adjustments for the MSI Group as at 31 December 2024.

Table 31: Exposures securitised by the institution - Exposures in default and specific credit risk adjustments (UK-SEC5) - MSI Group

	a	b	c
	Exposures securitised by the institution - Institution acts as originator or as sponsor		
\$MM	Total outstanding nominal amount	Of which exposures in default	Total amount of specific credit risk adjustments made during the period
MSI Group			
1 Total exposures	13	-	-
2 Retail (total)	12	-	-
3 Residential mortgage	12	-	-
4 Credit card	-	-	-
5 Other retail exposures	-	-	-
6 Re-securitisation	-	-	-
7 Wholesale (total)	1	-	-
8 Loans to corporates	1	-	-
9 Commercial mortgage	-	-	-
10 Lease and receivables	-	-	-
11 Other wholesale	-	-	-
12 Re-securitisation	-	-	-

The above table represents securitisation positions broken down on the basis of Retail and Wholesale exposures, where an Institution acts as an Originator or Sponsor. Currently MSI Group only has exposures acting as an Originator. Where MSI Group has exposures acting as an Originator, no exposures are in default or had specific credit risk adjustments made during the year.

In the event that the MSI Group acts as the originator of a securitisation, transfers of financial assets in the transaction are generally accounted for as sales when the MSI Group has relinquished control over the transferred assets and met CRR requirements for SRT. The gain or loss on sale of such financial assets depends, in part, on the previous carrying amount of the assets involved in the transfer (generally at fair value), the sum of the proceeds and fair value of the retained interests on the date of sale.

The MSI Group may retain interests in the securitised financial assets of one or more tranches of the securitisation. These retained interests are included at fair value. Any changes in the fair value of such retained interests are recognised through the profit and loss in the audited financial statements of the entity holding such interests.

The credit risk of the MSI Group's securitisations is controlled by actively monitoring and managing the associated credit exposures. The MSI Group evaluates collateral quality, credit subordination levels and structural characteristics of securitisation transactions at inception and on an ongoing basis, and manages exposures against internal limits.

The MSI Group follows a set of rigorous procedures for risk managing market risk on securitised products, evolving them with changes in market conditions:

- The MSI Group conducts an assessment of risk limits at least once a year, and more often if required. Market conditions, collateral quality, liquidity and downside risk are important factors for setting market risk limits.
- The MSI Group measures downside risk using various metrics, such as VaR and scenarios analysis, differentiating products based on collateral, seniority and liquidity.

12. Market Risk

Market risk refers to the risk that a change in the level of one or more market prices, rates, indices, implied volatilities, correlations or other market factors, such as market liquidity, will result in losses for a position or portfolio.

The MSI Group manages the market risk associated with its trading activities at a division, business area and individual product level, and includes consideration of market risk at the legal entity level.

Sound market risk management is an integral part of the Morgan Stanley Group culture. The MSI Group is responsible for ensuring that market risk exposures are well-managed and monitored. The MSI Group Market Risk Department ("MRD") is responsible for ensuring transparency of market risk exposures, monitoring compliance with establishing limits, and escalating risk concentrations to appropriate senior management. The MRD is an independent risk oversight group headed by the EMEA Head of Market Risk, who reports directly to both the EMEA CRO and the Global Head of Market Risk.

To execute these responsibilities, the MRD monitors the market risk against limits on aggregate risk exposures and performs a variety of risk analysis. Aggregate market risk limits are approved for MSI Group in line with the risk appetite set by the MSI Board. Additional market risk limits are assigned, as appropriate, to trading desks, products and/or regions and are commensurate with the aggregate limits. MRD monitors market risk measures against limits in accordance with policies set by the MSI Board. Risk analysis includes monitoring VaR, stress testing and scenario analyses, regular reporting of risk exposures, and maintenance of the VaR and scenario analysis methodologies. Material risks identified by these processes are summarised and reported to senior management.

An Internal Model Approach ("IMA") permission has been granted by the PRA for MSIP and MSESE Consol, for use within the MSI Group on an aggregation plus basis. IMA models are applied consistently across all sub-portfolios with the population in scope defined according to permission criteria. Models are independently reviewed on an annual basis by MRM, and changes to methodologies are approved by the MSI Group Model Oversight Committee. The model validation process is independent of the Internal Models' development, implementation, and operation. The validation process includes tests of the model's sensitivity to key inputs and assumptions and evaluation of conceptual soundness.

The market risk management policies and procedures for the MSI Group are consistent with those of the Morgan Stanley Group and include escalation to the MSI Board and appropriate management personnel.

Risk Mitigation Policies

The MSI Group manages its trading positions by employing a variety of risk mitigation strategies. These strategies include diversification of risk exposures and hedging. Hedging activities consist of the purchase or sale of positions in related securities and financial instruments, including a variety of derivative products (e.g., futures, forwards, swaps, and options). Hedging activities may not always provide effective mitigation against trading losses due to differences in the terms, specific payoff characteristics or other basis risks that may exist between the hedge instrument and the risk exposure that is being hedged. Risk models are designed to ensure these differences are captured and appropriately capitalised.

The MSI Group manages and monitors its market risk exposures, including outright and basis risks, in such a way as to maintain a portfolio that the MSI Group believes is well-diversified in the aggregate with respect to market risk factors, and that reflects the MSI Group's aggregate risk appetite as established by the MSI Board. The effectiveness of hedges and mitigants is monitored using processes such as risk and limit reporting.

12.1 Positions Included in the Trading Book

The MSI Group has a comprehensive framework of policies, controls and reporting to meet the requirements of the CRR for inclusion of positions in the Trading Book. The underlying policies, controls and reporting mechanisms cover a range of different aspects including Trading Intent, Valuation, Liquidity, Restrictions, Hedgeability, Active Management and transfers between the Trading and Non-Trading Books.

Governance around banking/trading boundary is provided by the firm's Banking Trading Committee whose role is to oversee the determination of the covered positions and the Banking or Trading designation in accordance with regulatory requirements. The committee acts as the adjudication forum for any positions where the appropriate designation is unclear. The Banking Trading Committee reports to the Morgan Stanley Basel Capital Steering Committee.

The Trading Book comprises financial instruments that are:

- Held for trading intent or intent to hedge a trading position;
- Free from restrictive covenants on tradability or for which the material risk elements can be hedged in a two-way market; and
- Frequently/accurately valued and actively managed on a trading desk.

If a position fails to meet the Trading Book criteria, it will be classified as Non-Trading Book.

Trading Book positions are subject to market risk-based rules, with market risk capital requirements calculated using regulatory approved internal models or non-modelled standardised approaches.

Morgan Stanley's methodology for determining Non-Trading Book versus Trading Book classification is documented within the Morgan Stanley Trading Book, Banking Book and Covered Positions Boundary Policy. The policy outlines criteria for identifying and classifying Trading Book positions for the purpose of regulatory capital and market risk measurement and sets out associated roles and responsibilities across the business unit, finance, and other stakeholder groups. This policy is subject to annual review and sign-off.

A firm-wide framework establishes controls around initial Banking/Trading classification as well as ongoing monitoring to ensure the initial classification remains appropriate over time.

12.2 Value at Risk

The MSI Group uses the statistical technique known as VaR as one of the tools used to measure, monitor, and review the market risk exposures of its trading portfolios. The MRD calculates and distributes daily VaR-based risk measures to various levels of management.

VaR Methodology, Assumptions and Limitations

The MSI Group calculates VaR using a model based on historical simulation for general market risk factors and for name-specific equity risk, and on Monte Carlo simulation for name-specific risk in bonds, loans, and related derivatives. Market risk factors' daily moves are modelled either as absolute changes or relative changes, dependent on the most suitable stochastic process (normal or lognormal diffusion process) to describe the daily risk factor changes. The model constructs a distribution of hypothetical daily changes in the value of trading portfolios based on historical observation of daily changes in key market indices or other market risk factors, and information on the sensitivity of the portfolio values to these market risk factor changes.

The methodology for VaR at Morgan Stanley Group is 1-year historical simulation. VaR profit and losses are composed of greek and full-revaluation grid based risk measures in combination with complete full-revaluation based profit and losses. Historical simulations cover both systematic and specific risk components. The total simulated profit and loss of a given position for each simulation date in the historical window is calculated taking into account both systematic and specific risk components of the market factor moves. The final profit and loss distribution is a result of profit and losses of all risk factors and all positions being aggregated. The time series data is updated on a weekly basis, with the exception of idiosyncratic risk factors which are updated quarterly. The same valuation and aggregation approach is used for Stressed Value at Risk ("SVaR").

A set of internal processes and controls ensure that all relevant trading positions booked by the MSI Group are included in VaR. The MSI Group's 99%/one-day VaR corresponds to the unrealised loss in portfolio value that, based on historically observed market risk factor movements, would have been exceeded with a frequency of 1%, or once every 100 trading days, if the portfolio were held constant for one day. The 99th percentile is computed and is scaled by the square root of 10 to arrive at a 10-day VaR for regulatory purposes. The 95th percentile 1-day VaR is used internally to manage aggregated market risk and to base the legal entity VaR limits on.

The MSI Group uses VaR as one of a range of risk management tools. Among their benefits, VaR models permit estimation of a portfolio's aggregate market risk exposure, incorporating a range of market risks and portfolio assets. One key element of the VaR model is that it reflects portfolio diversification or hedging activities.

However VaR has various limitations which include but are not limited to: use of historical changes in market risk factors, which may not be accurate predictors of future market conditions, and may not fully incorporate the risk of extreme market events that are outsized relative to observed historical market behaviour or reflect the historical distribution of results beyond the 99% confidence interval; and reporting of losses in a single day, which does not necessarily reflect the risk of positions that cannot be liquidated or hedged in one day.

The modelling of the risk characteristics of some positions relies on approximations that, under certain circumstances, could produce significantly different results from those produced using more precise measures. VaR is most appropriate as a risk measure for trading positions in liquid financial markets and will understate the risk associated with severe events such as periods of extreme illiquidity.

The MSI Group is aware of these and other limitations and therefore uses VaR as only one component in its risk management oversight process. This process also incorporates stress testing and scenario analysis and extensive risk monitoring, analysis, quantification of risk not captured in VaR, and control at the trading desk, division and the MSI Group levels.

The MSI Group performs continuous review and enhancement of VaR methodologies and assumptions in order to capture evolving risks associated with changes in market structure and dynamics. As part of regular process improvement, additional systematic and name-specific risk factors may be added to improve the VaR model's ability to estimate risks more accurately for specific asset classes or industry sectors.

Since the reported VaR statistics are estimates based on historical data, VaR should not be viewed as predictive of the MSI Group's future revenues or financial performance. There can be no assurance that the MSI Group's actual losses on a particular day will not exceed the VaR amounts indicated below or that such losses will not occur more than once in 100 trading days. VaR does not predict the magnitude of losses which, should they occur, may be significantly greater than the VaR amount.

VaR statistics are not readily comparable across firms because of differences in the firms' portfolios, modelling assumptions and methodologies. These differences can result in materially different VaR estimates across firms for similar portfolios. The impact of such differences varies depending on the factor history assumptions, the frequency with which the factor history is updated and the confidence level. As a result, VaR statistics are more useful when interpreted as indicators of trends in a firm's risk profile rather than as an absolute measure of risk to be compared across firms.

Backtesting

MSI Group performs regulatory backtesting for MSIP and MSESE Consol on a daily basis at various levels of the business hierarchy to validate the accuracy of the VaR model. Backtesting is performed against the VaR model in accordance with requirements under the regulation, and per the MSI Group Backtesting Policy and Procedures.

As at 31 December 2024, 68% of total MSI Group market risk capital requirements are covered by the internal models. VaR represents a subset of total model-based market risk capital requirements.

Backtesting compares the profit and loss for trade date T against the 99%/one-day Regulatory Trading VaR for T-1. As per the requirements of the CRR rules, backtesting uses 'actual' and 'hypothetical' definitions of the profit and loss.

Backtesting on hypothetical changes in the portfolio's value refers to a comparison between the portfolio's end-of-day value and, assuming unchanged positions, its value at the end of the subsequent day.

Backtesting on actual changes in the portfolio's value refers to a comparison between the portfolio's end-of-day value and its actual value at the end of the subsequent day (i.e., inclusive of intra-day trading/new activity). Both measures of the backtesting profit and loss exclude non risk-based fees (i.e., service fees), commissions, and Net Interest Income ("NII"). For the purposes of the regulatory backtest, actual profit and loss incorporates bid/offer and model-driven valuation adjustments whilst hypothetical profit and loss retains only the model-driven valuation adjustments.

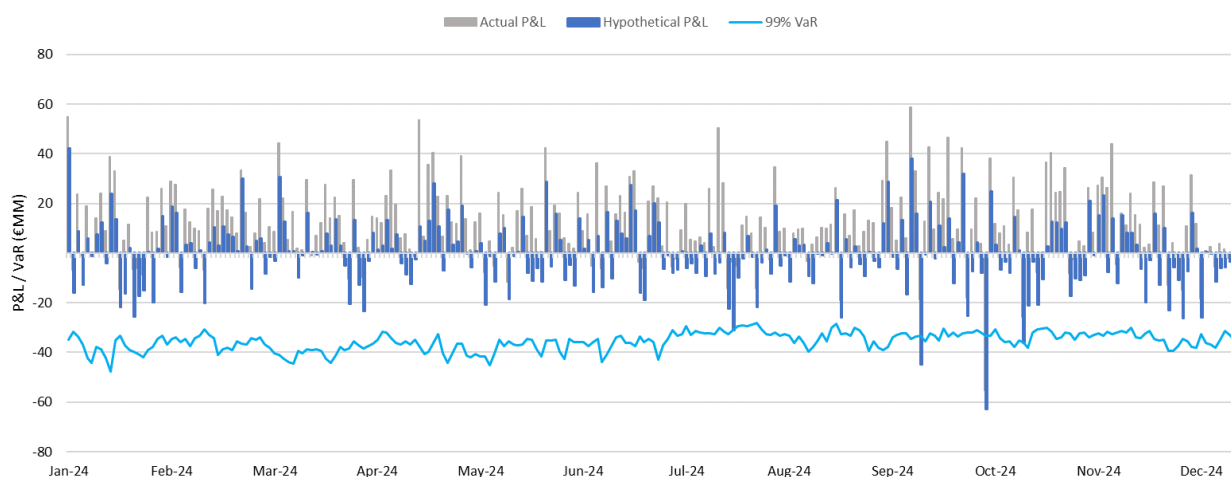
Performance is measured across a rolling 250 business day period and is expressed by the number of exceptions observed (instances where MSIP or MSESE Consol, actual or hypothetical, losses exceed 99% VaR). These exceptions are reported to the regulator. Institutions observing five or more exceptions within the measurement period are required to set aside additional market risk capital based on a sliding scale.

Backtesting results are reported, analysed, and discussed by the MSI Group Market Risk Backtesting Review Forum. Findings or recommendations from this forum are escalated to Model Oversight and Risk Committees, who are responsible for authorising any further model analysis or model remediation efforts. The results of backtesting and model performance monitoring are also reported to the regulator on a periodic basis.

The plots of actual and hypothetical profit and loss, covering 250 business days of MSIP backtesting monitoring to 31 December 2024 are displayed in Figure 4 below:

Figure 4: Comparison of VaR Estimates with Gains/Losses - MSIP (UK MR4)

The graphs below show the 1-day Regulatory Trading VaR against actual and hypothetical profit and loss for MSIP, values in millions of dollars:

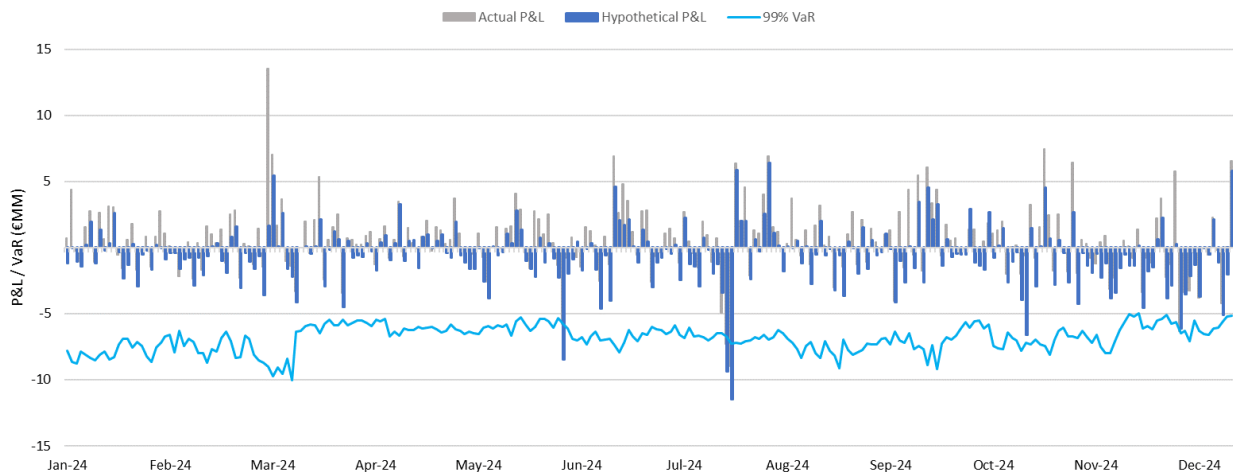


For the measurement period ended 31 December 2024, four hypothetical and one actual profit and loss exception was observed for MSIP which equates to the Green zone for capital multiplier addend purposes (less than five exceptions). The analysis of the December 2024 hypothetical only exception concluded that this was primarily driven by elevated market moves in risk factors that were captured in the VaR model with sufficient granularity.

The plots of actual and hypothetical profit and loss, covering 250 business days of MSESE Consol backtesting monitoring to 31 December 2024, are displayed below:

Figure 5: Comparison of VaR Estimates with Gains/Losses – MSESE Consol (EU MR4)

The graphs below show the 1-day Regulatory Trading VaR against actual and hypothetical profit and loss for MSESE Consol, values in millions of dollars:



For the measurement period ended 31 December 2024, three hypothetical and two actual profit and loss exceptions were observed for the MSESE Consol which equates to the Green zone for capital multiplier addend purposes (less than five exceptions). Morgan Stanley's analysis of the hypothetical exceptions concluded that this was primarily driven by elevated market moves in risk factors that were captured in the VaR model with sufficient granularity and did not indicate any model deficiencies.

12.3 Stressed VaR

SVaR uses the same underlying models as VaR to produce a 1-day 99% VaR constructed over a 1-year period of stress. SVaR uses historical simulations for the general market risk factors and for name-specific risk in corporate shares, and Monte Carlo simulation for name specific risk in bonds, loans, and related derivatives. The SVaR model is approved by the PRA for use in market risk capital calculations. Stressed 10-day VaR is constructed by scaling the Stressed 1-day VaR.

The SVaR window for regulatory calculations is periodically set as the 1-year Unadjusted VaR window since the start of 2 January 2006 that generates the largest financial stress to the MSI Group's portfolio as measured by the resulting VaR.

12.4 Incremental Risk Charge

The Incremental Risk Charge ("IRC") covers possible losses arising from correlated credit rating migration events and potentially joint default events for credit products in the MSI Group's Trading Book portfolio. The model is applied to instruments with credit-like characteristics referencing corporate, sovereign, regional, supranational and agency obligors that are approved for specific risk treatment. This excludes securitisations and correlation trading products as these are capitalised separately. The model captures basis risks between credit derivatives and underlying reference instruments, maturity mismatches, regional and industry concentration risks, and simulates stochastic recovery rates.

The underlying model is based on a Merton style default modelling with a correlation structure between regions and industries that is calibrated to market implied default probabilities, and that uses through the cycle, historical transition matrices for rating migrations. The IRC model applies a constant level of risk with varying liquidity horizons of 3, 6 or 12 months reflective of underlying market liquidity and position concentrations in individual issuers.

MSI Group monitors various IRC model sensitivities and assumptions, including concentration sensitivities across industry, region, rating and security type, sensitivity to the "constant level of risk" assumption, and conservatism of stochastic loss given default.

Below table outlines the average liquidity horizons for each division, which are assigned based on the constituent issuers' rating and concentration.

Table 32: IRC liquidity horizon (months) for material sub portfolios – MSIP / MSESE Consol

	MSIP	MSESE Consol
Fixed Income Division	4.81	4.63
Institutional Equity Division	4.37	5.52
Institutional Securities Other	4.18	-
Overall Portfolio	4.42	4.75

12.5 Comprehensive Risk Measure

The Comprehensive Risk Measure ("CRMe") covers possible losses in the Correlation Trading Portfolio ("CTP") arising from moves in credit spreads, base correlations, expected recovery, and basis risks including index versus single name, as well as defaults with stochastic recovery rates. The model is applied to correlation trading positions and their hedges, and assumes a constant level of risk and a fixed liquidity horizon of 6 months given underlying market liquidity and the MSI Group CTP inventory.

CRMe applies Monte Carlo simulations to a Merton style default modelling and separate but correlated multifactor processes for the modelled market risk factors. Profits and losses are calculated using the simulated market movement in the model calculated based on their time to expiry at the calculation date.

Market variables, including correlations, are calibrated to historical data, and parameters of the default process are the same as those used in the IRC model. Base correlation curves are calibrated using hazard rates with an assumption of constant LGD.

MSI Group monitors the accuracy and consistency of the CRMe model via a review of the explanatory power and completeness of the core market risk factors set, and both supervisory and internally defined market stress scenarios.

12.6 Market Risk Capital Requirements

The market risk capital requirements of the MSI Group comprises of capital which is calculated using IMA in accordance with regulatory approved models and of capital which is calculated under the SA.

Standardised Approach

Below table shows the market risk RWAs for the MSI Group as at 31 December 2024, calculated in accordance with the SA and categorised by component type.

Table 33: Market risk under the standardised approach (UK MR1) - MSI Group

\$MM		a
MSI Group		RWAs
Outright products		
1	Interest rate risk (general and specific)	2,829
2	Equity risk (general and specific)	65
3	Foreign exchange risk	7,731
4	Commodity risk	551
Options		
5	Simplified approach	-
6	Delta-plus method	907
7	Scenario approach	-
8	Securitisation (specific risk)	3,580
9	Total	15,663

The above table represents MSI Group's RWAs calculated in accordance with Market Risk Standardised Approach on the basis of component type. MSI Group's RWAs decreased due to Securitisation positions under Specific Risk.

Internal Model Approach

The VaR-based capital and the SVaR-based capital are determined by the higher of the 60-day average of the 10-day VaR/10-day SVaR numbers, multiplied by the regulatory internal model multiplication factor as prescribed by the PRA, and the 10-day VaR/10-day SVaR for the relevant day. The IRC and CRMe charges are determined by the higher of the average of the latest 12 weeks IRC/CRMe and the IRC/CRMe charge for the relevant day.

Below table shows the VaR and SVaR, as well as the IRC and CRMe measures for the MSI Group, as at 31 December 2024. The VaR and SVaR capital measures presented in Table 30 is based on the 60-day averages, as they were higher than the daily measures as at 31 December 2024.

Table 34: Market risk under Internal Model Approach (UK MR2-A) - MSI Group

\$MM		a	b
MSI Group		RWAs	Own funds requirements
1	VaR (higher of values a and b)	4,754	380
(a)	Previous day's VaR (VaR t-1)	1,513	121
(b)	Multiplication factor (mc) x average of previous 60 working days (VaRavg)	4,754	380
2	SVaR (higher of values a and b)	7,744	620
(a)	Latest available SVaR (SVaRt-1)	2,850	228
(b)	Multiplication factor (ms) x average of previous 60 working days (sVaRavg)	7,744	620
3	IRC (higher of values a and b)	10,786	863
(a)	Most recent IRC measure	10,786	863
(b)	12 weeks average IRC measure	7,883	631
4	CRMe (higher of values a, b and c)	-	-
(a)	Most recent risk measure of comprehensive risk measure	-	-
(b)	12 weeks average of comprehensive risk measure	-	-
(c)	Comprehensive risk measure Floor	-	-
5	Other	20,229	1,618
6	Total	43,513	3,481

MSI Group Market Risk RWAs under the IMA approach increased over the course of 2024, due to increases in Risks not in VaR ("RNIV") and IRC RWA.

Below table summarises the key drivers of RWAs/TOFR for MSI Group and MSIP's market risk exposures under the IMA.

Table 35: RWA flow statements of market risk exposures under the IMA (UK MR2-B) - MSI Group and MSIP

\$MM	a	b	c	d	e	f	g
				Comprehensive risk measure	Other ⁴	Total RWAs	TOFR
MSI Group	VaR	SVaR	IRC				
1 RWAs at previous period end ¹	5,055	9,064	7,374	-	14,654	36,147	2,892
1a Regulatory adjustment ²	(3,500)	(6,071)	(2,678)	-	(5,808)	(18,057)	(1,445)
1b RWAs at the previous quarter-end (end of the day)	1,555	2,993	4,696	-	8,846	18,090	1,447
2 Movement in risk levels	(134)	(461)	6,018	-	1,839	7,262	581
3 Model updates/changes	6	(4)	48	-	(18)	32	3
4 Methodology and policy	-	-	-	-	-	-	-
5 Acquisitions and disposals	-	-	-	-	-	-	-
6 Foreign exchange movements	-	-	-	-	-	-	-
7 Other ³	86	322	24	-	1,145	1,577	126
8a RWAs at the end of the disclosure period (end of the day)	1,513	2,850	10,786	-	11,812	26,961	2,157
8b Regulatory adjustment ²	3,241	4,894	0	-	8,417	16,552	1,324
8 RWAs at the end of the disclosure period	4,754	7,744	10,786	-	20,229	43,513	3,481
MSIP							
1 RWAs at previous period end ¹	4,164	6,190	5,809	-	11,845	28,008	2,241
1a Regulatory adjustment ²	(2,929)	(4,514)	(2,245)	-	(4,387)	(14,075)	(1,126)
1b RWAs at the previous quarter-end (end of the day)	1,235	1,676	3,564	-	7,458	13,933	1,115
2 Movement in risk levels	(142)	38	4,630	-	1,792	6,318	505
3 Model updates/changes	6	(4)	0	-	0	2	0
4 Methodology and policy	-	-	-	-	-	-	-
5 Acquisitions and disposals	-	-	-	-	-	-	-
6 Foreign exchange movements	-	-	-	-	-	-	-
7 Other ³	207	81	13	-	662	963	77
8a RWAs at the end of the disclosure period (end of the day)	1,306	1,791	8,207	-	9,912	21,216	1,697
8b Regulatory adjustment ²	2,678	3,400	0	-	6,397	12,475	998
8 RWAs at the end of the disclosure period	3,984	5,191	8,207	-	16,308	33,691	2,695

1. Previous reporting period was Q4'23.

2. Regulatory adjustments accounts for the difference between the RWAs calculated based on the end-of-day position, compared with the RWAs calculated based on the 60-day average position in the case of VaR/SVaR and 12-week average position in the case of IRC and CRMe. The regulatory adjustments also account for the multiplication factors (mc) and (ms), per Article 366 of the CRR, for the VaR, SVaR and Other respectively.

3. Other (flow driver) represents low impact data and implementation changes including time series updates and periodic parameter updates to the respective models.

4. Other (risk measure) represents RNIV.

Over the course of 2024, Modelled Market Risk RWA for both MSI Group and MSIP increased due to higher RNIV and IRC RWA following changes in the risk profile.

Below table provides a summary of the maximum, minimum, average, and period end values over the six months to 31 December 2024, for the MSI Group, resulting from the different models approved to be used for computing the regulatory capital charge.

Table 36: IMA values for trading portfolios (UK MR3) - MSI Group

\$MM		a
MSI Group ¹		
VaR (10 day 99%)		
1	Maximum value	182
2	Average value	133
3	Minimum value	105
4	Period end	121
SVaR (10 day 99%)		
5	Maximum value	350
6	Average value	237
7	Minimum value	147
8	Period end	228
IRC (99.9%)		
9	Maximum value	1,216
10	Average value	676
11	Minimum value	365
12	Period end	806
Comprehensive risk measure (99.9%)		
13	Maximum value	-
14	Average value	-
15	Minimum value	-
16	Period end	-

1. UK MR3 table excludes RNIVs from the VaR and sVaR calculations. RNIVs (including VaR-based and scenario-based charges) are aggregated into the 'Other' category, shown in table UK MR2-B.

MSI Group's VaR reduced over the course of 2024 due to lower volatility in the historical VaR window, while IRC movements were mainly driven by changes in the risk profile.

12.7 Stress Testing

The MSI Group has a comprehensive and dynamic Stress Testing Framework incorporating deterministic group-wide Macroeconomic and Climate Risk stress tests, business area single and multi-factor scenarios, and reverse stress testing scenarios.

Stress testing is one of the MSI Group's principal risk management tools used to identify and assess the impact of severe stresses on its portfolios. It complements other risk metrics by providing an assessment of MSI Group's resilience under stress scenarios over a range of severities. Stress testing methodologies are applied consistently across all sub-portfolios according to the MSI Group Stress Testing Procedure.

In addition to helping the MSI Group understand the risks it is exposed and/or vulnerable to under a range of scenarios, stress testing is also used by the MSI Board to set the boundary for risk taking within the loss capacity of the MSI Group.

13. Interest Rate Risk in the Banking Book

Interest Rate Risk in the Banking Book ("IRRBB") is defined as the risk of losses arising from adverse changes in the interest rate curves within the defined Banking Book population.

The MSI Group is exposed to interest rate risk primarily through the Trading Book which is captured in VaR. The MSI Group has IRRBB primarily arising from MSI Group's funding and liquidity management. The interest rate risk is measured on a daily basis through firmwide risk systems, except for the risks on internal funding positions which are measured on a quarterly basis. The IRRBB risk is mitigated by Treasury executing financial products to manage liquidity, funding and capital, including cash, repo and reverse repo and interest rate derivatives as needed.

The Economic Value of Equity ("EVE") sensitivity measures the present value of cash flows assuming a static current balance sheet over the life of underlying assets and liabilities while factoring in any embedded optionality. The sensitivity is measured using proprietary Position Valuation and Risk Models ("PVRM") in the Front Office technology systems where the positions are captured and monitored using the sensitivity of the Present Value to a 1 basis point move of the underlying interest rate ("PV01") interest rate delta sensitivity.

The Net Income Interest ("NII") sensitivity measures the potential loss on NII due to a predefined market rate stress event on a certain time horizon. Quantitative Risk Management ("QRM"), an external application, is used to measure and monitor the NII sensitivity of the MSI Group's Banking Book.

Below table shows the changes in the EVE and NII using the regulatory defined scenarios that impact the level and shape of the yield curve.

Table 37: Quantitative information on IRRBB (UK IRRBB1) - MSI Group

\$MM	ΔEVE		ΔNII		Tier 1 capital	
Period						
MSI Group	T ²	T-1 ²	T	T-1	T	T-1
010 Parallel shock up	29	39	659	650		
020 Parallel shock down	(70)	(78)	(645)	(636)		
030 Steepener shock	50	46				
040 Flatteners shock	(91)	(94)				
050 Short rates shock up	(62)	(64)				
060 Short rates shock down	21	14				
070 Maximum ¹	(91)	(94)	(645)	(636)		
080 Tier 1 capital					29,086	29,198

1. The maximum value for EVE is determined as the largest loss observed across the scenarios.

2. "T" date refers to 31 December 2024. "T-1" refers to 31 December 2023.

There are limits on the impact to NII under a 200 basis point down shock and on the total IRRBB PV01 exposure. The down 200 basis point NII sensitivity increased from \$(636)MM on 31 December 2023 to \$(645)MM on 31 December 2024, mainly due to hedge activity and a higher equity balance. For the same period, the total IRRBB PV01 exposure decreased from \$390K of gains per 1 basis point increase in interest rate levels to \$305K of gains.

14. Operational Risk

Risk Management and Control

Operational risk is defined as the risk of loss, or of damage to the MSI Group's reputation, resulting from inadequate or failed processes or systems, from human factors or from external events (e.g., fraud, theft, compliance risks, cyber-attacks, or damage to physical assets). This includes legal risk and the risks arising from ESG risks (e.g., climate risks), but excludes strategic risk.

Operational risk encompasses the following risk event categories as defined by Basel Capital Standards:

- Internal Fraud;
- External Fraud;
- Employment Practices and Workplace Safety;
- Clients, Products, and Business Practices;
- Business Disruption and System Failure;
- Damage to Physical Assets; and
- Execution, Delivery, and Process Management.

The MSI Group is exposed to operational risk across the full scope of its business activities. The MSI Group has established an operational risk framework to identify, measure, monitor and control risk across the MSI Group. This framework is consistent with the framework established by the Morgan Stanley Group and includes escalation to the MSI Group's Board and appropriate senior management personnel. Effective operational risk management is essential to reducing the impact of operational risk incidents and mitigating legal and reputational risks. The framework is continually evolving to reflect changes in the MSI Group and to respond to the changing regulatory and business environment.

The MSI Group has implemented operational risk data and developed systems to monitor and analyse internal and external operational risk events, to assess business environment and internal control factors and to perform scenario analysis. The collected data elements feed into the operational risk capital model. The model encompasses both quantitative and qualitative elements. Internal loss data and scenario analysis results are direct inputs to the capital model, while external operational incidents, business environment and internal control factors are evaluated as part of the scenario analysis process.

A variety of risk processes and mitigants are used to manage its operational risk exposures. These include a governance framework, a comprehensive risk management programme and insurance.

Identification of Priority Non-Financial Risks Pathways and End Risks

The MSI Group has an annual structured process in place to determine its Priority Non-Financial Risks ("PNFR") End Risks which are risks of particular significance to the MSI Group (based on a number of factors, including the level of inherent risk and the output of the risk identification process). Pathways are defined as a means or threat by which a detrimental impact to the firm, markets or clients is generated. End Risks are defined as the final manifestation of risks. The MSI Group's Second Line Non-Financial Risk Organisation reviews PNFR data elements and form an understanding of the risk issues within the business units and infrastructure areas. 2Lod NFR Department proposes additions, edits, and deletions of the MSI Group's PNFRs End Risk and Pathways, supported by the assessment of information and analytics. Final proposals of PNFR are presented to the governance committees to review, challenge and ultimately to recommend for adoption by the MSI Board.

As at 31 December 2024, the MSI Group Board approved PNFR Pathways and End Risks are as the following:

- Pathways:
 - Cyber
 - Third Party
 - Conduct
- End Risks:
 - Business Disruption and Resilience
 - Financial Crimes
 - Information Security
 - Market Abuse and Trading Practices
 - Reporting Errors
 - Sales Practice, Product and Investment Advisory Risk
 - Transaction Processing and Execution
 - Unauthorised Trading, Theft and Fraud

Management of Operational Risk

A variety of risk processes and mitigants are used to manage operational risk exposures. These include a strong governance framework, a comprehensive risk management programme and insurance. Operational risks and associated risk exposures are assessed relative to the risk tolerance established by the MSI Board and are prioritised accordingly. The breadth and variety of operational risk are such that the types of mitigating activities are wide-ranging. Examples of such activities include the continuous development of defences against cyber-attacks; use of legal agreements and contracts to transfer and/or limit operational risk exposures; due diligence; regular revision of policies and procedures; and segregation of duties.

The Operational Risk Department ("ORD") provides second line oversight of operational risk management and independently assesses, measures, and monitors operational risk. ORD works with various Business Units and control groups to help ensure a transparent, consistent, and comprehensive framework for managing operational risk across the MSI Group. ORD's duties include oversight of the technology and data risk management programmes (e.g., cybersecurity), fraud risk management and prevention programme and a third-party risk management programme.

The MSI Group's Cybersecurity and information security framework, which includes robust technology, policies and procedures, is designed to protect the MSI Group's environment from operational risk failures due to actions of a malicious cyber actor. This includes protecting the MSI Group's own data, client data and the MSI Group's employees' data against unauthorised disclosure, modification or misuse; and is also designed to address regulatory requirements. This framework covers a broad range of areas, including identification of internal and external threats, access controls, data security, protective controls, detection of malicious or unauthorised activity, incident response as well as RRP planning.

Exposures to services provided by third parties including external vendors are managed through a number of activities including the performance of due diligence, assessment of operational risk, implementation of service level and other contractual agreements, and ongoing monitoring of third parties' performance. The MSI Group maintains a third-party risk management programme with policies, organisation, governance and supporting technology that aligns with MSI Group's risk tolerance and is designed to meet regulatory requirements. This includes second line of defence which performs adhoc monitoring and testing of the programme.

Morgan Stanley Group's critical processes and businesses could be disrupted by events including cyberattacks, failure or loss of access to technology and/or associated data, military conflicts, acts of terror, natural disasters, severe weather events and infectious disease. Morgan Stanley Group maintains a firmwide resilience programme that is designed to provide for operational resilience and enable it to respond to disruptions impacting our people, technology, facilities and third parties and recover critical processes and supporting assets. The key elements of Morgan Stanley Group's resilience programme include business continuity management, technology disaster recovery, third party resilience and key business service resilience. Resilience testing is performed both internally and with critical third parties to validate recovery capability in accordance with business requirements. The MSI Group is

subject to the operational resilience requirements of the FCA and the PRA. The UK regulatory requirements are incorporated within the broader firmwide resilience programme.

The MSI Group, principally through the Morgan Stanley Group's Legal and Compliance Division, has established procedures based on legal and regulatory requirements that are designed to facilitate compliance with applicable statutory and regulatory requirements and to require that the MSI Group's policies relating to business conduct, ethics and practices are followed globally.

In addition, the MSI Group has established procedures to mitigate the risk that a counterparty's performance obligations are unenforceable, including consideration of counterparty legal authority and capacity, adequacy of legal documentation, the permissibility of a transaction under applicable law and whether applicable bankruptcy or insolvency laws limit or alter contractual remedies.

Operational Risk Governance

The responsibilities of key individuals and committees for the governance of Operational Risk, up to and including the MSI Board, are clearly understood and followed throughout the MSI Group. The implementation and operation of the Operational Risk Framework is overseen by forums at different levels in the MSI Group's governance structure. Key forums are:

- The EMEA Operational Risk Oversight Committee
- The Non-Financial Risk Management Committee
- The EMEA Risk Committee
- The MSI Risk and Audit Committees

Committees and governance forums that provide oversight of particular PNFR End Risks, Pathways, Risk Themes and the effectiveness of their respective management frameworks include:

- EMEA Third Party Governance Committee
- EMEA Electronic Trading Governance Committee

Operational Risk Framework

The MSI Group's Operational Risk Policy and Procedures are reviewed and updated at least annually to articulate clearly the current design and implementation of the Operational Risk Management Framework. In particular:

- The MSI Group Operational Risk Management Policy;
- Key elements of the Framework covered by the Policy include: Risk Appetite and Tolerance; Risk Assessment and Remediation; Scenario Analysis; Operational Risk Incident Management; Industry Incident Data; Operational Risk Metrics; Risk Measurement and Operational Risk Modelling; and Reporting and Escalation; and
- Underlying Procedures set out in detail the key processes which underpin the framework. In particular: Incident and Issue Reporting and Escalation; the Risk Control Self-Assessment ("RCSA"); identification of Horizon Risks and Scenario Analysis workshops for PNFRs.

Operational Risk Reporting, Management Information and Escalation

Reporting and management information, provide awareness and escalation of Operational Risk levels up through the governance chain, ensuring appropriate budget to address control environment concerns, and enabling MSI Group's senior management and the MSI Board to take action if Operational Risk becomes elevated within risk tolerance levels. Key management information reports include:

- Escalated incidents on a weekly basis;
- Lessons learned for selected incidents including the actions planned or taken to mitigate the Operational Risk going forward;
- Overall incident trends, emerging risks, and outsourcing;
- Operational Risk capital updates; and
- Operational Risk levels versus tolerance and key remedial actions and timelines.

Capital Assessment

Pillar 1: Capital requirements for Operational Risk are currently calculated under the BIA. As at 31 December 2024, the MSI Group's Operational Risk RWAs were \$15,656MM.

Pillar 2: The MSI Group recognises that the BIA is not a risk-based measure and therefore uses an Operational Risk modelling approach to calculate internal Operational Risk capital requirements. The MSI Group holds sufficient capital to cover the incremental capital requirement over and above the Pillar 1 requirement.

Below table shows operational risk own funds requirements and RWAs for MSI Group.

Table 38: Operational risk own funds requirements and risk-weighted exposure amounts (UK OR1) - MSI Group

\$MM		a	b	c	d	e
MSI Group		Relevant indicator			Own funds requirements	RWAs
Banking activities		Year-3	Year-2	Last year		
1	Banking activities subject to basic indicator approach ("BIA")	8,105	7,873	9,071	1,252	15,656
2	Banking activities subject to standardised ("TSA") / alternative standardised ("ASA") approaches	-	-	-	-	-
3	Subject to TSA:	-	-	-		
4	Subject to ASA:	-	-	-		
5	Banking activities subject to advanced measurement approaches AMA	-	-	-	-	-

MSI Group calculates RWAs for Operational Risk using the BIA. Capital charge of 15% is applied on adjusted average net profit of 3 prior years. RWAs is 12.5 times the capital charge.

15. Climate and Environmental Risk

15.1 Climate and Environmental Risk Management

Climate and environmental risks include potential negative impacts to biodiversity, pollution of land, water or air, climate change, deforestation and forest degradation, and other negative impacts on the environment as a result of human activities. Within climate and environmental risk, the risks arising from climate change are a particular area of focus.

MSI Group considers climate and environmental risks through two main categories: transition risks and physical risks.

- **Transition Risks:** Transitioning to a low-carbon and more environmentally sustainable economy will entail extensive regulatory, policy, legal, technology and market initiatives as society adapts to climate change, mitigates its causes, and promotes a more sustainable environment. Depending on the nature, speed and focus of these changes, transition risks may pose varying types and levels of financial and reputational risk to businesses and other organisations.
- **Physical Risks:** These risks include both acute physical events such as flooding, and chronic physical risks related to longer-term shifts in climate patterns such as more frequent and prolonged drought and progressive shifts like biodiversity loss, land use change, habitat destruction and resource scarcity. Financial implications for organisations can range from direct damage to assets to indirect impacts from supply chain disruption, driven by factors such as changes in water availability, food security and agricultural productivity. Extreme temperature changes may affect an organisation's physical locations, operations, supply chain, transport needs and employee safety.

MSI Group may also be exposed to litigation risk or reputational risk losses arising from compliance risks related to increasing and evolving ESG-focused regulation.

Risk Identification and Materiality Assessment

As part of its risk identification and materiality assessment process, MSI Group conducts a granular risk assessment of short-term climate and environmental risks across risk types. The risk inventory captures climate and environmental risks as drivers of existing risks. Risk events assessed for their impact on credit, market, liquidity and funding, and operational risks include:

- Transition risk driven by climate policy (carbon repricing and accelerated green technology) and other environmental policy (reduction of pollution)
- Physical risk driven by climate events (extreme temperature, drought, wildfire, riverine flood, coastal floods, and storms) and other environmental events (biodiversity loss, water stress and marine resources).

In addition, the Group assessed ESG scenarios for litigation and reputational risks

In 2024, climate transition risk was assessed as a material credit risk for MSI Group. Climate physical risks were assessed as non-material for credit risk. Operational risk (business disruption, litigation risk and reputational risk), market risk, and liquidity risk were assessed as non-material given estimated losses fell below respective materiality thresholds. Other environmental risks were assessed as non-material across risk types.

Risk Appetite and Limit Framework

The MSI Group Board-level CSLL is set across credit and market risks. The CSLL is integrated into the MSI Group's and the Company's Risk Appetite Statement, which is approved by the MSI Board on an annual basis. In addition to the CSLL, climate risk is incorporated into the Credit Risk Management Framework through industry sector limits as well as country and obligor ratings. Limits and ratings are monitored as per standards in credit risk management policies and procedures.

Scenario Analysis and Stress Testing

Scenario analysis is central to MSI Group's climate risk management framework and is used to identify and measure potential financial vulnerabilities from climate-related risks.

MSI Group has implemented short-, medium- and long-term scenarios to assess the impact of climate risks. Short-term scenarios are considered in the capital planning process and prioritised to manage financial risk due to the short maturity of the business activities. Medium- and long-term scenarios are used to assess materiality and inform the business strategy.

Operational risk scenario analysis workshops are held to assess the impact of several climate-related scenarios, including physical risk scenarios.

15.2 Metrics and targets

Climate Stress Loss Limit: MSI Group remained within its portfolio CSLL throughout 2024.

Credit Exposures: Exposures to industries with high climate transition or physical risk are subject to credit industry sector limits.

For further detail about these exposures, refer to the ESG report, found in [2024 Morgan Stanley & Co. International plc Report and Financial Statements](#).

16. Valuation Risk

Valuation risk represents the possibility that a valuation estimate of a position would differ from the amount observed in a close-out transaction due to uncertainty around the actual price that could be obtained.

16.1 Fair Valuation

VC within Finance is responsible for the MSI Group's valuation policies and procedures which ensure compliance with the relevant accounting standards and regulatory requirements. VC implements valuation control processes designed to validate the fair value of the MSI Group's financial instruments measured at fair value, including those derived from pricing models. There are three primary control processes that mitigate the risk of valuation errors:

- **Model Certification Process:** All models are certified before use and at least annually thereafter. New models (and enhancements to existing models) are developed by Strategists within the business units, who affirm that they are appropriate for intended use. Senior Traders in the business units sign off that they have been involved in the development of the model and understand the model's assumptions and limitations. VC must approve the model by performing an independent review to ensure the valuation methodology and valuation outputs produced by the model are consistent with accounting standards. MRM, within Firm Risk Management, must approve the application of all models, being responsible for the independent oversight of model risks;
- **Mark Review Process:** VC performs a mark review process which covers the financial instruments inventory held at fair value by the MSI Group. VC ensures that the valuation generated by the business units is in compliance with accounting standards. This is performed by reviewing the appropriateness of the prices or pricing inputs applied to valuation models using approved valuation methodologies and independently sourced external pricing data. Variances are reviewed against VC's tolerance framework; variances above the tolerance thresholds are communicated to controllers for consideration as part of the general ledger close. Legal entity thresholds also exist and are reviewed annually in coordination with financial controllers;
- **Significant Transaction Analytical Review Process ("STAR"):** As defined by the STAR policy, for all trades with significant gross day 1 profit and loss, VC reconfirms that the valuation methodologies are adequate and the modelling uncertainty is appropriately addressed. STAR reviews may be conducted before trade execution, post-execution, and at the point of early unwind of the trade, if it occurs. Reviews are documented, presented to, and approved by relevant STAR Committees.

16.2 Prudent Valuation

VC applies the Prudent Valuation regulatory standards as prescribed in CRR Article 105 Requirements for Prudent Valuation. VC has documented policies and procedures, and specific methodologies for each valuation exposure covered by the regulation. Prudent Valuation consists of AVAs, which in combination mark the MSI Group's fair valued inventory down to a prudent valuation. These AVAs are deducted from CET1 capital.

The AVAs represent adjustments to the point within a range of plausible values at which the MSI Group could exit a valuation exposure with 90% confidence or better. The AVAs reflect the valuation uncertainty associated with market price uncertainty, close-out costs, model risk, concentrated positions, unearned credit spreads, investing and funding costs, future administrative costs, early termination, and operational risk.

VC documents and affirms the Prudent Valuation AVAs as capital models which are independently certified on an annual basis by MRM in accordance with the Morgan Stanley Group's Global MRM Policy.

Below table shows prudent valuation adjustments for MSI Group.

Table 39: Prudent Valuation Adjustments (PVA) (UK PV1) – MSI Group

\$MM	a	b	c	d	e	UK e1	UK e2	f	g	h
MSI Group	Risk category					Category level AVA - Valuation uncertainty				
Category level AVA	Equity	Interest Rates	Foreign exchange	Credit	Commodities	Unearned credit spreads AVA	Investment and funding costs AVA	Total category level post-diversification	Of which: Total core approach in the trading book	Of which: Total core approach in the banking book
1 Market price uncertainty	669	208	10	128	-	112	37	582	516	66
3 Close-out cost	398	156	12	35	-	48	4	327	300	27
4 Concentrated positions	56	73	3	21	-	-	-	153	143	9
5 Early termination	-	-	-	-	-	-	-	-	-	-
6 Model risk	217	269	1	12	-	143	80	361	199	162
7 Operational risk	53	27	1	8	-	-	-	89	80	9
10 Future administrative costs	6	21	-	11	-	-	-	38	38	-
¹² Total Additional Valuation Adjustments (AVAs)								1,550	1,276	273

17. Liquidity Risk

17.1 Liquidity Risk Management

Strategies and Processes in the Management of Liquidity Risk

Liquidity risk is the risk that the MSI Group's financial condition or overall soundness is adversely affected by an inability or perceived inability to meet its financial obligations in a timely manner. Liquidity risk encompasses the associated funding risk triggered by stress events, which may cause unexpected changes in funding needs or an inability to raise new funding.

The core components of the Liquidity Risk Management Framework are the Required Liquidity Framework, Liquidity Stress Tests and Liquidity Resources, which support the target liquidity profile.

The Required Liquidity Framework establishes the amount of liquidity the MSI Group must hold in both normal and stressed environments to ensure that its financial condition and overall soundness are not adversely affected by an inability (or perceived inability) to meet financial obligations in a timely manner. The Required Liquidity Framework considers the most constraining liquidity requirement to satisfy all regulatory and internal limits at a consolidated and legal entity level.

The MSI Group maintains sufficient Liquidity Resources to cover daily funding needs and to meet strategic liquidity targets sized by the Required Liquidity Framework and Liquidity Stress Tests. The total amount of Liquidity Resources is actively managed considering the following components: unsecured debt maturity profile, balance sheet size and composition; funding needs in a stressed environment, inclusive of contingent cash outflows; collateral requirements and regulatory requirements.

MSI Group's liquidity and funding risk management policies and procedures are consistent with those of the Morgan Stanley Group. The MSI Board is ultimately responsible for establishing the liquidity risk tolerance and ensuring the MSI Group's liquidity risk is appropriately managed.

In addition to the internal liquidity risk management framework, the MSI Group is subject to requirements prescribed by regulatory authorities, including PRA. MSI Group and MSIP are subject to the UK CRR rules for both:

- LCR: requiring to meet 100% of net cash outflows and Pillar 2 requirements; and
- NSFR: requiring to maintain ASF as 100% of RSF over the one-year horizon.

MSI Group has daily monitoring and reporting processes, including Key Risk Indicators, in place to ensure compliance with its regulatory requirements.

The primary goal of the Liquidity Risk Management Framework is to ensure that MSI Group has access to sufficient liquid assets across a wide range of market conditions and time horizons. The framework is designed to allow the MSI Group to fulfil financial obligations and support the execution of MSI Group's business strategies. The following principles guide the Liquidity Risk Management Framework:

- Sufficient liquid assets should be maintained to cover maturing liabilities and other planned and contingent outflows;
- Maturity profile of assets and liabilities should be aligned, with limited reliance on short-term funding;
- Source, counterparty, currency, region, and term of funding should be diversified; and
- Liquidity Stress Tests should anticipate, and account for, periods of limited access to funding.

Structure and Organisation of the Liquidity Risk Management Function

As outlined in section 3.2 Risk Management Framework of this disclosure, the functions responsible for carrying out the activities pertaining to liquidity risk across the Three Lines of Defence system are the Treasury Department and applicable business units (collectively the Centralised Liquidity Management Function) as First Line of Defence, the Liquidity Risk Department ("LRD") as Second Line of Defence and Internal Audit as Third Line of Defence.

Senior management establishes and maintains liquidity policies. Through various risk and control committees, senior management reviews business performance relative to these policies, monitors the availability of alternative sources of financing, and oversees the liquidity, interest rate and currency sensitivity of asset and liability positions. Corporate Treasury, LRD, ERC, EMEA ALCO and other committees and control groups assist in evaluating, monitoring and

controlling the impact that business activities have on the balance sheets, liquidity and capital structure. Liquidity matters are reported regularly to the MSI Board and the MSI Risk Committee.

LRD is a distinct area in Risk Management, which oversees and monitors liquidity risk. LRD ensures transparency of material liquidity risks, compliance with established risk limits and escalation of risk concentrations to appropriate senior management. To execute these responsibilities, LRD:

- Establishes limits in line with the Morgan Stanley Group risk appetite;
- Identifies and analyses emerging liquidity risks to ensure such risks are appropriately mitigated; and
- Monitors and reports risk exposures against metrics and limits.

The liquidity and funding risks identified by these processes are summarised and reported to senior management.

The Centralised Liquidity Management Function and its Interaction with other Functional Areas

The MSI Group's Liquidity Risk Management Framework is critical to helping ensure that MSI Group maintains sufficient liquidity reserves and durable funding sources to meet its daily obligations and to withstand unanticipated stress events.

The Treasury Department and applicable business units (collectively the Centralised Liquidity Management Function) have primary responsibility for evaluating, monitoring, and controlling the liquidity and funding risks arising from MSI Group's business activities, and for maintaining processes and controls to manage the key risks inherent in their respective areas. LRD coordinates with the Treasury Department and these business units to help ensure a consistent and comprehensive framework for managing liquidity risk across the Morgan Stanley Group.

Liquidity Risk Reporting and Measurement Systems

Morgan Stanley Group has a Global Liquidity Data Warehouse that is used for internal and regulatory liquidity reporting, metrics, and stress testing of MSI Group. Reporting and analytical tools enable interrogation, presentation, and generation of reports for internal purposes as well as for regulatory reporting returns. A control framework has been established around each step of the liquidity reporting process and is designed to ensure that source data feeds from firm-wide risk systems, adjustment processing and report production are all subject to a coherent set of proof and control processes to ensure accuracy and completeness of data. Reporting results are validated locally by MSI Group Treasury Department.

Policies for Hedging and Mitigating the Liquidity risk and Strategies and Processes for Monitoring the Continuing Effectiveness of Hedges and Mitigants

MSI Group maintains a durable funding profile, commensurate with complexity and size of its business, with diversified sources and terms of funding. MSI Group manages its funding in a manner that reduces the risk of disruption to its operations. MSI Group pursues a strategy of diversification of secured and unsecured funding sources (by product, investor, and region) and attempts to ensure that the tenor of its liabilities equals or exceeds the expected holding period of the assets being financed.

MSI Group funds itself through diverse sources. These sources may include equity capital, long-term unsecured debt, external structured notes issuances, securities sold under agreements to repurchase, securities lending and lines of credit. The MSI Group has active financing programmes for both standard and structured products targeting global investors and currencies.

In managing the MSI Group's funding risk, the composition and size of the entire balance sheet, not just financial liabilities, are monitored and evaluated. The liquid nature of the marketable securities and short-term receivables arising principally from sales and trading activities in the Institutional Securities business provides the MSI Group with flexibility in managing balance sheet composition and size.

Contingency Funding Plan

The MSI Group's Contingency Funding Plan is integrated in the Recovery Plan and defines the roles and responsibilities of the primary functions that manage the MSI Group's operating and strategic response to liquidity stress events. The MSI Group's financial condition and overall soundness can be adversely affected by an inability, or perceived inability, to meet its financial obligations in a timely manner during a period of liquidity stress, therefore it is vital that the MSI Group maintains a sound plan of action for managing a liquidity stress. The MSI Group Recovery Plan is the MSI Group's detailed action plan and outlines the process by which the MSI Group:

- Determines whether there is a potential or actual liquidity stress event;
- Enacts a heightened decision-making and governance structure;
- Identifies available contingent funding sources;
- Identifies and acts in a deliberate and coordinated way to respond to liquidity shortfalls;
- Strategically communicates with internal and external stakeholders; and
- Decides to return to standard operating liquidity management status.

Liquidity Stress Testing

The MSI Group uses Liquidity Stress Tests to model external and intercompany liquidity flows across multiple scenarios over a range of time horizons. These scenarios contain various combinations of idiosyncratic and systemic stress events of different severity and duration. The methodology, implementation, production, and analysis of the Liquidity Stress Tests are important components of the Liquidity Risk Management Framework.

Adequacy of Liquidity Risk Management Arrangements

As a result of the annual ILAAP, the Board are satisfied that there are appropriate processes and systems in place to monitor liquidity and funding adequacy and take action to increase liquidity or adjust funding resources if adverse developments reduce available liquidity or funding.

Liquidity Risk Profile and Business Strategy

The MSI Group Risk Appetite is the articulation of the aggregate level and type of risk that the MSI Group is willing to accept to execute its Business Strategy and protect its capital and liquidity resources. The MSI Group's Risk Appetite comprises both qualitative and quantitative components and is set considering MSI Group's risk profile as defined in the MSI Group Business Strategy. The MSI Group's RAS is well integrated with MSI Group's Business Strategy, ICAAP and ILAAP - all are based on a consistent financial forecast. The RAS also establishes clear links into capital and liquidity planning under both the Regulatory and Internal Models Perspectives. The Liquidity Risk Limit Framework ensures that MSI Group business activities are carried out consistent with the RAS.

The MSI Group Management Board has concluded that the MSI Group has adequate liquidity for the size, nature and complexity of its business model and to pursue its strategy. Throughout 2024, MSI Group and the respective subsidiaries and sub groups exceeded all applicable internal and regulatory liquidity requirements, which include the Internal Liquidity Stress Test ("ILST"), the LCR and the NSFR.

At year end 2024, \$51.6Bn HQLA is primarily held in central bank reserves (25%) and Level 1 high quality securities (74%).

17.2 Liquidity Coverage Ratio

LCR Qualitative Disclosures

The MSI Group's LCR Disclosure is based on the UK CRR rules.

As of 31 December 2024, the MSI Group held excess HQLA over LCR required minimum of 100% (Pillar 1) as specified by the total net cash outflows amount included in Table 40.

The MSI Group and MSIP is subject to Pillar 2 requirements, assessed by the PRA, for risks not covered in the LCR (Pillar 1). These risks are identified and documented in the ILAAP that is then reviewed and assessed by the PRA as part of the Liquidity Supervisory Review Process ("L-SREP"). As a result, the MSI Group and MSIP is required to hold sufficient liquidity in the form of HQLA to meet both Pillar 1 and Pillar 2 requirements. Pillar 2 amounts are not disclosed in Table 40.

Main drivers of the LCR

The 12-month LCR average values have been used to analyse the main requirement's drivers.

The most significant drivers of MSI Group and MSIP's YoY cash outflows this quarter were non-operational deposits and outflows related to derivative exposures, partially offset by secured wholesale funding. MSI Group and MSIP's cash inflows this quarter were primarily driven by secured lending which includes reverse repurchase transactions, securities borrowed and margin loan transactions, partially offset by inflows from fully performing exposures.

Explanations of the Changes in the LCR in 2024

The MSI Group's LCR increased from 186% to 198%, driven by a decrease in net average cash outflows (primarily driven by an increase in secured lending and decrease in non-operational deposits, partially offset by an increase in secured wholesale funding), partially offset by a decrease in HQLA.

The MSIP LCR increased from 193% to 194%, driven by a decrease in net average cash outflows (primarily driven by an increase in secured lending and decrease in non-operational deposits, partially offset by an increase in secured wholesale funding), partially offset by a decrease in HQLA.

Concentration of Funding Sources

The MSI Group funds itself through diverse sources. These sources may include equity capital, long-term debt, external structured notes issuance, securities sold under agreements to repurchase, securities lending and lines of credit.

The MSI Group funds itself through transactions with affiliates in the Morgan Stanley Group for capital, unsecured and secured funding, and through a diverse range of counterparties in unsecured and secured funding markets.

High-level Description of the Composition of the Institution's Liquidity Buffer

The liquidity buffer, expressed as HQLA, primarily comprises of Level 1 assets that includes government bonds, and central bank reserves.

Derivatives Exposures and Potential Collateral Calls

MSI Group participates in global derivatives markets. In some cases, derivative counterparties have contractual rights that require the entities to post collateral to them in the event that credit rating agencies downgrade Group's credit rating. In measuring collateral call risks, all amounts of collateral that could be required to be posted in accordance with the terms and conditions of the downgrade trigger clauses found in applicable legal agreements are considered.

The impact of potential collateral calls related to derivative exposures is inherently uncertain and depends on various interrelated factors, such as the magnitude of the downgrade, the rating relative to peers, the rating assigned by the relevant agency pre-downgrade, individual client behaviour and future mitigating actions that could be taken. MSI Group manages the risk of potential collateral calls on derivative positions by employing a variety of risk mitigation strategies, including modelling the impact of credit rating agency downgrades in the liquidity stress test program, monitoring historical changes in variation margin, diversifying risk exposures, hedging, managing counterparty and product risk limits and maintaining Liquidity Resources to enable the MSI Group to meet unexpected collateral calls or other potentially adverse developments.

Currency mismatch in the LCR

A portion of MSI Group's business is conducted in currencies other than USD, and changes in FX rates relative to the USD, therefore, can affect the value of non-USD net assets, revenues and expenses. Potential exposures as a result of these fluctuations in currencies are closely monitored, and strategies are adopted to reduce the impact of these fluctuations on financial performance. These strategies may include the financing of non-USD assets with direct or swap-based borrowings in the same currency and the use of currency forward contracts or the spot market in various hedging transactions related to net assets, revenues, expenses or cash flows.

Quantitative Disclosures

The LCR quantitative disclosures, shown in below table reflects the monthly average value for each quarter-end period. The figures reported in the "Total Weighted Value" column reflect the prescribed industry-wide rules and haircuts applicable to the LCR to determine the MSI Group and MSIP's eligible HQLA and cash in/outflow amounts. The figures reported in the "Total Unweighted Value" columns reflect gross values prior to the application of the LCR weights.

Table 40: Quantitative Information of LCR (UK LIQ1) – MSI Group and MSIP

\$MM		a	b	c	d	e	f	g	h
MSI Group		Total unweighted value (average)				Total weighted value (average)			
UK 1a	Quarter ending on	31 Dec 2024	30 Sep 2024	30 Jun 2024	31 Mar 2024	31 Dec 2024	30 Sep 2024	30 Jun 2024	31 Mar 2024
UK 1b	Number of data points used in the calculation of averages	12	12	12	12	12	12	12	12
High-Quality Liquid Assets									
1	Total high-quality liquid assets (HQLA)					52,289	51,718	51,391	52,682
Cash-Outflows									
2	Retail deposits and deposits from small business customers, of which:	-	-	-	-	-	-	-	-
3	<i>Stable deposits</i>	-	-	-	-	-	-	-	-
4	<i>Less stable deposits</i>	-	-	-	-	-	-	-	-
5	Unsecured wholesale funding	15,016	16,066	17,500	18,975	14,292	15,366	16,703	18,038
6	<i>Operational deposits (all counterparties) and deposits in networks of cooperative banks</i>	0	0	0	0	0	0	0	0
7	<i>Non-operational deposits (all counterparties)</i>	14,250	15,364	16,829	18,342	13,526	14,663	16,032	17,406
8	<i>Unsecured debt</i>	766	702	671	633	766	703	671	632
9	Secured wholesale funding					47,654	47,054	45,022	44,443
10	Additional requirements	31,382	30,920	29,966	29,347	17,796	17,747	17,475	17,725
11	<i>Outflows related to derivative exposures and other collateral requirements</i>	24,616	24,446	23,741	23,282	16,216	16,210	15,947	16,155
12	<i>Outflows related to loss of funding on debt products</i>	0	0	0	0	0	0	0	0
13	<i>Credit and liquidity facilities</i>	6,766	6,474	6,225	6,065	1,580	1,537	1,528	1,570
14	Other contractual funding obligations	61,008	59,490	55,741	51,713	933	863	838	878
15	Other contingent funding obligations	4,951	4,786	4,706	4,561	2,476	2,384	2,344	2,269
16	Total Cash Outflows					83,151	83,414	82,382	83,353
Cash Inflows									
17	Secured lending (e.g., reverse repos)	293,606	284,242	264,119	253,412	41,918	41,060	40,241	40,550
18	Inflows from fully performing exposures	10,141	10,341	10,336	10,329	9,677	9,929	9,892	9,805
19	Other cash inflows	6,558	6,415	6,241	6,322	6,558	6,415	6,241	6,322
UK-19a	(Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer restrictions or which are denominated in non-convertible currencies)					1,845	1,697	1,363	1,229
UK-19b	(Excess inflows from a related specialised credit institution)					0	0	0	0
20	Total Cash Inflows	310,305	300,998	280,696	270,063	56,308	55,707	55,011	55,448
UK-20a	<i>Fully exempt inflows</i>	-	-	-	-	-	-	-	-
UK-20b	<i>Inflows Subject to 90% Cap</i>	-	-	-	-	-	-	-	-
UK-20c	<i>Inflows Subject to 75% Cap</i>	262,164	254,649	234,857	223,127	56,308	55,707	55,011	55,448
						Total Adjusted Value			
UK-21	Liquidity Buffer					52,289	51,718	51,391	52,682
22	Total Net Cash Outflows					26,842	27,707	27,371	27,904
23	Liquidity Coverage Ratio (%)					197.57 %	187.52 %	188.36 %	189.42 %

\$MM		a	b	c	d	e	f	g	h
MSIP		Total unweighted value (average)				Total weighted value (average)			
UK 1a Quarter ending on		31 Dec 2024	30 Sep 2024	30 Jun 2024	31 Mar 2024	31 Dec 2024	30 Sep 2024	30 Jun 2024	31 Mar 2024
UK 1b	Number of data points used in the calculation of averages	12	12	12	12	12	12	12	12
High-Quality Liquid Assets									
1	Total high-quality liquid assets (HQLA)					39,981	39,309	38,526	39,546
Cash-Outflows									
2	Retail deposits and deposits from small business customers, of which:	0	0	0	0	0	0	0	0
3	Stable deposits	0	0	0	0	0	0	0	0
4	Less stable deposits	0	0	0	0	0	0	0	0
5	Unsecured wholesale funding	9,655	10,346	11,264	12,338	8,931	9,645	10,467	11,401
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	0	0	0	0	0	0	0	0
7	Non-operational deposits (all counterparties)	8,889	9,644	10,593	11,706	8,165	8,943	9,796	10,769
8	Unsecured debt	766	702	671	632	766	702	671	632
9	Secured wholesale funding					48,766	48,063	45,815	44,992
10	Additional requirements	22,620	22,632	22,130	21,703	14,446	14,514	14,327	14,445
11	Outflows related to derivative exposures and other collateral requirements	22,603	22,614	22,115	21,686	14,436	14,506	14,321	14,441
12	Outflows related to loss of funding on debt products	0	0	0	0	0	0	0	0
13	Credit and liquidity facilities	17	18	15	17	10	8	6	4
14	Other contractual funding obligations	54,674	53,288	50,705	48,315	1,000	920	870	881
15	Other contingent funding obligations	4,955	4,794	4,719	4,597	2,477	2,388	2,350	2,287
16	Total Cash Outflows					75,620	75,530	73,829	74,006
Cash Inflows									
17	Secured lending (e.g., reverse repos)	287,373	281,356	264,185	255,151	42,843	41,895	40,873	40,911
18	Inflows from fully performing exposures	8,626	8,761	8,738	8,840	8,176	8,361	8,305	8,321
19	Other cash inflows	5,863	5,706	5,543	5,607	5,863	5,706	5,543	5,607
UK-19a	(Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer restrictions or which are denominated in non-convertible currencies)					1,591	1,460	1,192	1,065
UK-19b	(Excess inflows from a related specialised credit institution)								
20	Total Cash Inflows	301,862	295,823	278,466	269,598	55,291	54,502	53,529	53,774
UK-20a	Fully exempt inflows	-	-	-	-	-	-	-	-
UK-20b	Inflows Subject to 90% Cap	-	-	-	-	-	-	-	-
UK-20c	Inflows Subject to 75% Cap	255,011	250,566	233,580	223,479	55,291	54,502	53,529	53,773
						Total Adjusted Value			
UK-21	Liquidity Buffer					39,981	39,309	38,526	39,546
22	Total Net Cash Outflows					20,910	21,196	20,387	20,401
23	Liquidity Coverage Ratio (%)					193.53 %	186.34 %	189.68 %	194.71 %

17.3 Net Stable Funding Ratio

The NSFR as defined by UK CRR rules, is a funding liquidity ratio to ensure that the institution has a stable funding structure to cover existing assets and off-balance sheet commitments. Compliance with the ratio requires that sufficient weighted liabilities and own funds (Available Stable Funding) are available to cover the funding requirement from weighted assets and off-balance sheet exposures (Required Stable Funding).

MSI Group is required to comply on a daily basis with the NSFR and held a significant excess of \$15.2Bn stable funding as of 31 December 2024. MSI Group maintained excess ASF, in comparison to RSF assets and off-balance sheet commitments, throughout 2024.

Composition of ASF and RSF

The management of the NSFR has been embedded into MSI Group internal processes to ensure that there are sufficient durable liabilities to cover the RSF requirements on an ongoing basis.

The Treasury Department and applicable business units (collectively the Centralised Liquidity Management Function) have primary responsibility for evaluating, monitoring and controlling the liquidity and funding resources. The primary sources of funding arise from capital, unsecured funding and SFTs.

The primary drivers of MSI Group's NSFR RSF are inventory, margin posted, derivatives exposures and secured financing transactions, weighted based on the liquidity value of the associated collateral and contributing to both ASF (if used to fund assets) and RSF (if used to source assets).

NSFR Trending

The NSFR ratio has decreased during the course of 2024, primarily due to the increase in RSF stemming from inventory and derivatives.

The NSFR quantitative disclosures, shown in below table reflects the average value of end of quarter observation over the last 4 quarters.

The figures reported in the "Total Unweighted Value" columns reflect gross values prior to the application of the NSFR weights. The figures reported in the "Total Weighted Value" column reflect the prescribed, industry-wide NSFR rules to determine the ASF and RSF weighted values.

Table 41: Quantitative Information of NSFR (UK LIQ2) – MSI Group and MSIP

		a	b	c	d	e		a	b	c	d	e	
		Unweighted value by residual maturity						Unweighted value by residual maturity					
		No maturity	< 6 months	6 months to < 1 year	≥ 1 year	Weighted value		No maturity	< 6 months	6 months to < 1 year	≥ 1 year	Weighted value	
\$MM													
MSI Group			Q4'24						Q3'24				
Available stable funding (ASF) Items													
1	Capital items and instruments	31,647	-	-	6,700	38,347	31,615	-	-	6,700	38,315		
2	Own funds	31,647	-	-	6,700	38,347	31,615	-	-	6,700	38,315		
3	Other capital instruments		-	-	-	-		-	-	-	-		
4	Retail deposits		-	-	-	-		-	-	-	-		
5	Stable deposits		-	-	-	-		-	-	-	-		
6	Less stable deposits		-	-	-	-		-	-	-	-		
7	Wholesale funding:	119,516	20,001	68,029	85,947		123,845	19,062	67,846	86,061			
8	Operational deposits		-	-	-	-		-	-	-	-		
9	Other wholesale funding	119,516	20,001	68,029	85,947		123,845	19,062	67,846	86,061			
10	Interdependent liabilities		8,362	-	-	-		9,114	-	-	-		
11	Other liabilities:	-	63,619	-	-	-	-	64,702	-	-	-		
12	NSFR derivative liabilities	-					-						
13	All other liabilities and capital instruments not included in the above categories		63,619	-	-	-		64,702	-	-	-		
14	Total available stable funding (ASF)					124,294						124,376	
Required stable funding (RSF) Items													
15	Total high-quality liquid assets (HQLA)					21,791						22,844	
UK-15a	Assets encumbered for more than 12m in cover pool		-	-	-	-		-	-	-	-	-	
	Deposits held at other financial institutions for operational purposes		4,677	-	-	2,338		4,641	-	-	-	2,321	
16													
17	Performing loans and securities:	175,368	2,654	43,511	50,793		177,961	2,279	43,840	50,274			
18	Performing securities financing transactions with financial customers collateralised by Level 1 HQLA subject to 0% haircut	94,074	391	2	1,179		96,350	381	2	1,159			
19	Performing securities financing transactions with financial customer collateralised by other assets and loans and advances to financial institutions	79,426	1,219	768	10,230		79,740	984	922	9,749			
20	Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which:	1,362	353	330	1,142		1,257	180	301	974			
21	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk	490	86	19	303		444	85	19	279			
22	Performing residential mortgages, of which:	-	-	-	-		-	-	-	-			
23	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk	-	-	-	-		-	-	-	-			
24	Other loans and securities that are not in default and do not qualify as HQLA, including exchange-traded equities and trade finance on-balance sheet products	506	691	42,411	38,242		614	734	42,615	38,392			
25	Interdependent assets		8,362	-	-	-		9,114	-	-	-	-	
26	Other assets:	-	81,223	561	22,514	35,090	-	80,140	582	22,499	34,594		
27	Physical traded commodities				1	1				43	36		
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs		9,119	-	18,023	23,071		8,723	-	17,686	22,448		
29	NSFR derivative assets		3,265	-	-	3,265		3,062	-	-	3,062		
30	NSFR derivative liabilities before deduction of variation margin posted		64,591	-	-	3,230		64,242	-	-	3,212		
31	All other assets not included in the above categories		4,248	561	4,490	5,523		4,113	582	4,770	5,836		
32	Off-balance sheet items		5,040	5	1,695	337		4,854	5	1,727	329		
33	Total RSF					110,349						110,362	
34	Net Stable Funding Ratio (%)					112.67%						112.73%	

Table 41 (continued) Quantitative Information of NSFR (UK LIQ2)

		Unweighted value by residual maturity					Unweighted value by residual maturity				
		No maturity	< 6 months	6 months to < 1 year	≥ 1 year	Weighted value	No maturity	< 6 months	6 months to < 1 year	≥ 1 year	Weighted value
\$MM	MSI Group	Q2'24					Q1'24				
Available stable funding (ASF) Items											
1	Capital items and instruments	31,522	-	-	7,251	38,774	31,305	-	-	7,806	39,110
2	Own funds	31,522	-	-	7,251	38,774	31,305	-	-	7,806	39,110
3	Other capital instruments		-	-	-	-		-	-	-	-
4	Retail deposits		-	-	-	-		-	-	-	-
5	Stable deposits		-	-	-	-		-	-	-	-
6	Less stable deposits		-	-	-	-		-	-	-	-
7	Wholesale funding:	120,433	18,879	64,216	82,057		116,317	17,479	62,961	79,860	
8	Operational deposits		-	-	-	-		-	-	-	-
9	Other wholesale funding	120,433	18,879	64,216	82,057		116,317	17,479	62,961	79,860	
10	Interdependent liabilities		9,386	-	-	-		8,425	-	-	-
11	Other liabilities:	-	67,107	-	-	-	-	67,609	-	-	-
12	NSFR derivative liabilities	-				-	-				
13	All other liabilities and capital instruments not included in the above categories		67,107	-	-	-		67,609	-	-	-
14	Total available stable funding (ASF)					120,831					118,970
Required stable funding (RSF) items											
15	Total high-quality liquid assets (HQLA)					22,767					21,668
UK-15a	Assets encumbered for a residual maturity of one year or more in a cover pool		-	-	-	-		-	-	-	-
16	Deposits held at other financial institutions for operational purposes		3,575	-	-	1,787		2,898	-	-	1,449
17	Performing loans and securities:	173,177	1,990	42,411	48,273		171,577	1,922	41,635	47,857	
18	Performing securities financing transactions with financial customers collateralised by Level 1 HQLA subject to 0% haircut	94,432	272	0	956		92,680	152	0	890	
19	Performing securities financing transactions with financial customer collateralised by other assets and loans and advances to financial institutions	76,969	932	1,010	9,402		76,830	1,004	1,056	9,632	
20	Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which:	1,165	128	320	921		1,184	88	317	911	
21	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk	446	74	10	268		408	47	-	229	
22	Performing residential mortgages, of which:	-	-	-	-	-	-	-	-	-	-
23	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk	-	-	-	-	-	-	-	-	-	-
24	Other loans and securities that are not in default and do not qualify as HQLA, including exchange-traded equities and trade finance on-balance sheet products	611	658	41,081	36,994		883	678	40,262	36,424	
25	Interdependent assets	9,386	-	-	-	-	8,425	-	-	-	-
26	Other assets:	-	77,662	397	21,076	33,628	0	74,371	265	20,651	32,487
27	Physical traded commodities				65	55				87	74
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs	8,396	-	15,809	20,574		7,635	-	15,117	19,340	
29	NSFR derivative assets	3,733	-	-	3,732		3,790	-	-	3,790	
30	NSFR derivative liabilities before deduction of variation margin posted	61,361	-	-	3,068		58,624	-	-	2,931	
31	All other assets not included in the above categories	4,172	397	5,202	6,199		4,322	265	5,447	6,352	
32	Off-balance sheet items	4,340	90	1,828	313		4,023	179	2,014	311	
33	Total RSF					106,768					103,772
34	Net Stable Funding Ratio (%)					113.21%					114.66%

\$MM		a					b					c					d					e				
		Unweighted value by residual maturity					Unweighted value by residual maturity					Unweighted value by residual maturity					Unweighted value by residual maturity									
		No maturity	< 6 months	6 months to < 1 year	≥ 1 year	Weighted value	No maturity	< 6 months	6 months to < 1 year	≥ 1 year	Weighted value	No maturity	< 6 months	6 months to < 1 year	≥ 1 year	Weighted value	No maturity	< 6 months	6 months to < 1 year	≥ 1 year	Weighted value					
MSIP		Q4'24										Q3'24														
Available stable funding (ASF) Items																										
1	Capital items and instruments	22,918	-	-	5,100	28,018	22,955	-	-	5,100	28,055															
2	Own funds	22,918	-	-	5,100	28,018	22,955	-	-	5,100	28,055															
3	Other capital instruments		-	-	-	-		-	-	-	-		-	-	-	-		-	-	-	-					
4	Retail deposits		-	-	-	-		-	-	-	-		-	-	-	-		-	-	-	-					
5	Stable deposits		-	-	-	-		-	-	-	-		-	-	-	-		-	-	-	-					
6	Less stable deposits		-	-	-	-		-	-	-	-		-	-	-	-		-	-	-	-					
7	Wholesale funding:	114,943	20,056	60,754	78,521	119,712	19,128	60,637	78,707																	
8	Operational deposits		-	-	-	-		-	-	-	-		-	-	-	-		-	-	-	-					
9	Other wholesale funding	114,943	20,056	60,754	78,521	119,712	19,128	60,637	78,707																	
10	Interdependent liabilities		6,436	-	-	-		7,301	-	-	-															
11	Other liabilities:	-	46,155	-	-	-	-	46,848	-	-	-															
12	NSFR derivative liabilities	-					-																			
13	All other liabilities and capital instruments not included in the above categories		46,155	-	-	-		46,848	-	-	-															
14	Total available stable funding (ASF)					106,539					106,762															
Required stable funding (RSF) items																										
15	Total high-quality liquid assets (HQLA)					21,585					22,638															
UK-1	Assets encumbered for a residual maturity of one year or more in a cover pool		-	-	-	-		-	-	-	-		-	-	-	-		-	-	-	-					
5a	Deposits held at other financial institutions for operational purposes		4,043	-	-	2,023		3,985	-	-	1,992															
16	Performing loans and securities:	171,576	2,502	41,119	48,729	173,846	2,153	41,589	48,331																	
18	Performing securities financing transactions with financial customers collateralised by Level 1 HQLA subject to 0% haircut	89,367	338	3	1,170	91,278	328	3	1,143																	
19	Performing securities financing transactions with financial customer collateralised by other assets and loans and advances to financial institutions	80,429	1,213	622	10,176	80,797	983	784	9,704																	
20	Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which:	1,298	328	32	844	1,183	156	43	706																	
21	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk	428	61	19	259	370	61	19	230																	
22	Performing residential mortgages, of which:	-	-	-	-	-	-	-	-																	
23	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk	-	-	-	-	-	-	-	-																	
24	Other loans and securities that are not in default and do not qualify as HQLA, including exchange-traded equities and trade finance on-balance sheet products	482	623	40,462	36,539	588	686	40,759	36,778																	
25	Interdependent assets		6,436	-	-	-		7,301	-	-	-															
26	Other assets:	-	66,777	558	17,788	28,082	-	66,331	570	17,365	27,302															
27	Physical traded commodities				1	1			43	37																
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs	8,778	-	16,109	21,154	8,468	-	15,561	20,424																	
29	NSFR derivative assets	2,078	-	-	2,078	1,912	-	-	1,912																	
30	NSFR derivative liabilities before deduction of variation margin posted	53,055	-	-	2,652	53,278	-	-	2,664																	
31	All other assets not included in the above categories	2,866	558	1,678	2,197	2,673	570	1,761	2,265																	
32	Off-balance sheet items	19	-	-	1	20	-	-	1																	
33	Total RSF					100,420					100,264															
34	Net Stable Funding Ratio (%)					106.13 %					106.53 %															

\$MM		Q2'24					Q1'24				
		Unweighted value by residual maturity				Weighted value	Unweighted value by residual maturity				Weighted value
		No maturity	< 6 months	6 months to < 1 year	≥ 1 year		No maturity	< 6 months	6 months to < 1 year	≥ 1 year	
MSIP		Q2'24					Q1'24				
Available stable funding (ASF) Items											
1	Capital items and instruments	23,090	-	-	5,800	28,890	23,031	-	-	6,500	29,531
2	Own funds	23,090	-	-	5,800	28,890	23,031	-	-	6,500	29,531
3	Other capital instruments		-	-	-	-		-	-	-	-
4	Retail deposits		-	-	-	-		-	-	-	-
5	Stable deposits		-	-	-	-		-	-	-	-
6	Less stable deposits		-	-	-	-		-	-	-	-
7	Wholesale funding:	116,536	18,928	56,826	74,584		113,157	17,678	55,441	72,398	
8	Operational deposits		-	-	-	-		-	-	-	-
9	Other wholesale funding	116,536	18,928	56,826	74,584		113,157	17,678	55,441	72,398	
10	Interdependent liabilities		7,627	-	-	-		6,870	-	-	-
11	Other liabilities:	-	51,759	-	-	-	-	55,376	-	-	-
12	NSFR derivative liabilities	-					-				
13	All other liabilities and capital instruments not included in the above categories		51,759	-	-	-		55,376	-	-	-
14	Total available stable funding (ASF)					103,474					101,929
Required stable funding (RSF) items											
15	Total high-quality liquid assets (HQLA)					22,583					21,538
UK-15	Assets encumbered for a residual maturity of one a year or more in a cover pool		-	-	-	-		-	-	-	-
16	Deposits held at other financial institutions for operational purposes		2,950	-	-	1,475		2,308	-	-	1,154
17	Performing loans and securities:	170,047	1,889	40,312	46,497		168,959	1,824	39,851	46,321	
18	Performing securities financing transactions with financial customers collateralised by Level 1 HQLA subject to 0% haircut	90,664	227	0	1,011		89,613	107	0	945	
19	Performing securities financing transactions with financial customer collateralised by other assets and loans and advances to financial institutions	77,741	928	895	9,350		77,421	996	921	9,541	
20	Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which:	1,062	114	50	635		1,084	75	67	642	
21	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk	344	60	10	210		307	34	-	172	
22	Performing residential mortgages, of which:	-	-	-	-		-	-	-	-	
23	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk	-	-	-	-		-	-	-	-	
24	Other loans and securities that are not in default and do not qualify as HQLA, including exchange-traded equities and trade finance on-balance sheet products	580	620	39,367	35,501		841	646	38,863	35,193	
25	Interdependent assets		7,627	-	-	-		6,870	-	-	-
26	Other assets:	-	63,419	378	15,618	25,853	-	60,195	242	14,880	24,454
27	Physical traded commodities				66	55				87	74
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs		8,246	-	13,555	18,531		7,557	-	12,584	17,120
29	NSFR derivative assets		2,348	-	-	2,348		2,337	-	-	2,337
30	NSFR derivative liabilities before deduction of variation margin posted		50,107	-	-	2,505		47,457	-	-	2,373
31	All other assets not included in the above categories		2,718	378	1,997	2,414		2,844	242	2,209	2,550
32	Off-balance sheet items		20	-	-	1		17	-	-	1
33	Total RSF					96,409					93,468
34	Net Stable Funding Ratio (%)					107.38%					109.08%

17.4 Asset Encumbrance

The encumbrance of assets, is a fundamental part of Morgan Stanley's business within the MSI Group. The following section describes how the MSI Group's encumbered and unencumbered assets, along with the matching liabilities, are utilised. An asset is considered encumbered if it has been pledged or if it is subject to any form of arrangement to secure, collateralise or credit enhance any transaction from which it cannot be freely withdrawn. The key sources of encumbrance include secured funding repo, securities lending, as well as derivatives trading. A portion of the encumbered assets are inter-affiliate transactions with other Morgan Stanley Group entities, drivers including funding needs, short coverage on the entity and collateral requirement. The main instances of encumbrance within the MSI Group is between MSIP and MSESE. The MSI Group primarily uses Industry standard collateral agreements mostly Credit Support Annexes ("CSA"), Global Master Repurchase Agreements ("GMRAs") and Global Master Securities Lending Agreements ("GMSLAs").

The majority of the on-balance sheet assets are not subject to any form of encumbrance, given they are mostly cash or receivable assets. The MSI Group also receives securities from the market, which are off-balance sheet, reported as collateral received in Table 43 (UK AE2). These may be pledged to the market and encumbered, or held as part of the MSI Group's unencumbered pool of assets. For on-balance sheet assets, the level of encumbrance over 2024 has increased by 0.5% from 2023. Collateral received has increased year on year with the encumbrance increasing 1.8% from 2023. In compliance with regulatory guidelines, amounts presented are the annual median of the four quarter end values for the year, and are determined by interpolation.

As disclosed in tables 42 and 43 encumbered assets primarily comprise those on- and off-balance sheet assets that are pledged as collateral against secured funding, collateral swaps, and other collateralised obligations. According to the EBA Implementing Technical Standards ("ITS") on regulatory asset encumbrance reporting default funds and initial margins are considered as encumbered.

Below table reflects the MSI Group unencumbered and encumbered on-balance sheet assets. The values represent the median for the year (the rows in the tables below are not additive, with the median calculated individually across all cells).

Table 42: Encumbered and unencumbered assets (UK AE1) – MSI Group

	Carrying amount of encumbered assets		Fair value of encumbered assets		Carrying amount of unencumbered assets		Fair value of unencumbered assets	
	of which notionally eligible EHQLA and HQLA	030	of which notionally eligible EHQLA and HQLA	050	of which EHQLA and HQLA	080	of which EHQLA and HQLA	100
\$MM								
MSI Group^{1,2}	010	030	040	050	060	080	090	100
010 Assets of the reporting institution	139,852	39,322			507,803	16,465		
030 Equity instruments	48,764	16,672	48,764	16,672	20,874	89	20,874	89
040 Debt securities	32,254	22,326	32,254	22,326	5,925	954	5,925	954
050 of which: covered bonds	624	39	624	39	78	0	78	0
060 of which: asset-backed securities	592	-	592	-	394	-	394	-
070 of which: issued by general governments	23,575	21,272	23,575	21,272	2,774	954	2,774	954
080 of which: issued by financial corporations	4,864	171	4,864	171	1,396	-	1,396	-
090 of which: issued by non-financial corporations	3,811	836	3,811	836	782	-	782	-
120 Other assets ^{3,4}	58,282	-			480,467	15,311		

1. A significant portion of MSI Group's business is conducted in currencies other than USD.

2. Cells are marked Not Applicable ("N/A") to indicate those components which are not reportable under EBA Guidelines.

3. Encumbered Other Assets includes on-balance sheet cash that has been segregated under Client Assets Sourcebook ("CASS") and cash collateral pledged against derivatives.

4. The majority of unencumbered Other Assets relate to derivative instruments.

During 2024, median on-balance sheet assets decreased by \$1.1Bn to \$647.7Bn primarily driven by reduced secured lending on MSIP, partially offset by increased equity instruments on MSIP.

Below table breaks down the off-balance sheet assets between those that have been encumbered and the amount available for encumbrance. The values in table 43 represent the median for the year.

Table 43: Collateral received and own debt securities issued (UK AE2) - MSI Group

	Fair value of encumbered collateral received or own debt securities issued		Unencumbered Fair value of collateral received or own debt securities issued available for encumbrance	
		of which notionally eligible EHQLA and HQLA		of which notionally eligible EHQLA and HQLA
\$MM	010	030	040	060
MSI Group				
130 Collateral received by the reporting institution	309,539	219,127	50,265	40,243
140 Loans on demand	-	-	-	-
150 Equity instruments	95,318	25,530	6,413	-
160 Debt securities	214,618	194,177	43,358	40,243
170 of which: covered bonds	550	34	19	-
180 of which: asset-backed securities	1,688	206	8,089	7,641
190 of which: issued by general governments	197,813	191,968	41,630	40,243
200 of which: issued by financial corporations	5,685	207	959	-
210 of which: issued by non-financial corporations	9,812	1,612	403	-
220 Loans and advances other than loans on demand	-	-	-	-
230 Other collateral received	5,090	-	-	-
240 Own debt securities issued other than own covered bonds or securitisations	-	-	-	-
241 Own covered bonds and asset-backed securities issued and not yet pledged	-	-	-	-
250 TOTAL ASSETS, COLLATERAL RECEIVED AND OWN DEBT SECURITIES ISSUED	446,075	256,669		

In the year 2024, median collateral received increased by \$36.3Bn to \$359.8Bn primarily driven by collateral received from reverse repos and stock borrows pledged against repo and stock loan transactions.

Below table shows the extent to which liabilities have been matched to encumbered assets.

Table 44: Sources of encumbrance (UK AE3) – MSI Group

	Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued other than covered bonds and securitisations encumbered
	010	030
\$MM		
MSI Group		
010 Carrying amount of selected financial liabilities	153,456	156,631

As at 31 December 2024 the sources of the encumbered assets are matched with the uses of the assets to calculate the matching liabilities.

18. Remuneration

18.1. Overview

This chapter of the Regulatory Disclosure Report represents the annual Remuneration Disclosure for the MSI Group as required under article 450 of the CRR.

It sets out the principles relating to UK Remuneration Rules within the MSI Group. Some of the policies, practices and procedures outlined in this chapter apply globally to the Morgan Stanley Group. The chapter has been prepared in line with the PRA Rulebook (Remuneration Part), the FCA's Dual-Regulated firms Remuneration Code set out in the FCA's Senior Management Arrangements, Systems and Controls ("SYSC") at SYSC 19D, the UK regulators' transposition of the CRD ("the UK CRD V"), including Article 450 of the CRR, and any associated regulations and guidance (together the "UK Remuneration Rules").

For the purpose of this disclosure, the terms "compensation" and "remuneration" should be read interchangeably.

18.2 MSI Group Remuneration Objectives and Strategy

The MSI Group is committed to a responsible and appropriate remuneration structure that is designed to align the performance and conduct of employees to its business and risk strategy. The remuneration structure is also designed to be motivating, competitive, reflect the current best practices in corporate governance and risk management, and comply with applicable regulations.

The MSI Group is committed to fostering and maintaining a culture based on the Morgan Stanley Group's core values: Do the Right Thing, Put Clients First, Lead with Exceptional Ideas, Commit to Diversity and Inclusion, and Give Back. Alignment with these values is considered a key part of the performance measurement process, which in turn is a key component of the MSI Group's remuneration structures.

The global Compensation, Management Development and Succession Committee ("CMDS Committee") of the Morgan Stanley Board of Directors continually evaluates the Morgan Stanley Group's remuneration programs with a view towards balancing the following key principles, all of which support the Morgan Stanley Group's culture and values, and shareholders' interests:

Deliver Pay for Sustainable Performance

- Variable annual incentives and, for certain senior executives, performance-vested long-term incentives, tied to future performance against strategic objectives
- Consideration of returns for shareholders and appropriate rewards to motivate employees

Align Remuneration with Shareholders' Interests

- Significant portion of variable remuneration is deferred, subject to cancellation and clawback, and tied to the Morgan Stanley Group's stock with retention requirements
- Ongoing shareholder engagement to understand shareholder views

Mitigate Excessive Risk-Taking

- Remuneration arrangements do not incentivise unnecessary or excessive risk-taking that could have a material adverse effect on the Morgan Stanley Group
- Robust governance around review and approval of remuneration programs, including from a risk perspective

Attract and Retain Top Talent

- Competitive pay levels to attract and retain the most qualified employees in a highly competitive global talent environment
- Variable remuneration awards include vesting and cancellation provisions that retain employees and protect the Morgan Stanley Group's interests.

18.3 Remuneration Governance

The EROC and the MSI RemCo

The EROC and the MSI Group RemCo provide formal oversight of EMEA remuneration matters to ensure remuneration practices in EMEA are compliant with the UK Remuneration Rules and follow good standards of practice.

The EROC is comprised of the EMEA Chief Executive Officer (Chair), the EMEA Head of Human Capital Management (Deputy Chair), the EMEA CFO, the EMEA General Counsel ("GC"), the EMEA Head of Compliance, the EMEA CRO, the EMEA Chief Operating Officer ("COO") and the EMEA Head of Regulatory Relations. The EROC met six times and considered matters for approval by written circulation once during 2024.

The MSI RemCo is appointed by the MSI Group's Board of Directors to oversee the design and implementation of the remuneration policies and practices applicable to the MSI Group, which includes contributing to the global policy development that is subject to oversight by the CMDS Committee, as well as overseeing compliance by the MSI Group with applicable EU and UK Remuneration Rules. On December 31, 2024, the MSI RemCo was comprised of five non-executive directors: David Cannon (Chair), Terri Duhon, Jane Pearce, Melanie Richards and Paul Taylor. Jonathan Bloomer ceased to be a member of MSI RemCo in August 2024. The MSI RemCo met four times and considered matters for approval by written circulation twice during 2024.

The CMDS Committee

The CMDS Committee regularly reviews (i) the Morgan Stanley Group's performance with respect to execution of strategic objectives and evaluates executive performance in light of such performance; (ii) executive remuneration strategy, including the competitive environment and the design and structure of the Morgan Stanley Group's remuneration programs to ensure that they are consistent with and support the Morgan Stanley Group's remuneration objectives; and (iii) market trends and legislative and regulatory developments affecting remuneration in the U.S. and globally. In this respect, the Chair of the MSI RemCo meets with the CMDS Committee Chair at least annually to discuss local regulatory priorities and the global remuneration processes.

On December 31, 2024, the CMDS Committee was comprised of four directors, including the independent Lead Director of the Board, all of whom are independent under the New York Stock Exchange listing standards and the independence requirements of the Morgan Stanley Group. The members were Dennis M. Nally (Chair), Thomas H. Glocer, Erika H. James, and Rayford Wilkins Jr. Stephen J. Luczo ceased to be a member of the CMDS Committee in December 2024. In 2024, the CMDS Committee held seven meetings. The CMDS Committee operates under a written charter adopted by the Board, which is available on Morgan Stanley's website at <https://www.morganstanley.com/about-us-governance/comchart>.

Role of External Consultants and Other Stakeholders

The MSI Remco and the CMDS Committee have the power to appoint independent remuneration consultants, legal counsel, financial or other advisors as it may deem necessary to assist it in the performance of its duties and responsibilities.

Together with the Global CRO, the CMDS Committee oversees the Morgan Stanley Group's variable remuneration practices and arrangements to help ensure that such practices and arrangements: (i) are designed in accordance with the Morgan Stanley Group's responsibility to appropriately balance risk and financial results in a manner that does not encourage employees to expose the Morgan Stanley Group to imprudent financial or non-financial risk, (ii) are consistent with the safety and soundness of the Firm, and (iii) are consistent with applicable related regulatory rules and guidance. The Global CRO attends CMDS Committee meetings at least annually, and on an as needed basis, to discuss the risk attributes of the Morgan Stanley Group's variable remuneration practices and arrangements. The Morgan Stanley Group concluded that the Firm's current remuneration programs for 2023 do not incentivise employees to take unnecessary or excessive risk and that such programs do not create risks that are reasonably likely to have a material adverse effect on the Morgan Stanley Group. The Global CRO reviewed the Morgan Stanley Group's remuneration practices and arrangements from a risk perspective, and reviewed the risk assessment process and his findings and conclusions with the CMDS Committee. The CMDS Committee concurred with the risk assessment process and results.

The day-to-day compliance with the MSI Group's obligations under the UK Remuneration Rules is delegated to EMEA HCM and the MSI Group's Control Functions. EMEA HCM regularly reviews the MSI Group's regulatory obligations with respect to remuneration in each of the EMEA jurisdictions in which it operates, or with branches, and ensures that appropriate variations in policy relating to remuneration structures approved by the CMDS Committee are fully compliant with applicable local laws and regulations in the jurisdictions covered by EMEA HCM.

18.4 Identification of Material Risk Takers

The MSI Group has established a formal identification framework to identify employees whose professional activities have a material impact on the MSI Group's risk profile, referred to as Material Risk Takers ("MRT"s). The MSI Group MRT identification framework complies with the qualitative and quantitative criteria set out in Articles 5 and 6 of the Commission Delegated Regulation (EU) No 2021/923 and the PRA Rulebook. The identification framework is reviewed on an annual basis in line with the UK Remuneration Rules and the outcome of the review is subject to approval of the EROC and the MSI RemCo.

18.5 Link Between Pay and Performance

In conjunction with the Morgan Stanley Group's Global Compensation Policy and Global Incentive Compensation Discretion Policy, the MSI Group Remuneration Policy sets forth certain standards regarding the remuneration parameters applied within the MSI Group.

Incentivising Right Behaviours

The following key features of the MSI Group Remuneration Policy ensure that the MSI Group does not incentivise employees to take unnecessary or excessive risk, and provide a link between an employee's remuneration and the long-term interests of the MSI Group:

- A balance of fixed and variable remuneration;
- A balance between short-term and long-term incentives;
- Mandatory deferrals into equity incentive programs (or cash-based if needed for local regulatory or business reasons);
- Risk-mitigating features of awards such as cancellation/malus and clawback provisions; and
- Governance procedures followed in making remuneration decisions.

Delivering all or a portion of deferred variable remuneration in the form of equity links variable remuneration to the Morgan Stanley Group's performance through its stock price. Risk outcomes that result in a negative impact to the Morgan Stanley Group reduce the value of the equity award, and employees are subject to this decline in value through the deferral period.

The Morgan Stanley Group constantly reviews its policies and practices, and is working towards further enhancing the linkage between positive risk behaviours and remuneration outcomes.

Bonus Pool Determination

The Morgan Stanley Group has a 'pay for performance' philosophy, which is reflected throughout the four key objectives of its remuneration programs (see section 18.2) and applies across all lines of business.

The final year-end bonus pool determination is subject to a multi-dimensional process that considers Morgan Stanley Group, business unit and individual performance, taking into account financial as well as non-financial performance metrics. This process includes a review of the adherence to risk limits, conduct, market and competitive factors, regulatory outcomes, and business or location specific factors.

Moreover, the MSI Group also ensures that the MSI Group's final year-end bonus pool would enable it to maintain a sound capital base, including liquidity and capital resources, and adequate risk bearing capacity, taking into account current and future year distributions.

18.6 Individual Performance Measurement

The Performance Management Program is designed to provide employees with a clear set of expectations and goals, an opportunity to perform to the best of their abilities, and an annual assessment of individual performance.

All employees have an Employee Performance Dashboard, which is an aggregation of various performance inputs, including non-financial and conduct related information, as applicable, in three areas:

- Employee self evaluation – includes an employee's goals and self-evaluation on annual performance in defined categories;
- 360 feedback - includes feedback collected from direct manager, colleagues and direct/co-direct reports (if applicable), as well as in certain cases Control Function employees; and
- Risk & conduct indicators - highlights any risk or conduct related incidents for individual employees.

For 2024, the Morgan Stanley Group introduced a more transparent assessment process to provide a clear link between performance expectations and assessment. Additionally, the Morgan Stanley Group has designated certain global employees as Covered Employees ("CE") in accordance with a global framework given their potential to expose the Firm to significant risk as an individual or a group based on their role and/or responsibilities. Depending on the level of material risk, CE employees are subject to additional performance management and remuneration processes, including:

- Requirement to select evaluators from Risk and Control related divisions;
- Organisational risk dashboard to measure their performance in a supervisory capacity; and
- Compensation manager differentiation rationale and pay narrative to rationalise their remuneration decisions.

18.7 Individual Remuneration Determination Process

The MSI Group applies the Morgan Stanley Group's Global Incentive Compensation Discretion Policy, which lays out standards for managers on the use of discretion when making annual remuneration decisions and considerations for assessing risk management and outcomes. The policy specifically provides that all managers must consider whether their team members managed risk appropriately, and effectively managed and supervised the risk control practices of the employees reporting into them during the performance year. Managers are trained on these requirements annually and are required to certify compliance with the applicable requirements.

In determining the amount of discretionary variable remuneration to award an eligible employee, a compensation manager must consider only those factors that are legitimate, business-related and consistent with the MSI Group's legal and regulatory obligations and policies and practices. With this discretion comes the responsibility to make pay decisions consistent with the Morgan Stanley Group's equal pay philosophy, which means that compensation managers are accountable for making deliberate, thoughtful, and defensible remuneration decisions. These factors include but are not limited to:

- The employee's absolute and relative performance in an individual and, if relevant, supervisory capacity;
- The employee's conduct and adherence to the Morgan Stanley Group's core values, including "Commit to Diversity and Inclusion", ensuring a focus on diversity and inclusion when making remuneration decisions;
- Performance feedback elicited through the Morgan Stanley Group's performance evaluation processes, including information provided by Control Function personnel;
- Any disciplinary outcomes administered to the employee during the performance year;
- Any circumstances during the performance year that may result in the cancellation and/or clawback of the employee's previously awarded variable remuneration; and
- Market and competitive conditions.

The allocation of variable remuneration to employees is a discretionary process and informed by the performance evaluation process outlined above. The Morgan Stanley Group's 'pay for performance' philosophy means that where a variable remuneration award is not appropriate, none is paid; every year a portion of the eligible employee population receives no variable remuneration.

Control Functions

In order to ensure the independence of Control Function employees, individual remuneration decisions for employees working in those functions are determined by Control Function management and are not influenced by employees working in revenue-producing roles. In addition, benchmarking data is utilised to consider whether pay levels for key Control Function employees are commensurate with the market, and that the MSI Group can attract and retain experienced personnel. The remuneration decisions of all MSI Group Control Function heads are reviewed and approved by the MSI RemCo Chair.

Pay Equity

The Morgan Stanley Group's remuneration program, and its related policies and practices, reflect and promote the objective that all employees, including women and ethnically diverse employees, are rewarded equitably. A system of checks and balances is in place within the Morgan Stanley Group's processes that support fair and equitable pay. This includes an annual global pay equity review and an analysis of employee remuneration in consultation with external experts.

18.8 Remuneration Structure

The Morgan Stanley Group's remuneration philosophy is based on the concept of annualised total reward (or total remuneration) and accordingly remuneration for the majority of employees is comprised of two key elements:

- Fixed remuneration consisting of base salary and, for certain employees, a Role Based Allowance ("RBA"), which is determined based on an individual's role and responsibilities and is paid monthly via payroll; and
- Variable remuneration that is based on a number of factors, including but not limited to, Morgan Stanley Group, business unit, and individual performance.

The structure of annual variable remuneration for MRTs complies with the UK Remuneration Rules and is differentiated according to the MRT category and the amount of variable remuneration awarded. The variable remuneration is comprised of upfront cash, upfront equity, and deferred equity, and if needed for local legal or business reasons, deferred cash-based awards.

The following structure applies to relevant MRTs:

- A minimum of 40% of variable remuneration is deferred, increasing to 60% where variable remuneration is determined to be significant, as follows:
 - PRA Senior Managers have a seven-year deferral vesting on a pro-rata basis starting three years after grant
 - FCA Senior Managers have a five-year deferral vesting on a pro-rata basis starting a year after grant
 - Other MRTs have a four or five-year deferral vesting on a pro-rata basis starting a year after grant
- The deferred portion of annual variable remuneration is generally awarded in equity⁴
 - Deferred equity awards are subject to sales restrictions for a period of 6 or 12-months post-vesting
- The upfront portion of annual variable remuneration is awarded 50% in upfront cash and 50% as stock units
 - Stock units vest and convert to shares after six months and are available to sell 12 months after grant

Subject to local law, variable annual variable remuneration is subject to cancellation and/or clawback for a period of up to seven years from the date on which it is awarded. In the case of a PRA Senior Manager subject to an ongoing investigation, clawback can be extended to a period of up to ten years.

In accordance with UK Remuneration Rules, MRTs whose variable remuneration is no more than (i) 33% of their total remuneration, and (ii) £44,000 (or the local currency equivalent), are not subject to the full scope of UK Remuneration Rules. However, such MRTs continue to be subject to the Morgan Stanley Group deferral practices for the general employee population and remain subject to cancellation and clawback terms applicable to MRTs.

The MSI Group expects deferred remuneration for MRTs to constitute a significant component of variable remuneration, as it is designed to promote the Morgan Stanley Group's long-term interests.

⁴ For entities where it is not legally permissible to grant deferred equity-based awards, deferred cash awards are provided under the Morgan Stanley Compensation Incentive Plan ("MSCIP") and/or the Morgan Stanley Investment Management Alignment Plan ("IMAP").

In addition, members of the Morgan Stanley Group's Operating Committee are subject to an Equity Ownership Commitment, pursuant to which they are required to hold common stock and equity awards equal to a percentage of common stock received from equity awards (less allowances for the payment of any option exercise price and taxes) granted to them for service as a member of the Operating Committee.

Guaranteed variable remuneration is only paid in exceptional circumstances in the context of hiring new employees in the MSI Group and, in such instances, is limited to the first year of service. Such awards would only be made if the relevant legal entity has a sound and strong capital base. Awards of guaranteed variable remuneration are subject to an approval process, which includes receiving approval from the appropriate Senior Manager and the EMEA Head of Compensation and, in certain circumstances, the EMEA Head of HCM and the Morgan Stanley Group's Chief Human Resources Officer ("CHRO").

No variable remuneration awards granted for the purpose of retaining employees in the MSI Group (retention bonuses) were made in 2024.

Termination payments made to certain employees upon leaving the MSI Group are considered in accordance with the MSI Group's severance framework, and are intended to avoid rewarding negative performance contributions or misconduct, in compliance with the relevant UK Remuneration Rules.

Ratio Between Fixed and Variable Remuneration

The MSI Group's policy on the ratio between fixed and variable remuneration is to allow for flexibility, whilst recognising the need to ensure that remuneration is appropriately balanced between the fixed and variable remuneration elements.

Following the joint statement from the FCA, PRA and BoE announcing the removal of the restrictions on the maximum fixed to variable remuneration ("the bonus cap") which applied to MRTs in the MSI Group, the sole shareholder of the MSI Group, Morgan Stanley International Holdings Incorporated, approved the amendment of the MSI Group MRT bonus cap to an appropriate internal bonus cap.

Deferred Remuneration

Employees who reach a certain remuneration threshold receive a portion of their variable incentive remuneration in the form of deferred incentive remuneration awards.

Each year, the CMDS Committee reviews the global incentive remuneration pool and the design and structure of the annual remuneration program, including eligibility for deferred incentive remuneration awards, the form of deferred variable remuneration awards, deferral formulae applicable to variable remuneration, and the vesting and timing of payments and cancellation and clawback provisions of the deferred awards.

The form of deferred variable remuneration awards (i.e., equity, cash, or a combination thereof) is determined based on a variety of factors, including the number of shares available for grant under the Morgan Stanley Group's equity plans and, for MRTs, ensuring compliance with the requirements of the UK Remuneration Rules.

Delivering all or a portion of deferred variable remuneration in the form of equity links variable remuneration to the Morgan Stanley Group's performance through the Morgan Stanley Group's stock price performance and aligns employee remuneration with shareholder interests. Risk outcomes that result in a negative impact to the Morgan Stanley Group reduce the value of the equity, and the employee is subject to this decline in value through the deferral period. In addition, there is a formal governance process to consider and determine ex-ante and ex-post adjustments to variable remuneration. The MSI Group believes that its remuneration decisions for 2024 demonstrate its focus on long-term profitability and commitment to sustainable shareholder value with appropriate rewards to retain and motivate top talent throughout economic cycles.

18.9. Risk Adjustment

The Morgan Stanley Group continually monitors the effectiveness of its remuneration structure and utilises a thorough process of considering risk-adjusted performance, compliance with risk limits and the market and competitive environment when sizing and allocating annual variable remuneration pools.

Throughout the year, employee conduct matters that are escalated through the Morgan Stanley Group's Global Conduct Risk Program are reviewed to determine whether they present situations that could require clawback or cancellation of previously awarded remuneration, as well as downward adjustments to current year remuneration. All variable remuneration for MRTs has provisions that allow for clawback of any awards or remuneration paid or

delivered. Cancellations and clawbacks of previously awarded remuneration are reviewed with the Employee Discipline Oversight Committee (a committee of senior management currently composed of Morgan Stanley Group's CFO, Chief Legal Officer, Global CRO, Global CHRO, Chief Audit Officer, and the Head of Non-Financial Risk) and reported to the CMDS Committee quarterly. This process is enhanced by a formalised EMEA malus review and remuneration adjustment process overseen by the EROC. This process involves the EROC assessing situations which may warrant adjustment to current year variable remuneration and/or to apply cancellation and/or clawback to previously awarded remuneration, with reference to specific criteria that are contained in governing variable remuneration award documents and applicable policies. The MSI RemCo receives regular updates on the EMEA malus review process.

Furthermore, the MSI Group maintains an EMEA-wide Cancellation and Clawback Policy which is applicable to all MRTs within the EMEA region. Circumstances which trigger the application of this policy for the MSI Group employees include but are not limited to:

- There is reasonable evidence of serious misconduct. Serious misconduct means a situation in which the Morgan Stanley Group and/or the relevant regulated entity and/or business unit have sufficient consideration to justify summary termination of employment;
- The Morgan Stanley Group and/or the relevant regulated entity and/or relevant business unit in which an MRT is employed (or in relation to which they carry out some or all their duties) suffers a material failure of risk management;
- The Morgan Stanley Group and/or the relevant regulated entity and/or relevant business unit suffers a material downturn in its financial performance (subject to cancellation only);
- The MRT directly and/or materially, through their conduct, contributed to a regulatory sanction (or sanctions) being imposed;
- The MRT failed to meet appropriate standards of fitness and propriety; or
- In relation to a PRA Buyout Award, a Reduction Notice is received in accordance with Rule 15A of the Remuneration Part of the PRA Rulebook.

The MSI Group will also take into consideration an MRT's proximity to the failure of risk management in question and that individual MRT's level of responsibility. Any variable remuneration is subject to repayment, recovery and recapture pursuant to the EMEA MRT Cancellation and Clawback Policy, as amended from time to time, and any applicable clawback, repayment, recapture or recovery requirements imposed under applicable laws, rules and regulations.

18.10. Prohibition of Personal Hedging Strategies

Personal hedging and pledging strategies which may undermine the risk alignment effects of variable remuneration are not permissible.

Staff members receive training and make an annual attestation to desist from such activities. The Morgan Stanley Group monitors compliance by requiring employees to report their private custodial accounts, and additionally applies trading restrictions and approval processes to any transactions involving Morgan Stanley Group stock.

18.11. Quantitative Information on Remuneration

The following table sets out aggregate quantitative information on the remuneration of MRTs (418 by natural headcount for 2024) who were employed by, or were seconded to, any entities of the MSI Group during the course of 2024, and were subject to the UK Remuneration Rules, including, but not limited to:

- Morgan Stanley & Co. International plc
- Morgan Stanley Bank International Limited
- Morgan Stanley Europe SE Holding Group

Table 45: Remuneration awarded for the financial year (UK REM1)

£MM			a	b	c	d
			MB	MB		Other
MSI Group		Row reference	Supervisory Function	Management Function	Other Senior Management	Identified Staff
Fixed remuneration	Number of identified staff ¹	1	8	12	14	384
	Total fixed remuneration	2	1.5	16.9	9.5	213.2
	Of which: cash-based	3	1.5	16.9	9.5	213.2
	(Not applicable in the EU)	4				
	Of which: shares or equivalent ownership interests	UK-4a	-	-	-	-
	Of which: share-linked instruments or equivalent non-cash instruments	5	-	-	-	-
	Of which: other instruments	UK-5x	-	-	-	-
	(Not applicable in the EU)	6				
	Of which: other forms	7	-	-	-	-
	(Not applicable in the EU)	8				
Variable remuneration	Number of identified staff ¹	9	-	11	13	341
	Total variable remuneration	10	-	24.4	17.2	303.5
	Of which: cash-based	11	-	4.9	3.6	64.4
	Of which: deferred	12	-	-	-	-
	Of which: shares or equivalent ownership interests	UK-13a	-	19.5	13.6	239.1
	Of which: deferred	UK-14a	-	14.6	10.1	175.3
	Of which: share-linked instruments or equivalent non-cash instruments	UK-13b	-	-	-	-
	Of which: deferred	UK-14b	-	-	-	-
	Of which: other instruments	UK-14x	-	-	-	-
	Of which: deferred	UK-14y	-	-	-	-
	Of which: other forms	15	-	-	-	-
	Of which: deferred	16	-	-	-	-
	Total remuneration (2 + 10)	17	1.5	41.3	26.7	516.7

1. Number of identified staff beneficiaries by full-time employment according to PRA guidelines.

Table 46: Special payments to staff whose professional activities have a material impact on institutions' risk profile (identified staff) (UK REM2)

£MM			a	b	c	d
			MB	MB		Other
MSI Group		Row reference	Supervisory Function	Management Function	Other Senior Management	Identified Staff
Guaranteed variable remuneration awards						
Guaranteed variable remuneration awards - Number of identified staff ¹		1	-	-	-	3
Guaranteed variable remuneration awards - Total amount		2	-	-	-	2.8
Of which guaranteed variable remuneration awards paid during the financial year, that are not taken into account in the bonus cap		3	-	-	-	2.8
Severance payments awarded in previous periods, that have been paid out during the financial year						
Severance payments awarded in previous periods, that have been paid out during the financial year - Number of identified staff ¹		4	-	-	-	-
Severance payments awarded in previous periods, that have been paid out during the financial year - Total amount		5	-	-	-	-
Severance payments awarded during the financial year						
Severance payments awarded during the financial year - Number of identified staff ¹		6	-	1	-	5
Severance payments awarded during the financial year - Total amount		7	-	0.2	-	2.1
Of which paid during the financial year		8	-	-	-	-
Of which deferred		9	-	-	-	-
Of which severance payments paid during the financial year, that are not taken into account in the bonus cap		10	-	-	-	-
Of which highest payment that has been awarded to a single person		11	-	0.2	-	1.6

1. Number of identified staff beneficiaries by full-time employment according to PRA guidelines.

Table 47: Deferred remuneration (UK REM3)

EMM		a	b	c	d	e	f	UK - g	UK - h
MSI Group									
Deferred and retained remuneration	Row reference	Total amount of deferred remuneration awarded for previous performance periods	Of which due to vest in the financial year	Of which vesting in subsequent financial years	Amount of performance adjustment made in the financial year to deferred remuneration that was due to vest in the financial year	Amount of performance adjustment made in the financial year to deferred remuneration that was due to vest in future performance years	Total amount of adjustment during the financial year due to ex post implicit adjustments (i.e. changes of value of deferred remuneration due to the changes of prices of instruments)	Total amount of deferred remuneration awarded before the financial year actually paid out in the financial year	Total of amount of deferred remuneration awarded for previous performance period that has vested but is subject to retention periods
MB Supervisory function¹	1	-	-	-	-	-	-	-	-
Cash-based	2	-	-	-	-	-	-	-	-
Shares or equivalent ownership interests	3	-	-	-	-	-	-	-	-
Share-linked instruments or equivalent non-cash instruments	4	-	-	-	-	-	-	-	-
Other instruments	5	-	-	-	-	-	-	-	-
Other forms	6	-	-	-	-	-	-	-	-
MB Management function	7	93.8	22.5	71.3	-	-	14.1	22.5	11.2
Cash-based	8	4.0	2.0	2.0	-	-	-	2.0	-
Shares or equivalent ownership interests	9	89.8	20.5	69.3	-	-	14.1	20.5	11.2
Share-linked instruments or equivalent non-cash instruments	10	-	-	-	-	-	-	-	-
Other instruments	11	-	-	-	-	-	-	-	-
Other forms	12	-	-	-	-	-	-	-	-
Other senior management	13	43.0	13.3	29.7	-	-	5.9	13.3	7.8
Cash-based	14	2.0	1.1	0.9	-	-	-	1.1	-
Shares or equivalent ownership interests	15	41.0	12.2	28.8	-	-	5.9	12.2	7.8
Share-linked instruments or equivalent non-cash instruments	16	-	-	-	-	-	-	-	-
Other instruments	17	-	-	-	-	-	-	-	-
Other forms	18	-	-	-	-	-	-	-	-
Other identified staff	19	751.8	252.8	499.0	-	-	95.6	252.8	129.6
Cash-based	20	38.0	7.7	30.3	-	-	-	7.7	-
Shares or equivalent ownership interests	21	713.8	245.1	468.7	-	-	95.6	245.1	129.6
Share-linked instruments or equivalent non-cash instruments	22	-	-	-	-	-	-	-	-
Other instruments	23	-	-	-	-	-	-	-	-
Other forms	24	-	-	-	-	-	-	-	-
Total amount	25	888.6	288.6	600.0	-	-	115.6	288.6	148.6

1. MB Supervisory function is not entitled to variable remuneration and does not have values to be reported under UK REM3.

Table 48: Remuneration of 1 million EUR or more per year (UK REM4)

(All values in EUR)	Row reference	a
1 000 000 to below 1 500 000	1	79
1 500 000 to below 2 000 000	2	67
2 000 000 to below 2 500 000	3	41
2 500 000 to below 3 000 000	4	17
3 000 000 to below 3 500 000	5	13
3 500 000 to below 4 000 000	6	8
4 000 000 to below 4 500 000	7	4
4 500 000 to below 5 000 000	8	3
5 000 000 to below 6 000 000	9	5
6 000 000 to below 7 000 000	10	2
7 000 000 and above	11	12

Table 49: Information on remuneration of staff whose professional activities have a material impact on institutions' risk profile (identified staff) (UK REM5)

EMM		a	b	c	d	e	f	g	h	i	j
		Management body remuneration			Business areas						
MSI Group	Row reference	MB Supervisory function	MB Management function	Total MB	Investment Banking	Retail Banking	Asset Management	Corporate Functions	Independent internal control functions	All Other	Total
Total number of identified staff¹	1										418
Of which: members of the MB	2	8	12	20							
Of which: other senior management	3				4	-	1	5	4	-	
Of which: other identified staff	4				321	-	1	28	34	-	
Total remuneration of identified staff	5	1.5	41.3	42.8	487.2	-	1.9	36.6	17.7	-	
Of which: variable remuneration	6	-	24.4	24.4	292.0	-	1.1	20.8	6.8	-	
Of which: fixed remuneration	7	1.5	16.9	18.4	195.2	-	0.8	15.8	10.9	-	

1.Number of Identified Staff based on Full-Time Equivalent ("FTE") in accordance with PRA guidelines.

This document represents the annual remuneration disclosure of the MSI Group, as required under the CRR. The annual public Pillar III qualitative and quantitative disclosures are published separately and can be found at <http://www.morganstanley.com/about-us-ir/pillar-uk>.

19. Appendix I: Board of Directors Knowledge, Skills and Expertise

Appointments to MSI Board

When identifying and recommending candidates to join the MSI Board, the MSI Nomination and Governance Committee will consider a broad range of qualities and characteristics, giving due regard to ensuring a diverse range of approaches, backgrounds, skills, experience, opinions and views are present on the MSI Board and its Committees. It will also take into account regulatory requirements and relevant policies of the MSI Group. When identifying and selecting non-executive directors, the MSI Nomination and Governance Committee may also consult with executive search firms. New directors go through tailored induction programmes and all directors are provided with ongoing training.

Diversity and the Composition of the MSI Board

The MSI Board recognises the importance and benefits of diversity both within business operations and at a board level. All appointments to the MSI Board and its Committees are made on merit, in the context of the skills and experience that the MSI Board as a whole requires to be effective, with due regard given to the benefits of diversity. When assessing the composition of the MSI Board and recommending new directors; the MSI Nomination and Governance Committee considers the benefits of diversity, including gender and ethnic diversity.

The MSI Board aspires to continue to meet or exceed diversity targets, including a minimum (i) 40% female representation and (ii) one Board director from an ethnically diverse background by 2025. As at 31 December 2024, the female representation on the board was 44% and the MSI Board met its ethnicity target. Selection of diverse candidates to join the MSI Board will be, in part, dependent on the pool of candidates with the necessary background, skills and experience. In order to promote the specific objective of diversity at Board level, the MSI Nomination and Governance Committee expects short-lists of potential candidates prepared by external executive search firms to be diverse and balanced.

Non-Executive Directors

David Cannon

David was appointed a non-executive director of the MSI Board in June 2013 and Chair in September 2024. He is the Chair of the MSI Remuneration and Nomination & Governance Committees and a member of the MSI Risk and Audit Committees.

David has over thirty years' experience in the financial sector, with a particular focus on accounting and investment banking. He was a Partner at Ernst & Young from 1986 to 1995, leading the audit of a number of large financial services groups and being responsible for one of Ernst & Young's audit divisions before leaving in 1995 to become Chief Financial Officer of BZW/Barclays Capital. He returned to Ernst & Young in 1998 as Managing Partner of the London Financial Services Office. Between 2003 and 2012, David held a number of positions at Deutsche Bank including Deputy Group CFO and CFO for the Investment Bank.

From 2015 to 2019, David was a member of the Conduct Committee of the Financial Reporting Council and Chair of its Audit Quality Review Committee. He has an M.A. in PPE from the University of Oxford and is a qualified Chartered Accountant.

Megan Butler

Megan was appointed a non-executive director of the MSI Board in October 2022. She is Chair of the MSI Audit Committee and a member of the MSI Risk and Nomination & Governance Committees. She is also a member of the Morgan Stanley Parent Board.

Megan has over thirty years' experience working in financial services including over twenty years' working for UK financial services regulators. She was previously Executive Director for Transformation for the FCA and prior to that she was Executive Director of Supervision of the Investment Wholesale and Specialists Division of the FCA. Before joining the FCA she held roles at the PRA, including as Executive Director of the International Banks Directorate and she held various roles at the Financial Services Authority between 2000 and 2013, latterly as the Director of the International Banks Division. Megan started her career at the London Stock Exchange where she held a number of different roles.

Megan has a LLB (Hons) from Sheffield University and was called to the Bar in 1987.

Terri Duhon

Terri was appointed a non-executive director of the MSI Board in April 2016. She is Chair of the MSI Risk Committee and member of the MSI Audit, Nomination & Governance and Remuneration Committees.

Terri has over thirty years' risk and financial markets experience. She worked for JPMorgan as a derivatives trader for eight years and was Global Head of Structured Credit at ABN AMRO. In 2004 she founded an expert advisory company and has been retained as a financial risk expert for major regulators.

Terri has held a number of non-executive director appointments and is currently a director of Rathbones Group plc and Wise plc. She is an Associate Fellow at Oxford University Said Business School. She graduated from MIT in Mathematics in 1994.

Frank Mattern

Frank was appointed a non-executive director of the MSI Board in January 2023.

Frank is an Independent Advisor and was previously a Senior Partner at McKinsey & Company serving global financial institutions and capital market infrastructure providers, corporations and the public sector for 30 years. He led the Business Technology Office and held a number of roles including as Managing Partner of the German office and was a member of the Global Operating Committee, the Global Board of Directors and was Chair of the McKinsey Global Institute.

Frank holds a number of supervisory board memberships.

Frank studied Business Administration and Economics at Westfälische Wilhelm Universität Münster/Germany, and the London School of Economics. He holds an MBA from the Wharton School, University of Pennsylvania.

Jane Pearce

Jane was appointed a non-executive director of the MSI Board in October 2022. She is also a member of the MSI Risk, Audit and Remuneration Committees.

Jane has held a number of different roles in financial service firms over the last 30 years, her most recent executive role was in the Equity Strategy team at Nomura International plc. Prior to that she held senior roles in the Equity Strategy and Research Departments at Lehman Brothers from 2000 to 2008. She has also held roles as an Equity Analyst in the Technology Sector at Lehman Brothers and HSBC and a finance project manager at JP Morgan. She started her career at Arthur Andersen where she qualified as a Chartered Accountant.

Jane is Audit Committee Chair and a non-executive director with a number of other financial institutions. She has an Honours Degree in Business Studies & Accounting from the University of Edinburgh.

Melanie Richards

Melanie was appointed a non-executive director of the MSI Board in July 2021. She is also a member of the MSI Risk, Audit, Remuneration and Nomination & Governance Committees.

Melanie has nearly 40 years' experience working in banking and financial services with a particular focus on corporate finance and capital markets. Prior to retiring from her executive career in September 2020, Melanie had been a partner in the Debt Advisory practice of KPMG LLP for nearly twenty years where she co built the practice. Melanie served as a member of the KPMG LLP board from 2012 to 2020 including as Deputy Chair from 2017, and culminating in her role as Acting Chair during 2020. Before joining KPMG in 2001, Melanie held various roles in banks, latterly as the Head of Private Placements at the Royal Bank of Canada between 1997 and 2000.

Melanie received an honorary doctorate, Business Administration, from Oxford Brookes University in 2016.

Paul Taylor

Paul was appointed a non-executive director of the MSI Board in August 2020. He is also a member of the MSI Risk, Audit, Remuneration and Nomination & Governance Committees.

Paul has over 35 years' experience working in a range of roles in the science and technology sector, predominantly within or connected with the Ministry of Defence or other central government departments. From 2014 to 2020 Paul led KPMG's Information Protection and Business Resilience practice in the UK. He is a member of the Technology Advisory Board for NatWest Group plc, a member of a number of Government Technical Committees and a member of Council at Loughborough University.

Paul graduated from Teesside University with a BSc in Chemical Engineering and is a Fellow of the Royal Academy of Engineering and of the Weatherhead Centre for International Affairs at Harvard University. Paul was awarded a CBE in the King's New Year Honours in January 2023.

Executive Directors

Clare Woodman

Clare is Head of EMEA, Latin America and Canada and CEO of MSIP and an executive director of the MSI Board (appointed September 2019). She is a member of the firm's Global Operating and Management Committees. Previously Clare served as Global COO for Morgan Stanley's Institutional Securities Group. She joined Morgan Stanley from Clifford Chance.

Clare holds a number of senior positions across industry organisations: she is a member of the UK Investment Council, Chair of the US-UK Business Council and Chair of the FCA Markets Practitioner Panel.

Clare is a Trustee of the Morgan Stanley International Foundation and is an active sponsor of the firm's Women's Business Alliance and a Trustee of the FT Financial Literacy and Inclusion Campaign.

Clare is a qualified lawyer licensed to practice in the UK. Clare studied at the London Business School where she obtained her MBA and was awarded a CBE for Services to Finance.

Anthony Mullineaux

Anthony is the EMEA Chief Financial Officer and an executive director of the MSI Board (appointed October 2022).

Anthony joined the firm in 1993 and has held a number of senior positions in London and Hong Kong including Head of Finance Shared Services and Head of International Global In-House Centres from 2018 to 2021. Prior to that Anthony was EMEA Head of ISG Finance from 2015 to 2021 and Asia Pacific CFO from 2012 to 2014. Anthony joined Morgan Stanley from Coopers & Lybrand where he worked for three years.

Anthony is a Chartered Accountant and holds a Bachelor's degree in Economics and Statistics from Exeter University.

Arya Sekhar

Arya is the EMEA CRO and an executive director of the MSI Board (appointed May 2020).

Arya joined the firm in April 2008 in the MRD and has served in key roles across the firm's Risk Management division including Global Head of Market Risk Analytics, and in 2015 assumed the position of the Global Head of LRD. He began his career in Mortgage Research in 2003 and has previously worked at Countrywide Securities Corporation and RBS Greenwich Capital.

Arya holds a Bachelor's degree in Mechanical Engineering from Delhi University, a MBA in Finance from S.P Jain Institute and a Ph.D. in Finance from Oklahoma State University. He is also a CFA® Charter holder.

Christopher Beatty

Christopher is the EMEA COO and an executive director of the MSI Board (appointed August 2023).

Christopher joined Morgan Stanley in 2000 and has held a number of roles, including as COO for ISG Continental Europe, Asia ISG COO, Global Head of Electronic Client Execution & Trading Control and COO EMEA Institutional Equities Division.

Prior to joining Morgan Stanley he held roles at JP Morgan and Dean Witter Reynolds.

Christopher graduated from St John's University, New York in 1995 with a Bachelor of Science in Business Administration.

David Cantillon

David is the EMEA Head of IED and an executive director of the MSI Board (appointed January 2023).

David joined Morgan Stanley in 2007 and has held a number of roles, including Head of Equity Distribution in Europe and Prime Brokerage Europe. Prior to joining Morgan Stanley, he held senior roles at Goldman Sachs in the Prime Brokerage European business and as Head of European Convertible Bonds.

David graduated from University College Cork in 1993 with a Bachelor of Commerce Honours degree.

Kim Lazaroo

Kim is the EMEA Chief Administration Officer and an executive director of the MSI Board (appointed February 2019). Prior to this she held a number of roles including EMEA Chief Financial Officer, EMEA Head of Global Corporate Controllers and Global Head of Legal Entity Controllers.

Kim joined Morgan Stanley in October 2015 from Goldman Sachs Group where she was Global Legal Entity Controller (2011 to 2015) and prior to this Kim held Financial and Legal Entity Controller roles. Kim joined Goldman Sachs in 1994 from Coopers & Lybrand where she worked for three years.

Kim has a Bachelor of Commerce in Accounting from the University of New South Wales.

Andre Munkelt

André is the Chief Executive Officer ("CEO") and Chair of the Management Boards of Morgan Stanley Europe Holding SE ("MSEHSE"), Morgan Stanley Europe SE ("MSESE") and Morgan Stanley Bank AG ("MSBAG"). He was appointed an executive director of the MSI Board in May 2024.

André joined Morgan Stanley in London in 2006 and prior to his appointment as CEO held the role of Chief Risk Officer and member of the Managements Boards of MSEHSE, MSESE and MSBAG. He has also held the roles of EMEA Head of Counterparty Credit Risk and Deputy EMEA Head of Credit Risk Management in London.

Before joining Morgan Stanley, André worked in the Financial Services division of PricewaterhouseCoopers AG Wirtschaftsprüfungsgesellschaft in Germany.

André graduated from the University for Cooperative Education Dresden with a Bachelor's degree in Business Administration (Diplom-Betriebswirt (BA)) with a specialisation in Banking and Finance. He is also a CFA® Charter holder.

Salvatore Orlacchio

Salvatore is the Head of EMEA Fixed Income and an executive director of the MSI Board (appointed June 2020). Salvatore has held a number of roles at the firm since joining in 1997 including EMEA Head of Fixed Income Sales and prior to that Head of Interest Rates Distribution in EMEA and Sales Country Head for Italy Fixed Income and Institutional Equities division.

Salvatore has a BSC (Hons) in Economics from Naples University, and a M.Sc. in Economics and Finance from Warwick Business School.

Noreen Whyte

Noreen is an executive director of the MSI Board (appointed May 2018), CEO of Morgan Stanley Bank International Ltd (appointed March 2016) and Global Head of the Loan Solutions & Securitisation Group within the Global Capital Markets Group.

Noreen joined Morgan Stanley in 2005 from General Electric where she was Director of Originations at GE Home Lending. Noreen held operational and risk management roles in GE prior to joining the Structured Product Group in Fixed Income at Morgan Stanley.

Noreen graduated from the University of Westminster in 1995 with a BA (Hons) in International Business Studies. Noreen is sponsor of Morgan Stanley's Black Youth and the Women in Markets Forums.

Figure 6: MSI Directors: Number of Directorships

	Number of directorships held as at 31 December 2024	Directorships adjusted for SYSC4.3A.7(2)
David Cannon	6	1
Megan Butler	5	1
Terri Duhon	10	3
Frank Mattern	7	4
Jane Pearce	7	3
Melanie Richards	8	3
Paul Taylor	5	3
Clare Woodman	2	1
Anthony Mullineaux	4	1
Arya Sekhar	3	1
Christopher Beatty	8	1
David Cantillon	2	1
Kim Lazaroo	6	1
Andre Munkelt	4	1
Salvatore Orlacchio	3	1
Noreen Whyte	6	1

20. Appendix II: Capital Instruments and Eligible Liabilities

Table 50: Capital instruments and eligible liabilities (UK CCA) - MSI Group and MSIP

MSI Group ¹	a		b			c			d
Description	Common Equity Tier 1		Additional Tier 1			Subordinated Debt			Senior Subordinated Debt
1 Issuer	Morgan Stanley International Limited								
2 Unique Identifier	N/A								
2a Public or private placement	Private								
3 Governing law(s) of the instrument	Companies Act 2006			English Law					
3a Contractual recognition of write down and conversion powers of resolution authorities	No	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Regulatory treatment									
4 Current treatment taking into account, where applicable, transitional CRR rules	Common Equity Tier 1		Additional Tier 1			Tier 2			Eligible Liability
5 Post-transitional CRR rules	Common Equity Tier 1		Additional Tier 1			Tier 2			Eligible Liability
6 Eligible at solo/(sub-)consolidated/ solo&(sub-)consolidated	(Sub-) Consolidated								
7 Instrument type (types to be specified by each jurisdiction)	Ordinary Shares		Perpetual Unsecured Securities			Subordinated Loan			Subordinated non-T2 Loan
8 Amount recognised in regulatory capital or eligible liabilities (Currency in million, as of most recent reporting date)	USD 3,417MM		USD 800MM	USD 1,300MM	USD 2,200MM	USD 2,499MM	USD 2,100MM	USD 2,099MM	USD 9,400MM
9 Nominal amount of instrument	N/A	N/A	USD 800MM	USD 1,300MM	USD 2,200MM	USD 2,500MM	USD 2,100MM	USD 2,100MM	USD 9,400MM
UK-9a Issue Price	N/A	N/A	USD 800MM	USD 1,300MM	USD 2,200MM	USD 2,500MM	USD 2,100MM	USD 2,100MM	USD 9,400MM
UK-9b Redemption Price	N/A	N/A	USD 800MM	USD 1,300MM	USD 2,200MM	USD 2,500MM	USD 2,100MM	USD 2,100MM	USD 9,400MM
10 Accounting Classification	Shareholders' Equity					Liability - amortised cost			
11 Original date of issuance	13/11/1998	18/06/1998	13/06/2022	25/11/2020	23/08/2018	13/06/2022	11/8/2021	15/12/2023	27/11/2018
12 Perpetual or dated	Perpetual								
13 Original maturity date	No maturity					13/06/2033	11/8/2032	15/12/2034	395 days from issuance
14 Issuer call subject to prior supervisory approval	N/A	N/A	Yes	Yes	Yes	Yes	Yes	Yes	N/A
15 Option call date, contingent call dates and redemption amount	N/A	N/A	From 30th November 5 years post issuance plus tax and regulatory calls at 100%			5 years post issuance at 100% plus tax and regulatory calls at 100%			N/A
16 Subsequent call dates, if applicable	N/A	N/A	Daily thereafter						N/A
Coupons / dividends									
17 Fixed or floating dividend / coupon	Floating		Fixed			Floating			
18 Coupon rate and any related index	N/A	N/A	7.4%	5.5%	7.5%	SOFR+2.34 %	SOFR + 1.44%	SOFR + 2.29%	Proxy ²
19 Existence of a dividend stopper	No								
UK-20a Fully discretionary, partially discretionary or mandatory (in terms of timing)			Fully Discretionary			Mandatory			
UK-20b Fully discretionary, partially discretionary or mandatory (in terms of amount)			Fully Discretionary			Mandatory			
21 Existence of step up or other incentive to redeem	No								
22 Noncumulative or cumulative			Noncumulative			Cumulative			
23 Convertible or non-convertible	Nonconvertible								
24 If convertible, conversion trigger(s)						N/A			
25 If convertible, fully or partially						N/A			
26 If convertible, conversion rate						N/A			
27 If convertible, mandatory or optional conversion						N/A			
28 If convertible, specify instrument type convertible into						N/A			

MSI Group		a		b			c			d
Description		Common Equity Tier 1		Additional Tier 1			Subordinated Debt			Senior Subordinated Debt
29	If convertible, specify issuer of instrument it converts into			N/A						
30	Write-down features	No	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes
31	If write-down, write-down trigger(s)	N/A	N/A	See below (A)			See below (B)			See below (C)
32	If write-down, full or partial	N/A	N/A	Full	Full	Full	Partial	Partial	Partial	Partial
33	If write-down, permanent or temporary	N/A	N/A	Permanent	Permanent	Permanent	Permanent	Permanent	Permanent	Permanent
34	If temporary write-down, description of write-up mechanism			N/A						
34a	Type of subordination (only for eligible liabilities)			N/A						Contractual
UK-34b	Ranking of the instrument in normal insolvency proceedings	Rank 1	Rank 1	Rank 2	Rank 2	Rank 2	Rank 3	Rank 3	Rank 3	Rank 4
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Perpetual Unsecured Securities		Subordinated Loan			Subordinated non-T2 Loan			Other Liabilities
36	Non-compliant transitioned features			No						
37	If yes, specify non-compliant features			N/A						
37a	Link to the full term and conditions of the instrument (signposting)			Link to full terms and conditions of Capital Instruments						

- All capital instruments issued by the MSI Group are issued within Morgan Stanley and are not marketable instruments.
- Interest rate at which Morgan Stanley is offering loans, in the relevant currency, to members of the Morgan Stanley Group on such day, which counterparties have acknowledged and agreed to apply to any loan, acting on an arm's length basis.

Details of write-down trigger(s) (Row 31)

A Additional Tier 1: Contractual write down if CET1 Capital Ratio of MSI Group falls below 7%. BoE as the UK Resolution Authority has the authority to trigger the write down of the instrument upon the exercise of statutory powers in a resolution scenario.

B Subordinated Debt: BoE as the UK Resolution Authority has the authority to trigger the write down of the instrument upon the exercise of statutory powers or under the contractual terms if they deem the entity is failing or likely to fail, or if the MS resolution entity enters a resolution.

C Senior Subordinated Debt: BoE as the UK Resolution Authority has the authority to trigger the write down of the instrument under the contractual terms if they deem the entity is failing or likely to fail, or if the MS resolution entity enters a resolution.

MSIP ¹	a			b			c			d
Description	Common Equity Tier 1			Additional Tier 1			Subordinated Debt			Senior Subordinated Debt
1 Issuer	Morgan Stanley & Co. International plc									
2 Unique Identifier	N/A									
2a Public or private placement	Private									
3 Governing law(s) of the instrument	Companies Act 2006						English Law			
3a Contractual recognition of write down and conversion powers of resolution authorities	No			Yes	Yes	Yes	Yes	Yes	Yes	Yes
Regulatory treatment										
4 Current treatment taking into account, where applicable, transitional CRR rules	Common Equity Tier 1			Additional Tier 1			Tier 2			Eligible Liability
5 Post-transitional CRR rules	Common Equity Tier 1			Additional Tier 1			Tier 2			Eligible Liability
6 Eligible at solo/ (sub-)consolidated/ solo&(sub-)consolidated	Solo and (Sub-) Consolidated									
7 Instrument type (types to be specified by each jurisdiction)	Ordinary Shares			Perpetual Unsecured Securities			Subordinated Loan			Subordinated non-T2 Loan
8 Amount recognised in regulatory capital or eligible liabilities (Currency in million, as of most recent reporting date)	USD 12,977MM			USD 800MM	USD 1,300MM	USD 2,200MM	USD 2,499MM	USD 1,400MM	USD 1,199MM	USD 6,700MM
9 Nominal amount of instrument	N/A	N/A	N/A	USD 800MM	USD 1,300MM	USD 2,200MM	USD 2,500MM	USD 1,400MM	USD 1,200MM	USD 6,700MM
UK-9a Issue Price	N/A	N/A	N/A	USD 800MM	USD 1,300MM	USD 2,200MM	USD 2,500MM	USD 1,400MM	USD 1,200MM	USD 6,700MM
UK-9b Redemption Price	N/A	N/A	N/A	USD 800MM	USD 1,300MM	USD 2,200MM	USD 2,500MM	USD 1,400MM	USD 1,200MM	USD 6,700MM
10 Accounting Classification	Shareholders' Equity						Liability - amortised cost			
11 Original date of issuance	01/2/1994	28/10/1986	22/12/2011	13/06/2022	25/11/2020	23/08/2018	13/06/2022	11/8/2021	15/12/2023	27/11/2018
12 Perpetual or dated	Perpetual						Dated			
13 Original maturity date	No maturity						13/06/2033	11/8/2032	15/12/2034	395 days from date of issuance
14 Issuer call subject to prior supervisory approval	N/A	N/A	N/A	Yes	Yes	Yes	Yes	Yes	Yes	N/A
15 Option call date, contingent call dates and redemption amount	N/A	N/A	N/A	From 30th November 5 years post issuance plus tax and regulatory calls at 100%			5 years post issuance at 100% plus tax and regulatory calls at 100%			N/A
16 Subsequent call dates, if applicable	N/A	N/A	N/A	Daily thereafter						N/A
Coupons / dividends										
17 Fixed or floating dividend / coupon	Floating			Fixed			Floating			
18 Coupon rate and any related index	N/A	N/A	N/A	7.4%	5.5%	7.5%	SOFR+2.34 %	SOFR + 1.44%	SOFR + 2.29%	Proxy ²
19 Existence of a dividend stopper	No									
UK-20a Fully discretionary, partially discretionary or mandatory (in terms of timing)				Fully Discretionary			Mandatory			
UK-20b Fully discretionary, partially discretionary or mandatory (in terms of amount)				Fully Discretionary			Mandatory			
21 Existence of step up or other incentive to redeem	No									
22 Noncumulative or cumulative	Noncumulative						Cumulative			

MSIP		a			b			c			d
Description		Common Equity Tier 1			Additional Tier 1			Subordinated Debt			Senior Subordinated Debt
23	Convertible or non-convertible				Nonconvertible						
24	If convertible, conversion trigger(s)				N/A						
25	If convertible, fully or partially				N/A						
26	If convertible, conversion rate				N/A						
27	If convertible, mandatory or optional conversion				N/A						
28	If convertible, specify instrument type convertible into				N/A						
29	If convertible, specify issuer of instrument it converts into				N/A						
30	Write-down features	No	No	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes
31	If write-down, write-down trigger(s)	N/A	N/A	N/A	See below (A)			See below (B)			See below (C)
32	If write-down, full or partial	N/A	N/A	N/A	Full	Full	Full	Partial	Partial	Partial	Partial
33	If write-down, permanent or temporary	N/A	N/A	N/A	Permanent	Permanent	Permanent	Permanent	Permanent	Permanent	Permanent
34	If temporary write-down, description of write-up mechanism				N/A						
34a	Type of subordination (only for eligible liabilities)				N/A						Contractual
UK-34b	Ranking of the instrument in normal insolvency proceedings	Rank 1	Rank 1	Rank 1	Rank 2	Rank 2	Rank 2	Rank 3	Rank 3	Rank 3	Rank 4
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Perpetual Unsecured Securities			Subordinated Loan			Subordinated non-T2 Loan			Other liabilities
36	Non-compliant transitioned features				No						
37	If yes, specify non-compliant features				N/A						
37a	Link to the full term and conditions of the instrument (signposting)	Link to full terms and conditions of Capital Instruments									

1. All capital instruments issued by the MSIP are issued within Morgan Stanley and are not marketable instruments.
2. Interest rate at which Morgan Stanley is offering loans, in the relevant currency, to members of the Morgan Stanley Group on such day, which counterparties have acknowledged and agreed to apply to any loan, acting on an arm's length basis.

Details of write-down trigger(s) (Row 31)

A Additional Tier 1: Contractual write down if CET1 Capital Ratio of MSIP or MSI Group falls below 7%. BoE as the UK Resolution Authority has the authority to trigger the write down of the instrument upon the exercise of statutory powers in a resolution scenario.

B Subordinated Debt: BoE as the UK Resolution Authority has the authority to trigger the write down of the instrument upon the exercise of statutory powers or under the contractual terms if they deem the entity is failing or likely to fail, or if the MS resolution entity enters a resolution.

C Senior Subordinated Debt: BoE as the UK Resolution Authority has the authority to trigger the write down of the instrument under the contractual terms if they deem the entity is failing or likely to fail, or if the MS resolution entity enters a resolution.

21. Appendix III: Own Funds Disclosure Template

Below table shows the composition of regulatory own funds for the MSI Group and MSIP as at 31 December 2024.

Table 51: Composition of regulatory own funds (UK CC1) - MSI Group and MSIP

\$MM	a	b
MSI Group	Amounts	Reference to UK CC2
Common Equity Tier 1 (CET1) capital: instruments and reserves		
1 Capital instruments and the related share premium accounts	3,417	A
of which: Instrument type 1		
of which: Instrument type 2		
of which: Instrument type 3		
2 Retained earnings	16,976	B
3 Accumulated other comprehensive income (and other reserves)	5,779	C
UK-3a Funds for general banking risk	-	
4 Amount of qualifying items referred to in Article 484 (3) CRR and the related share premium accounts subject to phase out from CET1	-	
5 Minority interests (amount allowed in consolidated CET1)	-	
UK-5a Independently reviewed interim profits net of any foreseeable charge or dividend	1,143	D
6 Common Equity Tier 1 (CET1) capital before regulatory adjustments	27,315	
Common Equity Tier 1 (CET1) capital: regulatory adjustments		
7 Additional value adjustments (negative amount)	(1,550)	
8 Intangible assets (net of related tax liability) (negative amount)	(814)	E
10 Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability where the conditions in Article 38 (3) CRR are met) (negative amount)	(1)	F
11 Fair value reserves related to gains or losses on cash flow hedges of financial instruments that are not valued at fair value	-	
12 Negative amounts resulting from the calculation of expected loss amounts	(354)	
13 Any increase in equity that results from securitised assets (negative amount)	-	
14 Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	366	G
15 Defined-benefit pension fund assets (negative amount)	(9)	H
16 Direct, indirect and synthetic holdings by an institution of own CET1 instruments (negative amount)	-	
17 Direct, indirect and synthetic holdings of the CET1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	-	
18 Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-	
19 Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-	
UK-20a Exposure amount of the following items which qualify for a RW of 1250%, where the institution opts for the deduction alternative	-	
UK-20b of which: qualifying holdings outside the financial sector (negative amount)	-	
UK-20c of which: securitisation positions (negative amount)	-	
UK-20d of which: free deliveries (negative amount)	-	
21 Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability where the conditions in Article 38 (3) CRR are met) (negative amount)	-	
22 Amount exceeding the 17,65% threshold (negative amount)	-	
23 of which: direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities	-	
25 of which: deferred tax assets arising from temporary differences	-	
UK-25a Losses for the current financial year (negative amount)	-	
UK-25b Foreseeable tax charges relating to CET1 items except where the institution suitably adjusts the amount of CET1 items insofar as such tax charges reduce the amount up to which those items may be used to cover risks or losses (negative amount)	-	
27 Qualifying AT1 deductions that exceed the AT1 items of the institution (negative amount)	-	
27a Other regulatory adjustments to CET1 capital (including IFRS 9 transitional adjustments when relevant)	(167)	
28 Total regulatory adjustments to Common Equity Tier 1 (CET1)	(2,529)	
29 Common Equity Tier 1 (CET1) capital	24,786	
Additional Tier 1 (AT1) capital: instruments		
30 Capital instruments and the related share premium accounts	4,300	
31 of which: classified as equity under applicable accounting standards	4,300	
32 of which: classified as liabilities under applicable accounting standards	-	

33	Amount of qualifying items referred to in Article 484 (4) CRR and the related share premium accounts subject to phase out from AT1 as described in Article 486(3) CRR	-	
UK-33a	Amount of qualifying items referred to in Article 494a(1) CRR subject to phase out from AT1	-	
UK-33b	Amount of qualifying items referred to in Article 494b(1) CRR subject to phase out from AT1	-	
34	Qualifying Tier 1 capital included in consolidated AT1 capital (including minority interests not included in row 5) issued by subsidiaries and held by third parties	-	
35	of which: instruments issued by subsidiaries subject to phase out	-	
36	Additional Tier 1 (AT1) capital before regulatory adjustments	4,300	
Additional Tier 1 (AT1) capital: regulatory adjustments			
37	Direct, indirect and synthetic holdings by an institution of own AT1 instruments (negative amount)	-	
38	Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	-	
39	Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-	
40	Direct, indirect and synthetic holdings by the institution of the AT1 instruments of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)	-	
42	Qualifying T2 deductions that exceed the T2 items of the institution (negative amount)	-	
42a	Other regulatory adjustments to AT1 capital	-	
43	Total regulatory adjustments to Additional Tier 1 (AT1) capital	-	
44	Additional Tier 1 (AT1) capital	4,300	I
45	Tier 1 capital (T1 = CET1 + AT1)	29,086	
Tier 2 (T2) capital: instruments			
46	Capital instruments and the related share premium accounts	6,698	
47	Amount of qualifying items referred to in Article 484 (5) CRR and the related share premium accounts subject to phase out from T2 as described in Article 486(4) CRR	-	
UK-47a	Amount of qualifying items referred to in Article 494a (2) CRR subject to phase out from T2	-	
UK-47b	Amount of qualifying items referred to in Article 494b (2) CRR subject to phase out from T2	-	
48	Qualifying own funds instruments included in consolidated T2 capital (including minority interests and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties	-	
49	of which: instruments issued by subsidiaries subject to phase out	-	
50	Credit risk adjustments	-	
51	Tier 2 (T2) capital before regulatory adjustments	6,698	
Tier 2 (T2) capital: regulatory adjustments			
52	Direct, indirect and synthetic holdings by an institution of own T2 instruments and subordinated loans (negative amount)	-	
53	Direct, indirect and synthetic holdings of the T2 instruments and subordinated loans of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	-	
54	Direct, indirect and synthetic holdings of the T2 instruments and subordinated loans of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-	
55	Direct, indirect and synthetic holdings by the institution of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)	-	
UK-56a	Qualifying eligible liabilities deductions that exceed the eligible liabilities items of the institution (negative amount)	-	
UK-56b	Other regulatory adjustments to T2 capital	-	
57	Total regulatory adjustments to Tier 2 (T2) capital	-	
58	Tier 2 (T2) capital	6,698	J
59	Total capital (TC = T1 + T2)	35,784	
60	Total Risk exposure amount	161,621	
Capital ratios and buffers			
61	Common Equity Tier 1 (as a percentage of total risk exposure amount)	15.34%	
62	Tier 1 (as a percentage of total risk exposure amount)	18.00%	
63	Total capital (as a percentage of total risk exposure amount)	22.14%	
64	Institution CET1 overall capital requirement (CET1 requirement in accordance with Article 92 (1) CRR, plus additional CET1 requirement which the institution is required to hold in accordance with point (a) of Article 104(1) CRD, plus combined buffer requirement in accordance with Article 128(6) CRD) expressed as a percentage of risk exposure amount)	9.29%	
65	of which: capital conservation buffer requirement	2.50%	
66	of which: countercyclical buffer requirement	0.61%	
67	of which: systemic risk buffer requirement	-	
UK-67a	of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer	-	
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)	9.15%	

Amounts below the thresholds for deduction (before risk weighting)		
72	Direct and indirect holdings of own funds and eligible liabilities of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	961
73	Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 17.65% thresholds and net of eligible short positions)	-
75	Deferred tax assets arising from temporary differences (amount below 17.65% threshold, net of related tax liability where the conditions in Article 38 (3) CRR are met)	342
K		
Applicable caps on the inclusion of provisions in Tier 2		
76	Credit risk adjustments included in T2 in respect of exposures subject to standardised approach (prior to the application of the cap)	-
77	Cap on inclusion of credit risk adjustments in T2 under standardised approach	-
78	Credit risk adjustments included in T2 in respect of exposures subject to internal ratings-based approach (prior to the application of the cap)	-
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach	-
Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2014 and 1 Jan 2022)		
80	Current cap on CET1 instruments subject to phase out arrangements	-
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	-
82	Current cap on AT1 instruments subject to phase out arrangements	-
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	-
84	Current cap on T2 instruments subject to phase out arrangements	-
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	-

\$MM MSIP	a Amounts	b Reference to UK CC2
Common Equity Tier 1 (CET1) capital: instruments and reserves		
1 Capital instruments and the related share premium accounts	12,977	A
of which: Instrument type 1		
of which: Instrument type 2		
of which: Instrument type 3		
2 Retained earnings	3,990	B
3 Accumulated other comprehensive income (and other reserves)	880	C
UK-3a Funds for general banking risk	-	
4 Amount of qualifying items referred to in Article 484 (3) CRR and the related share premium accounts subject to phase out from CET1	-	
5 Minority interests (amount allowed in consolidated CET1)	-	
UK-5a Independently reviewed interim profits net of any foreseeable charge or dividend	750	D
6 Common Equity Tier 1 (CET1) capital before regulatory adjustments	18,597	
Common Equity Tier 1 (CET1) capital: regulatory adjustments		
7 Additional value adjustments (negative amount)	(1,332)	
8 Intangible assets (net of related tax liability) (negative amount)	(2)	E
10 Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability where the conditions in Article 38 (3) CRR are met) (negative amount)	-	
11 Fair value reserves related to gains or losses on cash flow hedges of financial instruments that are not valued at fair value	-	
12 Negative amounts resulting from the calculation of expected loss amounts	(296)	
13 Any increase in equity that results from securitised assets (negative amount)	-	
14 Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	365	F
15 Defined-benefit pension fund assets (negative amount)	-	
16 Direct, indirect and synthetic holdings by an institution of own CET1 instruments (negative amount)	-	
17 Direct, indirect and synthetic holdings of the CET1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	-	
18 Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-	
19 Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-	
UK-20a Exposure amount of the following items which qualify for a RW of 1250%, where the institution opts for the deduction alternative	-	
UK-20b of which: qualifying holdings outside the financial sector (negative amount)	-	
UK-20c of which: securitisation positions (negative amount)	-	
UK-20d of which: free deliveries (negative amount)	-	
21 Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability where the conditions in Article 38 (3) CRR are met) (negative amount)	-	
22 Amount exceeding the 17,65% threshold (negative amount)	-	
23 of which: direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities	-	
25 of which: deferred tax assets arising from temporary differences	-	
UK-25a Losses for the current financial year (negative amount)	-	
UK-25b Foreseeable tax charges relating to CET1 items except where the institution suitably adjusts the amount of CET1 items insofar as such tax charges reduce the amount up to which those items may be used to cover risks or losses (negative amount)	-	
27 Qualifying AT1 deductions that exceed the AT1 items of the institution (negative amount)	-	
27a Other regulatory adjustments to CET1 capital (including IFRS 9 transitional adjustments when relevant)	(106)	
28 Total regulatory adjustments to Common Equity Tier 1 (CET1)	(1,371)	
29 Common Equity Tier 1 (CET1) capital	17,226	
Additional Tier 1 (AT1) capital: instruments		
30 Capital instruments and the related share premium accounts	4,300	
31 of which: classified as equity under applicable accounting standards	4,300	
32 of which: classified as liabilities under applicable accounting standards	-	
33 Amount of qualifying items referred to in Article 484 (4) CRR and the related share premium accounts subject to phase out from AT1 as described in Article 486(3) CRR	-	
UK-33a Amount of qualifying items referred to in Article 494a(1) CRR subject to phase out from AT1	-	
UK-33b Amount of qualifying items referred to in Article 494b(1) CRR subject to phase out from AT1	-	
34 Qualifying Tier 1 capital included in consolidated AT1 capital (including minority interests not included in row 5) issued by subsidiaries and held by third parties	-	
35 of which: instruments issued by subsidiaries subject to phase out	-	

36	Additional Tier 1 (AT1) capital before regulatory adjustments	4,300	
Additional Tier 1 (AT1) capital: regulatory adjustments			
37	Direct, indirect and synthetic holdings by an institution of own AT1 instruments (negative amount)	-	
38	Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	-	
39	Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-	
40	Direct, indirect and synthetic holdings by the institution of the AT1 instruments of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)	-	
42	Qualifying T2 deductions that exceed the T2 items of the institution (negative amount)	-	
42a	Other regulatory adjustments to AT1 capital	-	
43	Total regulatory adjustments to Additional Tier 1 (AT1) capital	-	
44	Additional Tier 1 (AT1) capital	4,300	G
45	Tier 1 capital (T1 = CET1 + AT1)	21,526	
Tier 2 (T2) capital: instruments			
46	Capital instruments and the related share premium accounts	5,098	
47	Amount of qualifying items referred to in Article 484 (5) CRR and the related share premium accounts subject to phase out from T2 as described in Article 486(4) CRR	-	
UK-47a	Amount of qualifying items referred to in Article 494a (2) CRR subject to phase out from T2	-	
UK-47b	Amount of qualifying items referred to in Article 494b (2) CRR subject to phase out from T2	-	
48	Qualifying own funds instruments included in consolidated T2 capital (including minority interests and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties	-	
49	of which: instruments issued by subsidiaries subject to phase out	-	
50	Credit risk adjustments	-	
51	Tier 2 (T2) capital before regulatory adjustments	5,098	
Tier 2 (T2) capital: regulatory adjustments			
52	Direct, indirect and synthetic holdings by an institution of own T2 instruments and subordinated loans (negative amount)	-	
53	Direct, indirect and synthetic holdings of the T2 instruments and subordinated loans of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	-	
54	Direct, indirect and synthetic holdings of the T2 instruments and subordinated loans of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-	
55	Direct, indirect and synthetic holdings by the institution of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)	-	
UK-56a	Qualifying eligible liabilities deductions that exceed the eligible liabilities items of the institution (negative amount)	-	
UK-56b	Other regulatory adjustments to T2 capital	-	
57	Total regulatory adjustments to Tier 2 (T2) capital	-	
58	Tier 2 (T2) capital	5,098	H
59	Total capital (TC = T1 + T2)	26,625	
60	Total Risk exposure amount	122,626	
Capital ratios and buffers			
61	Common Equity Tier 1 (as a percentage of total risk exposure amount)	14.05 %	
62	Tier 1 (as a percentage of total risk exposure amount)	17.55 %	
63	Total capital (as a percentage of total risk exposure amount)	21.71 %	
64	Institution CET1 overall capital requirement (CET1 requirement in accordance with Article 92 (1) CRR, plus additional CET1 requirement which the institution is required to hold in accordance with point (a) of Article 104(1) CRD, plus combined buffer requirement in accordance with Article 128(6) CRD) expressed as a percentage of risk exposure amount)	9.20 %	
65	of which: capital conservation buffer requirement	2.50 %	
66	of which: countercyclical buffer requirement	0.55 %	
67	of which: systemic risk buffer requirement	-	
UK-67a	of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer	-	
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)	7.90 %	
Amounts below the thresholds for deduction (before risk weighting)			
72	Direct and indirect holdings of own funds and eligible liabilities of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	880	
73	Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 17.65% thresholds and net of eligible short positions)	139	I

75	Deferred tax assets arising from temporary differences (amount below 17,65% threshold, net of related tax liability where the conditions in Article 38 (3) CRR are met)	287	J
Applicable caps on the inclusion of provisions in Tier 2			
76	Credit risk adjustments included in T2 in respect of exposures subject to standardised approach (prior to the application of the cap)	-	
77	Cap on inclusion of credit risk adjustments in T2 under standardised approach	-	
78	Credit risk adjustments included in T2 in respect of exposures subject to internal ratings-based approach (prior to the application of the cap)	-	
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach	-	
Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2014 and 1 Jan 2022)			
80	Current cap on CET1 instruments subject to phase out arrangements	-	
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	-	
82	Current cap on AT1 instruments subject to phase out arrangements	-	
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	-	
84	Current cap on T2 instruments subject to phase out arrangements	-	
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	-	

Under PRA supervision, MSI Group and MSIP are required to maintain a minimum ratio of own funds to RWAs. As at 31 December 2024, MSI Group and MSIP are in compliance with the PRA capital requirements as defined in the PRA rulebook.

Below table shows the reconciliation of regulatory own funds in Table 50 to balance sheet in the audited financial statements.

Table 52: Reconciliation of regulatory own funds to balance sheet in the audited financial statements (UK CC2) – MSI Group and MSIP

\$MM	a	b	Reference to UK CC1
	Balance sheet as per financial statements ¹ As at 31 December 2024	Under regulatory scope of consolidation As at 31 December 2024	
MSI Group			
Assets - Breakdown by asset classes according to the balance sheet in the financial statements			
Cash And Short-Term Deposits	28,855	28,855	
Trading Financial Assets	399,572	399,572	
Secured Financing	120,630	120,630	
Loans And Advances	350	350	
Investment Securities	30	30	
Trade And Other Receivables	88,755	88,755	
of which: Defined Pension Fund Assets (net of related tax liability)	9	9	H
Physical Commodities	-	-	
Current Tax Assets	416	416	
Deferred Tax Assets	343	343	
of which: Deferred tax assets that rely on future profitability and do not arise from temporary differences	1	1	F
of which: Deferred tax assets that rely on future profitability and arise from temporary differences	342	342	K
Other Assets	172	172	
Investments In Subsidiaries Associates And Joint Ventures	0	0	
Property Plant And Equipment	932	932	
Intangible Assets	881	881	
of which: Intangibles net of related tax liabilities	814	814	E
TOTAL ASSETS	640,936	640,936	
Liabilities - Breakdown by liability classes according to the balance sheet in the financial statements			
Bank Loans And Overdrafts	4,793	4,793	
Trading Financial Liabilities	345,735	345,735	
Secured Borrowing	101,582	101,582	
Trade And Other Payables	93,258	93,258	
Debt And Other Borrowings	43,378	43,378	
Subordinated Debt	18,995	18,995	
of which: Tier 2 capital (Subordinated Debt)2	6,698	6,698	J
Provisions	134	134	
Current Tax Liabilities	133	133	
Deferred Tax Liabilities	3	3	
Post-Employment Benefit Obligations	27	27	
TOTAL LIABILITIES	608,038	608,038	
Shareholders' equity			
Share Capital	3,378	3,378	A
Other Equity Instruments	4,300	4,300	I
Share Premium Account	38	38	A
Currency Translation Reserve	(1,226)	(1,226)	C
of which: Previous years currency translation reserve	(587)	(587)	
of which: Current year currency translation reserve	(639)	(639)	
Pension Reserve	(84)	(84)	
of which: Previous years pension reserve	(90)	(90)	C
of which: Pension reserve not recognised in own funds	6	6	
Debt Valuation Adjustment Reserve	(366)	(366)	C & G
Capital Contribution Reserve	6,061	6,061	C
Capital Redemption Reserve	1,400	1,400	C
Available-For-Sale Reserve	-	-	
Retained Earnings	18,983	18,983	
of which: Previous years retained earnings	16,976	16,976	B
of which: Interim verified profit	1,143	1,143	D
of which: Profit or loss attributable to owners of the parent	864	863	
Equity Attributable To The Owners Of The Company	32,400	32,400	
Non-Controlling Interests	414	414	
TOTAL EQUITY	32,898	32,898	
TOTAL LIABILITIES AND EQUITY	640,936	640,936	

1. MSI Group does not publish financial statements and the reported balances are reconciled to audited consolidated non-statutory financial information.
2. This represents regulatory subordinated debt adjusted for amortisation.

\$MM	a	b	c
	Balance sheet as in published financial statements As at 31 December 2024	Under regulatory scope of consolidation As at 31 December 2024	Reference to UK CC1
MSIP			
Assets - Breakdown by asset classes according to the balance sheet in the published			
Cash And Short-Term Deposits	16,336	16,336	
Trading Financial Assets	369,628	369,628	
Secured Financing	115,453	115,452	
Loans And Advances	40	40	
Investment Securities	26	26	
Trade And Other Receivables	75,382	75,382	
Physical Commodities	-	-	
Current Tax Assets	522	522	
Deferred Tax Assets	287	287	
of which: Deferred tax assets that rely on future profitability and arise from temporary differences	287	287	J
Other Assets	27	27	
Investments In Subsidiaries Associates And Joint Ventures	139	139	I
Property Plant And Equipment	21	21	
Intangible Assets	2	2	
of which: Intangibles net of related tax liabilities	2	2	E
TOTAL ASSETS	577,863	577,862	
Liabilities - Breakdown by liability classes according to the balance sheet in the			
Bank Loans And Overdrafts	2	2	
Trading Financial Liabilities	319,056	319,055	
Secured Borrowing	104,842	104,842	
Trade And Other Payables	79,016	79,016	
Debt And Other Borrowings	39,537	39,537	
Subordinated Debt	11,798	11,798	
of which: Tier 2 capital (Subordinated Debt) ²	5,098	5,098	H
Provisions	91	91	
Current Tax Liabilities	28	28	
Deferred Tax Liabilities	-	-	
Post-Employment Benefit Obligations	2	2	
TOTAL LIABILITIES	554,372	554,371	
Shareholders' equity			
Share Capital	12,465	12,465	A
Other Equity Instruments	4,300	4,300	G
Share Premium Account	513	513	A
Currency Translation Reserve	(155)	(155)	C
Pension Reserve	(2)	(2)	C
Debt Valuation Adjustment Reserve	(366)	(366)	C & F
Capital Contribution Reserve	3	3	C
Capital Redemption Reserve	1,400	1,400	C
Available-For-Sale Reserve	-	-	
Retained Earnings	5,333	5,333	
of which: Previous years retained earnings	3,990	3,990	B
of which: Interim verified profit	750	750	D
of which: Profit or loss attributable to owners of the parent	593	593	
Equity Attributable To The Owners Of The Company	23,491	23,491	
Non-Controlling Interests	-	-	
TOTAL EQUITY	23,491	23,491	
TOTAL LIABILITIES AND EQUITY	577,863	577,862	

1. This represents the regulatory subordinated debt adjusted for amortisation.

The above table highlights the difference in the basis of consolidation for accounting and prudential reporting purposes as it compares the carrying values as reported under IFRS with the carrying values under the scope of regulatory consolidation.

22. Appendix IV: Countercyclical Capital Buffer

Below table shows the geographical distribution of credit exposures relevant for the calculation of CCyB as at 31 December 2024 for the MSI Group and MSIP.

Table 53: Geographical distribution of credit exposures relevant for the calculation of the countercyclical buffer (UK CCyB1) – MSI Group and MSIP

	a	b	c	d	e	f	g	h	i	j	k	l	m
	General credit exposures		Relevant credit exposures – Market				Own fund requirements						
	Exposure value under the standardised approach	Exposure value under the IRB approach	Sum of long and short positions of trading book exposures for SA	Value of Trading Book exposures for internal models	Securitisation exposures value for non-trading book	Total exposure value	Relevant credit risk exposures – Credit risk	Relevant credit exposures – Market risk	Relevant credit exposures – Securitisation positions in the non-trading book	Total	Risk-weighted exposure amounts	Own fund requirement weights	CCyB rate
MSI Group	\$MM	\$MM	\$MM	\$MM	\$MM	\$MM	\$MM	\$MM	\$MM	\$MM	\$MM	%	%
10 Armenia	-	-	-	-	-	-	-	-	-	-	-	0.00%	1.50%
Australia	81	2,092	-	82	-	2,255	74	31	-	105	1,311	1.93%	1.00%
Belgium	1	93	-	32	-	126	4	3	-	7	89	0.13%	1.00%
Bulgaria	-	-	-	2	-	2	-	-	-	-	1	0.00%	2.00%
Chile	-	338	3	19	-	359	14	-	-	14	176	0.26%	0.50%
Croatia	-	48	-	4	-	52	9	1	-	10	131	0.19%	1.50%
Cyprus	2	26	-	4	-	33	3	2	-	5	60	0.09%	1.00%
Czech Republic	3	5	-	16	-	23	1	6	-	7	78	0.12%	1.25%
Denmark	7	1,042	1	106	-	1,156	34	22	-	56	705	1.04%	2.50%
Estonia	-	-	-	8	-	8	-	2	-	2	25	0.04%	1.50%
France	4,038	3,515	-	679	-	8,232	132	71	-	203	2,547	3.75%	1.00%
Germany	3,611	2,613	4	786	-	7,013	112	80	-	192	2,400	3.53%	0.75%
Hong Kong	64	1,455	164	217	-	1,901	55	51	-	106	1,328	1.95%	0.50%
Hungary	1	18	-	2	-	20	1	5	-	6	77	0.11%	0.50%
Iceland	-	-	-	3	-	3	-	1	-	1	16	0.02%	2.50%
Ireland	87	3,125	-	41	21	3,274	122	25	20	167	2,088	3.07%	1.50%
Korea	1,285	1,542	2	34	-	2,863	54	7	-	61	754	1.11%	1.00%
Latvia	-	-	-	-	-	-	-	-	-	-	-	0.00%	0.50%
Lithuania	-	-	-	3	-	3	-	1	-	1	11	0.02%	1.00%
Luxembourg	241	5,251	1	63	5	5,561	230	20	5	255	3,192	4.70%	0.50%
Netherlands	48	2,304	12	284	-	2,648	81	56	-	137	1,714	2.52%	2.00%
Norway	1	237	-	161	-	399	6	14	-	20	250	0.37%	2.50%
Romania	-	-	-	6	-	6	-	10	-	10	123	0.18%	1.00%
Slovakia	-	14	-	9	-	23	2	2	-	4	46	0.07%	1.50%
Slovenia	-	-	-	4	-	4	-	2	-	2	20	0.03%	0.50%
Sweden	64	494	4	39	-	601	20	14	-	34	427	0.63%	2.00%
United Kingdom	6,743	7,357	720	305	99	15,226	479	376	21	876	10,950	16.12%	2.00%
Other	10,037	64,034	860	6,427	3	81,362	2,353	798	3	3,154	39,413	58.02%	-
20 Total	26,314	95,603	1,771	9,336	128	133,153	3,786	1,600	49	5,435	67,932	100.00%	

MSIP														
10	Armenia	-	-	-	-	-	-	-	-	-	-	-	0.00%	1.50%
	Australia	80	1,943	0	78	-	2,101	72	28	-	100	1,244	2.31%	1.00%
	Belgium	0	15	-	12	-	28	0	1	-	1	18	0.03%	1.00%
	Bulgaria	-	-	-	2	-	2	-	0	-	0	1	0.00%	2.00%
	Chile	0	338	3	19	-	359	14	0	-	14	176	0.33%	0.50%
	Croatia	-	48	-	2	-	50	9	1	-	10	125	0.23%	1.50%
	Cyprus	2	2	-	2	-	6	0	1	-	1	11	0.02%	1.00%
	Czech Republic	-	-	-	5	-	5	-	3	-	3	34	0.06%	1.25%
	Denmark	1	151	1	95	-	247	7	18	-	25	318	0.59%	2.50%
	Estonia	0	-	-	7	-	7	0	2	-	2	24	0.04%	1.50%
	France	1,576	86	0	479	-	2,141	16	44	-	60	750	1.39%	1.00%
	Germany	2,564	459	-	530	-	3,553	26	53	-	79	986	1.83%	0.75%
	Hong Kong	64	1,353	164	215	-	1,796	52	51	-	103	1,291	2.40%	0.50%
	Hungary	1	-	0	0	-	1	0	4	-	4	49	0.09%	0.50%
	Iceland	-	-	-	1	-	1	-	0	-	0	6	0.01%	2.50%
	Ireland	9	3,025	-	6	20	3,060	113	16	20	149	1,856	3.45%	1.50%
	Korea, Republic of	1,226	1,330	2	28	-	2,586	47	6	-	53	659	1.22%	1.00%
	Latvia	-	-	-	0	-	0	-	0	-	0	0	0.00%	0.50%
	Lithuania	-	-	0	3	-	3	-	1	-	1	10	0.02%	1.00%
	Luxembourg	216	3,883	-	46	5	4,149	175	12	5	192	2,403	4.46%	0.50%
	Netherlands	8	1,139	8	222	-	1,377	33	27	-	60	749	1.39%	2.00%
	Norway	0	9	0	155	-	164	0	14	-	14	174	0.32%	2.50%
	Romania	-	-	-	2	-	2	-	5	-	5	68	0.13%	1.00%
	Slovakia	-	-	-	3	-	3	-	1	-	1	7	0.01%	1.50%
	Slovenia	0	-	-	4	-	4	-	2	-	2	20	0.04%	0.50%
	Sweden	1	286	0	16	-	302	12	11	-	23	285	0.53%	2.00%
	United Kingdom	5,161	7,212	598	285	99	13,356	357	344	21	722	9,022	16.75%	2.00%
Other	6,544	58,841	757	4,473	4	70,622	2,114	568	3	2,685	33,579	62.35%	-	
20	Total	17,453	80,120	1,533	6,690	128	105,925	3,047	1,213	49	4,309	53,865	100.00%	

Countercyclical buffer rates for multiple countries have changed during the year. The United Kingdom continues to have the largest exposure contributing to this buffer.

Below table shows the amount of institution-specific CCyB as at 31 December 2024 for the MSI Group and MSIP.

Table 54: Amount of institution-specific countercyclical capital buffer (UK CCyB2) – MSI Group and MSIP

		a	a
SMM		MSI Group	MSIP
1	Total risk exposure amount	161,621	122,626
2	Institution specific countercyclical capital buffer rate	0.61%	0.55%
3	Institution specific countercyclical capital buffer requirement	981	680

The decrease in the institution-specific countercyclical buffer rate resulted from a reduction in exposure to the United Kingdom.

23. Appendix V: Additional Credit and Counterparty Credit Risk Tables

Below table shows a breakdown of net loans and advances and debt securities by residual maturity as at 31 December 2024 for the MSI Group and MSIP.

Table 55: Maturity of exposures (UK CR1-A) - MSI Group and MSIP

\$MM	a	b	c	d	e	f
	Net exposure value					
MSI Group	On demand	<= 1 year	> 1 year <= 5 years	> 5 years	No stated maturity	Total
1 Loans and advances ¹	-	115	3,293	-	1,080	4,488
2 Debt securities	-	-	201	-	-	201
3 Total	-	115	3,494	-	1,080	4,689
MSIP						
1 Loans and advances ¹	-	135	2,097	-	633	2,865
2 Debt securities	-	-	201	-	-	201
3 Total	-	135	2,298	-	633	3,066

1. For MSI Group and MSIP, Loans and Advances exclude SFTs.

Loans and advances with a maturity of between 1 and 5 years decreased during the year across multiple counterparties.

Below table shows changes in the stock of non-performing loans and advances as at 31 December 2024 for the MSI Group and MSIP.

Table 56: Changes in the stock of non-performing loans and advances (UK CR2) – MSI Group and MSIP

\$MM	a
MSI Group	Gross carrying amount
10 Initial stock of non-performing loans and advances	69
20 Inflows to non-performing portfolios	123
30 Outflows from non-performing portfolios	(94)
40 Outflows due to write-offs	0
50 Outflow due to other situations	(94)
60 Final stock of non-performing loans and advances	98
MSIP	
10 Initial stock of non-performing loans and advances	61
20 Inflows to non-performing portfolios	110
30 Outflows from non-performing portfolios	(83)
40 Outflows due to write-offs	0
50 Outflow due to other situations	(83)
60 Final stock of non-performing loans and advances	88

During the year, MSI Group and MSIP non-performing loans and advances increased primarily due to trade and other receivables.

Below table shows an overview of performing and non-performing exposures and the related provisions as at 31 December 2024 for the MSI Group and MSIP.

Table 57: Performing and Non-performing exposures and related provisions (UK CR1) – MSI Group and MSIP

\$MM	a	b	c	d	e	f	g	h	i	j	k	l	m	n	o
	Gross carrying amount/nominal amount					Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions							Collateral and financial guarantees received		
	Performing exposures		Non-performing exposures				Performing exposures – accumulated impairment and provisions		Non-performing exposures – accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions				Accumulated partial write-off	On performing exposures	On non-performing exposures
	Of which stage 1	Of which stage 2	Of which stage 2	Of which stage 3	Of which stage 1	Of which stage 2	Of which stage 1	Of which stage 2	Of which stage 2	Of which stage 3	Of which stage 3	Of which stage 3			
MSI Group															
5 Cash balances at central banks and other demand deposits	28,747	28,747	-	72	-	72	-	-	-	(72)	-	(72)	-	-	-
10 Loans and advances	209,650	39,421	48,866	98	37	61	(1)	(1)	0	(45)	-	(45)	-	117,698	-
20 Central banks	1,895	-	1,506	-	-	-	-	-	-	-	-	-	-	332	-
30 General governments	856	-	812	0	0	-	-	-	-	-	-	-	-	44	-
40 Credit institutions	28,339	11	12,253	4	0	4	0	0	-	(1)	-	(1)	-	15,554	-
50 Other financial corporations	177,058	39,325	33,231	83	27	56	0	0	0	(43)	-	(43)	-	101,578	-
60 Non-financial corporations	1,502	85	1,064	11	10	1	(1)	(1)	0	(1)	-	(1)	-	190	-
70 Of which SMEs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
80 Households	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
90 Debt securities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
100 Central banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
110 General governments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
120 Credit institutions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
130 Other financial corporations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
140 Non-financial corporations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
150 Off-balance-sheet exposures	5,390	5,115	275	-	-	-	(5)	(2)	(3)	-	-	-		11	-
160 Central banks	-	-	-	-	-	-	-	-	-	-	-	-		-	-
170 General governments	-	-	-	-	-	-	-	-	-	-	-	-		-	-
180 Credit institutions	84	84	-	-	-	0	0	-	-	-	-	-		-	-
190 Other financial corporations	846	743	103	-	-	(1)	0	(1)	-	-	-	-		11	-
200 Non-financial corporations	4,460	4,288	172	-	-	(4)	(2)	(2)	-	-	-	-		-	-
210 Households	0	0	-	-	-	-	-	-	-	-	-	-		-	-
220 Total	243,787	73,283	49,141	170	37	133	(6)	(3)	(3)	(117)	-	(117)	-	117,709	-
MSIP															
5 Cash balances at central banks and other demand deposits	16,604	16,604	-	64	-	64	-	-	-	(64)	-	(64)	-	-	-
10 Loans and advances	190,730	36,402	38,309	88	35	53	0	0	0	(44)	-	(44)	-	113,675	-
20 Central banks	1,832	-	1,499	-	-	-	-	-	-	-	-	-	-	276	-
30 General governments	367	-	323	-	-	-	-	-	-	-	-	-	-	44	-
40 Credit institutions	30,794	833	7,865	3	0	3	-	-	-	(1)	-	(1)	-	21,641	-
50 Other financial corporations	156,774	35,564	27,854	74	25	49	0	0	0	(42)	-	(42)	-	91,524	-
60 Non-financial corporations	963	5	768	11	10	1	-	-	-	(1)	-	(1)	-	190	-
70 Of which SMEs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
80 Households	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
90 Debt securities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
100 Central banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
110 General governments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
120 Credit institutions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
130 Other financial corporations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
140 Non-financial corporations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
150 Off-balance-sheet exposures	3	-	-	-	-	-	-	-	-	-	-	-		-	-
160 Central banks	-	-	-	-	-	-	-	-	-	-	-	-		-	-
170 General governments	-	-	-	-	-	-	-	-	-	-	-	-		-	-
180 Credit institutions	-	-	-	-	-	-	-	-	-	-	-	-		-	-
190 Other financial corporations	3	-	-	-	-	-	-	-	-	-	-	-		-	-
200 Non-financial corporations	-	-	-	-	-	-	-	-	-	-	-	-		-	-
210 Households	-	-	-	-	-	-	-	-	-	-	-	-		-	-
220 Total	207,337	53,006	38,309	152	35	117	0	0	0	(108)	-	(108)	-	113,675	-

During the year, neither MSI Group or MSIP observed a significant movement in Stage 3 non-performing cash balances. The increase in Stage 2 non-performing and decrease in Stage 3 non-performing loans and advances is primarily due to trade and other receivables.

Below table shows the quality of non-performing exposures by geography as at 31 December 2024 for the MSI Group and MSIP.

Table 58: Quality of non-performing exposures by geography (UK CQ4) – MSI Group and MSIP

\$MM	a	b	c	d	e	f	g
	Gross carrying/nominal amount						Accumulated negative changes in fair value due to credit risk on non-performing exposures
		Of which non-performing	Of which defaulted	Of which subject to impairment	Accumulated impairment	Provisions on off-balance-sheet commitments and financial guarantees given	
MSI Group							
010 On-balance sheet exposures¹	209,748	98	98	88,385	(46)		-
020 United States of America	120,013	37	37	45,331	(1)		-
030 United Kingdom	14,505	10	10	10,237	(2)		-
040 France	13,651	1	1	2,716	0		-
050 Cayman Islands	13,028	5	5	5,304	0		-
060 Japan	12,668	-	-	524	0		-
070 Other countries	35,883	45	45	24,273	(43)		-
080 Off-balance sheet exposures²	5,390	-	-			(5)	
090 France	2,758	-	-			(1)	
100 Germany	606	-	-			(1)	
110 Italy	603	-	-			(1)	
120 Netherlands	359	-	-			(1)	
130 Other countries	1,064	-	-			(1)	
140 Total	215,138	98	98	88,385	(46)	(5)	-
MSIP							
010 On-balance sheet exposures¹	190,818	88	88	74,799	(44)		-
020 United States of America	109,014	32	32	41,837	(1)		-
030 United Kingdom	13,596	8	8	9,325	(2)		-
040 Cayman Islands	12,996	4	4	5,273	0		-
050 Japan	12,522	-	-	444	0		-
060 Germany	12,465	1	1	1,569	0		-
070 Other countries	30,225	43	43	16,351	(41)		-
080 Off-balance sheet exposures²	3	-	-			-	
090 United States of America	3	-	-			-	
100 Total	190,821	88	88	74,799	(44)	-	-

1. Countries exceeding 5% of total gross carrying amount (On-balance sheet) for MSI Group and MSIP are reported individually.

2. Countries exceeding 5% of total gross carrying amount (Off-balance sheet) for MSI Group and MSIP are reported individually.

During the year, increase in exposures against United States of America was partially offset by an decrease in exposures against France, United Kingdom, Germany and other countries primarily within secured financing.

Countries included within “Other countries” category in Table 42:

	On-balance sheet	Off-balance sheet
MSI Group	Germany, Netherlands, Ireland, Hong Kong, Australia, Italy, Belgium, Luxembourg, Korea (Republic of), Norway, Switzerland, Turkey, China, Singapore, Canada, Taiwan, Province of China[a], Spain, Denmark, Bermuda, Sweden, Virgin Islands (British), Supranationals, South Africa, Greece, Finland, Saudi Arabia, Austria, United Arab Emirates, Colombia, Chile, Malaysia, Russian Federation, Israel, Croatia, India, Jersey, Bahrain, Thailand, Poland, Hungary, Macao, Philippines, Brazil, Portugal, Monaco, Mexico, Guernsey, Cyprus, Slovakia, Liechtenstein, Egypt, Romania, Andorra, Isle of Man, Malta, Namibia, Botswana, Mauritius, Indonesia, Kazakhstan, Qatar, Cote d'Ivoire, Panama, Bulgaria, Morocco, Iceland, Oman, Czechia, Estonia, Kuwait, Bahamas, Slovenia, Kenya, Ukraine, Angola, New Zealand, Nigeria, Pakistan, Gibraltar, Gabon, Mongolia, Latvia, Tunisia, Lithuania, Senegal, Serbia, Viet Nam, Azerbaijan, Jordan, Uzbekistan, Cameroon, Sri Lanka, Montenegro, Benin, Macedonia (the former Yugoslav Republic of), San Marino, Peru, Armenia, Argentina, Samoa, Paraguay, Anguilla, Zambia	Norway, Luxembourg, Denmark, Switzerland, United Kingdom, Liechtenstein, Austria, Jersey, Spain, United States
MSIP	France, Ireland, Hong Kong, Australia, Korea (Republic of), Norway, Luxembourg, Switzerland, Turkey, China, Singapore, Canada, Taiwan, Province of China[a], Italy, Netherlands, Bermuda, Virgin Islands (British), Supranationals, South Africa, Denmark, Saudi Arabia, Greece, Colombia, United Arab Emirates, Chile, Finland, Malaysia, Russian Federation, Austria, Spain, Israel, Croatia, India, Sweden, Belgium, Bahrain, Thailand, Jersey, Poland, Macao, Philippines, Brazil, Monaco, Mexico, Portugal, Guernsey, Cyprus, Egypt, Romania, Andorra, Liechtenstein, Hungary, Namibia, Botswana, Mauritius, Indonesia, Kazakhstan, Qatar, Cote d'Ivoire, Panama, Bulgaria, Morocco, Oman, Iceland, Kuwait, Bahamas, Kenya, Estonia, Czechia, Ukraine, Angola, Nigeria, Pakistan, Slovakia, New Zealand, Slovenia, Gibraltar, Gabon, Mongolia, Latvia, Tunisia, Senegal, Serbia, Viet Nam, Azerbaijan, Lithuania, Jordan, Uzbekistan, Cameroon, Sri Lanka, Malta, Montenegro, Benin, Macedonia (the former Yugoslav Republic of), San Marino, Peru, Isle of Man, Armenia, Argentina, Samoa, Paraguay, Anguilla, Zambia	

Below table shows the credit quality of loans and advances to non-financial corporations by industry as at 31 December 2024 for the MSI Group and MSIP.

Table 59: Credit quality of loans and advances to non-financial corporations by industry (UK CQ5) - MSI Group and MSIP

\$MM	a	b	c	d	e	f
	Gross carrying amount Of which non-performing					
			Of which defaulted	Of which loans and advances subject to impairment	Accumulated impairment	Accumulated negative changes in fair value due to credit risk on non-performing exposures
MSI Group						
10 Agriculture, forestry and fishing	3	0	0	3	-	-
20 Mining and quarrying	166	0	0	6	0	-
30 Manufacturing	174	2	2	174	(1)	-
40 Electricity, gas, steam and air conditioning supply	263	0	0	263	0	-
50 Water supply	34	0	0	2	-	-
60 Construction	4	0	0	4	-	-
70 Wholesale and retail trade	15	0	0	15	(1)	-
80 Transport and storage	27	0	0	27	0	-
90 Accommodation and food service activities	136	0	0	8	-	-
100 Information and communication	188	2	2	188	0	-
110 Financial and insurance activities	-	-	-	-	-	-
120 Real estate activities	56	0	0	56	-	-
130 Professional, scientific and technical activities	21	0	0	19	0	-
140 Administrative and support service activities	369	6	6	339	-	-
150 Public administration and defense, compulsory social security	-	-	-	-	-	-
160 Education	3	0	0	2	-	-
170 Human health services and social work activities	6	0	0	6	-	-
180 Arts, entertainment and recreation	14	0	0	14	-	-
190 Other services	34	1	1	34	-	-
200 Total	1,513	11	11	1,160	(2)	-
MSIP						
10 Agriculture, forestry and fishing	3	0	0	3	-	-
20 Mining and quarrying	166	0	0	6	0	-
30 Manufacturing	142	2	2	142	(1)	-
40 Electricity, gas, steam and air conditioning supply	71	0	0	71	0	-
50 Water supply	1	0	0	1	-	-
60 Construction	3	0	0	3	-	-
70 Wholesale and retail trade	7	0	0	7	-	-
80 Transport and storage	13	0	0	13	0	-
90 Accommodation and food service activities	2	0	0	2	-	-
100 Information and communication	96	2	2	96	0	-
110 Financial and insurance activities	-	-	-	-	-	-
120 Real estate activities	56	0	0	56	-	-
130 Professional, scientific and technical activities	1	0	0	1	-	-
140 Administrative and support service activities	366	6	6	336	-	-
150 Public administration and defense, compulsory social security	-	-	-	-	-	-
160 Education	2	0	0	2	-	-
170 Human health services and social work activities	1	0	0	1	-	-
180 Arts, entertainment and recreation	12	0	0	12	-	-
190 Other services	32	1	1	32	-	-
200 Total	974	11	11	784	(1)	-

During the year, MSI Group loans and advances to non-financial corporations increased primarily due to loans and advances, and secured financing, partially offset by decrease in trade and other receivables within multiple industries.

During the year, MSIP Group loans and advances to non-financial corporations decreased primarily due to trade and other receivables, partially offset by secured financing within multiple industries.

Below table shows the extent of the use of CRM techniques as at 31 December 2024 for the MSI Group and MSIP.

Table 60: CRM techniques overview: Disclosure of the use of credit risk mitigation techniques (UK CR3) – MSI Group and MSIP

\$MM	a	b	c	d	e
	Unsecured carrying amount	Secured carrying amount			
MSI Group			Of which secured by collateral	Of which secured by financial guarantees	
				Of which secured by credit derivatives	
1 Loans and advances	120,751	117,698	117,698	-	-
2 Debt securities	-	-	-	-	-
3 Total	120,751	117,698	117,698	-	-
4 Of which non-performing exposures	53	-	-	-	-
5 Of which defaulted	53	-	-	-	-
MSIP					
1 Loans and advances	93,703	113,675	113,675	-	-
2 Debt securities	-	-	-	-	-
3 Total	93,703	113,675	113,675	-	-
4 Of which non-performing exposures	44	-	-	-	-
5 Of which defaulted	44	-	-	-	-

During the year, MSI Group and MSIP loans and advances decreased primarily due to secured financing and cash balances with credit institutions, further offset by increase in trade and other receivables.

Below table shows SA credit risk exposures at 31 December 2024 for the MSI Group and MSIP.

Table 61: Standardised approach: Credit risk exposure and CRM effects (UK CR4) – MSI Group and MSIP

	a	b	c	d	e	f
	Exposures before CCF and before CRM		Exposures post CCF and post CRM		RWAs and RWAs density	
	On-balance-sheet exposures	Off-balance-sheet exposures	On-balance-sheet exposures	Off-balance-sheet exposures	RWAs	RWAs density
	\$MM	\$MM	\$MM	\$MM	\$MM	%
MSI Group						
1 Central governments or central banks	1,045	0	1,045	0	944	90.00%
2 Regional government or local authorities	15	0	15	0	0	3.00%
3 Public sector entities	3	0	3	0	0	10.00%
4 Multilateral development banks	16	0	16	0	0	0.00%
5 International organisations	6	0	6	0	0	-
6 Institutions	284	359	284	94	148	39.00%
7 Corporates	987	0	987	0	1,235	125.00%
8 Retail	0	0	0	0	0	-
9 Secured by mortgages on immovable property	0	0	0	0	0	-
10 Exposures in default	2	0	2	0	3	150.00%
11 Exposures associated with particularly high risk	0	0	0	0	0	-
12 Covered bonds	0	0	0	0	0	-
13 Institutions and corporates with a short-term credit assessment	0	0	0	0	0	-
14 Collective investment undertakings	0	0	0	0	0	-
15 Equity	0	0	0	0	0	-
16 Other items	1,145	0	1,145	0	1,145	100.00%
17 Total	3,503	359	3,503	94	3,475	97.00%
MSIP						
1 Central governments or central banks	949	-	949	0	771	81.24%
2 Regional government or local authorities	14	-	14	-	0	2.98%
3 Public sector entities	3	-	3	-	0	10.60%
4 Multilateral development banks	16	-	16	-	0	0.06%
5 International organisations	5	-	5	-	-	-
6 Institutions	267	62	267	13	155	55.34%
7 Corporates	686	-	686	-	806	117.53%
8 Retail	-	-	-	-	-	-
9 Secured by mortgages on immovable property	-	-	-	-	-	-
10 Exposures in default	2	-	2	-	3	150.00%
11 Exposures associated with particularly high risk	-	-	-	-	-	-
12 Covered bonds	-	-	-	-	-	-
13 Institutions and corporates with a short-term credit assessment	-	-	-	-	-	-
14 Collective investment undertakings	-	-	-	-	-	-
15 Equity	-	-	-	-	-	-
16 Other items	84	-	84	-	84	100.00%
17 Total	2,026	62	2,026	13	1,819	89.20%

The decrease in MSI Group and MSIP RWAs during the year was related to a reduction in unsettled trades with institutional and corporate counterparties.

Below table shows the breakdown of exposures under SA by exposure class and risk weight as at 31 December 2024 for the MSI Group.

Table 62: Standardised approach (UK CR5)- MSI Group¹

\$MM		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p	q
		Risk weight																
MSI Group		0%	2%	4%	10%	20%	35%	50%	70%	75%	100%	150%	250%	370%	1250%	Others	Total	Of which: unrated
1	Central governments or central banks	574	-	-	-	23	-	89	-	-	14	1	342	-	2	-	1,045	1
2	Regional government or local authorities	13	-	-	-	2	-	-	-	-	-	-	-	-	-	-	15	-
3	Public sector entities	2	-	-	-	1	-	-	-	-	-	-	-	-	-	-	3	-
4	Multilateral development banks	16	-	-	-	-	-	-	-	-	-	-	-	-	-	-	16	-
5	International organisations	6	-	-	-	-	-	-	-	-	-	-	-	-	-	-	6	-
6	Institutions	-	94	-	-	217	-	35	-	-	23	5	-	-	4	-	378	69
7	Corporates	-	-	-	-	21	-	31	-	-	465	466	-	-	4	-	987	523
8	Retail exposures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
9	Exposures secured by mortgages on immovable property	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
10	Exposures in default	-	-	-	-	-	-	-	-	-	-	2	-	-	-	-	2	-
11	Exposures associated with particularly high risk	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12	Covered bonds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
13	Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14	Units or shares in collective investment undertakings	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
15	Equity exposures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
16	Other items	-	-	-	-	-	-	-	-	-	1,145	-	-	-	-	-	1,145	-
17	Total	611	94	-	-	264	-	155	-	-	1,647	474	342	-	10	-	3,597	593

1. For mapping between CQS and Risk Weights under standardised approach, refer to Table 15 - Credit Quality Steps and Risk Weights under Standardised Approach.

The decrease in RWAs during the year was related to a reduction in unsettled trades with multiple institutional and corporate counterparties.

Below table shows the breakdown of exposures under the F-IRB approach by exposure class and the effect on the RWAs of credit derivatives used as CRM techniques as at 31 December 2024 for the MSI Group and MSIP.

Table 63: IRB approach: Effect on the RWAs of credit derivatives used as CRM techniques (UK CR7) – MSI Group and MSIP

\$MM	a		b	
	MSI Group		MSIP	
	Pre-credit derivatives RWAs	Actual RWAs	Pre-credit derivatives RWAs	Actual RWAs
1	Exposures under FIRB¹	6,072	6,072	2,537
2	Central governments and central banks	425	425	147
3	Institutions	1,709	1,709	1,458
4	Corporates	3,938	3,938	932
4.1	of which Corporates - SMEs	-	-	-
4.2	of which Corporates - Specialised lending	-	-	-
10	Total (including FIRB exposures and AIRB exposures)	6,072	6,072	2,537

1. MSI Group and MSIP have no AIRB exposures.

The overall decrease in MSI Group and MSIP RWAs during the year was driven primarily by a reduction in cash deposits held with agent banks classified as institutions.

Below table shows the parameters used for the calculation of capital requirements under IRB approach as at 31 December 2024 for the MSI Group.

Table 64: IRB approach: Credit risk exposures by exposure class and PD range (UK CR6) - MSI Group

PD range	On-balance sheet exposures	Off-balance sheet exposures pre-CCF	Exposure weighted average CCF	Exposure post CCF and post CRM	Exposure weighted average PD	Number of obligors	Exposure weighted average LGD	Exposure weighted average maturity	RWA after supporting factors	Density of RWA	Expected loss amount	Value adjustments and provisions
a	b	c	d	e	f	g	h	i	j	k	l	m
MSI Group	\$MM	\$MM	%	\$MM	%	#	%	Years	\$MM	%	\$MM	\$MM
0.00 to <0.15	14,330	-	-	14,330	0.01%	5	45.00%	1	425	3.00%	1	-
0.00 to <0.10	14,330	-	-	14,330	0.01%	5	45.00%	1	425	3.00%	1	-
0.10 to <0.15	-	-	-	-	-	-	-	-	-	-	-	-
0.15 to <0.25	-	-	-	-	-	-	-	-	-	-	-	-
0.25 to <0.50	-	-	-	-	-	-	-	-	-	-	-	-
0.50 to <0.75	-	-	-	-	-	-	-	-	-	-	-	-
0.75 to <2.50	-	-	-	-	-	-	-	-	-	-	-	-
0.75 to <1.75	-	-	-	-	-	-	-	-	-	-	-	-
1.75 to <2.5	-	-	-	-	-	-	-	-	-	-	-	-
2.50 to <10.00	-	-	-	-	-	-	-	-	-	-	-	-
2.5 to <5	-	-	-	-	-	-	-	-	-	-	-	-
5 to <10	-	-	-	-	-	-	-	-	-	-	-	-
10.00 to <100.00	-	-	-	-	-	-	-	-	-	-	-	-
10 to <20	-	-	-	-	-	-	-	-	-	-	-	-
20 to <30	-	-	-	-	-	-	-	-	-	-	-	-
30.00 to <100.00	-	-	-	-	-	-	-	-	-	-	-	-
100.00 (Default)	-	-	-	-	-	-	-	-	-	-	-	-
Exposure class 1	Central governments or central banks	14,330	-	14,330		5		1	425		1	-
0.00 to <0.15	8,351	505	80.00%	8,756	0.05%	92	45.00%	1	1,421	16.00%	2	(1)
0.00 to <0.10	8,099	505	80.00%	8,503	0.05%	70	45.00%	1	1,336	16.00%	2	(1)
0.10 to <0.15	253	-	75.00%	253	0.14%	22	45.00%	1	85	34.00%	-	-
0.15 to <0.25	155	-	75.00%	155	0.22%	12	45.00%	1	70	45.00%	-	-
0.25 to <0.50	52	-	-	52	0.35%	2	45.00%	-	31	59.00%	-	-
0.50 to <0.75	-	-	-	-	-	-	-	-	-	-	-	-
0.75 to <2.50	121	-	-	121	1.55%	4	45.00%	1	140	116.00%	1	-
0.75 to <1.75	98	-	-	98	1.38%	3	45.00%	1	109	112.00%	1	-
1.75 to <2.5	24	-	-	24	2.20%	1	45.00%	-	31	130.00%	-	-
2.50 to <10.00	-	-	-	-	-	-	-	-	-	-	-	-
2.5 to <5	-	-	-	-	-	-	-	-	-	-	-	-
5 to <10	-	-	-	-	-	-	-	-	-	-	-	-
10.00 to <100.00	21	-	75.00%	21	11.13%	53	45.00%	1	47	227.00%	1	-
10 to <20	21	-	75.00%	21	11.13%	53	45.00%	1	47	227.00%	1	-
20 to <30	-	-	-	-	-	-	-	-	-	-	-	-
30.00 to <100.00	-	-	-	-	-	-	-	-	-	-	-	-
100.00 (Default)	-	-	-	-	92.84%	1	45.00%	4	-	-	-	-
Exposure class 2	Institutions	8,700	505	9,105		164		8	1,709		4	(1)
0.00 to <0.15	1,340	5,049	75.00%	5,126	0.08%	95	45.00%	2	1,669	33.00%	2	-
0.00 to <0.10	998	4,215	75.00%	4,159	0.06%	60	45.00%	2	1,240	30.00%	1	-
0.10 to <0.15	341	834	75.00%	967	0.14%	35	45.00%	2	429	44.00%	1	-
0.15 to <0.25	2	660	75.00%	498	0.22%	10	45.00%	2	275	55.00%	-	-
0.25 to <0.50	42	181	75.00%	177	0.35%	16	45.00%	1	102	57.00%	-	-
0.50 to <0.75	42	40	75.00%	72	0.55%	16	45.00%	3	70	97.00%	-	-
0.75 to <2.50	107	407	75.00%	412	1.22%	60	45.00%	3	465	113.00%	2	(2)
0.75 to <1.75	90	353	75.00%	355	1.06%	45	45.00%	3	387	109.00%	2	(1)
1.75 to <2.5	17	54	75.00%	57	2.20%	15	45.00%	3	78	137.00%	-	(1)
2.50 to <10.00	12	200	76.00%	164	4.95%	47	45.00%	4	294	180.00%	4	(3)
2.5 to <5	12	200	76.00%	164	4.95%	47	45.00%	4	294	180.00%	4	(3)
5 to <10	-	-	-	-	-	-	-	-	-	-	-	-
10.00 to <100.00	338	102	75.00%	415	17.09%	127	45.00%	2	1,063	256.00%	32	(112)
10 to <20	160	102	75.00%	237	11.13%	116	45.00%	3	588	248.00%	12	(2)
20 to <30	178	-	-	178	25.02%	11	45.00%	1	475	267.00%	20	(110)
30.00 to <100.00	-	-	-	-	-	-	-	-	-	-	-	-
100.00 (Default)	282	7	75.00%	287	100.00%	36	45.00%	4	-	-	129	-
Exposure class 3	Corporates	2,165	6,646	7,151		407		21	3,938		169	(117)
Total (all exposure classes)	25,195	7,151		30,586		576		30	6,072		174	(118)

The overall decrease in RWAs during the year was driven primarily by a reduction in cash deposits held with agent banks classified as institutions.

Below table provides disclosure of the extent of the use of CRM techniques for the MSI Group and MSIP as at 31 December 2024.

Table 65: IRB approach: Disclosure of the extent of the use of CRM techniques (UK CR7-A) - MSI Group and MSIP

Credit risk Mitigation techniques ²														Credit risk Mitigation methods in the calculation of RWAs	
Funded credit Protection (FCP) Part of exposures covered by -														Unfunded credit Protection (UFCP) Part of exposures covered by -	
F-IRB		Total exposures ¹	Financial Collaterals	Other eligible collaterals Immovable property Collaterals	Receivables	Other physical collateral Other funded credit protection	Cash on deposit	Life insurance policies Instruments held by a third party	Guarantees	Credit Derivatives	RWA post all CRM assigned to the obligor exposure class	RWA with substitution effects			
													a	b	c
MSI Group		\$MM	(%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)	\$MM	\$MM	
1	Central governments and central banks	14,330	-	-	-	-	-	-	-	-	-	-	425	425	
2	Institutions	9,105	2.97%	-	-	-	-	-	-	-	-	-	1,644	1,709	
3	Corporates	7,151	80.45%	-	-	-	-	-	-	-	2.55%	-	4,473	3,938	
	Of which: -														
3.1	SMEs	-	-	-	-	-	-	-	-	-	-	-	-	-	
3.2	Specialised lending	-	-	-	-	-	-	-	-	-	-	-	-	-	
3.3	Other	7,151	80.45%	-	-	-	-	-	-	-	2.55%	-	4,473	3,938	
4	Total	30,586	53.60%	-	-	-	-	-	-	-	1.68%	-	6,542	6,072	
MSIP															
1	Central governments and central banks	3,392	-	-	-	-	-	-	-	-	-	-	147	147	
2	Institutions	7,885	0.87%	-	-	-	-	-	-	-	-	-	1,448	1,458	
3	Corporates	1,337	95.01%	-	-	-	-	-	-	-	0.02%	-	759	932	
	Of which: -														
3.1	SMEs	-	-	-	-	-	-	-	-	-	-	-	-	-	
3.2	Specialised lending	-	-	-	-	-	-	-	-	-	-	-	-	-	
3.3	Other	1,337	95.01%	-	-	-	-	-	-	-	0.02%	-	759	932	
4	Total	12,614	67.12%	-	-	-	-	-	-	-	0.01%	-	2,354	2,537	

1.Total Exposure represents exposure after the use of CRM techniques.

2.Collateralisation is derived as funded credit protection or unfunded credit protection per category as a percentage of exposure before the use of CRM techniques.

Unfunded CRM techniques are only applied to RWAs arising from exposures to specific corporate counterparties, which are supported by guarantees.

Below table shows CCR exposures under the SA approach by exposure class and risk weight for the MSI Group as at 31 December 2024.

Table 66: Standardised approach: CCR exposures by regulatory exposure class and risk weight (UK CCR3)- MSI Group

\$MM	Risk weight												Total exposure value
	a	b	c	d	e	f	g	h	i	j	k	l	
MSI Group	0%	2%	4%	10%	20%	50%	70%	75%	100%	150%	Others		
1 Central governments or central banks	-	-	-	-	-	-	-	-	2	-	-	2	
2 Regional government or local authorities	-	-	-	-	1	-	-	-	-	-	-	1	
3 Public sector entities	-	-	-	-	0	-	-	-	-	-	-	0	
4 Multilateral development banks	30	-	-	-	-	-	-	-	-	-	-	30	
5 International organisations	-	-	-	-	-	-	-	-	-	-	-	-	
6 Institutions	-	12,866	7,662	-	233	1	-	-	99	-	-	20,861	
7 Corporates	-	-	-	-	0	14	-	-	1,363	11	-	1,388	
8 Retail	-	-	-	-	-	-	-	-	-	-	-	-	
9 Institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-	-	-	-	
10 Other items	-	-	-	-	-	-	-	-	-	-	-	-	
11 Total exposure value	30	12,866	7,662	-	234	15	-	-	1,464	11	-	22,282	

Overall exposures have remained largely unchanged during the year, with some movements in institutional and corporate exposures in the normal course of business, across the 2%, 4% and 100% risk weights. This table includes exposures to QCCPs, except where MSI Group is acting as a financial intermediary between a client and a QCCP.

Below table shows all the relevant parameters used for the calculation of CCR capital requirements for the IRB approach as at 31 December 2024 for the MSI Group.

Table 67: IRB approach: CCR exposures by portfolio and PD scale (UK CCR4) - MSI Group

MSI Group		a	b	c	d	e	f	g
		Exposure value \$MM	Exposure weighted average PD %	Number of obligors #	Exposure weighted average LGD %	Exposure weighted average maturity Years	RWAs \$MM	Density of risk weighted exposure amounts %
1	Central governments and central banks							
1	0.00 to <0.15	10,637	0.02%	116	45.00%	1	787	7.40%
2	0.15 to <0.25	122	0.22%	7	45.00%	2	63	51.70%
3	0.25 to <0.50	116	0.35%	8	45.00%	-	45	39.16%
4	0.50 to <0.75	13	0.55%	2	45.00%	-	7	51.18%
5	0.75 to <2.50	54	0.89%	8	45.00%	4	65	120.19%
6	2.50 to <10.00	-	-	-	-	-	-	-
7	10.00 to <100.00	2	19.83%	6	45.00%	2	5	263.23%
8	100.00 (Default)	-	-	-	-	-	-	-
		10,944	0.04%	147	45.00%	1	972	8.88%
2	Corporates							
1	0.00 to <0.15	36,952	0.08%	6,194	46.19%	2	11,394	30.83%
2	0.15 to <0.25	4,701	0.22%	1,051	45.00%	1	2,542	54.07%
3	0.25 to <0.50	4,166	0.35%	1,434	45.00%	1	2,608	62.60%
4	0.50 to <0.75	5,575	0.55%	453	45.00%	-	4,060	72.81%
5	0.75 to <2.50	6,847	1.16%	1,730	45.00%	1	6,947	101.46%
6	2.50 to <10.00	803	4.95%	315	45.00%	1	1,281	159.50%
7	10.00 to <100.00	1,302	17.84%	1,369	45.00%	1	3,113	239.09%
8	100.00 (Default)	334	100.00%	6	45.00%	4	0	-
		60,680	1.27%	12,552	45.72%	1	31,945	52.64%
3	Institutions							
1	0.00 to <0.15	38,364	0.06%	222	45.34%	1	7,917	20.64%
2	0.15 to <0.25	2,257	0.22%	50	45.08%	1	1,209	53.59%
3	0.25 to <0.50	541	0.35%	67	45.50%	1	372	68.77%
4	0.50 to <0.75	210	0.55%	32	45.05%	1	166	78.70%
5	0.75 to <2.50	913	1.65%	97	52.46%	1	1,413	154.83%
6	2.50 to <10.00	2	4.95%	5	45.00%	1	3	172.29%
7	10.00 to <100.00	105	12.18%	47	45.00%	-	241	229.00%
8	100.00 (Default)	-	-	-	-	-	-	-
		42,392	0.14%	520	45.48%	1	11,321	26.71%
Total (all CCR relevant exposure classes)		114,016	0.73%	13,219	45.57%	1	44,238	38.80%

Overall RWAs decreased during the year, with the largest decrease related to OTC derivatives held with institutions in the "10 to <100" PD range.

Below table shows the credit quality of performing and non-performing exposures.

Table 68: Credit Quality of Performing and Non-Performing exposures (UK CQ3) – MSI Group and MSIP

	a	b	c	d	e	f	g	h	i	j	k	l
\$MM	Gross carrying amount/nominal amount											
	Performing exposures				Non-performing exposures							
	Not past due or past due ≤ 30 days	Past due > 30 days ≤ 90 days	Unlikely to pay that are not past due or are past due ≤ 90 days	Past due > 90 days ≤ 180 days	Past due > 180 days ≤ 1 year	Past due > 1 year ≤ 2 years	Past due > 2 years ≤ 5 years	Past due > 5 years ≤ 7 years	Past due > 7 years	Of which defaulted		
MSI Group												
5 Cash balances at central banks and other demand deposits	28,747	28,747	-	72	1	2	8	3	58	-	-	72
10 Loans and advances	209,650	209,501	149	98	0	39	12	5	42	0	0	98
20 Central banks	1,895	1,895	-	0	-	-	-	0	-	-	-	0
30 General governments	856	856	0	0	-	0	-	-	-	-	-	0
40 Credit institutions	28,339	28,314	25	4	0	1	1	2	0	0	-	4
50 Other financial corporations	177,058	176,958	100	83	0	32	7	3	41	0	-	83
60 Non-financial corporations	1,502	1,478	24	11	0	6	4	0	1	-	0	11
70 Of which SMEs	-	-	-	-	-	-	-	-	-	-	-	-
80 Households	-	-	-	-	-	-	-	-	-	-	-	-
90 Debt securities	-	-	-	-	-	-	-	-	-	-	-	-
100 Central banks	-	-	-	-	-	-	-	-	-	-	-	-
110 General governments	-	-	-	-	-	-	-	-	-	-	-	-
120 Credit institutions	-	-	-	-	-	-	-	-	-	-	-	-
130 Other financial corporations	-	-	-	-	-	-	-	-	-	-	-	-
140 Non-financial corporations	-	-	-	-	-	-	-	-	-	-	-	-
150 Off-balance-sheet exposures	5,390		-									-
160 Central banks	-		-									-
170 General governments	-		-									-
180 Credit institutions	84		-									-
190 Other financial corporations	846		-									-
200 Non-financial corporations	4,460		-									-
210 Households	0		-									-
220 Total	243,787	238,248	149	170	1	41	20	8	100	0	0	170
MSIP												
5 Cash balances at central banks and other demand deposits	16,604	16,604	-	64	1	2	1	3	57	-	-	64
10 Loans and advances	190,730	190,634	96	88	0	35	8	4	41	0	0	88
20 Central banks	1,832	1,832	-	0	-	-	-	0	-	-	-	0
30 General governments	367	367	-	-	-	-	-	-	-	-	-	-
40 Credit institutions	30,794	30,770	24	3	0	1	1	1	0	0	-	3
50 Other financial corporations	156,774	156,721	53	74	0	28	3	3	40	0	-	74
60 Non-financial corporations	963	944	19	11	0	6	4	-	1	-	0	11
70 Of which SMEs	-	-	-	-	-	-	-	-	-	-	-	-
80 Households	-	-	-	-	-	-	-	-	-	-	-	-
90 Debt securities	-	-	-	-	-	-	-	-	-	-	-	-
100 Central banks	-	-	-	-	-	-	-	-	-	-	-	-
110 General governments	-	-	-	-	-	-	-	-	-	-	-	-
120 Credit institutions	-	-	-	-	-	-	-	-	-	-	-	-
130 Other financial corporations	-	-	-	-	-	-	-	-	-	-	-	-
140 Non-financial corporations	-	-	-	-	-	-	-	-	-	-	-	-
150 Off-balance-sheet exposures	3		-									-
160 Central banks	-		-									-
170 General governments	-		-									-
180 Credit institutions	-		-									-
190 Other financial corporations	3		-									-
200 Non-financial corporations	-		-									-
210 Households	-		-									-
220 Total	207,337	207,238	96	152	1	37	9	7	98	0	0	152

The above table shows the ageing of performing and non-performing exposures, specifically loans and advances, cash balances with central banks, and other demand deposits, and off-balance sheet exposures.

Below table shows (i) exposure values as defined in Article 166 CRR and (ii) the total exposure value for exposures subject to the SA and to the IRB approach, defined by Article 429(4) CRR under the leverage approach. This is further categorised into those exposures subject to permanent partial use, the IRB Approach and those subject to an IRB roll-out plan.

Table 69: Scope of the use of IRB and SA approaches (UK CR6-A) – MSI Group

	a	b	c	d	e
	Exposure value as defined in Article 166 CRR for exposures subject to IRB approach	Total exposure value for exposures subject to the Standardised approach and to the IRB approach	Percentage of total exposure value subject to the permanent partial use of the SA	Percentage of total exposure value subject to IRB Approach	Percentage of total exposure value subject to a roll-out plan
MSI Group	\$MM	\$MM	%	%	%
1 Central governments or central banks	14,330	15,478	5.33%	94.67%	-
1.1 Of which Regional governments or local authorities		-	-	-	-
1.2 Of which Public sector entities		-	-	-	-
2 Institutions	9,105	9,750	2.98%	97.02%	-
3 Corporates	7,151	6,786	14.73%	85.27%	-
3.1 Of which Corporates - Specialised lending, excluding slotting approach		-	-	-	-
3.2 Of which Corporates - Specialised lending under slotting approach		-	-	-	-
4 Retail	-	-	-	-	-
4.1 of which Retail – Secured by real estate SMEs		-	-	-	-
4.2 of which Retail – Secured by real estate non-SMEs		-	-	-	-
4.3 of which Retail – Qualifying revolving		-	-	-	-
4.4 of which Retail – Other SMEs		-	-	-	-
4.5 of which Retail – Other non-SMEs		-	-	-	-
5 Equity	154	154	-	100.00%	-
6 Other non-credit obligation assets	-	1,104	100.00%	-	-
7 Total	30,740	33,272	9.67%	90.33%	-

Overall exposures decreased during the year, due primarily to a reduction in cash deposits with agent banks classified as institutions. The percentage of exposures subject to the IRB approach increased slightly.

Below tables shows the breakdown of number of obligors by exposure class at the beginning of the year which then defaulted during the year. It also adds back-testing information based on the five most recent years average for PDs by each exposure class.

Table 70: IRB approach – Back-testing of PD per exposure class (fixed PD scale) (UK CR9) – MSI Group

F-IRB							
a	b	c	d	e	f	g	h
Number of obligors in the end of previous year			Of which number of obligors which defaulted in the year	Observed average default rate	Exposure weighted average PD	Average PD	Average historical annual default rate
Exposure class	PD range						
Central governments and central banks				%	%	%	%
	0.00 to <0.15	6	-	-	0.01%	0.02%	-
	0.00 to <0.10	6	-	-	0.01%	0.02%	-
	0.10 to <0.15	-	-	-	-	-	-
	0.15 to <0.25	-	-	-	-	-	-
	0.25 to <0.50	-	-	-	-	-	-
	0.50 to <0.75	-	-	-	-	-	-
	0.75 to <2.50	-	-	-	-	-	-
	0.75 to <1.75	-	-	-	-	-	-
	1.75 to <2.5	-	-	-	-	-	-
	2.50 to <10.00	-	-	-	-	-	-
	2.5 to <5	-	-	-	-	-	-
	5 to <10	-	-	-	-	-	-
	10.00 to <100.00	-	-	-	-	-	-
	10 to <20	-	-	-	-	-	-
	20 to <30	-	-	-	-	-	-
	30.00 to <100.00	-	-	-	-	-	-
	100.00 (Default)	-	-	-	-	-	-
Institutions							
	0.00 to <0.15	85	-	-	0.05%	0.08%	-
	0.00 to <0.10	62	-	-	0.05%	0.06%	-
	0.10 to <0.15	23	-	-	0.14%	0.14%	-
	0.15 to <0.25	10	-	-	0.22%	0.22%	-
	0.25 to <0.50	7	-	-	0.35%	0.35%	-
	0.50 to <0.75	-	-	-	-	-	-
	0.75 to <2.50	9	-	-	1.55%	0.93%	-
	0.75 to <1.75	9	-	-	1.38%	0.93%	-
	1.75 to <2.5	-	-	-	2.20%	-	-
	2.50 to <10.00	-	-	-	-	-	-
	2.5 to <5	-	-	-	-	-	-
	5 to <10	-	-	-	-	-	-
	10.00 to <100.00	81	-	-	11.13%	11.13%	-
	10 to <20	81	-	-	11.13%	11.13%	-
	20 to <30	-	-	-	-	-	-
	30.00 to <100.00	-	-	-	-	-	-
	100.00 (Default)	2	-	-	92.84%	100.00%	-
Corporates							
	0.00 to <0.15	88	-	-	0.08 %	0.09%	-
	0.00 to <0.10	60	-	-	0.06%	0.06%	-
	0.10 to <0.15	28	-	-	0.14%	0.14%	-
	0.15 to <0.25	10	-	-	0.22%	0.22%	-
	0.25 to <0.50	12	-	-	0.35%	0.35%	-
	0.50 to <0.75	6	-	-	0.55%	0.55%	-
	0.75 to <2.50	37	-	-	1.22%	1.34%	-
	0.75 to <1.75	28	-	-	1.06%	1.06%	-
	1.75 to <2.5	9	-	-	2.20%	2.20%	-
	2.50 to <10.00	30	-	-	4.95%	4.95%	-
	2.5 to <5	30	-	-	4.95%	4.95%	-
	5 to <10	-	-	-	-	-	-
	10.00 to <100.00	110	1	0.91%	17.09%	13.53%	1.30%
	10 to <20	91	-	-	11.13%	11.13%	0.96%
	20 to <30	19	1	5.26%	25.02%	25.02%	1.78%
	30.00 to <100.00	-	-	-	-	-	-
	100.00 (Default)	29	-	-	100.00%	100.00%	-

1. MSI Group has no AIRB exposures.

Below table shows PD ranges in accordance with their internal grades that they map to the scale used by the external ECAI, instead of a fixed external PD range in Table 71.

Table 71: IRB approach – Back-testing of PD per exposure class (only for PD estimates according to point (f) of Article 180(1) CRR) (UK CR9.1) – MSI Group

F-IRB								
	a	b	c	d	e	f	g	h
				Number of obligors in the end of previous year				
				Of which number of obligors which defaulted in the year		Observed average default rate		Average historical annual default rate
Exposure class	PD range	External rating equivalent					Average PD	default rate
Central governments and central banks						%	%	%
	0.0072 to <0.0114	AAA		3	-	-	0.01%	-
	0.0114 to <0.0138	AA+		-	-	-	0.01%	-
	0.0138 to <0.0219	AA		1	-	-	0.01%	-
	0.0219 to <0.0347	AA-		1	-	-	0.02%	-
	0.0347 to <0.055	A+		-	-	-	0.03%	-
	0.055 to <0.0873	A		-	-	-	0.06%	-
	0.0873 to <0.1384	A-		1	-	-	0.09%	-
	0.1384 to <0.2194	BBB+		-	-	-	0.14%	-
	0.2194 to <0.348	BBB		-	-	-	0.22%	-
	0.348 to <0.5518	BBB-		-	-	-	0.35%	-
	0.5518 to <0.875	BB+		-	-	-	0.55%	-
	0.875 to <1.3875	BB		-	-	-	0.88%	-
	1.3875 to <2.2002	BB-		-	-	-	1.39%	-
	2.2002 to <4.9479	B+		-	-	-	2.20%	-
	4.9479 to <11.1269	B		-	-	-	4.95%	-
	11.1269 to <25.0223	B-		-	-	-	11.13%	-
	25.0223 to <100 (Default)	CCC		-	-	-	25.02%	-
	100 (Default)	D		-	-	-	100.00%	-
Institutions								
	0.03 to <0.03472 ²	AAA to AA-		13	-	-	0.03%	-
	0.0347 to <0.055	A+		11	-	-	0.03%	-
	0.055 to <0.0873	A		16	-	-	0.06%	-
	0.0873 to <0.1384	A-		22	-	-	0.09%	-
	0.1384 to <0.2194	BBB+		23	-	-	0.14%	-
	0.2194 to <0.348	BBB		10	-	-	0.22%	-
	0.348 to <0.5518	BBB-		7	-	-	0.35%	-
	0.5518 to <0.875	BB+		-	-	-	0.55%	-
	0.875 to <1.3875	BB		8	-	-	0.88%	-
	1.3875 to <2.2002	BB-		1	-	-	1.39%	-
	2.2002 to <4.9479	B+		-	-	-	2.20%	-
	4.9479 to <11.1269	B		-	-	-	4.95%	-
	11.1269 to <25.0223	B-		81	-	-	11.13%	-
	25.0223 to <100 (Default)	CCC		-	-	-	25.02%	-
	100 (Default)	D		2	-	-	100.00%	-
Corporates								
	0.03 to <0.03472 ²	AAA to AA-		6	-	-	0.03%	-
	0.0347 to <0.055	A+		5	-	-	0.03%	-
	0.055 to <0.0873	A		25	-	-	0.06%	-
	0.0873 to <0.1384	A-		24	-	-	0.09%	-
	0.1384 to <0.2194	BBB+		28	-	-	0.14%	-
	0.2194 to <0.348	BBB		10	-	-	0.22%	-
	0.348 to <0.5518	BBB-		12	-	-	0.35%	-
	0.5518 to <0.875	BB+		6	-	-	0.55%	-
	0.875 to <1.3875	BB		18	-	-	0.88%	-
	1.3875 to <2.2002	BB-		10	-	-	1.39%	-
	2.2002 to <4.9479	B+		9	-	-	2.20%	-
	4.9479 to <11.1269	B		30	-	-	4.95%	-
	11.1269 to <25.0223	B-		91	-	-	11.13%	0.96%
	25.0223 to <100 (Default)	CCC		19	1	5.26%	25.02%	1.78%
	100 (Default)	D		29	-	-	100.00%	-

1. MSI Group has no AIRB exposures.

2. PD Range 0.03 to < 0.03472 represent those exposures to a corporate or an institution where the PD shall be at least 0.03% in line with CRR Article 160.

24. Appendix VI: MSI Group Non-Statutory Financial Information

MORGAN STANLEY INTERNATIONAL LIMITED

Consolidated non-statutory financial information

31 December 2024

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MORGAN STANLEY INTERNATIONAL LIMITED

Directors' Responsibilities Statement


The Directors, the names of whom are set out below, confirm that to the best of their knowledge:

- i) the accounting policies are appropriate to the circumstances of the Morgan Stanley International Group which comprises Morgan Stanley International Limited (the "Company") and its subsidiaries (together the "Group") and the policies have been consistently applied and adequately disclosed;
- ii) significant accounting estimates applied are reasonable; and
- iii) the consolidated non-statutory financial information is free from material misstatement.

Board of Directors:

D Cannon	(Appointed as Chair with effect from 19 September 2024)
C Beatty	
O Behrens	(Resigned on 26 June 2024)
J Bloomer	(Ceased to be a director on 19 August 2024)
M Butler	
D Cantillon	
T Duhon	
W Greene-Jr	(Resigned on 16 May 2024)
K Lazaroo	
F Mattern	
A Mullineaux	
A Munkelt	(Appointed on 16 May 2024)
S Orlacchio	
J Pearce	
M Richards	
A Sekhar	
P Taylor	
N Whyte	
C Woodman	

Approved by the Board and signed on its behalf by:

DocuSigned by:

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A Mullineaux

Director

4 April 2025

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MORGAN STANLEY INTERNATIONAL LIMITED

Report on the Audit of the Consolidated Non-Statutory Financial Information

Opinion

In our opinion the consolidated non-statutory financial information of Morgan Stanley International Limited (the "Group") for the year ended 31 December 2024 has been properly prepared in accordance with the accounting policies stated in notes 1 and 2.

We have audited the consolidated non-statutory financial information which comprises:

- the consolidated income statement;
- the consolidated statement of comprehensive income;
- the consolidated statement of changes in equity;
- the consolidated statement of financial position; and
- the related notes 1 to 2.

The financial reporting framework that has been applied in their preparation is the accounting policies stated in note 1 and 2.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)"), including ISA (UK) 800. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the consolidated non-statutory financial information section of our report.

We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated non-statutory financial information in the UK, including the Financial Reporting Council's (the "FRC's") Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter—Basis of Accounting

We draw attention to Note 1 and 2 to the consolidated non-statutory financial information, which describes the basis of accounting and is a special purpose framework. The consolidated non-statutory financial information is prepared to provide financial reporting at the same level as

the annual public Pillar 3 qualitative and quantitative disclosures required by the Capital Requirements Directive ("CRD") in relation to the Morgan Stanley International Group. As a result, the consolidated non-statutory financial information may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

Conclusions Relating to Going Concern

In auditing the consolidated non-statutory financial information, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the consolidated non-statutory financial information is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's ability to continue as a going concern for a period of at least twelve months from when the consolidated non-statutory financial information is authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other Information

The other information comprises the information included in the Director's Responsibilities Statement, other than the consolidated non-statutory financial information and our auditor's report thereon. The directors are responsible for the other information contained within the consolidated non-statutory financial information. Our opinion on the consolidated non-statutory financial information does not cover the other information and we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated non-statutory financial information or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the consolidated non-statutory

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MORGAN STANLEY INTERNATIONAL LIMITED

financial information itself. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of directors

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the consolidated non-statutory financial information in accordance with the financial reporting provisions laid out in notes 1 and 2 to the consolidated non-statutory financial information, and for such internal control as the directors determine is necessary to enable the preparation of consolidated non-statutory financial information that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated non-statutory financial information, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Information

Our objectives are to obtain reasonable assurance about whether the consolidated non-statutory financial information as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated non-statutory financial information.

A further description of our responsibilities for the audit of the consolidated non-statutory financial information is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Extent to which the Audit was Considered Capable of Detecting Irregularities, Including Fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the Group's industry and its control environment and reviewed the Group's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management, internal audit, in-house legal counsel, the directors and the Audit Committee about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory frameworks that the group operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the consolidated non-statutory financial information. The key laws and regulations we considered in this context included the UK Companies Act 2006, pensions legislation and tax legislation; and
- do not have a direct effect on the consolidated non-statutory financial information but compliance with which may be fundamental to the Group's ability to operate or to avoid a material penalty. These include regulatory solvency requirements.

We discussed among the audit engagement team, including relevant internal specialists such as tax, IT, regulatory, valuation and fraud specialists regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the consolidated non-statutory financial information.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MORGAN STANLEY INTERNATIONAL LIMITED

made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing consolidated non-statutory financial information disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the consolidated non-statutory financial information;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management, internal audit, in-house legal counsel, the directors and the Audit Committee concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with HMRC and other regulatory authorities including the PRA and the FCA.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Matters on which We are Required to Report by Exception

Under the ISAs (UK) we are required to report in respect of the following matters if, in our opinion:


- adequate accounting records have not been kept by the Group; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

Use of Our Report

This report is made solely to the Group's directors, as a body, in accordance with our engagement letter dated 24 January 2025 and solely for the purpose of providing an opinion over the consolidated non-statutory financial information contained within this document titled 'consolidated non-statutory financial information'. Our report is not to be used for any other purpose, recited or referred to in any document, copied or made available (in whole or in part) to any other person without prior written express consent. We accept no duty, responsibility or liability to any other party in connection with the report or this engagement.

The engagement partner on the audit resulting in this independent auditor's report is James Polson.

Signed by:

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 James Polson, FCA

For and on behalf of
 Deloitte LLP
 Statutory Auditor
 London, United Kingdom
 4 April 2025

[Table of contents](#)**MORGAN STANLEY INTERNATIONAL LIMITED****CONSOLIDATED INCOME STATEMENT****Year ended 31 December 2024**

in \$ millions	2024	2023
Net gains from financial instruments at fair value through profit or loss	7,635	6,145
Fee and commission income	4,961	4,336
Other revenue	75	47
Interest income	14,107	12,454
Interest expense	(15,719)	(13,355)
Net interest expense	(1,612)	(901)
Net revenue	11,059	9,627
Net gain/(loss) on investments in subsidiaries, associates and joint ventures	—	1
Non-interest expenses:		
Operating expense	(8,318)	(7,867)
Net impairment reversal/(loss) on financial instruments	5	(6)
PROFIT BEFORE TAX	2,746	1,755
Income tax expense	(790)	(409)
PROFIT FOR THE YEAR	1,956	1,346
Attributable to:		
Owners of the parent	1,935	1,324
Non-controlling interest	21	22
PROFIT FOR THE YEAR	1,956	1,346

The notes on pages 11 to 24 form an integral part of the consolidated non-statutory financial information.

[Table of contents](#)**MORGAN STANLEY INTERNATIONAL LIMITED****CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME****Year ended 31 December 2024**

in \$ millions	2024	2023
PROFIT FOR THE YEAR	1,956	1,346
OTHER COMPREHENSIVE INCOME AFTER INCOME TAX		
Items that will not be reclassified subsequently to profit or loss:		
Remeasurement of net defined benefit liability	6	(16)
Changes in fair value attributable to own credit risk on financial liabilities designated at fair value	(69)	(189)
Items that may be reclassified subsequently to profit or loss:		
Foreign currency translation differences arising on foreign operations	(668)	267
Net amount reclassified to consolidated income statement upon disposal of subsidiary	—	—
OTHER COMPREHENSIVE INCOME AFTER INCOME TAX	(731)	62
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	1,225	1,408
Attributable to:		
Owners of the parent	1,233	1,371
Non-controlling interest	(8)	37
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	1,225	1,408

The notes on pages 11 to 24 form an integral part of the consolidated non-statutory financial information.

[Table of contents](#)**MORGAN STANLEY INTERNATIONAL LIMITED****CONSOLIDATED STATEMENT OF CHANGES IN EQUITY****Year ended 31 December 2024**

in \$ millions	2024	2023
Share capital and other equity instruments – at 1 January	7,678	6,678
Issuance of ordinary share capital	—	1,000
Share capital and other equity instruments – at 31 December	7,678	7,678
Share premium account – at 1 January and 31 December	38	38
Pension reserve – at 1 January	(91)	(75)
Remeasurement of net defined benefit liability	6	(16)
Pension reserve – at 31 December	(85)	(91)
Currency translation reserve – at 1 January	(587)	(839)
Foreign currency translation differences arising on foreign operations	(639)	252
Currency translation reserve – at 31 December	(1,226)	(587)
Capital contribution reserve – at 1 January and 31 December	6,061	6,061
Capital redemption reserve – at 1 January and 31 December	1,400	1,400
Debt valuation reserve – at 1 January	(304)	(122)
Changes in fair value attributable to own credit risk on financial liabilities designated at fair value	(69)	(189)
Realised debt valuation losses	7	7
Debt valuation reserve – at 31 December	(366)	(304)
Retained earnings - at 1 January	18,293	17,267
Profit for the year	1,935	1,324
Realised debt valuation losses	(7)	(7)
Dividends	(1,295)	(323)
Income tax - current and deferred	58	32
Retained earnings - at 31 December	18,984	18,293
Total comprehensive income for the year attributable to owners of the parent	1,233	1,371
Equity attributable to the owners of the parent - at 31 December	32,484	32,488
Non-controlling interest - at 1 January	443	428
Profit for the year	21	22
Foreign currency translation differences arising on foreign operations	(29)	15
Total comprehensive income for the year attributable to non-controlling interest	(8)	37
Dividends	(21)	(22)
Non-controlling interest - at 31 December	414	443
Other comprehensive income for the year	(731)	62
Total comprehensive income for the year	1,225	1,408
Total equity at 31 December	32,898	32,931

The notes on pages 11 to 24 form an integral part of the consolidated non-statutory financial information.

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MORGAN STANLEY INTERNATIONAL LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2024

in \$ millions	2024	2023
ASSETS		
Cash and short term deposits	28,855	30,175
Trading financial assets (of which \$44,604 million (2023: \$48,421 million) were pledged to various parties)	399,572	376,564
Secured financing	120,630	127,470
Loans and advances	350	175
Investment securities	30	127
Trade and other receivables	88,755	88,806
Current tax assets	416	459
Deferred tax assets	343	343
Other assets	172	170
Property, plant and equipment	932	978
Intangible assets	881	832
TOTAL ASSETS	640,936	626,099
LIABILITIES		
Bank loans and overdrafts	4,793	4,284
Trading financial liabilities	345,734	316,257
Secured borrowing	101,581	103,559
Trade and other payables	93,258	101,206
Debt and other borrowings	43,378	48,613
Subordinated debt	18,996	18,861
Provisions	134	217
Current tax liabilities	133	138
Deferred tax liabilities	4	2
Post-employment benefit obligations	27	31
TOTAL LIABILITIES	608,038	593,168
EQUITY		
Share capital	3,378	3,378
Other equity instruments	4,300	4,300
Share premium account	38	38
Currency translation reserve	(1,226)	(587)
Capital contribution reserve	6,061	6,061
Capital redemption reserve	1,400	1,400
Pension reserve	(85)	(91)
Debt valuation reserve	(366)	(304)
Retained earnings	18,984	18,293
Equity attributable to the owners of the parent	32,484	32,488
Non-controlling interest	414	443
TOTAL EQUITY	32,898	32,931
TOTAL LIABILITIES AND EQUITY	640,936	626,099

The consolidated non-statutory financial information was approved by the Board and authorised for issue on 3 April 2025.

Signed on behalf of the Board

DocuSigned by:

 9A10B5202FE4470...
 A Mullineaux
 Director

The notes on pages 11 to 24 form an integral part of the consolidated non-statutory financial information.

[Table of contents](#)**MORGAN STANLEY INTERNATIONAL LIMITED****NOTES TO THE CONSOLIDATED NON-STATUTORY FINANCIAL INFORMATION****Year ended 31 December 2024****1. BASIS OF PREPARATION****a. Statement of Compliance**

The Company has prepared consolidated non-statutory financial information comprising information about the Group as at 31 December 2024. The Company confirms, in accordance with section 435 of the Companies Act 2006, that:

- i) the consolidated non-statutory financial information does not constitute its statutory accounts;
- ii) a copy of the Company's statutory accounts for the year ended 31 December 2024 will be filed with the Registrar of Companies for England and Wales, Companies House, Cardiff CF14 3UZ; and
- iii) the Company's independent auditor has issued an unqualified report on the Company's statutory accounts for the year ended 31 December 2024.

The Group has prepared the consolidated non-statutory financial information in accordance with the recognition and measurement principles of International Financial Reporting Standards ("IFRSs") as adopted by the United Kingdom ("UK"), Interpretations issued by the IFRS Interpretations Committee ("IFRIC"), as well as the basis of consolidation set out below. A summary of material accounting policies applied to the Group is detailed in note 2.

The consolidated non-statutory financial information has been prepared to provide financial reporting disclosures at the same level as the annual public Pillar 3 qualitative and quantitative disclosures required by the Capital Requirements Directive ("CRD") in relation to the Group.

b. New Standards and Interpretations Adopted During the Year

The following amendments to standards relevant to the Group's operations were adopted during the year. These amendments to standards did not have a material impact on the Group's consolidated non-statutory information.

Amendments to IFRS 16 '*Leases*': Lease Liability in a Sale and Leaseback were issued by the IASB in September 2022 for retrospective application in accounting periods beginning on or

after 1 January 2024. The amendments were adopted by the UK in May 2023.

Amendments to IAS 1 '*Presentation of Financial Statements*' ('IAS 1'): Classification of Liabilities as Current or Non-current were issued by the IASB in January 2020 and revised in July 2020 and October 2022, for retrospective application in accounting periods beginning on or after 1 January 2024. The amendments were adopted by the UK in July 2023.

Amendments to IAS 1 '*Presentation of Financial Statements*' ('IAS 1'): Disclosure of Accounting Policies were issued by the IASB in February 2021, for retrospective application in accounting periods beginning on or after 1 January 2024. The amendments were adopted by the UK in July 2023.

Amendments to IAS 1: Non-current Liabilities with Covenants were issued by the IASB in October 2022 for application in accounting periods beginning on or after 1 January 2024. The amendments were adopted by the UK in July 2023.

There were no other standards, amendments to standards or interpretations relevant to the Group's operations which were adopted during the year.

c. New Standards and Interpretations Not Yet Adopted

At the date of authorisation of this consolidated non-statutory financial information, the following amendments to standards relevant to the Group's operations were issued by the IASB but not mandatory for accounting periods beginning 1 January 2024. The Group does not expect that the adoption of the following amendments to standards will have a material impact on the Group's consolidated non-statutory financial information, unless otherwise indicated.

Amendments to IAS 21 '*The Effects of Changes in Foreign Exchange Rates*': Lack of Exchangeability were issued by the IASB in August 2023 for prospective application in accounting periods beginning on or after 1 January 2025. Earlier application is permitted. The amendments were adopted by the UK in July 2024.

Amendments to IFRS 9 '*Financial Instruments*' ('IFRS 9') and IFRS 7 '*Financial*

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Instruments: Disclosures ("IFRS 7") was issued by the IASB in May 2024 for retrospective application in annual periods beginning on or after 1 January 2026. Earlier application is permitted. The Group is currently assessing the impact of IFRS 9 and IFRS 7 on its consolidated non-statutory financial information.

IFRS 18 '*Presentation and Disclosure in Financial Statements*' ("IFRS 18") was issued by the IASB in April 2024 for retrospective application in annual periods beginning on or after 1 January 2027. Earlier application is permitted. The Group is currently assessing the impact of IFRS 18 on its non-statutory financial information.

IFRS 19 '*Subsidiaries without Public Accountability*' ("IFRS 19") was issued by the IASB in May 2024 for application in annual periods beginning on or after 1 January 2027. Earlier application is permitted. The Group is currently assessing the impact of IFRS 19 on its non-statutory financial information.

d. Basis of Measurement

The consolidated non-statutory financial information of the Group is prepared under the historical cost basis, except for certain financial instruments that have been measured at fair value as explained in the accounting policies below.

e. Critical Accounting Judgements and Key Sources of Estimation Uncertainty

In preparing the consolidated non-statutory financial information, the Group make judgements and estimates that affect the application of accounting policies and reported amounts.

Critical accounting judgements are key decisions made by management in the application of the Group's accounting policies, other than those involving estimations, which have the most significant effects on the amounts recognised in the consolidated non-statutory financial information.

Key sources of estimation uncertainty represent assumptions and estimations made by management that have a significant risk of resulting in a material adjustment to the carrying amount of assets and liabilities within the next financial year.

The Group's key sources of estimation uncertainty are as follows:

- *Valuation of Level 3 financial instruments:* Valuation techniques used to measure the fair value of instruments categorised in Level 3 of the fair value hierarchy are dependent on unobservable parameters, and as such require the application of judgement, involving estimations and assumptions. The fair value for these financial instruments has been determined using parameters appropriate for the valuation methodology based on prevailing market evidence. It is recognised that the unobservable parameters could have a range of reasonable possible alternate values. See accounting policy note 2(d).
- *Measurement of litigation and taxation provisions:* Estimates are used in the calculation of provisions, which are initially measured, and subsequently remeasured, at the best estimate of the expenditure required to settle the obligation. With such items there is a possibility that, on conclusion at a future date, the final outcome may differ significantly. Whilst a range of outcomes is reasonably possible, the extent of the reasonably possible range has been assessed as not material. See accounting policy note 2(k). The Morgan Stanley Group has engaged in negotiations of Advanced Pricing Agreements with selected tax authorities in respect of its key transfer pricing methodologies and has, accordingly, accrued based on a best estimate. Negotiations may result in changes to methodologies or inputs that could have an impact on the Group's revenues in the future.

No critical accounting judgements have been made in the process of applying the Group's accounting policies that have had a significant effect on the amounts recognised in the consolidated non-statutory financial information.

The Group evaluates the critical accounting judgements and key sources of estimation uncertainty on an ongoing basis and believes that these are reasonable.

f. Basis of Consolidation

The consolidated non-statutory financial information of the Group comprises information about the Company and its subsidiaries as at 31 December 2024. Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to,

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or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The information for the subsidiaries is prepared for the same reporting year as the Group, using consistent accounting policies. The financial information of subsidiaries which have a non-US dollar reporting currency is translated into US dollars as described in note 2(b). Subsidiaries are consolidated from the date that the Group gains control until the date that control ceases.

In certain cases, the Group may exercise control over another entity on behalf of investors or other parties. In such cases it is necessary, as part of the assessment of whether it should consolidate the entity, for the Group to determine whether it exercises such control primarily as an agent for the other investors or whether it does so primarily as principal on its own behalf. In making such a determination, management of the Group will consider all relevant factors, including in particular:

- the scope of the Group's decision-making authority over the investee;
- the rights, including removal rights, held by other parties;
- the remuneration to which the Group is entitled; and
- the significance of the Group's exposure to variability of returns from its interests in the entity.

Intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions are eliminated in preparing the consolidated non-statutory financial information.

Non-controlling interest represents the portion of profit or loss and total equity not owned, directly or indirectly, by the Group and are presented separately in the consolidated income statement, consolidated statement of comprehensive income and within equity in the consolidated statement of financial position, separately from equity attributable to owners of the parent. The amount of non-controlling interest is measured at historical cost.

g. The Going Concern Assumption

The Group has considered its business activities, together with the factors likely to affect its future development, performance and position, such as the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; and its exposures to credit risk and liquidity risk. Retaining sufficient liquidity and capital to withstand market pressures remains central to the Morgan Stanley Group's and the Group's strategy.

Taking the above factors into consideration, the Directors believe it is reasonable to assume that the Group will have access to adequate resources to continue in operational existence for the foreseeable future being at least 12 months from the date of approval of these consolidated non-statutory financial information. Accordingly, they continue to adopt the going concern basis in preparing the consolidated non-statutory financial information.

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Items included in the consolidated non-statutory financial information are measured and presented in US dollars, the currency of the primary economic environment in which the Group operates.

All currency amounts in the consolidated non-statutory financial information are rounded to the nearest million US dollars.

b. Foreign Currencies

All monetary assets and liabilities denominated in currencies other than US dollars are translated into US dollars at the rates ruling at the reporting date. Transactions and non-monetary assets and liabilities denominated in currencies other than US dollars are recorded at the rates prevailing at the dates of the transactions. Assets and liabilities of foreign operations are translated into US dollars using the closing rate. Translation differences arising from the net investments in the foreign operations are taken to the 'Currency translation reserve'.

The amount of change in the fair value of financial liabilities designated at fair value through profit and loss ("FVPL") that is attributable to changes in the credit risk of these liabilities (Debt Valuation Adjustment ("DVA")) includes foreign exchange differences thereon. All other translation differences are taken through the consolidated income statement. Exchange differences recognised in the consolidated income statement are presented in 'Other income' or 'Operating expense', except where noted in 2(c) below.

On disposal of a foreign operation, the related cumulative gain or loss in the 'Currency translation reserve' attributable to the owners of the parent is reclassified to the consolidated income statement and recorded within 'Net gain/(loss) on investments in subsidiaries, associates and joint ventures'.

c. Financial Instruments**i) Financial Instruments Mandatorily at Fair Value through Profit and Loss***Trading Financial Instruments*

Trading financial instruments include government debt securities, corporate and other debt, traded

loans, and corporate equities where the Group acquires the financial asset or financial liability for the purpose of selling or repurchasing in the near term or is part of a portfolio for which there is evidence of short term profit taking, and all derivative contracts.

Purchases and sales of non-derivative financial instruments classified as trading are initially recognised on settlement date at fair value, including regular way securities transactions. For purchases of non-derivative financial instruments classified as trading, from the date that the terms are agreed (trade date) until the settlement date, the Group recognises any unrealised fair value in the consolidated statement of financial position as 'Trading financial instruments' with corresponding profit or loss recognised within the consolidated income statement in 'Net gains/(losses) from financial instruments at fair value through profit or loss'. For sales of non-derivative financial instruments unrealised fair value changes are not recognised in the consolidated income statement from trade date. Upon settlement date the resulting financial instrument is recognised or de-recognised from the consolidated statement of financial position.

Derivatives, are initially recorded on trade date at fair value (see note 2(d) below). All subsequent changes in fair value are reflected in the consolidated income statement in 'Net gains/(losses) from financial instruments at fair value through profit or loss'.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial instrument. For all trading financial instruments, transaction costs are excluded from the initial fair value measurement of the financial instrument. These costs are recognised in the consolidated income statement in 'Operating expense'.

Non-Trading Financial Assets at Fair Value through Profit or Loss

Non-trading financial assets at FVPL include secured financing transactions such as cash collateral on securities borrowed and securities purchased under agreements to resell, prepaid over the counter ("OTC") contracts and financial assets arising upon consolidation of certain special purpose entities, and certain investment securities (unlisted equities).

Non-trading financial assets at FVPL are principally financial assets where the Group

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MORGAN STANLEY INTERNATIONAL LIMITED

NOTES TO THE CONSOLIDATED NON-STATUTORY FINANCIAL INFORMATION

Year ended 31 December 2024

makes decisions based upon the assets' fair values. These assets are generally recognised on settlement date at fair value (see note 2(d) below), since they are neither regular way nor are they derivatives. From the date the terms are agreed (trade date), until the financial asset is funded (settlement date), the Group recognises any unrealised fair value changes in the financial asset as non-trading financial assets at FVPL. On settlement date, the fair value of consideration given is recognised as a non-trading financial asset at FVPL.

Transaction costs are excluded from the initial fair value measurement of the financial assets and are recognised in the consolidated income statement in 'Operating expense'.

Subsequent measurement of financial instruments mandatorily at fair value through profit or loss

All subsequent changes in fair value and foreign exchange differences are reflected in the consolidated income statement in 'Net gains/(losses) from financial instruments at fair value through profit or loss'. When interest is included as a component of an instrument's fair value, interest is also reflected in the consolidated income statement in 'Net gains/(losses) from financial instruments at fair value through profit or loss', otherwise it is included within 'Interest income' or 'Interest expense'.

ii) Financial Instruments Designated at Fair Value through Profit or Loss

Financial instruments designated at FVPL include corporate loans, unfunded loan commitments, prepaid OTC contracts, cash collateral on securities loaned and securities sold under agreements to repurchase, issued structured notes and other financial assets and liabilities.

The Group has designated certain financial instruments at FVPL when the designation at fair value eliminates or significantly reduces an accounting mismatch which would otherwise arise. The Group has also designated certain financial liabilities at FVPL where:

- the financial liability forms part of a group of financial assets or financial liabilities or both which are managed, evaluated and reported internally on a fair value basis; or
- the financial liability contains an embedded derivative that significantly modifies the cash

flows that would otherwise be required under the contract.

From the date the transaction in a financial instrument designated at FVPL is entered into (trade date) until settlement date, the Group recognises any unrealised fair value changes in the contract as financial instruments designated at FVPL in the consolidated statement of financial position. On settlement date, the fair value of consideration given or received is recognised as a financial instrument designated at FVPL (see note 2(d) below).

All subsequent changes in fair value, foreign exchange differences and dividends are reflected in the consolidated income statement in 'Net gains/(losses) from financial instruments at fair value through profit or loss', other than DVA on financial liabilities designated at FVPL which is recognised in the 'Debt valuation adjustment' reserve where those changes do not create or enlarge an accounting mismatch. When interest is included as a component of an instrument's fair value, interest is also reflected in the consolidated income statement in "Net gains/(losses) from financial instruments at fair value through profit or loss", otherwise it is included within 'Interest income' or 'Interest expense'. DVA presented within other comprehensive income is not subject to reclassification to the consolidated income statement, but is transferred to 'Retained earnings' when realised.

All other subsequent changes in fair value, foreign exchange differences not relating to changes in the credit risk of those liabilities, interest and dividends are reflected in the consolidated income statement.

Transaction costs are excluded from the initial fair value measurement of the financial instrument. These costs are recognised as incurred in the consolidated income statement in 'Operating expense'.

iii) Financial Assets and Financial Liabilities at Amortised Cost

Financial assets at amortised cost include cash and short-term deposits, certain trade and other receivables and certain loans and advances.

Cash and cash equivalents comprise cash and demand deposits with banks, net of outstanding bank overdrafts, along with highly liquid investments, with original maturities of three months or less, that are readily convertible to

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known amounts of cash and subject to insignificant risk of change in value.

Financial assets are recognised at amortised cost when the Group's business model objective is to collect the contractual cash flows of the assets and where these cash flows are Solely Payments of Principal and Interest ("SPPI") on the principal amount outstanding until maturity. Such assets are recognised when the Group becomes a party to the contractual provisions of the instrument. The instruments are initially measured at fair value (see note 2(d) below) and subsequently measured at amortised cost less expected credit loss ("ECL") allowance. Interest is recognised in the consolidated income statement in 'Interest income', using the effective interest rate ("EIR") method. Transaction costs that are directly attributable to the acquisition of the financial asset are added to the fair value on initial recognition. ECL and reversals thereof are recognised in the consolidated income statement in 'Net impairment loss on financial instruments'.

Financial liabilities classified at amortised cost include bank loans and overdrafts, certain secured borrowings, certain trade and other payables, subordinated debt, and certain debt and other borrowings.

Financial liabilities are classified as being subsequently measured at amortised cost, except where they are held for trading or are designated as measured at FVPL. They are recognised when the Group becomes a party to the contractual provisions of the instrument and are initially measured at fair value (see note 2(d) below) and subsequently measured at amortised cost. Interest is recognised in the consolidated income statement in 'Interest expense' using the EIR method. Transaction costs that are directly attributable to the issue of a financial liability are deducted from the fair value on initial recognition.

iv) Secured Financing and Secured Borrowings

In the course of financing its business and part of its trading activities, the Group enters into arrangements which involve the sale of securities with agreements to repurchase, the purchase of securities with resale agreements, the lending of securities with collateral received and the borrowing of securities with collateral given.

Securities received by the Group under resale arrangements and securities borrowing arrangements are generally not recognised on

the consolidated statement of financial position. Where securities received are cash collateralised, the resulting cash collateral receivable and accrued interest arising under resale agreements and securities borrowing arrangements are classified as 'Non-trading at FVPL' as they are managed on a fair value basis.

Securities pledged or sold by the Group under sale and repurchase agreements and securities lending arrangements are generally not derecognised from the consolidated statement of financial position. Where securities pledged or sold are cash collateralised, the resulting cash collateral balances repayable and accrued interest are designated at FVPL where the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed, evaluated and reported internally of a fair value basis; or at amortised cost if not so designated.

d. Fair Value

Fair Value Measurement

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e. the "exit price") in an orderly transaction between market participants at the measurement date.

Fair value is a market-based measure considered from the perspective of a market participant rather than an entity-specific measure. Therefore, even when market assumptions are not readily available, assumptions are set to reflect those that the Group believes market participants would use in pricing the asset or liability at the measurement date.

Where the Group manages a group of financial assets and financial liabilities on the basis of its net exposure to either market risks or credit risk, the Group measures the fair value of that group of financial instruments consistently with how market participants would price the net risk exposure at the measurement date.

In determining fair value, the Group uses various valuation approaches and establishes a hierarchy for inputs used in measuring fair value that requires the most observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing the asset or liability that were developed based on market data obtained from sources independent of the

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Group. Unobservable inputs are inputs that reflect assumptions the Group believes other market participants would use in pricing the asset or liability, that are developed based on the best information available in the circumstances.

The fair value hierarchy is broken down into three levels based on the observability of inputs as follows, with Level 1 being the highest and Level 3 being the lowest level:

- Level 1 – Quoted prices (unadjusted) in an active market for identical assets or liabilities

Valuations based on quoted prices in active markets that the Morgan Stanley Group has the ability to access for identical assets or liabilities. Valuation adjustments, block discounts and discounts for equity-specific and contractual restrictions that would not transfer to market participants are not applied to Level 1 instruments. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these products does not entail a significant degree of judgement.

- Level 2 – Valuation techniques using observable inputs

Valuations based on quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in inactive markets, significant market inputs other than quoted prices that are observable for the asset or liability, or market-corroborated inputs.

- Level 3 – Valuation techniques with significant unobservable inputs

Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

The availability of observable inputs can vary from product to product and is affected by a wide variety of factors, for example, the type of product, whether the product is new and not yet established in the marketplace, the liquidity of markets and other characteristics particular to the product. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgement. Accordingly, the degree of judgement exercised by the Group in determining fair value is greatest for

instruments categorised in Level 3 of the fair value hierarchy.

The Group considers prices and inputs that are current as of the measurement date, including during periods of market dislocation. In periods of market dislocation, the observability of prices and inputs may be reduced for many instruments. This condition could cause an instrument to be reclassified from Level 1 to Level 2 or from Level 2 to Level 3 of the fair value hierarchy.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the total fair value amount is disclosed in the level appropriate for the lowest level input that is significant to the total fair value of the asset or liability.

The Group incorporates Funding Valuation Adjustment ("FVA") into the fair value measurements of OTC uncollateralised or partially collateralised derivatives and in collateralised derivatives where the terms of the agreement do not permit the re-use of the collateral received. In general, the FVA reflects a market funding risk premium inherent in the noted derivative instruments. The methodology for measuring FVA leverages the Group's existing credit-related valuation adjustment calculation methodologies, which apply to both assets and liabilities.

For assets and liabilities that are transferred between levels in the fair value hierarchy during the period, fair values are ascribed as if the assets or liabilities had been transferred as of the beginning of the period.

Valuation Techniques

Many cash instruments and OTC derivative contracts have bid and ask prices that can be observed in the marketplace. Bid prices reflect the highest price that a party is willing to pay for an asset. Ask prices represent the lowest price that a party is willing to accept for an asset. The Group carries positions at the point within the bid-ask range that meets its best estimate of fair value. For offsetting positions in the same financial instrument, the same price within the bid-ask spread is used to measure both the long and short positions.

Fair value for many cash instruments and OTC derivative contracts is derived using pricing models. Pricing models take into account the contract terms, as well as multiple inputs

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including, where applicable, commodity prices, equity prices, interest rate yield curves, credit curves, correlation, creditworthiness of the counterparty, creditworthiness of the Group, option volatility and currency rates.

Where appropriate, valuation adjustments are made to account for various factors such as liquidity risk (bid-ask adjustments), credit quality, model uncertainty and concentration risk in order to arrive at fair value.

Adjustments for liquidity risk adjust model-derived mid-market levels of Level 2 and Level 3 financial instruments for the bid-mid or mid-ask spread required to properly reflect the exit price of a risk position. Bid-mid and mid-ask spreads are marked to levels observed in trade activity, broker quotes or other external third-party data. Where these spreads are unobservable for the particular position in question, spreads are derived from observable levels of similar positions.

The Group applies credit-related valuation adjustments ("CVA") to its Borrowings (primarily structured notes) which are designated at FVPL and to OTC derivatives. The Group considers the impact of changes in own credit spreads based upon observations of the secondary bond market spreads when measuring the fair value for Borrowings.

For OTC derivatives, the impact of changes in both the Group's and the counterparty's credit rating is considered when measuring fair value. In determining the expected exposure the Group simulates the distribution of the future exposure to a counterparty, then applies market-based default probabilities to the future exposure, leveraging external third-party credit default swap ("CDS") spread data. Where CDS spread data are unavailable for a specific counterparty, bond market spreads, CDS spread data based on the counterparty's credit rating or CDS spread data that reference a comparable counterparty may be utilised. The Group also considers collateral held and legally enforceable master netting agreements that mitigate exposure to each counterparty.

Adjustments for model uncertainty are taken for positions whose underlying models are reliant on significant inputs that are neither directly nor indirectly observable, hence requiring reliance on established theoretical concepts in their derivation. These adjustments are derived by

making assessments of the possible degree of variability using statistical approaches and market-based information where possible.

The Group may apply a concentration adjustment to certain of its OTC derivatives portfolios to reflect the additional cost of closing out a particularly large risk exposure. Where possible, these adjustments are based on observable market information but in many instances significant judgement is required to estimate the costs of closing out concentrated risk exposures due to the lack of liquidity in the marketplace.

Valuation Process

Valuation Control ("VC") within Finance is responsible for ensuring that the inventory carried at fair value in the Group's consolidated non-statutory financial information is presented in accordance with applicable accounting standards. VC is independent of the Business Units and reports to the Chief Financial Officer of the Morgan Stanley Group ("CFO") globally and the EMEA CFO regionally, who have final authority over the valuation of the Group's inventory. VC implements valuation control processes designed to validate the fair value of the Group's financial instruments measured at fair value including those derived from pricing models.

Model Control: VC, in conjunction with the Model Risk Management Department ("MRM"), which reports to the Chief Risk Officer of the Morgan Stanley Group ("CRO"), independently reviews valuation models. VC is responsible for reviewing that the model valuation methodology is appropriate, model inputs and valuations are consistent with accounting standards and an independent price verification can be performed. The Group generally subject valuations and models to a review process initially and on a periodic basis thereafter.

Independent Price Verification: The Business Units are responsible for determining the fair value of financial instruments using approved valuation models and valuation methodologies. Generally on a monthly basis, VC performs an independent review of the valuation in the books and records by determining the appropriateness of the inputs used by the Business Units and by testing compliance with the documented valuation methodologies approved in the model review process described above. External pricing

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data used to validate the valuation must meet minimum quality standards set by VC.

The results of this independent price verification and any adjustments made to the fair value generated by the Business Units are presented to management of the Group's business segments (i.e. Institutional Securities and Investment Management), the CFO, the EMEA CFO, and the CRO on a regular basis.

VC reviews the models and valuation methodology used to price new material Level 2 and Level 3 transactions and both Finance and MRM must approve the fair value of the trade that is initially recognised.

Gains and Losses on Inception

In the normal course of business, the fair value of a financial instrument on initial recognition is the transaction price (i.e. the fair value of the consideration given or received). In certain circumstances, however, the fair value will be based on other observable current market transactions in the same instrument, without modification or repackaging, or on a valuation technique whose variables include only data from observable markets. When such evidence exists, the Group recognises a gain or loss on inception of the transaction.

When the use of unobservable market data has a significant impact on determining fair value at the inception of the transaction, the entire initial gain or loss indicated by the valuation technique as at the transaction date is not recognised immediately in the consolidated income statement, but is deferred and recognised over the life of the instrument or is recognised instead when the market data becomes observable or on maturity or disposal of the instrument.

Assets and Liabilities Measured at Fair Value on a Non-Recurring Basis

Certain of the Group's assets and liabilities are measured at fair value on a non-recurring basis. The Group incurs losses or gains for any adjustments of these assets or liabilities to fair value.

For assets and liabilities measured at fair value on a non-recurring basis, fair value is determined by using various valuation approaches. The same hierarchy for inputs as described above, which requires that the observable inputs be used when available, is used in measuring fair value for these items.

e. Modification and derecognition of financial assets and liabilities

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risk and rewards of ownership of the asset.

If the asset has been transferred, and the Group neither transfers nor retains substantially all of the risks and rewards of the asset, then the Group determines whether it has retained control of the asset.

If the Group has retained control of the asset, it continues to recognise the financial asset to the extent of its continuing involvement in the financial asset. If the Group has not retained control of the asset, it derecognises the asset and separately recognises any rights or obligations created or retained in the transfer.

The renegotiation or modification of the contractual cash flows of a financial instrument can lead to derecognition where the modification is "substantial", determined by qualitative assessment of whether the revised contractual terms of a financial instrument, such as a loan, are significantly different from those of the original financial instrument. In the event that the qualitative assessment is unclear, a quantitative 10% cash flow test is performed.

Where modifications do not result in derecognition of the financial instrument, the gross carrying amount of the financial instrument is recalculated and a modification gain/(loss) is recognised in the income statement.

Upon derecognition of a financial asset, the difference between the previous carrying amount and the sum of any consideration received, together with the transfer of any cumulative gain/loss previously recognised in equity, are recognised in the income statement within 'Net gains/(losses) on derecognition of financial assets measured at amortised cost and FVOCI', and within 'Net gains/(losses) from financial instruments at fair value through profit or loss' for financial assets which are measured at FVPL.

The Group derecognises financial liabilities when the Group's obligations are discharged or cancelled or when they expire.

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f. Impairment of Financial Instruments

The Group recognises ECL for the following financial instruments that are not measured at FVPL:

- financial assets measured at amortised cost;
- loan commitments, except those that can be net settled in cash or with another financial instrument; and
- financial guarantees.

Measurement of ECL

The Group applies a three stage approach to measuring ECLs based on the change in credit risk since initial recognition:

- *Stage 1*: if the credit risk of the financial instrument at the reporting date has not increased significantly since initial recognition, then the loss allowance is calculated as the lifetime cash shortfalls that will result if a default occurs in the next 12 months, weighted by the probability of that default occurring.
- *Stage 2*: if there has been a significant increase in credit risk ("SICR") since initial recognition, the loss allowance is calculated as the ECL over the remaining life of the financial instrument. If it is subsequently determined that there has no longer been a SICR since initial recognition, then the loss allowance reverts to reflecting 12 month expected losses.
- *Stage 3*: if there has been a SICR since initial recognition and the financial instrument is deemed credit-impaired (see below for definition of credit-impaired), the loss allowance is calculated as the ECL over the remaining life of the financial instrument. If it is subsequently determined that there has no longer been a SICR since initial recognition, then the loss allowance reverts to reflecting 12 month expected losses.

Notwithstanding the above, for trade receivables a lifetime ECL is always calculated, without considering whether a SICR has occurred.

Assessment of SICR

When assessing SICR, the Group considers both quantitative and qualitative information and analysis based on the Group's historical experience and expert credit risk assessment, including forward-looking information.

The determination of a SICR is generally based on changes in the probability of default ("PD"), in conjunction with a rebuttable presumption that a SICR has occurred if a financial asset is more than 30 days past due.

Calculation of ECL

ECL is calculated using three main components:

- *PD*: for accounting purposes, the 12 month and lifetime PD represent the expected point-in-time probability of a default over the next 12 months and over the remaining lifetime of the financial instrument respectively, based on conditions existing at the balance sheet date and future economic conditions.
- *Loss given default ("LGD")*: the LGD represents expected loss conditional on default, taking into account the mitigating effect of collateral, including the expected value of the collateral when realised and the time value of money.
- *Exposure at default ("EAD")*: this represents the expected EAD, taking into account the expected repayment of principal and interest from the balance sheet date to the date of default event together with any expected drawdowns of the facility over that period.

These parameters are generally derived from internally developed statistical models, incorporating historical, current and forward-looking macro-economic data and country risk expert judgement. The macro-economic scenarios are reviewed quarterly.

The 12 month ECL is equal to the sum over the next 12 months of quarterly PD multiplied by LGD and EAD, with such expected losses being discounted at the EIR. Lifetime ECL is calculated using the discounted present value of total quarterly PDs multiplied by LGD and EAD, over the full remaining life of the facility.

When measuring ECLs, the Group considers multiple scenarios, except where practical expedients are used to determine ECL. Practical expedients are used where they are consistent with the principles described above.

ECL on certain trade receivables are calculated using a 'matrix' approach which reflects the previous history of credit losses on these financial assets, applying different provision levels based on the age of the receivable.

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Alternatively where there is a history of no credit losses, and where this is expected to persist into the future for structural or other reasons, such as collateral or other credit enhancement, it may be determined that the ECL for a financial instrument is de minimis (highly immaterial) and it may not be necessary to recognise the ECL.

The Group measures ECL on an individual asset basis and has no purchased or originated credit-impaired financial assets.

If a financial asset has been the subject of modification which does not lead to its derecognition (refer to note 2(e)), SICR is assessed by comparing the risk of default of the financial instrument, based on the modified terms at the reporting date, with the risk of default of the financial instrument at inception, based on the financial instrument's original, unmodified terms. Where the modification of contractual cash flows of a financial asset leads to its derecognition and the recognition of a new asset (refer to note 2(e)), the date of modification is treated as the date of recognition for the new financial asset when determining whether a SICR has occurred for that modified financial asset. In rare circumstances, after modification, the new asset is considered to be credit impaired, in which case it is treated as an asset which was credit-impaired at origination.

Presentation of ECL

ECL is recognised in the consolidated income statement within 'Net impairment (loss)/reversal on financial instruments'.

Credit-impaired Financial Instruments

In assessing the impairment of financial instruments under the ECL model, the Group defines credit-impaired financial instruments in accordance with Credit Risk Management Department's policies and procedures. A financial instrument is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred.

Definition of Default

In assessing the impairment of financial instruments under the ECL model, the Group defines default in accordance with Credit Risk Management Department's policies and procedures. This considers whether the borrower is unlikely to pay its credit obligations to the Group in full and takes into account qualitative indicators, such as breaches of covenants. The

definition of default also includes a presumption that a financial asset which is more than 90 days past due has defaulted.

Write-offs

Loans and debt securities are written off (either partially or in full) when they are deemed uncollectible. Financial assets that are written off could still be subject to enforcement activities for recoveries of amounts due.

g. Revenue Recognition

Revenues are recognised when the promised goods or services are delivered to the Group's customers, in an amount that is based on the consideration the Group expects to receive in exchange for those goods or services when such amounts are not probable of significant reversal.

Investment Banking

Revenue from investment banking activities consists of revenues earned from underwriting primarily equity and fixed income securities and advisory fees for mergers, acquisitions, restructuring and advisory assignments.

Underwriting revenues are generally recognised on trade date, if there is no uncertainty or contingency related to the amount to be paid. Underwriting costs are deferred and recognised when the related underwriting revenues are recorded.

Advisory fees are recognised over time based on the estimated progress of work as advice is provided to the client and is not probable of a significant reversal. Advisory expenses are recognised as incurred, including when reimbursed.

Asset Management Fees

Asset management, distribution and administration fees are generally based on related asset levels being managed, such as the assets under management of a customer's account, or the net asset value of a fund. These fees are generally recognised when services are performed and the fees become known. Management fees are reduced by estimated fee waivers and expense caps, if any, provided to the customer. Distribution fees contingent upon an investor exiting a fund are recognised when the investor exits the fund.

Sales commissions paid by the Group in connection with the sale of certain classes of

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shares of its open-end mutual fund products are accounted for as deferred commission assets and amortised to expense over the expected life of the contract. The Group periodically tests deferred commission assets for recoverability based on cash flows expected to be received in future periods. Other asset management and distribution costs are recognised as incurred.

Fee and Commission Income

Fee and commission income results from transaction-based arrangements in which the client is charged a fee for the execution of transactions. Such revenues primarily arise from transactions in equity securities; services related to sales and trading activities; futures, insurance products and options. Fee and commission income is recognised on trade date when the performance obligation is satisfied.

Fee and commission income in the consolidated income statement includes investment management fees, sales commissions, placement fees, advisory fees and syndication fees when the performance obligation is satisfied.

Other Items

Receivables from contracts with customers are recognised within 'Trade and other receivables' in the consolidated statement of financial position when the underlying performance obligations have been satisfied and the Group has the right per the contract to bill the customer. Contract assets are recognised when the Group has satisfied its performance obligations, however, customer payment is conditional, and are presented within 'Other assets'. Contract liabilities are recognised when the Group has collected payment from a customer based on the terms of the contract, but the underlying performance obligations are not yet satisfied, and are presented within 'Trade and other payables'.

Incremental costs to obtain the contract are expensed as incurred if the contract duration is one year or less. Revenues are not discounted when payment is expected within one year.

h. Fees and Commission Expense

Fees and commission expense in the consolidated income statement includes transaction and service fees. Amounts are recognised as the related services are received.

i. Combination of Businesses Under Common Control

Business combinations under common control, where all combining entities or businesses are ultimately controlled by the same party both before and after the business combination, are accounted for using the predecessor values method of accounting. This involves recognising non-financial assets and liabilities of the acquired business at the predecessors' book value, without any change to reflect fair value of those assets and liabilities, and financial assets and liabilities of the acquired business at fair value. Any difference between the cost of acquisition and the carrying value of the assets and liabilities as of the date of the transfer is recorded as an adjustment to equity within 'Retained earnings'.

Post-acquisition, income received and expenses incurred by the business or businesses acquired are included in the consolidated income statement.

A non-controlling interest is recognised by the Group in respect of any portion of the total assets less total liabilities of an acquired entity or entities that is not owned by the Group.

When subsidiaries or businesses are sold or transferred to another entity under common control, any difference between the consideration received and the aggregate book value of the assets and liabilities of the disposed subsidiary or business is recorded in the consolidated income statement within 'Net gains/(losses) on investments in subsidiaries, associates and joint ventures'. Where the consideration for the transfer is received in the form of shares, these are recorded at the aggregate book value of the assets and liabilities disposed of.

j. Income Tax

The tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is calculated based on taxable profit for the year. Taxable profit may differ from profit/(loss) before taxation as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. Taxable profit is also adjusted if it is considered that it is not probable that a taxation authority will accept an uncertain tax treatment. The Group's liability for current tax is calculated using tax

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rates that have been enacted or substantively enacted by the reporting date. Current tax is charged or credited in the consolidated income statement, except when it relates to items charged or credited directly to other comprehensive income or equity, in which case the current tax is also recorded within other comprehensive income or equity respectively.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the consolidated non-statutory financial information and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting date and limited to the extent that it is probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the consolidated income statement, except when it relates to items charged or credited directly to other comprehensive income or equity, in which case the deferred tax is reflected within other comprehensive income or equity, respectively.

Current tax assets are offset against current tax liabilities when there is a legally enforceable right to set off current tax assets against current tax liabilities and the Group intends to settle its current tax assets and current tax liabilities on a net basis or to realise the asset and settle the liability simultaneously. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate

to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and current tax liabilities on a net basis.

The income tax effect of distributions are recognised in profit or loss, other comprehensive income or equity dependent on where those past transactions that generated the distributable profits were recognised. The income tax effect of coupons of Additional Tier 1 instruments accounted for as distributions must be recognised in profit or loss.

The Group is subject to the OECD Pillar Two Model Rules legislation that is effective from 1 January 2024. The Group has applied the mandatory exception to deferred tax recognition and disclosure as provided in the amendments to IAS 12: International Tax Reform - Pillar Two Model Rules.

k. Provisions, Contingent Liabilities and Commitments

Provisions are recognised when the Group has an identified present obligation as a result of a past event, when it is probable that an outflow of resources embodying economic benefits will be required to settle that obligation and when a reliable estimate can be made of the amount of the obligation.

A contingent liability is a possible obligation, that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group or a present obligation that arises from past events but is not recognised because either an outflow of economic benefits is not probable or the amount of the obligation cannot be reliably measured.

A commitment is any legal obligation to potentially make or receive cash payments or transfer cash.

l. Employee Compensation Plans

Equity-settled Share-based Compensation Plans

Morgan Stanley issues awards in the form of restricted stock units ("RSUs") to employees of the Morgan Stanley Group for services rendered to the Group. Awards are equity-settled and the cost of the equity-based transactions with employees is measured based on the fair value

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of the equity instruments at grant date. The fair value of RSUs is based on the market price of Morgan Stanley common stock, measured as the volume-weighted average price on the grant date ("VWAP"). The fair value of RSUs not entitled to dividends until conversion is measured at VWAP reduced by the present value of dividends expected to be paid on the underlying shares prior to the scheduled conversion date.

Awards generally contain clawback and cancellation provisions. Certain awards provide Morgan Stanley the discretion to clawback or cancel all or a portion of the award under specified circumstances. Where award terms are considered subjective, a grant date cannot be established, and compensation for these awards is adjusted for changes in the fair value of the Morgan Stanley's common stock until conversion. Following amendments to clarify specific subjective award terms from April 2023, a grant date for the awards was established such that compensation expense for those awards is no longer adjusted for changes in the fair value of Morgan Stanley's common stock.

The Group recognise compensation costs over the relevant vesting period for each separately vesting portion of the award. An estimation of awards that will be forfeited prior to vesting due to the failure to satisfy service conditions is considered in calculating the total compensation cost to be amortised over the relevant vesting period.

Under Morgan Stanley Group chargeback arrangements, the Group pay Morgan Stanley for the procurement of shares. The Group pay Morgan Stanley the grant date fair value and any subsequent movement in fair value up to the time of conversion of the award and delivery of shares to the employees.

Share based compensation expense is recorded in 'Operating expense' in the consolidated income statement.

m. Post-employment Benefits

The Group operates defined contribution and defined benefit post-employment plans.

Contributions due in relation to the Group's defined contribution post-employment plan are recognised in 'Operating expense' in the consolidated income statement when payable.

Defined benefit plan obligations are measured on an actuarial basis in accordance with the advice of an independent qualified actuary using the projected unit credit method and discounted at a rate that reflects the current rate of return on a high quality corporate bond of equivalent term and currency to the plan liabilities. Plan assets are measured at their fair value at the reporting date. A surplus or deficit of plan assets over liabilities is recognised in the consolidated statement of financial position as an asset or a liability respectively. If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan, and the related adjustment is recognised in other comprehensive income. In order to calculate the present value of economic benefits, the Group determines whether any minimum funding requirement contribution would be available to the Group if the contribution creates or increases an existing surplus.

The current and past service costs, together with the net interest on the net defined benefit obligation/asset are charged to 'Operating expense' in the consolidated income statement. Remeasurements that arise in calculating the Group's obligation in respect of a plan are recognised in other comprehensive income, in the period in which they occur.

The Group participate in a defined benefit plan operated by another Morgan Stanley affiliate. The Group recognise recharges for the net defined benefit cost of the plan as a whole under inter-affiliate contractual agreements.

n. Offsetting of Financial Assets and Financial Liabilities

Where there is a currently legally enforceable right to set off the recognised amounts and an intention to either settle on a net basis or to realise the asset and the liability simultaneously, financial assets and financial liabilities are offset and the net amount is presented on the consolidated statement of financial position. In the absence of such conditions, financial assets and financial liabilities are presented on a gross basis.

25. Appendix VII: CRR Reference Mapping

CRR Ref	High Level Summary	Compliance Reference
MSI Group & MSIP		
Article 431 Scope of disclosure requirements		
431 (1)	Requirement to publish Pillar 3 disclosures.	MSI Group publishes Pillar 3 disclosures on a quarterly basis.
431 (2)	Firms with permission to use specific operational risk methodologies must disclose operational risk information.	Section 14 provides a description of the Operational Risk framework.
431 (3)	Institution must have a policy covering verification, comprehensiveness and appropriateness of disclosures. Written attestation by management is required. Information subject to internal verification.	The MSI Group has a dedicated Pillar 3 policy, reviewed on an annual basis. Section 1 includes Directors Responsibility Statement attested by the CFO.
431 (4)	All quantitative tables shall be accompanied by qualitative comments noting significant change, if any.	All tables meet this requirement
431 (5)	Explanation of ratings decision upon request.	Not Applicable
Article 432 Non-Material, proprietary or confidential information		
432 (1)	Institutions may omit information that is not material if certain conditions are met.	Compliance with this provision is covered by MSI Group's policy.
432 (2)	Institutions may omit information that is proprietary or confidential if certain conditions are met.	Compliance with this provision is covered by MSI Group's policy.
432 (3)	Where 432 (2) apply this must be stated in the disclosures, and more general information must be disclosed.	Not Applicable
Article 433: Frequency of disclosure		
433	Institution shall publish the disclosure in the manner set out in Articles 433a, 433b and 433c. Annual disclosure shall be published on the same date as the financial statements.	MSI Group publishes Pillar 3 disclosures on the same day as MSIP financial statements, or within a reasonable period.
433a	Specifies information to be disclosed by large institution along with frequency.	MSI Group publishes the Pillar 3 disclosure on a quarterly basis.
433b	Specifies information to be disclosed by small & non-complex institution along with the frequency.	Not Applicable
433c	Specifies information to be disclosed by other institutions along with the frequency.	Not Applicable
Article 434: Means of disclosure		
434 (1)	All disclosures shall be provided in one medium and it should be readily accessible and easily identifiable to the users.	The disclosures are published on the Morgan Stanley Investor Relations website. Signposting within the disclosure directs the reader to other publications as relevant.
434 (2)	All disclosures shall be available on the website and shall be kept accessible for a period set by national law.	The disclosures published on the Morgan Stanley Investor Relations website shall be available.
Article 435: Risk Management Objectives and Policies		
435 (1)	Disclose information on:	
435 (1) (a)	The strategies and processes to manage risks.	Section 3: Risk Management - 3.2 Risk Management Framework
435 (1) (b)	The structure and organisation of the risk management function.	Section 3: Risk Management - 3.2 Risk Management Framework
435 (1) (c)	The scope and nature of risk reporting and measurement systems.	Section 3: Risk Management - 3.2 Risk Management Framework
435 (1) (d)	The policies for hedging and mitigating risk	Section 3: Risk Management - 3.2 Risk Management Framework
435 (1) (e)	Declaration approved by the management body on the adequacy of risk management arrangements.	Section 3: Risk Management - 3.3 Adequacy of Risk Management Arrangements
435 (1) (f)	Concise risk statement approved by the management body.	Section 3: Risk Management - 3.2 Risk Management Framework Section 1: Overview and Key Metrics - Table 1a: Key Metrics (UK KM1) Section 9: Capital Requirements and RWAs - Table 12: Overview of risk weighted exposure amounts (UK OV1)
435 (2) (a)	Number of directorships held by members of the management body.	Appendix I: Board of Directors Knowledge, Skill and Expertise - "Figure 6: MSI Directors: Number of Directorships"
435 (2) (b)	Recruitment policy for members of the management body, along with their knowledge, skills and expertise.	Appendix I: Board of Directors Knowledge, Skill and Expertise - "Appointments to MSI Board"

435 (2) (c)	Policy on diversity of the management body and results against targets.	Appendix I: Board of Directors Knowledge, Skill and Expertise - "Diversity and Composition of MSI Board"
435 (2) (d)	Disclosure of whether there is a separate Risk Committee and the number of times the committee has met during the year.	Section 3: Risk Management - 3.2 Risk Management Framework
435 (2) (e)	Description of the information flow to the management body.	Section 3: Risk Management - 3.2 Risk Management Framework
Article 436: Scope of Application		
436 (a)	Name of institution.	Section 1: Overview and Key Metrics
436 (b)	A reconciliation between the consolidated financial statements under the accounting and regulatory scope of consolidation.	Section 4: Basis of Preparation and Linkage to Financial Accounts
436 (c)	A breakdown of assets and liabilities of the consolidated financial statements broken down by type of risks.	Section 4: Basis of Preparation and Linkage to Financial Accounts - Table 2: Differences between accounting and regulatory scopes of consolidation and mapping of financial statement categories with regulatory risk categories (UK LI1)
436 (d)	A reconciliation identifying the main differences between the carrying value in the financial statements and the regulatory exposure amount.	Section 4: Basis of Preparation and Linkage to Financial Accounts - Table 3: Main sources of differences between regulatory exposure amounts and carrying values in financial statements (UK LI2)
436 (e)	Prudent valuation adjustment, by type of risks, and the total of constituent elements separately for the Trading Book and Non-Trading Book positions;	Section 16: Valuation Risk - Table 39: Prudent valuation adjustments (PVA) (UK PV1)
436 (f)	Legal impediments to transfer of own funds or repayment of liabilities between parent and subsidiaries.	Section 5: Capital Management
436 (g)	Capital shortfalls in any subsidiaries not included in the consolidation.	Not Applicable
436 (h)	If applicable, making use of the provisions laid out in Article 7 (derogation) & Article 9 (solo consolidation).	Not Applicable
Article 437: Own Funds		
437 (a)	Full reconciliation of CET1, AT1, T2.	Section 21: Appendix III: Own Funds Disclosure Template - Table 51: Composition of regulatory own funds (UK CC1) Table 52: Reconciliation of regulatory own funds to balance sheet in the audited financial statements (UK CC2)
437 (b)	Description of the main features of CET1, AT1, T2 instruments.	Section 20: Appendix II: Capital Instruments & Eligible Liabilities - Table 50: Main features of regulatory own funds instruments and eligible liabilities instruments (UK CCA)
437 (c)	Full terms & conditions of all CET1, AT1, T2 instruments.	
437 (d)(i)	Each prudential filter applied pursuant to Articles 32 to 35.	Section 21: Appendix III: Own Funds Disclosure Template – Table 51: Composition of regulatory own funds (UK CC1)
437 (d)(ii)	Each deduction applied pursuant to Articles 36, 56 and 66.	
437 (d)(iii)	Items not deducted in accordance with Articles 47, 48, 56, 66, 79.	
437 (e)	A description of all restrictions applied to the calculation of own funds.	Not Applicable
437 (f)	Where institutions disclose capital ratios calculated using elements of own funds determined on a different basis.	
Article 437a: Disclosure of Own Funds and Eligible Liabilities (CRR II)		
437a	Composition of own funds and eligible liabilities and ranking in the creditor hierarchy	Section 7: Minimum Requirements for Own Funds and Eligible Liabilities - Table 7 : MREL Composition; Table 8: MREL Creditor ranking table
Article 438: Capital Requirements		
438 (a)	Summary of institution's approach to assessing capital adequacy.	Section 5: Capital Management
438 (b)	Amount of the additional own funds requirements based on the SREP and its composition.	Section 1: Overview and Key Metrics - Table 1a and 1b: Key metrics template (UK KM1)
438 (c)	Result of ICAAP	Upon request
438 (d)	Total RWA and the corresponding TOFR to be broken down by the different risk categories.	Section 9: Capital Requirements and RWAs - Table 12: Overview of risk weighted exposure amounts (UK OV1)
438 (e)	On and off-balance-sheet exposures, RWAs for each category of specialised lending and for the categories of equity exposures. And, associated expected losses for each category of specialised lending.	Section 10: Credit Risk - Table 16: Specialised lending and equity exposures under the simple risk weighted approach (UK CR10.5)
438 (f)	Exposure value and RWA of own funds instruments held in any insurance undertaking, reinsurance undertaking or insurance holding company that the institutions do not deduct from their own funds.	Not Applicable
438 (g)	Supplementary own funds requirement and the capital adequacy ratio of the financial conglomerate.	

438 (h)	Variations in the RWAs of the current disclosure period compared to the immediately preceding disclosure period that result from the use of internal models, including an outline of the key drivers explaining those variations.	Section 10: Credit Risk - Table 13: RWA flow statements of credit risk exposures under the IRB approach (UK CR8) Table 18: RWA flow statements of CCR exposures under the IMM (UK CCR7) Section 12: Market Risk - Table 35: RWA flow statements of market risk exposures under the IMA (UK MR2-B)
Article 439: Exposure to Counterparty Credit Risk (CCR)		
439 (a)	Description of the methodology used to assign internal capital and credit limits for CCR.	Section 10: Credit Risk - "10.1 Credit Risk Management"
439 (b)	Description of policies for related to guarantees and other credit risk mitigants.	Section 10: Credit Risk - "10.3 Credit Risk Mitigation"
439 (c)	Description of policies with respect to general and specific wrong-way risk exposures.	Section 10: Credit Risk - "10.4 Counterparty Credit Exposures - Wrong Way Risk"
439 (d)	Amount of collateral to be provided in the event of a ratings downgrade.	Section 10: Credit Risk - "10.4 Counterparty Credit Exposures - Collateral Impact of a Downgrade"
439 (e)	For derivative transactions and for SFTs, the amount of segregated and unsegregated collateral received and posted per type of collateral; provided in each case that:	Section 10: Credit Risk - Table 21: Composition of collateral for CCR exposures (UK CCR5)
439 (e)(i)	It shall not disclose such amounts unless both the fair value of collateral posted and collateral received in the form of debt securities exceed GBP 125 billion; and	
439 (e)(ii)	For subparagraph (i), use the twelve month rolling arithmetic mean of the fair value of collateral received or posted (as the case may be) in the form of debt securities, determined using quarterly data calculated in a manner consistent with data reported under Article 430(g) and covering the twelve months immediately preceding the disclosure reference date;	
439 (f)	Exposure values of derivative transactions before and after the effect of the CRM and the associated risk exposure amounts broken down by applicable method.	Section 10: Credit Risk - Table 17: Analysis of CCR exposure by approach (UK CCR1)
439 (g)	Exposure values of SFTs before and after the effect of the CRM and the associated risk exposure amounts broken down by applicable m	
439 (h)	Exposure values after CRM effects and the associated risk exposures for CVA capital charge, separately for each method.	Section 10: Credit Risk - Table 20: Transactions subject to own funds requirements for CVA risk (UK CCR2)
439 (i)	Exposure value to central counterparties and the associated risk exposures, separately for qualifying and non-qualifying central counterparties, and broken down by types of exposures;	Section 10: Credit Risk - Table 19: Exposures to CCPs (UK CCR8)
439 (j)	Notional amounts and fair value of credit derivative transactions broken down by product type and further broken down by credit protection bought and credit protection sold;	Section 10: Credit Risk - Table 22: Credit derivatives exposures (UK CCR6)
439 (k)	Estimate of alpha where the institution has received the permission of the competent authorities to use its own estimate of alpha.	Not Applicable
439 (l)	Disclosure of CCR exposure by portfolio and PD range under standardised and IRB approach	Section 23: Appendix V: Additional Credit and Counterparty Credit Risk Tables - Table 66: CCR exposures by regulatory exposure class and risk weight (UK CCR3) Table 67: IRB approach: CCR exposures by portfolio and PD scale (UK CCR4)
439 (m)	For institutions using the methods set out in Sections 4 to 5 of Chapter 6 of Title II Part Three, the size of their on and off-balance-sheet derivative business as calculated in accordance with Article 273a(1) or (2), as applicable.	Not Applicable
Article 440: Capital Buffers		
440 (a)	Geographical distribution of the exposure amounts and RWAs of credit exposures relevant for the calculation of its CCyB.	Section 22: Appendix IV: Countercyclical Capital Buffer - Table 53: Geographical distribution of credit exposures relevant for the calculation of the countercyclical buffer (UK CCyB1)
440 (b)	Amount of institution-specific CCyB.	Section 22: Appendix IV: Countercyclical Capital Buffer - Table 54: Amount of institution-specific countercyclical capital buffer (UK CCyB2)
Article 441: Indicators of Global Systemic Importance		
441	Disclosure of the indicators of global systemic importance.	Not Applicable

Article 442: Credit Risk Adjustments		
442 (a)	Scope & definitions of "past due" and "impaired" for accounting purposes and differences, if any, between the definitions of "past due" and "default" for accounting and regulatory purposes;	Section 10: Credit Risk - 10.2 Credit Risk Capital Requirements - Credit Risk Adjustments
442 (b)	Description of the approaches and methods adopted for determining specific and general credit risk adjustments.	Section 10: Credit Risk - 10.2 Credit Risk Capital Requirements - Credit Risk Adjustments
442 (c)	Amount and quality of performing, non-performing and forborne exposures, including accumulated impairment, provisions and negative fair value changes due to credit risk and amounts of collateral and financial guarantees received;	Section 23: Appendix V: Additional Credit and Counterparty Credit Risk Tables – Table 57: Performing and non-performing exposures and related provisions (UK CR1) Table 58: Quality of non-performing exposures by geography (UK CQ4) Table 59: Credit quality of loans and advances to non-financial corporations by industry (UK CQ5)
442 (d)	An ageing analysis of accounting past due exposures;	Section 23: Appendix V: Additional Credit and Counterparty Credit Risk Tables - Table 68: Credit quality of performing and non-performing exposures (UK CQ3)
442 (e)	Gross carrying amounts of defaulted and non-defaulted exposures, accumulated specific and general credit risk adjustments, accumulated write-offs and the net carrying amounts distributed by geographical area and industry type;	Section 23: Appendix V: Additional Credit and Counterparty Credit Risk Tables – Table 57: Performing and non-performing exposures and related provisions (UK CR1) Table 58: Quality of non-performing exposures by geography (UK CQ4) Table 59: Credit quality of loans and advances to non-financial corporations by industry (UK CQ5)
442 (f)	Changes in the gross amount of defaulted on and off-balance-sheet exposures.	Section 23: Appendix V: Additional Credit and Counterparty Credit Risk Tables – Table 56: Changes in the stock of non-performing loans and advances (UK CR2)
442 (g)	Breakdown of loans and debt securities by residual maturity.	Section 23: Appendix V: Additional Credit and Counterparty Credit Risk Tables – Table 55: Maturity of exposures (UK CR1-A)
Article 443: Unencumbered Assets		
443	Disclosures on Unencumbered Assets.	Section 17: Liquidity Risk- 17.4 Asset Encumbrance
Article 444: Use of ECAI		
444 (a)	Names of the nominated ECAI used in the calculation of SA RWAs and the reasons for any change.	Section 10: Credit Risk - "10.2 Credit Risk Capital Requirements" - External Credit Risk Assessments
444 (b)	Exposure class for which each ECAI is used.	
444 (c)	Description of the process used to transfer the issuer and issue credit ratings onto items not included in the Trading Book	Not Applicable
444 (d)	Mapping of the external rating of each ECAI with the risk weights to CQS.	
444 (e)	Exposure value post-CRM associated with each CQS.	Section 23: Appendix V: Additional Credit and Counterparty Credit Risk Tables - Table 61: Standardised Approach: Credit risk exposure and CRM effects (UK CR4) Table 62: Standardised approach (UK CR5) Table 66: Standardised approach: CCR exposures by regulatory exposure class and risk weight (UK CCR3)
Article 445: Exposure to Market Risk		
445	Disclosure of position risk, large exposures exceeding limits, FX, settlement and commodities risk.	Section 12: Market Risk - Table 33: Market risk under the standardised approach (UK MR1)
Article 446: Operational Risk		
446(a)	Approaches used to calculate operational risk	Section 14: Operational Risk - Table 38: Operational risk own funds requirements and risk-weighted exposure amounts (UK OR1)
446(b)	Description of the advanced methodology approach and the relevant internal and external factors considered.	Section 14: Operational Risk
446(c)	In the case of partial use, scope and coverage of the different methodologies used.	

Article 447: Disclosure of Key Metrics		
447(a)	Composition of own funds and own funds requirements	Section 1: Overview and Key Metrics - Table 1: Key metrics template (UK KM1)
447(b)	Total risk exposure amount	
447(c)	Amount and composition of additional own funds, where applicable	
447(d)	Combined buffer requirement	
447(e)(i)	Leverage ratio and total exposure measure;	
447(e)(ii)	For LREQ firms, the information in Article 451(1)(b) and (g) and 451(2)(b) to (d);	
447(f)(i)	Average or averages, as applicable, of LCR	
447(f)(ii)	Average or averages, as applicable, of the total liquid assets, after applying relevant haircuts, included in the liquidity buffer	
447(f)(iii)	Averages of the liquidity outflows, inflows and net liquidity outflows	
447(g)(i)	Average or averages, as applicable, of NSFR	
447(g)(ii)	Average or averages, as applicable, of the ASF	
447(g)(iii)	Average or averages, as applicable, of the RSF	
447(h)	Own funds and eligible liabilities ratios and their components, numerator and denominator	Section 7: Minimum Requirements for Own Funds and Eligible Liabilities - Table 6: MREL Key Metrics
Article 448: Exposure to Interest Rate Risk on positions not included in the Trading Book		
448(1)	Institutions shall disclose the following quantitative and qualitative information on the risks arising from potential changes in interest rates that affect both the EVE and the NII of their Non-Trading Book activities	Section 13: Interest Rate Risk in the Banking Book (IRRBB) - Table 37: Quantitative information on IRRBB (UK IRRBB1)
448(1)(a)	Changes in the EVE calculated under the following six supervisory shock scenarios for the current and previous disclosure periods:	
448(1)(a)(i)	Parallel shock up;	
448(1)(a)(ii)	Parallel shock down;	
448(1)(a)(iii)	Steeper shock (short rates down and long rates up);	
448(1)(a)(iv)	Flattener shock (short rates up and long rates down);	
448(1)(a)(v)	Short rates shock up;	
448(1)(a)(vi)	Short rates shock down;	
448(1)(b)	Changes in the NII calculated under the following two supervisory shock scenarios for the current and previous disclosure periods:	
448(1)(b)(i)	Parallel shock up;	
448(1)(b)(ii)	Parallel shock down;	
448(1)(c)	Description of key modelling and parametric assumptions used to calculate changes in the EVE and in the NII required under points (a) and (b) of this paragraph;	Section 13: Interest Rate Risk in the Banking Book (IRRBB)
448(1)(d)	Explanation of the significance of the risk measures disclosed under points (a) and (b) of this paragraph and of any significant variations of those risk measures since the previous disclosure reference date;	
448(1)(e)	Description of how institutions define, measure, mitigate and control the interest rate risk of Non-Trading Book activities for the purposes of the competent authorities' review including:	
448(1)(e)(i)	Description of the specific risk measures used to evaluate changes in the EVE and NII;	
448(1)(e)(ii)	Description of the key modelling and parametric assumptions used in internal measurement systems for the purpose of calculating changes in the EVE and in NII, as required under points (a) and (b) of this paragraph	
448(1)(e)(iii)	Description of the interest rate shock scenarios that institutions use to estimate the interest rate risk;	
448(1)(e)(iv)	Recognition of the effect of hedges against interest rate risks, including internal hedges	
448(1)(e)(v)	An outline of how often the evaluation of the interest rate risk occurs;	
448(1)(f)	Description of the overall risk management and mitigation strategies;	
448(1)(g)	Average and longest repricing maturity assigned to non-maturing deposits.	
448(2)	Descriptions relating to EVE shall not apply to institutions that use the standardised framework	

Article 449: Exposure to Securitisation Positions		
449(a)	Description of securitisation and re-securitisation activities, including their risk management and investment objectives, their role and the extent to which they use securitisation transactions to transfer the credit risk of the securitised exposures to third parties with, where applicable, a separate description of their synthetic securitisation risk transfer policy;	Section 11: Securitisation
449(b)	Type of risks providing a distinction between STS and non-STs positions and:	
449(b)(i)	Risk retained in own-originated transactions;	
449(b)(ii)	Risk incurred in relation to transactions originated by third parties;	
449(c)	Approaches for calculating the RWAs, including the types of securitisation positions to which each approach applies and with a distinction between STS and non-STs positions;	
449(d)	A list of SSPEs falling into any of the following categories, including derivative contracts:	Not Applicable
449(d)(i)	SSPEs which acquire exposures originated by the institutions;	
449(d)(ii)	SSPEs sponsored by the institutions;	
449(d)(iii)	SSPEs and other legal entities for which the institutions provide securitisation-related services, such as advisory, asset servicing or management services;	
449(d)(iv)	SSPEs included in the institutions' regulatory scope of consolidation;	
449(e)	A list of any legal entities in relation to which the institutions have disclosed that they have provided support	
449(f)	A list of legal entities affiliated with the institutions and that invest in securitisations originated by the institutions or in securitisation positions issued by SSPEs sponsored by the institutions;	Section 11: Securitisation
449(g)	Summary of accounting policies for securitisation activity;	
449(h)	Names of the ECAIs used for securitisations and the types of exposure for which each agency is used;	
449(i)	Where applicable, a description of the IAA including the structure of the internal assessment process and relation between internal assessment and external ratings of the relevant ECAI disclosed in accordance with point (h), the control mechanisms for the internal assessment process including discussion of independence, accountability, and internal assessment process review, the exposure types to which the internal assessment process is applied and the stress factors used for determining credit enhancement levels;	Not Applicable
449(j)	Carrying amount of securitisation exposures, separately for the Trading Book and the Non-Trading Book, including information on whether institutions have transferred significant credit risk for which institutions act as originator, sponsor or investor, separately for traditional and synthetic securitisations, and for STS and non-STs transactions and broken down by type of securitisation exposures	Section 11: Securitisation - Table 24: Securitisation exposures in the non-trading Book (UK SEC1) Table 25: Securitisation exposures in the trading book (UK SEC2)
449(k)	Following information for the Non-Trading Book activities:	
449(k)(i)	Amount of securitisation positions where institutions act as originator or sponsor and the associated risk-weighted assets and capital requirements by regulatory approaches, including exposures deducted from own funds or risk weighted at 1250%, broken down between traditional and synthetic securitisations and between securitisation and re-securitisation exposures, separately for STS and non-STs positions, and further broken down into a meaningful number of risk-weight or capital requirement bands and by approach used to calculate the capital requirements;	Section 11: Securitisation - Table 29: Securitisation exposures in the non-trading Book and associated regulatory capital requirements - institution acting as originator or as sponsor (UK SEC3)
449(k)(ii)	the aggregate amount of securitisation positions where institutions act as investor and the associated risk-weighted assets and capital requirements by regulatory approaches, including exposures deducted from own funds or risk weighted at 1250%, broken down between traditional and synthetic securitisations, securitisation and re-securitisation positions, and STS and non-STs positions, and further broken down into a meaningful number of risk weight or capital requirement bands and by approach used to calculate the capital requirements;	Section 11: Securitisation - Table 30: Securitisation exposures in the non-trading Book and associated regulatory capital requirements - institution acting as investor (UK SEC4)
449(l)	for exposures securitised by the institution, the amount of exposures in default and the amount of the specific credit risk adjustments	Section 11: Securitisation - Table 31: Exposures securitised by the institution - Exposures in default and specific credit risk adjustments (UK SEC5)
Article 450: Remuneration Disclosures		
450	Remuneration Disclosure.	Section 18: Remuneration

Article 451: Leverage		
451(1)(a)	Leverage ratio	Section 8: Leverage - Table 10: Leverage ratio common disclosure (UK LR2)
451(1)(b)	Leverage ratio calculated as if central bank claims were required to be included in the total exposure measure;	
451(1)(c)	Breakdown of the total exposure measure as well as a reconciliation of the total exposure measure with the relevant information disclosed in published financial statements.	Section 8: Leverage - Table 9: Summary reconciliation of accounting assets and leverage ratio exposures (UK LR1) Table 10: Leverage ratio common disclosure (UK LR2) Table 11: Split of on-balance sheet exposures (excluding derivatives, SFTs and exempted exposures) (UK LR3)
451(1)(d)	Description of the processes used to manage the risk of excessive leverage.	Section 8: Leverage
451(1)(e)	Description of the factors that had an impact on the leverage ratio	
451(1)(f)	In relation to the quarterly periods up to 31 December 2022, the leverage ratio calculated as if Article 468 of the CRR did not apply for purposes of the capital measure under Article 429(3) of Chapter 3 of the Leverage Ratio (CRR) Part	Section 8: Leverage - Table 10: Leverage ratio common disclosure (UK LR2)
451(1)(g)	In relation to the quarterly periods up to 31 December 2024, the leverage ratio calculated as if Article 473a of the CRR did not apply for purposes of the capital measure under Article 429(3) of Chapter 3 of the Leverage Ratio (CRR) Part.	Section 8: Leverage - Table 10: Leverage ratio common disclosure (UK LR2)
451(2)	An LREQ firm must disclose each of the following:	Section 8: Leverage - Table 10: Leverage ratio common disclosure (UK LR2)
451(2)(a)	the average exposure measure;	
451(2)(b)	the average leverage ratio;	
451(2)(c)	the average leverage ratio calculated as if central bank claims were required to be included in the total exposure measure; and	
451(2)(d)	the countercyclical leverage ratio buffer.	
451(3)	An LREQ firm must disclose such information as is necessary to enable users to understand changes in the firm's total exposure measure and T1 capital (leverage) over the quarter that have affected the firm's average leverage ratio.	
451(4)(a)	Subject to paragraph 5: (a) for the purposes of paragraph 2(a) an LREQ firm must calculate its average exposure measure for a quarter as the sum of: (i) the arithmetic mean of the firm's total exposure measure in relation to on-balance sheet assets and SFTs on each day in the quarter; and (ii) the arithmetic mean of the firm's total exposure measure excluding on-balance sheet assets and SFTs on the last day of each month in the quarter; and	Section 8: Leverage - Table 10: Leverage ratio common disclosure (UK LR2)
451(4)(b)	(b) for the purposes of paragraphs 2(a) and 3, an LREQ firm must calculate its average leverage ratio for a quarter as its capital measure divided by its exposure measure where the: (i) capital measure is the arithmetic mean of the firm's T1 capital (leverage) on the last day of each month in the quarter; and (ii) exposure measure is the sum derived in accordance with (a), unless paragraph 5 applies in which case it shall be the sum derived in accordance with that paragraph.	
451(5)	In relation to the quarterly periods up to 1 January 2023 an LREQ firm must calculate its average exposure measure for a quarter as the sum of: (i) the arithmetic mean of the firm's total exposure measure in relation to on-balance sheet assets on each day in the quarter; and (ii) the arithmetic mean of the firm's total exposure measure excluding on-balance sheet assets on the last day of each month in the quarter.	Not Applicable
Article 451a: Liquidity coverage ratio, Net stable funding ratio and Liquidity risk management		
451a(1)	Information on LCR, NSFR and liquidity risk management	Section 17: Liquidity Risk
451a(2)	Following information in relation to LCR based on end-of-the-month observations over the preceding 12 months for each quarter of the relevant disclosure period:	Section 17: Liquidity Risk - 17.2 Liquidity Coverage Ratio - Table 40: Quantitative information of LCR (UK LIQ1)
451a(2)(a)	Average or averages, as applicable, of LCR	
451a(2)(b)	Average or averages, as applicable, of total liquid assets, after applying the relevant haircuts, included in the liquidity buffer and a description of the composition of that liquidity buffer;	
451a(2)(c)	Averages of liquidity outflows, inflows and net liquidity outflows and the description of their composition.	

451a(3)	Following information in relation to NSFR for each quarter of the relevant disclosure period, based on end-of-the-quarter observations over the preceding four quarters:	Section 17: Liquidity Risk - 17.3 Net Stable Funding Ratio - Table 41: Net Stable Funding Ratio (UK LIQ2)
451a(3)(a)	Averages of their NSFR	
451a(3)(b)	Overview of the amount of ASF	
451a(3)(c)	Overview of the amount of RSF	
451a(4)	Arrangements, systems, processes and strategies put in place to identify, measure, manage and monitor their liquidity risk in accordance with the Internal Liquidity Adequacy Assessment Part of the PRA Rulebook	Section 17: Liquidity Risk - "17.1 Liquidity Risk Management"
Article 452: Use of the IRB Approach to Credit Risk		
452(a)	Permission for the use of IRB approach from the competent authority.	Section 9: Capital Requirements and RWAs Section 10.2: Credit Risk Capital Requirements
452(b)	Percentage of the total exposure value of each exposure class subject to the SA as well as the part of each exposure class subject to a roll-out plan;	Section 23: Appendix V: Additional Credit and Counterparty Credit Risk Tables - Table 69: Scope of the use of IRB and SA approaches (UK CR6-A)
452(c)	Control mechanisms for rating systems at the different stages of model development, controls and changes, which shall include information on:	Section 10: Credit Risk - "10.2 Credit Risk Capital Requirements - Internal Ratings Based Approach"
452(c)(i)	Relationship between the risk management function and the internal audit function;	
452(c)(ii)	Rating system review;	
452(c)(iii)	Procedure to ensure the independence of the function in charge of reviewing the models from the functions responsible for the development of the models	
452(c)(iv)	Procedure to ensure the accountability of the functions in charge of developing and reviewing the models;	Section 10: Credit Risk - "10.2 Credit Risk Capital Requirements - Internal Ratings Based Approach"
452(d)	Role of the functions involved in the development, approval and subsequent changes of the credit risk models;	
452(e)	Scope and main content of the reporting related to credit risk models;	
452(f)	Description of the internal ratings process by exposure class, including the number of key models used with respect to each portfolio and a brief discussion of the main differences between the models within the same portfolio, covering:	
452(f)(i)	Definitions, methods and data for estimation and validation of PD, which shall include information on how PDs are estimated for low default portfolios, whether there are regulatory floors and the drivers for differences observed between PD and actual default rates at least for the last three periods;	
452(f)(ii)	Where applicable, definitions, methods and data for estimation and validation of LGD, such as methods to calculate downturn LGD, how LGDs are estimated for low default portfolio and the time lapse between the default event and the closure of the exposure	
452(f)(iii)	Where applicable, definitions, methods and data for estimation and validation of conversion factors, including assumptions employed in the derivation of those variables;	
452(g)	Following information in relation to each exposure class, as applicable:	Section 23: Appendix V: Additional Credit and Counterparty Credit Risk Tables - Table 64: IRB approach – Credit risk exposures by exposure class and PD range (UK CR6)
452(g)(i)	Gross on-balance-sheet exposure;	
452(g)(ii)	Off-balance-sheet exposure values prior to the relevant conversion factor;	
452(g)(iii)	Exposure after applying the relevant conversion factor and CRM;	
452(g)(iv)	Any model, parameter or input relevant for understanding of the risk weighting and the resulting risk exposure amounts disclosed across a sufficient number of obligor grades (including default) to allow for a meaningful differentiation of credit risk;	
452(g)(v)	Separately for those exposure classes in relation to which institutions have received permission to use own LGDs and conversion factors for the calculation of RWAs, and for exposures for which the institutions do not use such estimates, the values referred to in points (i) to (iv) subject to that permission;	Section 23: Appendix V: Additional Credit and Counterparty Credit Risk Tables - Table 70: IRB approach – Back-testing of PD per exposure class (fixed PD scale) (UK CR9) Table 71: IRB approach – Back-testing of PD per exposure class (only for PD estimates according to point (f) of Article 180(1) CRR) (UK CR9.1)
452(h)	Back testing of PD per exposure class	

Article 453: Use of Credit Risk Mitigation techniques		
453(a)	Policies and processes for on and off-balance sheet netting;	Section 10: Credit Risk - "10.3 Credit Risk Mitigation" - Netting
453(b)	Policies and processes for eligible collateral evaluation and management;	Section 10: Credit Risk - "10.3 Credit Risk Mitigation" "Collateral"
453(c)	Description of the main types of collateral used to mitigate credit risk;	
453(d)	Types of guarantor and credit derivative counterparty and their creditworthiness	Section 10: Credit Risk - "10.3 Credit Risk Mitigation"
453(e)	Information about market or credit risk concentrations within the CRM;	
453(f)	Total exposure value not covered and covered by eligible credit protection after applying volatility adjustments, separately for loans and debt securities and including a breakdown of defaulted exposures;	Section 23: Appendix V: Additional Credit and Counterparty Credit Risk Tables - Table 60: CRM techniques overview: Disclosure of the use of credit risk mitigation techniques (UK CR3)
453(g)	Corresponding conversion factor and the CRM associated with the exposure and the incidence of CRM techniques with and without substitution effect;	Section 23: Appendix V: Additional Credit and Counterparty Credit Risk Tables - Table 61: Standardised approach – Credit risk exposure and CRM effects (UK CR4) Table 65: IRB approach – Disclosure of the extent of the use of CRM techniques (UK CR7-A)
453(h)	On and off-balance sheet exposure value by exposure class before and after the application of conversion factors and any associated CRM;	Section 23: Appendix V: Additional Credit and Counterparty Credit Risk Tables - Table 61: Standardised approach – Credit risk exposure and CRM effects (UK CR4)
453(i)	RWA and the ratio between that RWA and the exposure value after applying the corresponding conversion factor and the CRM associated with the exposure, separately for each ex	
453(j)	RWAs before and after recognition of the CRM impact of credit derivatives;	Section 23: Appendix V: Additional Credit and Counterparty Credit Risk Tables - Table 63: IRB approach – Effect on the RWEAs of credit derivatives used as CRM techniques (UK CR7)
Article 454: Use of the Advanced Measurement Approach to Operational Risk		
454	For institutions using the Advanced Measurement Approaches set out in Articles 321 to 324 for calculating operational risk capital requirements, a description of the use of insurances and other risk transfer mechanisms to mitigate operational risk.	Not Applicable
Article 455: Use of Internal Market Risk Models		
455(a)(i)	Characteristics of the market risk models.	Section 12: Market Risk - "12.2 Value at Risk: VaR Methodology, Assumptions and Limitations"
455(a)(ii)	Methodologies used to measure incremental default and migration risk.	Section 12: Market Risk - "12.4 Incremental Risk Charge", "12.5 Comprehensive Risk Measure"
455(a)(iii)	Descriptions of stress tests applied to the portfolios.	Section 12: Market Risk - "12.7 Stress Testing"
455(a)(iv)	Methodology for backtesting and validating the models.	Section 12: Market Risk - "12.2 – Value at Risk"
455(b)	Scope of permission for use of the models.	Section 12: Market Risk
455(c)	Policies and processes to determine which exposures are to be included in the Trading Book, and to comply with prudential valuation requirements.	Section 12: Market Risk - "12.1 Positions included in the Trading Book" Section 16: Valuation Risk
455(d)(i)	The highest, the lowest and the mean of: the daily VaR measures over the reporting period and as per the period end.	Section 12: Market Risk - "12.6 Market Risk Capital Requirements" Table 36: IMA values for trading portfolios (UK MR3)
455(d)(ii)	The highest, the lowest and the mean of: the stressed VaR measures over the reporting period and as per the period end.	
455(d)(iii)	The highest, the lowest and the mean of: the risk numbers for incremental default and migration risk and for the specific risk of the CTP over the reporting period and as per the period-end.	
455(e)	Elements of the own funds requirement.	Section 12: Market Risk - Table 34: Market risk under the internal Model Approach (IMA) (UK MR2-A)
455(f)	Weighted average liquidity horizon of portfolios covered by models.	Section 12: Market Risk - "12.4 Incremental Risk Charge"
455(g)	Comparison of end-of-day VaR measures compared with one-day changes in portfolio's value.	Section 12: Market Risk - Figure 4/5: Comparison of VaR Estimates with Gains/Losses (UK MR4)

26. Appendix VIII: Abbreviations

Term	Definition
2LoD NFR	Second Line of Defence Non-Financial Risk
AIRB	Advanced Internal Ratings Based
ASA	Alternative Standardised Approach
ASF	Available Stable Funding
AT1	Additional Tier 1
AVAs	Additional Valuation Adjustments
Basel Accords	Standard for international banking prudential regulation in a series of accords
BCBS	Basel Committee on Banking Supervision
BIA	Basic Indicator Approach
Bn	Billions
BoE	Bank of England
CASS	Client Assets Sourcebook
CCF	Credit Conversion Factor
CCPs	Central Counterparties
CCR	Counterparty Credit Risk
CCyB	Countercyclical Capital Buffer
CE	Covered Employees
CET1	Common Equity Tier 1
CFO	Chief Finance Officer
CFTC	Commodity Futures Trading Commission
CHRO	Morgan Stanley Group's Chief Human Resources Officer
CLF	Credit Limits Framework
CMDS Committee	Compensation, Management Development and Succession Committee
COO	Chief Operating Officer
CQS	Credit Quality Steps
CRD	Capital Requirements Directive
CRM	Credit Risk Mitigation
CRMD	Credit Risk Management Department
CRMe	Comprehensive Risk Measure
CRO	Chief Risk Officer
CRR	Capital Requirements Regulation
CSA	Credit Support Annexes
CSLL	Climate Stress Loss Limit
CTP	Correlation Trading Portfolio
CVA	Credit Valuation Adjustment
DQ	Data Quality
EAD	Exposures at Default
EBA	European Banking Authority
ECAI	External Credit Assessment Institutions
ECB	European Central Bank
ECL	Expected Credit Losses
EEA	European Economic Area
EEPE	Effective Expected Positive Exposure
EHQLA	Extremely High-Quality Liquid Assets
EMEA	Europe, Middle East and Africa
EMEA ALCO	EMEA Asset and Liability Committee
EOC	EMEA Operating Committee
ERC	EMEA Risk Committee
EROC	EMEA Remuneration Oversight Committee
ESG	Environmental, Social and Governance
EU	European Union
EUR	Euro
EVE	Economic Value of Equity
EWI	Early Warning Indicator
F-IRB	Foundation Internal Ratings Based
FCA	Financial Conduct Authority
FCP	Funded Credit Protection
FED	Federal Reserve System
Fitch	Fitch Ratings

Term	Definition
FRS 101	Financial Reporting Standard 101
FRTB	Fundamental Review of the Trading Book
FSRRs	Forward Starting Reverse Repos
FSRs	Forward Starting Repos
FTE	Full-Time Equivalent
FX	Foreign Exchange
G-SII	Global Systemically Important Institution
GBP	GBP Sterling Pounds
GC	General Counsel
GMRA	Global Master Repurchase Agreements
GMSLAs	Global Master Securities Lending Agreements
HCM	Human Capital Management
HGB	German Commercial Code
HQLA	High-Quality Liquid Assets
IAA	Internal Assessment Approach
IAD	Internal Audit Department
ICAAP	Internal Capital Adequacy Assessment Process
IFD	Investment Firm Directive
IFPR	Investment Firms Prudential Regime
IFR	Investment Firm Regulation
IFRIC	IFRS Interpretations Committee
IFRS	International Financial Reporting Standards
ILAAP	Internal Liquidity Adequacy Assessment Process
ILST	Internal Liquidity Stress Test
IMA	Internal Model Approach
IMAP	Investment Management Alignment Plan
IMM	Internal Model Method
IRB	Internal Ratings Based
IRC	Incremental Risk Charge
IRRBB	Interest Rate Risk in the Banking Book
ITS	Implementing Technical Standards
KPIs	Key Performance indicators
L-SREP	Liquidity Supervisory Review Process
LCR	Liquidity Coverage Ratio
LDP	Low Default Portfolio
LGD	Loss-Given Default
LRD	Liquidity Risk Department
LREQ	Leverage Ratio Requirements
MCR	Minimum Capital Requirement
MDB	Multilateral Development Bank
MiFID	Markets in Financial Instruments Directive
MIFIDPRU	Prudential Sourcebook for MiFID Investment Firms
MM	Millions
Moody's	Moody's Investor Service
MRD	Market Risk Department
MREL	Minimum Requirement for own funds and Eligible Liabilities
MRM	Model Risk Management
MRTs	Material Risk Takers
MSCIP	Morgan Stanley Compensation Incentive Plan
MSEHSE Group	Morgan Stanley Europe Holding SE Group
MSESE	Morgan Stanley Europe SE
MSESE Consol	Morgan Stanley Europe SE ("MSESE") together with its subsidiaries
MSI	Morgan Stanley International Limited
MSI Group	("MSI") together with its subsidiaries
MSIM	Morgan Stanley Investment Management Limited
MSIP	Morgan Stanley & Co. International plc
N/A	Not Applicable
NII	Net Interest Income
NSFR	Net Stable Funding Ratio
O-SII	Other systemically Important Institution
ORD	Operational Risk Department

Term	Definition
OTC	Over The Counter
PD	Probability of Default
PFE	Potential Future Exposure
PNFR	Priority Non-Financial Risk
PRA	Prudential Regulation Authority
PRA Rulebook	PRA Rulebook including the onshored EU CRR
PSE	Public Sector Entities
PV01	Present Value to a 1 basis point move of the underlying interest rate
PVA	Prudent Valuation Adjustment
PVRM	Position Valuation and Risk Models
PWM	Private Wealth Management
QCCPs	Qualifying Central Counterparties
QRM	Quantitative Risk Management
RAS	Risk Appetite Statement
RBA	Role Based Allowance
RC	Replacement cost
RCSA	Risk Control Self-Assessment
RemCo	Remuneration Committee
RNIV	Risks Not in VaR
RRP	Recovery and Resolution Planning
RSF	Required Stable Funding
RST	Reverse Stress Tests
RW	Risk Weight
RWAs	Risk Weighted Exposure Amounts
S&P	Standard and Poor's rating agency
SA	Standardised Approach
SA-CCR	Standardised Approach for Counterparty Credit Risk
SBSD	Securities-Based Swap Dealer
SD	Swap Dealer
SEC	Securities and Exchange Commission
SEC-ERBA	Securitisation External Ratings Based Approach
SEC-IRBA	Securitisation Internal Ratings Based Approach
SEC-SA	Securitisation Standardised Approach
SFTs	Securities Financing Transactions
SPOE	Single Point of Entry
SREP	Supervisory Review and Evaluation Process
SRT	Significant Risk Transfer
STAR	Significant Transaction Analytical Review Process
STS	Simple, Transparent and Standardised
SVaR	Stressed Value at Risk
SYSC	Systems and Controls
T1	Tier 1
T2	Tier 2
TCR	Total Capital Requirement
TOFR	Total Own Funds Requirements
TOR	Top Operational Risks
TSA	The Standardised Approach
UFCP	Unfunded Credit Protection
UK	United Kingdom
UK CRD V	UK regulators' transposition of the Capital Requirements Directive
USA	United States of America
USD	U.S. Dollars
VaR	Value at Risk
VC	Valuation Control