

***Morgan Stanley Private Bank,
National Association***

Annual Report

As of and for the Years Ended December 31, 2024 and 2023

ANNUAL REPORT

*For the year ended December 31, 2024***Morgan Stanley Private Bank, National Association**

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Morgan Stanley Private Bank, National Association

Forward-Looking Statements

We have included in or incorporated by reference into this report, certain statements, including, without limitation, those under “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and “Quantitative and Qualitative Disclosures about Risk”, and from time to time may make in our public filings, or in Morgan Stanley’s public filings, press releases or other public statements, certain statements that may constitute “forward-looking statements”. Unless the context otherwise requires, the terms “Morgan Stanley” and “the Firm” mean Morgan Stanley (the “Parent”) together with its consolidated subsidiaries, including Morgan Stanley Private Bank, National Association. In addition, Morgan Stanley’s or our management may make forward-looking statements to analysts, investors, representatives of the media and others. These forward-looking statements are not historical facts and represent only our beliefs regarding future events, many of which, by their nature, are inherently uncertain and beyond our control.

The nature of our business makes predicting the future trends of our revenues, expenses, and net income difficult. The risks and uncertainties involved in our businesses could affect the matters referred to in such statements, and it is possible that our actual results may differ, possibly materially, from the anticipated results indicated in these forward-looking statements. Important factors that could cause actual results to differ from those in the forward-looking statements made by Morgan Stanley or us include, without limitation:

- the effect of market conditions, particularly in the global credit markets, including commercial and residential mortgage lending, securities-based lending and other, as well as global equity, fixed income, currency and commodities markets;
- the level of individual investor participation in the global markets, as well as the level and mix of client assets held at Morgan Stanley and placed with us as deposits;
- the level and volatility of interest rates, inflation and currency values, as well as equity, fixed income and commodity prices and other market indices or other market factors, such as market liquidity;
- the availability and cost of both credit and capital, as well as the credit ratings assigned to our unsecured short-term, and long-term debt;
- technological changes instituted by Morgan Stanley or us, Morgan Stanley’s or our competitors or counterparties and technological risks, including risks associated with emerging technologies, business continuity and related operational risks, including breaches or other disruptions of Morgan Stanley’s, our or a third-party’s (or third-parties thereof) operations or systems;
- risk associated with cybersecurity threats, including data protection and cybersecurity risk management;
- Morgan Stanley’s or our ability to effectively manage capital and liquidity;
- the impact of current, pending and future legislation or changes thereto, regulation (including capital, leverage, funding, liquidity, consumer protection, and recovery and resolution requirements) and Morgan Stanley’s or our ability to address such requirements;
- uncertainty concerning fiscal or monetary policies established by central banks and financial regulators, government shutdowns, debt ceilings or funding;
- changes to global trade policies, tariffs, trade sanctions and investment restrictions;
- legal and regulatory actions, including litigation and enforcement, and other non-financial risks in the U.S. and worldwide;
- changes in tax laws and regulations globally;
- the effectiveness of Morgan Stanley’s or our risk management processes and related controls;
- Morgan Stanley’s or our ability to effectively respond to an economic downturn, or other market disruptions;
- the effect of social, economic and political conditions and geopolitical events, including as a result of government shutdowns, changes as a result of global elections, including changes in U.S. presidential administrations or Congress, sovereign risk, acts of war or aggression, and terrorist activities or military actions;
- the actions and initiatives of current and potential competitors, as well as governments, central banks, regulators and self-regulatory organizations;
- Morgan Stanley’s or our ability to provide innovative products and services and execute strategic initiatives, and costs related thereto, including with respect to the operational or technological integration related to such innovative and strategic initiatives;
- the performance and results of Morgan Stanley’s acquisitions, divestitures, joint ventures, partnerships, minority stakes or strategic alliances, or other strategic arrangements and related integrations;
- investor, consumer and business sentiment and confidence in the financial markets;
- Morgan Stanley’s or our reputation and the general perception of the financial services industry;
- Morgan Stanley’s or our ability to retain, integrate and attract qualified employees or successfully transition key roles;
- climate-related incidents, and other sustainability matters, and global pandemics; and
- other risks and uncertainties detailed under “Business—Competition,” “Business—Supervision and Regulation,” “Risk Factors” and elsewhere throughout this report.

Accordingly, you are cautioned not to place undue reliance on forward-looking statements, which speak only as of the date on which they are made. We undertake no obligation to update publicly or revise any forward-looking statements to reflect the impact of circumstances or events that arise after the dates they are made, whether as a result of new information, future events or otherwise, except as required by applicable law. You should, however, consult future disclosures we may make.

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Available Information

This Annual Report is available at www.morganstanley.com/about-us-ir/subsidiaries. In addition, certain of our affiliates, including the Parent, provide annual and periodic reports relating to their businesses and activities, which are available at www.morganstanley.com/about-us-ir. Information contained on such website is not part of, nor is it incorporated by reference into, this Annual Report.

Business

Overview

Morgan Stanley Private Bank, National Association (“MSPBNA”) is a national bank with its headquarters and main office in Purchase, New York, and is an indirect, wholly owned subsidiary of the Parent. MSPBNA is subject to regulation, supervision and examination by the OCC and its qualifying deposits are insured by the FDIC. MSPBNA has no branches or automated teller machines (“ATMs”). Unless the context otherwise requires, the terms “Bank”, “us”, “we” and “our” mean Morgan Stanley Private Bank, National Association together with its consolidated subsidiary. See the “Glossary of Common Terms and Acronyms” for the definition of certain terms and acronyms used throughout the 2024 Annual Report.

Financial information concerning the Bank for each of the years ended December 31, 2024 and December 31, 2023 is included in “Financial Statements and Supplementary Data”.

The Parent is a financial holding company regulated by the Board of Governors of the Federal Reserve System (“Federal Reserve”) under the Bank Holding Company Act of 1956, as amended (“BHC Act”), and is subject to comprehensive, consolidated supervision and examination by the Federal Reserve, as its primary regulator.

Business Description

The Bank is a national bank that offers residential mortgage lending, securities-based and other financing, including retail securities-based lending primarily to customers of our affiliated retail broker-dealer, MSSB, and their small and medium-sized businesses. The deposit products offered by the Bank are principally used to fund lending activities and our investment portfolio. Finally, the Bank enters into certain derivative transactions with affiliates primarily for hedging purposes. Additional information related to our business lines, investment portfolio, deposit taking, and other activities is included under “Management’s Discussion and Analysis of Financial Condition and Results of Operations.”

Competition

All aspects of our businesses are highly competitive, and we expect them to remain so. We compete in the U.S. and globally for clients, market share and human talent. Operating within the financial services industry on a global basis presents, among other things, technological, risk management, regulatory infrastructure and other challenges that require effective resource allocation in order for us to remain competitive. Our competitive position depends on a number of factors, including our reputation, client experience, the quality and consistency of our long-term investment performance, innovation, execution, relative pricing and other factors, including entering into new or expanding current businesses as a result of Morgan Stanley’s acquisitions and other strategic initiatives and the reputation of Morgan Stanley as a whole, as well as the quality and consistency of Morgan Stanley’s long-term financial

performance. Our ability to sustain or improve our competitive position also depends substantially on our and Morgan Stanley’s ability to continue to attract and retain highly qualified employees while managing compensation and other costs. We compete with retail and commercial banks, global investment banks, regional banks, private banks and other companies offering lending and deposit products and services in the U.S. and globally. In addition, restrictive laws and regulations applicable to certain global financial services institutions, which have been increasing in complexity and volume, may prohibit us from engaging in certain transactions, impose more stringent capital and liquidity requirements, and increase costs, and can put us at a competitive disadvantage to competitors in certain businesses not subject to these same requirements. See also “Supervision and Regulation” herein and “Risk Factors.”

There is increased competition in the U.S. and globally driven by established financial services firms and emerging firms, including non-financial companies and business models focusing on technology innovation, competing for the same clients and assets, or offering similar products and services to retail and institutional customers. It is also possible that competition may become even more intense as we continue to compete with financial or other institutions that may be, or may become larger, or better capitalized, or may have a stronger local presence and longer operating history in certain geographies or products. Many of these firms have the ability to offer a wide range of products and services through different platforms that may enhance their competitive position and could result in additional pricing pressure on our businesses.

Parent Relationship

Our Relationship with the Parent and our Affiliates

We are an indirect wholly owned insured depository institution (“IDI”) subsidiary of the Parent. We rely on the Parent and our affiliates for certain business relationships, certain processes, support systems and infrastructure, and financial support. In turn, we provide similar support services to our affiliates. Our affiliates are sources of business for certain of our deposit, lending and other business activities, and they often are counterparties to derivatives transactions with us.

Support Services

We receive operational, administrative, and risk management support services from our affiliates including loan origination and servicing, operational and infrastructure services, trade execution, relationship management, risk management and control, and administrative, as well as other miscellaneous support services. All support services we receive from our affiliates are overseen by our direct employees, or employees of our affiliates who are also Bank officers. We also provide certain operational, administrative and risk management support services to our affiliates. The services we receive and provide to our affiliates are governed under master services agreements, and supplemented by task orders (collectively, the “Service Level Agreements”). We benefit from our affiliates’ access to third-party vendors, experience and knowledge, and services provided to us by employees of affiliates. For further information about

our relationship with our affiliates, see “Risk Factors—Operational Risk” and Note 10 to the financial statements.

Funding Sources

Deposits are our primary source of funding for our assets. We source deposits through clients of Morgan Stanley’s Wealth Management business via affiliated entities, as well as through unaffiliated third parties, primarily through our Savings and Brokerage sweep programs, and we offer deposit products directly to Bank retail customers. We also issue time deposits, and accept deposits from the Parent and our affiliates. In addition, we have access to funding facilities primarily from the Parent. See Note 10 to the financial statements for further information about funding facilities with affiliates.

Supervision and Regulation

We are an FDIC-insured depository institution subject to supervision, regulation and examination by the OCC and are subject to the OCC’s risk governance guidelines, which establish heightened standards for a large IDI’s risk governance framework and the oversight of that framework by the IDI’s board of directors. We are also subject to prompt corrective action standards, which require the relevant federal banking regulator to take prompt corrective action with respect to an IDI if that institution does not meet certain capital adequacy standards. In addition, the Consumer Financial Protection Bureau (“CFPB”) has primary rulemaking, enforcement and examination authority over us with respect to federal consumer protection laws, to the extent applicable.

We continue to monitor the changing political, tax and regulatory environment. While it is likely that there will be changes in the way major financial institutions are regulated in the U.S., it remains difficult to predict the exact impact these changes will have on our business, financial condition, results of operations and cash flows for a particular future period. We expect to remain subject to extensive supervision and regulation.

The Federal Deposit Insurance Corporation Improvement Act of 1991 (“FDICIA”) establishes five capital categories for FDIC-insured banks, such as us: well-capitalized, adequately capitalized, undercapitalized, significantly undercapitalized and critically undercapitalized. An IDI may be downgraded to, or deemed to be in, a capital category that is lower than is indicated by its capital ratios if it is determined to be in an unsafe or unsound condition or if it receives an unsatisfactory examination rating with respect to certain matters. FDICIA imposes progressively more restrictive constraints on operations, management and capital distributions, as the capital category of an institution declines. Failure to meet the capital requirements could also require an IDI to raise capital. An IDI also is prohibited from accepting, renewing or rolling over deposits by or through a “deposit broker” (as defined in FDICIA) unless the institution is well-capitalized. The FDIC may waive this prohibition if the IDI is adequately capitalized; however, the prohibition cannot be waived if the institution is undercapitalized, significantly undercapitalized or critically undercapitalized. An IDI also is restricted with respect to the deposit interest rates it may offer if it is not well-capitalized.

Ultimately, critically undercapitalized IDIs are subject to the appointment of a receiver or conservator, as described in “Insolvency of an Insured Depository Institution” below. At December 31, 2024 and December 31, 2023, the Bank maintained capital levels in excess of the well-capitalized requirements.

Transactions with Affiliates. We are subject to Sections 23A and 23B of the Federal Reserve Act and their implementing rule, the Federal Reserve’s Regulation W, which impose restrictions on certain transactions between us and our affiliates, including any extension of credit to, or purchase of assets from an affiliate. These restrictions limit the total amount of credit exposure that we may have to any one affiliate and to all affiliates in the aggregate and require collateral for covered credit exposures. Section 23B requires affiliate transactions to be on market terms.

Lending and Credit Limits. The OCC imposes lending limits on the Bank (which also take into account credit exposure from derivative transactions and, subject to certain exceptions, securities financing transactions) and other requirements that could impact the manner and scope of our activities.

The Federal Reserve also imposes single-counterparty credit limits for large banking organizations. U.S. G-SIBs, including Morgan Stanley, are subject to a limit of 15% of Tier 1 capital for aggregate net credit exposures to any “major counterparty” (defined to include other U.S. G-SIBs, foreign G-SIBs and non-bank systemically important financial institutions supervised by the Federal Reserve). In addition, Morgan Stanley is subject to a limit of 25% of Tier 1 capital for aggregate net credit exposures to any other unaffiliated counterparty. Unlike the OCC’s lending limits, which apply to the Bank on a standalone basis, the limits imposed by the Federal Reserve apply to the Parent and its subsidiaries on a consolidated basis. Accordingly, the application of the consolidated limits could also impact the level of credit exposures of the Bank.

The U.S. federal bank regulatory agencies have issued interagency guidance that focuses on transaction structures and risk management frameworks and that outlines high-level principles for safe-and-sound leveraged lending, including underwriting standards, valuation and stress testing. The agencies have also issued interagency guidance relating to underwriting standards and general risk management standards in the area of commercial real estate addressing the need for prudent risk management practices by financial institutions engaging in commercial real estate lending activity.

Capital Requirements. The OCC establishes minimum capital requirements largely based on the Basel III capital standards established by the Basel Committee on Banking Supervision (“Basel Committee”), including well-capitalized standards.

The Federal Reserve, FDIC and OCC (collectively, “U.S. banking agencies”) have proposed a comprehensive set of revisions to their capital requirements based on changes to the Basel III capital standards finalized by the Basel Committee. The impact on us of any revisions to the capital requirements is uncertain and depends on the adoption of final rulemakings by the U.S. banking agencies.

For more information about the specific capital requirements applicable to us, see “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Regulatory Requirements” and Note 14 to the financial statements.

Liquidity Requirements. In addition to capital regulations, the U.S. banking agencies have adopted liquidity and funding standards, including the LCR, the NSFR, liquidity stress testing and associated liquidity reserve requirements.

For more information see “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Balance Sheet—Regulatory Liquidity Framework.”

Stress Tests. Under rules adopted by the U.S. federal bank regulatory agencies, implementing 2018 amendments to the Dodd-Frank Wall Street Reform and Consumer Protection Act (“Dodd-Frank Act”), IDIs with total consolidated assets between \$100 billion and \$250 billion, such as us, are no longer required to conduct annual company run stress tests. We are still required to have our own capital planning process.

Insolvency of an Insured Depository Institution. Under the Federal Deposit Insurance Act of 1950 (“FDIA”), if the FDIC is appointed as conservator or receiver for an IDI such as us, upon the IDI’s insolvency or in certain other events, the FDIC has broad powers, including the power:

- To transfer any of the IDI’s assets and liabilities to a new obligor, including a newly formed “bridge” bank, without the approval of the IDI’s creditors;
- To enforce the IDI’s contracts pursuant to their terms without regard to any provisions triggered by the appointment of the FDIC in that capacity; or
- To repudiate or disaffirm any contract or lease to which the IDI is a party, the performance of which is determined by the FDIC to be burdensome and the repudiation or disaffirmance of which is determined by the FDIC to promote the orderly administration of the IDI.

In addition, the claims of holders of domestic deposit liabilities and certain claims for administrative expenses against an IDI would be afforded a priority over other general unsecured claims, including claims of debt holders of the institution, in the “liquidation or other resolution” of such an institution by any receiver. As a result, whether or not the FDIC ever sought to repudiate any of our debt obligations, the debt holders (other than depositors at U.S. branches) would be treated differently from, and could receive, if anything, substantially less than, our depositors.

As commonly controlled FDIC-insured depository institutions, each of Morgan Stanley’s U.S. bank subsidiaries (MSBNA and MSPBNA) could be responsible for any loss to the FDIC from the failure of the other.

Resolution and Recovery Planning. We are required to submit a full IDI resolution plan once every two years to the FDIC that describes our strategy for a rapid and orderly resolution in the

event of material financial distress or failure. We submitted our last IDI resolution plan in December 2023. The FDIC adopted amended rules in 2024 and our first submission under these new rules will be by July 2026.

Morgan Stanley is also required to submit once every two years to the Federal Reserve and the FDIC a resolution plan that describes its strategy for a rapid and orderly resolution under the U.S. Bankruptcy Code in the event of its material financial distress or failure. Interim updates are required in certain limited circumstances, including material mergers or acquisitions or fundamental changes to our resolution strategy.

Morgan Stanley’s preferred strategy, which is set out in its most recent resolution plan, is an SPOE strategy, which generally contemplates the provision of adequate capital and liquidity by the Parent to certain of its subsidiaries so that such subsidiaries have the resources necessary to implement the resolution strategy after the Parent has filed for bankruptcy. Within that strategy we, and the associated Wealth Management businesses of Morgan Stanley would be sold.

As an IDI with more than \$100 billion in assets, we are required by the OCC to develop a recovery plan detailing the actions we would take to remain a going concern when we experience considerable financial or non-financial stress, but have not deteriorated to the point that resolution is imminent. The OCC released revised guidelines effective January 2025 and our first recovery plan under these guidelines will be developed by January 2026.

Community Reinvestment Act. The Community Reinvestment Act (“CRA”) requires our primary federal bank regulatory agency, the OCC, to assess our record in meeting the credit needs of the communities we serve, including low- and moderate-income neighborhoods and persons. This assessment is considered for any bank that applies to merge or consolidate with or acquire the assets or assume the liabilities of an IDI, or to open or relocate a branch office. During the most recent CRA evaluation, the OCC rated us as “outstanding,” which is the highest possible rating. In October 2023, the OCC issued a final rule that modernizes the regulation implementing the CRA. It will not be effective until 2026 at the earliest, and we are working to assess the implications of the final rule on MSPBNA. In March 2024, a federal judge granted an injunction against enforcing new rules implementing the CRA.

Deposit Insurance. Our deposits have the benefit of FDIC insurance up to the applicable limits. The FDIC’s Deposit Insurance Fund is funded by assessments on IDIs. Our assessment (subject to adjustment by the FDIC) is currently based on our average total consolidated assets less our average tangible equity during the assessment period, our supervisory ratings and specified forward-looking financial measures used to calculate the assessment rate.

Activities Restrictions under the Volcker Rule. The Volcker Rule prohibits banking entities, including us, from engaging in certain proprietary trading activities, as defined in the Volcker Rule, subject to exemptions for underwriting, market-making, risk-mitigating hedging and certain other activities. The Volcker Rule

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also prohibits certain investments and relationships by banking entities with covered funds, as defined in the Volcker Rule, subject to a number of exemptions and exclusions.

U.S. Consumer Protection. We are subject to supervision and regulation by the CFPB with respect to U.S. federal consumer protection laws. Federal consumer protection laws to which we are subject include the Gramm-Leach-Bliley Act, Equal Credit Opportunity Act, Home Mortgage Disclosure Act, Electronic Fund Transfer Act, Fair Credit Reporting Act, Real Estate Settlement Procedures Act, Truth in Lending Act and Truth in Savings Act, all of which are enforced by the CFPB. We are also subject to certain federal consumer protection laws enforced by the OCC, including the Service members Civil Relief Act. Furthermore, we are subject to certain state consumer protection laws, and under the Dodd-Frank Act, state attorneys general and other state officials are empowered to enforce certain federal consumer protection laws and regulations. These federal and state consumer protection laws apply to a range of our activities.

Financial Crimes Program. Morgan Stanley's Financial Crimes program is coordinated and implemented on an enterprise-wide basis and supports our financial crime prevention efforts across all regions and business units. The program includes anti-money laundering, economic sanctions ("Sanctions"), anti-boycott, anti-corruption, anti-tax evasion, and government and political activities compliance programs and aligned business-line risk functions.

In the U.S., the Bank Secrecy Act, as amended by the USA PATRIOT Act of 2001, and the Anti-Money Laundering Act of 2020, imposes significant obligations on financial institutions to detect and deter money laundering and terrorist financing activity, including requiring banks, broker-dealers, futures commission merchants, introducing brokers and mutual funds to develop and implement AML programs, verify the identity of customers that maintain accounts, and monitor and report suspicious activity to appropriate law enforcement or regulatory authorities.

We are also subject to Sanctions, such as regulations and economic sanctions programs administered by the U.S. government including the U.S. Treasury Department's Office of Foreign Assets Control ("OFAC") and the U.S. Department of State, and similar sanctions programs imposed by foreign governments or global or regional multilateral organizations. In addition, we are subject to anti-corruption laws, such as the U.S. Foreign Corrupt Practices Act. Anti-corruption laws generally prohibit offering, promising, giving or authorizing others to give anything of value, either directly or indirectly, to a government official or private party in order to influence official action or otherwise gain an unfair business advantage, such as to obtain or retain business.

Cyber and Information Security Risk Management and Protection of Client Information. The financial services industry faces increased regulatory focus regarding cyber and information security risk management practices. Many aspects of our businesses are subject to cybersecurity legal, regulatory and disclosure requirements enacted by U.S. federal and state

governments. These requirements are generally aimed at codifying basic cybersecurity protections and mandating data breach notification requirements.

We are also subject to increasing privacy and data protection legal requirements concerning the use and protection of certain personal information with regard to clients, employees and others. These requirements impose mandatory privacy and data protection obligations, including providing for individual rights, enhanced governance and accountability requirements, and significant fines and litigation risk for noncompliance. In addition, several jurisdictions have enacted or proposed personal and other data localization requirements and restrictions on cross-border transfer of personal and other data that may restrict our ability to conduct business in those jurisdictions or create additional financial and regulatory burdens to do so.

Numerous jurisdictions have passed laws, rules and regulations in these areas and many are considering new or updated ones that could impact our businesses, particularly as the application, interpretation and enforcement of these laws, rules and regulations are often uncertain and evolving. Many aspects of our businesses are subject to legal requirements concerning the use and protection of certain customer and other information, as well as the privacy and cybersecurity laws referenced above. We have adopted measures designed to comply with these and related applicable requirements in all relevant jurisdictions.

Human Capital

Employees and Culture

As of December 31, 2024, we had 1,276 direct employees. In addition, 285 employees of our affiliates, who are also officers of the Bank, provide services to us under Service Level Agreements or other cost sharing agreements.

Our employees are our most important asset, whom we depend on to build value for our clients. We are committed to a meritocracy based on the principles of rigor, humility and partnership. To facilitate talent attraction and retention, we strive to make Morgan Stanley a diverse and inclusive workplace with a strong culture and opportunities for our employees to grow and develop in their career. We support our employees with competitive compensation, benefits, and health and wellbeing programs.

The following sections discuss the approach to human capital and related programs at Morgan Stanley, which also apply to employees at the Bank.

Morgan Stanley's core values guide decision-making aligned with the expectations of its employees, clients, shareholders, regulators, directors and the communities in which Morgan Stanley operates. These guiding values—*Put Clients First, Do the Right Thing, Lead with Exceptional Ideas, Commit to Diversity and Inclusion, and Give Back*—are at the heart of Morgan Stanley's workplace culture and underpin its success. Morgan Stanley's Code of Conduct is central to its expectation that employees embody its values. Every new hire and every employee annually is required to certify to their understanding of

and adherence to the Code of Conduct. Morgan Stanley also invites employee feedback on its culture and workplace through its ongoing employee engagement surveys.

Talent Development and Employee Representation

Morgan Stanley is committed to the development of its workforce and supporting mobility and career growth. The Firm's talent development programs are designed to provide employees with the resources to help them achieve their career goals, build management skills and lead their organizations. Morgan Stanley believes supporting employee development and growth contributes to long-term retention. Morgan Stanley continues to offer leadership programs to support employees as they progress in their career at the Firm.

Meritocracy is at the heart of Morgan Stanley's talent development. We believe a workforce that represents the societies in which we live and work, and our global client base, is integral to Morgan Stanley's continued success. Furthermore, we believe that an inclusive workplace is in the best interests of our employees and clients. We continue to invest in efforts to recruit, advance and retain a talented and diverse workforce through a holistic approach that centers on professional development, wellness and a culture that allows every employee to thrive.

Compensation, Financial and Employee Wellbeing

Morgan Stanley provides responsible and effective compensation programs that reinforce its values and culture through four key objectives: deliver pay for sustainable performance, attract and retain top talent, align with shareholder interests and mitigate excessive risk-taking. In addition to salaries, these programs (which vary by location) include annual bonuses, retirement savings plans with matching contributions, an employee stock purchase plan, student loan refinancing and a financial wellbeing program. To promote equitable rewards for all employees, Morgan Stanley has enhanced its practices to support fair and consistent compensation and rewards decisions based on merit, perform ongoing reviews of compensation decisions, and conduct regular assessments of its rewards structure.

Morgan Stanley's employees' health is also central to its ongoing success. Morgan Stanley supports the physical, mental and financial wellbeing of its global workforce and their families by offering programs focusing on awareness, prevention and access. Offerings vary by location and include: health care and insurance benefits, mental health resources, flexible spending and health savings accounts, paid time-off, flexible work schedules, family leave, child and elder care resources, financial help with fertility, adoption and surrogacy, and tuition assistance, among many others. On site services in Morgan Stanley's principal locations include health centers, mental health counseling, fitness centers and physical therapy.

In 2024, Morgan Stanley further enhanced its benefits offerings, introducing a new medical plan administrator and option, and broader benefits decision support for employees and their families. Morgan Stanley's Global Wellbeing Board, comprised of senior management from across the Firm's businesses and

geographies, continue to shape and advance our wellbeing strategy with a focus on harmonizing our global benefit programs. This year, Morgan Stanley expanded its mental health and wellbeing training program, now available to all businesses Firmwide.

Risk Factors

For a discussion of the risks and uncertainties that may affect our future results and strategic objectives, see “Forward-Looking Statements.”

Credit Risk

Credit risk refers to the risk of loss arising when a borrower, counterparty or issuer does not meet its financial obligations to us. For more information on how we monitor and manage credit risk, see “Quantitative and Qualitative Disclosures about Risk—Credit Risk.”

We are exposed to the risk that third parties that are indebted to us will not perform their obligations.

We incur credit risk in our lending to mainly individual investors, including, but not limited to securities-based loans collateralized by securities, residential mortgage loans, including home equity lines of credit (“HELOCs”), and structured loans to ultra-high net worth clients, that are in most cases secured by various types of collateral whose value may at times be insufficient to fully cover the loan repayment amount, including marketable securities, private investments, commercial real estate and other financial assets.

Our valuations related to, and reserves for losses on, credit exposures rely on complex models, estimates and subjective judgments about the future. While we believe current valuations and reserves adequately address our perceived levels of risk, future economic conditions, including inflation and changes in real estate and other asset values, that differ from or are more severe than forecast, inaccurate models or assumptions, or external factors such as geopolitical events, changes in international trade policies, global pandemics or natural disasters, could lead to inaccurate measurement of or deterioration of credit quality of our borrowers and counterparties or the value of collateral and result in unexpected losses. We may also incur higher-than-anticipated credit losses as a result of (i) disputes with counterparties over the valuation of collateral or (ii) actions taken by other lenders that may negatively impact the valuation of collateral. In cases where we foreclose on collateral, sudden declines in the value or liquidity of collateral may result in significant losses to us despite our (i) credit monitoring, (ii) over-collateralization, (iii) ability to call for additional collateral or (iv) ability to force repayment of the underlying obligation, especially where there is a single type of collateral supporting the obligation. In addition, in the longer term, climate change may have a negative impact on the financial condition of our clients, which may decrease revenues from those clients and increase the credit risk associated with loans and other credit exposures to those clients. Certain of our credit exposures may be concentrated by counterparty, product, sector, portfolio, industry or geographic region. Although our models and estimates account for correlations among related types of exposures, a change in the market or economic environment for a concentrated product or an external factor impacting a concentrated counterparty, sector, portfolio, industry or geographic region may result in credit losses in excess of amounts forecast.

Although we regularly review our credit exposures, default risk may arise from events or circumstances that are difficult to detect or foresee.

Market Risk

Market risk refers to the risk that a change in the level of one or more market prices, rates, spreads, indices, volatilities, correlations or other market factors, such as market liquidity, will result in losses for a position or portfolio. We have direct exposure to market risk. In addition, market risk may also impact our clients and markets in a manner that may indirectly impact us. For more information on how we monitor and manage market risk, see “Quantitative and Qualitative Disclosures about Risk—Market Risk.”

Our results of operations may be materially affected by market fluctuations and by global financial market and economic conditions and other factors.

Our results of operations have been in the past and may, in the future, be materially affected by global financial market and economic conditions, including in particular by periods of low or slowing economic growth in the United States and other major markets, both directly and indirectly through their impact on client activity levels. These include the level and volatility of equity, fixed income and commodity prices; the level, term structure and volatility of interest rates; inflation, currency values and unemployment rates; the level of other market indices, fiscal or monetary policies established by governments, central banks and financial regulators; and uncertainty concerning the future path of interest rates, government shutdowns, debt ceilings or funding, which may be driven by economic conditions, recessionary fears, market uncertainty or lack of confidence among investors and clients due to the effects of widespread events such as global pandemics, natural disasters, climate-related incidents, acts of war or aggression, geopolitical instability, changes as a result of global elections, including changes in U.S. presidential administration or Congress, changes to global trade policies, supply chain complications and the implementation of tariffs, protectionist trade policies, trade sanctions or investment restrictions and other factors, or a combination of these or other factors.

Periods of unfavorable market or economic conditions, including equity market levels and the level and pace of changes in interest rates and asset valuation, may have adverse impacts on the level of individual investor confidence and participation in the global markets and/or the level of and mix of client activity, including deposits. This could also impact the level of net new asset flows and/or flows into fee-based assets across Morgan Stanley. Any of these factors could negatively impact the results of our business.

The value of our financial instruments may be materially affected by market fluctuations. Market volatility, illiquid market conditions and disruptions in the markets may make it difficult to value and monetize certain of our financial instruments, particularly during periods of market uncertainty or displacement. Subsequent valuations in future periods, in light of factors then prevailing, may result in significant changes in the value of these instruments. In addition, at the time of any sales

and settlements of these financial instruments, the price we ultimately realize will depend on the demand and liquidity in the market at that time and may be materially lower than their current fair value. Any of these factors could cause a decline in the value of our financial instruments, which may adversely affect our results of operations in future periods.

In addition, financial markets are susceptible to severe events evidenced by rapid depreciation in asset values accompanied by a reduction in asset liquidity. Under these extreme conditions, hedging and other risk management strategies may not be as effective at mitigating losses as they would be under more normal market conditions. Moreover, under these conditions, market participants are particularly exposed to trading strategies employed by many market participants simultaneously and on a large scale, which could lead to increased individual counterparty risk for our businesses. Although our risk management and monitoring processes seek to quantify and mitigate risk to more extreme market moves, severe market events have historically been difficult to predict, and we could realize significant losses if extreme market events were to occur.

A significant portion of our businesses involve transactions with, through, arising from, involving, or otherwise related to the Parent and our affiliates, and any adverse change in the businesses or activity levels of Morgan Stanley more broadly can have an adverse impact on us. Accordingly, we are materially affected by conditions in the global financial markets and economic conditions generally, both directly through their impact on our business levels and indirectly through their impact on the business levels of our affiliates. These conditions can change suddenly and negatively.

Significant changes to interest rates could adversely affect our results of operations.

Our net interest income is sensitive to changes in interest rates, generally resulting in higher net interest income in lower interest rate scenarios and lower net interest income in higher interest rate scenarios. The level and pace of interest rate changes, along with other developments, such as pricing changes to certain deposit types due to various competitive dynamics and alternative cash-equivalent products available to depositors, have in the past impacted, and could again impact, client preferences for cash allocation and the pace of reallocation of client balances, resulting in changes in the deposit mix and associated interest expense, as well as client demand for loans. These factors have in the past adversely affected, and may in the future adversely affect, our results of operations, including our net interest income.

Holding large and concentrated positions may expose us to losses.

Concentration of risk may reduce revenues or result in losses in the event of unfavorable market movements. We commit substantial amounts of capital to our lending businesses, which may result in our making large loans to a particular issuer or issuers in a particular industry, country or region. In the event we

hold a concentrated position larger than those held by competitors, we may incur larger losses.

Liquidity Risk

Liquidity risk refers to the risk that we will be unable to finance our operations due to a loss of access to the capital markets, a reduction in deposit balances, or difficulty in liquidating our assets. Liquidity risk also encompasses our ability (or perceived ability) to meet our financial obligations without experiencing significant business disruption or reputational damage that may threaten our viability as a going concern, as well as the associated funding risks triggered by the market or idiosyncratic stress events that may negatively affect our liquidity and may impact our ability to raise new funding or the cost of new funding. For more information on how we monitor and manage liquidity risk, see “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources” and “Quantitative and Qualitative Disclosures about Risk—Liquidity Risk.”

Liquidity is essential to our businesses and we rely on external sources to finance a significant portion of our operations.

Liquidity is essential to our business. Our liquidity could be negatively affected by our inability to attract and retain deposits or raise other sources of funding. We require funding to carry our lending and investment portfolios, to satisfy client drawdowns of our unfunded lending commitments, and to continue to grow our business.

The majority of our funding consists of sweep deposits from customers of our broker-dealer affiliate MSSB, as well as checking and savings deposits from our customers. The amount of such deposits is not within our control and depends on client growth, client trading activity and market conditions. We also rely on substantial funding through brokered deposits, including brokered sweep deposits sourced from unaffiliated third parties and through brokered CDs.

We compete with banks and other financial services companies for deposits. Competitors may raise the rates they pay on deposits, and we may be required to raise our rates to avoid losing deposits. Our ability to obtain new brokered deposits may be limited if we are, or are perceived to be, in financial distress, and in some cases, existing brokered sweep deposits from unaffiliated parties may be withdrawn if our financial viability is in question. Further, under federal banking law, we may not be able to accept or roll over brokered deposits if we become less than well-capitalized. Our ability to raise funding through any of these sources could be impaired if clients or counterparties develop a negative perception of our long-term or short-term financial prospects due to factors such as an incurrence of large trading, credit or operational losses, a downgrade by the rating agencies, a decline in the level of our business activity, if regulatory authorities take significant action against us or our industry, or if we discover significant employee misconduct or illegal activity.

Other factors that we cannot control, such as volatility and disruption of the financial markets or negative views about the

financial services industry generally, including concerns regarding fiscal matters in the U.S. and other geographic areas, could impair our ability to raise funding through deposits or otherwise and at the same time could increase client demand to draw on our unfunded lending commitments.

If we are unable to raise funding using the methods described above, if we experience significant withdrawals, or we have unexpected client demand to draw on our unfunded lending commitments, for any reason, we would likely need to utilize other funding sources or finance or liquidate unencumbered assets, such as our investment portfolios or trading assets, to meet maturing liabilities or other obligations. We may be unable to sell some of our assets or we may have to sell assets at a discount to market value, either of which could adversely affect our results of operations, cash flows and financial condition.

Our borrowing costs and access to the debt capital markets depend on our credit ratings.

The cost and availability of unsecured financing generally are impacted by (among other things) our or the Parent's long-term and short-term credit ratings. The rating agencies continue to monitor certain Firm-specific, Bank-specific and industrywide factors that are important to the determination of our credit ratings. These include governance, capital adequacy, the level and quality of earnings, liquidity and funding, risk appetite and management, asset quality, strategic direction, business mix, regulatory or legislative changes, macroeconomic environment, and perceived levels of support, and it is possible that the rating agencies could downgrade our ratings and those of similar institutions.

Our liquidity and financial condition could be adversely affected by U.S. and international markets and economic conditions.

Our ability to raise funding in the long-term or short-term debt capital markets or to access secured lending markets could be adversely affected by conditions in the U.S. and international markets and economies.

In particular, our cost and availability of funding may be adversely affected by illiquid credit markets, interest rates and wider credit spreads. Significant turbulence in the U.S., the E.U. and other international markets and economies could adversely affect our liquidity and financial condition and the willingness of certain counterparties and customers to do business with us.

Operational Risk

Operational risk refers to the risk of loss, or of damage to our reputation, resulting from inadequate or failed processes or systems, human factors (e.g., inappropriate or unlawful conduct) or external events (e.g., cyberattacks or third-party vulnerabilities) that may manifest as, for example, loss of information, business disruption, theft and fraud, legal, regulatory and compliance risks, or damage to physical assets. We may experience operational risk across the full scope of our business activities, including revenue-generating activities and support and control groups (e.g., information technology ("IT")

and trade processing). Legal, regulatory and compliance risk is included in the scope of operational risk and is discussed below under "Legal, Regulatory and Compliance Risk." For more information on how we monitor and manage operational risk, see "Quantitative and Qualitative Disclosures about Risk—Operational Risk."

We are subject to operational risks, including a failure, breach or other disruption of our operations or security systems or those of our third parties (or third parties thereof), as well as human error or malfeasance, which could adversely affect our businesses or reputation.

Our business is highly dependent on our and Morgan Stanley's ability to process and report, on a daily basis, a large number of transactions, including to regulators, lending clients, depositors and counterparties. We may introduce new products or services or change processes or reporting, including in connection with new regulatory requirements, or integration of processes or systems of acquired companies, resulting in new operational risk that we may not fully appreciate or identify. We rely on the ability of our and our affiliates' employees, consultants, internal systems and systems at technology centers maintained by unaffiliated third parties to operate our different businesses and process a high volume of transactions.

Unusually high trading volumes or site usage could cause Morgan Stanley's and our systems to operate at an unacceptably slow speed or even fail. Disruptions to, destruction of, instability of or other failure to effectively maintain our IT systems or external technology that allows our clients and customers to use our products and services could harm our business and our reputation.

We also face the risk of operational failure or disruption of any of the clearing agents, exchanges, clearinghouses or other financial intermediaries we use to facilitate our lending, securities and derivatives transactions. In addition, in the event of a breakdown or improper operation or disposal of our or a direct or indirect third-party's (or third-parties thereof) systems, processes or information assets, or improper or unauthorized action by third parties, including consultants and subcontractors or Morgan Stanley's or our employees, Morgan Stanley and we have received in the past and may receive in the future regulatory sanctions, and could suffer financial loss, an impairment to our liquidity position, a disruption of our businesses, or damage to our reputation.

In addition, the interconnectivity of multiple financial institutions with central agents, exchanges and clearinghouses, and the increased importance of these entities, increases the risk that an operational failure at one institution or entity may cause an industrywide operational failure that could materially impact our ability to conduct business. Furthermore, the concentration of Morgan Stanley and personal information held by a small number of third parties increases the risk that a breach or disruption at a key third-party may cause an industrywide event that could significantly increase the cost and risk of conducting business. These risks may be heightened to the extent that we rely on third parties that are concentrated in a geographic area.

There can be no assurance that our or our third parties' business contingency and security response plans fully mitigate all potential risks to us. Our ability to conduct business may be adversely affected by a disruption in the infrastructure that supports our business and the communities where we are located. This may include a disruption involving physical site access; software flaws and vulnerabilities; cybersecurity incidents; terrorist activities; political unrest; disease pandemics; catastrophic events; climate-related incidents and natural disasters (such as earthquakes, tornadoes, floods, hurricanes and wildfires); electrical outages; environmental hazards; computer servers; internet outages; client access to our digital platforms and mobile applications; communication platforms or other services Morgan Stanley and we use; new technologies (such as generative artificial intelligence); and Morgan Stanley's or our employees or third parties with whom we conduct business. Although Morgan Stanley, we and the third parties with whom we conduct business employ backup systems for data, those backup systems may be unavailable following a disruption, the affected data may not have been backed up or may not be recoverable from the backup, the backup systems may not process data as accurately or efficiently as the primary systems or the backup data may be costly to recover, any of which could adversely affect our business.

Notwithstanding evolving technology and technology-based risk and control systems, our businesses ultimately rely on people, including our affiliates' employees and those of our third parties (or third parties thereof). As a result of human error or engagement in violations of applicable policies, laws, rules or procedures, certain errors or violations are not always discovered immediately by our technological processes or by our controls and other procedures that are intended to prevent and detect such errors or violations. These can include calculation or input errors, inadvertent or duplicate payments, mistakes in addressing emails or other communications, errors in software or model development or implementation, or errors in judgment, as well as intentional efforts to disregard or circumvent applicable policies, laws, rules or procedures. Our use of new technologies may be undermined by such human errors or misconduct due to undetected flaws or biases in the algorithms or data utilized by such technologies. Human errors and malfeasance, even if promptly discovered and remediated, can result in material losses and liabilities for us, and negatively impact our reputation in the future.

We are dependent on the Parent and certain affiliates for client business, various services and capital.

As an indirect wholly owned subsidiary of the Parent, we rely on the Parent and affiliates for various business relationships, including the ability to receive various services, as well as, in part, the capital and liquidity of the Parent. As we are dependent on these relationships, risks that affect these entities could also have a significant impact on us.

As the primary consumer lender of Morgan Stanley, many of the clients to which we lend become our clients based on their other relationships with our affiliates. Similarly, clients of our affiliates, as well as the affiliates themselves, often serve as our

counterparties to derivative transactions. We may be materially affected by damage to the reputation of Morgan Stanley, as clients ceasing to do business with our affiliates would result in fewer lending and other business opportunities for us. Any adverse change in the businesses or activity levels of Morgan Stanley more broadly can also have an adverse impact on us. We are therefore, materially affected by both conditions in the global financial markets and economic conditions generally, either through their impact on our business levels or indirectly through their impact on the business levels of our affiliates. These conditions can change suddenly and negatively.

We rely upon certain of our affiliates for various support services, including, but not limited to, loan origination and servicing, operational and infrastructure services, trade execution, relationship management, risk management and other control, administrative and support services. Such services are provided to us pursuant to the Service Level Agreements, which are generally terminable at will by us and only under limited circumstances by the service provider, including material breach of the agreement.

As a consequence of the above, our interest and non-interest revenues may decline, the cost of operating and funding our business may increase and our business, financial condition and earnings may be materially and adversely affected in the event our relationships with our affiliates are not maintained, for any reason, including as a result of possible strategic decisions that Morgan Stanley may make from time-to-time or as a result of material adverse changes in Morgan Stanley's performance.

A cyberattack, information or security breach or a technology failure of Morgan Stanley, ours or a third-party could adversely affect our ability to conduct our business or manage our exposure to risk, or result in disclosure or misuse of personal, confidential or proprietary information and otherwise adversely impact our results of operations, liquidity and financial condition, as well as cause reputational harm.

Cybersecurity risks for financial institutions have significantly increased in recent years, in part because of the proliferation of new technologies; the use of the internet, mobile telecommunications and cloud technologies to conduct financial transactions; and the increased sophistication and activities of organized crime, hackers, terrorists, nation-states, state-sponsored actors and other parties. Any of these parties may also attempt to fraudulently induce Morgan Stanley's or our employees, customers, clients, vendors or other third parties or users of Morgan Stanley's or our systems to disclose sensitive information in order to gain access to our networks, systems or data or those of our employees or clients, and such parties may see their effectiveness enhanced by the use of artificial intelligence. Global events and geopolitical instability have also led to increased nation-state targeting of financial institutions in the U.S. and abroad.

Information security risks may also derive from human error, fraud or malice on the part of Morgan Stanley's or our employees or third parties, software bugs, server malfunctions, software or hardware failure or other technological failure. For example, human error has led to the loss of our physical data-

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bearing devices in the past. These risks may be heightened by several factors, including remote work, reliance on new technologies (such as generative artificial intelligence) or as a result of the integration of acquisitions and other strategic initiatives that may subject Morgan Stanley to new technology, customers or third-party providers. In addition, third parties with whom Morgan Stanley or we do business or share information and each of their service providers, our regulators and the third parties with whom our customers and clients share information used for authentication may also be sources of cybersecurity and information security risks, particularly where these activities are beyond Morgan Stanley's and our security and control systems. There is no guarantee that the measures Morgan Stanley and we take will provide absolute security or recoverability given that the techniques used in cyberattacks are complex, frequently change and are difficult to anticipate.

Like other financial services firms, Morgan Stanley and we, and Morgan Stanley's and our third-party providers and clients, continue to be the subject of unauthorized access attacks; mishandling, loss, theft or misuse of information, computer viruses or malware, cyberattacks designed to obtain confidential information, destroy data, disrupt or degrade service, sabotage systems or networks, impede our ability to execute or confirm settlement of transactions or cause other damage; ransomware; denial of service attacks; data breaches; social engineering attacks; phishing attacks and other events. There can be no assurance that such unauthorized access, mishandling or misuse of information, or cybersecurity incidents will not occur in the future and they could occur more frequently and on a more significant scale.

Morgan Stanley and we maintain a significant amount of personal and confidential information on customers, clients and certain counterparties that we are required to protect under various state, federal and international data protection and privacy laws. These laws may be in conflict with one another or courts and regulators may interpret them in ways that Morgan Stanley and we have not anticipated or that adversely affect our business. A cyberattack, information or security breach, or a technology failure of Morgan Stanley, or of a third-party could jeopardize our or our clients', employees', partners', vendors' or counterparties' personal, confidential, proprietary or other information processed and stored in, and transmitted through, Morgan Stanley's and our, and Morgan Stanley's and our affiliates' and third-parties', computer systems and networks. Furthermore, such events could cause interruptions or malfunctions in Morgan Stanley's and our, and Morgan Stanley's and our clients', partners', vendors', counterparties' or third parties', operations, as well as the unauthorized release, gathering, monitoring, misuse, loss or destruction of personal confidential, proprietary and other information of ours, our employees, our customers or of other third parties. Any of these events could result in reputational damage with Morgan Stanley's and our clients and the market, client dissatisfaction, additional costs to us to maintain and update our operational and security systems and infrastructure, violation of the applicable data protection and privacy laws, regulatory investigations and enforcement actions, litigation exposure, or fines or penalties,

any of which could adversely affect our business, financial condition or results of operations.

Given Morgan Stanley's global footprint and the high volume of transactions Morgan Stanley and we process; the large number of clients, partners, vendors and counterparties Morgan Stanley and we interact with to conduct business; and the increasing sophistication of cyberattacks; a cyberattack or information or security breach could occur and persist for an extended period of time without detection. It could take considerable time for Morgan Stanley or us to determine the scope, extent, amount and type of information compromised, and the impact of such an attack may not be fully understood. During such time Morgan Stanley or we would not necessarily know the extent of the harm or how best to remediate it, and certain errors or actions could be repeated or compounded before they are discovered and remediated, if at all, all or any of which would further increase the costs and consequences of a cyberattack, or information security incident.

While many of Morgan Stanley's and our agreements with partners and third parties include indemnification provisions, Morgan Stanley or we may not be able to recover sufficiently, or at all, under such provisions to adequately offset any losses we may incur. In addition, although Morgan Stanley maintains insurance coverage that may, subject to policy terms and conditions, cover certain aspects of cyber and information security risks, such insurance coverage may be insufficient to cover any or all losses we may incur, and Morgan Stanley cannot be sure that such insurance will continue to be available to it on commercially reasonable terms, or at all, or that our insurers will not deny coverage as to any future claim.

Morgan Stanley and we continue to make investments with a view toward maintaining and enhancing cybersecurity, resilience and information security posture, including investments in technology and associated technology risk management activities. The cost of managing cybersecurity and information security risks and attacks along with complying with new, increasingly expansive and evolving regulatory requirements could adversely affect our results of operations and business.

Legal, Regulatory and Compliance Risk

Legal, regulatory and compliance risk includes the risk of legal or regulatory sanctions; material financial loss, including fines, penalties, judgments, damages and/or settlements; limitations on our business; or loss to reputation we may suffer as a result of our failure to comply with laws, regulations, rules, related self-regulatory organization standards and codes of conduct applicable to our business activities. This risk also includes contractual and commercial risk, such as the risk that a counterparty's performance obligations will be unenforceable. It also includes compliance with AML, terrorist financing and anti-corruption rules and regulations. For more information on how we monitor and manage legal, regulatory and compliance risk, see "Quantitative and Qualitative Disclosures about Risk—Legal, Regulatory and Compliance Risk."

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The financial services industry is subject to extensive regulation, and changes in regulation will impact our business.

Like other major banks, we are subject to extensive regulation by U.S. federal and state regulatory agencies and securities exchanges, and by regulators and exchanges in major markets where we conduct our business, including an increasing number of complex sanctions and disclosure regimes. These laws and regulations, which may continue to increase in volume and complexity, significantly affect the way and costs of doing business and can restrict the scope of our existing businesses and limit our ability to expand our product offerings and pursue certain investments.

The Bank and its employees are subject to wide-ranging regulation and supervision, which, among other things, subject us to intensive scrutiny of our business and any plans for expansion, limitations on activities, a systemic risk regime that imposes heightened capital and liquidity and funding requirements, including the global implementation of capital standards established by the Basel Committee, resolution regimes and resolution planning requirements, restrictions on activities and investments imposed by the Volcker Rule, interest rate benchmark requirements, consumer protection regulation, AML, terrorist financing and anti-corruption rules and regulations, tax regulations and interpretations, antitrust laws, trade and transaction reporting obligations, requirements related to preventing the misuse of confidential information, including material non-public information, record-keeping requirements, and disclosure requirements.

New laws, rules, regulations and guidelines, as well as ongoing implementation of our efforts to comply with, and/or changes to laws, rules, regulations and guidelines, including changes in the breadth, application, interpretation or enforcement of laws, rules, regulations and guidelines, could materially impact the profitability of our businesses and the value of assets we hold, impact our income tax provision and effective tax rate, expose us to additional theories of liability and additional costs, require changes to business practices or force us to discontinue businesses, or require us to raise capital, including in ways that may adversely impact our creditors.

The application of regulatory requirements and strategies in the U.S. or other jurisdictions to facilitate the orderly resolution of large financial institutions may pose a greater risk of loss for our security holders, and subject us to other restrictions.

Morgan Stanley is required to submit once every two years to the Federal Reserve and the FDIC a resolution plan that describes Morgan Stanley's strategy for a rapid and orderly resolution under the U.S. Bankruptcy Code in the event of material financial distress or failure. In addition, provided that certain procedures are met, Morgan Stanley can be subject to a resolution proceeding under the orderly liquidation authority under Title II of the Dodd-Frank Act with the FDIC being appointed as receiver instead of being resolved under the U.S. Bankruptcy Code.

Under Morgan Stanley's most recent resolution plan, the Firm would seek to sell its Wealth Management business, the material operating entity for which is MSSB, along with the Bank and the Parent's other U.S. bank subsidiary, MSBNA, to a strategic or financial buyer.

We cannot predict the outcome of a Morgan Stanley resolution or whether the sale of the Bank would be successful. Holders of our unsecured debt could be adversely affected even if a sale is successful, and if a sale is delayed or cannot be completed, the FDIC may have to place the Bank into receivership, in which case holders of our unsecured debt would likely bear a substantial or total loss of their investment. The Bank's possible actions in a FDIC receivership scenario are described in the Bank's IDI Resolution Plan.

The financial services industry faces substantial litigation and is subject to extensive regulatory and law enforcement investigations, and we may face damage to our reputation and legal liability.

As a subsidiary of a global financial services firm, we face the risk of investigations and proceedings by governmental or other regulatory agencies in all countries in which we conduct our business. These investigations and proceedings, as well as the amount of penalties and fines sought, continue to impact the financial services industry. Certain U.S. and international governmental entities have brought criminal actions against, or have sought criminal convictions, pleas, deferred prosecution agreements, or non-prosecution agreements from financial institutions. Significant regulatory or law enforcement action against us could materially adversely affect our business, reputation, financial condition or results of operations, and increase our exposure to civil litigation.

Investigations and proceedings initiated by these authorities may result in adverse judgments, settlements, fines, penalties, disgorgement, restitution, forfeiture, injunctions, or other relief, and have included and may in the future include requirements that Morgan Stanley admits certain conduct, which may result in increased exposure to civil litigation. In addition, these measures have caused and may in the future cause collateral consequences. For example, such matters could impact our ability to engage in, or impose limitations on, certain of our businesses.

As part of the resolution of certain investigations and proceedings, Morgan Stanley has been and may in the future be required to undertake certain measures, and failure to do so may result in adverse consequences, such as further investigations or proceedings—both civil and criminal—and additional penalties, fines, judgments, or other relief.

We may be named, from time to time, as a defendant in various legal actions, including arbitrations, class actions and other litigation, as well as investigations or proceedings brought by regulatory agencies, arising in connection with our activities as a national bank and a subsidiary of a global diversified financial services institution. Certain of the actual or threatened legal or regulatory actions include claims for substantial compensatory and/or punitive damages or claims for indeterminate amounts of

damages, or may result in material penalties, fines, or other results adverse to us.

In some cases, including antitrust litigation, we may be subject to claims for joint and several liability with other defendants for treble damages or other relief related to alleged conspiracies involving other institutions. Like any large organization, we are also subject to risk from potential employee misconduct, including noncompliance with policies, laws, rules and regulations, and improper use or disclosure of confidential information, or improper sales practices or other conduct.

A failure to address conflicts of interest appropriately could adversely affect our businesses and reputation.

As a subsidiary of a global financial services firm that provides products and services to a large and diversified group of clients, including corporations, governments, financial institutions and individuals, we face potential conflicts of interest in the normal course of business. For example, potential conflicts can occur when there is a divergence of interests between us and a client, among clients, between an employee on the one hand and us or a client on the other, or situations in which we may be a creditor of a client.

We have policies, procedures and controls that are designed to identify and address potential conflicts of interest, and we utilize various measures, such as the use of disclosure, to manage these potential conflicts. However, identifying and mitigating potential conflicts of interest can be complex and challenging and can become the focus of media and regulatory scrutiny. Indeed, actions that merely appear to create a conflict can put our reputation at risk even if the likelihood of an actual conflict has been mitigated. It is possible that potential conflicts could give rise to litigation or enforcement actions, which may lead to our clients being less willing to enter into transactions in which a conflict may occur and could adversely affect our businesses and reputation.

Our regulators also have the ability to scrutinize our activities for potential conflicts of interest, including through detailed examinations of specific transactions. For example, our status as a national bank supervised by the OCC subjects us to direct OCC scrutiny with respect to transactions between us and our affiliates or insiders of the Bank.

Risk Management

Our risk management strategies, models and processes may not be fully effective in mitigating our risk exposures in all market environments or against all types of risk, which could result in unexpected losses.

We have devoted significant resources to develop our risk management strategies, models and processes, including our use of various risk models for assessing market, credit, liquidity and operational exposures and hedging strategies, stress testing and other analysis capabilities, and expect to continue to do so in the future. Nonetheless, our risk management capabilities may not be fully effective in mitigating our risk exposure in all market environments or against all types of risk, including risks that are unidentified or unanticipated.

As our businesses change and grow, including through Morgan Stanley's acquisitions and the introduction and application of new technologies, such as artificial intelligence, and the markets in which we operate evolve, our risk management strategies, models and processes may not always adapt with those changes. Some of our methods of managing risk are based upon our use of observed historical market behavior and management's judgment. As a result, these methods may not predict future risk exposures, which could be significantly greater than the historical measures indicate.

In addition, many models we use are based on assumptions or inputs regarding correlations among prices of various asset classes or other market indicators and, therefore, cannot anticipate sudden, unanticipated or unidentified market or economic movements, such as the impact of a pandemic or a sudden geopolitical conflict, which could cause us to incur losses.

Management of market, credit, liquidity, operational, model, legal, regulatory and compliance risks requires, among other things, policies and procedures to record properly and verify a large number of transactions and events, and these policies and procedures may not be fully effective.

While we employ a broad and diversified set of risk monitoring and risk mitigation techniques, those techniques and the judgments that accompany their application cannot anticipate every economic and financial outcome or the timing of such outcomes. For example, to the extent that our trading or investing activities involve less liquid trading markets or are otherwise subject to restrictions on sales or hedging, we may not be able to reduce our positions and, therefore, reduce our risk associated with such positions. We may, therefore, incur losses in the course of our trading or investing activities. For more information on how we monitor and manage market and certain other risks and related strategies, models and processes, see "Quantitative and Qualitative Disclosures about Risk—Market Risk."

Climate change manifesting as physical or transition risks could result in increased costs and risks and adversely affect our operations, businesses and clients.

There continues to be increasing concern over the risks of climate change and related sustainability matters. The physical risks of climate change include harm to people and property arising from acute, climate-related events, such as floods, hurricanes, heatwaves, droughts and wildfires, and chronic, longer-term shifts in climate patterns, such as higher global average temperatures, rising sea levels, and long-term droughts. Such events could disrupt our operations or those of our clients or third parties on which we rely, including through direct damage to physical assets and indirect impacts from supply chain disruption and market volatility. These events could impact the ability of certain of our clients or customers to repay their obligations, reduce the value of collateral, increase costs, including the cost or availability of insurance coverage, and result in other adverse effects.

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The transition risks of climate change include policy, legal, technology and market changes. Examples of these transition risks include changes in consumer and business sentiment, related technologies, and any additional regulatory and legislative requirements, including increased disclosure or regulation of carbon emissions. These risks could increase our expenses and adversely impact our strategies. Negative impacts to certain of our clients, such as decreased profitability and asset write-downs, could also lead to increased credit and liquidity risk to us.

In addition, our reputation and client relationships may be adversely impacted as a result of Morgan Stanley's or our, or our clients' involvement, in certain practices that may have, or are associated with having, an adverse impact on climate change. Legislative or regulatory change regarding climate-related risks, including inconsistent requirements and uncertainties, could result in loss of revenue, or increased credit, market, liquidity, regulatory, compliance, reputational and other risks and costs.

Morgan Stanley's ability to achieve its climate-related targets and commitments and the way Morgan Stanley goes about this could also result in reputational harm as a result of public sentiment, legislative and regulatory scrutiny (including from U.S. federal and state governments and foreign policymakers and regulators), litigation and reduced investor and stakeholder confidence. If Morgan Stanley is unable to achieve its objectives relating to climate change or its current response to climate change is perceived to be ineffective or insufficient, or the way Morgan Stanley responds is perceived negatively, our business and reputation may suffer.

The risks associated with, and the perspective of regulators, governments, shareholders, employees and other stakeholders regarding climate change, as well as geopolitical events, continue to evolve rapidly, making it difficult to assess the ultimate impact on us of climate-related risks and uncertainties. As climate risk is interconnected with other risks, we have developed and continue to enhance processes to embed climate risk considerations into our risk management practices and governance structures. Despite our risk management practices, the unpredictability surrounding the timing and severity of climate-related events and societal or political changes in reaction to them, make it difficult to predict, identify, monitor and mitigate climate risks.

In addition, the methodologies and data used to manage and monitor climate risk continue to evolve. Current approaches utilize information and estimates that have been derived from information or factors released by third-party sources, which may not reflect the latest or most accurate data. Climate-related data, particularly greenhouse gas emissions for clients and counterparties, remains limited in availability and varies in quality. Certain third-party information may also change over time as methodologies evolve and are refined. While we believe this information is the best available at the time, we may only be able to complete limited validation. Furthermore, modeling capabilities and methodologies to analyze climate-related risks, although improving, remain nascent and emerging and are subject to uncertainty due to limited historical trend information

and the absence of standardized and comprehensive data. These and other factors could cause results to differ materially, which could impact our ability to manage climate-related risks.

Competitive Environment

We face strong competition from financial services firms and others, which could lead to pricing pressures that could materially adversely affect our revenues and profitability.

The financial services industry and all aspects of our businesses are intensely competitive, and we expect them to remain so. We compete with retail and commercial banks, global investment banks, regional banks, private banks, financial technology firms and other companies offering financial and ancillary services in the U.S. and globally. We compete on the basis of several factors, including transaction execution, capital or access to capital, products and services, innovation, technology, reputation, risk appetite and price.

We have experienced, and will likely continue to experience, increased competition in the U.S. and globally, driven by established financial services firms and emerging firms, including non-financial companies and business models focusing on technology innovation, competing for the same clients and assets or offering similar products and services to retail and commercial customers. It is also possible that competition may become even more intense as we continue to compete with financial or other institutions that may be, or will become, larger, or better capitalized or may have a stronger local presence and longer operating history in certain geographies or products.

We have experienced, and may continue to experience, pricing pressures as a result of these factors and as some of our competitors seek to obtain market share by reducing prices and fees, paying higher interest rates on deposits, eliminating commissions or other fees or otherwise providing more favorable terms of business. In addition, certain of our competitors may be subject to different and, in some cases, less stringent, legal and regulatory regimes than we are, thereby putting us at a competitive disadvantage. For more information regarding the competitive environment in which we operate, see "Business—Competition" and "Business—Supervision and Regulation."

Our ability to retain and attract qualified employees is critical to the success of our business and the failure to do so may materially adversely affect our performance.

Our people are our most important asset. We compete with various other companies in attracting and retaining qualified and skilled personnel. If Morgan Stanley or we are unable to continue to attract, integrate and retain highly qualified employees or successfully transition key roles, or do so at levels or in forms necessary to maintain our competitive position, our performance, including our competitive position and results of operations, could be materially adversely affected. Morgan Stanley's and our ability to attract and retain qualified and skilled personnel depends on numerous factors, some of which are outside of our control.

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Compensation costs required to attract and retain employees may increase or the competitive market for talent may further intensify due to factors such as low unemployment, a strong job market and changes in employees' expectations, concerns and preferences. The financial industry has experienced and may continue to experience more stringent regulation of employee compensation, than other industries, which may or may not impact competitors. These more stringent regulations have shaped Morgan Stanley's and our compensation practices, which could have an adverse effect on Morgan Stanley's or our ability to hire or retain the most qualified employees.

International Risk

We are subject to numerous political, economic, legal, tax, operational, franchise and other risks as a result of our international operations that could adversely impact our businesses in many ways.

Although we are located in the United States and do not have offices abroad, 3% of our credit exposure from loans and lending commitments was to borrowers located outside the United States at December 31, 2024. We are subject to numerous political, economic, legal, tax, operational, franchise and other risks that are inherent in transacting in many countries, including risks of possible nationalization, expropriation, price controls, capital controls, exchange controls, increased taxes and levies, cybersecurity, data transfer and outsourcing restrictions, regulatory scrutiny regarding the use of new technologies, prohibitions on certain types of foreign lending and capital market activities, limitations on cross-border listings and other restrictive governmental actions, as well as the outbreak of hostilities or political and governmental instability, including tensions between China and the U.S., the expansion or escalation of hostilities between Russia and Ukraine or in the Middle East or the initiation or escalation of hostilities or terrorist activity around the world and the potential associated impacts on global and local economies and our operations. In many countries, the laws and regulations applicable to the financial services industries and multinational corporations are uncertain, evolving and subject to sudden change or may be inconsistent with U.S. law. It may also be difficult for us to determine the exact requirements of local laws in every market or adapt to changes in law, which could adversely impact our businesses.

Our inability to remain in compliance with local laws in a particular market could have a significant and negative effect not only on our business in that market but also on our reputation generally. We are also subject to the risk that transactions we structure might not be legally enforceable in all cases.

Various emerging market countries have experienced severe political, economic or financial disruptions, including significant devaluations of their currencies, defaults or potential defaults on sovereign debt, capital and currency exchange controls, high rates of inflation and low or negative growth rates in their economies. Crime and corruption, as well as issues of security and personal safety, also exist in certain of these countries. These conditions could adversely impact our businesses and increase volatility in financial markets generally.

A disease pandemic or other widespread health emergencies, natural disasters, climate-related incidents, terrorist activities or military actions, or social or political tensions, could create economic and financial disruptions in emerging markets or in other areas of the global economy that could adversely affect our business, or could lead to operational difficulties, including travel limitations, and supply chain complications, that could impair our ability to manage or conduct our businesses around the world.

As a U.S. company, we are required to comply with the economic sanctions and embargo programs administered by OFAC and similar multinational bodies and governmental agencies worldwide, which may be inconsistent with local law. We are also subject to applicable AML and anti-corruption laws in the U.S., as well as in the jurisdictions in which we operate, including the Bank Secrecy Act, the U.S. Foreign Corrupt Practices Act and the U.K. Bribery Act. A violation of a sanction, embargo program, AML or anti-corruption law could subject us, and individual employees, to a regulatory enforcement action, as well as significant civil and criminal penalties.

Acquisition, Divestiture and Joint Venture Risk

Morgan Stanley may be unable to fully capture the expected value from acquisitions, divestitures, joint ventures, partnerships, minority stakes or strategic alliances, and certain acquisitions may subject our business to new or increased risk.

In connection with Morgan Stanley's past or future acquisitions, divestitures, joint ventures, partnerships, minority stakes or strategic alliances involving us or our affiliates, there are numerous risks and uncertainties in combining, transferring, separating or integrating the relevant businesses and systems that may present operational and other risks, including the need to combine or separate accounting, data processing, technology and other systems, management controls and legal entities and to integrate relationships with clients, trading counterparties and business partners. Certain of these strategic initiatives, and integration thereof, may cause Morgan Stanley, including us, to incur incremental expenses and may also require incremental financial, management and other resources.

In the case of Morgan Stanley's joint ventures, partnerships and minority stakes, Morgan Stanley is subject to additional risks and uncertainties because it may be dependent upon, and subject to liability, losses or franchise and reputational damage relating to systems, controls and personnel that are not under Morgan Stanley's control, and conflicts or disagreements between Morgan Stanley and any of its partners may negatively impact the benefits to be achieved by the relevant partnerships and have an indirect impact on us.

There is no assurance that any of Morgan Stanley's acquisitions, divestitures or investments will be successfully integrated or disaggregated or yield all of the positive benefits and synergies anticipated. If Morgan Stanley is not able to integrate or disaggregate successfully its past and future acquisitions or dispositions, including aligning the processes, policies and procedures of the acquired entities with its standards, there is a

risk that Morgan Stanley's and our results of operations, financial condition and cash flows may be materially and adversely affected.

Certain of our business initiatives, including expansions of existing businesses or the introduction of new products, may change our client or account profile or bring us into contact, directly or indirectly, with individuals and entities that are not within our traditional client and counterparty base and may expose us to new asset classes, services, competitors and new markets. These business activities expose us to new and enhanced risks, greater regulatory scrutiny of these activities, increased credit-related, sovereign, compliance and operational risks, as well as franchise and reputational concerns regarding the manner in which these assets are being operated or held, or services are being delivered.

For more information regarding the regulatory environment in which we operate, see also "Business—Supervision and Regulation."

Management's Discussion and Analysis of Financial Condition and Results of Operations

Introduction

Morgan Stanley Private Bank, National Association, an indirect wholly owned subsidiary of the Parent, is a national bank that offers residential mortgage lending products, certain securities-based lending products, and deposit products. Unless the context otherwise requires, the terms “Bank,” “MSPBNA,” “us,” “we” and “our” mean Morgan Stanley Private Bank, National Association together with its consolidated subsidiary, and “Morgan Stanley” and the “Firm” mean the Parent and its consolidated subsidiaries, including the Bank. See the “Glossary of Common Terms and Acronyms” for the definition of certain terms and acronyms used throughout the 2024 Annual Report.

A description of the business lines, investment portfolio, deposit taking and other activities is as follows:

The Bank’s lending activities include lending to clients for specific purposes, such as residential real estate and securities-based and other financing, including retail securities-based lending primarily to customers of our affiliated retail broker-dealer, MSSB, and their small and medium-sized businesses.

The Bank’s loan portfolio consists of the types of loans listed below.

Residential Real Estate. Residential real estate loans mainly include non-conforming loans and HELOC.

Securities-based lending and Other. Securities-based lending and Other includes loans that allow clients to borrow money against the value of qualifying securities, generally for any suitable purpose other than purchasing, trading, or carrying securities or refinancing margin debt. The majority of these loans are structured as revolving lines of credit. Other loans primarily include tailored loans, which typically consists of bespoke lending arrangements provided to ultra-high net worth clients. Securities-based lending and Other loans are generally secured by various types of eligible collateral, including marketable securities, private investments, commercial real estate and other financial assets.

For a further discussion of our credit risks, see “Quantitative and Qualitative Disclosures about Risk—Credit Risk.” For a further discussion about loans and lending commitments, see Note 3 to the financial statements.

Other Activities. The Bank enters into derivative transactions with affiliates primarily for hedging purposes, and the derivative instruments used for hedging primarily include interest rate swaps. The Bank is not a net seller of credit protection. For further information about our derivative instruments, see Note 11 to the financial statements.

Investment Portfolio. The Bank maintains an investment portfolio to serve as a storehouse of liquidity to satisfy the Bank’s current, projected, and contingent funding needs; to act as the primary means to manage the Bank’s current and projected interest rate risk profile; and to produce interest

income, while maintaining acceptable asset quality, diversification and risk profile. The investment portfolio consists of cash, investment securities, and securities held under repurchase agreements. Our investment securities consist primarily of U.S. Treasuries and agency mortgage-backed securities. For further information about our investment portfolio, see Note 5 to the financial statements.

Deposit Taking. We are one of Morgan Stanley’s primary deposit-taking entities, along with our affiliated U.S. national bank, MSBNA. Deposits are the primary source of funding for our assets. We offer deposit products directly to our retail customers, and we source deposits through clients of Morgan Stanley’s Wealth Management business via affiliated entities, as well as through unaffiliated third parties, primarily through our Savings and Brokerage sweep programs.

We also issue time deposits in the form of brokered CDs, substantially all of which are in FDIC-insurable amounts and distributed by MS&Co. through MSSB and third-party broker-dealers. Most of our CDs carry a fixed rate, and we also issue certain CDs that are structured in nature (e.g., performance may be linked to the performance of certain market indices). Deposits are primarily interest bearing.

For further information about our deposits, including the sources and types of our deposits, see “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Balance Sheet—Deposits” and Note 9 to the financial statements.

The results of operations in the past have been, and in the future may continue to be, materially affected by: competition; legislative, legal and regulatory developments; and other risk factors. These factors also may have an adverse impact on our ability to achieve our strategic objectives. Additionally, the discussion of our results of operations herein may contain forward-looking statements. These statements, which reflect management’s beliefs and expectations, are subject to risks and uncertainties that may cause actual results to differ materially. For a discussion of the risks and uncertainties that may affect our future results, see “Forward-Looking Statements,” “Business—Competition,” “Business—Supervision and Regulation,” “Risk Factors” and “Liquidity and Capital Resources—Regulatory Requirements” herein.

Management's Discussion and Analysis

Morgan Stanley Private Bank, National Association

Executive Summary

Overview of Financial Results

<i>\$ in millions</i>	2024	2023	% Change
Interest income	\$ 9,251	\$ 8,260	12 %
Interest expense	5,856	4,477	31 %
Net interest	3,395	3,783	(10)%
Non-interest revenue			
Fee income	419	391	7 %
Gains and (losses) on financial assets and liabilities ¹	(6)	(5)	20 %
Other	34	28	21 %
Total non-interest revenue	447	414	8 %
Net revenues	3,842	4,197	(8)%
Provision for credit losses	68	127	(46)%
Non-interest expenses			
Compensation and benefits	312	315	(1)%
General and administrative	569	539	6 %
FDIC and regulatory assessments	137	254	(46)%
Total non-interest expenses²	1,018	1,108	(8)%
Income before provision for income taxes	2,756	2,962	(7)%
Provision for income taxes	700	773	(9)%
Net income	\$ 2,056	\$ 2,189	(6)%

1. Includes net gains and losses from trading assets and certain hedges.

2. Non-interest expenses are primarily influenced by levels of business activity, headcount and compensation. General and administrative expenses primarily include employment related costs of employees of affiliates pursuant to master service level agreements; the cost of specialized distribution, national sales and business management services; and service fees in connection with deposits sourced from clients of affiliates.

2024 compared with 2023

Net Income

Net Interest

Net interest revenue of \$3,395 million in 2024 decreased 10% compared with the prior year, primarily due to lower average sweep deposits, partially offset by the effect of lending growth, as well as higher yields on our lending and investment portfolios.

The level and pace of interest rate changes and other macroeconomic factors have impacted client preferences for cash allocation to higher-yielding products and client demand for loans. These factors, along with other developments, such as pricing changes to certain deposit types due to various competitive dynamics, have impacted our net interest income. To the extent they persist, or other factors arise, such as central bank actions and changes in the path of interest rates, net interest income may be impacted in future periods.

Non-interest Revenues

Non-interest revenue of \$447 million in 2024 increased 8% compared with the prior year, primarily due to higher revenue earned from affiliated entities to compensate the Bank for relationship priced loans granted to their clients.

Provision for Credit Losses

The Provision for credit losses on loans and lending commitments of \$68 million in 2024 was primarily related to

provisions for certain specific commercial real estate and securities-based lending loans and portfolio growth across certain loan portfolios, partially offset by improvements in the macroeconomic outlook. The Provision for credit losses on loans and lending commitments of \$127 million in 2023 was primarily due to deteriorating conditions in the commercial real estate sector, including provisions for certain specific loans, mainly in the office portfolio.

For further information on the Provision for credit losses, see "Credit Risk" herein.

Non-interest Expenses

Non-interest expenses of \$1,018 million in 2024 decreased 8% compared with the prior year, mainly due to the FDIC special assessment which was reflected largely in the prior year.

Economic and Market Conditions

The economic environment, client and investor confidence and overall market sentiment improved in 2024. While interest rates declined in recent months, elevated inflation, geopolitical risks including ongoing tensions in the Middle East, uncertainties surrounding government and policy developments in the markets we and Morgan Stanley operate 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 the capital markets and our business as discussed further in "Overview of Financial Results" herein.

For more information on economic and market conditions, and the potential effects of geopolitical events and acts of war or aggression on our future results, refer to "Risk Factors" and "Forward-Looking Statements".

Accounting Development Updates

The Financial Accounting Standards Board has issued certain accounting updates, which we have determined to be either not applicable or to not have a material impact on our financial condition or results of operations upon adoption.

We are currently evaluating the following accounting updates, however, we do not expect a material impact on our financial condition or results of operations upon adoption:

Income Tax Disclosures. This update enhances annual income tax disclosures primarily to further disaggregate disclosures related to the income tax rate reconciliation and income taxes paid. For the income tax rate reconciliation, this update requires (1) disclosure of specific categories of reconciling items (where applicable), and (2) providing additional information for reconciling items that meet a quantitative threshold. For income taxes paid (net of refunds), this update requires disclosure of amounts disaggregated by: (1) federal, state, and foreign taxes; and (2) individual jurisdictions that meet a quantitative threshold. Additionally, the update requires disclosure of (1) income (or loss) before income taxes, disaggregated between domestic and foreign; and (2) income tax expense disaggregated by federal,

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state, and foreign. The update is effective for annual periods beginning January 1, 2025, with early adoption permitted.

Critical Accounting Estimates

Our financial statements are prepared in accordance with U.S. GAAP, which requires us to make estimates and assumptions (see Note 1 to the financial statements). We believe that of our significant accounting policies (see Note 2 to the financial statements), the following policies involve a higher degree of judgment and complexity.

Allowance for Credit Losses

We estimate and record the expected allowance for credit losses for financial instruments measured at amortized cost and certain off-balance sheet exposures (e.g., HFI loans and lending commitments, HTM securities, customer and other receivables and certain guarantees) over the entire life of the financial instrument.

We apply judgment based on a variety of factors including payment status, fair value of collateral, expected payments of principal and interest, as well as internal or external information relating to past events, current conditions and reasonable and supportable forecasts. The Bank uses three forecasts that include assumptions about certain macroeconomic variables including, but not limited to, U.S. gross domestic product ("GDP"), equity market indices and interest rates, as well as commercial real estate and home price indices. At the conclusion of the Bank's reasonable and supportable forecast period of 13 quarters, there is a gradual reversion back to historical averages.

The ACL is measured on a collective basis when similar risk characteristics exist for multiple instruments considering all available information relevant to assessing the collectability of cash flows. Generally, the Bank applies a probability of default/loss given default model for instruments that are collectively assessed, under which the ACL is calculated as the product of probability of default, loss given default and exposure at default. These parameters are forecast for each collective group of assets using a scenario-based statistical model.

If the instrument does not share similar risk characteristics with other instruments, including when it is probable that the Bank will be unable to collect the full payment of principal and interest on the instrument when due, the ACL is measured on an individual basis. The Bank generally applies the fair value of collateral if the loan is collateral dependent (i.e., repayment of the loan is expected to be provided substantially by the sale or operation of the underlying collateral and the borrower is experiencing financial difficulty) or discounted cash flow method for instruments that are individually assessed.

Additionally, the Bank can elect to use an approach to measure the ACL that considers the fair value of collateral where the borrower is required to, and reasonably expected to, continually adjust and replenish the amount of collateral securing the instrument to reflect changes in the fair value of such collateral.

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The Bank has elected to use this approach for certain securities-based loans, and Securities purchased under agreements to resell.

Credit quality indicators considered in developing the ACL include:

- Residential real estate loans: Loan origination FICO credit scores as determined by independent credit agencies in the U.S. and LTV ratios.
- Securities-based lending and Other: For loans secured by marketable securities, including those in Securities-based lending, the Bank generally measures the ACL based on the fair value of collateral. In addition to the above, Other loans primarily include tailored loans. Tailored loans include loans secured by collateral such as commercial real estate, unfunded capital commitments, marketable securities, as well as unsecured loans. For tailored loans secured by commercial real estate, the principal risk factors for determining the ACL are the underlying collateral type, LTV ratio, debt service ratio, borrower/guarantor's financial strength and macroeconomic scenario projections. For tailored loans secured by unfunded capital commitments and unsecured loans, the principal risk factors for determining ACL considers risk factors, including the borrower/guarantor's financial strength, structural enhancements, seniority of the loan, and macroeconomic scenario projections.

Qualitative and environmental factors such as economic and business conditions, the nature and volume of the portfolio, and lending terms and the volume and severity of past due loans are also considered in the ACL calculations.

Fair Value

Financial Instruments Measured at Fair Value

A significant number of our financial instruments are carried at fair value. The use of fair value to measure financial instruments is fundamental to our risk management practices. We make estimates regarding the valuation of assets and liabilities measured at fair value in preparing the financial statements. These assets and liabilities include, but are not limited to:

- Trading assets and Trading liabilities;
- Investment Securities—AFS;
- Loans held-for-sale (measured at the lower of amortized cost or fair value); and
- Certain Deposits, primarily structured certificates of deposit.

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.

In determining fair value, we use various valuation approaches. A hierarchy for inputs is used in measuring fair value that maximizes the use of observable prices and inputs and minimizes the use of unobservable prices and inputs by requiring that the relevant observable inputs be used when available. The hierarchy is broken down into three levels; wherein Level 1 represents quoted prices in active markets, Level 2 represents valuations

Management's Discussion and Analysis

based on quoted prices in markets that are not active or for which all significant inputs are observable, and Level 3 consists of valuation techniques that incorporate significant unobservable inputs and, therefore, require the greatest use of judgment. The fair values for the substantial majority of our financial assets and liabilities carried at fair value are based on observable prices and inputs and are classified in level 1 or 2 of the fair value hierarchy. Level 3 financial assets represented less than 0.1% as of both December 31, 2024 and December 31, 2023.

In periods of market disruption, the observability of prices and inputs, as well as market liquidity, may be reduced for many instruments, which could cause an instrument to be recategorized from Level 1 to Level 2 or from Level 2 to Level 3. In addition, a downturn in market conditions could lead to declines in the valuation of many instruments carried at fair value. Imprecision in estimating unobservable market inputs or other factors can affect the amount of gain or loss recorded for a particular position. The Bank uses various methodologies and assumptions in the determination of fair value. The use of methodologies or assumptions different than those used by the Bank could result in a different estimate of fair value at the reporting date. For further information on the definition of fair value, Level 1, Level 2, Level 3 and related valuation techniques, see Notes 2 and 6 to the financial statements.

Where appropriate, valuation adjustments are made to account for various factors such as liquidity risk (bid-ask adjustments), credit quality, model uncertainty, concentration risk and funding in order to arrive at fair value. For a further discussion of valuation adjustments that we apply, see Note 2 to the financial statements.

Income Taxes

We are subject to the income tax laws of the U.S., its states and municipalities in which we have business operations. These tax laws are complex and subject to interpretation by the taxpayer and the relevant governmental taxing authorities. We must make judgments and interpretations about the application of these inherently complex tax laws and make estimates about certain items affecting taxable income when determining the provision for income taxes in the various tax jurisdictions.

Disputes over interpretations of the tax laws may be settled with the taxing authority upon examination or audit. We periodically evaluate the likelihood of assessments in each taxing jurisdiction resulting from current and subsequent years' examinations, and unrecognized tax benefits related to potential losses that may arise from tax audits are established in accordance with the relevant accounting guidance. Once established, unrecognized tax benefits are adjusted when there is more information available or when an event occurs requiring a change.

Our provision for income taxes is composed of current and deferred taxes. Current income taxes approximate taxes to be paid or refunded for the current period. Deferred income taxes reflect the net tax effects of temporary differences between the financial reporting and tax bases of assets and liabilities and are measured using the applicable enacted tax rates and laws that will be in effect when such differences are expected to reverse.

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Our deferred tax balances may also include deferred assets related to tax attribute carryforwards, such as tax credits that will be realized through reduction of future tax liabilities and, in some cases, are subject to expiration if not utilized within certain periods. We perform regular reviews to ascertain whether deferred tax assets are realizable. These reviews include management's estimates and assumptions regarding future taxable income and incorporate various tax planning strategies, including strategies that may be available to tax attribute carryforwards before they expire.

Once the deferred tax asset balances have been determined, we may record a valuation allowance against the deferred tax asset balances to reflect the amount we estimate is more likely than not to be realized at a future date. Both current and deferred income taxes may reflect adjustments related to our unrecognized tax benefits.

Significant judgment is required in estimating the provision for (benefit from) income taxes, current and deferred tax balances (including valuation allowance, if any), accrued interest or penalties and uncertain tax positions. Revisions in estimates and/or the actual costs of a tax assessment may ultimately be materially different from the recorded accruals and unrecognized tax benefits, if any.

See Note 2 to the financial statements for additional information on our significant assumptions, judgments and interpretations associated with the accounting for income taxes and Note 16 to the financial statements for additional information on our tax examinations.

Liquidity and Capital Resources

Our liquidity and capital policies are established and maintained by the Bank's senior management, and Risk Committee ("Bank RC"), with oversight by the Bank's Board of Directors ("Board") and Risk Committee of the Board ("BRC"). 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 our asset and liability position. The Bank's Treasury department, the Bank RC, the Bank's Asset/Liability Committee, and the Bank's other committees and control groups assist in evaluating, monitoring and managing the impact that the Bank's business activities have on the Bank's balance sheet, liquidity and capital structure. Liquidity and capital matters are reported regularly to the Board and the BRC.

Balance Sheet

We monitor and evaluate the composition and size of our balance sheet on a regular basis. Our balance sheet management process includes quarterly planning, product-specific thresholds, monitoring of product-specific usage versus key performance metrics and new business impact assessments.

We monitor balance sheet utilization and review variances resulting from business activity and market fluctuations. On a

Management’s Discussion and Analysis

regular basis, we review current performance versus established thresholds and assess balance sheet allocations versus performance and business requirements. We also monitor key metrics, including asset and liability size and capital usage.

Total Assets

<i>\$ in millions</i>	At December 31, 2024	At December 31, 2023
Assets		
Cash and cash equivalents	\$ 24,406	\$ 16,392
Trading assets at fair value	1,037	627
Investment securities:		
Available for sale securities at fair value	17,779	18,549
Held-to-maturity securities at cost	24,358	27,519
Securities purchased under agreements to resell	3,944	3,257
Loans, before ACL:		
Residential real estate	66,738	60,397
Securities-based lending and Other	80,039	72,623
Total loans, before ACL	146,777	133,020
Allowance for credit losses	(326)	(285)
Total loans, net of ACL	146,451	132,735
Affordable housing tax credit investments	610	473
Other assets ¹	2,721	3,761
Total assets	\$ 221,306	\$ 203,313

1. Other assets primarily include customer and other receivables, loans to affiliate, deferred tax assets, goodwill, investments in the FRB and FHLB, as well as intangibles.

Total assets increased to \$221 billion at December 31, 2024, compared with \$203 billion at December 31, 2023, primarily due to Loans, and Cash and cash equivalents, partially offset by decreases in Investment securities.

Liquidity Risk Management Framework

The primary goal of our Liquidity Risk Management Framework is to ensure that we have access to adequate funding across a wide range of market conditions and time horizons. The framework is designed to enable us to fulfill our financial obligations and support the execution of our business strategies.

The following principles guide our Liquidity Risk Management Framework:

- Sufficient liquidity resources, which consist of HQLA and cash deposits with banks (“Liquidity Resources”) should be maintained to cover maturing liabilities and other planned and contingent outflows;
- Source, counterparty, currency and term of funding should be diversified; and
- Liquidity Stress Tests should anticipate, and account for, periods of limited access to funding.

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

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Required Liquidity Framework

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

Liquidity Stress Tests

The Liquidity Stress Tests assume the Bank will use its own liquidity first to fund its obligations before drawing liquidity from the Parent. Liquidity Stress Tests are produced and reported by each major operating subsidiary of the Parent. The Liquidity Stress Tests capture specific liquidity requirements and Liquidity Resources available across Morgan Stanley and include a limited number of asset sales in a stressed environment.

We use Liquidity Stress Tests to model external and intercompany liquidity flows across multiple scenarios and 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 our Liquidity Stress Tests are important components of the Required Liquidity Framework.

The assumptions used in our various Liquidity Stress Test scenarios include, but are not limited to, the following:

- No government support;
- Limited access to unsecured debt markets;
- Repayment of unsecured debt maturing within the stress horizon;
- Higher haircuts for and significantly lower availability of secured funding;
- Additional collateral that would be required by trading counterparties, certain exchanges and clearing organizations related to credit rating downgrades;
- Additional collateral that would be required due to collateral substitutions, collateral disputes and uncalled collateral;
- Drawdowns on lending commitments provided to third parties; and
- Deposit withdrawals both contractual and contingent.

At December 31, 2024 and December 31, 2023, we maintained sufficient Liquidity Resources to meet current and contingent funding obligations as modeled in our Liquidity Stress Tests.

Liquidity Resources

We maintain sufficient Liquidity Resources to cover daily funding needs and to meet strategic liquidity targets sized by the Required Liquidity Framework and Liquidity Stress Tests. We actively manage the amount of our Liquidity Resources considering the following components: balance sheet size and composition; funding needs in a stressed environment; liquidity requirements; regulatory requirements; and collateral requirements.

Management's Discussion and Analysis

The amount of Liquidity Resources we hold is based on our risk appetite and is calibrated to meet various internal and regulatory requirements and to fund prospective business activities. The Total HQLA values in the tables immediately following are different from Eligible HQLA, which, in accordance with the LCR rule, also takes into account certain regulatory weightings and other operational considerations.

Liquidity Resources by Type of Investment

\$ in millions	Average Daily Balance Three Months Ended	
	December 31, 2024	September 30, 2024
Cash deposits with central banks	\$ 8,991	\$ 5,114
Unencumbered HQLA securities ¹ :		
U.S. government obligations	17,526	19,880
U.S. agency and agency mortgage-backed securities	23,576	24,414
Total HQLA	50,093	49,408
Cash deposits with banks (non-HQLA)	10	15
Total Liquidity Resources	\$ 50,103	\$ 49,423

1. HQLA is presented prior to applying weightings.

Liquidity Resources may fluctuate from period to period based on the overall size and composition of our balance sheet, the maturity profile of our funding and estimates of funding needs in a stressed environment, among other factors.

Regulatory Liquidity Framework

Liquidity Coverage Ratio and Net Stable Funding Ratio

We are required to maintain a minimum LCR and NSFR of 100%.

The LCR rule requires large banking organizations to have sufficient Eligible HQLA to cover net cash outflows arising from significant stress over 30 calendar days, thus promoting the short-term resilience of our liquidity risk profile. In determining Eligible HQLA for LCR purposes, weightings (or asset haircuts) are applied to HQLA.

The NSFR rule requires large banking organizations to maintain an amount of available stable funding, which is their regulatory capital and liabilities subject to standardized weightings, equal to or greater than their required stable funding, which is their projected minimum funding needs, over a one-year time horizon.

As of December 31, 2024 and December 31, 2023, we were compliant with the minimum LCR and NSFR requirements of 100%.

Funding Management

We manage our funding in a manner that reduces the risk of disruption to our operations. We pursue a strategy of diversification of retail and wholesale funding sources and attempt to ensure the tenor of our liabilities equals or exceeds the expected holding period of assets being financed. Our goal is to achieve an optimal mix of durable retail and wholesale financing.

We fund our balance sheet through diverse sources. These sources include our equity capital, deposits, and borrowings. We

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have active financing programs for both standard and structured products.

We believe that accessing funding through multiple distribution channels helps provide consistent access to the funding markets. In addition, the issuance of time deposits with longer dated contractual maturities allows us to manage the maturity profile of these instruments, mitigate liquidity risk and maximize diversification through institutional and retail clients.

Unsecured Financing

We view deposits as stable sources of funding. Our unsecured financings include deposits and loans from MSBNA and the Parent. As part of our asset/liability management strategy, when appropriate, we use derivatives to make adjustments to the interest rate risk profile of our borrowings. See Notes 9, 10 and 11 to the financial statements.

Deposits

\$ in millions	At December 31, 2024	At December 31, 2023
Savings and demand deposits:		
Brokerage sweep deposits	\$ 67,994	\$ 68,006
Savings and other ¹	97,210	90,510
Total savings and demand deposits	165,204	158,516
Time deposits ²	34,005	26,811
Total³	\$ 199,209	\$ 185,327
Annualized weighted average cost of deposits ⁴		
Period end	2.73 %	3.00 %
Period average	3.05 %	2.41 %

- Includes deposits from the Parent and affiliates, see Note 10 to the financial statements.
- Includes Structured CDs at fair value of \$2.7 billion and \$2.6 billion as of December 31, 2024 and December 31, 2023, respectively.
- Total deposits subject to FDIC insurance at December 31, 2024 and December 31, 2023 were \$150.0 billion and \$138.0 billion, respectively.
- Annualized weighted average represents the total annualized weighted average cost of the various deposit products. Amounts at December 31, 2024 include the effect of related hedging derivatives. Amounts at December 31, 2023 exclude the effect of related hedging derivatives, which did not have a material impact on the cost of deposits. The period end cost of deposits is based upon balances and rates as of December 31, 2024 and December 31, 2023. The period average is based on daily balances and rates for the period.

Deposits are primarily sourced through clients of Morgan Stanley's Wealth Management business via affiliated entities, as well as unaffiliated third parties, and are considered to have stable, low-cost funding characteristics relative to other sources of funding. Each category of deposits presented above has a different cost profile and clients may respond differently to changes in interest rates and other macroeconomic conditions. Total Deposits increased primarily due to Savings growth and CD issuances in Time deposits.

For further information on Deposits, see Note 9 to the financial statements.

Secured Financing

The Bank may execute secured financings from the FHLB and FRB as supplemental sources of funding. As of December 31, 2024, our secured financing was comprised of \$3.0 billion from the FHLB bearing interest at a fixed rate and maturing within

Management’s Discussion and Analysis

one year. The secured financing was collateralized by residential real estate loans with a carrying value of \$4.4 billion.

For further information on the other secured financing, see Note 8 to the financial statements.

Credit Ratings

Our credit ratings are one of the factors in the cost and availability of financing and can have an impact on certain trading revenues, particularly in those businesses where longer-term counterparty performance is a key consideration, such as certain OTC derivative transactions. When determining credit ratings, rating agencies consider both company-specific and industry-wide factors. See also “Risk Factors—Liquidity Risk.”

MSPBNA Issuer Ratings at February 26, 2025

	Short-Term Debt	Long-Term Debt	Rating Outlook
Fitch Ratings, Inc.	F1+	AA-	Stable
Moody’s Investors Service, Inc.	P-1	Aa3	Stable
S&P Global Ratings	A-1	A+	Stable

Capital Management

We view capital as an important source of financial strength and actively manage our capital position based upon, among other things, business opportunities, risks, capital availability and rates of return together with internal capital policies and regulatory requirements. In the future, we may expand or contract our capital base to address the changing needs of our businesses.

We are subject to various general regulatory policies and requirements relating to the payment of dividends, including requirements to maintain adequate capital above regulatory minimums. The OCC is authorized to determine under certain circumstances relating to the financial condition of the Bank that the payment of dividends would be an unsafe or unsound practice and to prohibit payment thereof. Federal regulatory authorities have indicated that paying dividends that deplete a bank’s capital base to an inadequate level would be an unsafe and unsound banking practice and that banking organizations should generally pay dividends only out of current operating earnings.

We may not declare a dividend if the total amount of all dividends, including the proposed dividend, declared by the Bank in any calendar year exceeds the total of the Bank’s retained net income of that year to date, combined with its retained net income of the preceding two years, unless the dividend is approved by the OCC. Federal law also prohibits national banks from paying dividends that would be greater than the bank’s undivided profits.

We complied with the aforementioned dividend restrictions for both the current and prior year.

We paid cash dividends to the Parent of \$1.0 billion in 2024 and \$2.5 billion in 2023.

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Regulatory Requirements

Regulatory Capital Framework

The OCC establishes capital requirements for us, including “well-capitalized” standards, and evaluates our compliance with such capital requirements. Regulatory capital requirements established by the OCC are largely based on the Basel III capital standards established by the Basel Committee and also implement certain provisions of the Dodd-Frank Act. Failure to meet minimum capital requirements can initiate certain mandatory and discretionary actions by regulators that, if undertaken, could have a direct material effect on the Bank’s financial statements. Under the Federal Deposit Insurance Corporation Improvement Act of 1991 (“FDICIA”) capital adequacy guidelines and regulatory framework for prompt corrective action (the “PCA Framework”), the Bank must meet specific capital guidelines that involve quantitative measures of the Bank’s assets, liabilities and certain off-balance sheet items as calculated under regulatory accounting practices. For additional information on our regulatory capital requirements, see Note 14 to the financial statements.

Regulatory Capital Requirements

We are required to maintain minimum risk-based and leverage-based capital.

Risk-Based Regulatory Capital. Risk-based capital ratio requirements apply to Common Equity Tier 1 (“CET1”) capital, Tier 1 capital and Total capital (which includes Tier 2 capital), each as a percentage of RWA, and consist of regulatory minimum required ratios plus our capital buffer requirement. Capital requirements require certain adjustments to, and deductions from, capital for purposes of determining these ratios.

Capital Buffer Requirements

The capital buffer requirement represents the amount of CET1 capital we must maintain above the minimum risk-based capital requirements in order to avoid restrictions on our ability to make capital distributions, including the payment of dividends, and to pay discretionary bonuses to executive officers. Our capital buffer requirements computed under the standardized approaches for calculating credit risk and market risk RWA (“Standardized Approach”) and computed under the applicable advanced approaches for calculating credit risk, market risk and operational risk RWA (“Advanced Approach”) is equal to the sum of our 2.5% capital conservation buffer and CCyB. The CCyB can be set up to 2.5% but is currently set by U.S. banking agencies at zero.

Management's Discussion and Analysis

Risk-Based Regulatory Capital Ratio Requirements

	Regulatory Minimum	At December 31, 2024 and December 31, 2023	
		Standardized	Advanced
Required ratios¹			
CET1 capital ratio	4.5 %	7.0 %	7.0 %
Tier 1 capital ratio	6.0 %	8.5 %	8.5 %
Total capital ratio	8.0 %	10.5 %	10.5 %

1. Required ratios represent the regulatory minimum plus the capital buffer requirement.

Risk-Weighted Assets. RWA reflects both our on- and off-balance sheet risk, as well as capital charges attributable to the risk of loss arising from the following:

- Credit Risk: The failure of a borrower, counterparty or issuer to meet its financial obligations to us;
- Market Risk: Adverse changes in the level of one or more market prices, rates, spreads, indices, volatilities, correlations or other market factors, such as market liquidity; and
- Operational Risk: Inadequate or failed processes or systems, from human factors or from external events (e.g., fraud, theft, legal and compliance risks, cyberattacks or damage to physical assets).

Our risk-based capital ratios are computed under each of (i) the Standardized Approach and (ii) the Advanced Approach. The credit risk RWA calculations between the two approaches differ in that the Standardized Approach requires calculation of RWA using prescribed risk weights and exposure methodologies, whereas the Advanced Approach utilizes models to calculate exposure amounts and risk weights. At December 31, 2024 and December 31, 2023, the differences between the actual and required ratios were lower under the Standardized Approach.

Leverage-Based Regulatory Capital. Leverage-based capital requirements include a minimum Tier 1 leverage ratio of 4% and SLR of 3%.

CECL Deferral. Beginning on January 1, 2020, we elected to defer the effect of the adoption of CECL on our risk-based and leverage-based capital amounts and ratios, as well as our RWA, adjusted average assets and supplementary leverage exposure calculations, over a five-year transition period. The deferral impacts began to phase in at 25% per year from January 1, 2022 and were phased-in at 75% from January 1, 2024. The deferral impacts were fully phased-in from January 1, 2025.

Well-Capitalized Requirements. FDICIA requires the federal bank regulatory agencies to take prompt corrective action ("PCA") in respect of insured depository institutions ("IDI") that do not meet specified capital requirements. FDICIA establishes five capital categories for FDIC-insured banks: well-capitalized, adequately capitalized, undercapitalized, significantly undercapitalized and critically undercapitalized.

In addition, under the PCA Framework applicable to us, we must also meet the quantitative capital ratio requirements for a well-capitalized IDI; these are shown in the table below.

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Our capital levels and PCA classification are also subject to qualitative judgments by the regulators about components of capital, risk weightings and other factors. Failure to comply with the capital requirements, including a breach of the buffers described above, would result in restrictions being imposed by our regulators.

Regulatory Capital Ratios

	Standardized		Advanced	
	At Dec 31, 2024	At Dec 31, 2023	At Dec 31, 2024	At Dec 31, 2023
<i>\$ in millions</i>				
Risk-based capital				
CET1 capital	\$ 16,672	\$ 15,388	\$ 16,672	\$ 15,388
Tier 1 capital	16,672	15,388	16,672	15,388
Total capital	17,004	15,675	16,842	15,553
Total RWA	63,878	\$ 59,604	34,703	33,759
Risk-based capital ratio				
CET1 capital	26.1%	25.8%	48.0%	45.6%
Tier 1 capital	26.1%	25.8%	48.0%	45.6%
Total capital	26.6%	26.3%	48.5%	46.1%
Well-Capitalized Requirements¹				
CET1 capital	6.5%	6.5%	6.5%	6.5%
Tier 1 capital	8.0%	8.0%	8.0%	8.0%
Total capital	10.0%	10.0%	10.0%	10.0%
Required Ratio²				
CET1 capital	7.0%	7.0%	7.0%	7.0%
Tier 1 capital	8.5%	8.5%	8.5%	8.5%
Total capital	10.5%	10.5%	10.5%	10.5%
Leveraged-based capital				
<i>\$ in millions</i>				
Leveraged-based capital				
Adjusted average assets ³	\$ 216,088	\$ 205,762		
Supplementary leverage exposure ⁴	222,580	212,653		
Leveraged-based capital ratios				
Tier 1 leverage	7.7%	7.5%		
SLR	7.5%	7.2%		
Well-Capitalized Requirements¹				
Tier 1 leverage	5.0%	5.0%		
SLR	6.0%	6.0%		
Required Ratios²				
Tier 1 leverage	4.0%	4.0%		
SLR	3.0%	3.0%		

1. The requirements to remain "well-capitalized" under the PCA framework.
2. Required ratios are inclusive of any buffers applicable as of the date presented.
3. Adjusted average assets represents the denominator of the Tier 1 leverage ratio and is composed of the average daily balance of consolidated on-balance sheet assets for the quarters ending on the respective balance sheet dates, reduced by goodwill, intangible assets, certain deferred tax assets and other capital deductions.
4. Supplementary leverage exposure is the sum of Adjusted average assets used in the Tier 1 leverage ratio and other adjustments, primarily: (i) the credit equivalent amount for off-balance sheet exposures (ii) for derivatives, potential future exposure and (iii) the counterparty credit risk for repo-style transactions.

Management's Discussion and Analysis

Regulatory Capital

<i>\$ in millions</i>	At December 31, 2024	At December 31, 2023	Change
CET1 Capital			
Common shareholder equity	\$ 17,084	\$ 15,814	\$ 1,270
Regulatory adjustments and deductions			
Impact of CECL transition	5	11	(6)
Other adjustments and deductions ¹	(417)	(437)	20
Total CET1 capital and Total Tier 1 capital	16,672	15,388	\$ 1,284
Standardized Tier 2 capital			
Eligible ACL	332	287	\$ 45
Total Standardized capital	17,004	15,675	\$ 1,329
Advanced Tier 2 capital			
Eligible credit reserves	170	165	\$ 5
Total Advanced capital	\$ 16,842	\$ 15,553	\$ 1,289

1. Other adjustments and deductions used in the calculation of CET1 capital primarily includes goodwill, intangible assets, net after-tax debt valuation adjustment, and credit spread premium over risk-free rate for derivative liabilities.

RWA Rollforward

<i>\$ in millions</i>	Year Ended December 31, 2024	
	Standardized	Advanced
Credit risk RWA		
Balance at December 31, 2023	\$ 59,604	\$ 27,509
Change related to the following items		
Derivatives	7	(27)
Securities financing transactions	(1)	—
Investment securities	(390)	(1,016)
Commitments, guarantees and loans	4,517	1,642
Equity investments	568	602
Other credit risk	(427)	(257)
Total change in credit risk RWA	\$ 4,274	\$ 944
Balance at December 31, 2024	\$ 63,878	\$ 28,453
Operational risk RWA		
Balance at December 31, 2023	N/A	\$ 6,250
Change in operational risk RWA	—	—
Balance at December 31, 2024	N/A	\$ 6,250
Total RWA	\$ 63,878	\$ 34,703

Regulatory VaR—VaR for regulatory capital requirements

In 2024, Credit risk RWA increased under the Standardized and Advanced Approaches. Under the Standardized Approach, the increase was primarily driven by increased exposures in Lending and Equity investments, partially offset by decreased exposures in Investment Securities and Other credit risk driven by a decrease in Other assets. Under the Advanced Approach, the increase was primarily driven by increased exposure in Lending and Equity investments, partially offset by decreased exposure in Investment securities.

Capital Plans and Stress Tests

Our capital planning process and stress tests are designed to identify and measure material risks associated with our business activities, including market risk, credit risk and operational risk. Our capital planning process incorporates an internal capital adequacy assessment to ensure that we are appropriately capitalized relative to the risks in our businesses. Our stress tests

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incorporate our internally developed severely adverse scenario and are designed to capture our specific vulnerabilities and risks.

We were not required by our primary regulators to conduct the annual company-run stress test under the Dodd-Frank Act in 2024.

Resolution and Recovery Planning

Morgan Stanley submitted its 2023 full resolution plan to the Federal Reserve and the FDIC in June 2023, in which we were included as a material operating entity. In June 2024, Morgan Stanley received joint feedback on the 2023 resolution plan and there were no shortcomings or deficiencies identified. Morgan Stanley's next resolution plan submission will be a targeted resolution plan in July 2025.

We are also required to submit an IDI resolution plan to the FDIC. We submitted our last IDI resolution plan in December 2023. Our next resolution plan submission will be by July 2026. We are also required by the OCC to develop a recovery plan.

For more information about resolution planning requirements and our activities in these areas, including the implications of such activities in a resolution scenario, see "Business—Supervision and Regulation—Resolution Planning" and "Risk Factors—Legal, Regulatory and Compliance Risk".

Regulatory Developments and Other Matters

Basel III Endgame Proposal

On July 27, 2023, the U.S. banking agencies proposed revisions to risk-based capital and related standards applicable to us ("Basel III Endgame Proposal"). We continue to monitor developments related to this rulemaking.

Quantitative and Qualitative Disclosures about Risk

Risk Management

Overview

Risk is an inherent part of our businesses and activities. We believe effective risk management is vital to the success of our business activities. Accordingly, we have a Risk Governance Framework (“RGF”) to integrate the diverse roles of risk management into a holistic enterprise structure and to facilitate the incorporation of risk assessment into decision-making processes across the Bank.

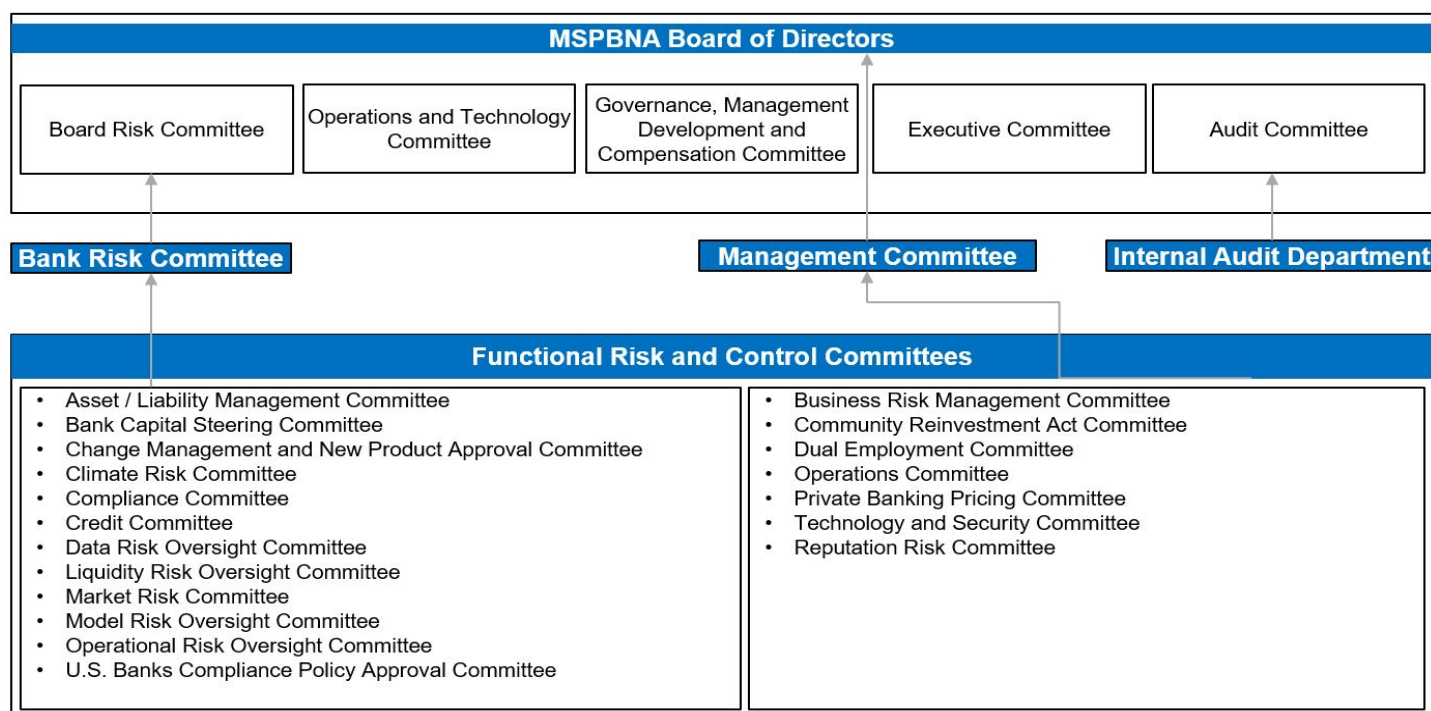
We have policies and procedures in place to identify, measure, monitor, escalate, mitigate and control the principal risks involved in our business activities. Credit risk is the principal risk involved in our business activities. In addition, we are exposed to both financial and non-financial risks including market (including interest rate and price risk), liquidity, model, operational (including cybersecurity), compliance (including conduct), financial crimes, strategic and reputational risks. Strategic risk is integrated into our business planning, embedded in the evaluation of all principal risks and overseen by the Board.

The cornerstone of our risk management philosophy is the pursuit of risk-adjusted returns through prudent risk taking that protects our capital, earnings, liquidity, reputation and regulatory standing. This philosophy is implemented through the RGF. Six key principles underlie this philosophy: integrity, consumer oversight and protection, comprehensiveness, independence, accountability and transparency. To help ensure the efficacy of risk management, which is an essential component of our reputation, senior management requires thorough and frequent reporting and the appropriate escalation of risk matters.

The fast-paced, complex and constantly evolving nature of global financial markets requires us to maintain a risk management culture that is incisive, knowledgeable about specialized products and markets, and subject to ongoing review and enhancement.

The Bank’s risk appetite represents the aggregate level and types of risk that the Bank is willing to accept in pursuit of its strategic objectives and business plans, taking into account the safety and soundness of the Bank, the interest of clients and shareholder, and capital and regulatory requirements. This risk appetite is embedded in the Bank’s risk culture and linked to its short-term and long-term strategic, capital and financial plans, as well as compensation programs. This risk appetite and the related Board-level risk limits and risk appetite statements are reviewed and approved by the BRC on at least an annual basis.

Certain risk management processes as described in the sections below are performed by affiliates of the Bank. These processes are subject to Bank oversight, either pursuant to a Master Services Agreement between us and certain affiliates, or inclusive of Bank activities. References to risk management practices in the sections below encompass both those of the Bank and those provided by affiliates.



Risk Disclosures

Risk Governance Structure

Risk management at the Bank requires independent Bank-level oversight, accountability of our business divisions, a strong internal audit function, and effective communication of risk matters across the Bank, to senior management and ultimately to the Board. Our risk governance structure is set forth in the chart above and also includes risk managers, committees, and other groups. The Risk Governance Framework, composed of independent but complementary entities, facilitates efficient and comprehensive supervision of our risk exposures and processes.

Morgan Stanley Private Bank, National Association's Board of Directors

The Board has oversight of the Risk Governance Framework and is responsible for helping to ensure that our risks are managed in a sound manner. The Board has authorized the committees within the risk governance structure to help facilitate our risk oversight responsibilities. As set forth in the Bank's Risk Governance Framework policy, the Board regularly reviews, with the Bank's senior management, the Bank's financial performance, risk profile, strategy and business plans.

Risk Committee of the Board

The BRC assists the Board in its oversight of the Bank's Risk Governance Framework policy, including the Bank's risk appetite statement, risk limits and key risk indicators; the Bank's compliance with legal and regulatory requirements; and the independence of the Bank's Chief Risk Officer ("CRO") and the Bank's Chief Compliance Officer and Head of Non-Financial Risk ("CCO and Head of NFR", and together with the CRO, the "Chief Risk Executives") and the financial risk and non-financial risk functions. The BRC reports to the board on a regular basis.

Operations and Technology Committee of the Board

The Operations and Technology Committee of the Board ("BOTC") assists the Board in its oversight of the Bank's operations and technology strategy and significant investments in support of such strategy and oversees operations and technology risk. The BOTC reports to the Board on a regular basis.

Governance, Management Development and Compensation Committee of the Board

The Governance, Management Development and Compensation Committee recommends to the Board corporate governance principles applicable to the Bank, oversees plans for management development and succession for the Bank, assesses the compensation framework of the Bank's officers and employees, and oversees the annual Board self-assessment process. The Governance, Management Development and Compensation Committee reports to the Board on a regular basis.

Executive Committee

The Executive Committee is appointed by the Board to provide an efficient means of considering such matters and taking such actions as may require the attention of the Board or the exercise

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of the Board's powers or authority in the intervals between meetings of the Board. All acts done and powers conferred by the Executive Committee from time to time shall be deemed to be, and may be certified as being, done and conferred under authority of the Board.

Audit Committee of the Board

The Audit Committee ("AC") assists the Board in monitoring the integrity of the Bank's financial statements, the Bank's system of internal controls, the qualifications and independence of the Bank's independent public accountant ("independent auditor") and the performance of the Bank's internal audit department and independent auditor. The AC reports to the Board on a regular basis.

Bank Risk Committee

The Board has also authorized the Bank RC, a management committee chaired by the Chief Risk Officer, which includes the most senior officers of the Bank, from the business, independent risk functions and control groups, to help oversee the Risk Governance Framework. The Bank RC's responsibilities include: oversight of our risk management principles, procedures and limits; the monitoring of capital levels and material market, credit, model, operational, liquidity, legal, compliance, reputational and strategic risk matters, and other risks, as appropriate; and the steps management has taken to monitor and manage such risks. The Bank RC also establishes and communicates risk appetite, including aggregate Bank limits and tolerances, as appropriate. The Bank RC reports to the BRC.

Management Committee

The Board has also authorized the MSPBNA Management Committee ("MC"), chaired by the Chief Executive Officer ("CEO") and comprised of members of the Bank's senior management, to assist the CEO in the oversight of the Bank's strategic goals. The responsibilities of the MC include: setting the strategic direction of the Bank under the oversight of the Board and CEO; reviewing, on a periodic basis, issues reporting and Internal Audit Department findings regarding the Bank and its activities; reviewing, on a periodic basis, new businesses contemplated for the Bank's Strategic and Business Plan; reviewing findings and feedback from regulatory agencies, excluding those related to the Bank's risk management program, and overseeing the remediation of identified deficiencies. The MC also oversees the committees as outlined in the governance structure.

Functional Risk and Control Committees

Functional risk and control committees and other committees within the Risk Governance Framework facilitate efficient and comprehensive supervision of our risk exposures and processes.

Each risk area has a risk committee as needed that is responsible for helping to adhere to established limits for market, credit, operational and other risks; implements risk measurement, monitoring, and management policies, procedures, controls and systems that are consistent with the risk framework established

Risk Disclosures

by the Board; and reviews, on a periodic basis, our aggregate risk exposures, risk exception experience, and the efficacy of our risk identification, measurement, monitoring and management policies and procedures, and related controls.

Chief Risk Officer

The CRO reports to the CEO, the BRC, and the Parent Chief Risk Officer, and manages the Bank's independent risk management functions with the exception of the Non-Financial Risk Management functions. The CRO, working with other Bank officers, is responsible for helping promote a strong, consistent risk culture that is supported by a strong "Tone from the Top" and a risk framework that is comprehensive and clearly defines roles and responsibilities, transparency and escalation of risks, as well as a structure of accountability with appropriate incentives.

Chief Compliance Officer and Head of Non-Financial Risk

The CCO and Head of NFR reports to the CEO, the Parent's Chief Compliance Officer and the BRC. The CCO and Head of NFR has primary responsibility for overseeing compliance, operational and reputation risk for the Bank, and together with the CRO as Chief Risk Executives of the Bank (as noted above), provides the CEO, Board, BRC and Bank RC with an aggregated view of the risks related to the Bank's business activities, working to ensure that significant risks are effectively identified, assessed, approved, measured, reported, escalated and managed in accordance with the Bank's Risk Governance Framework.

Independent Risk Management Functions

The Financial Risk Management functions (Market Risk, Credit Risk, Model Risk, Liquidity Risk and Strategic Risk Management Departments) and Non-Financial Risk Management functions (Compliance, Global Financial Crimes, Operational Risk and Reputational Risk Departments) are independent of our business units and report to the CRO and CCO and Head of NFR, as Chief Risk Executives. These functions assist senior management and the Bank RC in monitoring and controlling our risks through a number of control processes. Each function maintains its own risk governance structure with specified individuals and committees responsible for aspects of managing and monitoring risk. Further discussion about the responsibilities of the risk management functions may be found under "Credit Risk", "Market Risk", "Operational Risk", "Model Risk", "Liquidity Risk", "Legal, Regulatory and Compliance Risk" and "Climate Risk" herein.

Support and Control Functions

Our support and control groups include, but are not limited to, Legal, the Finance Division, the Technology Division ("Technology"), the Operations Division ("Operations"), the Human Capital Management and Bank Strategy and Execution. Our support and control groups coordinate with the business segment control groups to review the risk monitoring and risk management policies and procedures relating to, among other things, controls over financial reporting and disclosure; each business segment's market, credit and operational risk profile; liquidity risks; model risks; sales practices; reputational, legal

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enforceability, compliance and regulatory risks; and technological risks. Participation by the senior officers of the Bank and business segment control groups helps ensure that risk policies and procedures, exceptions to risk limits, new products and business ventures, and transactions with risk elements undergo thorough review.

Internal Audit Department

The Internal Audit Department ("IAD") independently assesses the Bank's risk management processes and controls using methodology developed from professional auditing standards and regulatory guidance. IAD undertakes these responsibilities through periodic reviews of our business activities, operations and systems, as well as special investigations and retrospective reviews that may be specifically requested by the AC or management. The Bank's Chief Audit Executive reports functionally to the AC, and administratively to the CEO and into Morgan Stanley's Chief Audit Officer.

Risk Appetite and Limits Framework

The Bank's Risk Appetite represents the aggregate level and types of risk that the Bank is willing to accept in pursuit of our strategic objectives and business plan, taking into account the safety and soundness of the Bank, the interest of our clients and shareholder, and capital and regulatory requirements. The Bank's Risk Appetite is fundamental to the execution of risk-adjusted returns through prudent risk-taking that is designed to protect the Bank's capital, earnings, liquidity, reputation, and regulatory standing and that informs the strategy and business plan.

Risk limits and KRIs are quantitative metrics that provide the basis for monitoring risk-taking activity and avoiding outsized risk taking, and support and implement our risk appetite statement. Our risk limits support linkages between the overall risk appetite, which is reviewed by the Board, and more granular risk-taking decisions and activities.

Risk limits, once established, are reviewed and updated on at least an annual basis, with more frequent updates as necessary. Board-level risk limits address the most important Bank-wide aggregations of risk. Additional risk limits approved by the Bank RC address more specific types of risk and are bound by the higher-level Board risk limits.

Risk Management Process

In subsequent sections, we discuss our risk management policies and procedures for our primary risks involved in the activities of our residential lending, securities-based and other financing, deposits, and derivative transactions. These sections and the estimated amounts of our risk exposure generated by our statistical analyses are forward-looking statements. However, the analyses used to assess such risks are not predictions of future events, and actual results may vary significantly from such analyses due to events in the markets in which we operate and certain other factors described in the following paragraphs.

Risk Disclosures

Credit Risk

Credit risk refers to the risk of loss arising when a borrower, counterparty or issuer does not meet its financial obligations to us. We are primarily exposed to credit risk from individuals.

We incur credit risk through a variety of activities, including, but not limited to, the following:

- extending credit to clients through loans and lending commitments;
- securities-based lending and other forms of secured loans, including tailored lending to ultra-high net worth clients, that are in most cases secured by various types of collateral, including marketable securities, private investments, commercial real estate and other financial assets;
- single-family residential mortgage loans in conforming, non-conforming or HELOC form;
- entering into swap or other derivative contracts under which counterparties may have obligations to make payments to us.

Monitoring and Control

The CRM establishes Bank-wide practices to evaluate, monitor and control credit risk at the transaction, obligor and portfolio levels. The CRM approves extensions of credit, evaluates the creditworthiness of the counterparties and borrowers on a regular basis, and helps ensure that credit exposure is actively monitored and managed. The evaluation of counterparties and borrowers includes an assessment of the probability that an obligor will default on its financial obligations and any losses that may occur when an obligor defaults. In addition, credit risk exposure is actively managed by credit professionals and committees within the CRM and through various risk committees, whose membership includes individuals from the CRM. A comprehensive and global Credit Limits Framework is utilized to manage credit risk levels across the Bank. The Credit Limits Framework is calibrated within our risk tolerance and includes single-name limits and portfolio concentration limits by country, and product type.

The CRM helps ensure timely and transparent communication of material credit risks, compliance with established limits and escalation of risk concentrations to appropriate senior management, the Credit Committee, the Bank RC, and the BRC. The CRM also works closely with the Market Risk Department and applicable business units to monitor risk exposures and to perform stress tests to identify, analyze and control credit risk concentrations arising from lending activities. The stress tests shock market factors (e.g., interest rates, credit spreads), risk parameters (e.g., probability of default and loss given default), recovery rates and expected losses in order to assess the impact of stresses on exposures, profit and loss, and our capital position. Stress tests are conducted in accordance with our established policies and procedures.

Credit Evaluation

The evaluation of borrowers includes assigning credit ratings, which reflect an assessment of an obligor's probability of default

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and loss given default. Credit evaluations typically involve the assessment of financial statements; leverage; liquidity; capital strength; asset composition and quality; market capitalization; access to capital markets; adequacy of collateral, if applicable; and in the case of certain loans, cash flow projections and debt service requirements. The CRM also evaluates strategy, market position, industry dynamics, exposure to changes in international trade policies and supply chain constraints, management and other factors such as country risks and legal and contingent risks that could affect the obligor's risk profile. Additionally, the CRM evaluates the relative position of our exposure in the borrower's capital structure and relative recovery prospects, as well as other structural elements of the particular transaction. The underwriting of commercial real estate loans includes, but is not limited to, review of the property type, LTV ratio, occupancy levels, debt service ratio, prevailing capitalization rates and market dynamics.

The evaluation of consumer borrowers is tailored to the specific type of lending. Securities-based loans are evaluated based on factors that include, but are not limited to, the amount of the loan, and the amount, quality, diversification, price volatility and liquidity of the collateral. The underwriting of residential real estate loans includes, but is not limited to, review of the obligor's debt to income ratio, net worth, liquidity, collateral, LTV ratio and industry standard credit scoring models (e.g., FICO scores). Subsequent credit monitoring for individual loans is performed at the portfolio level, and collateral values are monitored on an ongoing basis.

Credit risk metrics assigned to our borrowers during the evaluation process are incorporated into the CRM maintenance of the allowance for credit losses. Such allowance serves as a reserve for expected inherent losses, as well as expected losses related to loans identified as impaired. For more information on the allowance for credit losses, see Notes 2 and 4 to the financial statements.

Risk Mitigation

We may seek to mitigate credit risk in multiple ways, including collateral provisions, guarantees and hedges. At the transaction level, we seek to mitigate risk through management of key risk elements such as size, tenor, financial covenants, seniority and collateral. We actively hedge our exposures. Hedging activities consist of the purchase, sale or transfer of positions in related derivative products (e.g., swaps, and options).

In connection with our derivative activities, we generally enter into master netting agreements and collateral arrangements with counterparties. These agreements provide us with the ability to demand collateral, as well as to liquidate collateral and offset receivables and payables covered under the same master agreement in the event of a counterparty default. A collateral management group monitors collateral levels against requirements and oversees the administration of the collateral function. See Note 8 to the financial statements for additional information about our collateralized transactions.

Risk Disclosures

Morgan Stanley Private Bank, National Association

Loans and Lending Commitments

\$ in millions	At December 31, 2024		
	HFI	HFS	Total
Residential real estate	\$ 66,738	\$ —	\$ 66,738
Securities-based lending and Other ¹	80,039	—	80,039
Total loans	146,777	—	146,777
ACL	(326)	—	(326)
Total loans, net of ACL	\$ 146,451	\$ —	\$ 146,451
Lending Commitments²			\$ 16,625
Total exposure			\$ 163,076

\$ in millions	At December 31, 2023		
	HFI	HFS	Total
Residential real estate	\$ 60,375	\$ 22	\$ 60,397
Securities-based lending and Other ¹	72,623	—	72,623
Total loans	132,998	22	133,020
ACL	(285)	—	(285)
Total loans, net of ACL	\$ 132,713	\$ 22	\$ 132,735
Lending Commitments²			\$ 16,903
Total exposure			\$ 149,638

Total exposure—consists of Total loans, net of ACL, and Lending commitments

1. Other loans primarily include tailored loans.

2. Lending commitments represent the notional amount of legally binding obligations to provide funding to clients for lending transactions. Since commitments associated with these business activities may expire unused or may not be utilized to full capacity, they do not necessarily reflect the actual future cash funding requirements.

We provide loans and lending commitments to a variety of customers, including high to ultra-high net worth individuals. Loans and lending commitments are either held for investment or held for sale. For more information on these loan classifications, see Note 2 to the financial statements.

In 2024, total loans and lending commitments increased by approximately \$13.4 billion, primarily due to Residential real estate and Securities-based lending and Other loans.

See Notes 3, 6 and 12 to the financial statements for further information.

Allowance for Credit Losses—Loans and Lending Commitments

\$ in millions	Year Ended December 31, 2024		
	Residential Real Estate	Securities-based lending and Other	Total
ACL—Loans			
Beginning balance	\$ 100	\$ 185	\$ 285
Gross charge-offs	—	(27)	(27)
Provision for credit losses	(3)	72	69
Other	—	(1)	(1)
Ending balance	\$ 97	\$ 229	\$ 326
ACL—Lending commitments			
Beginning balance	\$ 4	\$ 8	\$ 12
Provision for credit losses	—	(1)	(1)
Other	—	1	1
Ending balance	\$ 4	\$ 8	\$ 12
Total ending balance	\$ 101	\$ 237	\$ 338

Credit exposure arising from our loans and lending commitments is measured in accordance with our internal risk management standards. Risk factors considered in determining the allowance for credit losses for loans and lending commitments include the borrower's financial strength, industry, facility structure, LTV ratio, debt service ratio, collateral and covenants. Qualitative and environmental factors such as economic and business conditions, nature and volume of the portfolio and lending terms, and volume and severity of past due loans may also be considered.

The allowance for credit losses for loans and lending commitments increased in 2024, primarily due to Securities-based lending and Other loans. The provision for credit losses on loans and lending commitments in the current year period was primarily related to provisions for certain specific commercial real estate and securities-based loans and growth across certain loan portfolios, partially offset by improvements in the macroeconomic outlook.

The base scenario used in our ACL models as of December 31, 2024 was generated using a combination of consensus economic forecasts, forward rates, and internally developed and validated models. This scenario assumes continued economic growth as well as lower interest rates relative to the prior year forecast. The ACL calculation incorporates key macroeconomic variables including U.S. real GDP growth rate. The significance of key macroeconomic variables on the ACL calculation varies depending on portfolio composition and economic conditions.

Forecasted U.S. Real GDP Growth Rates in Base Scenario

	4Q 2025	4Q 2026
Year-over-year growth rate	1.9 %	2.1 %

As of December 31, 2024 and December 31, 2023, more than 75% of residential real estate loans were to borrowers with "Exceptional" or "Very Good" FICO scores (i.e., exceeding 740). Additionally, our securities-based lending portfolio remains well-collateralized and subject to daily client margining, which includes requiring customers to deposit additional collateral or reduce debt positions, when necessary.

See Note 3 to the financial statements for further information.

Risk Disclosures

Other key macroeconomic variables used in the ACL calculation include house price indices, interest rate, commercial real estate indices and corporate credit spreads. See Note 2 to the financial statements for a discussion of the Bank's ACL methodology under CECL.

Status of Loans Held for Investment

	At December 31, 2024	At December 31, 2023
Accrual	99.7 %	99.8 %
Nonaccrual ¹	0.3 %	0.2 %

1. Nonaccrual loans are loans where principal or interest is not expected when contractually due or are past due 90 days or more. For further information on our nonaccrual policy, see Note 2 to the financial statements.

Net Charge-off Ratios for Loans Held for Investment

\$ in millions	Residential Real Estate	Securities-based lending and Other	Total
2024			
Net charge-offs ratio ¹	0.00%	0.04%	0.02%
Average Loans	\$ 63,212	\$ 75,255	\$ 138,467
2023			
Net charge-offs ratio ¹	0.00%	0.00%	0.00%
Average Loans	\$ 57,025	\$ 72,613	\$ 129,638

SBL—Securities-based lending

1. Net charge-off ratio represents gross charge-offs net of recoveries divided by total average loans held for investment before ACL.

Loans and Lending Commitments

\$ in millions	At December 31, 2024					Total
	Contractual Years to Maturity					
	<1	1-5	5-15	>15		
Residential real estate loans	\$ 1	\$ 111	\$ 1,106	\$ 65,423	\$ 66,641	
Securities-based lending and Other	70,031	8,764	1,015	—	79,810	
Total loans, net of ACL	\$ 70,032	\$ 8,875	\$ 2,121	\$ 65,423	\$ 146,451	
Lending commitments	13,926	2,289	25	385	16,625	
Total exposure	\$ 83,958	\$ 11,164	\$ 2,146	\$ 65,808	\$ 163,076	

\$ in millions	At December 31, 2023					Total
	Contractual Years to Maturity					
	<1	1-5	5-15	>15		
Residential real estate loans	\$ 1	\$ 91	\$ 1,255	\$ 58,950	\$ 60,297	
Securities-based lending and Other	63,417	7,542	1,479	—	72,438	
Total loans, net of ACL	\$ 63,418	\$ 7,633	\$ 2,734	\$ 58,950	\$ 132,735	
Lending commitments	13,804	2,748	7	344	16,903	
Total exposure	\$ 77,222	\$ 10,381	\$ 2,741	\$ 59,294	\$ 149,638	

The principal lending activities of the Bank include Residential real estate loans and Securities-based lending.

Securities-based lending allows clients to borrow money against the value of qualifying securities, generally for any purpose other than purchasing, trading or carrying securities or refinancing margin debt. We establish approved credit lines against qualifying securities and monitor limits daily and, pursuant to such guidelines, require customers to deposit additional collateral, or reduce debt positions, when necessary. These credit lines are primarily uncommitted loan facilities, as we reserve the right not to make any advances or may terminate these credit

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lines at any time. Factors considered in the review of these loans include, but are not limited to, the loan amount, the client's credit profile, the degree of leverage, collateral diversification, price volatility and liquidity of the collateral. Other loans primarily include tailored loans, which typically consist of bespoke lending arrangements provided to ultra-high net worth clients. Securities-based lending and Other loans are generally secured by various types of eligible collateral, including marketable securities, private investments, commercial real estate and other financial assets.

Residential real estate loans consist of first- and second-lien mortgages, including HELOCs. Our underwriting policy is designed to ensure that all borrowers pass an assessment of capacity and willingness to pay, which includes an analysis utilizing industry standard credit scoring models (e.g., FICO scores), debt-to-income ratios and assets of the borrower. Mortgage borrowers are required to maintain adequate insurance in accordance with loan terms. LTV ratios are determined based on independent third-party property appraisals and valuations, and security lien positions are established through title and ownership reports. The vast majority of mortgage loans, including HELOCs, are held for investment.

Commercial Real Estate Loans and Lending Commitments by Property Type

\$ in millions	At December 31, 2024			At December 31, 2023		
	Loans ¹	LC ¹	Total	Loans ¹	LC ¹	Total
Retail	\$ 2,274	\$ —	\$ 2,274	\$ 2,165	\$ 3	\$ 2,168
Office	1,903	11	1,914	1,690	16	1,706
Multifamily	1,639	99	1,738	1,704	25	1,729
Hotel	442	—	442	400	—	400
Industrial	369	—	369	377	—	377
Other	309	—	309	253	—	253
Total	\$ 6,936	\$ 110	\$ 7,046	\$ 6,589	\$ 44	\$ 6,633

LC—Lending Commitments

1. Amounts include HFI, HFS loans and lending commitments. HFI loans are net of ACL.

As of December 31, 2024 and December 31, 2023, our direct lending against CRE properties totaled \$7.0 billion and \$6.6 billion, respectively. This represents 4.3% and 4.4%, respectively, of total exposure reflected in the Loans and Lending Commitments table above, primarily included within Securities-based lending and Other loans. Such loans are originated through our private banking platform, are both secured and generally benefiting from full or partial guarantees from high or ultra-high net worth clients, which partially reduce associated credit risk. At both December 31, 2024 and December 31, 2023, greater than 95% of the CRE loans balance received guarantees. During 2024, there were charge-offs of commercial real estate loans of \$25 million, mainly in the office sector. All of our lending against CRE properties are in the Americas region.

Market Risk

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

Risk Disclosures

The Bank’s principal market risk is non-trading interest rate risk in the banking book (amounts classified for regulatory capital purposes under the banking book regime), which refers to the exposure that a change in interest rates will result in prospective earnings and fair value changes for these assets and liabilities.

Sound market risk management is an integral part of our culture. The various business units are responsible for ensuring that market risk exposures are well-managed and prudent. The control functions help ensure that these risks are measured and closely monitored and are made transparent to senior management. The Market Risk Department is responsible for ensuring the transparency of material market risks, recommending and establishing limits, monitoring compliance with established limits and escalating risk concentrations to appropriate senior management.

To execute these responsibilities, the Market Risk Department monitors our risk against limits on aggregate risk exposures, performs a variety of risk analyses, routinely reports risk summaries, and maintains our scenario analysis systems. Market risk is also monitored through various measures: by use of statistics, by measures of position size and sensitivity, and through routine stress testing, which measures the impact on the value of existing portfolios of specified changes in market factors and scenarios designed by the Market Risk Department in collaboration with the business units. The material risks identified by these processes are summarized in reports produced by the Market Risk Department that are circulated to and discussed with senior management, the Market Risk Committee, the Bank RC, the BRC, and the Board.

Beginning in the fourth quarter of 2023, we started reporting our interest rate risk sensitivities using the Earnings-at-Risk (“EaR”) metric. EaR measures the estimated impact of changes in interest rates to our earnings for all positions within our consolidated balance sheet over a defined time horizon.

Earnings-At-Risk Sensitivity Analysis

<i>\$ in millions</i>	At December 31, 2024		At December 31, 2023
Basis point change			
+200	\$	(323)	\$ (9)
+100		(160)	1
-100		139	(22)
-200		213	(81)

The previous table presents an analysis of selected instantaneous upward and downward parallel interest rate shocks (subject to a floor of zero percent in the downward scenario) on earnings over the next 12 months for the Bank. These shocks are applied to our 12-month forecast for the Bank, which incorporates market expectations of interest rates and our forecasted balance sheet and business activity. The forecast includes modeled prepayment behavior, reinvestment of net cash flows from maturing assets and liabilities, and deposit pricing sensitivity to interest rates. These key assumptions are updated periodically based on historical data and future expectations.

We do not manage to any single rate scenario but rather manage earnings in the Bank across a range of possible outcomes,

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including non-parallel rate change scenarios. The sensitivity analysis assumes that we take no action in response to these scenarios, assumes there are no changes in other macroeconomic variables normally correlated with changes in interest rates and includes subjective assumptions regarding customer and market re-pricing behavior and other factors.

Our balance sheet is liability sensitive, given liabilities reprice faster than assets, resulting in lower earnings in higher interest rate scenarios and higher earnings in lower interest rate scenarios. The level of interest rates may impact the amount of deposits held at the Bank, given competition for deposits from other institutions and alternative cash-equivalent products available to depositors. Further, the level of interest rates could also impact client demand for loans. Earnings at risk sensitivity at December 31, 2024 increased from December 31, 2023, primarily driven by the effects of changes in the mix of our assets and liabilities and changes in market rates.

Operational Risk

Operational risk refers to the risk of loss, or of damage to our reputation, resulting from inadequate or failed processes or systems, human factors (e.g., inappropriate or unlawful conduct) or external events (e.g., cyberattacks or third-party vulnerabilities) that may manifest as, for example, loss of information, business disruption, theft and fraud, legal, regulatory and compliance risks, or damage to physical assets. We may incur operational risk across the full scope of our business activities, including revenue-generating activities and support and control groups (e.g., information technology and trade processing).

We have established an operational risk framework to identify, measure, monitor and control risk across the Bank. Effective operational risk management is essential to reducing the impact of operational risk incidents and mitigating legal, regulatory and reputational risks. The framework is continually evolving to account for changes in the Bank and to respond to the changing regulatory and business environment.

We have implemented operational risk data and assessment systems to monitor and analyze internal and external operational risk events, to assess business environment and internal control factors, and to perform scenario analysis. The collected data elements are incorporated in 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.

In addition, we employ a variety of risk processes and mitigants to manage our operational risk exposures. These include a governance framework, a comprehensive risk management program and insurance. Operational risks and associated risk exposures are assessed relative to the risk appetite reviewed and confirmed by the Board and are prioritized accordingly.

Risk Disclosures

The breadth and range of operational risk are such that the types of mitigating activities are wide-ranging. Examples of activities which are performed by the Bank or its affiliates, include: continuous enhancement of defenses against cyberattacks; use of legal agreements and contracts to transfer and/or limit operational risk exposures, due diligence, implementation of enhanced policies and procedures, technology change management controls, exception management processing controls, and segregation of duties.

Primary responsibility for the management of operational risk is with the product owners, control groups, and the business managers therein. The business managers maintain processes and controls designed to identify, assess, manage, mitigate and report operational risk. The Bank has a designated operational risk coordinator. The operational risk coordinator regularly reviews operational risk issues and reports to the Bank's senior management. Each control group also has a designated operational risk coordinator and a forum for discussing operational risk matters with our senior management. Oversight of operational risk is provided by senior management, the Operational Risk Oversight Committee, the Bank RC, and the BRC. In the event of a reorganization, a new product, or a business activity, operational risks are considered, and any necessary changes in processes or controls are implemented.

The Bank Operational Risk Department ("Bank ORD") provides independent oversight of operational risk and assesses, measures and monitors operational risk against appetite. The Bank ORD receives services from the Morgan Stanley Operational Risk Department. The Bank ORD works with the product areas and control groups to embed a transparent, consistent and comprehensive framework for managing operational risk within each area and across the Bank.

The Bank ORD scope includes oversight of technology risk, cybersecurity risk, information security risk, the fraud risk management and prevention program, and third-party risk management (supplier and affiliate risk oversight and assessment), among others.

Cybersecurity

Our cybersecurity and information security policies, procedures and technologies are designed to protect our own, our client and our employee data against unauthorized disclosure, modification or misuse and are also designed to address regulatory requirements. These policies and procedures cover a broad range of areas, including: identification of internal and external threats, access control, data security, protective controls, detection of malicious or unauthorized activity, incident response and recovery planning.

Bank Resilience

Morgan Stanley's and our 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. The Firm and the Bank maintain a Firmwide and Bank-wide resilience program that is designed to provide for

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operational resilience and enable us to respond to and recover critical processes and supporting assets in the event of a disruption impacting our people, technology, facilities and third parties. The key elements of the resilience program include business continuity management, and 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.

Third-Party Risk Management

In connection with our ongoing operations, we utilize the products and/or services of third parties, including our affiliates, which we anticipate will continue and may increase in the future. These products and/or services include, for example, outsourced processing and support functions and other professional services. Our risk-based approach to managing exposure to our third parties includes the performance of due diligence, implementation of service-level and other contractual agreements, consideration of operational risks and ongoing monitoring of the performance of our third parties. We maintain and continue to enhance our third-party risk management program, which is designed to align with our risk tolerance and meet regulatory requirements. The program includes appropriate governance, policies, procedures and enabling technology. The third-party risk management program includes the adoption of appropriate risk management controls and practices throughout the third-party management life cycle to manage risk of service failure, risk of data loss and reputational risk, among others.

Model Risk

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, noncompliance with applicable laws and/or regulations or damage to the Bank's reputation. The risk inherent in a model is a function of the materiality, complexity and uncertainty around inputs and assumptions.

Model risk is generated from the use of models impacting financial statements, regulatory filings, capital adequacy assessments and the formulation of strategy.

Sound model risk management is an integral part of our Risk Management Framework. The Model Risk Management Department ("MRM") is a distinct department in Risk Management responsible for the oversight of model risk.

The MRM establishes a model risk tolerance in line with our risk appetite. The tolerance is based on an assessment of the materiality of the risk of financial loss or reputational damage due to errors in design, implementation and/or inappropriate use of models. The tolerance is monitored through model-specific and aggregate business-level assessments, which are based upon qualitative and quantitative factors.

Risk Disclosures

The effective challenge of models consists of critical analysis by objective, informed parties who can identify model limitations and assumptions and drive appropriate changes. The MRM provides effective challenge of models, independently validates and approves models for use, annually recertifies models, periodically revalidates, identifies and tracks remediation plans for model limitations and reports on model risk metrics. The Bank maintains a comprehensive model inventory and a governance process to monitor and manage model risk. The key governance forums responsible for managing model risk within the Bank include the Model Risk Oversight Committee, the Bank RC, and the BRC.

Liquidity Risk

Liquidity risk refers to the risk that we will be unable to finance our operations due to a loss of access to the capital markets, a reduction in deposit balances, or difficulty in liquidating our assets. Liquidity risk also encompasses our ability (or perceived ability) to meet our financial obligations without experiencing significant business disruption or reputational damage that may threaten our viability as a going concern. Liquidity risk also encompasses the associated funding risks triggered by the market or idiosyncratic stress events that may negatively affect our liquidity and may impact our ability to raise new funding or the cost of new funding. Generally, we incur liquidity and funding risk as a result of our lending, trading and investing activities.

Our Liquidity Risk Management Framework is critical to helping ensure that we maintain sufficient liquidity reserves and durable funding sources to meet our daily obligations and to withstand unanticipated stress events. The Liquidity Risk Department is a distinct area in Risk Management responsible for the oversight and monitoring of liquidity risk. The Liquidity Risk Department ensures transparency of material liquidity and funding risks, compliance with established risk limits and escalation of risk concentrations to appropriate senior management.

To execute these responsibilities, the Liquidity Risk Department establishes limits in line with our risk appetite, identifies and analyzes emerging liquidity and funding risks to ensure such risks are appropriately mitigated, monitors and reports risk exposures against metrics and limits, and reviews the methodologies and assumptions underpinning our Liquidity Stress Tests to ensure sufficient liquidity and funding under a range of adverse scenarios. The liquidity and funding risks identified by these processes are summarized in reports produced by the LRD that are circulated to and discussed with senior management, the Liquidity Risk Committee, the Bank RC, and the BRC, as appropriate.

The Treasury Department and applicable business units have primary responsibility for evaluating, monitoring and controlling the liquidity and funding risks arising from our business activities and for maintaining processes and controls to manage the key risks inherent in their respective areas. The Liquidity Risk Department coordinates with the Treasury Department and these business units to help ensure a consistent and comprehensive framework for managing liquidity and funding

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risk across Morgan Stanley. See also “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources” herein.

Legal, Regulatory and Compliance Risk

Legal, regulatory and compliance risk includes the risk of legal or regulatory sanctions, material financial loss, including fines, penalties, judgments, damages and/or settlements, limitations on our business, or loss of reputation that we may suffer as a result of failure to comply with laws, regulations, rules, related self-regulatory organization standards and codes of conduct applicable to our business activities. This risk also includes contractual and commercial risk, such as the risk that a counterparty’s performance obligations will be unenforceable. It also includes compliance with BSA/AML and OFAC rules and requirements, terrorist financing, and anti-corruption rules and regulations. We are generally subject to extensive regulation in the different jurisdictions in which we conduct our business (see also “Business—Supervision and Regulation” and “Risk Factors”).

We have established procedures based on legal and regulatory requirements that are designed to facilitate compliance with applicable statutory and regulatory requirements and to require that our policies relating to business conduct, ethics and practices are followed. In addition, we have established procedures to mitigate the risk that a counterparty’s performance obligations will be 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. The heightened legal and regulatory focus on the financial services and banking industries globally presents a continuing business challenge for us.

Climate Risk

Climate change manifests as physical and transition risks. The physical risks of climate change include harm to people and property arising from acute climate-related events, such as floods, hurricanes, heatwaves, droughts and wildfires, and chronic, longer-term shifts in climate patterns, such as higher global average temperatures, rising sea levels and long-term droughts. The transition risk of climate change include policy, legal, technology, and market changes. Examples of these transition risks include changes in consumer and business sentiment, related technologies and any additional regulatory and legislative requirements, including increased disclosure or regulation of carbon emissions.

Climate risk, which is not expected to have a significant effect on our consolidated results of operations or financial condition in the near term, is an overarching risk that can impact other categories of risk. Physical risk may lead to increased credit risk by diminishing borrowers’ repayment capacity or impacting the value of collateral. In addition, physical risk could pose increased operational risk to our facilities and people. The impacts of transition risk may lead to and amplify credit or liquidity risk by reducing our customers’ operating income or the

Risk Disclosures

value of their assets, as well as exposing us to reputational, compliance and/or litigation risk due to increased legal and regulatory scrutiny or negative public sentiment.

As climate risk is interconnected with other risk types, we have developed and continue to enhance processes to embed climate risk considerations into our risk management practices and governance structures. The BRC oversees Bank wide risks, which include climate risk, and, as part of its oversight, receives updates on our risk management approach to climate risk, including our approaches toward scenario analysis and integration of climate risk into our existing risk management processes.

Morgan Stanley Private Bank,
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Morgan Stanley Private Bank, National Association

MANAGEMENT'S ASSERTION

March 4, 2025

To the Board of Directors and Shareholder of Morgan Stanley Private Bank, National Association:

Financial Statements

The management of Morgan Stanley Private Bank, National Association, (the "Bank") is responsible for the preparation, integrity and fair presentation of the Bank's annual financial statements. The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") and, as such, include amounts based on informed judgments and estimates made by management.

Internal Control

The Bank's internal control over financial reporting is a process effected by those charged with governance, management, and other personnel, designed to provide reasonable assurance regarding the preparation of reliable financial statements in accordance with GAAP and the Federal Financial Institutions Examination Council instructions for Consolidated Reports of Condition and Income (the "Call Report Instructions"). A bank's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the bank; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP, and that receipts and expenditures of the bank are being made only in accordance with authorizations of management and those charged with governance; and (3) provide reasonable assurance regarding prevention or timely detection and correction of unauthorized acquisition, use, or disposition of the bank's assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, misstatements may not be prevented or detected and corrected on a timely basis. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

Management is responsible for establishing and maintaining effective internal control over financial reporting. Management has assessed the effectiveness of the Bank's internal control over financial reporting, including controls over the preparation of financial statements in accordance with GAAP and of regulatory financial statements in accordance with the Call Report Instructions, as of December 31, 2024, based on the framework set forth by the Committee of Sponsoring Organizations of the Treadway Commission in Internal Control - Integrated Framework (2013). Based on this assessment, management has concluded that the Bank maintained effective internal control over financial reporting, including safeguarding of assets, presented in conformity with GAAP, as well as the Call Report instructions as of December 31, 2024.

Compliance with Laws and Regulations

Management is also responsible for ensuring compliance with federal laws and regulations pertaining to insider loans and the federal (and, if applicable, state) laws and regulations pertaining to dividend restrictions.

Management assessed its compliance with federal laws and regulations pertaining to insider loans and the federal (and, if applicable, state) laws and regulations pertaining to dividend restrictions for the year ended December 31, 2024. Based on this assessment, management has concluded that the Bank has complied with federal laws and regulations pertaining to insider loans and the federal (and, if applicable, state) laws and regulations pertaining to dividend restrictions for the year ended December 31, 2024.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Shareholder of
Morgan Stanley Private Bank, National Association

Opinion on Internal Control over Financial Reporting

We have audited the internal control over financial reporting of Morgan Stanley Private Bank, National Association and subsidiary (the "Bank") as of December 31, 2024, based on the criteria established in the *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) relevant to internal reporting objectives for the express purpose of meeting the regulatory requirements of Section 112 of the Federal Deposit Insurance Corporation Improvement Act (FDICIA). In our opinion, the Bank maintained, in all material respects, effective internal control over financial reporting as of December 31, 2024, based on the criteria established in the *Internal Control — Integrated Framework (2013)* issued by COSO relevant to internal reporting objectives for the express purpose of meeting the regulatory requirements of Section 112 of FDICIA.

We also have audited, in accordance with auditing standards generally accepted in the United States of America (GAAS), the consolidated financial statements as of and for the year ended December 31, 2024 of the Bank, and our report dated March 4, 2025, expressed an unmodified opinion on those financial statements.

Basis for Opinion

We conducted our audit in accordance with GAAS. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Internal Control over Financial Reporting section of our report. We are required to be independent of the Bank and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for Internal Control over Financial Reporting

Management is responsible for designing, implementing, and maintaining effective internal control over financial reporting, and for its assessment about the effectiveness of internal control over financial reporting, included in the accompanying Management's Assertion.

Auditor's Responsibilities for the Audit of Internal Control over Financial Reporting

Our objectives are to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects and to issue an auditor's report that includes our opinion on internal control over financial reporting. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit of internal control over financial reporting conducted in accordance with GAAS will always detect a material weakness when it exists.

In performing an audit of internal control over financial reporting in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Obtain an understanding of internal control over financial reporting, assess the risks that a material weakness exists, and test and evaluate the design and operating effectiveness of internal control over financial reporting based on the assessed risk.

Definition and Limitations of Internal Control over Financial Reporting

An entity's internal control over financial reporting is a process effected by those charged with governance, management, and other personnel, designed to provide reasonable assurance regarding the preparation of reliable financial statements in accordance with accounting principles generally accepted in the United States of America. Because management's assessment and our audit were conducted to meet the reporting requirements of Section 112 of FDICIA, our audit of the Bank's internal control over financial reporting included controls over the preparation of financial statements in accordance with accounting principles generally accepted in the United States of America and with the controls over the preparation of schedules equivalent to basic financial statements in accordance with the Federal Financial Institutions Examination Council Instructions for Consolidated Reports of Condition and Income (Call Report Instructions) (for Schedules RC, RI, and RI-A). An entity's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the entity; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States of America, and that receipts and expenditures of the entity are being made only in accordance with authorizations of management and those charged with governance; and (3) provide reasonable assurance regarding prevention, or timely detection and correction of unauthorized acquisition, use, or disposition of the entity's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent, or detect and correct, misstatements. Also, projections of any assessment of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Other Matter

We did not perform auditing procedures on management's statement referring to compliance with laws and regulations, and accordingly, we do not express an opinion or provide any assurance on it.

Deloitte + Touche LLP

March 4, 2025

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Shareholder of
Morgan Stanley Private Bank, National Association

Opinion

We have audited the consolidated financial statements of Morgan Stanley Private Bank, National Association and subsidiary (the "Bank"), which comprise the consolidated balance sheets as of December 31, 2024 and 2023, and the related consolidated income statements, comprehensive income statements, cash flow statements, and statements of changes in shareholder's equity for the years then ended, and the related notes to the consolidated financial statements (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as of December 31, 2024 and 2023, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with auditing standards generally accepted in the United States of America (GAAS), the Bank's internal control over financial reporting as of December 31, 2024, based on criteria established in *Internal Control—Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission relevant to internal reporting objectives for the express purpose of meeting the regulatory requirements of Section 112 of the Federal Deposit Insurance Corporation Improvement Act (FDICIA) and our report dated March 4, 2025 expressed an unmodified opinion on the Bank's internal control over financial reporting.

Basis for Opinion

We conducted our audits in accordance with GAAS. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Bank and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Bank's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are 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 absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Bank's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Information Included in the Annual Report

Management is responsible for the other information included in the annual report. The other information comprises the information included in the annual report (including Financial Data Supplement) but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audits of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Deloitte + Touche LLP

March 4, 2025

Consolidated Income Statement

Morgan Stanley Private Bank, National Association

<i>\$ in millions</i>	2024	2023
Revenues		
Interest income	\$ 9,251	\$ 8,260
Interest expense	5,856	4,477
Net interest	3,395	3,783
Non-interest revenues		
Fee income	419	391
Gains and (losses) on financial assets and liabilities	(6)	(5)
Other	34	28
Total non-interest revenues	447	414
Net revenues	3,842	4,197
Provision for credit losses	68	127
Non-interest expenses		
Compensation and benefits	312	315
General and administrative	569	539
FDIC and regulatory assessments	137	254
Total non-interest expenses	1,018	1,108
Income before provision for income taxes	2,756	2,962
Provision for income taxes	700	773
Net income	\$ 2,056	\$ 2,189

Consolidated Comprehensive Income Statement

<i>\$ in millions</i>	2024	2023
Net income	\$ 2,056	\$ 2,189
Other comprehensive income (loss), net of tax:		
Change in net unrealized gains (losses) on available-for-sale securities	250	196
Change in net debt valuation adjustment	(13)	3
Total other comprehensive income (loss) ¹	237	199
Comprehensive income	\$ 2,293	\$ 2,388

1. Amounts are net of (provision)/benefit for income taxes of \$(75) million and \$(62) million for 2024 and 2023, respectively.

Consolidated Balance Sheet

Morgan Stanley Private Bank, National Association

<i>\$ in millions</i>	At December 31, 2024	At December 31, 2023
Assets		
Cash and cash equivalents	\$ 24,406	\$ 16,392
Trading assets at fair value	1,037	627
Investment securities:		
Available-for-sale at fair value (amortized cost of \$18,531 and \$19,630)	17,779	18,549
Held-to-maturity (fair value of \$19,083 and \$22,670)	24,358	27,519
Securities purchased under agreements to resell	3,944	3,257
Loans:		
Held for investment (net of allowance for credit losses of \$326 and \$285)	146,451	132,713
Held for sale (lower of cost or fair value)	—	22
Loans to affiliate	—	605
Accrued interest receivable	792	708
Affordable housing tax credit investments	610	473
Deferred taxes	409	489
Goodwill	430	430
Other assets	1,090	1,529
Total assets	\$ 221,306	\$ 203,313
Liabilities		
Deposits (includes \$2,673 and \$2,585 at fair value)	\$ 199,209	\$ 185,327
Securities sold under agreements to repurchase	—	255
Other secured financing	3,000	—
Accrued interest payable	477	432
Other liabilities and accrued expenses	879	988
Borrowings	657	496
Total liabilities	204,222	187,498
Shareholder's equity		
Common stock, \$1 par value:		
Shares authorized, issued and outstanding: 2,000	—	—
Additional paid-in capital	12,144	12,144
Retained earnings	5,536	4,504
Accumulated other comprehensive income (loss)	(596)	(833)
Total shareholder's equity	17,084	15,815
Total liabilities and shareholder's equity	\$ 221,306	\$ 203,313

Statement of Changes in Shareholder's Equity

Morgan Stanley Private Bank, National Association

<i>\$ in millions</i>	2024	2023
Common stock		
Beginning and ending balance	\$ —	\$ —
Additional paid-in capital		
Beginning and ending balance	12,144	12,144
Retained earnings		
Beginning balance	4,504	4,860
Net income	2,056	2,189
Dividends to Parent	(1,024)	(2,545)
Ending balance	5,536	4,504
Accumulated other comprehensive income (loss)		
Beginning balance	(833)	(1,032)
Net change in Accumulated other comprehensive income (loss) ¹	237	199
Ending balance	(596)	(833)
Total shareholder's equity	\$ 17,084	\$ 15,815

1. Amounts are net of (provision)/benefit for income taxes of \$(75) million and \$(62) million for 2024 and 2023, respectively.

Consolidated Cash Flow Statement

Morgan Stanley Private Bank, National Association

<i>\$ in millions</i>	2024	2023
Cash flows from operating activities		
Net income	\$ 2,056	\$ 2,189
Adjustments to reconcile net income to net cash provided by (used for) operating activities:		
Depreciation and amortization	218	183
Provision for credit losses	68	127
Deferred income taxes, net	4	(31)
Other operating adjustments	60	(242)
Changes in assets and liabilities:		
Loans held for sale	(4)	2
Trading assets, net of Trading liabilities	(527)	80
Net receivable from affiliates	466	20
Other liabilities and accrued expenses	76	439
Other assets	141	(201)
Net cash provided by operating activities	2,558	2,566
Cash flows from investing activities		
Proceeds from (payments for):		
AFS securities:		
Purchases	(1,806)	(1,162)
Proceeds from sales	246	837
Proceeds from paydowns and maturities	2,726	761
HTM securities:		
Proceeds from paydowns and maturities	3,369	2,880
Securities purchased under agreements to resell	(687)	(3,257)
Securities sold under agreements to repurchase	(255)	255
Changes in loans held for investment, net	(13,725)	(3,657)
Other investing activities	(178)	(107)
Net cash (used for) investing activities	(10,310)	(3,450)
Cash flows from financing activities		
Net proceeds from (payments for):		
Deposits	13,783	(6,960)
Other secured financing	2,865	—
Borrowings	161	28
Cash dividends	(1,024)	(2,545)
Net cash provided by (used for) financing activities	15,785	(9,477)
Effect of exchange rate changes on cash and cash equivalents	(19)	9
Net increase (decrease) in cash and cash equivalents	8,014	(10,352)
Cash and cash equivalents, at beginning of period	16,392	26,744
Cash and cash equivalents, at end of period	\$ 24,406	\$ 16,392
Supplemental Disclosure of Cash Flow Information		
Cash payments/ (refunds) for:		
Interest	\$ 5,811	\$ 4,153
Income taxes	612	853

Notes to Consolidated Financial Statements

Morgan Stanley Private Bank, National Association

1. Introduction and Basis of Presentation

The Bank

Morgan Stanley Private Bank, National Association (“MSPBNA”) is a national bank and a wholly owned subsidiary of MSCM. On August 1, 2023, the Bank ceased to be a wholly owned subsidiary of MSDHL (formerly named MSDHI) and became a wholly owned subsidiary of MSCM, which is a direct wholly owned subsidiary of Morgan Stanley. The Bank is regulated by the OCC and its qualifying deposits are insured by the FDIC. Unless the context otherwise requires, the term “Bank” means Morgan Stanley Private Bank, National Association. See the “Glossary of Common Terms and Acronyms” for the definition of certain terms and acronyms used throughout this Annual Report.

The Bank’s lending activities include lending to clients for specific purposes, such as residential real estate and securities-based and other financing, including retail securities-based lending primarily to customers of our affiliated retail broker-dealer, MSSB, and their small and medium-sized businesses.

The Bank accepts deposits, including MMDAs, DDAs, and issues CDs that are principally used to fund lending activities and invest in securities.

Basis of Financial Information

The financial statements are prepared in accordance with U.S. GAAP, which requires the Bank to make estimates and assumptions regarding the valuations of certain financial instruments, ACL, compensation, deferred tax assets, goodwill, the outcome of legal and tax matters, and other matters that affect the financial statements and related disclosures. The Bank believes that the estimates utilized in the preparation of the financial statements are prudent and reasonable. Actual results could differ materially from these estimates.

The Notes are an integral part of the Bank’s financial statements. The Bank has evaluated subsequent events for adjustment to or disclosure in the financial statements through the date of this report and has not identified any recordable or disclosable events, not otherwise reported in the financial statements or the notes thereto.

Consolidation

The financial statements include the accounts of the Bank and its wholly owned subsidiary. Intercompany balances and transactions have been eliminated.

2. Significant Accounting Policies

Loans

The Bank accounts for loans based on the following categories: loans held for investment and loans held for sale.

Nonaccrual and ACL Charge-offs on Loans

All loan categories described below follow the same nonaccrual guidance and loans held for investment follow the charge-off guidance as discussed in “Allowance for Credit Losses” herein.

Loans Held for Investment

Loans held for investment are reported at amortized cost, which consists of the outstanding principal balance adjusted for any charge-offs, the allowance for credit losses, any unamortized deferred fees or costs for originated loans, and any unamortized premiums or discounts for purchased loans.

Interest Income. Interest income on performing loans held for investment is accrued and recognized as interest income at the contractual rate of interest. Purchase price discounts or premiums, as well as net deferred loan fees or costs, are amortized into interest income over the life of the loan to produce a level rate of return.

For more information regarding allowance for credit losses, refer to “Allowance for Credit Losses” herein.

Loans Held for Sale

Mortgage loans originated with the intention to sell in the secondary market for which fair value accounting has not been elected are measured at the lower of amortized cost or fair value with valuation changes recorded in Non-interest revenue—Gains and (losses) on financial assets and liabilities in the income statement. The Bank determines the valuation allowance at the loan product level. Any decreases in fair value below the initial carrying amount and any recoveries in fair value up to the initial carrying amount are recorded in Non-interest revenue—Gains and (losses) on financial assets and liabilities. Increases in fair value above initial carrying value are not recognized.

Interest Income. Interest income on HFS loans is accrued and recognized based on the contractual rate of interest and included in Interest income in the income statement. Loan origination fees or costs and purchase price discounts or premiums are deferred as an adjustment to the loan’s cost basis until the related loan is sold and as such, are included in the periodic determination of the lower of cost or fair value adjustments and the gain or loss recognized at the time of sale.

Loans held for sale are subject to the nonaccrual policies described below. Because loans held for sale are recognized at the lower of cost or fair value, the allowance for credit losses and charge-off policies do not apply to these loans.

Commitments to originate mortgage loans that will be held for sale are accounted for as derivative instruments until the commitment is funded or expires.

Loan Origination Fees and Costs

Loan origination fees or costs for loans held for investment are capitalized and recognized as an adjustment of the yield generally by the effective interest method based on the contractual terms of the loan. Loan origination fees or costs for

Notes to Consolidated Financial Statements

Morgan Stanley Private Bank, National Association

residential mortgage loans held for sale are deferred until the related loan is sold.

Loan Commitments

In the ordinary course of business, the Bank enters into commitments to extend credit that include commitments for loans held for investment, and mortgage loans held for sale. For commitments to originate loans that will be held for sale, the Bank recognizes the commitments at fair value. For commitments on loans held for investment, the Bank recognizes an allowance for unfunded commitments which is included in Other liabilities and accrued expenses in the balance sheet. The Bank records the liability and related expense for the credit exposure related to commitments to fund loans that will be held for investment in a manner consistent with the methodology used for funded loans. The analysis also incorporates a credit conversion factor, which is the expected utilization of the undrawn commitment.

Allowance for Credit Losses

The ACL for financial instruments measured at amortized cost and certain off-balance sheet exposures (e.g., HFI loans and lending commitments, HTM securities, customer and other receivables and certain guarantees) represents an estimate of expected credit losses over the entire life of the financial instrument.

Factors considered by management when determining the ACL include payment status, fair value of collateral, expected payments of principal and interest, as well as internal or external information relating to past events, current conditions and reasonable and supportable forecasts. The Bank uses three forecasts that include assumptions about certain macroeconomic variables including, but not limited to, U.S. gross domestic product (“GDP”), equity market indices and interest rates, as well as commercial real estate and home price indices. At the conclusion of the Bank’s reasonable and supportable forecast period of 13 quarters, there is a gradual reversion back to historical averages.

The ACL is measured on a collective basis when similar risk characteristics exist for multiple instruments considering all available information relevant to assessing the collectability of cash flows. Generally, the Bank applies a probability of default/loss given default model for instruments that are collectively assessed, under which the ACL is calculated as the product of probability of default, loss given default and exposure at default. These parameters are forecast for each collective group of assets using a scenario-based statistical model.

If the instrument does not share similar risk characteristics with other instruments, including when it is probable that the Bank will be unable to collect the full payment of principal and interest on the instrument when due, the ACL is measured on an individual basis. The Bank generally applies the fair value of collateral if the loan is collateral dependent (i.e., repayment of the loan is expected to be provided substantially by the sale or operation of the underlying collateral and the borrower is

experiencing financial difficulty) or a discounted cash flow method for instruments that are individually assessed.

Additionally, the Bank can elect to use an approach to measure the ACL that considers the fair value of collateral where the borrower is required to, and reasonably expected to, continually adjust and replenish the amount of collateral securing the instrument to reflect changes in the fair value of such collateral. The Bank has elected to use this approach for certain securities-based loans, and Securities purchased under agreements to resell.

Credit quality indicators considered in developing the ACL include:

- Residential real estate loans: Loan origination FICO credit scores as determined by independent credit agencies in the U.S. and LTV ratios.
- Securities-based lending and Other: For loans secured by marketable securities, including those in Securities-based lending, the Bank generally measures the ACL based on the fair value of collateral. In addition to the above, Other loans primarily include tailored loans. Tailored loans include loans secured by collateral such as commercial real estate, unfunded capital commitments, marketable securities, as well as unsecured loans. For tailored loans secured by commercial real estate, the principal risk factors for determining the ACL are the underlying collateral type, LTV ratio, debt service ratio, borrower/guarantor’s financial strength and macroeconomic scenario projections. For tailored loans secured by unfunded capital commitments and unsecured loans, the principal risk factors for determining ACL considers risk factors, including the borrower/guarantor’s financial strength, structural enhancements, seniority of the loan, and macroeconomic scenario projections.

Qualitative and environmental factors such as economic and business conditions, the nature and volume of the portfolio, and lending terms and the volume and severity of past due loans are also considered in the ACL calculations.

Presentation of ACL and Provision for Credit Losses

	ACL	Provision for Credit Losses
Held for investment loans	Contra asset	Provision for credit losses
Held for investment lending commitments	Other liabilities and accrued expenses	Provision for credit losses

Nonaccrual

The Bank places financial instruments on nonaccrual status if principal or interest is not expected when contractually due or is past due for a period of 90 days or more unless the obligation is well secured and is in the process of collection.

For any instrument placed on nonaccrual status, the Bank reverses any unpaid interest accrued with an offsetting reduction to Interest income. Principal and interest payments received on nonaccrual instruments are applied to principal if there is doubt regarding the ultimate collectability of principal. If collection of the principal is not in doubt, interest income is realized on a cash

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Morgan Stanley Private Bank, National Association

basis. If the instrument is brought current and neither principal nor interest collection is in doubt, instruments can generally return to accrual status and interest income can be recognized.

ACL Charge-offs

The principal balance of a financial instrument is charged off in the period it is deemed uncollectible, resulting in a reduction in the ACL and in the balance of the financial instrument in the balance sheet. Accrued interest receivable balances that are separately recorded from the related financial instruments are charged off against Interest income when the related financial instrument is placed on nonaccrual status. Accordingly, the Bank elected not to measure an ACL for accrued interest receivables.

AFS Investment Securities

AFS securities are reported at fair value in the balance sheet. Interest income, including amortization of premiums and accretion of discounts, is included in Interest income in the income statement. Unrealized gains are recorded in OCI and unrealized losses are recorded either in OCI or in Non-interest revenue as described below.

AFS securities in an unrealized loss position are first evaluated to determine whether there is an intent to sell or it is more likely than not the Bank will be required to sell before recovery of the amortized cost basis. If so, the amortized cost basis is written down to the fair value of the security such that the entire unrealized loss is recognized in Non-interest revenue and any previously established ACL is written off.

For all other AFS securities in an unrealized loss position, any portion of unrealized losses representing a credit loss is recognized in Non-interest revenue and as an increase to the ACL for AFS securities, with the remainder of unrealized losses recognized in OCI. A credit loss exists if the Bank does not expect to recover the amortized cost basis of the security. When considering whether a credit loss exists, the Bank considers relevant information, including:

- guarantees (implicit or explicit) by the U.S. Government;
- the extent to which the fair value has been less than the amortized cost basis;
- adverse conditions specifically related to the security, its industry or geographic area;
- changes in the financial condition of the issuer of the security, or, in the case of an asset-backed debt security, changes in the financial condition of the underlying loan obligors;
- the payment structure of the debt security and the likelihood of the issuer being able to make payments that increase in the future;
- failure of the issuer of the security to make scheduled interest or principal payments;
- the current rating and any changes to the rating of the security by a rating agency.

If a credit loss exists, the Bank measures the credit loss as the difference between the present value of cash flows expected to be collected (discounted at the implicit interest rate at acquisition

of the security or discounted at the effective yield for securities that incorporate changes in prepayment assumptions) and the amortized cost basis of the security. Changes in prepayment assumptions alone are not considered to result in a credit loss. When estimating the present value of expected cash flows, information utilized includes the remaining payment terms of the security, prepayment speeds, financial condition of the issuer, expected defaults and the value of any underlying collateral.

Presentation of ACL and Provision for Credit Losses

ACL		Provision for Credit Losses
AFS securities	Contra investment securities	Other revenue

Nonaccrual & ACL Charge-offs on AFS Securities

AFS securities follow the same nonaccrual and charge-off guidance as discussed in “Allowance for Credit Losses” herein.

HTM Securities

HTM securities are reported at amortized cost, net of any ACL, in the balance sheet. Refer to “Allowance for Credit Losses” herein for guidance on the ACL determination. Interest income, including amortization of premiums and accretion of discounts on HTM securities, is included in Interest income in the income statement.

Fair Value of Financial Instruments

Instruments within Trading assets are measured at fair value, either as required or allowed by accounting guidance. These financial instruments primarily represent the Bank’s trading and investment positions and include both cash and derivative products. In addition, securities classified as AFS are measured at fair value.

Gains and losses on instruments carried at fair value are reflected in Non-interest revenue—Gains and (losses) on financial assets and liabilities in the income statement.

Interest income and interest expense for fair valued financial instruments are recorded within the income statement as interest income or interest expense, respectively.

The fair value of OTC financial instruments, including derivative contracts related to financial instruments, is presented in the accompanying balance sheet on a net-by-counterparty basis, when appropriate. Additionally, the Bank nets the fair value of cash collateral paid or received against the fair value amounts recognized for net derivative positions executed with the same counterparty under the same master netting agreement.

Fair Value Option

The Bank has elected to measure certain eligible instruments at fair value, including Deposits.

Fair Value Measurement-Definition and Hierarchy

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

Notes to Consolidated Financial Statements

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 Bank believes market participants would use in pricing the asset or liability at the measurement date. Where the Bank manages a group of financial assets, financial liabilities, and nonfinancial items accounted for as derivatives on the basis of its net exposure to either market risks or credit risk, the Bank 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 Bank 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 Bank. Unobservable inputs are inputs that reflect assumptions the Bank 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. Valuations based on quoted prices in active markets that the Bank has the ability to access for identical assets or liabilities. Valuation adjustments, block discounts and discounts for entity-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 judgment.

Level 2. 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. 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, including 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 judgment. Accordingly, the degree of judgment exercised by the Bank in determining fair value is greatest for instruments categorized in Level 3 of the fair value hierarchy.

Morgan Stanley Private Bank, National Association

The Bank 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.

See Note 6 for a description of valuation techniques applied to the major categories of financial instruments measured at fair value.

Assets and Liabilities Measured at Fair Value on a Non-recurring Basis

Certain of the Bank's assets and liabilities are measured at fair value on a non-recurring basis. The Bank 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 observable inputs be used when available, is used in measuring fair value for these items.

For further information on financial assets and liabilities that are measured at fair value on a recurring and non-recurring basis, see Note 6.

Hedge Accounting

The Bank applies hedge accounting using various derivative financial instruments to hedge changes in the fair value of assets and liabilities due to the risk being hedged (fair value hedges). These financial instruments are included within Trading assets or Trading liabilities in the balance sheet. For hedges where hedge accounting is being applied, the Bank performs effectiveness testing and other procedures. The change in the fair value of the designated portion of the hedging instrument should be highly correlated, between 80 and 125 percent of the change in fair value of the hedged item attributable to the risk being hedged. The Bank considers the impact of valuation adjustments related to counterparty credit spreads and its own credit spreads to determine whether they would cause the hedging relationship to be ineffective.

Fair Value Hedges—Interest Rate Risk

The Bank's designated fair value hedges consist of interest rate swaps designated as hedges of changes in the benchmark interest rate of certain fixed-rate AFS securities. The Bank also designates interest rate swaps as fair value hedges of changes in the benchmark interest rate of certain fixed rate deposits. The Bank is permitted to hedge the full, or part of the, contractual term of the hedged instrument. The Bank uses regression

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analysis to perform ongoing prospective and retrospective assessment of the effectiveness of these hedging relationships.

For qualifying fair value hedges of benchmark interest rates, the change in the fair value of the derivative, offset by the change in the fair value attributable to the change in the benchmark interest rate risk of the hedged asset (liability), is recognized in earnings each period as a component of Interest income (expense). For AFS securities, the change in fair value of the hedged item due to changes other than the risk being hedged will continue to be reported in OCI. When a derivative is de-designated as a hedge, any basis adjustment remaining on the hedged asset (liability) is amortized to Interest income (expense) over the remaining life of the asset (liability) using the effective interest method.

Cash and Cash Equivalents

Cash and cash equivalents consist of Cash and due from banks and interest bearing deposits with banks. Cash equivalents are highly liquid investments with remaining maturities of three months or less from the acquisition date that are readily convertible to cash and are not held for trading purposes.

Cash and cash equivalents also include Restricted cash such as cash segregated in compliance with federal or other regulations.

Trading Assets

Trading assets primarily include equity investments. Trading assets are reported at fair value. Fair value is determined by using various valuation approaches (see Note 6) and primarily measured based on the NAV of the fund investments. Trading gains (losses) include realized and unrealized gains (losses) from the financial instruments designated as trading in the period that fair value changes. Such gains (losses) are reported as Gains and (losses) on financial assets and liabilities in the income statement.

Affordable Housing Tax Credit Investments

The Bank invests in qualified affordable housing projects in which it elects to account for investments using the proportional amortization method, under which the initial investment is amortized in proportion to the tax credits and other tax benefits received and the net investment performance is recognized in the income statement as a component of income tax expense. In addition, under the proportional amortization method, the value of the unfunded commitments to fund qualified affordable housing projects is included in Affordable housing tax credit investments on the Balance Sheet and a liability is recorded for the unfunded portion.

Securities Purchased Under Agreements to Resell ("Reverse Repurchase Agreements")

Securities purchased under agreements to resell are principally investment grade ABS that are carried on the balance sheet at the amounts of cash paid plus accrued interest.

Deposits

The Bank's deposits primarily consist of MMDAs, DDAs and CDs. MMDA and DDA deposits are primarily interest-bearing accounts that have no maturity. Interest on these accounts accrues daily which is included in interest expense in the income statement. For MMDAs, the depositor is not required by the deposit contract, but may at any time be required by the Bank, to give written notice of an intended withdrawal not less than seven days before the withdrawal is made.

CDs are recorded on a settlement date basis and accrue interest daily. Structured CDs are recorded at fair value under the fair value option election. Guaranteed coupon payments are recorded as interest expense in the income statement. Other realized and unrealized gains and losses related to CDs at fair value are reported as Other non-interest revenue in the income statement. Realized and unrealized gains and losses related to interest rate swaps and other equity derivative contracts used to hedge the interest rate and market risks for CDs that are not designated as accounting hedges are recorded in Other non-interest revenue in the income statement.

Other Secured Financing and Borrowings

Other secured financing and Borrowings are recorded on a settlement date basis at the amounts borrowed within the respective lines on the balance sheet. Other secured financing and Borrowings accrue interest daily; these are recorded as Interest expense in the income statement, and Accrued interest payable on the balance sheet. For information related to other secured financing and borrowings, see Notes 8 and 10.

Receivable from Affiliates and Payable to Affiliates

Affiliate payable and receivable balances are reported net on a legal entity basis in the balance sheet.

Fee Income

The Bank receives transaction-based fees pursuant to agreements with affiliates related to loans transacted by the Bank. Fees from affiliates also compensate the Bank for relationship priced loans granted to clients of the affiliate. Such fees are reported as Non-interest revenues—Fee Income in the income statement, see Note 10.

Derivative Contracts

The Bank enters into certain derivative financial instruments for non-trading purposes. The Bank uses interest rate swaps primarily to manage interest rate risk arising from certain AFS securities and deposits. The Bank also uses equity derivative contracts to hedge its market risk exposure to structured CDs it has issued. The Bank recognizes all derivatives as either assets or liabilities at fair value. Realized and unrealized gains and losses related to derivative financial instruments that do not qualify for hedge accounting are recorded in Non-interest revenue—Gains and (losses) on financial assets and liabilities in the income statement.

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Offsetting of Derivative Instruments

In connection with its derivative activities, the Bank generally enters into master netting agreements and collateral agreements with its counterparties. These agreements provide the Bank with the right, in the event of a default by the counterparty, to net a counterparty's rights and obligations under the agreement and to liquidate and set off cash collateral against any net amount owed by the counterparty. Derivatives with enforceable master netting agreements are reported net of cash collateral received and posted.

However, in certain circumstances, the Bank may not have such an agreement in place; the relevant insolvency regime may not support the enforceability of the master netting agreement or collateral agreement; or the Bank may not have sought legal advice to support the enforceability of the agreement. In cases where the Bank has not determined an agreement to be enforceable, the related amounts are not offset (see Note 11).

The Bank's policy is generally to receive cash and/or securities posted as collateral (with rights of rehypothecation) in connection with derivative transactions, irrespective of the enforceability determination regarding the master netting and collateral agreement. In certain cases, the Bank may agree for such collateral to be posted by the counterparty to a third-party custodian under a control agreement that enables it to take control of such collateral in the event of a counterparty default. The enforceability of the master netting agreement is taken into account in the Bank's risk management practices and application of counterparty credit limits.

For information related to offsetting of derivatives, see Note 11.

Goodwill

The Bank tests goodwill for impairment on an annual basis and on an interim basis when certain events or circumstances exist.

The Bank tests goodwill for impairment at the reporting unit level. For both the annual and interim tests, the Bank has the option to either (i) perform a quantitative impairment test or (ii) first perform a qualitative assessment to determine whether it is more likely than not that the fair value is less than its carrying amount, in which case the quantitative test would be performed.

When performing a quantitative impairment test of goodwill, the Bank compares the fair value of the reporting unit with the carrying amount. If the fair value is less than the carrying amount, the impairment loss is equal to the excess of the carrying value over the fair value, limited to the carrying amount of goodwill within the reporting unit.

The estimated fair values used in the quantitative impairment tests of goodwill are derived based on valuation techniques the Bank believes market participants would use. The estimated fair values can be determined by utilizing a discounted cash flow methodology or methodologies that incorporate price-to-book and price-to-earnings multiples of certain comparable companies for goodwill impairment testing.

The annual goodwill impairment testing as of July 1, 2024 did not indicate any impairment. The Bank has not recognized any goodwill impairments to date. Any impairment losses would be recorded within Other expenses in the income statement.

Income Taxes

Deferred tax assets and liabilities are recorded based upon the temporary differences between the financial statement and income tax bases of assets and liabilities using currently enacted tax rates in effect for the year in which the differences are expected to reverse. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in income tax expense (benefit) in the period that includes the enactment date. Such effects are recorded in Provision for income taxes regardless of where deferred taxes were originally recorded.

The Bank recognizes net deferred tax assets to the extent that it believes these assets are more likely than not to be realized. In making such a determination, the Bank considers all available positive and negative evidence, including future reversals of existing taxable temporary differences, projected future taxable income, tax planning strategies, and results of recent operations. When performing the assessment, the Bank considers all types of deferred tax assets in combination with each other, regardless of the origin of the underlying temporary difference. If a deferred tax asset is determined to be unrealizable, a valuation allowance is established. If the Bank subsequently determines that it would be able to realize deferred tax assets in excess of their net recorded amount, it would make an adjustment to the deferred tax asset valuation allowance, which would reduce the provision for income taxes.

Uncertain tax positions are recorded on the basis of a two-step process whereby (i) the Bank determines whether it is more likely than not that the tax positions will be sustained on the basis of the technical merits of the position, and (ii) for those tax positions that meet this threshold, the Bank recognizes the largest amount of tax benefit that is more likely than not to be realized upon ultimate settlement with the related tax authority. Interest and penalties related to unrecognized tax benefits are recognized as a component of the provision for income taxes.

Accounting Update Adopted in 2024

Investments - Tax Credit Structures

The Bank adopted the *Investments - Equity Method and Joint Ventures - Tax Credit Structures* accounting update on January 1, 2024 using the modified retrospective method. This accounting update permits an election to account for tax equity investments using the proportional amortization method if certain conditions are met. Under the proportional amortization method, the initial cost of the investment is amortized in proportion to the income tax credits and other income tax benefits received and recognized net in the income statement as a component of provision for income taxes. The update requires a separate accounting policy election to be made for each tax credit program. Additional disclosures are required regarding (i) the nature of our tax equity investments and (ii) the effect of our tax equity investments and

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related income tax credits on the financial condition and results of operations (see Note 13).

There was no impact to our financial condition or results of operations upon adoption.

3. Loans, Lending Commitments and Related Allowance for Credit Losses

The Bank's loan portfolio consists of the following types of loans:

- *Residential Real Estate.* Residential real estate loans mainly include non-conforming loans and HELOC.
- *Securities-based lending and Other.* Securities-based lending and Other includes loans that allow clients to borrow money against the value of qualifying securities, generally for any suitable purpose other than purchasing, trading, or carrying securities or refinancing margin debt. The majority of these loans are structured as revolving lines of credit. Other loans primarily include tailored loans, which typically consists of bespoke lending arrangements provided to ultra-high net worth clients. Securities-based lending and Other loans are generally secured by various types of eligible collateral, including marketable securities, private investments, commercial real estate and other financial assets.

Loans by Type

At December 31, 2024			
<i>\$ in millions</i>	HFI Loans	HFS Loans	Total Loans
Residential real estate	\$ 66,738	\$ —	\$ 66,738
Securities-based lending and Other ²	80,039	—	80,039
Total loans	146,777	—	146,777
ACL	(326)	—	(326)
Total loans, net	\$ 146,451	\$ —	\$ 146,451
Loans to non-U.S. borrowers, net	\$ 4,999	\$ —	\$ 4,999

At December 31, 2023			
<i>\$ in millions</i>	HFI Loans	HFS Loans	Total Loans
Residential real estate	\$ 60,375	\$ 22	\$ 60,397
Securities-based lending and Other ²	72,623	—	72,623
Total loans	132,998	22	133,020
ACL	(285)	—	(285)
Total loans, net	\$ 132,713	\$ 22	\$ 132,735
Loans to non-U.S. borrowers, net	\$ 4,073	\$ —	\$ 4,073

1. Conforming mortgage loans held for sale are eligible for sale to U.S. government sponsored agencies.
2. Other loans primarily include tailored loans.

Loans by Interest Rate Type

<i>\$ in millions</i>	At December 31, 2024		At December 31, 2023	
	Fixed Rate	Floating or Adjustable Rate	Fixed Rate	Floating or Adjustable Rate
Residential real estate	\$ 31,014	\$ 35,724	\$ 28,934	\$ 31,463
Securities-based lending and Other	22,132	57,907	20,385	52,238
Total loans, before ACL	\$ 53,146	\$ 93,631	\$ 49,319	\$ 83,701

See Note 12 for details of current commitments to lend in the future.

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Credit Quality

The Bank's CRM evaluates new obligors before credit transactions are initially approved. The initial credit evaluation typically includes, but is not limited to, review of the obligor's income, net worth, liquidity, collateral, LTV ratio, and credit bureau information. Subsequent credit monitoring for residential real estate loans is performed at the portfolio level, while each loan in the TL portfolio must be reviewed and rated individually at least annually. TL and SBL loans secured by marketable securities are monitored on a daily basis.

For information related to credit quality indicators considered in developing the ACL see Note 2.

Loans Held for Investment before Allowance by Credit Quality and Origination Year

<i>\$ in millions</i>	At December 31, 2024					
	Residential Real Estate					
	by FICO scores			by LTV ratio		Total
≥ 740	680-739	≤ 679	≤ 80%	> 80%		
Revolving	\$ 136	\$ 39	\$ 5	\$ 180	\$ —	\$ 180
2024	8,653	1,607	191	9,458	993	10,451
2023	6,778	1,431	201	7,529	881	8,410
2022	10,294	2,298	370	11,941	1,021	12,962
2021	10,510	2,247	228	12,094	891	12,985
2020	6,494	1,346	97	7,529	408	7,937
Prior	10,594	2,825	394	12,826	987	13,813
Total	\$ 53,459	\$ 11,793	\$ 1,486	\$ 61,557	\$ 5,181	\$ 66,738

<i>\$ in millions</i>	At December 31, 2023					
	Residential Real Estate					
	by FICO scores			by LTV ratio		Total
≥ 740	680-739	≤ 679	≤ 80%	> 80%		
Revolving	\$ 108	\$ 33	\$ 8	\$ 149	\$ —	\$ 149
2023	7,390	1,517	230	8,168	969	9,137
2022	10,927	2,424	389	12,650	1,090	13,740
2021	11,075	2,376	239	12,763	927	13,690
2020	6,916	1,430	104	8,017	433	8,450
2019	3,965	890	131	4,686	300	4,986
Prior	7,677	2,241	305	9,420	803	10,223
Total	\$ 48,058	\$ 10,911	\$ 1,406	\$ 55,853	\$ 4,522	\$ 60,375

<i>\$ in millions</i>	At December 31, 2024			
	Securities-based Lending ¹	Other ²		Total
		IG	NIG	
Revolving	\$ 63,692	\$ 6,328	\$ 1,438	\$ 71,458
2024	97	654	239	990
2023	518	424	537	1,479
2022	79	472	955	1,506
2021	—	14	408	422
2020	39	219	407	665
Prior	231	1047	2241	3519
Total	\$ 64,656	\$ 9,158	\$ 6,225	\$ 80,039

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\$ in millions	At December 31, 2023			
	Securities-based Lending ¹	Other ²		Total
		IG	NIG	
Revolving	\$ 57,958	\$ 5,183	\$ 1,239	\$ 64,380
2023	629	627	318	1,574
2022	65	816	709	1,590
2021	—	330	214	544
2020	—	424	306	730
2019	13	769	591	1,373
Prior	202	1,144	1,086	2,432
Total	\$ 58,867	\$ 9,293	\$ 4,463	\$ 72,623

IG—Investment Grade

NIG—Non-investment Grade

- Securities-based loans are subject to collateral maintenance provisions, and at December 31, 2024 and December 31, 2023, these loans are predominantly over-collateralized. For more information on the ACL methodology related to securities-based loans, see Note 2.
- Other loans primarily include certain loans originated in the tailored lending business, which typically consist of bespoke lending arrangements provided to ultra-high worth net clients. These facilities are generally secured by eligible collateral. For a further discussion of Other loans, see "Quantitative and Qualitative Disclosures about Risk—Credit Risk" herein.

Past Due Loans Held for Investment before Allowance¹

\$ in millions	At December 31, 2024	At December 31, 2023
Residential real estate	\$ 186	\$ 160
Securities-based lending	86	—
Total	\$ 272	\$ 160

- As of December 31, 2024, the majority of the amounts are 90 days or more past due. As of December 31, 2023, the majority of the amounts are past due for a period of less than 90 days.

Nonaccrual Loans Held for Investment before Allowance¹

\$ in millions	At December 31, 2024	At December 31, 2023
Residential real estate	\$ 160	\$ 95
Securities-based lending and Other	297	172
Total	\$ 457	\$ 267
Nonaccrual loans without an ACL	\$ 147	\$ 86

- There were no loans held for investment that were 90 days or more past due and still accruing as of December 31, 2024 and December 31, 2023. For further information on the Bank's nonaccrual policy, see Note 2 to the financial statements.

Loan Modifications to Borrowers Experiencing Financial Difficulty

The Bank may modify the terms of certain loans for economic or legal reasons related to a borrower's financial difficulties, and these modifications include interest rate reductions, principal forgiveness, term extensions and other-than-insignificant payment delays or a combination of these aforementioned modifications. Modified loans are typically evaluated individually for allowance for credit losses. As of December 31, 2024, there were no loans held for investment modified in the current year with subsequent default.

Modified Loans Held for Investment

Period-end loans held for investment modified during the following periods¹:

\$ in millions	Year Ended December 31,			
	2024		2023	
	Amortized Cost	% of Total Loans ²	Amortized Cost	% of Total Loans ²
Term Extension				
Residential real estate	\$ —	— %	\$ 1	— %
Securities-based lending and Other	117	0.1 %	145	0.2 %
Total	\$ 117	0.1 %	\$ 146	0.1 %
Other-than-insignificant Payment Delay				
Residential real estate	\$ —	— %	\$ —	— %
Securities-based lending and Other	—	— %	71	0.1 %
Total	\$ —	— %	\$ 71	0.1 %
Interest Rate Reduction				
Residential real estate	\$ 2	— %	\$ —	— %
Total	\$ 2	— %	\$ —	— %
Multiple Modifications - Term Extension and Interest Rate Reduction				
Residential real estate	\$ 1	— %	\$ 1	— %
Total	\$ 1	— %	\$ 1	— %
Total Modifications	\$ 120	0.1 %	\$ 218	0.2 %

- As of December 31, 2024, there were \$10 million lending commitments to borrowers for which the bank had modified terms of receivable. As of December 31, 2023, there were no lending commitments to borrowers for which the bank had modified terms of receivable.
- Percentage of total loans represents the percentage of modified loans to total loans held for investment by loan type.

Financial Effect of Modifications on Loans Held for Investment

	Year Ended December 31, 2024 ¹			
	Term Extension (Months)	Other-than-insignificant Payment Delay (Months)	Principal Forgiveness (\$ millions)	Interest Rate Reduction (%)
Single Modifications				
Residential real estate	—	—	—	1 %
Securities-based lending and Other	23	—	—	— %
Multiple Modifications - Term Extension and Interest Rate Reduction				
Residential real estate	84	—	—	1 %

	Year Ended December 31, 2023 ¹			
	Term Extension (Months)	Other-than-insignificant Payment Delay (Months)	Principal Forgiveness (\$ millions)	Interest Rate Reduction (%)
Single Modifications				
Residential real estate	4	—	—	— %
Securities-based lending and Other	7	6	—	— %
Multiple Modifications - Term Extension and Interest Rate Reduction				
Residential real estate	120	—	—	1 %

- In instances where more than one loan was modified, modification impact is presented on a weighted-average basis.

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Past Due Status for Loans Held for Investment Modified in the Last 12 months

There were no loans held for investment that were past due for more than 90 days and were modified in the last 12 months.

Allowance for Credit Losses Rollforward and Allocation—Loans and Lending Commitments

\$ in millions	Year Ended December 31, 2024		
	Residential Real Estate	Securities-based lending and Other	Total
ACL—Loans			
Beginning balance	\$ 100	\$ 185	\$ 285
Gross charge-offs	—	(27)	(27)
Recoveries	—	—	—
Net (charge-offs)/ recoveries	—	(27)	(27)
Provision	(3)	72	69
Other	—	(1)	(1)
Ending balance	\$ 97	\$ 229	\$ 326
Percentage of loans to total loans ¹	45%	55%	100%
ACL—Lending Commitments			
Beginning balance	\$ 4	\$ 8	\$ 12
Provision (release)	—	(1)	(1)
Other	—	1	1
Ending balance	\$ 4	\$ 8	\$ 12
Total ending balance	\$ 101	\$ 237	\$ 338

\$ in millions	Year Ended December 31, 2023		
	Residential Real Estate	Securities-based lending and Other	Total
ACL—Loans			
Beginning balance	\$ 87	\$ 69	\$ 156
Gross charge-offs	—	—	—
Recoveries	1	—	1
Net (charge-offs)/ recoveries	1	—	1
Provision	13	115	128
Other	(1)	1	—
Ending balance	\$ 100	\$ 185	\$ 285
Percentage of loans to total loans	46 %	54 %	100 %
ACL—Lending Commitments			
Beginning balance	\$ 4	\$ 9	\$ 13
Provision (release)	—	(1)	(1)
Ending balance	\$ 4	\$ 8	\$ 12
Total ending balance	\$ 104	\$ 193	\$ 297

SBL—Securities-based lending

1. Percentage of loans to total loans represents loans held for investment by loan type to total loans held for investment.

The allowance for credit losses for loans and lending commitments increased in 2024, primarily due to Securities-based lending and Other loans. The provision for credit losses on loans and lending commitments in the current year period was primarily related to provisions for certain specific commercial real estate and securities-based loans and growth across certain loan portfolios, partially offset by improvements in the macroeconomic outlook. The base scenario used in our ACL models as of December 31, 2024 was generated using a combination of consensus economic forecasts, forward rates, and internally developed and validated models. This scenario assumes continued economic growth as well as lower interest rates relative to the prior year forecast. The ACL calculation

incorporates key macroeconomic variables, including U.S. real GDP growth rate. The significance of key macroeconomic variables on the ACL calculation varies depending on portfolio composition and economic conditions. Other key macroeconomic variables used in the ACL calculation include house price indices, interest rate, commercial real estate indices and corporate credit spreads.

See Note 2 for a description of the ACL calculated under the CECL methodology, including credit quality indicators used for held-for-investment loans.

Gross Charge-offs by Origination Year

\$ in millions	Year Ended December 31, 2024	
	Securities-based lending and Other	
2021	\$	(2)
Prior		(25)
Total	\$	(27)

There were no charge-offs for the year ended December 31, 2023.

Provision for credit losses

\$ in millions	At December 31, 2024	At December 31, 2023
Loans	\$ 69	\$ 128
Lending commitments	(1)	(1)
Total	\$ 68	\$ 127

Selected Credit Ratios

	At December 31, 2024	At December 31, 2023
ACL for loans to total HFI loans	0.2 %	0.2 %
Nonaccrual HFI loans to total HFI loans	0.3 %	0.2 %
ACL for loans to nonaccrual HFI loans	71.3 %	106.5 %

4. Interest Income and Interest Expense

\$ in millions	2024	2023
Interest income		
Cash and cash equivalents	\$ 997	\$ 936
Investment securities	1,156	1,206
Securities purchased under agreements to resell	159	5
Loans, including fees and Other ¹	6,939	6,113
Total interest income	\$ 9,251	\$ 8,260
Interest expense		
Deposits and Other ²	\$ 5,856	\$ 4,477
Total interest expense	\$ 5,856	\$ 4,477
Net interest	\$ 3,395	\$ 3,783

1. Other includes the impact of loans to affiliate, and dividends on FRB and FHLB capital stock.

2. Other primarily includes the impact of loans from affiliate and certain hedging activities.

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5. Investment Securities

AFS and HTM Securities

\$ in millions	At December 31, 2024			
	Amortized Cost ¹	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
AFS securities				
U.S. Treasury securities	\$ 11,058	\$ 1	\$ 152	\$ 10,907
U.S. agency securities ²	3,813	2	365	3,450
Agency CMBS	3,449	—	236	3,213
FFELP student loan ABS ³	211	1	3	209
Total AFS securities	18,531	4	756	17,779
HTM securities				
U.S. Treasury securities	2,979	—	351	2,628
U.S. agency securities ²	20,225	—	4,836	15,389
Agency CMBS	1,154	—	88	1,066
Total HTM securities	24,358	—	5,275	19,083
Total investment securities	\$ 42,889	\$ 4	\$ 6,031	\$ 36,862

\$ in millions	At December 31, 2023			
	Amortized Cost ¹	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
AFS securities				
U.S. Treasury securities	\$ 11,671	\$ 1	\$ 414	\$ 11,258
U.S. agency securities ²	4,126	1	411	3,716
Agency CMBS	3,557	—	253	3,304
FFELP student loan ABS ³	276	—	5	271
Total AFS securities	19,630	2	1,083	18,549
HTM securities				
U.S. Treasury securities	4,477	—	340	4,137
U.S. agency securities ²	21,705	—	4,387	17,318
Agency CMBS	1,337	—	122	1,215
Total HTM securities	27,519	—	4,849	22,670
Total investment securities	\$ 47,149	\$ 2	\$ 5,932	\$ 41,219

1. Amounts are net of any ACL.

2. U.S. agency securities consist mainly of agency mortgage pass-through pool securities, CMOs and agency-issued debt.

3. Underlying loans are backed by a guarantee, ultimately from the U.S. Department of Education, of at least 95% of the principal balance and interest outstanding.

Investment Securities in an Unrealized Loss Position

\$ in millions	At December 31, 2024		At December 31, 2023	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
U.S. Treasury securities				
Less than 12 months	\$ 433	\$ —	\$ 551	\$ 2
12 months or longer	8,671	152	10,094	412
Total	9,104	152	10,645	414
U.S. agency securities				
Less than 12 months	1	—	188	2
12 months or longer	2,987	365	3,327	409
Total	2,988	365	3,515	411
Agency CMBS				
12 months or longer	2,914	236	3,303	253
Total	2,914	236	3,303	253
FFELP student loan ABS				
Less than 12 months	—	—	24	1
12 months or longer	108	3	201	4
Total	108	3	225	5
Total AFS securities in an unrealized loss position				
Less than 12 months	434	—	763	5
12 months or longer	14,680	756	16,925	1,078
Total	\$ 15,114	\$ 756	\$ 17,688	\$ 1,083

For AFS securities, the Bank believes there are no securities in an unrealized loss position that have credit losses after performing the analysis described in Note 2. Additionally, the Bank does not intend to sell these securities and is not likely to be required to sell these securities prior to recovery of the amortized cost basis. As of December 31, 2024 and December 31, 2023, the securities in an unrealized loss position were predominantly investment grade.

As of December 31, 2024 and December 31, 2023, there was no ACL for HTM securities. See Note 2 for a description of the ACL methodology.

As of December 31, 2024 and December 31, 2023, the Bank's portfolio of HTM securities was comprised of investment grade U.S. agency securities, U.S. Treasury securities and Agency CMBS which were on accrual status and for which there is an underlying assumption of zero credit losses.

See Note 13 for additional information on securities issued by VIEs.

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Investment Securities by Contractual Maturity

At December 31, 2024			
\$ in millions	Amortized Cost ¹	Fair Value	Annualized Average Yield ^{2,3}
AFS securities			
U.S. Treasury securities:			
Due within 1 year	\$ 5,214	\$ 5,134	0.6 %
After 1 year through 5 years	5,844	5,773	2.2 %
Total	11,058	10,907	
U.S. agency securities:			
Due within 1 year	8	8	0.6 %
After 1 year through 5 years	42	40	0.7 %
After 5 years through 10 years	180	165	1.6 %
After 10 years	3,583	3,237	3.2 %
Total	3,813	3,450	
Agency CMBS:			
After 1 year through 5 years	1,960	1,934	1.5 %
After 5 years through 10 years	546	535	1.6 %
After 10 years	943	744	1.4 %
Total	3,449	3,213	
FFELP student loan ABS:			
Due within 1 year	5	4	5.2 %
After 1 year through 5 years	13	13	5.5 %
After 10 years	193	192	5.5 %
Total	211	209	
Total AFS securities	\$ 18,531	\$ 17,779	1.8 %

At December 31, 2024			
\$ in millions	Amortized Cost ¹	Fair Value	Annualized Average Yield ^{2,3}
HTM securities			
U.S. Treasury securities:			
Due within 1 year	\$ 100	\$ 98	2.8 %
After 1 year through 5 years	1,899	1,796	2.5 %
After 5 years through 10 years	503	414	1.1 %
After 10 years	477	320	1.8 %
Total	2,979	2,628	
U.S. agency securities:			
After 5 years through 10 years	18	17	2.4 %
After 10 years	20,207	15,372	1.6 %
Total	20,225	15,389	
Agency CMBS:			
Due within 1 year	294	289	1.5 %
After 1 year through 5 years	632	591	1.2 %
After 5 years through 10 years	176	144	1.6 %
After 10 years	52	42	1.3 %
Total	1,154	1,066	
Total HTM securities	24,358	19,083	1.7 %
Total investment securities	\$ 42,889	\$ 36,862	1.7 %

- Amounts are net of any ACL.
- Annualized average yield is computed using the effective yield, weighted based on the amortized cost of each security. The effective yield is shown pre-tax and excludes the effect of related hedging derivatives.
- At December 31, 2024, the annualized average yield, including the interest rate swap accrual of related hedges, was 1.6% for AFS securities contractually maturing within 1 year and 3.0% for all AFS securities.

Gross Realized Gains (Losses) on Sales of AFS Securities

There were no gross gains or losses on sales of AFS securities in 2024 and 2023.

Changes in Accumulated Other Comprehensive Income (Loss) by component, net of tax:

\$ in millions	Changes in Net Unrealized Gains (Losses) on AFS Securities	
	2024	2023
Beginning Balance	\$ (827)	\$ (1,023)
Other comprehensive income (loss) before reclassifications	250	197
Amounts reclassified from AOCI	—	(1)
Net other comprehensive income (loss) during the period	250	196
Ending Balance	\$ (577)	\$ (827)

6. Fair Values

Recurring Fair Value Measurements

Assets and Liabilities Measured at Fair Value on a Recurring Basis

At December 31, 2024					
\$ in millions	Level 1	Level 2	Level 3	Netting	Total
Assets at fair value					
Trading assets:					
Derivative contracts:					
Interest rate	\$ —	\$ 2,027	\$ —	\$ —	\$ 2,027
Equity	—	10	3	—	13
Netting ¹	—	(1,603)	—	(422)	(2,025)
Total derivative contracts	—	434	3	(422)	15
Total trading assets²	—	434	3	(422)	15
Investment securities—AFS:					
U.S. Treasury securities	10,907	—	—	—	10,907
U.S. agency securities	—	3,450	—	—	3,450
MABS	—	3,422	—	—	3,422
Total Investment securities —AFS	10,907	6,872	—	—	17,779
Total assets at fair value	\$ 10,907	\$ 7,306	\$ 3	\$ (422)	\$ 17,794

At December 31, 2024					
\$ in millions	Level 1	Level 2	Level 3	Netting	Total
Liabilities at fair value					
Interest-bearing deposits					
	\$ —	\$ 2,673	\$ —	\$ —	\$ 2,673
Trading liabilities					
Derivative contracts					
Interest rate	—	1,603	28	—	1,631
Equity	—	2	—	—	2
Netting ¹	—	(1,603)	—	(28)	(1,631)
Total trading liabilities	—	2	28	(28)	2
Total liabilities at fair value	\$ —	\$ 2,675	\$ 28	\$ (28)	\$ 2,675

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\$ in millions	At December 31, 2023				
	Level 1	Level 2	Level 3	Netting	Total
Assets at fair value					
Trading assets:					
Derivative contracts:					
Interest rate	\$ —	\$ 2,203	\$ —	\$ —	\$ 2,203
Equity	—	1	1	—	2
Netting ¹	—	(1,739)	—	(464)	(2,203)
Total derivative contracts	—	465	1	(464)	2
Total trading assets ²	—	465	1	(464)	2
Investment securities—AFS:					
U.S. Treasury securities	11,258	—	—	—	11,258
U.S. agency securities	—	3,716	—	—	3,716
MABS	—	3,575	—	—	3,575
Total Investment securities—AFS	11,258	7,291	—	—	18,549
Total assets at fair value	\$ 11,258	\$ 7,756	\$ 1	\$ (464)	\$ 18,551

\$ in millions	At December 31, 2023				
	Level 1	Level 2	Level 3	Netting	Total
Liabilities at fair value					
Interest-bearing deposits	\$ —	\$ 2,585	\$ —	\$ —	\$ 2,585
Trading liabilities					
Derivative contracts					
Interest rate	1	1,738	—	—	1,739
Equity	—	1	1	—	2
Netting ¹	—	(1,739)	—	—	(1,739)
Total trading liabilities	1	—	1	—	2
Total liabilities at fair value	\$ 1	\$ 2,585	\$ 1	\$ —	\$ 2,587

1. For positions with the same counterparty that cross over the levels of the fair value hierarchy, both counterparty netting and cash collateral netting are included in the column titled "Netting". Positions classified within the same level that are with the same counterparty are netted within that level. For further information on derivative instruments and hedging activities, see Note 11.

2. Amounts exclude certain investments that are measured based on NAV per share, which are not classified in the fair value hierarchy. For additional disclosure about such investments, see "Net Asset Value Measurements" herein.

Valuation Techniques for Assets and Liabilities Measured at Fair Value on a Recurring Basis

Derivative and Other Contracts

OTC Derivative Contracts

Valuation Techniques:

- OTC derivative contracts include swap and option contracts related to interest rates and equity prices.
- Depending on the product and the terms of the transaction, the fair value of OTC derivative products can be modeled using a series of techniques, including closed-form analytic formulas, such as the Black-Scholes option-pricing model, simulation models or a combination thereof. Many pricing models do not entail material subjectivity as the methodologies employed do not necessitate significant judgment since model inputs may be observed from actively quoted markets, as is the case for generic interest rate swaps and equity contracts. In the case of more established derivative products, the pricing models used by the Bank are widely accepted by the financial services industry.
- More complex OTC derivative products are typically less liquid and require more judgment in the implementation of the valuation technique since direct trading activity or quotes are unobservable. This includes certain types of interest rate

derivatives with both volatility and correlation exposure, equity derivatives that are either longer-dated or include exposure to multiple underlyings. Where required inputs are unobservable, relationships to observable data points, based on historical and/or implied observations, may be employed as a technique to estimate the model input values.

Valuation Hierarchy Classification:

- Level 1—when actively traded
- Level 2—when valued using observable inputs supported by market liquidity or where the unobservable input is not deemed significant.
- Level 3—when value using observable inputs with limited market liquidity or if an unobservable input is deemed significant.

Investment Securities—AFS Securities

Valuation Techniques:

- AFS securities are composed of U.S. government and agency securities (e.g., U.S. Treasury securities, agency mortgage pass-through securities, CMOs and Agency CMBS), and ABS. For further information on the determination of fair value, refer to the corresponding asset/liability Valuation Technique described herein for the same instruments.

Valuation Hierarchy Classification:

- For further information on the determination of valuation hierarchy classification, see the corresponding Valuation Hierarchy Classification described herein.

U.S. Treasury and Agency Securities

U.S. Treasury Securities

Valuation Technique:

- Fair value is determined using quoted market prices.

Valuation Hierarchy Classification:

- Level 1—as inputs are observable and in an active market.

U.S. Agency Securities

Valuation Techniques:

- The fair value of agency mortgage pass-through pool securities is model-driven based on spreads of comparable to-be-announced securities.
- CMOs and Agency CMBS are generally valued using quoted market prices and trade data adjusted by subsequent changes in related indices for comparable instruments.

Valuation Hierarchy Classification:

- Level 2—all other agency issued debt securities, agency mortgage pass-through pool securities and CMOs and Agency CMBS if actively traded and inputs are observable.

MABS

Valuation Techniques:

- Mortgage- and asset-backed securities, including Federal Family Education Loan Program (FFELP), may be valued based on price or spread data obtained from observed transactions or independent external parties such as vendors or brokers.
- When position-specific external price data are not observable, the fair value determination may require benchmarking to comparable instruments, and/or analyzing expected credit losses, default and recovery rates, and/or applying discounted cash flow techniques. When evaluating

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the comparable instruments for use in the valuation of each security, security collateral-specific attributes, including payment priority, credit enhancement levels, type of collateral, delinquency rates and loss severity, are considered.

- Market standard cash flow models may be utilized to model the specific collateral composition and cash flow structure of each transaction. Key inputs to these models are market spreads, forecasted credit losses, and default and prepayment rates for each asset category.

Valuation Hierarchy Classification:

- Level 2—if value based on observable market data supported by market liquidity for comparable instruments.

Deposits

Valuation Techniques:

- The Bank issues FDIC-insured certificates of deposit that pay either fixed coupons or that have repayment terms linked to the performance of debt or equity securities, indices or currencies. The fair value of these certificates of deposit is determined using valuation models that incorporate observable inputs referencing identical or comparable securities, including prices to which the deposits are linked, interest rate yield curves, option volatility and currency rates, equity prices, and the impact of the Bank's own credit spreads, adjusted for the impact of the FDIC insurance, which is based on vanilla deposit issuance rates.

Valuation Hierarchy Classification:

- Level 2—when valuation inputs are observable.

Rollforward of Level 3 Assets and Liabilities Measured at Fair Value on a Recurring Basis

<i>\$ in millions</i>	2024	2023
Derivative contracts, net¹		
Beginning balance	\$ —	\$ —
Realized and unrealized gains (losses)	(8)	—
Issuances	(1)	—
Settlements	18	—
Net transfers ²	(34)	—
Ending balance	\$ (25)	\$ —
Unrealized gains (losses) ³	(8)	—

- Realized and unrealized gains (losses) are included in Non-interest revenue within Gains and (losses) on financial assets and liabilities in the income statement.
- Reclassifications between levels are driven by the unobservable inputs and whether such inputs are significant to the valuation.
- Amounts represent unrealized gains (losses) for the year ended December 31, 2024 and December 31, 2023 related to Level 3 assets and liabilities held by the Bank at December 31, 2024 and December 31, 2023, respectively.

Level 3 instruments may be hedged with instruments classified in Level 1 and Level 2. The realized and unrealized gains or losses for assets and liabilities within the Level 3 category presented in the previous tables do not reflect the related realized and unrealized gains or losses on hedging instruments that have been classified by the Bank within the Level 1 and/or Level 2 categories.

The unrealized gains (losses) during the period for assets and liabilities within the Level 3 category may include changes in fair value during the period that were attributable to both observable and unobservable inputs. Total unrealized gains (losses) are primarily included in Non-interest revenues within

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Gains and (losses) on financial assets and liabilities in the income statement.

Significant Unobservable Inputs Used in Recurring and Non-recurring Level 3 Fair Value Measurements

Valuation Techniques and Unobservable Inputs

<i>\$ in millions, except inputs</i>	Balance / Range (Average ¹)	
	At December 31, 2024	At December 31, 2023
Assets		
Net Derivative contracts		
Equity	\$ 3	\$ —
Option model:		
Equity volatility	7% to 29% (25%)	N/M
Equity volatility skew	-1% to 0% (-1%)	N/M
Interest Rate	\$ (28)	\$ —
Option model:		
Interest rate volatility skew	108% to 146% (121%)	N/M
Nonrecurring Fair Value Measurement		
Loans	\$ 10	\$ 26
Comparable pricing:		
Comparable loan price	70 to 98 points (85 points)	71 to 97 points (79 points)

- A single amount is disclosed for range and average when there is no significant difference between the minimum, maximum and average. Amounts represent weighted averages except where simple averages and the median of the inputs are more relevant.

An increase (decrease) to the following significant unobservable inputs would generally result in an impact to the fair value, but the magnitude and direction of the impact would depend on whether the Bank is long or short the exposure.

- Volatility.** The measure of variability in possible returns for an instrument given how much that instrument changes in value over time. Volatility is a pricing input for options and, generally, the lower the volatility, the less risky the option. The level of volatility used in the valuation of a particular option depends on a number of factors, including the nature of the risk underlying that option, the tenor and the strike price of the option.
- Volatility Skew.** The measure of the difference in implied volatility for options with identical underliers and expiry dates but with different strikes.

Net Asset Value Measurements

Fund Interests

<i>\$ in millions</i>	At December 31, 2024		At December 31, 2023	
	Carrying Value	Unfunded Commitments	Carrying Value	Unfunded Commitments
Private equity funds	\$ 12	\$ 33	\$ 5	\$ 31
Real estate funds	1,010	6	620	—
Total	\$ 1,022	\$ 39	\$ 625	\$ 31

Amounts in the previous table represent the Bank's carrying value of limited partnership interests in fund investments, as well as any related performance-based income in the form of carried interest. The carrying amounts are measured based on the NAV of the fund taking into account the distribution terms applicable to the interest held. This same measurement applies whether the

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fund investments are accounted for under the equity method or fair value.

Private Equity. Funds that pursue multiple strategies, including distressed investments and mezzanine capital. In addition, the funds may be structured with a focus on specific geographic regions.

Real Estate. Funds that invest in real estate assets such as multifamily residential properties, structured with a focus on specific geographic regions.

Investments in Private Equity and Real Estate funds generally are not redeemable due to the closed-end nature of these funds. Instead, distributions from each fund will be received as the underlying investments of the funds are disposed and monetized.

Nonredeemable Funds by Contractual Maturity

\$ in millions	Carrying value at December 31, 2024	
	Private Equity	Real Estate
Less than 5 years	\$ —	\$ 1,010
5-10 years	12	—
Total	\$ 12	\$ 1,010

Assets and Liabilities Measured at Fair Value on a Nonrecurring Basis

The value of assets measured at fair value on a non-recurring basis was \$10 million and \$26 million classified within Level 3 as of December 31, 2024 and December 31, 2023, respectively.

There were no significant liabilities measured at fair value on a non-recurring basis classified within Level 3 at December 31, 2024 and December 31, 2023.

Financial Instruments Not Measured at Fair Value

\$ in millions	Carrying Value	At December 31, 2024			
		Fair Value			
		Level 1	Level 2	Level 3	Total
Financial Assets					
Cash and cash equivalents	\$ 24,406	\$ 24,406	\$ —	\$ —	\$ 24,406
Investment securities—HTM	24,358	2,628	16,455	—	19,083
Securities purchased under agreements to resell	3,944	—	3,944	—	3,944
Loans held for sale ¹	—	—	—	6	6
Loans held for investment, net ²	146,451	—	—	140,412	140,412
Affordable housing tax credit investments	610	—	—	493	493
Accrued interest receivable	792	—	792	—	792
Other assets	1,050	—	1,050	—	1,050
Financial Liabilities					
Deposits	\$ 196,536	\$ —	\$ 196,786	\$ —	\$ 196,786
Other secured financing	3,000	—	3,000	—	3,000
Accrued interest payable	477	—	477	—	477
Other liabilities and accrued expenses	635	—	352	283	635
Borrowings	657	—	657	—	657
		Commitment Amount			
Lending commitments ³	16,625	—	—	6	6

\$ in millions	Carrying Value	At December 31, 2023			
		Fair Value			
		Level 1	Level 2	Level 3	Total
Financial Assets					
Cash and cash equivalents	\$ 16,392	\$ 16,392	\$ —	\$ —	\$ 16,392
Investment securities—HTM	27,519	4,137	18,533	—	22,670
Securities purchased under agreements to resell	3,257	—	3,257	—	3,257
Loans held for sale ¹	22	—	—	22	22
Loans held for investment, net ²	132,713	—	—	125,514	125,514
Loans to affiliate	605	—	605	—	605
Affordable housing tax credit investments	473	—	—	393	393
Accrued interest receivable	708	—	708	—	708
Other assets	1,484	—	1,484	—	1,484
Financial Liabilities					
Deposits	\$ 182,742	\$ —	\$ 182,742	\$ —	\$ 182,742
Securities sold under agreements to repurchase	255	—	255	—	255
Accrued interest payable	432	—	432	—	432
Other liabilities and accrued expenses	935	—	699	236	935
Borrowings	496	—	496	—	496
		Commitment Amount			
Lending commitments ³	16,903	—	—	10	10

- Amounts include all loans measured at fair value on a non-recurring basis.
- Net of allowance for credit losses of \$326 million and \$285 million and net of unamortized deferred fees or costs for originated loans of \$167 million and \$151 million as of December 31, 2024 and December 31, 2023, respectively.

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The previous tables exclude all non-financial assets and liabilities, such as Goodwill and Intangible assets.

Residential real estate loans held for investment, where position-specific external price data is not observable, the fair value is based on the credit risks of the borrower using a probability of default and loss given default method, discounted at the estimated external cost of funding level.

For a description of the Bank's lending commitments, see Note 12.

Fair Value Option

The Bank has elected the fair value option for certain eligible instruments that are risk managed on a fair value basis to mitigate income statement volatility caused by measurement basis differences between the elected instruments and their associated risk management transactions or to eliminate complexities of applying certain accounting models. Net (losses) gains due to fair value option were \$(142) million, \$(23) million of Trading revenues and \$119 million of Interest expense and \$(117) million, \$(33) million of Trading revenues and \$84 million of Interest expense for the years ended December 31, 2024 and December 31, 2023, respectively.

There were no gains (losses) due to changes in instrument-specific credit risk for the years ended December 31, 2024 and December 31, 2023, respectively.

In addition, changes in instrument-specific credit risk increased (decreased) other comprehensive income by \$(18) and \$5 million for years ended December 31, 2024 and December 31, 2023, respectively.

7. Cash and Cash Equivalents

<i>\$ in millions</i>	At December 31, 2024	At December 31, 2023
Cash and due from banks	\$ 41	\$ 34
Interest bearing deposits with banks	24,365	16,358
Total Cash and cash equivalents	\$ 24,406	\$ 16,392
Restricted cash	\$ —	\$ —

For additional information on cash and cash equivalents, including restricted cash, see Note 2.

8. Collateralized Transactions

The Bank enters into securities purchased under agreements to resell, among other things, in order to maintain a readily available pool of liquidity and enhance the Bank's returns while maintaining acceptable asset quality and risk standards.

The Bank manages credit exposure arising from such transactions by, in appropriate circumstances, entering into master netting agreements and collateral agreements with its counterparties. These agreements provide the Bank with the right, in the event of a default by the counterparty, to net counterparty's rights and obligations under the agreement and to

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liquidate and set off collateral held by the Bank against the net amount owed by the counterparty.

The Bank's policy is generally to take possession of securities purchased in connection with securities purchased under agreements to resell and to receive securities and cash delivered under securities sold under agreements to repurchase (with rights of rehypothecation). The Bank monitors required margin levels and requires borrowers to deposit additional collateral, or reduce positions, when necessary.

Offsetting of Certain Collateralized Transactions

At December 31, 2024					
<i>\$ in millions</i>	Gross Amounts	Amounts Offset	Balance Sheet Net Amounts	Amounts Not Offset ¹	Net Amounts
Assets					
Securities purchased under agreements to resell	\$ 4,052	\$ (108)	\$ 3,944	\$ (3,944)	\$ —
Liabilities					
Securities sold under agreements to repurchase	\$ 108	\$ (108)	\$ —	\$ —	\$ —

At December 31, 2023					
<i>\$ in millions</i>	Gross Amounts	Amounts Offset	Balance Sheet Net Amounts	Amounts Not Offset ¹	Net Amounts
Assets					
Securities purchased under agreements to resell	\$ 3,257	\$ —	\$ 3,257	\$ (3,257)	\$ —
Liabilities					
Securities sold under agreements to repurchase	\$ 255	\$ —	\$ 255	\$ (255)	\$ —

1. Amounts relate to master netting agreements that have been determined by the Bank to be legally enforceable in the event of default but where certain other criteria are not met in accordance with applicable offsetting accounting guidance

Gross Secured Financing Balances by Remaining Contractual Maturity

As of December 31, 2024, the Bank did not have securities sold under agreement to repurchase. As of December 31, 2023, the contractual maturity term of securities sold under agreement to repurchase was overnight and open.

Gross Secured Financing Balances by Class of Collateral Pledged

As of December 31, 2024, the Bank did not have securities sold under agreement to repurchase. As of December 31, 2023, the Bank had pledged US Treasury and Agency securities of \$255 million as collateral for securities sold under agreement to repurchase.

Fair Value of Collateral Received with Right to Sell or Repledge

At December 31, 2024 and December 31, 2023, the fair value of financial instruments received as collateral where the Bank is permitted to sell or repledge the securities was \$4.1 billion and

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\$3.3 billion, respectively. No securities had been sold or repledged at given date.

For information related to offsetting of derivatives, see Note 11.

Other Secured Financing

The Bank may also execute secured financings from the FHLB and FRB. At December 31, 2024, the Bank had \$3.0 billion short-term, fixed-rate FHLB financing outstanding, which was collateralized by residential real estate loans with a carrying value of \$4.4 billion. At December 31, 2024, the Bank had no FRB financing outstanding. At December 31, 2023, the Bank did not have any outstanding financing from the FHLB or FRB.

9. Deposits

Deposits

<i>\$ in millions</i>	At December 31, 2024	At December 31, 2023
Savings and demand deposits ¹	\$ 165,204	\$ 158,516
Time deposits ^{2,3}	34,005	26,811
Total deposits	\$ 199,209	\$ 185,327
Deposits subject to FDIC insurance	\$ 149,965	\$ 138,022
Deposits not subject to FDIC insurance	\$ 49,244	\$ 47,305

- Includes deposits from the Parent and affiliates, see Note 10.
- Includes Structured CDs at fair value of \$2.7 billion and \$2.6 billion as of December 31, 2024 and December 31, 2023, respectively.
- The contractual liability to depositors is \$34.0 billion and \$26.8 billion at December 31, 2024 and December 31, 2023, respectively.

Time Deposit Maturities

<i>\$ in millions</i>	At December 31, 2024
2025	\$ 16,407
2026	8,459
2027	4,288
2028	2,659
2029	2,053
Thereafter	139
Total	\$ 34,005

Deposits from non-U.S. Depositors

<i>\$ in millions</i>	At December 31, 2024	At December 31, 2023
Deposits from non-U.S. depositors	\$ 700	\$ 880

10. Transactions with Affiliated Companies

Assets and receivables from Parent and affiliated companies

<i>\$ in millions</i>	At December 31, 2024	At December 31, 2023
Trading assets at fair value	\$ 15	\$ 2
Securities purchased under agreements to resell	3,944	3,257
Loans to affiliate	—	605
Other assets	55	67
Total	\$ 4,014	\$ 3,931

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Liabilities and payables to Parent and affiliated companies

<i>\$ in millions</i>	At December 31, 2024	At December 31, 2023
Deposits	\$ 12,125	\$ 10,668
Securities sold under agreement to repurchase	—	255
Other liabilities and accrued expenses	301	432
Borrowings	657	496
Total	\$ 13,083	\$ 11,851

Revenues and expenses resulting from transactions with Parent and affiliated companies

<i>\$ in millions</i>	2024	2023
Net Revenues		
Interest income	\$ 451	\$ 191
Interest Expense	439	235
Net Interest	12	(44)
Non-interest revenues		
Fee income	419	391
Gains and (losses) on financial assets and liabilities	(19)	(6)
Other	6	6
Total Non-interest revenues	406	391
Net Revenues	418	347
Non-interest expenses		
General and administrative	544	519
Compensation and benefits	13	9
Total Non-interest expenses	\$ 557	\$ 528

Assets

Trading assets were primarily driven by outstanding derivative contracts in the normal course of business.

Securities purchased under agreements to resell were with MS&Co. For further information, see Note 8.

There were no Loans to affiliate as of December 31, 2024. As of December 31, 2023, Loans to affiliate were with MSBNA in accordance with the U.S. Bank Master Funding Agreement, starting October 1, 2021.

Other assets consisted of receivables from affiliates, primarily driven by intercompany transactions that occurred in the normal course of business.

Liabilities

Deposits primarily included overnight deposits from the Parent and affiliates of \$11.6 billion and \$10.1 billion as of December 31, 2024 and December 31, 2023, respectively. Additionally, the balance included cash collateral primarily received from the Parent for the purpose of securing credit transactions between the Bank and its affiliates of \$0.5 billion at both December 31, 2024 and December 31, 2023.

Borrowings from Parent and affiliate primarily consisted of the intercompany loans the Bank received from MSBNA in accordance with the U.S. Bank Master Funding Agreement, starting March 23, 2022.

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There were no Securities sold under agreement to repurchase as of December 31, 2024. As of December 31, 2023, Securities sold under agreement to repurchase were with MS&Co. For further information, see Note 8.

Other liabilities and accrued expenses were primarily driven by intercompany transactions that occurred in the normal course of business. The balance also included taxes payable to Parent of \$177 million and \$143 million at December 31, 2024 and December 31, 2023, respectively.

Interest Income and Interest Expense

Interest income was driven by designated accounting hedges on AFS securities, securities purchased under agreements to resell with MS&Co. and loan to MSBNA. Interest expense reflected the cost of overnight deposits from the Parent and affiliates which the Bank started incurring July 1, 2023 onwards, the cost of borrowing from the Parent and MSBNA, as well as the impact of designated accounting hedges on Brokered CDs.

Other Transactions

Fee income primarily consisted of fees earned from MSSB, and compensates the Bank for relationship priced loans granted to clients of the affiliate.

Gains and (losses) on financial assets and liabilities were primarily driven by the effect of interest rate derivatives with MSCS used to economically hedge the interest rate risk on structured CDs and mortgages.

General and administrative expenses primarily consisted of the following:

- Service Level Agreements whereby affiliates provided loan processing, credit risk, human resources, finance, tax and other services. The amount of expense incurred by the Bank for these services was \$129 million and \$125 million in 2024 and 2023, respectively.
- Service Level Agreements whereby affiliates provided information technology services, for which the Bank incurred expenses of \$128 million and \$116 million in 2024 and 2023, respectively.
- Service Level Agreements whereby affiliates provided the specialized distribution, national sales and business management services, in connection with Securities-based lending and Other facilities. The amount of expense incurred for these services net of reimbursements received from MSBNA and MSSB was \$125 million and \$121 million in 2024 and 2023, respectively.
- The Bank incurred expenses from certain affiliates for loan fees, professional services, marketing and business development, and other miscellaneous items. The amount of expenses incurred for these services was \$75 million and \$64 million in 2024 and 2023, respectively.

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- The Bank paid service fees to MSSB and ETS in connection with deposits sourced from clients of those affiliates. The amount of service fees incurred was \$68 million and \$77 million in 2024 and 2023, respectively.

The Bank receives operational, administrative, and risk management support services from the Bank's affiliates. Certain affiliates charged the Bank for compensation and benefits related to certain employees who primarily supported the Bank. These amounts are included in Compensation and Benefits.

11. Derivative Instruments and Hedging Activities

The Bank enters into derivative transactions with affiliates (see Note 10). The derivative instruments used for hedging primarily include interest rate swaps. Hedging activities consist of the purchase or sale of positions in related derivative products (e.g., swaps and options).

Credit risk with respect to derivative instruments arises from the failure of a counterparty to perform according to the terms of the contract. The Bank's exposure to credit risk at any point in time is represented by the fair value of the derivative contracts reported as assets.

The following tables summarize the fair value of derivative instruments by type of derivative contract and the platform on which these instruments are traded or cleared on a gross basis. Fair values of derivative contracts in an asset position are included in Trading assets, and fair values of derivative contracts in a liability position are reflected in Other liabilities and accrued expenses in the Bank's balance sheet (See Note 6).

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Fair Values of Derivative Contracts

\$ in millions	Bilateral OTC Assets	
	At December 31, 2024	At December 31, 2023
Designated as accounting hedges		
Interest rate	\$ 431	\$ 515
Not designated as accounting hedges		
Interest rate	1,596	1,688
Equity	13	2
Total	1,609	1,690
Total gross derivatives	\$ 2,040	\$ 2,205
Amounts offset		
Counterparty netting	(1,631)	(1,739)
Cash collateral netting	(394)	(464)
Total in Trading assets	\$ 15	\$ 2
Net amounts for which master netting or collateral agreements are not in place or may not be legally enforceable	\$ 13	\$ 2

\$ in millions	Bilateral OTC Liabilities	
	At December 31, 2024	At December 31, 2023
Designated as accounting hedges		
Interest rate	\$ 17	\$ 2
Not designated as accounting hedges		
Interest rate	1,614	1,737
Equity	2	2
Total	1,616	1,739
Total gross derivatives¹	\$ 1,633	\$ 1,741
Amounts offset		
Counterparty netting	(1,631)	(1,739)
Total in Other liabilities and accrued expenses	\$ 2	\$ 2
Net amounts for which master netting or collateral agreements are not in place or may not be legally enforceable	\$ 2	\$ 2

Notional of Derivative Contracts

\$ in millions	Bilateral OTC Assets	
	At December 31, 2024	At December 31, 2023
Designated as accounting hedges		
Interest rate	\$ 16,900	\$ 14,075
Not designated as accounting hedges		
Interest rate	17,490	15,987
Equity	100	62
Total	17,590	16,049
Total gross derivatives	\$ 34,490	\$ 30,124

\$ in millions	Bilateral OTC Liabilities	
	At December 31, 2024	At December 31, 2023
Designated as accounting hedges		
Interest rate	\$ 3,191	\$ 261
Not designated as accounting hedges		
Interest rate	17,165	17,387
Equity	122	45
Total	17,287	17,432
Total gross derivatives	\$ 20,478	\$ 17,693

The notional amounts of derivative contracts generally overstate the Bank's exposure. In most circumstances, notional amounts are used only as a reference point from which to calculate amounts owed between the parties to the contract. Furthermore, notional amounts do not reflect the benefit of legally enforceable netting arrangements or risk mitigating transactions.

Gains (Losses) on Accounting Hedges

\$ in millions	2024	2023
Fair value hedges—Recognized in Interest income		
Interest rate contracts	\$ (61)	\$ (167)
Investment Securities—AFS	117	208
Fair value hedges—Recognized in Interest expense		
Interest rate contracts	\$ 15	\$ 7
Deposits	(16)	(8)

Fair Value Hedges—Hedged Items

\$ in millions	At December 31, 2024	At December 31, 2023
Investment securities—AFS		
Amortized cost basis currently or previously hedged	\$ 13,513	\$ 14,170
Basis adjustments included in amortized cost ¹	(426)	(550)
Deposits		
Carrying amount currently or previously hedged	\$ 6,662	\$ 217
Basis adjustments included in carrying amount ¹	16	1

1. Hedge accounting basis adjustments are primarily related to outstanding hedges.

12. Commitments, Contingencies and Guarantees

Commitments

In the normal course of business, the Bank enters into certain commitments to extend credit. These commitments may expose the Bank to varying degrees of credit risk, interest rate risk, and liquidity risk, and are subject to the same credit and risk limitation reviews as those recorded on the balance sheet. Since commitments associated with these instruments may expire unused, the amounts shown do not necessarily reflect the actual future funding requirements.

\$ in millions	Years to Maturity at December 31, 2024				
	Less than 1	1-3	3-5	Over 5	Total
Lending:					
Residential real estate	\$ —	\$ —	\$ —	\$ 411	\$ 411
Securities-based lending and Other	13,926	2,244	44	—	16,214
Forward-starting secured financing receivables ¹	2,000	—	—	—	2,000
Investment activities	383	10	9	1	403
Total	\$ 16,309	\$ 2,254	\$ 53	\$ 412	\$ 19,028

1. Forward-starting secured financing receivables are generally settled within three-business days.

Commitments to extend credit are legally binding, generally have specified rates and maturities, and are for specific purposes. In many instances, the borrower must meet certain conditions before the Bank is required to lend. The Bank manages the credit

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risk on these commitments by subjecting these commitments to normal credit approval and monitoring processes. For further information on the credit approval and monitoring process, see Note 3.

Types of Commitments

Lending Commitments. Lending commitments primarily represent the notional amount of legally binding obligations to provide funding to clients for different types of loan transactions.

Forward-Starting Secured Financing Receivables. These amounts include securities purchased under agreements to resell that the Bank has entered into prior to the balance sheet date that will settle after the balance sheet date. These transactions are primarily secured by collateral from U.S. government securities when they are funded.

Investment Activities. This amount includes capital commitments to private investment funds which qualify as Community Reinvestment Act investments that the Bank is obligated to fund. This amount also includes commitments to purchase additional capital stock of the FRB that is subject to call when deemed necessary by the Board of Governors of the Federal Reserve System.

Contingencies

Legal

In the normal course of business, the Bank may be named, from time to time, as a defendant in various legal actions, including arbitrations, class actions and other litigation, arising in connection with its activities as a national banking association and an affiliate of a global diversified financial services institution. Certain of the actual or threatened legal actions may include claims for substantial compensatory and/or punitive damages or claims for indeterminate amounts of damages. In some cases, the third-party entities that are, or would otherwise be, the primary defendants in such cases are bankrupt, in financial distress, or may not honor applicable indemnification obligations.

The Bank is also involved, from time to time, in other reviews, investigations and proceedings (both formal and informal) by governmental or other regulatory agencies regarding the Bank's business and accounting and operational matters, certain of which may result in adverse judgments, settlements, fines, penalties, disgorgement, restitution, forfeiture, injunctions, limitations on our ability to conduct certain business, or other relief.

The Bank contests liability and/or the amount of damages as appropriate in each pending matter. Where available information indicates that it is probable a liability had been incurred at the date of the financial statements and the Bank can reasonably estimate the amount of that loss or the range of loss, the Bank accrues an estimated loss by a charge to income.

The Bank's legal expenses can, and may in the future, fluctuate from period to period, given the current environment regarding governmental or regulatory agency investigations and private

litigation affecting global financial services firms, including the Bank.

In many legal proceedings and investigations, it is inherently difficult to determine whether any loss is probable or reasonably possible, or to estimate the amount of any loss. In addition, even where the Bank has determined that a loss is probable or reasonably possible or an exposure to loss or range of loss exists in excess of the liability already accrued with respect to a previously recognized loss contingency, the Bank may be unable to reasonably estimate the amount of the loss or range of loss. It is particularly difficult to determine if a loss is probable or reasonably possible, or to estimate the amount of loss, where the factual record is being developed or contested or where plaintiffs or government entities seek substantial or indeterminate damages, restitution, forfeiture, disgorgement or penalties. Numerous issues may need to be resolved in an investigation or proceeding before a determination can be made that a loss or additional loss (or range of loss or range of additional loss) is probable or reasonably possible, or to estimate the amount of loss, including through potentially lengthy discovery or determination of important factual matters, determination of issues related to class certification, the calculation of damages or other relief, and consideration of novel or unsettled legal questions relevant to the proceedings or investigations in question.

The Bank identifies any individual proceedings or investigations where the Bank believes a material loss to be reasonably possible. In certain legal proceedings in which the Bank has determined that a material loss is reasonably possible, the Bank is unable to reasonably estimate the loss or range of loss. There are other matters in which the Bank has determined a loss or range of loss to be reasonably possible, but the Bank does not believe, based on current knowledge and after consultation with counsel, that such losses could have a material adverse effect on the Bank's financial statements as a whole, although the outcome of such proceedings or investigations may significantly impact the Bank's business or results of operations for any particular reporting period, or cause significant reputational harm. Notwithstanding the foregoing, the Bank has not identified any proceedings or investigations this reporting period for which it believes a material loss is reasonably possible.

While the Bank has not identified any proceedings or investigations that the Bank believes to be material, individually or collectively, there can be no assurance that material losses will not be incurred from claims that have not yet been asserted or those where potential losses have not yet been determined to be probable or reasonably possible.

Guarantees

Non-Credit Derivatives. Certain derivative contracts meet the accounting definition of a guarantee, including certain written options (see Note 11. regarding credit derivatives in which the Bank has sold credit protection to the counterparty which are excluded from the previous table). For non-credit derivative contracts that meet the accounting definition of a guarantee, the notional amount is used as the maximum potential payout for certain derivative contracts. The Bank evaluates collateral

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requirements for all derivatives, including derivatives that do not meet the accounting definition of a guarantee. For the effects of cash collateral and counterparty netting, see Note 11.

In certain situations, collateral may be held by the Bank for those contracts that meet the definition of a guarantee. Generally, the Bank sets collateral requirements by counterparty so that the collateral covers various transactions and products and is not allocated specifically to individual contracts. Also, the Bank may recover amounts related to the underlying asset delivered to the Bank under the derivative contract.

Standby Letters of Credit. Generally, in connection with certain of its lending businesses, the Bank provides standby letters of credit to counterparties. Such arrangements represent obligations to make payments to third parties if the counterparty fails to fulfill its obligation under a borrowing arrangement or other contractual obligation. If the counterparty fails to fulfill its contractual obligation, the Bank has access to collateral or recourse that would approximate its obligation.

Whole Loan Sales Guarantees. As part of the Bank's direct sale of residential mortgage loans to the federal mortgage agencies, which ceased in 2012, and recommenced in 2017, the Bank provides representations and warranties that certain assets sold as whole loans conform to specified guidelines. The Bank may be required to repurchase such assets or indemnify the purchaser against losses if the assets do not meet these conforming guidelines. Due diligence was performed by the Bank to ensure that asset guideline qualifications were met. The maximum potential payout is \$262 million, which represents the unpaid principal balance as of December 31, 2024. The Bank has recorded no significant contingent liability as of December 31, 2024 related to such representations and warranties.

<i>\$ in millions</i>	At December 31, 2024					Carrying Amount Asset / (Liability)
	Maximum Potential Payout/Notional of Obligations by Years to Maturity					
	Less than 1	1-3	3-5	Over 5		
Non-credit derivatives ¹	\$ 328	\$ 1,112	\$ 858	\$ 131	\$ (32)	
Standby letters of credit	768	—	—	—	—	
Whole loan sales guarantees	24	63	—	175	—	

1. The carrying amounts of derivative contracts that meet the accounting definition of a guarantee are shown on a gross basis. For further information on derivative contracts, see Note 11.

13. Variable Interest Entities

The Bank is involved with various SPEs in the normal course of business. In most cases, these entities are deemed to be VIEs.

The Bank's involvement with VIEs arises primarily from mortgage-backed and asset-backed transactions where the Bank holds securities issued by VIEs within its investment securities portfolio. Based on the above analysis, the Bank did not consolidate any VIEs at December 31, 2024 and December 31, 2023.

The Bank determines whether it is the primary beneficiary of a VIE upon its initial involvement with the VIE and reassesses whether it is the primary beneficiary on an ongoing basis as long

as it has any continuing involvement with the VIE. This determination is based upon an analysis of the design of the VIE, including the VIE's structure and activities, the power to make significant economic decisions held by the Bank and by other parties, and the variable interests owned by the Bank and other parties.

In its AFS portfolio, the Bank holds securities issued by VIEs not sponsored by the Bank. These securities include government guaranteed securities issued in transactions sponsored by the federal mortgage agencies and the most senior securities issued by VIEs in which the securities are backed by student loans, automobile loans or commercial mortgage loans. The maximum exposure to loss is equal to the carrying value of these securities, which is equal to the fair value of the securities (with changes in fair value reflected in AOCI). See Note 5 for further details.

The following tables present information about non-consolidated VIEs in which the Bank had variable interests at December 31, 2024 and December 31, 2023. The tables include all VIEs in which the Bank had determined that its maximum exposure to loss is greater than specific thresholds or meet certain other criteria.

Non-consolidated VIEs

<i>\$ in millions</i>	At December 31, 2024	At December 31, 2023
	MABS ¹	MABS ¹
VIE assets (UPB)	\$ 7,687	\$ 9,091
Maximum exposure to loss		
Debt and equity interests	\$ 989	\$ 1,106
Total	\$ 989	\$ 1,106
Carrying value of variable interest—Assets²		
Debt and equity interests	\$ 989	\$ 1,106
Total	\$ 989	\$ 1,106
Additional VIE assets owned ²	\$ 4,180	\$ 4,280

1. VIE assets includes U.S. agency collateralized mortgage obligations of \$7.7 billion and \$9.1 billion at December 31, 2024 and December 31, 2023, respectively. VIE debt and equity interests includes U.S. agency collateralized mortgage obligations of \$1.0 billion and \$1.1 billion of at December 31, 2024 and December 31, 2023, respectively.

2. Additional VIE assets owned represents the carrying value of total exposure to non-consolidated VIEs for which the maximum exposure to loss is less than specific thresholds, primarily interests issued by securitization SPEs. The Bank's maximum exposure to loss generally equals the fair value of the assets owned. These assets are primarily included in Investment securities and are measured at fair value (see Note 6). The Bank does not provide additional support in these transactions through contractual facilities, guarantees or similar derivatives.

Tax Equity Investments

The Bank invests in tax equity investment interests which entitle the Bank to a share of tax credits and other income tax benefits generated by the projects underlying the investments. For more information on such tax equity investments, see Note 2.

Effective January 1, 2024, the Bank made an election to account for certain renewable energy and other tax equity investment programs using the proportional amortization method under newly adopted accounting guidance.

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Tax Equity Investments under the Proportional Amortization Method

Low-income housing tax equity investments under the proportional amortization method were \$610 million and \$473 million as of December 31, 2024 and December 31, 2023, respectively. The above amounts include unfunded equity contributions of \$283 million and \$236 million as of December 31, 2024 and December 31, 2023, respectively; the majority of these are expected to be funded within 5 years.

Income tax credits and other income tax benefits recognized as well as proportional amortization are included in the Provision for income taxes line in the Consolidated Income Statement and in the Depreciation and amortization line in the Consolidated Cash Flow Statement.

Net Benefits Attributable to Tax Equity Investments under the Proportional Amortization Method

<i>\$ in millions</i>	2024	2023
Income tax credits and other income tax benefits	\$ 52	\$ 36
Proportional amortization	(41)	(29)
Net benefits	\$ 11	\$ 7

14. Regulatory Requirements

Regulatory Capital Framework

The OCC establishes capital requirements for the Bank, including the “well-capitalized” standards, and evaluates the Bank’s compliance with such capital requirements. The regulatory capital requirements established by the OCC are largely based on the Basel III capital standards established by the Basel Committee and also implement certain provisions of the Dodd-Frank Act. Failure to meet minimum capital requirements can initiate certain mandatory and discretionary actions by regulators that, if undertaken, could have a direct material effect on the Bank’s financial statements. Under FDICIA capital adequacy guidelines and regulatory framework for prompt corrective action, the Bank must meet specific capital guidelines that involve quantitative measures of the Bank’s assets, liabilities and certain off-balance sheet items as calculated under regulatory accounting practices.

Regulatory Capital Requirements

The Bank is required to maintain minimum risk-based and leverage-based capital ratios under regulatory capital requirements. A summary of the calculations of regulatory capital and RWA follows.

Risk-Based Regulatory Capital. Risk-based capital ratio requirements apply to CET1 capital, Tier 1 capital and Total capital (which includes Tier 2 capital), each as a percentage of RWA, and consist of regulatory minimum required ratios plus the Bank’s capital buffer requirement. Capital requirements require certain adjustments to, and deductions from, capital for purposes of determining these ratios. At December 31, 2024 and December 31, 2023, the differences between the actual and required ratios were lower under the Standardized Approach.

CECL Deferral. Beginning on January 1, 2020, the Bank elected to defer the effect of the adoption of CECL on its risk-based and leverage-based capital amounts and ratios, as well as RWA, adjusted average assets and supplementary leverage exposure calculations, over a five-year transition period. The deferral impacts began to phase in at 25% per year from January 1, 2022 and were phased in at 75% from January 1, 2024. The deferral impacts were fully phased-in from January 1, 2025.

Capital Buffer Requirements

The capital buffer requirement represents the amount of CET1 capital the Bank must maintain above the minimum risk-based capital requirements in order to avoid restrictions on the Bank’s ability to make capital distributions, including the payment of dividends, and to pay discretionary bonuses to executive officers. The capital buffer requirements computed under the standardized approaches for calculating credit risk and market risk RWA (“Standardized Approach”) and the Bank’s capital buffer requirement computed under the applicable advanced approaches for calculating credit risk, market risk and operational risk RWA (“Advanced Approach”) is equal to the sum of the 2.5% capital conservation buffer and CCyB. The CCyB can be set up to 2.5% but is currently set by U.S. banking agencies at zero.

Risk-Based Regulatory Capital Ratio Requirements

	Regulatory Minimum	At December 31, 2024 and December 31, 2023	
		Standardized	Advanced
Required ratios¹			
CET1 capital ratio	4.5 %	7.0 %	7.0 %
Tier 1 capital ratio	6.0 %	8.5 %	8.5 %
Total capital ratio	8.0 %	10.5 %	10.5 %

1. Required ratios represent the regulatory minimum plus the capital buffer requirement.

Risk-Weighted Assets

RWA reflects both the Bank’s on- and off-balance sheet risk, as well as capital charges attributable to the risk of loss arising from the following:

- Credit Risk: The failure of a borrower, counterparty or issuer to meet its financial obligations to the Bank;
- Market Risk: Adverse changes in the level of one or more market prices, rates, spreads, indices, volatilities, correlations or other market factors, such as market liquidity; and
- Operational Risk: Inadequate or failed processes or systems, from human factors or from external events (e.g., fraud, theft, legal and compliance risks, cyberattacks or damage to physical assets).

As an Advanced Approach banking organization, the Bank’s risk-based capital ratios are computed under each of (i) the Standardized Approach and (ii) the Advanced Approach. The credit risk RWA calculations between the two approaches differ in that the Standardized Approach requires calculation of RWA using prescribed risk weights and exposure methodologies, whereas the Advanced Approach utilizes models to calculate exposure amounts and risk weights. The Bank’s binding risk-

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based ratios for regulatory purposes are the lower of the capital ratios computed under the Advanced Approach or the Standardized Approach. At December 31, 2024 and December 31, 2023, the differences between the actual and required ratios were lower under the Standardized Approach.

Leverage-Based Regulatory Capital. Leverage-based capital requirements include a minimum Tier 1 leverage ratio of 4% and SLR of 3%.

Well-Capitalized Requirement. Under the regulatory capital requirements adopted by the U.S. federal banking agencies, U.S. IDIs, in order to be considered well-capitalized must maintain certain minimum capital ratios.

At December 31, 2024 and December 31, 2023, the Bank maintained capital levels in excess of the well-capitalized requirements. The Bank maintained capital at levels sufficiently in excess of these “well capitalized” requirements to address any additional needs and requirements identified by the U.S. federal banking regulators.

Regulatory Capital and Capital Ratios

Risk-based capital	Standardized	
	At December 31, 2024	At December 31, 2023
<i>\$ in millions</i>		
Risk-based capital		
CET1 capital	\$ 16,672	\$ 15,388
Tier 1 capital	16,672	15,388
Total capital	17,004	15,675
Total RWA	63,878	59,604
Risk-based capital ratio		
CET1 capital	26.1 %	25.8 %
Tier 1 capital	26.1%	25.8%
Total capital	26.6%	26.3%
Well-Capitalized Requirements¹		
CET1 capital	6.5 %	6.5 %
Tier 1 capital	8.0%	8.0%
Total capital	10.0%	10.0%
Required Ratio²		
CET1 capital	7.0 %	7.0 %
Tier 1 capital	8.5%	8.5%
Total capital	10.5%	10.5%

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	At December 31, 2024	At December 31, 2023
Leveraged-based capital		
<i>\$ in millions</i>		
Leveraged-based capital		
Adjusted average assets ³	\$ 216,088	\$ 205,762
Supplementary leverage exposure ⁴	222,580	212,653
Leveraged-based capital ratio		
Tier 1 leverage	7.7 %	7.5 %
SLR	7.5%	7.2%
Well-Capitalized Requirements¹		
Tier 1 leverage	5.0 %	5.0 %
SLR	6.0%	6.0%
Required Ratio²		
Tier 1 leverage	4.0 %	4.0 %
SLR	3.0%	3.0%

- The requirements to remain “well capitalized” under the PCA framework.
- Required ratios are inclusive of any buffers applicable as of the date presented.
- Adjusted average assets represents the denominator of the Tier 1 leverage ratio and is composed of the average daily balance of consolidated on-balance sheet assets for the quarters ending on the respective balance sheet dates, reduced by goodwill, intangible assets, certain deferred tax assets and other capital deductions.
- Supplementary leverage exposure is the sum of Adjusted average assets used in the Tier 1 leverage ratio and other adjustments, primarily: (i) the credit equivalent amount for off-balance sheet exposures (ii) for derivatives, potential future exposure and (iii) the counterparty credit risk for repo-style transactions.

15. Employee Benefits and Stock-Based Compensation

Employee Benefit Plans

Certain current and former employees of the Bank participate in employee benefit plans sponsored by MSDHL.

The Parent’s pension plans generally provide pension benefits based on each employee’s years of credited service and on compensation levels specified in the plans. The pension plans have generally ceased future benefit accruals. Compensation expenses associated with the pension plans were \$3 million and \$1 million for the years ended December 31, 2024 and 2023, respectively, and are included in Non-interest expense—General and administrative in the income statement.

U.S. employees of the Bank meeting certain eligibility requirements may participate in the Morgan Stanley 401(k) Plan.

Morgan Stanley 401(k) Plan

Eligible employees receive discretionary 401(k) matching cash contributions as determined annually by the Parent. The Bank generally matched eligible employee contributions up to the Internal Revenue Service (“IRS”) limit at 4% or 5% up to a certain compensation level, in 2024 and 2023. Eligible employees with pay less than or equal to \$100,001 also receive a fixed contribution equal to 2% of eligible pay. Compensation expenses associated with the 401(k) plan were \$12 million and \$10 million for the years ended December 31, 2024 and 2023, respectively, and are included in Non-interest expense—Compensation and benefits in the income statement.

Employee Stock-Based Compensation Plans

Certain current and former employees of the Bank participate in the Parent’s stock-based compensation plans. The compensation

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expense is recognized over the vesting period relevant to each separately vesting portion of the award. Compensation expenses incurred by the Bank were \$20 million and \$15 million for the years ended December 31, 2024 and 2023, respectively, and are included in Non-interest expense—Compensation and benefits in the income statement.

Restricted Stock Units

RSUs are subject to vesting over time, generally three years from the date of award, contingent upon continued employment and subject to restrictions on sale, transfer or assignment until conversion to common stock. All or a portion of an award may be forfeited if employment is terminated before the end of the relevant vesting period or cancelled after the relevant vesting period in certain situations. Recipients of RSUs may have voting rights, at the Parent's discretion, and generally receive dividend equivalents if the awards vest. The Parent determines the fair value of RSUs based on the grant date fair value of its common stock, measured as the VWAP on the date of grant. Certain awards provide the Parent discretion to claw back or cancel all or a portion of the award under specified circumstances.

Performance-Based Stock Units

Performance-based stock units ("PSUs") vest and convert to shares of common stock only if the Parent satisfies, over a three-year performance period, performance goals that are determined on the award date. The number of PSUs that may vest ranges from 0% to 150% of the target award based on the Bank's level of achievement of the specified performance goals. PSUs have vesting, conversion and cancellation provisions that are generally similar to those of RSUs. Dividend equivalents that accrue on these awards are paid in cash when the awards convert. The Parent determines the fair value of PSUs with non-market conditions based on the grant-date fair value of its common stock, measured as the VWAP on the date of grant. PSUs granted prior to 2023 that contain market-based conditions are valued using a Monte Carlo valuation model.

16. Income Taxes

The Bank is included in the consolidated federal income tax return filed by the Parent. Federal income taxes have generally been provided on a modified separate entity basis. The Bank is included in the combined state and local income tax returns with the Parent and certain other subsidiaries of the Parent. State and local income taxes have been provided on separate entity income at the effective tax rate of the Bank's combined filing group.

In accordance with the terms of the Tax Sharing Agreement, current taxes (federal, combined and unitary states) are settled periodically with the Parent, who pays these taxes on behalf of the Bank.

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Components of Provision for Income Taxes

<i>\$ in millions</i>	2024	2023
Current:		
U.S. Federal	\$ 563	\$ 657
U.S. State and local	133	147
Total	\$ 696	\$ 804
Deferred:		
U.S. Federal	\$ 6	\$ (18)
U.S. State and local	(2)	(13)
Total	\$ 4	\$ (31)
Provision for income taxes	\$ 700	\$ 773

Reconciliation of the U.S. Federal Statutory Income Tax Rate to the Effective Income Tax Rate

	2024	2023
U.S. federal statutory income tax rate	21.0 %	21.0 %
U.S. state and local income taxes, net of U.S. federal income tax benefits	3.8 %	3.6 %
Other	0.6 %	1.5 %
Effective income tax rate	25.4 %	26.1 %

Deferred Tax Assets and Liabilities

<i>\$ in millions</i>	At December 31, 2024	At December 31, 2023
Gross deferred tax assets		
Valuation of net trading inventory, investments and receivables	\$ 320	\$ 420
Allowance for credit losses and other reserves	112	93
Other	8	9
Total deferred tax assets after valuation allowance ¹	440	522
Gross deferred tax liabilities		
Intangibles and Goodwill	31	33
Total deferred tax liabilities	31	33
Net deferred tax assets	\$ 409	\$ 489

1. No valuation allowance was recorded for year ended December 31, 2024, and no significant amount of valuation allowance was recorded for the year ended December 31, 2023.

Deferred income taxes reflect the net tax effects of temporary differences between the financial reporting and tax bases of assets and liabilities and are measured using the applicable enacted tax rates and laws that will be in effect when such differences are expected to reverse.

The Bank believes the recognized net deferred tax assets of \$409 million at December 31, 2024, are more likely than not to be realized based on expectations as to future taxable income in the jurisdictions in which it operates.

The Bank is subject to the income tax laws of the U.S., and its states and municipalities in which the Bank has business operations. These tax laws are complex and subject to interpretations by the taxpayer and the relevant governmental taxing authorities. The Bank must make judgments and interpretations about the application of these inherently complex tax laws and make estimates about certain items affecting taxable income when determining the provision for income taxes in the various tax jurisdictions.

Disputes over interpretations of the tax laws may be settled with the taxing authority upon examination or audit. The Bank periodically evaluates the likelihood of assessments in each taxing jurisdiction resulting from current and subsequent years' examinations, and unrecognized tax benefits related to potential losses that may arise from tax audits are established in accordance with the relevant accounting guidance. Once established, unrecognized tax benefits are adjusted when there is more information available or when an event occurs requiring a change.

Rollforward of Unrecognized Tax Benefits

<i>\$ in millions</i>	2024	2023
Balance at beginning of period	\$ 86	\$ 48
Increases based on tax positions related to the current period	20	24
Increases based on tax positions related to prior periods	12	17
Decreases related to settlements with taxing authorities	—	(1)
Decreases related to lapse of statute of limitations	(2)	(2)
Balance at end of period	116	86
Net unrecognized tax benefits ¹	\$ 92	\$ 68

1. Represents ending unrecognized tax benefits adjusted for the impact of the federal benefit of state issues. If recognized, these net benefits would favorably impact the effective tax rate in future periods.

It is reasonably possible that significant changes in the balance of unrecognized tax benefits may occur within the next 12 months. At this time, however, it is not possible to reasonably estimate the expected change to the total amount of unrecognized tax benefits and the impact on the Bank's effective tax rate over the next 12 months.

Interest and penalties related to unrecognized tax benefits are recognized as a component of the provision for income taxes.

The Bank recognized \$16 million and \$7 million interest expense and penalties (net of federal benefit and state income tax benefits) in the Bank's income statement for the years ended December 31, 2024 and December 31, 2023, respectively.

Earliest Tax Year Subject to Examination in Major Tax Jurisdictions:

Jurisdiction	Tax Year
United States	2017
New York State and City	2015
California	2015

The Bank, through its inclusion in the return of the Parent, is routinely under examination by the IRS and other tax authorities in certain states and localities in which the Bank has significant business operations, such as New York.

The Bank believes that the resolution of these tax examinations will not have a material effect on the annual financial statements, although a resolution could have a material impact in the income statement and on the effective tax rate for any period in which such resolutions occur.

17. Goodwill

The goodwill balance was \$430 million at both December 31, 2024 and December 31, 2023.

The annual goodwill impairment testing as of July 1, 2024 did not indicate any impairment. The Bank has not recognized any goodwill impairments to date. For more information, see Note 2.

Financial Data Supplement (Unaudited)

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Average Balances and Interest Rates and Net Interest Income

\$ in millions	2024			2023		
	Average Daily Balance	Interest	Average Rate	Average Daily Balance	Interest	Average Rate
Interest earning assets¹						
Cash and cash equivalents	\$ 19,061	\$ 997	5.2 %	\$ 18,965	\$ 936	4.9 %
Investment securities	44,373	1,156	2.6 %	48,472	1,206	2.5 %
Securities purchased under agreements to resell	2,891	159	5.5 %	100	5	5.0 %
Loans and Other ²	139,541	6,939	5.0 %	131,172	6,113	4.7 %
Total	\$205,866	9,251	4.5 %	\$198,709	\$ 8,260	4.2 %
Interest bearing liabilities¹						
Deposits and Other ³	190,437	5,856	3.1 %	183,633	4,477	2.4 %
Total	\$190,437	\$ 5,856	3.1 %	\$183,633	\$ 4,477	2.4 %
Net interest income and net interest rate spread	\$ 3,395	1.4 %		\$ 3,783	1.8 %	

Effect of Volume and Rate Changes on Net Interest Income

\$ in millions	2024 versus 2023		
	Increase (Decrease)		
	Due to Change in :		
	Volume	Rate	Net Change
Interest earning assets¹			
Cash and cash equivalents	\$ 5	\$ 56	\$ 61
Investment securities	(102)	52	(50)
Securities purchased under agreements to resell	148	6	154
Loans and Other	390	436	826
Change in interest income	\$ 441	\$ 550	\$ 991
Interest bearing liabilities¹			
Deposits and Other	166	1,213	1,379
Change in interest expense	\$ 166	\$ 1,213	\$ 1,379
Change in net interest income	\$ 275	\$ (663)	\$ (388)

1. Amounts include primarily U.S. balances.
2. Interest on other assets includes the impact of loans to affiliate, and dividends on FRB and FHLB capital stock. The average balance of other interest-earning assets was \$0.9 billion and \$1.0 billion for the current and prior year, respectively.
3. Interest on other liabilities primarily includes the impact of loans from affiliate and certain hedging activities. The average balance of other interest-bearing liabilities was \$0.7 billion and \$0.5 billion for the current and prior year, respectively.

Deposits

\$ in millions	Average Daily Deposits			
	2024		2023	
	Average Amount	Average Rate	Average Amount	Average Rate
Deposits¹				
Savings and demand	\$ 158,882	2.7 %	\$ 159,779	2.1 %
Time	30,853	5.0 %	23,335	4.5 %
Total	\$ 189,735	2.4 %	\$ 183,114	2.4 %

1. The Bank's deposits were primarily held in U.S. offices.

Ratios

	2024	2023
ROE ¹	12.2 %	13.4 %

1. ROE represents net income as a percentage of average equity.

Glossary of Common Terms and Acronyms**Morgan Stanley Private Bank, National Association**

ABS	Asset-backed securities	MSBNA	Morgan Stanley Bank, N.A.
ACL	Allowance for credit losses	MS&Co.	Morgan Stanley & Co. LLC
AFS	Available-for-sale	MSCM	Morgan Stanley Capital Management LLC
AML	Anti-money laundering	MSCS	Morgan Stanley Capital Services LLC
AOCI	Accumulated other comprehensive income (loss)	MSDHL	Morgan Stanley Domestic Holding LLC
Balance sheet	Consolidated balance sheet	MSSB	Morgan Stanley Smith Barney LLC
BHC	Bank holding company	NAV	Net asset value
BSA	Bank Secrecy Act	NSFR	Net stable funding ratio, as adopted by the U.S. banking agencies
Cash flow statement	Consolidated cash flow statement	OCC	Office of the Comptroller of the Currency
CCyB	Countercyclical capital buffer	OCI	Other comprehensive income (loss)
CDs	Certificates of deposit	OFAC	Office of Foreign Assets Control
CECL	Current Expected Credit Losses, as calculated under the Financial Instruments—Credit Losses accounting update	OTC	Over-the-counter
CMBS	Commercial mortgage-backed securities	PSU	Performance-based stock unit
CMO	Collateralized mortgage obligation(s)	ROE	Return on average common equity
CRM	Credit Risk Management Department	RSU	Restricted stock unit
DDAs	Demand deposit accounts	RWA	Risk-weighted assets
EMEA	Europe, Middle East and Africa	SLR	Supplementary leverage ratio
E.U.	European Union	S&P	Standard & Poor's
FDIC	Federal Deposit Insurance Corporation	SPE	Special purpose entity
FDICIA	Federal Deposit Insurance Corporation Improvement Act	SPOE	Single point of entry
FFELP	Federal Family Education Loan Program	U.K.	United Kingdom
FHLB	Federal Home Loan Bank of New York	UPB	Unpaid principal balance
Financial statement	Consolidated financial statements	U.S.	United States of America
FICO	Fair Isaac Corporation	U.S. GAAP	Accounting principles generally accepted in the United States of America
FRB	Federal Reserve Bank of New York	VaR	Value-at-Risk
FVO	Fair value option	VIE	Variable interest entity
G-SIB	Global systemically important banks		
HELOC	Home Equity Line of Credit		
HFI	Held-for-investment		
HFS	Held-for-sale		
HQLA	High-quality liquid assets		
HTM	Held-to-maturity		
Income statement	Consolidated income statement		
IRS	Internal Revenue Service		
KRI	Key Risk Indicator		
LCR	Liquidity coverage ratio, as adopted by the U.S. banking agencies		
LIBOR	London Interbank Offered Rate		
LTV	Loan-to-value		
MABS	Mortgage- and asset-backed securities		
MMDAs	Money market deposit accounts		