**Registered number: 35857**

Registered office:
47 Esplanade
St. Helier
JE1 0BD
Jersey

# MORGAN STANLEY FINANCE II LTD

## Report and Interim Financial Statements

## 30 June 2026

# MORGAN STANLEY FINANCE II LTD

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# MORGAN STANLEY FINANCE II LTD

## INTERIM DIRECTORS' REPORT

The Directors present their interim report and condensed interim financial statements (which comprise the condensed statement of comprehensive income, the condensed statement of changes in equity, the condensed statement of financial position, the condensed statement of cash flows, and the related notes, 1 to 12) for Morgan Stanley Finance II Ltd (the "Company") for the period ended 30 June 2026.

### RESULTS AND DIVIDENDS

The profit for the period, after tax was $182,000 (period ended June 2025: $544,000).

During the period, no dividends were paid or proposed (year ended December 2025: $nil).

### PRINCIPAL ACTIVITY

The principal activity of the Company is the issuance of financial instruments and the hedging of the obligations arising pursuant to such issuances.

The Company's ultimate parent undertaking and controlling entity is Morgan Stanley, which, together with the Company and Morgan Stanley's other subsidiary undertakings, form the "Morgan Stanley Group".

There have not been any significant changes in the Company's principal activity in the period under review and no significant change in the Company's principal activity is expected.

### BUSINESS REVIEW

Exposure to risk factors and the current business environment in which it operates may impact business results of the Company's operations.

**Risk factors**

Risk taking is an inherent part of the Company's business activities. The Company seeks to identify, assess, monitor and manage each of the various types of risk involved in its business activities, in accordance with defined policies and procedures.

The Morgan Stanley Group Risk Appetite Statement articulates the aggregate level and type of risk that the Group is willing to accept in order to execute its business strategy and protect its capital and liquidity resources.

The Morgan Stanley Group has an established Risk Management Framework to support the identification, monitoring and management of risk.

A description of the material risks and how these risks are managed is outlined in the 'Risk Management' section.

**Business environment**

The economic environment exhibited strength in the first half of 2026, characterised by active equity markets supported by the adoption of AI and improved investor sentiment. Geopolitical risk, inflation, rising asset prices, the rate of economic growth, and the future path of monetary policy represent ongoing uncertainties which could continue to impact the capital markets and the Company. The Company's performance in this environment is discussed further in 'Overview of the Period to June 2026'. The Morgan Stanley Group management continues to monitor the developments in the Middle East and their impact on the regional economy, global economic conditions and financial markets. The Company's direct exposure remains limited.

# INTERIM DIRECTORS' REPORT

## BUSINESS REVIEW (CONTINUED)

### Overview of the period to June 2026

The issued structured notes expose the Company to the risk of changes in market prices of the underlying securities, interest rate risk and, where denominated in currencies other than US dollar, the risk of changes in exchange rates between the US dollar and the other relevant currencies. The Company enters into derivative transactions with Morgan Stanley to hedge the market price, interest rate and foreign currency risks associated with the issuance of the structured notes.

The condensed statement of comprehensive income is set out on page 10. The profit for the period is $182,000, which primarily represents net interest income from intercompany funding (period ended June 2025: $544,000). The decrease in profit during the period is driven by decrease in the average funding balance. Net trading income and the net expense on other financial instruments held at fair value through profit and loss for the period is $nil (period ended June 2025: $nil) which is consistent with the Company's principal activity.

The condensed statement of financial position is set out on page 12. Total assets as at 30 June 2026 were $1,972,400,000 (2025: $976,730,000). The increase in total assets is due to increase in proceeds of structured notes lent to Morgan Stanley, classified as Loans and advances. Total liabilities as at 30 June 2026 were $1,959,513,000 (2025: $964,025,000). The increase in total liabilities is due to increase in the net issuance of structured notes, classified as Debt and other borrowings.

The performance of the Company is included in the results of the Morgan Stanley Group. The Company's Directors believe that providing further performance indicators for the Company itself would not enhance an understanding of the development, performance or position of the business of the Company.

The risk management section below sets out the Company's and the Morgan Stanley Group's policies for the management of liquidity and cash flow risk and other significant business risks.

### Risk management

Risk is an inherent part of the Company's business activity and effective risk management is vital to the success of the Company. The Company is managed as part of the policies and procedures of the Morgan Stanley Group's risk management policy framework. The risk management policy framework includes escalation to the appropriate senior management personnel when necessary.

Note 17 to the 2025 annual financial statements provides more detailed qualitative disclosures on the Company's exposure to financial risks. Note 9 to the condensed financial statements provides more detailed quantitative disclosures.

Set out below is an overview of the Morgan Stanley Groups's policies for the management of financial risk and other significant business risk.

*Market risk*

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

## INTERIM DIRECTORS' REPORT

### BUSINESS REVIEW (CONTINUED)

**Risk management (continued)**

*Market risk (continued)*

The Company's market risk associated with its trading activities at a legal entity, trading division and at an individual product level is managed as part of the Morgan Stanley Group's market risk management policy framework.

The Morgan Stanley Group's market risk management policy framework ensures transparency of material market risks, monitors compliance with established limits, and escalates risk concentrations to appropriate senior management when necessary.

It is the policy and objective of the Company not to be exposed to net market risk.

*Credit risk*

Credit risk refers to the risk of loss arising when a borrower, counterparty or issuer does not meet its financial obligations to the Company.

The Morgan Stanley Group's credit risk management policies and procedures, of which the Company is a part, includes escalation to the appropriate senior management personnel when necessary.

Credit risk exposure is managed on a global basis and in consideration of each significant legal entity within the Morgan Stanley Group. The credit risk management policies and procedures establish the framework for identifying, measuring, monitoring and controlling of credit risk whilst ensuring transparency of material credit risks and compliance with established limits and escalating risk concentrations to appropriate senior management.

Additional information on the primary credit exposures, credit risk management and mitigation, exposure to credit risk, including the maximum exposure to credit risk by credit rating is presented in note 9.

*Country risk exposure*

Country risk is the risk that events in, or affecting, a foreign country might adversely affect the Company. "Foreign country" means any country other than Jersey.

Sovereign risk, by contrast, is the risk that a government will be unwilling or unable to meet its debt obligations or will renege on the debt that it guarantees. Sovereign risk is single-name risk for a sovereign government, its agencies and guaranteed entities.

The Company enters into the majority of its financial asset transactions with the parent entity, Morgan Stanley, in the United States of America ("USA"). As a result of the implicit support that would be provided by Morgan Stanley, the Company's country risk is considered a component of the Morgan Stanley Group's credit risk.

For further information on how the Company identifies, monitors and manages country risk exposure refer to page 3 of the Directors' report of the Company's 2025 annual financial statements.

## INTERIM DIRECTORS' REPORT

### BUSINESS REVIEW (CONTINUED)

**Risk management (continued)**

*Liquidity risk*

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

For further discussion on the Company's liquidity risk, refer to page 4 of the Directors' report in the Company's 2025 annual financial statements.

*Valuation risk*

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

Valuation Control ("VC") within Finance is responsible for the Company's valuation policies and procedures which ensure compliance with the relevant accounting standards and regulatory requirements. VC implements valuation control processes designed to validate the fair value of the Company's financial instruments measured at fair value including those derived from pricing models.

*Operational risk*

Operational risk refers to the risk of loss, or of damage to the Company's reputation, resulting from inadequate or failed processes, people and systems, or from external events (e.g. fraud, theft, legal, regulatory and compliance risks, cyberattacks or damage to physical assets). Operational risk relates to the following risk event categories as defined by Basel Capital Standards: internal fraud; external fraud; employment practices and workplace safety; clients, products and business practices; business disruption and system failure; damage to physical assets; and execution, delivery and process management.

The Company is exposed to operational risk across the full scope of its business activities. The scope includes oversight of technology risk, cybersecurity risk, information security risk, and third party risk management (supplier and affiliate risk).

For further discussion on the Company's operational risk, refer to pages 4, 5 and 6 of the Directors' report in the Company's 2025 annual financial statements.

*Legal, regulatory and compliance risk*

Legal, regulatory and compliance risk includes the risk of legal or regulatory sanctions; material financial loss, including fines, penalties, judgements, damages and/ or settlements; limitations on our business; or loss to reputation which the Company may suffer as a result of a failure to comply with laws, regulations, rules, related self-regulatory organisation 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 Anti-Money Laundering, terrorist financing and anti-corruption rules and regulations. The Company is generally subject to extensive regulation in the different jurisdictions in which it conducts its business.

For further discussion on the Company's legal, regulatory and compliance risk, refer to pages 6 and 7 of the Directors' report in the Company's 2025 annual financial statements.

## INTERIM DIRECTORS' REPORT

### BUSINESS REVIEW (CONTINUED)

**Risk management (continued)**

*Culture, values and conduct of employees*

The Morgan Stanley Group's culture is built on the core values - Put Clients First, Do the Right Thing, Lead with Exceptional Ideas, Commit to Diversity and Inclusion and Give Back. Leadership, including from the Board, sets the tone for the Group, and the executive team drive a culture that is central to how the Group serves clients, advances and develops the workforce, and how the Group supports the communities around it. The Morgan Stanley Group is committed to reinforcing and confirming adherence to the core values through our governance framework, tone from the top, management oversight, risk management and controls, and a three lines of defence structure (business, Independent Risk Management functions such as Financial Risk Management and Non-Financial Risk Management, and Internal Audit).

The Morgan Stanley Group's Board is responsible for overseeing the Morgan Stanley Group's practices and procedures relating to culture, values and conduct. The Morgan Stanley Group's Senior management committees oversee the Morgan Stanley-wide culture, values and conduct program and report regularly to the Morgan Stanley Group Board. A fundamental building block of these programs is the Morgan Stanley Group's Code of Conduct (the "Code") which establishes standards for employee conduct that further reinforce the Morgan Stanley Group's commitment to integrity and ethical conduct. Every new hire and every employee annually is required to attest to their understanding of and adherence to the Code of Conduct. Morgan Stanley's Global Conduct Risk Management Policy also sets out a consistent global framework for managing conduct risk (i.e., the risk arising from misconduct by employees or contingent workers) and conduct risk incidents.

Morgan Stanley's remuneration policies and practices ensure that there is an alignment between reward, risk, culture and conduct. Conduct, culture, and core values are considered in the employee annual performance evaluation process. The performance review process also includes evaluation of employee conduct related to risk management practices and the Morgan Stanley Group's expectations. The Morgan Stanley Group also has several mutually reinforcing processes to identify employee conduct that may have an impact on employment status, current year compensation and/or prior year compensation.

**Going concern**

Business risks associated with the uncertain market and economic conditions are being actively monitored and managed by the Company. Retaining sufficient liquidity and capital to withstand market pressures remains central to the Company's strategy.

The effect of relevant macroeconomic scenarios on the business of the Company have been considered as part of the going concern analysis, including impact on operational capacity, access to liquidity and capital, contractual obligations, asset valuations and other critical accounting judgements and key sources of estimation uncertainty.

Taking the above factors into consideration, the Directors believe it is reasonable to assume that the Company will have access to adequate resources to continue in operational existence for the foreseeable future being at least 12 months from the date of approval of these financial statements. Accordingly, they continue to adopt the going concern basis in preparing the interim report and condensed interim financial statements.

# MORGAN STANLEY FINANCE II LTD

## INTERIM DIRECTORS' REPORT

### BUSINESS REVIEW (CONTINUED)

### DIRECTORS

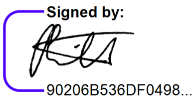
The following Directors held office throughout the period and to the date of approval of this report: (except where otherwise shown):

| | | |
|---|---|---|
| S Kerr | Director | (Appointed on 29 January 2026 and resigned on 17 June 2026) |
| J Liu | Director | |
| S Marriott | Director | |
| Z Dewhurst | Director | (Resigned on 29 January 2026) |
| A Kekovska | Director | (Appointed on 17 June 2026) |

### EVENTS AFTER THE REPORTING DATE

There have been no significant events since the reporting date.

Approved by the Board and signed on its behalf by:




S Marriott - Director

24 September 2026

## DIRECTORS' RESPONSIBILITY STATEMENT

The Directors, the names of whom are set out below, confirm that to the best of their knowledge:

(a) the condensed set of interim financial statements has been prepared in accordance with International Accounting Standard ("IAS") 34 'Interim Financial Reporting' as adopted by the European Union ("EU"), give a true and fair view of the assets, liabilities, financial position and result of the Company; and

(b) the interim management report includes a fair review of the important events that have occurred during the period and their impact on the condensed set of interim financial statements, and a description of the principal risks and uncertainties for the remaining six months of the financial year.

Approved by the Board and signed on its behalf by:

Signed by:

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S Marriott - Director

24 September 2026

Board of Directors

| | |
|---|---|
| J Liu | Director |
| S Marriott | Director |
| A Kekovska | Director |

# INDEPENDENT REVIEW REPORT TO MORGAN STANLEY FINANCE II LTD

**Conclusion**

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2026 which comprises the condensed statement of comprehensive income, the condensed statement of changes in equity, the condensed statement of financial position, the condensed statement of cash flows and related notes 1 to 12.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2026 is not prepared, in all material respects, in accordance with European Union adopted International Accounting Standard 34 'Interim Financial Reporting'.

**Basis for Conclusion**

We conducted our review in accordance with International Standard on Review Engagements (UK) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Financial Reporting Council for use in the United Kingdom (ISRE (UK) 2410). A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

As disclosed in note 2, the annual financial statements of the Company are prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union ("EU") and Interpretations issued by the IFRS Interpretations Committee ("IFRIC") and Companies (Jersey) Law 1991. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard ("IAS") 34 'Interim Financial Reporting', as adopted by the EU.

**Conclusion Relating to Going Concern**

Based on our review procedures, which are less extensive than those performed in an audit as described in the Basis for Conclusion section of this report, nothing has come to our attention to suggest that the directors have inappropriately adopted the going concern basis of accounting or that the directors have identified material uncertainties relating to going concern that are not appropriately disclosed.

This conclusion is based on the review procedures performed in accordance with this ISRE (UK) 2410; however future events or conditions may cause the entity to cease to continue as a going concern.

**Responsibilities of the directors**

The directors are responsible for preparing the half-yearly financial report in accordance with IFRSs as adopted by the EU and Interpretations issued by the IFRIC.

In preparing the half-yearly financial report, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

## INDEPENDENT REVIEW REPORT TO MORGAN STANLEY FINANCE II LTD

**Auditor's Responsibilities for the review of the financial information**

In reviewing the half-yearly financial report, we are responsible for expressing to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report. Our Conclusion, including our Conclusion Relating to Going Concern, are based on procedures that are less extensive than audit procedures, as described in the Basis for Conclusion paragraph of this report.

**Use of our report**

This report is made solely to the company in accordance with ISRE (UK) 2410. Our work has been undertaken so that we might state to the Company those matters we are required to state to it in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our review work, for this report, or for the conclusions we have formed.

Signed by:

Deloitte LLP

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**Deloitte LLP**

Statutory Auditor

London, United Kingdom

24 September 2026

## MORGAN STANLEY FINANCE II LTD

### CONDENSED STATEMENT OF COMPREHENSIVE INCOME
### Six months ended 30 June 2026

| | Note | (Unaudited) Six months ended 30 June 2026 $'000 | (Unaudited) Six months ended 30 June 2025 $'000 |
|---|---|---|---|
| Net trading expense on trading financial assets | | (19,042) | (2,645) |
| Net trading income on trading financial liabilities | | 37,386 | 58,247 |
| Net trading income | | 18,344 | 55,602 |
| Net income on other financial assets held at fair value | | 14,965 | 2,790 |
| Net expense on other financial liabilities held at fair value | | (33,309) | (58,392) |
| Net expense on other financial instruments held at fair value | 3 | (18,344) | (55,602) |
| Interest income | 4 | 278 | 550 |
| Interest expense | 4 | (80) | — |
| Net interest income | | 198 | 550 |
| Other income | | 1 | — |
| Other expense | | (3) | (4) |
| Reversal of impairment loss / (impairment loss) on financial assets | | 1 | (2) |
| **PROFIT BEFORE INCOME TAX** | | 197 | 544 |
| Income tax | 5 | (15) | — |
| **PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE PERIOD** | | 182 | 544 |

All results were derived from continuing operations.

The notes on pages 14 to 31 form an integral part of the condensed interim financial statements.

## MORGAN STANLEY FINANCE II LTD

## CONDENSED STATEMENT OF CHANGES IN EQUITY
**Six months ended 30 June 2026**

| | 2026 | 2025 |
|---|---|---|
| | **$'000** | **$'000** |
| **Share capital – at 1 January and 30 June (unaudited)** | 14 | 14 |
| | | |
| **Capital contribution reserve - at 1 January and 30 June (unaudited)** | 10,000 | 10,000 |
| | | |
| **Retained earnings - at 1 January** | 2,691 | 1,936 |
| Profit and total comprehensive income for the period (unaudited) | 182 | 544 |
| **Retained earnings - at 30 June (unaudited)** | 2,873 | 2,480 |
| | | |
| **Total equity at 30 June (unaudited)** | 12,887 | 12,494 |

The notes on pages 14 to 31 form an integral part of the condensed interim financial statements.

# MORGAN STANLEY FINANCE II LTD

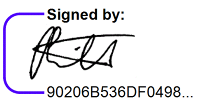
*Registered number: 35857*

## CONDENSED STATEMENT OF FINANCIAL POSITION
**As at 30 June 2026**

| | Note | (unaudited) As at 30 June 2026 $'000 | (audited) As at 31 December 2025 $'000 |
|---|---|---|---|
| **ASSETS** | | | |
| Cash and short-term deposits | 6 | 634 | 634 |
| Loans and advances | 6 | 1,916,396 | 950,462 |
| Trading financial assets | 6 | 42,549 | 13,727 |
| Trade and other receivables | 6 | 12,821 | 11,907 |
| **TOTAL ASSETS** | | 1,972,400 | 976,730 |
| | | | |
| **LIABILITIES AND EQUITY** | | | |
| | | | |
| **LIABILITIES** | | | |
| Trading financial liabilities | 6 | 67,438 | 22,028 |
| Trade and other payables | 6 | 7 | 2 |
| Debt and other borrowings | 7 | 1,892,049 | 941,934 |
| Current tax liabilities | | 19 | 61 |
| **TOTAL LIABILITIES** | | 1,959,513 | 964,025 |
| | | | |
| **EQUITY** | | | |
| Share capital | | 14 | 14 |
| Retained earnings | | 2,873 | 2,691 |
| Capital contribution reserve | | 10,000 | 10,000 |
| **Equity attributable to owners of the Company** | | 12,887 | 12,705 |
| | | | |
| **TOTAL EQUITY** | | 12,887 | 12,705 |
| | | | |
| **TOTAL LIABILITIES AND EQUITY** | | 1,972,400 | 976,730 |

These condensed financial statements were approved by the Board and authorised for issue on 24 September 2026.

Signed on behalf of the Board




S Marriott - Director

The notes on pages 14 to 31 form an integral part of the condensed interim financial statements.

# MORGAN STANLEY FINANCE II LTD

## CONDENSED STATEMENT OF CASH FLOWS
**Six months ended 30 June 2026**

| | (unaudited) Six months ended 30 June 2026 $'000 | (unaudited) Six months ended 30 June 2025 $'000 |
|---|---|---|
| **NET CASH FLOWS FROM OPERATING ACTIVITIES** | — | 142 |
| **NET INCREASE IN CASH AND CASH EQUIVALENTS** | — | 142 |
| **CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD** | 634 | 409 |
| **CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD** | 634 | 551 |

The notes on pages 14 to 31 form an integral part of the condensed interim financial statements.

## 1. CORPORATE INFORMATION

The Company is incorporated and domiciled in Jersey, at the following address: 47 Esplanade, St. Helier, Jersey, JE1 0BD. The Company is a public limited company engaged in the issuance of financial instruments and the hedging of the obligations arising pursuant to such issuances. The registered number of the Company is 35857.

The Company's ultimate parent undertaking and controlling entity and the largest group of which the Company is a member and for which group financial statements are prepared is Morgan Stanley which, together with the Company and Morgan Stanley's other subsidiary undertakings, form the Morgan Stanley Group. Morgan Stanley has its registered office c/o The Corporation Trust Company, The Corporation Trust Center, 1209 Orange Street, Wilmington, DE 19801, United States of America and is incorporated in the State of Delaware, in the United States of America. Copies of its financial statements can be obtained from www.morganstanley.com/investorrelations.

## 2. BASIS OF PREPARATION

**Statement of compliance**

The Company has prepared the annual financial statements in accordance with IFRSs as adopted by the EU, Interpretations issued by the IFRS Interpretations Committee ("IFRIC") and Companies (Jersey) Law 1991.

The condensed interim financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34 'Interim Financial Reporting', as adopted by the EU.

In preparing these condensed interim financial statements, the Company has applied consistently the accounting policies and methods of computation used in the Company's annual financial statements for the year ended 31 December 2025, except where otherwise stated.

**New standards and interpretations adopted during the period**

The following amendments to standards relevant to the Company's operations were adopted during the year. Except where otherwise stated, these amendments to standards and interpretations did not have a material impact on the Company's condensed interim financial statements.

Amendments to IFRS 9 *'Financial Instruments'* ("IFRS 9") and IFRS 7 *'Financial Instruments: Disclosures'* ("IFRS 7") were issued by the IASB in May 2024 for retrospective application except where otherwise prescribed by the transitional provisions of the standard and are effective for annual periods beginning on or after 1 January 2026. The amendments were endorsed by the EU in May 2025.

Annual improvements to IFRS 7 *'Financial Instruments: Disclosures'*, IFRS 9 *'Financial Instruments'* and IAS 7 *'Statement of Cash flows'* ("IAS 7") were issued by IASB in July 2024, for application in annual periods beginning on or after 1 January 2026. The amendments were endorsed by the EU in July 2025.

There were no other standards, amendments to standards or interpretations relevant to the Company's operations which were adopted during the year.

**New standards and interpretations not yet adopted during the period**

Morgan Stanley Group entities will be implementing IFRS 18 'Presentation and Disclosure in Financial Statements' for annual reporting periods beginning 1 January 2027. The standard introduces a revised structure for the Statement of comprehensive income, including the requirement to classify income and expenses into defined categories (Operating, Investing and Financing), as well as new subtotals, enhanced disclosure requirements, and specific requirements relating to management defined performance measures ("MPMs").

## 2. BASIS OF PREPARATION (CONTINUED)

**New standards and interpretations not yet adopted during the period (Continued)**

At the date of authorisation of these condensed Financial Statements, based on a preliminary assessment, the Company has identified "providing finance to customers" as a specified main business activity, consistent with its principal activities. Income and expenses associated with this activity are expected to be classified within the Operating category of the Statement of comprehensive income. The Company further expects presentational differences and changes to income and expense, disaggregation and subtotals. The Company continues to finalise its assessment as part of the Morgan Stanley Group-wide implementation project during 2026.

**Basis of measurement**

The financial statements of the Company are prepared under the historical cost basis, except for certain financial instruments that have been measured at fair value as explained in the accounting policies below.

**Critical accounting judgements and key sources of estimation uncertainty**

In preparing the condensed interim financial statements, the Company makes judgements and estimates that affect the application of accounting policies and reported amounts.

Critical accounting judgements are key decisions made by management in the application of the Company's accounting policies, other than those involving estimations, which have the most significant effects on the amounts recognised in the condensed interim financial statements.

Key sources of estimation uncertainty represent assumptions and estimations made by management that have a significant risk of resulting in a material adjustment to the carrying amount of assets and liabilities within the next financial year.

The key source of estimation uncertainty is the valuation of Level 3 financial instruments. Valuation techniques used to measure the fair value of instruments categorised in Level 3 of the fair value hierarchy are dependent on unobservable parameters, and as such require the application of judgement, involving estimations and assumptions. The fair value for these financial instruments has been determined using parameters appropriate for the valuation methodology based on prevailing market evidence. It is recognised that the unobservable parameters could have a range of reasonably possible alternative values.

No critical accounting judgements have been made in the process of applying the Company's accounting policies that have had a significant effect on the amounts recognised in the condensed interim financial statements.

The Company evaluates the critical accounting judgements and key sources of estimation uncertainty on an ongoing basis and believes that these are reasonable.

**The going concern assumption**

The Company's business activities, together with the factors likely to affect its future development, performance and position, are reflected in the Business Review section of the Directors' report on pages 1 to 6. In addition, the notes to the condensed interim financial statements include the Company's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments; and its exposures to credit risk and liquidity risk.

As set out in the Directors' report, retaining sufficient liquidity and capital to withstand market pressures remains central to the Morgan Stanley Group's and the Company's strategy.

## 2. BASIS OF PREPARATION (CONTINUED)

**The going concern assumption (Continued)**

Taking the above factors into consideration, the Directors believe it is reasonable to assume that the Company will have access to adequate resources to continue in operational existence for the foreseeable future being at least 12 months from the date of approval of these financial statements. Accordingly, they continue to adopt the going concern basis in preparing the interim report and condensed interim financial statements.

## 3. NET EXPENSE ON OTHER FINANCIAL INSTRUMENTS HELD AT FAIR VALUE

| | **(unaudited) Six months ended 30 June 2026 $'000** | **(unaudited) Six months ended 30 June 2025 $'000** |
|---|---|---|
| Net expense on: | | |
| Financial assets designated at fair value through profit or loss ("FVPL"): | | |
| Loans and advances: | | |
| Loans | 14,965 | 2,790 |
| Financial liabilities designated at FVPL: | | |
| Debt and other borrowings: | | |
| Issued structured notes | (33,309) | (58,392) |
| | (18,344) | (55,602) |

## 4. INTEREST INCOME AND INTEREST EXPENSE

All interest income and interest expense relates to financial assets and financial liabilities at amortised cost and is calculated using the effective interest rate (“EIR”) method.

No other gains or losses have been recognised in respect of financial assets measured at amortised cost other than as disclosed as ‘Interest income’, ‘Interest expense’, ‘Reversal of impairment loss/ (impairment loss) on financial assets’ and foreign exchange differences included within ‘Other income’.

## 5. INCOME TAX

| | **(unaudited) Six months ended 30 June 2026 $'000** | **(unaudited) Six months ended 30 June 2025 $'000** |
|---|---|---|
| **Current tax expense** | | |
| Jersey Corporation tax at 15% (June 2025: 0%) | | |
| – Current year | 30 | — |
| Foreign tax credit | | |
| – Current year | (15) | — |
| **Current tax expense** | 15 | — |

## 5. INCOME TAX (CONTINUED)

Jersey enacted the Multinational Corporate Income Tax (Jersey) Law 2025 introducing a 15% minimum tax for in-scope multinational enterprise groups from 1 January 2025. The Company is part of a Group that meets the €750,000,000 consolidated revenue threshold and is therefore within the scope of the regime from 1 January 2025. Prior to 1 January 2025, the Company was subject to Jersey income tax at the rate of 0%.

**Reconciliation of effective tax rate**

The current year income tax expense is less than (2025: equal to) that resulting from applying the average standard rate of corporation tax in Jersey for the year of 15% (2025: 15%). The main differences are explained below:

| | (unaudited) Six months ended 30 June 2026 $'000 | (unaudited) Six months ended 30 June 2025 $'000 |
|---|---|---|
| Profit before income tax | 197 | — |
| Income tax using the average standard rate of corporation tax in Jersey of 15% (June 2025: 0%) | 30 | — |
| Impact on tax of: | | |
| Foreign tax credit | (15) | — |
| **Total income tax in the condensed statement of comprehensive income** | 15 | — |

## 6. FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY MEASUREMENT CATEGORY

The following table analyses financial assets and financial liabilities as presented in the condensed statement of financial position by the IFRS 9 measurement classifications.

| 30 June 2026 | FVPL (mandatorily) | FVPL (designated) | Amortised cost | Total |
|---|---|---|---|---|
| | $'000 | $'000 | $'000 | $'000 |
| Cash and short-term deposits | — | — | 634 | 634 |
| Loans and advances: | | | | |
| Loans | — | 1,916,396 | — | 1,916,396 |
| Trading financial assets: | | | | |
| Derivatives | 42,549 | — | — | 42,549 |
| Trade and other receivables: | | | | |
| Trade receivables | — | — | 1,510 | 1,510 |
| Other receivables | — | — | 11,311 | 11,311 |
| **Total financial assets** | 42,549 | 1,916,396 | 13,455 | 1,972,400 |
| | | | | |
| Trading financial liabilities: | | | | |
| Derivatives | 67,438 | — | — | 67,438 |
| Debt and other borrowings: | | | | |
| Issued structured notes | — | 1,892,049 | — | 1,892,049 |
| Trade and other payables: | | | | |
| Trade payables | — | — | 7 | 7 |
| **Total financial liabilities** | 67,438 | 1,892,049 | 7 | 1,959,494 |

## 6. FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY MEASUREMENT CATEGORY (CONTINUED)

| 31 December 2025 | FVPL (mandatorily) $'000 | FVPL (designated) $'000 | Amortised cost $'000 | Total $'000 |
|---|---|---|---|---|
| Cash and short-term deposits | — | — | 634 | 634 |
| Loans and advances: | | | | |
| Loans | — | 950,462 | — | 950,462 |
| Trading financial assets: | | | | |
| Derivatives | 13,727 | — | — | 13,727 |
| Trade and other receivables: | | | | |
| Trade receivables | — | — | 1,158 | 1,158 |
| Other receivables | — | — | 10,749 | 10,749 |
| **Total financial assets** | 13,727 | 950,462 | 12,541 | 976,730 |
| Trading financial liabilities: | | | | |
| Derivatives | 22,028 | — | — | 22,028 |
| Debt and other borrowings: | | | | |
| Issued structured notes | — | 941,934 | — | 941,934 |
| Trade and other payables: | | | | |
| Trade payables | — | — | 2 | 2 |
| **Total financial liabilities** | 22,028 | 941,934 | 2 | 963,964 |

**Financial assets and financial liabilities designated at FVPL**

The financial assets and liabilities in the table above which are designated at FVPL consist primarily of the following financial assets and financial liabilities:

*Issued Structured Note*s: These relate to financial liabilities which arise from selling structured products generally in the form of notes. These instruments contain an embedded derivative which significantly modifies the cash flows of the issuance. The return on the instrument is linked to an underlying that is not clearly and closely related to the debt host including, but not limited to, equity-linked notes. These structured notes are designated at FVPL as the risks to which the Company is a contractual party are risk managed on a fair value basis as part of the Company's trading portfolio and the risk is reported to key management personnel on this basis.

*Loans:* These are loans to Morgan Stanley that, along with the derivative contracts classified as mandatorily at FVPL, are part of the hedging strategy for the obligations arising pursuant to the issuance of the structured notes. These loans are designated at FVPL to eliminate or significantly reduce an accounting mismatch which would otherwise arise.

The Company determines the amount of changes in fair value attributable to changes in counterparty credit risk or own credit risk, as relating to loans and issued structured notes, by first determining the fair value including the impact of counterparty credit risk or own credit risk, and then deducting those changes in fair value representing managed market risk. In determining fair value, the Company considers the impact of changes in own credit spreads based upon observations of the secondary bond market spreads when measuring the fair value for issued structured notes. The Company considers that this approach most faithfully represents the amount of change in fair value due to both counterparty credit risk and the Company's own credit risk.

The carrying amount of financial liabilities held at fair value was $350,000 lower than the contractual amount due at maturity (31 December 2025: $227,000 lower).

## 6. FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY MEASUREMENT CATEGORY (CONTINUED)

**Financial assets and financial liabilities designated at FVPL (continued)**

At initial recognition of a specific structured note issuance program, the Company's issuance process, and any planned hedging structure relating to the issuance of those structured notes, has been considered, to determine whether the presentation of fair value changes attributable to credit risk of those structured notes through other comprehensive income would create or enlarge an accounting mismatch in the statement of comprehensive income. If financial instruments, such as derivatives and loans held at FVPL, for which changes in fair value incorporating counterparty credit risk are reflected within the statement of comprehensive income, are traded to economically hedge the structured note issuances in full, the fair value incorporating any counterparty credit risk arising on the hedging instruments may materially offset any changes in the credit risk of these liabilities ("DVA") applied to structured notes, where the counterparties of the hedging instruments are part of the Morgan Stanley Group. In such cases, the DVA of those structured notes is not reflected within other comprehensive income, and instead is presented in the condensed statement of comprehensive income.

The following table presents the change in fair value and the cumulative change recognised in the condensed statement of comprehensive income attributable to own credit risk for issued structured notes and counterparty credit risk for loans.

| | Gain or (loss) recognised in the condensed statement of comprehensive income | | Cumulative gain or (loss) recognised in the condensed statement of comprehensive income | |
|---|---|---|---|---|
| | Six months ended 30 June 2026 | Six months ended 30 June 2025 | 30 June 2026 | 31 December 2025 |
| | $'000 | $'000 | $'000 | $'000 |
| Issued structured notes | (1,115) | (721) | (2,008) | (893) |
| Loans | 1,115 | 721 | 2,008 | 893 |
| | — | — | — | — |

The following tables presents the carrying value of the Company's financial liabilities designated at FVPL, classified according to underlying security type, including, single name equities, equity indices and equity portfolio.

| 30 June 2026 | Single name equities | Equity indices | Equity portfolio | Total |
|---|---|---|---|---|
| | $'000 | $'000 | $'000 | $'000 |
| Issued structured notes | 1,442,576 | 105,458 | 344,015 | 1,892,049 |

| 31 December 2025 | Single name equities | Equity indices | Equity portfolio | Total |
|---|---|---|---|---|
| | $'000 | $'000 | $'000 | $'000 |
| Issued structured notes | 532,409 | 72,960 | 336,565 | 941,934 |

## 6. FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY MEASUREMENT CATEGORY (CONTINUED)

**Financial assets and financial liabilities designated at FVPL (continued)**

The derivative contracts and loans held at FVPL that the Company enters into in order to hedge the structured notes are valued as detailed in note 3(d) and note 18(a) of the Company's 2025 annual financial statements, and have similar valuation inputs to the liabilities they hedge.

## 7. DEBT AND OTHER BORROWINGS

| | (unaudited) 30 June 2026 $'000 | (audited) 31 December 2025 $'000 |
|---|---|---|
| **Debt and other borrowings (designated FVPL)** | | |
| Issued structured notes | 1,892,049 | 941,934 |

Refer to note 6 for details of issued structured notes included within debt and other borrowings designated at FVPL.

## 8. SEGMENT REPORTING

Segment information is presented in respect of the Company's business and geographical segments. The business and geographical segments are based on the Company's management and internal reporting structure. Transactions between business segments are on normal commercial terms and conditions.

**Business segments**

Morgan Stanley structures its business segments primarily based upon the nature of the financial products and services provided to customers and Morgan Stanley's internal management structure. The Company's own business segments are consistent with those of Morgan Stanley.

The Company has one reportable business segment, Institutional Securities, which provides financial services to financial institutions. Its business includes the issuance of financial instruments and the hedging of the obligations arising pursuant to such issuances.

**Geographical segments**

The Company operates in three geographic regions as listed below:

- Europe, Middle East and Africa ("EMEA")
- Americas
- Asia

The following table presents selected condensed interim statement of financial position information of the Company's operations by geographic area. The total assets disclosed in the following table reflect the regional view of the Company's operations, on a managed basis. The attribution of total assets is determined by trading desk location.

## 8. SEGMENT REPORTING (CONTINUED)

| | EMEA | | Americas | | Asia | | Total | |
|---|---|---|---|---|---|---|---|---|
| | 30 Jun 2026 $'000 | 31 Dec 2025 $'000 | 30 Jun 2026 $'000 | 31 Dec 2025 $'000 | 30 Jun 2026 $'000 | 31 Dec 2025 $'000 | 30 Jun 2026 $'000 | 31 Dec 2025 $'000 |
| External revenues net of interest | — | — | — | — | — | — | — | — |
| Profit before income tax | — | — | 197 | 816 | — | — | 197 | 816 |
| Total assets | 277 | 276 | 1,450,936 | 489,900 | 521,187 | 486,554 | 1,972,400 | 976,730 |

All of the Company's external revenue (2025: 100%) arises from transactions with Morgan Stanley.

## 9. FINANCIAL RISK MANAGEMENT

### Risk management procedures

The Company's risk management procedures are consistent with those disclosed in the Company's 2025 annual financial statements. This disclosure is limited to quantitative data for each risk category and should be read in conjunction with the risk management procedures detailed in note 17 of the Company's 2025 annual financial 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 the Company. The Company is primarily exposed to credit risk from institutions and sophisticated investors through its Institutional Securities business segment.

*Credit risk management*

Credit risk exposure is managed on a global basis and in consideration of each significant legal entity within the Morgan Stanley Group. The credit risk management policies and procedures establish the framework for identifying, measuring, monitoring and controlling credit risk whilst ensuring transparency of material credit risks, compliance with established limits and escalating risk concentrations to appropriate senior management.

The Company enters into all of its financial asset transactions with Morgan Stanley. As a result of the implicit support that would be provided by Morgan Stanley, the Company is considered exposed to the credit risk of Morgan Stanley.

*Exposure to credit risk*

The maximum exposure to credit risk ("Gross Credit Exposure") of the Company as at 30 June 2026 is the carrying amounts of the financial assets held in the condensed interim statement of financial position. The table includes financial instruments subject to ECL and not subject to ECL. Those financial instruments that bear credit risk but are not subject to ECL are subsequently measured at fair value.

The Company does not have any significant exposure arising from items not recognised on the condensed statement of financial position.

## 9. FINANCIAL RISK MANAGEMENT (CONTINUED)

### Credit risk (continued)

*Exposure to credit risk by class*

| Class | Gross and net credit exposure(1) 30 June 2026 $'000 | 31 December 2025 $'000 |
|---|---|---|
| **Subject to ECL:** | | |
| Cash and short-term deposits | 634 | 634 |
| Trade and other receivables | 12,821 | 11,907 |
| **Not subject to ECL(2):** | | |
| Loans and advances | 1,916,396 | 950,462 |
| Trading financial assets | 42,549 | 13,727 |
| | 1,972,400 | 976,730 |

(1) The carrying amount recognised in the condensed interim statement of financial position best represents the Company's maximum exposure to credit risk.
(2) Financial assets measured at FVPL are not subject to ECL.

The Company does not hold financial assets considered to be credit impaired.

*Exposure to credit risk by internal rating grades*

Internal credit ratings, as below, are derived using methodologies generally consistent with those used by external agencies:

Investment grade: AAA - BBB
Non-investment grade: BB - CCC
Default: D

All gross carrying amounts have an internal rating grade of A and are not impacted by ECL. All exposures subject to ECL are Stage 1.

### Liquidity risk

Liquidity risk refers to the risk that the Company will be unable to finance its operations due to a loss of access to capital markets or difficulty in liquidating its assets. Liquidity risk encompasses the Company's ability (or perceived ability) to meet its financial obligations without experiencing significant business disruption or reputational damage that may threaten the Company's viability as a going concern. Liquidity risk also encompasses the associated funding risks triggered by the market or idiosyncratic stress events that may cause unexpected changes in funding needs or an inability to raise new funding. Generally, the Company incurs liquidity risk as a result of its trading, lending, investing and client facilitation activities.

For further details please refer note 17 of 2025 annual financial statements.

## 9. FINANCIAL RISK MANAGEMENT (CONTINUED)

### Liquidity risk (continued)

*Maturity analysis*
In the following maturity analysis of financial assets and financial liabilities, derivative contracts and other financial instruments held at FVPL are disclosed according to their earliest contractual maturity; all such amounts are presented at their fair value, consistent with how these financial instruments are managed. All other amounts represent undiscounted cash flows receivable and payable by the Company arising from its financial assets and financial liabilities to earliest contractual maturities as at 30 June 2026 and as at 31 December 2025. Receipts of financial assets and repayments of financial liabilities that are subject to immediate notice are treated as if notice was given immediately and are classified as on demand. This presentation is considered by the Company to appropriately reflect the liquidity risk arising from these financial assets and financial liabilities, presented in a way that is consistent with how the liquidity risk on these financial assets and financial liabilities is managed by the Company.

| 30 June 2026 | On demand | Less than 1 year | 1 year - 2 years | 2 years - 5 years | Greater than 5 years | Total |
|---|---|---|---|---|---|---|
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| **Financial assets** | | | | | | |
| Cash and short term deposits | 634 | — | — | — | — | 634 |
| Loans and advances: | | | | | | |
| Loans | — | 1,263,256 | 476,714 | 169,369 | 7,057 | 1,916,396 |
| Trading financial assets: | | | | | | |
| Derivatives | — | 40,612 | 1,426 | 507 | 4 | 42,549 |
| Trade and other receivables: | | | | | | |
| Trade receivables | 1,510 | — | — | — | — | 1,510 |
| Other receivables | 27 | — | 11,284 | — | — | 11,311 |
| **Total financial assets** | **2,171** | **1,303,868** | **489,424** | **169,876** | **7,061** | **1,972,400** |
| **Financial liabilities** | | | | | | |
| Trading financial liabilities: | | | | | | |
| Derivatives | — | 44,461 | 11,857 | 10,604 | 516 | 67,438 |
| Trade and other payables: | | | | | | |
| Trade Payables | 7 | — | — | — | — | 7 |
| Debt and other borrowings: | | | | | | |
| Issued structured notes | — | 1,259,948 | 466,283 | 159,272 | 6,546 | 1,892,049 |
| **Total financial liabilities** | **7** | **1,304,409** | **478,140** | **169,876** | **7,062** | **1,959,494** |

**9. FINANCIAL RISK MANAGEMENT (CONTINUED)**

**Liquidity risk (continued)**

*Maturity analysis (continued)*

| 31 December 2025 | On demand | Less than 1 year | 1 year - 2 years | 2 years - 5 years | Greater than 5 years | Total |
|---|---|---|---|---|---|---|
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| **Financial assets** | | | | | | |
| Cash and short term deposits | 634 | — | — | — | — | 634 |
| Loans and advances: | | | | | | |
| Loans | — | 311,019 | 489,056 | 143,443 | 6,944 | 950,462 |
| Trading financial assets: | | | | | | |
| Derivatives | — | 5,887 | 6,483 | 1,356 | 1 | 13,727 |
| Trade and other receivables: | | | | | | |
| Trade receivables | 1,158 | — | — | — | — | 1,158 |
| Other receivables | — | — | 10,749 | — | — | 10,749 |
| **Total financial assets** | 1,792 | 316,906 | 506,288 | 144,799 | 6,945 | 976,730 |
| **Financial liabilities** | | | | | | |
| Trading financial liabilities: | | | | | | |
| Derivatives | — | 10,352 | 8,297 | 2,741 | 638 | 22,028 |
| Trade and other payables: | | | | | | |
| Trade Payables | 2 | — | — | — | — | 2 |
| Debt and other borrowings: | | | | | | |
| Issued structured notes | — | 306,329 | 487,242 | 142,057 | 6,306 | 941,934 |
| **Total financial liabilities** | 2 | 316,681 | 495,539 | 144,798 | 6,944 | 963,964 |

**Market risk**

Market risk is defined by IFRS 7 as the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices.

The Company manages the market risk associated with its trading activities at a legal entity, trading division and at an individual products level.

Sound market risk management is an integral part of the Company's culture. The Company is responsible for ensuring that market risk exposures are well-managed and monitored. The Company also ensures transparency of material market risks, monitors compliance with established limits, and escalates risk concentrations to appropriate senior management.

To execute these responsibilities, the Morgan Stanley Group monitors the market risk of the firm against limits on aggregate risk exposures, performs a variety of risk analyses including monitoring Value-at-risk ("VaR") and stress testing analyses, routinely reports risk summaries and maintains the VaR and scenario analysis methodologies. The Company is managed within the Morgan Stanley Group's global framework. The market risk management policies and procedures of the Company include performing risk analyses and reporting any material risks identified to appropriate senior management of the Company, including an assessment of the condensed interim Statement of Comprehensive Income and Statement of Financial Position of the Company to ensure there is no net exposure to market risk.

The Company enters into the majority of its financial asset transactions with Morgan Stanley.

## 9. FINANCIAL RISK MANAGEMENT (CONTINUED)

**Market risk (continued)**

The Company actively manages its market risk by hedging with Morgan Stanley. The residual market risk on the entity is not material.

## 10. ASSETS AND LIABILITIES MEASURED AT FAIR VALUE

### a. Financial assets and liabilities recognised at fair value on a recurring basis

The following tables present the carrying value of the Company's financial assets and financial liabilities recognised at fair value on a recurring basis, classified according to the fair value hierarchy.

| 30 June 2026 | Quoted prices in active market (Level 1) $'000 | Valuation techniques using observable inputs (Level 2) $'000 | Valuation techniques with significant unobservable inputs (Level 3) $'000 | Total $'000 |
|---|---|---|---|---|
| Trading financial assets: | | | | |
| Derivatives | | | | |
| Equity contracts | — | 42,515 | 34 | 42,549 |
| Loans and advances: | | | | |
| Loans | — | 1,916,396 | — | 1,916,396 |
| **Total financial assets measured at fair value** | — | 1,958,911 | 34 | 1,958,945 |
| Trading financial liabilities: | | | | |
| Derivatives | | | | |
| Equity contracts | — | 67,405 | 33 | 67,438 |
| Debt and other borrowings: | | | | |
| Issued structured notes | — | 1,892,049 | — | 1,892,049 |
| **Total financial liabilities measured at fair value** | — | 1,959,454 | 33 | 1,959,487 |

## 10. ASSETS AND LIABILITIES MEASURED AT FAIR VALUE (CONTINUED)

### a. Financial assets and liabilities recognised at fair value on a recurring basis (continued)

| 31 December 2025 | Quoted prices in active market (Level 1) $'000 | Valuation techniques using observable inputs (Level 2) $'000 | Valuation techniques with significant unobservable inputs (Level 3) $'000 | Total $'000 |
|---|---|---|---|---|
| Trading financial assets: | | | | |
| Derivatives | | | | |
| Equity contracts | — | 13,713 | 14 | 13,727 |
| Loans and advances: | | | | |
| Loans | — | 950,462 | — | 950,462 |
| **Total financial assets measured at fair value** | — | 964,175 | 14 | 964,189 |
| Trading financial liabilities: | | | | |
| Derivatives | | | | |
| Equity contracts | — | 22,016 | 12 | 22,028 |
| Debt and other borrowings: | | | | |
| Issued structured notes | — | 941,934 | — | 941,934 |
| **Total financial liabilities measured at fair value** | — | 963,950 | 12 | 963,962 |

## 10. ASSETS AND LIABILITIES MEASURED AT FAIR VALUE (CONTINUED)

### a. Financial assets and liabilities recognised at fair value on a recurring basis (continued)

The Company's valuation approach and fair value hierarchy categorisation for certain significant classes of financial instruments recognised at fair value on a recurring basis is as follows:

<table>
<tr><th colspan="2">Derivatives</th></tr>
<tr><th>Asset and Liability / Valuation Techniques</th><th>Valuation Hierarchy Classification</th></tr>
<tr><td>Derivatives</td><td></td></tr>
<tr><td>OTC Derivative Contracts<br>• OTC derivative contracts include swap contracts related to equity prices.<br>• 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 pricing model, simulation models or a combination thereof. Many pricing models do not entail material subjectivity as the methodologies employed do not necessitate significant judgement, since model inputs may be observed from actively quoted markets, as is the case for many equity swaps. In the case of more established derivative products, the pricing models used by the Company are widely accepted by the financial services industry.<br>• More complex OTC derivative products are typically less liquid and require more judgement in the implementation of the valuation technique since direct trading activity or quotes are unobservable. This includes certain types of derivatives with both volatility and correlation exposure. Where these inputs are unobservable, relationships to observable data points, based on historic and/or implied observations, may be employed as a technique to estimate the model input values.</td><td>• Generally Level 2 - when valued using observable inputs supported by market liquidity, or where the unobservable input is not deemed significant.<br>• Level 3 - when valued using observable inputs with limited market liquidity, or if an unobservable input is deemed significant..</td></tr>
<tr><th colspan="2">Issued structured notes</th></tr>
<tr><td>Issued structured notes designated at fair value through profit or loss<br>• The Company issues structured notes which are primarily composed of instruments whose payments and redemption values are linked to the performance of a specific index, a basket of stocks and a specific security.<br>• Fair value of structured notes is determined using valuation models for the derivative and debt portions of the structured notes and traded prepaid equity securities contracts. These models incorporate observable inputs referencing identical or comparable securities, including prices to which the notes are linked, equity prices.<br>• Independent, external and traded prices for the notes are considered as well as the impact of the Company's own credit spreads which are based on observed secondary bond market spreads.</td><td>• Generally Level 2<br>• Level 3 - Notes with significant unobservable inputs.</td></tr>
</table>

## 10. ASSETS AND LIABILITIES MEASURED AT FAIR VALUE (CONTINUED)

### a. Financial assets and liabilities recognised at fair value on a recurring basis (continued)

| **Issued structured notes (continued)** | |
|---|---|
| *Issued structured notes designated at fair value through profit or loss (continued)*<br>• Notes give a risk exposure tailored to market views and risk appetite and mainly provide exposure to the underlying single name equity, equity index or portfolio of equities. Typically, the redemption payment of the note is significantly dependent on the value of embedded equity derivatives. In general, call and put options, digital options, straddles and callability features are combined to create a bespoke coupon rate or redemption payoff for each note issuance, with risk exposure to one or more equity underlyings or indices. The Company values the embedded derivatives using market standard models, which are assessed for appropriateness at least annually. Model inputs, such as equity forward rates, equity implied volatility and equity correlations are marked such that the fair value of the derivatives match prices observable in the inter-dealer markets. In arriving at fair value, the Company uses discount rates appropriate to the funding rates specific to the instrument. In general, this results in overnight rates being used to discount the Company assets and liabilities. In addition, since the notes bear Morgan Stanley's credit risk, the Company considers this when assessing the fair value of the notes, by adjusting the discount rates to reflect the prevailing credit spread at the reporting date. | |
| *Loans*<br>• The fair value of loans to Morgan Stanley is estimated based on the present value of expected future cash flows using its best estimate of interest rate yield curves. | • Level 2 |

### b. Transfers between Level 1 and Level 2 of the fair value hierarchy for financial assets and liabilities recognised at fair value on a recurring basis

There were no transfers between Level 1 and Level 2 of the fair value hierarchy during the current period and prior year.

### c. Changes in Level 3 financial assets and liabilities recognised at fair value on a recurring basis

The following tables present the changes in the fair value of the Company's Level 3 financial assets and financial liabilities for the period ended 30 June 2026 and 31 December 2025. Level 3 instruments may be hedged with instruments classified in Level 1 and Level 2. The realised and unrealised gains/(losses) for assets and liabilities within the Level 3 category presented in the following tables do not reflect the related realised and unrealised gains/(losses) on hedging instruments that have been classified by the Company within the Level 1 and/ or Level 2 categories.

The unrealised gains/(losses) during the period for assets and liabilities within the Level 3 category presented in the following tables herein may include changes in fair value during the period that were attributable to both observable and unobservable inputs.

## 10. ASSETS AND LIABILITIES MEASURED AT FAIR VALUE (CONTINUED)

### c. Changes in Level 3 financial assets and liabilities recognised at fair value on a recurring basis (continued)

**30 June 2026**

| | Balance at 1 January 2026 | Total gains or (losses) recognised in statement of comprehensive income [(1)] | Purchases | Issuances | Settlements | Transfers into Level 3[(2)] | Transfers out of Level 3 [(2)] | Balance at 30 June 2026 | Unrealised gains or (losses) for Level 3 assets/ (liabilities) outstanding as at 30 June 2026 [(3)] |
|---|---|---|---|---|---|---|---|---|---|
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| Trading financial assets: | | | | | | | | | |
| Net derivative contracts [(4)] | 2 | 113 | — | (92) | (20) | — | (2) | 1 | 113 |
| Debt and other borrowings: | | | | | | | | | |
| Issued structured notes | — | — | — | — | 2,788 | (2,788) | — | — | — |
| **Total financial assets/ liabilities measured at fair value** | **2** | **113** | **—** | **(92)** | **2,768** | **(2,788)** | **(2)** | **1** | **113** |

**31 December 2025**

| | Balance at 1 January 2025 | Total gains or (losses) recognised in statement of comprehensive income [(1)] | Purchases | Issuances | Settlements | Transfers into Level 3[(2)] | Transfers out of Level 3 [(2)] | Balance at 31 December 2025 | Unrealised gains or (losses) for Level 3 assets/ (liabilities) outstanding as at 31 December 2025 [(3)] |
|---|---|---|---|---|---|---|---|---|---|
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| Trading financial assets: | | | | | | | | | |
| Net derivative contracts [(4)] | (3,929) | 483 | — | (11) | (200) | (198) | 3,857 | 2 | 414 |
| Debt and other borrowings: | | | | | | | | | |
| Issued structured notes | (7,538) | (375) | — | — | 7,913 | — | — | — | — |
| **Total financial assets/ liabilities measured at fair value** | **(11,467)** | **108** | **—** | **(11)** | **7,713** | **(198)** | **3,857** | **2** | **414** |

(1) The total gains or (losses) are recognised in the condensed interim statement of comprehensive income.
(2) For financial assets and financial liabilities that were transferred into and out of Level 3 during the period, gains or (losses) are presented as if the assets or liabilities had been transferred into or out of Level 3 as at the beginning of the period.
(3) Amounts represent unrealised gains or (losses) for the period ended 30 June 2026 related to assets and liabilities still outstanding at 30 June 2026. The unrealised gains or (losses) are recognised in the condensed interim statement of comprehensive income.
(4) Net derivative contracts represent trading financial assets – derivative contracts net of trading financial liabilities – derivative contracts.

## 10. ASSETS AND LIABILITIES MEASURED AT FAIR VALUE (CONTINUED)

### c. Changes in Level 3 financial assets and liabilities recognised at fair value on a recurring basis (continued)

During the period, the Company reclassified $2,000 of net derivative contracts (31 December 2025: $3,857,000) from Level 3 to Level 2 and $nil of derivative contracts (31 December 2025: $198,000) from Level 2 to level 3. The reclassifications were due to positions where the unobservable inputs became significant or are no longer significant.

During the period, the Company reclassified $2,788,000 of issued structured notes (31 December 2025: $nil) from Level 2 to Level 3. The reclassifications are from various instruments due to unobservable inputs becoming significant.

### d. Assets and liabilities measured at fair value on a non-recurring basis

Non-recurring fair value measurements of assets and liabilities are those which are required or permitted in the condensed interim statement of financial position in particular circumstances. There were no assets or liabilities measured at fair value on a non-recurring basis during the current period or prior year.

## 11. ASSETS AND LIABILITIES NOT MEASURED AT FAIR VALUE

For all financial instruments not measured at fair value, the carrying amount is considered to be a reasonable approximation of fair value due to the short term nature of these assets and liabilities.

## 12. EVENTS AFTER THE REPORTING PERIOD

There have been no significant events since the reporting date.