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Morgan Stanley

Morgan Stanley & Co. International plc

2025 Interim Report and Financial Statements

30 June 2025

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MORGAN STANLEY & CO. INTERNATIONAL plc

INTERIM MANAGEMENT REPORT

The Directors present their Interim Management Report and the Condensed Consolidated Financial Statements ("Interim Financial Statements") for Morgan Stanley & Co. International plc (the "Company") and all of its subsidiary undertakings (together the "Group") for the six month period ended 30 June 2025 (the "period").

These Interim Financial Statements should be read in conjunction with, and as an update to the Group's 2024 Annual Report and Financial Statements, available at:

<https://www.morganstanley.com/about-us-ir/subsidiaries>

Group and Company Overview

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

Morgan Stanley International Limited ("MSI") is the ultimate United Kingdom ("UK") parent undertaking of the Company. MSI, together with all its subsidiary undertakings, forms the "MSI Group".

The Company and Group operate within the financial services industry and are subject to extensive supervision and regulation.

Throughout the Interim Management Report, the Directors may refer to policies, procedures and practices that the Group shares with the MSI Group.

Principal Activity

The principal activity of the Group is the provision of financial services to a global client base consisting of corporations, governments and financial institutions. Financial services include investment banking, sales and trading, and other services to clients. There has been no change in the Group's principal activity during the period and no significant change is expected.

The Group conducts business from its headquarters in London, UK, and operates branches in Abu Dhabi, Dubai, Qatar, South Korea and Switzerland.

Details of the Company's subsidiaries can be found in the Appendix of the 2024 Report and Financial Statements.

Supervision and Regulation

As a UK-based financial services provider, the Company is authorised by the Prudential Regulation Authority ("PRA") as a PRA-designated investment firm and is regulated by the PRA and the Financial Conduct Authority ("FCA"). The branches and subsidiaries may also be locally regulated.

Capital and liquidity ratios as reported to the PRA are included in this Interim Management Report for the Company only.

As a provider of services to global clients, the Company is conditionally registered with the Securities and Exchange Commission ("SEC") as a Securities Based Swap Dealer ("SBSD"). The Company is also registered with the Commodity Futures Trading Commission ("CFTC") as a Swap Dealer ("SD").

Where applicable, the Company is complying with home country capital requirements in lieu of SEC and CFTC capital requirements pursuant to substituted compliance rules.

The Company issues debt on European Union ("EU") regulated markets and is subject to the Luxembourg Law on Transparency Requirements.

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Risk Factors and Business Environment

The business results of the Group's operations may be impacted by exposure to risk factors and the current business environment in which it operates.

Risk Factors

Risk taking is an inherent part of the Group's business activities. The MSI Group seeks to identify, measure, monitor, report, challenge and escalate each of the various types of risk involved in its business activities, in accordance with defined policies and procedures.

The Company's Risk Appetite Statement ("RAS") articulates the aggregate level and type of risk that the Company is willing to accept to execute its business strategy and protect its capital and liquidity resources.

The MSI Group has an established Risk Management Framework to support the identification, measurement, monitoring, reporting, challenge and escalation of risk.

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

Business Environment

In the first half of 2025, the economic environment reflected varied market conditions. Early in the year, there was economic uncertainty and market volatility driven by global trade concerns that influenced client confidence and investor sentiment. The latter part of the period was characterised by a steady rebound in global capital markets. Ongoing geopolitical uncertainty, trade policy changes, inflation, as well as the timing and pace of central bank actions have impacted and could continue to impact capital markets and the Group, as discussed further in 'Overview of 2025 Financial Results'.

Future Developments

The Interim Management Report contains certain forward-looking statements and information on future developments. These statements are made by the Board of Directors (the "Board") in good faith, based on the information available at the time of the approval of the report and such statements should be treated with caution due to the inherent uncertainties, including both economic and business risk factors, underlying any such forward-looking information.

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Financial Performance and Condition

Performance Indicators

To assess the effectiveness of the execution of the strategy, the Board monitors the results of the Group and/or Company by reference to a range of performance indicators and required regulatory risk-based metrics, including, but not limited to those disclosed below. The performance indicators are as at the period / year ended 30 June 2025 and 31 December 2024, except where otherwise stated. The Company has consistently been, and continues to be, fully compliant with its financial resources requirements.

Return on Shareholders' Equity (Group)

in \$ millions	At 30 June 2025	At 30 June 2024
Total shareholders' equity at beginning of the period	23,612	23,606
Profit after tax	1,086	863
Return on shareholders' equity - annualised	9.2%	7.3%

Tier 1 Capital Ratio (Company)

in \$ millions	At 30 June 2025	At 31 December 2024
Risk-weighted assets ("RWAs")	143,932	122,626
Tier 1 capital	21,748	21,526
Tier 1 capital ratio	15.1%	17.6%

Leverage Ratio (Company)

in \$ millions	At 30 June 2025	At 31 December 2024
Leverage exposure	515,460	409,557
Tier 1 capital	21,748	21,526
Leverage ratio	4.2%	5.3%

Liquidity Coverage Ratio (Company)

in \$ millions	At 30 June 2025	At 31 December 2024
Liquidity buffer - High quality liquid assets ("HQLA")	41,611	39,981
Liquidity coverage ratio ("LCR") ⁽¹⁾	195%	194%

(1) Calculated as the average of the preceding twelve months

Net Stable Funding Ratio (Company)

in \$ millions	At 30 June 2025	At 31 December 2024
Available stable funding ("ASF")	111,491	106,539
Required stable funding ("RSF")	103,893	100,420
Net Stable Funding Ratio ("NSFR") ⁽¹⁾	107%	106%

(1) Calculated as the average of the preceding four quarters

Senior Unsecured Credit Ratings (Company)

At 30 June 2025 and 31 December 2024, the Company's senior unsecured ratings were as follows:

	Short-Term Debt	Long-Term Debt	Rating Outlook
Moody's Investor Service, Inc	P-1	Aa3	Stable
Standard & Poor's Rating Service	A-1	A+	Stable
Fitch Ratings	F1+	AA-	Stable

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Overview of 2025 Financial Results

Income Statement

Set out below is an overview of the Group's financial results for the period and the prior year period ended 30 June:

in \$ millions	2025	2024	Increase/ (decrease)	Variance %
Investment Banking	456	443	13	3%
Sales and Trading	752	642	110	17%
Investment Management	13	10	3	30%
Fee and commission income	1,221	1,095	126	12%
Net trading income⁽¹⁾	3,458	2,811	647	23%
Net revenues	4,679	3,906	773	20%
Staff related expenses	1,077	918	159	17%
Non-staff related expenses	2,101	1,792	309	17%
Operating expense	3,178	2,710	468	17%
Net impairment (reversal)/loss on financial instruments	4	2	2	100%
Non-interest expenses	3,182	2,712	470	17%
Profit before tax	1,497	1,194	303	25%
Income tax expense	411	331	80	24%
Profit after tax	1,086	863	223	26%

⁽¹⁾ Net trading income is comprised of 'Net gains from financial instruments at fair value through profit or loss ("FVPL")', 'Other revenue' and 'Net interest expense' as set out in the condensed consolidated income statement on page 21.

Net revenues and Profit before tax split by geographical region:

	Net revenues (\$ millions / %)		Profit before tax (\$ millions / %)	
30 June 2025				
EMEA ⁽¹⁾	2,876	61%	688	46%
Asia	1,432	31%	600	40%
Americas	371	8%	209	14%
Total	4,679		1,497	
30 June 2024				
EMEA ⁽¹⁾	2,511	64%	570	48%
Asia	1,094	28%	454	38%
Americas	301	8%	170	14%
Total	3,906		1,194	

(1) Europe, Middle East and Africa ("EMEA")

Net Revenues

Overall net revenues increased by 20%.

Fee and commission income

Sales and Trading increased by 17%, primarily related to higher equity market volumes across all regions.

Net trading income

The 23% increase in Net trading income was mainly from increased client activity across equity products and higher than average client balances.

Operating expenses

Staff related expenses increased by 17%, driven by higher discretionary incentive compensation which is directly linked to higher revenue. Also higher expenses related to outstanding deferred compensation and higher employment-related taxes.

Non-staff related expenses increased by 17% driven by volume related expenses due to the increased trading activity.

Income Tax Expense

The Group's tax expense for the period is \$411 million, compared to \$331 million for the prior year period. This represents an actual effective tax rate ("ETR") of 27.4% (30 June 2024: 27.8%), compared to the average standard rate of UK corporation tax (inclusive of the UK Banking surcharge) of 28% (30 June 2024: 28%).

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Balance Sheet

in \$ millions	30 June 2025	31 December 2024 (audited)	Increase/ (decrease)	Variance %
Cash and short term deposits	18,815	16,711	2,104	13%
Trading financial assets	406,371	369,853	36,518	10%
Secured financing	142,599	115,453	27,146	24%
Trade and other receivables	88,438	75,238	13,200	18%
Other assets	935	823	112	14%
Total Assets	657,158	578,078	79,080	14%
Trading financial liabilities	335,883	319,056	16,827	5%
Secured borrowing	129,148	105,067	24,081	23%
Trade and other payables	89,131	78,885	10,246	13%
Debt and other borrowings	64,192	39,523	24,669	62%
Subordinated debt	14,127	11,798	2,329	20%
Other liabilities	69	137	(68)	-50%
Total Liabilities	632,550	554,466	78,084	14%
Total Equity	24,608	23,612	996	4%

Assets and Liabilities

The increase in 'Trading financial assets' and 'Trading financial liabilities' was mainly driven by client activity and market movements in equities and corporate and government bonds.

The increase in 'Secured financing' and 'Secured borrowing' was primarily due to higher client financing activity and stock lending to other Morgan Stanley Group undertakings.

The increase in 'Trade and other receivables' and 'Trade and other payables' was primarily due to an increase in Prime Brokerage client balances.

The increase in 'Debt and other borrowings' is due to increases in unsecured funding from the Company's immediate parent and an increase in structured note issuances.

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Capital and Liquidity Resource Management and Regulation

The Company manages and monitors its capital and liquidity in line with established policies and procedures and in compliance with local regulatory requirements.

Capital Management

Consistent with the Morgan Stanley Group capital management policies, the MSI Group and the Company manage their capital positions based upon business opportunities, risks, capital availability and rate of return together with internal capital policies, regulatory requirements and rating agency guidelines.

The Company is included as a significant subsidiary in the MSI Group's Pillar 3 report. This report can be found at <https://www.morganstanley.com/about-us-ir/pillar-uk>.

Regulatory Capital and Leverage Requirements

As at 30 June 2025, the Company's Total Capital Requirement ("TCR") was \$17,099 million (31 December 2024: \$13,403 million), equivalent to 11.9% (31 December 2024: 10.9%) of RWAs (Risk Weighted Assets). In addition, the PRA sets a buffer if required, which is available to support the Company in a stressed market environment.

The Company's capital is monitored on an ongoing basis to ensure compliance with the above requirements. The Company complied with all of its capital requirements during the period.

Capital Resources

Set out below are details of the Company's Capital Resources, as at 30 June 2025 and 31 December 2024:

in \$ millions	30 June 2025	31 December 2024
Total Company equity	24,510	23,491
Regulatory adjustments	(2,762)	(1,965)
Tier 1 Capital	21,748	21,526
Of which		
Common Equity Tier 1	17,448	17,226
Additional Tier 1 ("AT1")	4,300	4,300
Tier 2 Capital	5,226	5,098
Total Capital Resources	26,974	26,624
Risk Weighted Assets ("RWAs")	143,932	122,626
CET1 capital ratio	12.1%	14.0%
Tier 1 capital ratio	15.1%	17.6%
Total capital ratio	18.7%	21.7%

The total capital ratio decreased as compared to 31 December 2024 primarily due to an increase in RWAs (refer to below table).

RWAs

in \$ millions	30 June 2025	31 December 2024
Credit RWAs	85,345	70,947
Market RWAs	48,044	41,136
Operational RWAs	10,543	10,543
Total RWAs	143,932	122,626

RWAs increased by \$21,306 million over the period (six month period to 30 June 2024: increase of \$3,560 million), largely driven by higher derivative exposures driving credit and concentration risk due to increased market volatility.

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Leverage Ratio

The Company has been subject to a minimum leverage ratio of 3.25% since 1 January 2023.

In addition, the Company must also maintain an additional countercyclical leverage ratio buffer of CET1 equal to 35% of its current Countercyclical Capital Buffer (“CCyB”) rate of 0.55%.

The Company’s leverage ratio is detailed below.

in \$ millions	30 June 2025	31 December 2024
Tier 1 Capital	21,748	21,526
Leverage Exposure	515,460	409,557
Leverage Ratio	4.2%	5.3%

Leverage exposure increased over the period, primarily due to secured financing products, derivatives and other on-balance sheet exposures.

Significant Capital Transactions

In accordance with the Company’s dividend policy, the Board approved and paid a final dividend on 3 April 2025 of \$160 million (\$0.013 per ordinary share) to Morgan Stanley Investments (UK) (“MSIUK”), the Company’s immediate parent.

Funding and Liquidity Management

Regulatory Liquidity and Funding Requirements

Throughout the period, the Company held adequate liquidity in the form of HQLA and maintained an appropriate funding profile to meet LCR and NSFR regulatory requirements.

The Company complied with all liquidity requirements during the period.

The Company’s liquidity ratios are included in the Performance indicators section on page 5.

Regulatory Developments

The Company continues to monitor the changing political, tax and regulatory environment, with specific changes expected as part of the Bank of England implementation of Basel III standards, as described below. Whilst the Company continues to engage with various stakeholders, it remains difficult to predict the exact impact these changes and other changes will have on its business, statement of financial position, results of operations and cash flows for a particular future period. The Company expects to remain subject to extensive supervision and regulation.

Finalising Basel III Reforms

Basel Committee on Banking Supervision (“BCBS”) sets the standard for international banking prudential regulation in a series of accords (“Basel Accords”) that are implemented in the UK via the PRA Rulebook including retained EU Law under the European Union (Withdrawal) Act 2018.

There are a number of remaining standards of the Basel III reform package (referred to as “Finalisation of Basel III”) that are yet to be implemented. These revisions cover RWA requirements for credit, market, credit valuation adjustments (“CVA”) and operational risk.

In the UK, the PRA have issued their near final rules, referred to as Basel 3.1, to implement these final standards. These rules are effective from 1 January 2027. The PRA are consulting on some amendments to the new market risk RWA requirements, including delaying the introduction of new advanced approaches until 1 January 2028. The proposed rules are largely consistent with the Basel III reform package with some adjustments to address UK specificities. These changes have been considered in the capital planning and Internal Capital Adequacy Assessment (“ICAAP”) of the Company.

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Risk Management

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

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

The corporate governance structure between MSI and the Company, including the executive and management-level Committees (associated with Risk Governance) is described in further detail within the 'Corporate Governance' section in the Strategic Report in the 2024 Report and Financial Statements.

This section and note 16 'Risk Management' provide qualitative and quantitative disclosures about the Group's management of, and exposure to certain financial risks. The Group's risk strategy, appetite and management framework are outlined in the 'Risk Management' section of the Strategic Report in the 2024 Report and Financial Statements.

Set out below is an overview of the Group's primary risk areas for the management of financial risks and non-financial risks.

Credit Risk

Definition

Credit risk refers to the risk of loss arising when a borrower, counterparty or issuer does not meet its financial obligations to the MSI Group. Credit risk includes country risk, which is further described below.

Governance

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 applicable to MSI Group establish the framework for identification, measurement, monitoring, reporting, challenge and escalation of credit risks. The policies and procedures also ensure transparency of material credit risks, compliance with established limits, requisite approvals for extensions of credit and escalation of risk concentrations to appropriate senior management. For further information on the Group's Credit Risk governance, refer to 'Credit Risk - Governance' section in the Strategic Report to the 2024 Report and Financial Statements.

For information regarding the management of credit risk driven by climate change, refer to the 'Climate and Environmental Risks' section.

Measurement and Management of risk

The Group is exposed to credit risk primarily from the extension of credit to clients through derivatives, securities financing, prime brokerage activities, and deposits. The Group is also exposed to credit risk via inventory holdings to service client requirements. The table below shows the Group's maximum exposure to credit risk and credit exposure for certain financial assets which are exposed to credit risk and where the Group has entered into credit enhancements, including receiving cash and securities as collateral and master netting agreements. The net credit exposure represents the credit exposure remaining after the effect of the credit enhancements. Exposure to other Morgan Stanley Group undertakings is included in this table.

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30 June 2025			
in \$ millions	Gross credit exposure ⁽¹⁾	Credit enhancements ⁽²⁾	Net credit exposure
Trading financial assets:			
Derivatives	280,885	(257,643)	23,242
Secured financing	142,599	(141,382)	1,217
Trade and other receivables	447	(237)	210
Unrecognised financial instruments			
Loan commitments	29	—	29
	423,960	(399,262)	24,698

31 December 2024			
in \$ millions (audited)	Gross credit exposure ⁽¹⁾	Credit enhancements ⁽²⁾	Net credit exposure
Trading financial assets:			
Derivatives	281,206	(270,311)	10,895
Secured financing	115,453	(114,572)	881
Trade and other receivables	559	(181)	378
Unrecognised financial instruments			
Loan commitments	207	(103)	104
	397,425	(385,167)	12,258

(1) Gross credit exposure is the carrying amount which best represents the Group's maximum exposure to credit risk, and for financial instruments - FVPL is reflected in the consolidated statement of financial position.

(2) Credit enhancements include collateral received and netting allowable under master netting agreements used to manage credit exposure.

Additional information on the exposure to credit risk, including the maximum exposure to credit risk by credit rating is presented in 'Risk Management' note 16.

Country and Sovereign Risk Exposure

Country risk is the risk that events in, or affecting, a foreign country might adversely affect the MSI Group. "Events" can include changes to global trade policies, the implementation of tariffs or imposition of capital controls resulting from risks such as tensions between the US and China. "Foreign country" means any country other than the UK. 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. For further information on how the Group identifies, measures, monitors, reports, challenges and escalates country risk exposure refer to 'Country and Sovereign Exposures' in the Strategic Report to the 2024 Report and Financial Statements. The following table shows the Company's five largest non-UK net country exposures as at 30 June 2025.

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Five Largest Non-UK Country Risk Total Net Exposures for the Company⁽⁴⁾:

in \$ millions						
Country	Net inventory ⁽¹⁾	Net counterparty exposure ⁽²⁾	Exposure before hedges	Hedges ⁽³⁾	Total net exposure 30 June 2025 ⁽⁵⁾	Total net exposure 31 December 2024 ⁽⁵⁾⁽⁶⁾
United States						
Sovereigns	(272)	17	(255)	(27)	(282)	112
Non-sovereigns	3,978	11,998	15,976	(17)	15,959	12,824
Total United States	3,706	12,015	15,721	(44)	15,677	12,936
Germany						
Sovereigns	1,200	—	1,200	(174)	1,026	(3,536)
Non-sovereigns	(211)	2,978	2,767	(90)	2,677	3,411
Total Germany	989	2,978	3,967	(264)	3,703	(125)
Republic Of Korea						
Sovereigns	1,264	316	1,580	(25)	1,555	1,575
Non-sovereigns	84	795	879	—	879	743
Total Republic Of Korea	1,348	1,111	2,459	(25)	2,434	2,318
France						
Sovereigns	469	—	469	(109)	360	907
Non-sovereigns	(278)	1,862	1,584	(53)	1,531	1,665
Total France	191	1,862	2,053	(162)	1,891	2,572
Hong Kong						
Sovereigns	1	2	3	—	3	2
Non-Sovereigns	106	1,369	1,475	—	1,475	1,158
Total Hong Kong	107	1,371	1,478	—	1,478	1,160

(1) Net inventory represents exposure to both long and short single name and index positions (i.e. bonds and equities at fair value and Credit Default Swaps ("CDS") based on notional amount assuming zero recovery adjusted for any fair value receivable or payable). As a market maker, the Company transacts in these CDS positions to facilitate client trading.

(2) Current exposure of repurchase transactions, securities lending and derivatives taking into consideration legally enforceable master netting agreements and collateral as well as relevant valuation adjustments.

(3) Represents CDS hedges (purchased and sold) on net counterparty exposure and lending executed by trading desks responsible for hedging counterparty and lending credit risk exposures for the Company. Amounts are based on the CDS notional amount assuming zero recovery adjusted for any fair value receivable or payable.

(4) In addition, as at 30 June 2025, the Company had exposure to these countries for overnight deposits with banks of approximately \$2,238 million.

(5) Total net exposure represents the sum of net inventory exposure, net counterparty exposure, funded lending, unfunded lending and hedges.

(6) The 2024 total net exposures have been revised to include exposures to other Morgan Stanley Group undertakings located in the country in question, aligned with the 2025 basis of calculation. The Company can have counterparty exposure to other Morgan Stanley Group undertakings, for example, to facilitate access to markets where the other Morgan Stanley Group undertaking is a member of the local exchange.

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Market Risk

Definition

Market risk refers to the risk that a change in the level of one or more market prices, rates, spreads, indices, implied volatilities (the price volatility of the underlying instrument imputed from option prices), correlations or other market factors, such as market liquidity, will result in losses for a position or portfolio owned by MSI Group.

Governance

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

For further information on the Group's Market Risk governance, refer to 'Market Risk - Governance' section in the Strategic Report to the 2024 Report and Financial Statements.

Measurement and Management of risk

The Group uses the statistical technique known as Value at Risk ("VaR") as one of the tools used to measure, monitor and review the market risk exposures of its trading portfolios. The Market Risk Department calculates and distributes daily VaR-based risk measures to various levels of management.

Interim and Year End VaR

The Group's VaR for Primary Risk Categories and Total Management VaR for the period ended 30 June 2025 and 31 December 2024 are shown in the below table. Refer to note 16 for further details.

in \$ millions	95%/ one-day VaR			
	For the six months ended 30 June 2025		For the year ended 31 December 2024	
	Year end	Average	Year end	Average
Primary Risk Categories	29	26	21	23
Credit Portfolio ⁽¹⁾	7	5	4	5
Less diversification benefit ⁽²⁾	(7)	(5)	(5)	(4)
Total Management VaR	29	26	20	24

(1) The Credit Portfolio VaR is disclosed as a separate category from the Primary Risk Categories and includes loans that are carried at fair value and associated hedges as well as counterparty credit valuation adjustments and related hedges.

(2) Diversification benefit equals the difference between total trading VaR and the sum of the VaRs for the individual risk categories. This benefit arises because the simulated one-day losses for each of the primary market risk categories occur on different days; similar diversification benefits are also taken into account within each category.

The increase in VaR from year end 2024 to the end of June 2025 is primarily driven by changes to equity risk exposures and increased market volatility in the one year VaR window.

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Liquidity Risk

Definition

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

Governance

The Group manages the Liquidity Risk associated with its activities at both an overall group level and at a product level, including consideration of each significant legal entity.

The Liquidity Risk Management policies and procedures establish the framework for identification, measurement, monitoring, reporting, challenge and escalation of liquidity risk whilst ensuring transparency of material Liquidity and Funding Risks, compliance with established limits and escalating risk concentrations to appropriate senior management.

To execute these responsibilities, the Group establishes and maintains limits and risk indicators in line with the Morgan Stanley Group's Liquidity and Funding Risk Appetite.

Measurement and Management of risk

In order to measure liquidity risk, the Group uses a range of approaches (point-in-time, forward-looking and backward-looking) at product and BU levels.

MSI Group maintains Liquidity Risk limits and risk indicators at various levels of the Group's governance structure to support links between the Group's overall Liquidity Risk Appetite and more granular risk-taking decisions and activities. These more granular limits and risk indicators on the various products also serve to promote risk reducing behaviour, ensure an appropriate liquidity and funding profile, and to assist senior management in the early identification of a stressed environment.

These scenarios contain various combinations of idiosyncratic and systemic stress events of different severity and duration. Quantitative information on the regulatory requirements for Liquidity Coverage Ratio ("LCR") and Net Stable

Funding Ratio ("NSFR") is disclosed in the 'Performance Indicators' section.

The information in this Interim Management Report is complemented by note 16.

For further information on the Group's liquidity risk, refer to 'Liquidity Risk' section in the Strategic Report to the 2024 Report and Financial Statements.

Leverage Risk

Definition

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

Governance

The risk of excessive leverage is managed through the application and allocation of leverage ratio exposure limits of business unit and internal leverage ratio Early Warning Indicator ("EWI") levels. If internal limits are exceeded, cross-functional teams identify the key drivers of the elevated exposures and consider appropriate remediation actions. EWI levels are monitored daily to ensure that any increases above the internal thresholds are escalated to governance forums to allow for any appropriate management actions to be taken, i.e. Tier 1 capital increases and/or leverage exposure reductions, in a timely manner.

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

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

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MORGAN STANLEY & CO. INTERNATIONAL plc

INTERIM MANAGEMENT REPORT

In addition to reporting of the leverage ratio, a quarterly risk identification assessment is in place to monitor both qualitative and quantitative leverage ratio exposure drivers, risks and quantify contingent leverage exposures to ensure compliance with internal and regulatory minimums in the event they were to crystallise. Output from this process is shared with the EMEA ALCO quarterly who are responsible for monitoring the Group's leverage ratio.

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

Large transactions are defined as transactions that are anticipated to utilise capital resources in excess of defined thresholds. Thresholds relate to RWAs, leverage ratio exposure, liquidity, and funding. If a transaction exceeds the defined thresholds, management provides approval before the execution takes place. Approval is based on various criteria, such as capital resources, return on investment and refinancing costs carried out.

Valuation Risk

Definition

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

Governance

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

Measurement and Management of risk

There are three primary control processes that mitigate the risk of valuation errors:

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

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MORGAN STANLEY & CO. INTERNATIONAL plc

INTERIM MANAGEMENT REPORT

Operational Risk

Definition

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

For further information on the Group's operational risk, refer to 'Operational Risk' section in the Strategic Report to the 2024 Report and Financial Statements.

Climate and Environmental Risks

Managing Climate and Environmental Risks

The integration of climate and environmental financial risk into MSI Group's Risk Framework continued to evolve in the period. For further information on the Group's climate and environmental risks, refer to 'Climate and Environmental Risk' in the Strategic Report to the 2024 Report and Financial Statements.

The Morgan Stanley Group's ESG Report includes disclosure guided by the Sustainability Accounting Standards Board ("SASB") standards for Investment Banking, Asset Management and Commercial Banking and the recommendations of the Taskforce on Climate-related Financial Disclosures ("TCFD"), both of which are now part of the International Sustainability Standards Board ("ISSB"). The 2023 Report can be found at: <https://www.morganstanley.com/about-us/sustainability-reports-research>. Once available, the 2024 Report can be found at the same location.

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MORGAN STANLEY & CO. INTERNATIONAL plc


INTERIM MANAGEMENT REPORT

Going Concern

Business risks associated with the uncertain market and economic conditions are being actively monitored and managed by the Group. Retaining sufficient capital and liquidity to withstand these market pressures remains central to the Group's strategy. In particular, the Group's capital and liquidity is deemed sufficient to exceed regulatory minimums under both a normal and in a stressed market environment. The effect of relevant macroeconomic scenarios on the business of the Group have been considered as part of the going concern analysis, including impact on operational capacity, access to capital and liquidity, contractual obligations, asset valuations and other critical accounting judgements and key sources of estimation uncertainty. The Group has access to further Morgan Stanley Group capital and liquidity as required.

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

Approved by the Board and signed on its behalf
by

DocuSigned by:

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A Mullineaux

Director

18 September 2025

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MORGAN STANLEY & CO. INTERNATIONAL plc

DIRECTORS' RESPONSIBILITIES STATEMENT

In accordance with Article 4(2)(c) of the Luxembourg Law on Transparency Requirements for Issuers of 11 January 2008, as amended, there are certain transparency requirements in relation to information about issuers whose securities are admitted to trading on a regulated market (the "Transparency Law").

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, which has been prepared in accordance with International Accounting Standard ("IAS") 34 'Interim Financial Reporting' as adopted by the EU and the UK, gives a true and fair view of the assets, liabilities, financial position and result of the Group; and
- b. the Interim Management Report includes an indication of the important events that have occurred during the period and their impact on the condensed consolidated Interim Financial Statements, and a description of the principal risks and uncertainties for the remaining six months of the financial year.

Board of Directors:

D Cannon (Chair)

C Beatty

M Butler

D Cantillon

T Duhon

A Khazen

Appointed 12 June 2025

K Lazaroo

A Mullineaux

S Orlacchio

J Pearce

M Richards

A Sekhar

P Taylor

N Whyte

C Woodman

By order of the Board

DocuSigned by:

ANTHONY MULLINEAUX

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A Mullineaux

Director

18 September 2025

INDEPENDENT REVIEW REPORT TO THE MEMBERS OF MORGAN STANLEY & CO. INTERNATIONAL plc

Conclusion

We have been engaged by the Group to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2025 which comprises the condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of changes in equity, the condensed consolidated statement of financial position, the condensed consolidated statement of cash flows and related notes 1 to 21.

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 2025 is not prepared, in all material respects, in accordance with Article 4(2)(a) of the Luxembourg Transparency Law and in accordance with European ("EU") 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 1, the annual financial statements of the Group are prepared in accordance with EU adopted International Financial Reporting Standards issued by the International Accounting Standards Board ("IASB") and interpretations issued by the IFRS Interpretations Committee ("IFRIC"). The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with Article 4(2)(a) of the Luxembourg Transparency Law and in accordance with EU adopted International

Accounting Standard 34 'Interim Financial Reporting'.

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 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 Article 4(2)(a) of the Luxembourg Transparency Law.

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


Auditor's Responsibilities for the Review of the Financial Information

In reviewing the half-yearly financial report, we are responsible for expressing to the Group a conclusion on the condensed set of financial statement 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.

**INDEPENDENT REVIEW REPORT TO THE MEMBERS OF MORGAN STANLEY & CO.
INTERNATIONAL plc**

Use of Our Report

This report is made solely to the Group in accordance with ISRE (UK) 2410. Our work has been undertaken so that we might state to the Group 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 Group, for our review work, for this report, or for the conclusions we have formed.

DocuSigned by:

BBEACEF6E3F342E...
Deloitte LLP

Statutory Auditor

London

18 September 2025

MORGAN STANLEY & CO. INTERNATIONAL plc
CONDENSED CONSOLIDATED INCOME STATEMENT
Six months ended 30 June 2025

in \$ millions	Note	Six months ended 30 June 2025 (unaudited)	Six months ended 30 June 2024 (unaudited)
Net gains from financial instruments at fair value through profit or loss	2	4,391	3,615
Fee and commission income	3	1,221	1,095
Other revenue		20	11
Interest income	4	5,862	6,163
Interest expense	4	(6,815)	(6,978)
Net interest expense		(953)	(815)
Net revenue		4,679	3,906
Non-interest expenses:			
Operating expense	5	(3,178)	(2,710)
Net impairment reversal/(loss) on financial instruments		(4)	(2)
PROFIT BEFORE TAX		1,497	1,194
Income tax expense	6	(411)	(331)
PROFIT FOR THE YEAR		1,086	863

All operations were continuing in the current and prior periods.

The notes on pages 26 to 56 form an integral part of the Interim Financial Statements.

MORGAN STANLEY & CO. INTERNATIONAL plc**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME****Six months ended 30 June 2025**

in \$ millions	Six months ended 30 June 2025 (unaudited)	Six months ended 30 June 2024 (unaudited)
PROFIT FOR THE YEAR	1,086	863
OTHER COMPREHENSIVE INCOME AFTER INCOME TAX		
Items that will not be reclassified subsequently to profit or loss:		
Changes in fair value attributable to own credit risk on financial liabilities designated at fair value	(38)	(48)
Items that may be reclassified subsequently to profit or loss:		
Foreign currency translation differences arising on foreign operations	81	(39)
OTHER COMPREHENSIVE (EXPENSE)/INCOME AFTER INCOME TAX	43	(87)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	1,129	776

The notes on pages 26 to 56 form an integral part of the Interim Financial Statements.

MORGAN STANLEY & CO. INTERNATIONAL plc
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
Six months ended 30 June 2025

in \$ millions	Note	Six months ended 30 June 2025 (unaudited)	Six months ended 30 June 2024 (unaudited)
Share capital and other equity instruments – at 1 January and 30 June		16,765	16,765
Share premium account – at 1 January and 30 June		513	513
Currency translation reserve - at 1 January		(23)	52
Foreign currency translation differences arising on foreign operations		81	(39)
Currency translation reserve - at 30 June		58	13
Capital contribution reserve – at 1 January and 30 June		3	3
Capital redemption reserve – at 1 January and 30 June		1,400	1,400
Debt valuation reserve - at 1 January		(365)	(303)
Changes in fair value attributable to own credit risk on financial liabilities designated at fair value		(38)	(48)
Realised debt valuation losses		2	3
Debt valuation reserve - at 30 June		(401)	(348)
Retained earnings and pension reserve - at 1 January		5,319	5,176
Profit for the period		1,086	863
Remeasurement of net defined benefit liability		1	—
Realised debt valuation losses		(2)	(3)
Dividends	14	(160)	(180)
Income tax - Current and Deferred Tax		26	(2)
Retained earnings and pension reserve - at 30 June		6,270	5,854
Other comprehensive income for the year		44	(87)
Total comprehensive income for the year		1,130	776
Total equity at 30 June		24,608	24,200

The notes on pages 26 to 56 form an integral part of the Interim Financial Statements.

MORGAN STANLEY & CO. INTERNATIONAL plc**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION****As at 30 June 2025**

in \$ millions	Note	30th June 2025 (unaudited)	31st December 2024
ASSETS			
Cash and short term deposits		18,815	16,711
Trading financial assets (of which \$64,050 million (2024: \$37,384 million) were pledged to various parties)	8	406,371	369,853
Secured financing	7	142,599	115,453
Loans and advances		122	83
Investment securities		13	27
Trade and other receivables		88,438	75,238
Current tax assets		411	361
Deferred tax assets		309	288
Property, plant and equipment		45	35
Other assets		35	29
TOTAL ASSETS		657,158	578,078
LIABILITIES			
Bank loans and overdrafts		2	2
Trading financial liabilities	8	335,883	319,056
Secured borrowing	7	129,148	105,067
Trade and other payables		89,131	78,885
Debt and other borrowings	11	64,192	39,523
Subordinated Debt	12	14,127	11,798
Provisions	13	28	91
Current tax liabilities		35	39
Post-employment benefit obligations		4	5
TOTAL LIABILITIES		632,550	554,466
EQUITY			
Share capital		12,465	12,465
Other equity instruments		4,300	4,300
Share premium account		513	513
Currency translation reserve		58	(23)
Capital contribution reserve		3	3
Capital redemption reserve		1,400	1,400
Pension reserve		(2)	(2)
Debt valuation reserve		(401)	(365)
Retained earnings		6,272	5,321
TOTAL EQUITY		24,608	23,612
TOTAL LIABILITIES AND EQUITY		657,158	578,078

The notes on pages 26 to 56 form an integral part of the Interim Financial Statements.

MORGAN STANLEY & CO. INTERNATIONAL plc
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
As at 30 June 2025

in \$ millions	Note	Six month ended 30 June 2025 (unaudited)	Six months ended 30 June 2024 (unaudited)
NET CASH FLOWS (USED IN)/FROM OPERATING ACTIVITIES		(516)	(64)
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(16)	(2)
Proceeds from sale of property, plant and equipment		—	1
Changes in ownership interest in subsidiaries		—	—
NET CASH FLOWS USED IN INVESTING ACTIVITIES		(16)	(1)
FINANCING ACTIVITIES			
Dividends paid		(160)	(180)
Interest on subordinated loan liabilities		(178)	(194)
Issuance of senior subordinated loan liabilities		2,200	—
Interest on senior subordinated loan liabilities		(201)	(230)
NET CASH FLOWS USED IN FINANCING ACTIVITIES		1,661	(604)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		1,129	(669)
Currency translation differences		975	(452)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		16,709	18,401
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		18,813	17,280

The notes on pages 26 to 56 form an integral part of the Interim Financial Statements.

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MORGAN STANLEY & CO. INTERNATIONAL plc
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
Six months ended 30 June 2025

1. BASIS OF PREPARATION

a. General Information

These Interim Financial Statements do not constitute statutory accounts within the meaning of Section 435 of the United Kingdom Companies Act 2006 ("Companies Act").

Statutory accounts for the year ended 31 December 2024 were approved by the Board on 3 April 2025 and delivered to the Registrar of Companies. The auditor's report on those accounts was not qualified, did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying the report and did not contain statements under section 498(2) or (3) of the Companies Act 2006. Other comparative information for the six months ended 30 June 2025 is included in certain instances.

b. Accounting Policies

The Group has prepared its annual consolidated financial statements in accordance with IFRSs as adopted by the EU and the UK, Interpretations issued by the IFRS Interpretations Committee ("IFRIC") and the UK Companies Act 2006. The Interim Financial Statements have been prepared in accordance with Article 4(2) of the Luxembourg Transparency Law and in accordance with IAS 34 'Interim Financial Reporting', as adopted by the EU and the UK.

In the period, the Group has applied the amendments to IFRS accounting standards issued by the IASB which are effective for accounting periods beginning on or after 1 January 2025. Except for accounting policies impacted by the new standards adopted during the period (refer to note 1(c) below), in preparing these Interim Financial Statements the Group has applied consistently the accounting policies and methods of computation used in the Group's 2024 Report and Financial Statements.

c. New Standards and Interpretations Adopted during the Period

The following amendments to standards relevant to the Group's operations were adopted during the period. These amendments to standards did not have a material impact on the Group's condensed consolidated financial statements.

Amendments to IAS 21 '*The Effects of Changes in Foreign Exchange Rates*': Lack of Exchangeability were issued by the IASB in August 2023 for prospective application in accounting periods beginning on or after 1 January 2025. The amendments were adopted by the UK in July 2024 and endorsed by the EU in November 2024.

There were no other standards or interpretations relevant to the Group's operations which were adopted during the period.

d. New Standards and Interpretations Not Yet Adopted

At the date of authorisation of these condensed consolidated financial statements, the following standards and amendments to standards and interpretation relevant to the Group's operations were issued by the IASB but were not mandatory for accounting periods beginning 1 January 2025. Except where otherwise stated, the Group does not expect that the adoption of the following standards, amendments to standards and interpretations will have a material impact on the Group's condensed consolidated 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 in annual periods beginning on or after 1 January 2026. Earlier application is permitted. The Group is currently assessing the impact of IFRS 9 and IFRS 7 on its consolidated financial statements.

IFRS 18 '*Presentation and Disclosure in Financial Statements*' ("IFRS 18") was issued by the IASB in April 2024 for retrospective application in annual periods beginning on or after 1 January 2027. Earlier application is permitted. The Group is currently assessing the impact of IFRS 18 on its consolidated financial statements.

Annual improvements to IFRS 7 '*Financial instruments: Disclosures*', IFRS 9 '*Financial Instruments*', IFRS 10 '*Consolidated Financial Statements*' and IAS 7 '*Statement of Cash flows*' were issued by IASB in July 2024, for application in annual periods beginning on or after 1 January 2026. Earlier application is permitted.

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MORGAN STANLEY & CO. INTERNATIONAL plc
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
Six months ended 30 June 2025

e. Critical Accounting Judgements and Sources of Estimation Uncertainty

In preparing these condensed consolidated financial statements, the critical judgements made in applying the Group's accounting policies and the Group's critical sources of estimation uncertainty are consistent with those applied to the 2024 Report and Financial Statements. The Group evaluates the critical accounting judgements and accounting estimates on an ongoing basis and believes that these are reasonable.

f. Change in Presentation

The Group has updated the presentation of accrued interest in relation to subordinated debt, such that this is now presented within 'Subordinated debt' in the Consolidated Statement of Financial Position totalling \$127 million for 30 June 2025. Within comparative prior reporting periods, the accrued interest in relation to subordinated debt is presented within 'Trade and Other Payables' totalling \$142 million for 31 December 2024. This change in presentation aligns with the way the subordinated debt is managed and provides more relevant information.

2. NET GAINS FROM FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

in \$ millions	30 June	
	2025	2024
Assets and liabilities held for trading	6,763	3,659
Non-trading financial assets at FVPL		
Secured financing	127	191
Investment securities	1	12
Trade and other receivables - prepaid OTC contracts	28	11
Total non-trading financial assets at FVPL	156	214
Financial liabilities designated at FVPL		
Secured borrowing	(340)	(345)
Trade and other payables - prepaid OTC contracts	(60)	(8)
Debt and other borrowings - issued structured notes	(2,128)	95
Total financial liabilities designated at FVPL	(2,528)	(258)
Net gains from financial instruments at fair value through profit or loss	4,391	3,615

Non-trading financial assets at FVPL and financial liabilities designated at FVPL are frequently economically hedged with trading financial instruments. Accordingly, gains or losses that are reported in net gains/losses from non-trading financial assets at FVPL and financial liabilities designated at FVPL in the table above can be partially offset by gains or losses reported in 'Assets and liabilities held for trading'.

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MORGAN STANLEY & CO. INTERNATIONAL plc
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
Six months ended 30 June 2025

3. FEE AND COMMISSION INCOME

in \$ millions	30 June	
	2025	2024
Investment banking ⁽¹⁾	456	443
Commission income	489	398
Trust and other fiduciary activities	92	72
Other fee and commission income	184	182
Total fee and commission income	1,221	1,095
<i>Of which, revenue from contracts with customers</i>	<i>1,264</i>	<i>1,124</i>

(1) Includes advisory and underwriting revenues

Total fee and commission income is stated after the net transfer of revenues totaling \$44 million (30 June 2024: \$29 million) to other Morgan Stanley Group undertakings. These transfers are in accordance with the Morgan Stanley Group Global Transfer Pricing Policy, refer to note 34 of the 2024 Report and Financial Statements, and do not relate to revenue from contracts with customers.

4. INTEREST INCOME AND INTEREST EXPENSE

The table below presents interest income and expense by accounting classification. Interest income and expense are calculated using the effective interest rate method for financial assets and financial liabilities measured at amortised cost.

in \$ millions	30 June	
	2025	2024
Financial assets measured at amortised cost	1,883	2,068
Trading financial assets	246	201
Non-trading financial assets at FVPL	3,733	3,894
Financial assets measured at FVPL	3,979	4,095
Total interest income	5,862	6,163
<i>Of which, negative interest income</i>	<i>(59)</i>	<i>(66)</i>
Financial liabilities measured at amortised cost	4,098	4,368
Financial liabilities designated at FVPL	2,717	2,610
Total interest expense	6,815	6,978
<i>Of which, positive interest expense</i>	<i>(122)</i>	<i>(68)</i>

'Interest income' includes fees paid on securities borrowed transactions recognised as negative interest income. 'Interest expense' includes fees received on securities loaned and fees from prime brokerage customers for stock loan transactions entered into to cover customers' short positions recognised as positive interest expense.

5. OPERATING EXPENSE

in \$ millions	30 June	
	2025	2024
Direct staff costs	738	625
Management charges from other Morgan Stanley Group undertakings relating to staff costs	339	293
Staff-related expenses	1,077	918
Management charges from other Morgan Stanley Group undertakings relating to other services	769	717
Brokerage fees	652	446
Administration and corporate services	53	46
Professional services	31	59
Other taxes	418	360
Commission and other similar arrangements	145	122
Other	33	42
Non-staff related expenses	2,101	1,792
Total operating expense	3,178	2,710

The Group employs staff directly and also uses the services of staff who are employed by other Morgan Stanley Group undertakings.

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MORGAN STANLEY & CO. INTERNATIONAL plc
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
Six months ended 30 June 2025

6. INCOME TAX

The Group's tax expense has been accrued based on the expected tax rate that takes into account current expectations concerning the allocation of group relief within the Morgan Stanley UK tax group and prevailing tax rates in the jurisdictions in which the Group operates.

The UK Bank Levy (the "Levy") is an annual charge on a bank's balance sheet. Under IFRIC 21, 'Levies', the Levy is not recognised in the Interim Financial Statements, since the Levy's obligating event has not yet arisen.

However, for the purposes of calculating the ETR, an adjustment has been made for the forecast Levy (since it is non-deductible for UK corporation tax purposes). As such, the Levy impacts the annual ETR and the tax expense for the six months ended 30 June 2025.

The Group's ETR for the period is 27.4% (six months ended 30 June 2024: 27.7%), which is lower than the standard rate of corporation tax (inclusive of the UK Banking Surcharge) in the UK of 28% (six months ended 30 June 2024: 28%). The Group's 2025 ETR is sensitive to the geographic mix of profits and tax rates in non-UK jurisdictions (including the net effect of foreign withholding taxes suffered by the Group).

In addition to the amount charged to the condensed consolidated income statement and the condensed consolidated statement of comprehensive income, a \$26 million benefit (30 June 2024: \$2 million expense) in relation to current and deferred tax on share based payments is recognised directly in the condensed consolidated statement of changes in equity.

The Group is subject to the OECD Pillar Two Model Rules legislation that is effective from 1 January 2024. The Group has applied the mandatory exception to deferred tax recognition and disclosure as provided in the amendments to IAS 12: International Tax Reform - Pillar Two Model Rules.

The Group has a policy in place of surrendering tax-deductible losses ('group relief') to other members of the Morgan Stanley UK tax group (which consists of entities within the Group and the wider Morgan Stanley Group). The surrenders are for no cash consideration except for certain entities surrendering to the Company, where the cash consideration is equal to the amount of tax relief received. Within the Group, a number of subsidiary companies generated tax-deductible losses that were surrendered both inside and outside the Group in the current and prior years.

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MORGAN STANLEY & CO. INTERNATIONAL plc
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
Six months ended 30 June 2025

7. FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY MEASUREMENT CATEGORY

The following table analyses financial assets and financial liabilities presented in the Group's condensed consolidated statement of financial position by IFRS 9 classifications as at 30 June 2025 and 31 December 2024.

in \$ millions	30 June 2025				31 December 2024			
	FVPL	FVPL designated	Amortised cost	Total	FVPL	FVPL designated	Amortised cost	Total
Cash and short term deposits	—	—	18,815	18,815	—	—	16,711	16,711
Trading financial assets	406,371	—	—	406,371	369,853	—	—	369,853
Secured financing:								
Cash collateral on securities borrowed	22,866	—	—	22,866	13,161	—	—	13,161
Securities purchased under agreements to resell	110,687	—	—	110,687	89,833	—	—	89,833
Other secured financing	9,046	—	—	9,046	12,459	—	—	12,459
Loans and advances	9	—	113	122	7	—	76	83
Investment securities	13	—	—	13	27	—	—	27
Trade and other receivables	447	—	87,915	88,362	559	—	74,578	75,137
Total financial assets	549,439	—	106,843	656,282	485,899	—	91,365	577,264
Bank loans and overdrafts	—	—	2	2	—	—	2	2
Trading financial liabilities	335,883	—	—	335,883	319,056	—	—	319,056
Secured borrowings:								
Cash collateral on securities loaned	—	35,364	8,823	44,187	—	20,688	6,852	27,540
Securities sold under agreements to repurchase	—	22,336	39,565	61,901	—	19,198	26,804	46,002
Other financial liabilities	—	18,108	4,952	23,060	—	26,851	4,674	31,525
Trade and other payables	—	931	87,323	88,254	—	348	77,554	77,902
Debt and other borrowings	—	21,993	42,199	64,192	—	16,014	23,509	39,523
Subordinated debt	—	—	14,127	14,127	—	—	11,798	11,798
Total financial liabilities	335,883	98,732	196,991	631,606	319,056	83,099	151,193	553,348

8. TRADING FINANCIAL ASSETS AND LIABILITIES

in \$ millions	30 June 2025		31 December 2024	
	Assets	Liabilities	Assets	Liabilities
Government debt securities	20,732	10,830	12,176	6,164
Corporate and other debt	14,424	5,202	7,905	2,672
Corporate equities	90,330	36,327	68,566	24,902
Derivatives (see note 9)	280,885	283,524	281,206	285,318
	406,371	335,883	369,853	319,056

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9. DERIVATIVES

	30 June 2025			
	Bilateral	Cleared	Listed	
in \$ millions	OTC	OTC	derivative contracts	Total
Derivative assets				
Interest rate contracts	69,534	31	6	69,571
Credit contracts	9,696	1,862	—	11,558
Foreign exchange and gold contracts	122,243	6,845	—	129,088
Equity contracts	54,042	—	12,018	66,060
Commodity contracts	4,130	—	478	4,608
	259,645	8,738	12,502	280,885
Derivative liabilities				
Interest rate contracts	71,646	71	13	71,730
Credit contracts	9,367	2,040	—	11,407
Foreign exchange and gold contracts	116,524	7,119	14	123,657
Equity contracts	62,088	—	9,885	71,973
Commodity contracts	4,308	—	449	4,757
	263,933	9,230	10,361	283,524

	31 December 2024			
in \$ millions	Bilateral OTC	Cleared OTC	Listed derivative contracts	Total
Derivative assets:				
Interest rate contracts	70,787	23	8	70,818
Credit contracts	8,963	1,522	—	10,485
Foreign exchange and gold contracts	133,536	4,425	—	137,961
Equity contracts	49,622	—	7,658	57,280
Commodity contracts	4,193	—	469	4,662
	267,101	5,970	8,135	281,206
Derivative liabilities:				
Interest rate contracts	71,659	37	14	71,710
Credit contracts	8,295	1,634	—	9,929
Foreign exchange and gold contracts	132,847	4,090	10	136,947
Equity contracts	55,618	—	6,282	61,900
Commodity contracts	4,359	—	473	4,832
	272,778	5,761	6,779	285,318

10. INTERESTS IN STRUCTURED ENTITIES

The Group's involvement with structured entities, including those of which it considers itself the sponsor, is consistent with that described in note 14 of the Group's 2024 Report and Financial Statements.

Consolidated Structured Entities

The table below shows information about the structured entities which the Group consolidated. Consolidated structured entity assets and liabilities are presented after intercompany eliminations and include assets financed on a non-recourse basis.

Mortgage and asset-backed securitisations in \$ millions	30 June 2025	31 December 2024
Assets of structured entities	29	316
Liabilities of structured entities	—	224

Unconsolidated Structured Entities

The table below shows certain non-consolidated structured entities in which the Group has an interest at 30 June 2025 and at 31 December 2024. The table includes all structured entities in which the Group has determined that its maximum exposure to loss is greater than specific thresholds or meets certain other criteria. In addition, the table includes structured entities sponsored by unrelated parties, as well as structured entities sponsored by the Group; an example of the Group's involvement with these structured entities is its secondary market-making activities.

The Group's maximum exposure to loss is dependent on the nature of the Group's interest in the structured entity and is limited to notional amounts of certain liquidity facilities; total return swaps, as well as the fair value of certain other derivatives and investments the Group has made in the structured entity. The reported exposure does not include the offsetting benefit of hedges, including total return swaps in relation to fund investments and other entities, or any reductions associated with the collateral held as part of a transaction with the structured entity or with any party to the structured entity. Where notional amounts are used to quantify the maximum exposure related to derivatives, such amounts do not reflect changes in fair value already recorded by the Group. Liabilities issued by structured entities generally are non-recourse to the Group.

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in \$ millions	Client intermed- iation	Mortgage and asset- backed securitis- ations	Collateral- ised debt obligations	Total	in \$ millions	Client intermed- iation	Mortgage and asset- backed securitis- ations	Collateral- ised debt obligations	Total
30 June 2025					31 December 2024				
Assets of the structured entity	18,097	7,731	1,473	27,301	Assets of the structured entity	15,768	7,253	850	23,871
Maximum exposure to loss:					Maximum exposure to loss:				
Debt and equity interests	335	314	37	686	Debt and equity interests	237	349	17	603
Derivative and other contracts	3,814	—	—	3,814	Derivative and other contracts	3,347	—	—	3,347
Total maximum exposure to loss	4,149	314	37	4,500	Total maximum exposure to loss	3,584	349	17	3,950
Carrying value of interests - assets ⁽¹⁾ :					Carrying value of interests - assets ⁽¹⁾ :				
Debt and equity interests	335	314	37	686	Debt and equity interests	237	349	17	603
Derivative and other contracts	1,529	—	—	1,529	Derivative and other contracts	1,609	—	—	1,609
Total carrying value of exposure to loss - assets	1,864	314	37	2,215	Total carrying value of exposure to loss - assets	1,846	349	17	2,212
Carrying value of interests - liabilities ⁽¹⁾ :					Carrying value of interests - liabilities ⁽¹⁾ :				
Debt and equity interests	1,513	—	—	1,513	Debt and equity interests	1,335	—	—	1,335
Derivative and other contracts	555	—	—	555	Derivative and other contracts	420	—	—	420
Total carrying value of exposure to loss - liabilities	2,068	—	—	2,068	Total carrying value of exposure to loss - liabilities	1,755	—	—	1,755
Additional interests in structured entities - Other⁽²⁾				524	Additional interests in structured entities - Other⁽²⁾				397

(1) (1) The carrying value of the interests in structured entities are recognised in the consolidated statement of financial position in Trading financial assets or Trading financial liabilities - derivatives or Trading financial liabilities - Corporate and other debt.

(2) (2) Primarily as a result of its secondary market-making activities, the Group owned additional securities issued by securitisation structured entities for which the maximum exposure to loss is less than the specific thresholds noted earlier.

For further detail on the type of transactions in the above table, refer to the explanations provided in note 14 of the 2024 Report and Financial Statements.

The Group has not provided financial support to, or otherwise agreed to be responsible for supporting financially, any unconsolidated structured entity.

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Sponsored unconsolidated structured entities

Details of when the Group considers itself the sponsor of certain non-consolidated structured entities are provided in note 14 of the 2024 Report and Financial Statements.

In some sponsored entities, the Group has been involved with the structured entity through establishing the structured entity, marketing of products associated with the structured entity in its own name, and/ or through involvement in the design of the structured entity. The Group has no interest in these entities as at 30 June 2025 (31 December 2024: \$nil).

The loss related to sponsored entities during the period was \$43 million (30 June 2024: loss of \$125 million). Gains or losses are reported under 'Net gains from financial instruments at fair value through profit or loss' in the condensed consolidated income statement alongside any offsetting benefit of hedges. For the period, \$393 million of assets were transferred to those sponsored entities (30 June 2024: \$205 million). It is the investors in the structured entity, rather than the Group, that are exposed to the carrying value of assets transferred. The Group's exposure to the structured entity is limited to net amounts receivable from swap transactions with the entity and is not directly linked to the transferred assets themselves.

11. DEBT AND OTHER BORROWINGS

in \$ millions	30 June 2025	31 December 2024
Debt and other borrowings (amortised cost)		
Other borrowings ⁽¹⁾	42,199	23,509
Debt and other borrowings (designated FVPL)		
Issued structured notes	21,993	16,014
Total	64,192	39,523

- (1) There is a floating charge over a pool of assets in favour of MSIUK to secure certain intercompany loans which MSIUK has provided to the Company and which are presented within 'Other borrowings'. The value of assets subject to this charge at 30 June 2025 was \$34,892 million (2024: \$23,363 million). The floating charge is limited to \$34,729 million (2024: \$18,138 million) being the amount of the funding received by MSI down the ownership chain into the Company.

12. SUBORDINATED DEBT

in \$ millions	30 June 2025	31 December 2024
Subordinated Debt (amortised cost)		
Subordinated debt ⁽¹⁾	5,226	5,098
Senior subordinated debt ⁽¹⁾	8,901	6,700
Total	14,127	11,798

⁽¹⁾For 30 June 2025, the presentation of accrued interest is included within Subordinated debt and Senior Subordinated debt. For further details please refer to section f) Change in Presentation within note 1, Basis of Preparation.

The amounts subject to subordinated loan agreements are wholly repayable as shown below:

in \$ millions			30 June 2025	
Counterparty	Repayment Date	Interest Rate	Accrued Interest	Balance
MSIUK	11 August 2032	SOFR ⁽¹⁾ plus 1.44%	75	1,400
MSIUK	13 June 2033	SOFR ⁽¹⁾ plus 2.34%	8	2,500
MSIUK	15 December 2034	SOFR ⁽¹⁾ plus 2.29%	44	1,200

in \$ millions			31 December 2024	
Counterparty	Repayment Date	Interest Rate	Accrued Interest	Balance
MSIUK	11 August 2032	SOFR ⁽¹⁾ plus 1.44%	35	1,400
MSIUK	13 June 2033	SOFR ⁽¹⁾ plus 2.34%	103	2,500
MSIUK	15 December 2034	SOFR ⁽¹⁾ plus 2.29%	4	1,200

⁽¹⁾Secured Overnight Financing Rate ("SOFR")

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The amounts subject to senior subordinated debt agreements are wholly repayable as shown below:

in \$ millions			30 June 2025	
Counterparty	Repayment Date	Interest Rate	Accrued Interest	Balance
MSIUK	30 July 2026 ⁽¹⁾	MS Proxy ⁽²⁾	1	8,900

in \$ millions			31 December 2024	
Counterparty	Repayment date	Interest rate	Accrued interest	Balance
MSIUK	30 January 2026 ⁽¹⁾	MS Proxy ⁽²⁾	—	6,700

(1) The repayment date can be extended for 395 days on each business day but no later than 49 years from utilisation date.

(2) Interest rate at which Morgan Stanley is offering loans, in the relevant currency, to members of the Morgan Stanley Group on such day, which counterparties have acknowledged and agreed to apply to any loan, acting on an arm's length basis.

The senior subordinated debt, including accrued interest, may be bailed in by the Bank of England in certain circumstances.

All amounts outstanding under subordinated debt agreements are repayable on the repayment date. Prepayment of the \$2,500 million instrument, \$1,400 million instrument and \$1,200 million instrument is at the Group's discretion from the contractual call option date. PRA consent is required prior to any repayment.

The Group has not defaulted on principal, interest or breached any terms of its subordinated debt or senior subordinated debt during the period.

13. PROVISIONS AND CONTINGENT LIABILITIES

in \$ millions	Property	Litigation	Taxes	Total
At 1 January 2025	2	87	2	91
Additional provisions	—	3	—	3
Provisions utilised	—	(43)	—	(43)
Unused provisions reversed	—	(29)	—	(29)
Foreign exchange revaluation	—	6	—	6
At 30 June 2025	2	24	2	28

As at 30 June 2025 and 31 December 2024, the Company's provisions for litigation matters were the same as the Group, and as at 30 June 2025, the provisions for property matters were \$2 million (31 December 2024: \$2 million).

Litigation Matters

In addition to the matters described below, in the normal course of business, the Group has been 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 global diversified financial services institution. Certain of the actual or threatened legal actions 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 honour applicable indemnification obligations. These actions have included, but are not limited to, antitrust claims, and matters arising from the Group's sales and trading businesses, and activities in the capital markets.

The Group 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 Group's business, and involving, among other matters, sales, trading, financing, prime brokerage, market making activities, investment banking advisory services, capital markets activities, financial products or offerings sponsored, underwritten or sold by the Group, wealth and investment management services, and accounting and operational matters, certain of which may result in adverse judgments,

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settlements, fines, penalties, disgorgement, restitution, forfeiture, injunctions, limitations on the Group's ability to conduct certain business, or other relief.

The Group 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 Group can reliably estimate the amount of that loss, or the range of loss, the Group accrues an estimated loss by a charge to income, including with respect to certain of the individual proceedings or investigations described below.

The Group's legal expenses can, and may in the future, fluctuate from period to period, given the current environment regarding government or regulatory agency investigations and private litigation affecting global financial services firms, including the Group.

In many legal proceedings and investigations, it is inherently difficult to determine whether any loss is probable or more than remotely possible, or to estimate the amount of any loss. In addition, even where the Group has determined that a loss is probable or more than remotely possible, the Group may be unable to reliably estimate the amount of the loss or range of loss. It is particularly difficult to determine if a loss is probable or more than remotely possible, or to reliably 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 more than remotely possible, or to reliably 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 Group has identified, in Note 18 to the 2024 Report and Financial Statements and below, any individual proceedings or investigations where the Group believes a material economic outflow to be more than remotely possible. In certain

legal proceedings, in which the Group has determined that a material economic outflow is more than remotely possible, the Group is unable to reliably estimate the loss or range of loss. There are other matters in which the Group has determined a loss or range of loss to be more than remotely possible, but the Group does not believe, based on current knowledge and after consultation with counsel, that such losses could have a material adverse effect on the Group's financial statements as a whole, although the outcome of such proceedings or investigations may significantly impact the Group's business or results of operations for any particular reporting period, or cause significant reputational harm.

The Group disclosure of the financial impact of litigation is made by individual matter, where material, except when it is not practicable or it is seriously prejudicial to do so.

While the Group has identified, in Note 18 to the 2024 Report and Financial Statements and below, certain proceedings or investigations that the Group 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 more than remotely possible.

Note 18 to the 2024 Report and Financial Statements contains the full list of specific disclosures. The matters referred to in the paragraphs below are the only specific disclosures requiring an update from the year end.

In the matter styled *In Re: Interest Rate Swaps Antitrust Litigation*, on 17 July 2025, the court granted final approval of the settlement of the class claims.

Tax Matters

The preparation of the Group's condensed consolidated financial statements requires management to make judgements, estimates and assumptions regarding the outcome of matters that are uncertain, including those relating to tax. The Group has reserves arising on a number of uncertain tax matters, for which management has made judgements and interpretations about the application of inherently complex tax laws when determining these reserves. Whilst a range of outcomes is foreseeable, management considers the amount reserved to be a reliable estimate of expected

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future liabilities after consideration of all pertinent facts.

In respect of the Dutch criminal authorities' investigation of the Group and a subsidiary undertaking of the Group related to civil claims asserted by the Dutch Authority concerning the accuracy of the subsidiary undertaking of the Group's tax returns for 2007 to 2012, on 28 May 2025, the Dutch Public Prosecutor publicly announced its intention to bring charges against the Group and the subsidiary undertaking of the Group for the filing of false tax returns. The Group disputes these proposed charges and will continue to engage with the Prosecutor as the criminal process progresses.

14. DIVIDENDS

In accordance with the Company's dividend policy, the Board approved and paid dividends in the below table to Morgan Stanley Investments (UK) ("MSIUK"), the Company's immediate parent.

		in \$ millions	
Type	Date	Amount	Per share (\$)
Ordinary	3 April 2025	160	0.013
		in \$ millions	
Type	Date	Amount	Per share (\$)
Ordinary	18 April 2024	180	0.014
Ordinary	19 September 2024	345	0.028
Extraordinary	19 September 2024	500	0.040
		1,025	

15. SEGMENT REPORTING

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

Reportable Operating Segment

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

The Group has one reportable operating segment, Institutional Securities, which includes capital raising and financial advisory services; corporate lending; sales, trading, financing and market-making activities in equity and fixed income securities and related products, including global macro, credit and commodities products and investment activities. The Group is a key contributor to the execution of the Morgan Stanley Group's global Institutional Securities segment strategy.

Geographical Information

The Group operates in three geographic regions being EMEA, the Americas and Asia.

The following table presents selected condensed consolidated income statement and condensed consolidated statement of financial position information of the Group's operations by geographic area. The net revenues, profit before tax and total assets reported in the tables below are based on the financial information that is used to produce the Group's financial statements. This reflects the regional managed view of the Group's operations based on the location where the transactions are recorded.

Geographical Information	Net Revenue		Profit before Tax	
	30 June		30 June	
in \$ millions	2025	2024	2025	2024
EMEA	2,876	2,511	688	570
Asia	1,432	1,094	600	454
Americas	371	301	209	170
Total	4,679	3,906	1,497	1,194

Geographical Information	Total Assets	
	30 June 2025	31 December 2024
in \$ millions		
EMEA	337,370	274,204
Asia	131,035	116,143
Americas	188,753	187,731
Total	657,158	578,078

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16. RISK MANAGEMENT

16.1 Risk Management procedures

The Group's risk management procedures are consistent with those disclosed in the Group's 2024 Report and Financial Statements. This disclosure is therefore limited to quantitative data for each risk category which is material or which has had a significant update from the year end disclosure.

16.2 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 MSI Group. Credit risk also includes country risk. Refer to 'Credit Risk - Country and Sovereign Risk Exposures' in the Interim Management Report for details on country risk.

16.2.1 Measurement and Management of Risk

In order to help protect the Group from losses resulting from its business activities, the Credit Risk Management Department identifies, measures, monitors, reports, challenges and escalates credit risk at the transaction, obligor and portfolio levels. The Credit Risk Management Department also helps to ensure that the creditworthiness of the Group's counterparties is reviewed on a regular basis. The MSI Group Credit Limits Framework is one of the primary tools used to identify, measure, monitor, report, challenge and escalate credit risk exposures.

For further details on the Group's Credit Risk Management and Measurement, refer to Note 26.2 'Credit Risk' in the 2024 Report and Financial Statements.

16.2.2 Risk Mitigation

The Credit Risk Management Department may seek to mitigate credit risk from its lending and trading activities at the transaction and obligor levels, may actively hedge its credit exposure through various financial instruments and also sell, assign or syndicate lending positions.

For further details on the Group's Credit Risk Mitigation, refer to Note 26.2 'Credit Risk' in the 2024 Report and Financial Statements.

16.2.3 Exposure to Credit Risk

The maximum exposure to credit risk ("gross credit exposure") of the Group as at 30 June 2025 is disclosed below, based on the carrying amounts of the financial assets and the maximum amount that the Group could have to pay in relation to unrecognised financial instruments, which the Group believes are subject to credit risk. The table below includes financial instruments subject to expected credit loss ("ECL") and not subject to ECL.

Where the Group enters into credit enhancements, including receiving cash and security as collateral and master netting agreements, to manage the credit exposure on these financial instruments the financial effect of the credit enhancements is disclosed below. The net credit exposure represents the credit exposure remaining after the effect of the credit enhancements.

Trading financial assets are subject to traded credit risk through exposure to the issuer of the financial asset; the Group manages this issuer credit risk through its market risk management infrastructure and this traded credit risk is incorporated within the VaR based risk measures included in the market risk disclosure. However, listed derivatives are included below as they are recognised as having credit risk exposure to central counterparties.

For further details on the Group's Exposure to Credit Risk, refer to Note 26.2 'Credit Risk' in the 2024 Report and Financial Statements.

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Exposure to Credit Risk by Class

Class in \$ millions	30 June 2025			31 December 2024		
	Gross credit exposure	Credit enhancements	Net credit exposure ⁽¹⁾	Gross credit exposure	Credit enhancements	Net credit exposure ⁽¹⁾
Subject to ECL:						
Cash and short-term deposits	18,815	—	18,815	16,711	—	16,711
Loans and advances	113	—	113	76	—	76
Trade and other receivables ⁽²⁾	87,915	—	87,915	74,578	—	74,578
Not subject to ECL:						
Trading financial assets:						
Derivatives	280,885	(257,643)	23,242	281,206	(270,311)	10,895
Secured financing	142,599	(141,382)	1,217	115,453	(114,572)	881
Loans and advances	9	—	9	7	—	7
Trade and other receivables ⁽²⁾	447	(237)	210	559	(181)	378
	530,783	(399,262)	131,521	488,590	(385,064)	103,526
Unrecognised financial instruments						
Not subject to ECL:						
Unsettled securities purchased under agreements to resell ⁽³⁾	95,031	—	95,031	47,788	—	47,788
Loan commitments	29	—	29	207	(103)	104
Total unrecognised financial instruments	95,060	—	95,060	47,995	(103)	47,892
	625,843	(399,262)	226,581	536,585	(385,167)	151,418

(1) Of the residual net credit exposure, intercompany cross product netting arrangements are in place which would allow Group an additional \$11,617 million of an available \$44,996 million (31 December 2024: \$11,886 million of an available \$36,067 million) to be offset in the event of default by certain Morgan Stanley counterparties.

(2) Trade and other receivables primarily include cash collateral pledged against the payable on OTC derivative positions. These derivative liabilities are included within trading financial liabilities in the consolidated statement of financial position.

(3) For unsettled securities purchased under agreements to resell, collateral in the form of securities will be received at the point of settlement. Since the value of collateral is determined at a future date, it is currently unquantifiable and not included in the table.

The impact of master netting arrangements and similar agreements on the Group's ability to offset financial assets and financial liabilities is disclosed in note 17.

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Exposure to Credit Risk by Internal Rating Grades

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

Investment grade: AAA - BBB

Non-investment grade: BB – CCC

Default: D

The table below presents gross carrying/nominal amount by internal rating grade. All exposures subject to ECL are Stage 1, unless otherwise shown.

	Investment Grade				Non-Investment Grade	Unrated ^{(1)/} Default ⁽²⁾	Total	Net of ECL
30 June 2025	AAA	AA	A	BBB				
in \$ millions								
Subject to ECL:								
Cash and short term deposit								
Stage 1	—	7,017	10,611	1,018	169	—	18,815	18,815
Stage 3	—	—	—	—	122	—	122	—
Loans and advances								
Stage 1	—	—	113	—	—	—	113	113
Trade and other receivables								
Stage 1	1,448	6,496	56,615	11,626	11,053	660	87,898	87,898
Stage 3	2	2	4	2	5	20	35	17
	1,450	13,515	67,343	12,646	11,349	680	106,983	106,843
Not subject to ECL:								
Trading financial assets - derivatives	3,395	19,587	197,843	43,990	15,390	680	280,885	280,885
Secured financing	1,124	8,625	108,459	7,066	17,312	13	142,599	142,599
Loans and advances	—	—	—	—	9	—	9	9
Trade and other receivables	180	7	252	—	—	8	447	447
	4,699	28,219	306,554	51,056	32,711	701	423,940	423,940
Unrecognised financial instruments not subject to ECL:								
Unsettled securities purchased under agreements to resell	761	11,582	64,045	3,429	15,214	—	95,031	95,031
Loan commitments	—	2	—	—	16	11	29	29
	761	11,584	64,045	3,429	15,230	11	95,060	95,060

(1) For the unrated trade receivables, a lifetime ECL is calculated without considering whether SICR has occurred.

(2) At 30 June 2025 there were \$nil of Stage 3 in default.

The Cash and short term deposit loss allowance as at 30 June 2025 is \$122 million (31 December 2024: 64 million) and Trade and other receivables loss allowance as at 30 June 2025 is \$18 million (31 December 2024: \$41 million).

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31 December 2024	Investment Grade				Non-Investment Grade	Unrated ⁽¹⁾ / Default ⁽²⁾	Total	Net of ECL
	AAA	AA	A	BBB				
in \$ millions								
Subject to ECL:								
Cash and short term deposit								
Stage 1	—	7,268	8,469	830	144	—	16,711	16,711
Stage 3	—	—	—	—	64	—	64	—
Loans and advances								
Stage 1	—	—	76	—	—	—	76	76
Stage 2	—	—	—	—	—	—	—	—
Trade and other receivables								
Stage 1	2,053	4,577	47,574	10,753	8,411	1,195	74,563	74,563
Stage 3	2	3	7	2	2	43	59	15
	2,055	11,848	56,126	11,585	8,621	1,238	91,473	91,365
Not subject to ECL:								
Trading financial assets - derivatives	3,630	14,809	207,837	41,066	13,427	437	281,206	281,206
Secured financing	921	6,941	91,030	5,610	10,930	21	115,453	115,453
Loans and advances	—	—	—	—	7	—	7	7
Trade and other receivables	295	—	251	9	—	4	559	559
	4,846	21,750	299,118	46,685	24,364	462	397,225	397,225
Unrecognised financial instruments not subject to ECL:								
Unsettled securities purchased under agreements to resell	—	6,928	34,127	1,313	5,420	—	47,788	47,788
Loan commitments	—	3	—	—	145	59	207	207
	—	6,931	34,127	1,313	5,565	59	47,995	47,995

(1) For the unrated trade receivables, a lifetime ECL is calculated without considering whether SICR has occurred.

(2) At 31 December 2024 there were \$nil of Stage 3 in default.

16.3 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 (the price volatility of the underlying instrument imputed from option prices), correlations or other market factors, such as market liquidity, will result in losses for a position or portfolio owned by MSI Group.

16.3.1 Primary Market Risk Exposures

During the period, the Group had exposures to a wide range of market risk factors related to the global markets in which it conducts its trading activities. These market risk factors include interest rate and credit spread risk, equity prices,

foreign exchange rates and commodity prices and the associated implied volatilities.

16.3.2 Risk Management

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

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

Aggregate market risk limits have been approved in line with the risk appetite set by the Board. Additional market risk limits are assigned, as appropriate, to trading desks, products and/or regions and are commensurate with the aggregate limits. The Market Risk Department ("MRD") monitors market risk measures against limits in accordance with policies set by the MSI Board and senior management.

16.3.3 Measurement - Value at Risk

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

16.3.4 VaR Methodology, Assumptions and Limitations

The methodology for VaR at Morgan Stanley Group is 1-year historical simulation. VaR profit and losses are composed of greek and full-revaluation grid based risk measures in combination with complete full-revaluation based profit and losses. Historical simulations cover both systematic and specific risk components. The time series data is updated on a weekly basis, with the exception of idiosyncratic risk factors which are updated quarterly.

For further information, refer to Note 26.1 'Market Risk' section in the 2024 Report and Financial Statements.

16.3.5 VaR for the Period

The table below presents the Management VaR for the Group's trading portfolio on a period end, average and annual high and low basis for the period ended 30 June 2025 and compared to the year ended 31 December 2024.

in \$ millions	95%/one-day VaR for the six months ended 30 June 2025				95%/one-day VaR for the year ended 31 December 2024			
	Period end	Average	High	Low	Period end	Average	High	Low
Market risk category:								
Interest rate and credit spread	14	11	14	9	10	13	21	9
Equity price	24	21	27	12	12	16	23	10
Foreign exchange rate	4	7	15	3	14	7	15	3
Commodity price	1	1	9	—	1	2	10	—
Less diversification benefit ⁽¹⁾⁽²⁾	(14)	(14)	N/A	N/A	(16)	(15)	N/A	N/A
Primary Market Risk Categories	29	26	31	20	21	23	28	17
Credit Portfolio ⁽³⁾	7	5	7	4	4	5	6	4
Less diversification benefit ⁽¹⁾⁽²⁾	(7)	(5)	N/A	N/A	(5)	(4)	N/A	N/A
Total Management VaR	29	26	31	20	20	24	30	18

(1) Diversification benefit equals the difference between total trading VaR and the sum of the VaRs for the four risk categories. This benefit arises because the simulated one-day losses for each of the four primary market risk categories occur on different days; similar diversification benefits also are taken into account within each category.

(2) N/A - Not Applicable. The minimum and maximum VaR values for the total VaR and each of the component VaRs might have occurred on different days during the year and therefore the diversification benefit is not an applicable measure.

(3) The Credit Portfolio VaR is disclosed as a separate category from the Primary Risk Categories and includes loans that are carried at fair value and associated hedges as well as counterparty credit valuation adjustments and related hedges.

The Group's total Management VaR for 30 June 2025 was \$29 million compared to \$20 million at the end of 2024. The increase in VaR from year end 2024 to the end of June is primarily driven by

changes to equity risk exposures and increased market volatility in the one year VaR window.

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16.3.6 Non-Trading Risks for the Period

The Group believes that sensitivity analysis is an appropriate representation of its non-trading risks. Reflected below is this analysis, which covers substantially all of the non-trading risk in the Group's portfolio, with the exception of counterparty credit valuation adjustments, which are covered in the previous section.

16.3.7 Interest Rate Risk

The Group's VaR excludes certain funding liabilities and money market transactions that are in the Banking Book.

The application of a parallel shift in interest rates of 200 basis points increase or decrease to these positions would result in a net loss or gain, respectively, of \$36.6 million as at 30 June 2025, compared to a net loss or gain of \$46.5 million as at 31 December 2024 for the Company.

The decrease is driven by a reduction in Banking Book interest rate exposure in the Fixed Income Division.

16.3.8 Funding Liabilities

The credit spread risk sensitivity of the Company's mark-to-market funding liabilities corresponds to an increase in value of approximately \$7.7 million and \$6.8 million for each 1 basis point widening in the Company's credit spread level at 30 June 2025 and 31 December 2024, respectively.

16.3.9 Equity Investments Price Risk

The Group is exposed to equity price risk as a result of changes in the fair value of its investments in listed and private equities classified as FVPL financial assets. These investments are predominantly equity positions with long investment horizons, the majority of which are for business facilitation purposes. The market risk related to these investments is measured by estimating the potential reduction in net revenues associated with a 10% decline in asset values as shown in the table below.

	30 June 2025	31 December 2024
in \$ millions	10% sensitivity	10% sensitivity
Investment securities	1	3

16.3.10 Currency Risk

The Group has foreign currency exposure arising from foreign operations. The majority of this foreign currency risk has been hedged by other members of the Morgan Stanley Group, primarily Morgan Stanley, by utilising forward foreign currency exchange contracts.

The Group also has foreign currency exposure arising from its trading activities in currencies other than US dollars. The Group actively manages this exposure by hedging with other Morgan Stanley Group undertakings.

For further information, refer to Note 26.1 'Market Risk' section in the 2024 Report and Financial Statements.

16.4 Liquidity Risk

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

Additional information on liquidity risk management is presented in the 'Liquidity Risk' section of the Interim Management Report and the 2024 Report and Financial Statements.

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16.4.1 Required Liquidity Framework

The MSI Group's Liquidity Risk Limit Framework is critical to helping ensure that the Company maintains sufficient liquidity reserves and durable funding sources to meet its daily obligations and to withstand unanticipated stress events. The core component of the Liquidity Risk Management Framework is the Required Liquidity Framework, which considers Liquidity Stress Tests and Liquidity Resources. Liquidity Risk Department ("LRD"), as second line of defence, has a comprehensive limit and Key Risk Indicator ("KRI") framework in place.

Additional information on liquidity risk management is presented in the 'Liquidity Risk' section of the Interim Management Report and the 2024 Report and Financial Statements.

16.4.2 Liquidity Limits

The Group has a comprehensive set of limits, KRIs and targets to manage liquidity risk within the defined liquidity risk appetite. The Liquidity risk limit and KRI framework is owned by the LRD, who then recommend and set the Company's liquidity risk limits and KRIs taking into consideration the risk profile, complexity, activities and size. LRD maintains limits at various levels of governance structure to support linkages between overall risk appetite, which is determined by the MSI Board, and more granular risk-taking decisions and activities. Liquidity limits are set to manage various risk drivers, e.g. Minimum Liquidity requirements, Minimum Cash requirements, Secured Funding, Unsecured funding, Prime Brokerage, Derivatives and Currency risk.

LRD ensures transparency of material liquidity risks, compliance with established risk limits and KRIs as well as escalation of risk concentrations to appropriate senior management. The liquidity risk metrics and limits are summarised in reports produced by LRD that are circulated to and discussed with the EMEA ALCO, EMEA Risk Committee and the MSI Risk Committee as appropriate.

16.4.3 Maturity Analysis

In the following maturity analysis of financial liabilities, derivative contracts and other financial liabilities held as part of the Group's and Company's trading activities are presented at fair value, consistent with how these financial liabilities are managed, and disclosed as on demand. Derivatives not held as part of the Group's and Company's trading activities and financial liabilities designated at fair value through profit or loss which contain an embedded derivative are disclosed according to their earliest contractual maturity; all such amounts are presented at their fair value, consistent with how these financial liabilities are managed.

All other amounts represent undiscounted cash flows payable by the Group arising from its financial liabilities to their earliest contractual maturities as at 30 June 2025 and 31 December 2024.

Repayments of financial liabilities that are subject to immediate notice are treated as if notice were given immediately and are classified as on demand. This presentation is considered by the Group and Company to appropriately reflect the liquidity risk arising from those financial liabilities, and is consistent with how the liquidity risk on these financial liabilities is managed by the Group and Company.

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30 June 2025	On demand	Less than 1 month	1 month - 3 months	3 months - 1 year	1 year - 5 years	Greater than 5 years	Total
Financial liabilities							
Bank loans and overdrafts	2	—	—	—	—	—	2
Trading financial liabilities:							
Derivatives	283,524	—	—	—	—	—	283,524
Other	52,359	—	—	—	—	—	52,359
Secured borrowing	99,379	7,803	9,808	10,468	2,333	—	129,791
Trade and other payables	87,366	—	180	702	—	6	88,254
Debt and other borrowings	3,410	988	12,996	4,752	35,913	7,496	65,555
Subordinated debt	—	45	96	656	10,074	6,072	16,943
Total financial liabilities	526,040	8,836	23,080	16,578	48,320	13,574	636,428
Unrecognised financial instruments							
Guarantees	381	—	—	—	—	—	381
Loan commitments	29	—	—	—	—	—	29
Other commitments	6	—	—	—	—	—	6
Unsettled securities purchased under agreements to resell	86,872	2,163	—	3,432	2,564	—	95,031
Total unrecognised financial instruments	87,288	2,163	—	3,432	2,564	—	95,447
31 December 2024							
Financial liabilities							
Bank loans and overdrafts	2	—	—	—	—	—	2
Trading financial liabilities:							
Derivatives	285,318	—	—	—	—	—	285,318
Other	33,738	—	—	—	—	—	33,738
Secured borrowing	83,144	9,358	3,976	6,692	2,301	106	105,577
Trade and other payables	77,412	—	41	412	15	22	77,902
Debt and other borrowings	2,557	356	1,853	3,355	26,445	6,017	40,583
Subordinated debt	—	235	64	475	7,936	6,231	14,941
Total financial liabilities	482,171	9,949	5,934	10,934	36,697	12,376	558,061
Unrecognised financial instruments							
Guarantees	357	—	—	—	—	—	357
Loan commitments	207	—	—	—	—	—	207
Other commitments	16	—	—	—	—	—	16
Unsettled securities purchased under agreements to resell	43,249	1,905	275	1,280	1,079	—	47,788
Total unrecognised financial instruments	43,829	1,905	275	1,280	1,079	—	48,368

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17. FINANCIAL ASSETS AND FINANCIAL LIABILITIES SUBJECT TO OFFSETTING

To manage credit exposure arising from its business activities, the Group applies various credit risk management policies and procedures, see note 26 of the 2024 Report and Financial Statement for further details.

The following tables present information about the offsetting of financial instruments and related collateral amounts. The tables do not include information about financial instruments that are subject only to a collateral agreement. The effect of master netting arrangements, collateral agreements and other credit enhancements, on the Group's exposure to credit risk is disclosed in note 16.

in \$ millions	Amounts offset ⁽¹⁾⁽²⁾			Amounts not offset Collateralised by:				Not subject to legally enforceable master netting agreement
	Gross amounts	Counterparty netting	Derivative Cash collateral netting ⁽¹⁾	Net amounts	Financial instruments	Cash collateral	Net exposure	
30 June 2025								
Secured Financing:								
Cash collateral on securities borrowed	31,240	(8,374)	—	22,866	(22,049)	—	817	128
Securities purchased under agreement to resell	263,789	(153,102)	—	110,687	(110,287)	—	400	325
Other secured financing	12,929	(3,883)	—	9,046	(9,046)	—	—	—
Trading financial assets - derivatives	554,819	(262,180)	(11,754)	280,885	(234,183)	(23,460)	23,242	1,668
Total Assets	862,777	(427,539)	(11,754)	423,484	(375,565)	(23,460)	24,459	2,121
Secured borrowing:								
Cash collateral on securities loaned	52,561	(8,374)	—	44,187	(44,181)	—	6	—
Securities sold under agreement to repurchase	215,003	(153,102)	—	61,901	(61,569)	—	332	308
Other secured borrowing	21,991	(3,883)	—	18,108	(18,108)	—	—	—
Trading financial liabilities - derivatives	552,977	(262,180)	(7,273)	283,524	(235,090)	(24,532)	23,902	2,947
Total Liabilities	842,532	(427,539)	(7,273)	407,720	(358,948)	(24,532)	24,240	3,255
31 December 2024								
Secured Financing:								
Cash collateral on securities borrowed	21,654	(8,493)	—	13,161	(12,626)	—	535	207
Securities purchased under agreement to resell	197,340	(107,507)	—	89,833	(89,533)	—	300	263
Other secured financing	15,627	(3,168)	—	12,459	(12,413)	—	46	—
Trading financial assets - derivatives	530,549	(228,594)	(20,749)	281,206	(242,205)	(28,106)	10,895	2,192
Total Assets	765,170	(347,762)	(20,749)	396,659	(356,777)	(28,106)	11,776	2,662
Secured borrowing:								
Cash collateral on securities loaned	36,033	(8,493)	—	27,540	(27,539)	—	1	—
Securities sold under agreement to repurchase	153,509	(107,507)	—	46,002	(45,762)	—	240	195
Other secured borrowing	30,019	(3,168)	—	26,851	(26,807)	—	44	—
Trading financial liabilities - derivatives	521,493	(228,593)	(7,582)	285,318	(243,995)	(27,195)	14,128	2,195
Total Liabilities	741,054	(347,761)	(7,582)	385,711	(344,103)	(27,195)	14,413	2,390

(1) Derivatives cash collateral netting relates to the margin posted or received being offset against the derivative balance where all offsetting criteria is met. All Cash Collateral are recognised within Trade and other receivables and Trade and other payables whether it is offset or not and represents the total variation margin paid or received by counterparties.

(2) Intercompany cross-product legally enforceable netting arrangements are in place which would allow for an additional \$11,617 million (31 December 2024: \$11,886 million) of the condensed consolidated statement of financial position, to be offset in the ordinary course of business and/or in the event of default.

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18. FINANCIAL INSTRUMENTS 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 Group's financial assets and financial liabilities recognised at fair value on a recurring basis, classified according to the fair value hierarchy. The information below is limited to quantitative information and should be read in conjunction with note 30 of the 2024 Report and Financial Statements.

30 June 2025 in \$ millions	Quoted prices in active market (Level 1)	Observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Trading financial assets				
Government debt securities	20,421	286	25	20,732
Corporate and other debt	4,596	8,620	1,208	14,424
Corporate equities	90,144	106	80	90,330
Derivatives:	—	—	—	—
Interest rate contracts	—	69,132	439	69,571
Credit contracts	—	11,417	141	11,558
Foreign exchange and gold contracts	—	128,495	593	129,088
Equity contracts	1,211	63,574	1,275	66,060
Commodity contracts	9	4,497	102	4,608
Total trading financial assets	116,381	286,127	3,863	406,371
Secured financing:				
Cash collateral on securities borrowed	—	22,866	—	22,866
Securities purchased under agreements to resell	—	110,491	196	110,687
Other secured financing	—	9,046	—	9,046
Total secured financing	—	142,403	196	142,599
Loans and advances - corporate loans	—	9	—	9
Investment securities - corporate equities	—	—	13	13
Trade and other receivables:				
Prepaid OTC contracts	—	84	183	267
Other	—	180	—	180
Total trade and other receivables	—	264	183	447
Total financial assets measured at fair value	116,381	428,803	4,255	549,439
Trading financial liabilities:				
Government debt securities	10,793	37	—	10,830
Corporate and other debt	1,537	3,619	46	5,202
Corporate equities	36,262	55	10	36,327
Derivatives:	—	—	—	—
Interest rate contracts	12	70,641	1,077	71,730
Credit contracts	—	11,324	83	11,407
Foreign exchange and gold contracts	5	123,044	608	123,657
Equity contracts	1,334	68,630	2,009	71,973
Commodity contracts	8	4,641	108	4,757
Total trading financial liabilities	49,951	281,991	3,941	335,883
Secured borrowing:				
Cash collateral on securities loaned	—	35,364	—	35,364
Securities sold under agreements to repurchase	—	22,336	—	22,336
Other secured borrowing	—	18,108	—	18,108
Total secured borrowing	—	75,808	—	75,808
Trade and other payables - prepaid OTC contracts	—	748	183	931
Debt and other borrowings - issued structured notes	—	21,086	907	21,993
Total financial liabilities measured at fair value	49,951	379,633	5,031	434,615

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31 December 2024	Quoted prices in active market (Level 1)	Observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
in \$ millions				
Trading financial assets:				
Government debt securities	6,293	5,867	16	12,176
Corporate and other debt	—	7,115	790	7,905
Corporate equities	68,236	300	30	68,566
Derivatives:	—	—	—	—
Interest rate contracts	9	70,459	350	70,818
Credit contracts	—	10,286	199	10,485
Foreign exchange and gold contracts	—	137,251	710	137,961
Equity contracts	1,473	55,009	798	57,280
Commodity contracts	308	4,300	54	4,662
Total trading financial assets	76,319	290,587	2,947	369,853
Secured financing:				
Cash collateral on securities borrowed	—	13,161	—	13,161
Securities purchased under agreements to resell	—	89,122	711	89,833
Other secured financing	—	12,459	—	12,459
Total secured financing	—	114,742	711	115,453
Loans and advances - corporate loans	—	7	—	7
Investment securities - corporate equities	—	15	12	27
Trade and other receivables:				
Prepaid OTC contracts	—	132	133	265
Other	—	294	—	294
Total trade and other receivables	—	426	133	559
Total financial assets measured at fair value	76,319	405,777	3,803	485,899
Trading financial liabilities:				
Government debt securities	4,625	1,529	10	6,164
Corporate and other debt	—	2,669	3	2,672
Corporate equities	24,858	39	5	24,902
Derivatives:				
Interest rate contracts	13	71,111	586	71,710
Credit contracts	—	9,799	130	9,929
Foreign exchange and gold contracts	7	136,226	714	136,947
Equity contracts	636	60,166	1,098	61,900
Commodity contracts	207	4,572	53	4,832
Total trading financial liabilities	30,346	286,111	2,599	319,056
Secured borrowing:				
Cash collateral on securities loaned	—	20,688	—	20,688
Securities sold under agreements to repurchase	—	19,198	—	19,198
Other secured borrowing	—	26,851	—	26,851
Total secured borrowing	—	66,737	—	66,737
Trade and other payables - prepaid OTC contracts	—	215	133	348
Debt and other borrowings - issued structured notes	—	15,897	117	16,014
Total financial liabilities measured at fair value	30,346	368,960	2,849	402,155

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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

During the period, the increase in the Group's Level 1 balances on Government debt securities and Corporate and other debt includes both increased trading balances and the reclassification of \$7,202 million in assets and \$2,756 million in liabilities from Level 2 to Level 1 due to an increased level of observable transactions.

c. Changes in Level 3 Financial Assets and Liabilities Recognised at Fair Value on a Recurring Basis

in \$ millions	30 June 2025	31 December 2024
TRADING FINANCIAL ASSETS		
Government debt securities		
Beginning balance	16	61
Total (losses) recognised in the condensed consolidated income statement ⁽¹⁾	—	(6)
Purchases	23	1
Sales	(9)	(5)
Gross transfers in ⁽²⁾	—	2
Gross transfers out ⁽²⁾	(5)	(37)
Ending balance	25	16
Unrealised (losses)/gains ⁽³⁾	—	(3)
Corporate and other debt		
Beginning balance	790	1,338
Total losses recognised in the consolidated income statement ⁽¹⁾	9	(279)
Purchases	520	492
Sales	(307)	(247)
Gross transfers in ⁽²⁾	241	138
Gross transfers out ⁽²⁾	(45)	(652)
Ending balance	1,208	790
Unrealised (losses)/gains ⁽³⁾	52	(150)
Corporate equities		
Beginning balance	30	68
Total (losses) recognised in the condensed consolidated income statement ⁽¹⁾	—	(65)
Purchases	50	20
Sales	—	(7)
Gross transfers in ⁽²⁾	—	34
Gross transfers out ⁽²⁾	—	(20)
Ending balance	80	30

in \$ millions	30 June 2025	31 December 2024
Net derivative contracts⁽⁴⁾		
Beginning balance	(470)	(273)
Total gains/ (losses) recognised in the condensed consolidated income statement ⁽¹⁾	106	(127)
Purchases	862	321
Issuances	(1,264)	(541)
Settlements	(176)	194
Gross transfers in ⁽²⁾	(419)	36
Gross transfers out ⁽²⁾	26	(80)
Ending balance	(1,335)	(470)
Unrealised gains/(losses) ⁽³⁾	110	39

SECURED FINANCING

Securities purchased under agreements to resell		
Beginning balance	711	832
Purchases	196	711
Sales	(711)	(832)
Ending balance	196	711

INVESTMENT SECURITIES

Corporate equities		
Beginning balance	12	126
Purchases	5	2
Sales	(4)	(116)
Ending balance	13	12

TRADE AND OTHER RECEIVABLES

Prepaid OTC contracts		
Beginning balance	133	150
Total gains/(losses) recognised in the condensed consolidated income statement ⁽¹⁾	(32)	(69)
Purchases	84	52
Sales	(2)	—
Ending balance	183	133
Unrealised gains/(losses) ⁽³⁾	(32)	(69)

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in \$ millions	30 June 2025	31 December 2024
TRADING FINANCIAL LIABILITIES		
Government debt securities		
Beginning balance	10	1
Total gains recognised in the condensed consolidated income statement ⁽¹⁾	—	(3)
Sales	—	9
Gross transfers in ⁽²⁾	—	3
Gross transfers out ⁽²⁾	(10)	—
Ending balance	—	10
Unrealised gains ⁽³⁾	—	(3)
Corporate and other debt		
Beginning balance	3	8
Purchases	(1)	(3)
Sales	43	1
Gross transfers in ⁽²⁾	1	—
Gross transfers out ⁽²⁾	—	(3)
Ending balance	46	3
Corporate equities		
Beginning balance	5	12
Total (gains) recognised in the condensed consolidated income statement ⁽¹⁾	—	(5)
Purchases	(7)	(3)
Sales	11	5
Gross transfers in ⁽²⁾	3	1
Gross transfers out ⁽²⁾	(2)	(5)
Ending balance	10	5
Unrealised gains/(losses) ⁽³⁾	—	(4)
TRADE AND OTHER PAYABLES		
Prepaid OTC contracts		
Beginning balance	133	150
Total (gains)/losses recognised in the condensed consolidated income statement ⁽¹⁾	(32)	(69)
Issuances	84	52
Settlements	(2)	—
Ending balance	183	133
Unrealised gains/(losses) ⁽³⁾	(32)	(69)

in \$ millions	30 June 2025	31 December 2024
DEBT AND OTHER BORROWINGS		
Issued structured notes		
Beginning balance	117	176
Total (gains) recognised in the condensed consolidated income statement ⁽¹⁾	123	(11)
Total (gains)/losses recognised in condensed consolidated statement of comprehensive income ⁽¹⁾	1	1
Issuances	455	105
Settlements	(36)	(47)
Gross transfers in ⁽²⁾	323	22
Gross transfers out ⁽²⁾	(76)	(129)
Ending balance	907	117
Unrealised (gains)/losses ⁽³⁾	116	(19)

(1) The total gains or losses are recognised in the consolidated income statement as detailed in the financial instruments accounting policy (note 3c within 2024 Annual Report and Financial Statements).

(2) For financial assets and financial liabilities that were transferred into or out of Level 3 during the year, 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 year.

(3) Amounts represent unrealised gains or (losses) for the year ended 31 December 2024 related to assets and liabilities still outstanding at 31 December 2024. The unrealised gains or (losses) are recognised in the consolidated income statement or consolidated statement of comprehensive income as detailed in the financial instruments accounting policy (note 3c within 2024 Annual Report and Financial Statements).

(4) Net derivative contracts represent trading financial liabilities derivative contracts net of trading financial assets - derivative contracts.

During the period, there were no material transfers (2024: \$652 million of Corporate and other debt securities) from Level 3 to Level 2 of the fair value hierarchy. There were no material transfers from Level 2 to Level 3 of the fair value hierarchy (2024: \$nil).

During the period, the Group's Level 3 assets and liabilities balance increased by \$452 million and \$2,182 million, respectively. The increases are from various instruments due to higher trading activity and an increase in unobservable inputs.

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d. Valuation of Level 3 Financial Assets and Liabilities Recognised at Fair Value on a Recurring Basis

The following disclosures provide information on the sensitivity of fair value measurements to key inputs and assumptions.

i. Quantitative Information about and Qualitative Sensitivity of Significant Unobservable Inputs

The following table provides information on the valuation techniques, significant unobservable inputs and their ranges and averages for each material category of assets and liabilities measured at fair value on a recurring basis.

The level of aggregation and breadth of products cause the range of inputs to be wide and not evenly distributed across the inventory. Further, the range of unobservable inputs may differ across groups in the financial services industry because of diversity in the types of products included in each group's inventory. The following disclosures also include qualitative information about the sensitivity of the fair value measurements to changes in the significant unobservable inputs. There are no predictable relationships between multiple significant unobservable inputs attributable to a given valuation technique. A single amount is disclosed when there is no significant difference between the minimum, maximum and average (weighted average or similar average/ median).

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30 June 2025	Fair value \$ millions	Predominant valuation techniques/ Significant unobservable inputs	Range (Average) ⁽¹⁾
ASSETS			
Trading financial assets:			
Government debt securities	25	Comparable pricing	
		Comparable bond price	N/M(N/M)
Corporate and other debt:			
Mortgage and asset-backed securities	169	Comparable pricing	
		Comparable bond price	2 to 98 pts (67 pts)
Corporate bonds	753	Comparable pricing	
		Comparable bond price	1 to 163 pts (79 pts)
Loans and lending commitments	283	Comparable pricing	
		Comparable loan price	49 to 107 pts (83 pts)
Other debt	3	Comparable pricing	
		Comparable bond price	N/M(N/M)
Corporate equities	80	Comparable pricing	
		Comparable equity price	100% (100%)
Net derivatives contracts:⁽²⁾			
Interest rate	(638)	Option Model	
		Inflation Volatility	32% to 67% (44%/40%)
		Interest rate - Foreign exchange correlation	N/M(N/M)
		Interest rate curve correlation	70% to 86% (75%/73%)
		Inflation curve	3% to 3% (3%/3%)
		Interest rate volatility skew	50% to 93% (65%/69%)
		Foreign exchange volatility skew	N/M(N/M)
		Deal contingent probability	N/M(N/M)
		Currency Basis	0% to 9% (1%/0%)
		Bond Volatility	76% to 151% (87%/87%)
Credit	58	Credit default swap model	
		Credit spread	30 bps to 672 bps (104 bps)
		Comparable pricing	
		Comparable bond price	1 to 91 pts (53 pts)
		Discounted Cashflow	
		Funding spread	35 bps to 372 bps (138 bps)

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30 June 2025	Fair value \$ millions	Predominant valuation techniques/ Significant unobservable inputs	Range (Average) ⁽¹⁾
ASSETS			
Foreign exchange and gold ⁽³⁾	(15)	Option model	
		Interest rate-foreign exchange correlation	N/M(N/M)
		Interest rate volatility skew	N/M(N/M)
		Deal execution probability	90% to 95% (91%/95%)
		Foreign exchange volatility skew	4% to 18% (9%/9%)
		Currency basis	-43% to 82%(3%/0%)
Equity	(734)	Option model	
		Equity volatility	5% to 108% (21%)
		Equity volatility skew	-7% to 4% (0%)
		Equity correlation	-20% to 100% (69%)
		Equity IR correlation	0% to 40% (10%)
		Equity FX correlation	-88% to 90%(-20%)
Investment securities:			
Corporate equities	13	Comparable pricing	
		Comparable equity price	100% to 100% (100%)
		Discounted Cash flows	
		Implied Weighted Average Cost of Capital ("WACC")	16% (16%)
Trade and other receivables:			
Prepaid OTC contracts	183	Discounted cash flows	
		Loss Given Default	54% to 84% (62%/54%)
Secured financing:			
Securities purchased under agreements to resell	196	Discounted cash flows	
		Comparable bond price	9 to 119 pts (84 pts)
LIABILITIES			
Debt and other borrowings:			
Issued structured notes	(907)	Option model	
		Equity volatility	15% to 68% (25%)
		Equity volatility skew	-2% to 1% (-1%)
		Equity correlation	1% to 100% (77%)
		Equity FX correlation	-56% to 40% (-6%)
Trade and other payables:			
Prepaid OTC contracts	(183)	Discounted cash flow	
		Loss Given Default	54% to 84% (62%/54%)

N/M- Not Material

(1) 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 provided when more relevant.

(2) Net derivative contracts represent trading financial liabilities – derivative contracts net of trading financial assets – derivative contracts.

(3) Includes derivative contracts with multiple risks (i.e. hybrid products).

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31 December 2024	Fair value \$ millions	Predominant valuation techniques/ Significant unobservable inputs	Range (Average) ⁽¹⁾
ASSETS			
Trading financial assets:			
Government debt securities	16	Comparable pricing	
		Comparable bond price	N/M(N/M)
Corporate and other debt:			
Mortgage and asset-backed securities	86	Comparable pricing	
		Comparable bond price	0 to 81 pts (33 pts)
Corporate bonds	547	Comparable pricing	
		Comparable bond price	1 to 153 pts (66 pts)
Loans and lending commitments	154	Comparable pricing	
		Comparable loan price	50 to 121 pts (88 pts)
Other Debt	3	Comparable pricing	
		Comparable bond price	N/M(N/M)
Corporate equities	30	Comparable pricing	
		Comparable equity price	100%(100%)
Investment securities:			
Corporate equities	12	Comparable pricing	
		Comparable equity price	100% to 100% (100%)
		Discounted Cash Flow	
		Implied Weighted Average Cost of Capital ("WACC")	16% (16%)
Secured financing			
Securities purchased under agreements to resell	711	Discounted cash flows	
		Funding spread	32 bps to 107 bps (67 bps)
Trade and other receivables:			
Prepaid OTC contracts	133	Discounted cash flows	
		Loss Given Default	54%-84% (68%/54%)
LIABILITIES			
Trading financial liabilities			
Net derivatives contracts: ⁽²⁾			
Interest rate	(236)	Option Model	
		Inflation Volatility	30% to 68% (44%/38%)
		Interest Rate Curve Correlation	23% to 94% (76%/81%)
		Interest rate Volatility Skew	59% to 86% (69%/67%)
		Currency Basis	N/M(N/M)
		Deal Contingent Probability	N/M(N/M)
		Bond Volatility	78% to 148% (92%/92%)
Credit	69	Credit default swap model	
		Credit spread	2 to 299 bps (102 bps)
		Comparable pricing	
		Comparable bond price	1 to 91 pts (46 pts)
		Discounted cash flows	
		Funding spread	99 to 113 bps (112 bps)
Foreign exchange and gold ⁽³⁾	(4)	Option model	
		Deal execution probability	90% to 95% (95%/95%)
		Currency basis	5% to 10% (8%/8%)
Equity	(300)	Option model	
		Equity volatility	1% to 73% (18%)
		Equity volatility skew	-3% to 1% (-1%)
		Equity correlation	15% to 100% (60%)

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31 December 2024	Fair value \$ millions	Predominant valuation techniques/ Significant unobservable inputs	Range (Average) ⁽¹⁾
		Equity FX correlation	-68% to 60% (-29%)
Debt and other borrowings:			
Issued structured notes	(117)	Option model	
		Equity volatility	14% to 71% (26%)
		Equity volatility skew	-2% to 0% (-1%)
		Equity correlation	38% to 85% (61%)
		Equity FX correlation	-52% to -1% (-11%)
Trade and other payables:			
Prepaid OTC contracts	(133)	Discounted cash flow	
		Loss Given Default	54%-84% (62%/54%)

- (1) 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, respectively, are provided when more relevant.
- (2) Net derivative contracts represent trading financial liabilities – derivative contracts net of trading financial assets – derivative contracts
- (3) Includes derivative contracts with multiple risks (i.e. hybrid products)

A description of the significant unobservable inputs and qualitative sensitivity included in the table above for all major categories of assets and liabilities is included within note 30 of the 2024 Report and Financial Statements.

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ii. Sensitivity of Fair Values to Changing Significant Assumptions to Reasonably Possible Alternatives

The following table presents the potential impact of both favourable and unfavourable changes, both of which would be reflected in the condensed consolidated income statement. The information below is limited to quantitative information and should be read in conjunction with note 30 of the 2024 Report and Financial Statements.

in \$ millions	30 June 2025		31 December 2024	
	Favourable changes	Unfavourable changes	Favourable changes	Unfavourable changes
Trading financial assets:				
Corporate and other debt	22	(23)	25	(23)
Corporate equities	20	(20)	26	(26)
Net derivative contracts ⁽¹⁾	234	(258)	180	(193)
Investment securities:				
Corporate equities	4	(2)	5	(3)
Debt and other borrowings:				
Issued structured notes	1	(1)	1	(2)
	281	(304)	237	(247)

(1) Net derivative contracts represent trading financial assets - derivative contracts net of trading financial liabilities - derivative contracts.

e. Financial Instruments Valued Using Unobservable Market Data

The amounts not recognised in the condensed consolidated income statement relating to the difference between the fair value at initial recognition (the transaction price) and the amounts determined at initial recognition using valuation techniques are as follows:

\$ millions	30 June 2025	31 December 2024
Opening balance	437	463
New transactions	112	226
Amounts recognised in the consolidated income statement during the period	(112)	(252)
Total closing balance	437	437

The balance above predominately relates to derivatives. The Group has financial instruments valued using unobservable market data of \$85 million (2024: \$89 million) related to other Morgan Stanley Group undertakings.

f. 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 consolidated 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 or prior year period.

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19. ASSETS AND LIABILITIES NOT MEASURED AT FAIR VALUE

The following table presents the carrying value, fair value and fair value hierarchy category of certain financial assets and financial liabilities that are not measured at fair value in the statement of financial position. Financial assets and financial liabilities not measured at fair value for which the carrying value is considered a reasonable approximation of fair value are excluded from the following table.

\$ millions 30 June 2025	Carrying value	Fair value measurement using:	
		Fair value	Observable inputs (Level 2)
Subordinated debt ⁽¹⁾	5,226	5,352	5,352
Other Borrowings	42,199	42,532	42,532
31 December 2024			
Subordinated debt	5,098	5,395	5,395

⁽¹⁾The carrying value of subordinated debt includes accrued interest payable of \$127 million as at 30 June 2025. For further details please refer to section (f) Change in Presentation within note 1, Basis of Preparation.

20. RELATED PARTY DISCLOSURES

The Morgan Stanley Group conducts business for clients globally through a combination of both functional and legal entity organisational structures. Accordingly, the Group is closely integrated with the operations of the Morgan Stanley Group and enters into transactions with other Morgan Stanley Group undertakings on an arm's length basis for the purposes of utilising financing, trading and risk management, and infrastructure services.

The Group receives and incurs management charges to and from other Morgan Stanley Group undertakings for infrastructure services, including the provision of staff and office facilities. For the period, 'Management charges from other Morgan Stanley Group undertakings relating to staff costs' were \$339 million (30 June 2024: \$293 million) and 'Management charges from other Morgan Stanley Group undertakings relating to other services' and 'Commission and other similar arrangements' were \$914 million (30 June 2024: \$839 million). See note 5 for further details.

21. EVENTS AFTER THE REPORTING PERIOD

Morgan Stanley Langton Limited is a 100% subsidiary of the Company and has 10 direct and indirect subsidiaries that were used for structured equity trades which all unwound by 2012. These subsidiaries are no longer actively trading externally. During August 2025, various capital actions and dividends have been made to simplify the structure under the Langton chain ahead of the legal closure of these entities. There is no impact to the Group as a result of these actions.