Morgan Stanley

Morgan Stanley Europe SE

Interim Financial Statements as at 30 June 2024

Registered number: HRB 109880

Registered office:
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60312 Frankfurt am Main

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(1) Please note that the English version of the Interim Financial Statements as at 30 June 2024 is a convenience translation. Deloitte GmbH Wirtschaftprüfungsgesellschaft, Frankfurt am Main, issued the Independent Auditors' Report only for the German version of the Interim Financial Statements as at 30 June 2024. Therefore, the German version prevails.

INTERIM FINANCIAL STATEMENTS

INTERIM FINANCIAL STATEMENTS 2024
Balance Sheet as at 30 June 2024

Assets in € millions	Note		30 Jun 2024	31 Dec 2023
Cash reserve				
a) Balances with central banks			263	327
thereof: with Deutsche Bundesbank €263 million (31 Dec 2023: €327 million)				
Receivables from credit institutions	4			
a) Due on demand		13,655		10,594
b) Other receivables		555		–
			14,210	10,594
Receivables from customers	4		12,956	7,036
thereof: public-sector entities €9 million (31 Dec 2023: €22 million)				
Trading assets	7		47,542	41,462
Investments in affiliated companies	8		603	603
thereof: credit institutions €603 million (31 Dec 2023: €603 million)				
Intangible assets	8			
a) Goodwill			34	37
Property, plant and equipment	8		22	21
Other assets	9		460	426
Prepaid expenses and deferred charges			1	4
Deferred tax assets	3		23	0
Total assets			**76,114**	**60,510**

Liabilities and equity in € millions	Note		30 Jun 2024	31 Dec 2023
Liabilities to credit institutions	4			
a) Due on demand		4,119		4,690
b) With an agreed maturity or term		200		200
			4,319	4,890
Liabilities to customers	4			
a) Other liabilities				
aa) Due on demand		17,154		8,993
ab) With an agreed maturity or term		5,611		1,107
			22,765	10,100
Debt Issuances	11			
a) Debt Securities			145	92
Trading liabilities	7		37,414	34,582
Other liabilities	9		312	116
Deferred income			5	5
Provisions	12			
a) Provisions for pensions and similar obligations		12		11
b) Provisions for taxation		22		15
c) Other provisions		120		129
			154	155
Subordinated debt	13		3,811	3,511
Fund for general banking risks			77	77
thereof: special items according to Section 340e (4) HGB €77 million (31 Dec 2023: €77 million)				
Instruments for Additional Tier 1 Regulatory Capital	14		1,000	1,000
Equity capital	15			
a) Subscribed capital		3,901		3,901
b) Capital reserve		1,931		1,931
c) Earnings reserve		150		66
d) Retained earnings		130		84
			6,112	5,982
Total liabilities and equity			**76,114**	**60,510**

INTERIM FINANCIAL STATEMENTS 2024

Income Statement for the period from 1 January to 30 June 2024

€ in millions	Note			6 months ended 30 Jun 2024	6 months ended 30 Jun 2023
Interest income from credit and money market transactions			765		537
Interest expenses			854		609
				(89)	(72)
Commission income			230		217
Commission expenses			65		44
				165	173
Net trading result				**362**	217
Other operating income	17			**11**	12
General administrative expenses					
a) Personnel expenses					
aa) Wages and salaries		133			138
ab) Social security and other pension costs and benefits thereof: Pension scheme €6 million (30 Jun 2023: €6 million)		28			23
			161		161
b) Other administrative expenses			104		108
				265	269
Depreciation, amortisation and write-downs of intangible assets, and property, plant and equipment	8			**5**	5
Other operating expenses	17			**36**	43
Income from ordinary activities				**143**	13
Income taxes				**13**	6
Net profit for the period				**130**	7
Net profit				**130**	7

Cash Flow Statement for the period from 1 January to 30 June 2024

€ in millions	Note	6 months ended 30 Jun 2024	6 months ended 30 Jun 2023
Net income		**130**	**7**
Non-cash items included in net income and reconciliation to cash flow from operating activities			
+/- Depreciation on intangible assets and property, plant and equipment	8	5	5
+/- Increase in/(reversal of) provisions	12	(9)	1
+/- Increase in/(reversal of) risk discount value-at-risk	7	(4)	5
+ Interest expense		89	72
+ Income tax expense		13	6
+/- Other adjustments		(1)	(1)
= Subtotal		**223**	**95**
Changes in assets and liabilities from operating activities			
-/+ Receivables from credit institutions		(3,616)	3,438
-/+ Receivables from customers		(5,915)	2,017
-/+ Trading assets		(5,917)	849
-/+ Other assets from operating activities		38	142
+/- Payables to credit institutions		(571)	(1,482)
+/- Payables to customers		12,661	(1,891)
+/- Debt Issuances		53	34
+/- Trading liabilities		2,846	(4,104)
+/- Other liabilities from operating activities		196	(36)
+ Interest received		601	445
– Interest paid		(761)	(474)
– Income taxes paid		(98)	(14)
Cash flow from operating activities		**(260)**	**(981)**
– Payments for the acquisition of intangible assets and property, plant and equipment	8	(3)	(1)
Cash flow from investing activities		**(3)**	**(1)**
+ Proceeds from contributions to equity	15	–	1,000
+ Proceeds from subordinated liabilities	13	300	–
– Interest paid for subordinated debt		(101)	(18)
Cash flow from financing activities		**199**	**982**
= Change in cash and cash equivalents		(64)	–
+ Cash and cash equivalents at the beginning of the period		327	–
Cash and cash equivalents at the end of the period		**263**	**–**

General Information

1. Corporate Information

Morgan Stanley Europe SE (the "Company" or "MSESE") is a stock corporation under European Law (European Company, *Societas Europaea*) based in Frankfurt am Main. The Company is registered in the Commercial Register of the Local Court in Frankfurt am Main under number HRB 109880.

Morgan Stanley Europe Holding SE, Frankfurt am Main, ("MSEHSE") is the sole shareholder of the Company. The Company is the sole shareholder of Morgan Stanley Bank AG, Frankfurt am Main ("MSBAG"). The Company, together with its subsidiary MSBAG, form the MSESE Group.

The Company's ultimate parent undertaking is Morgan Stanley, Delaware, United States of America ("US"). Morgan Stanley together with its subsidiary undertakings form the Morgan Stanley Group.

2. Basis of Accounting

The interim financial statements as at 30 June 2024 are prepared in accordance with the regulations of the German Commercial Code (Handelsgesetzbuch or "HGB"), the German Ordinance on Accounting Policies for Banks and Financial Service Providers (Verordnung über die Rechnungslegung der Kreditinstitute und Finanzdienstleistungsinstitute or "RechKredV") and the German Stock Corporation Act (Aktiengesetz or "AktG"). Unless otherwise stated, all amounts are rounded to the nearest million Euros.

The company which prepares the consolidated financial statements for the smallest consolidation scope is MSEHSE and the company which prepares the consolidated financial statements for the largest consolidation scope is Morgan Stanley.

3. Accounting Policies

Cash Reserve and Receivables

Cash reserve is accounted for at nominal value. Receivables from credit institutions and customers are accounted for at acquisition cost, including pro-rata interest and are net of loan loss provisions. Cash placed overnight under the deposit facility with the Deutsche Bundesbank is reported within "Receivables from credit institutions".

Loan Loss Provisions

The Company recognises loan loss provisions for receivables from credit institutions and customers.

In accordance with the requirements of IDW RS BFA 7, the Expected Credit Loss ("ECL") model is based on the change in credit risk since initial recognition:

- Stage 1: if the credit risk of the financial instrument at the reporting date has not increased significantly since initial recognition then the loss allowance is calculated weighted with the probability of default within the next 12 months.

- Stage 2: if there has been a significant increase in credit risk ("SICR") since initial recognition, the loss allowance is calculated as the ECL over the remaining life of the financial instrument. If it is subsequently determined that there has no longer been a SICR since initial recognition, then the loss allowance reverts to reflecting 12 month expected losses.

- Stage 3: if there has been a SICR since initial recognition and the financial instrument is deemed credit-impaired, the loss allowance is calculated as the ECL over the remaining life of the financial instrument. If it is subsequently determined that there has no longer been a SICR since initial recognition, then the loss allowance reverts to reflecting 12 month expected losses.

Notwithstanding the above, for specific receivables a lifetime ECL is always calculated, without considering whether a SICR has occurred.

When assessing SICR, the Company considers both quantitative and qualitative information and analysis. These are based on historical information and conditions expected in the future, which are assessed by credit risk experts.

The determination of a SICR is generally based on changes in the probability of default ("PD"), in conjunction with an assumption that a SICR has occurred if a financial asset is more than 30 days past due.

ECL is calculated using three main components:

- PD: the 12 month and lifetime PD represent the expected point-in-time probability of a default over the next 12 months and over the remaining lifetime of the financial instrument respectively, based on conditions existing at the balance sheet date and future economic conditions.
- Loss given default ("LGD"): the LGD represents expected loss conditional on default, taking into account the mitigating effect of collateral, including the expected value of the collateral when realised and the time value of money.
- Exposure at default ("EAD"): this represents the expected EAD, taking into account the expected repayment of principal and interest from the balance sheet date to the date of default event together with any expected drawdowns of the facility over that period.

These parameters are generally derived from internally developed statistical models, incorporating historical, current and forward-looking macro-economic data and country risk expert judgement. The macro-economic scenarios are reviewed quarterly.

Trading Assets and Liabilities

Financial instruments classified as trading assets and liabilities are initially recognised at purchase price and subsequently measured at fair value less a risk discount in accordance with Section 340e (3) HGB. In accordance with Section 255 (4) HGB, the fair value corresponds to the market price. If an active market does not exist, fair value is determined using valuation techniques. Guarantees received or provided in respect of trading derivative contracts are accounted for as trading derivative contracts.

In determining fair value, the Company uses various valuation approaches and establishes a hierarchy for inputs used in measuring fair value that requires the most observable inputs be used when available.

Observable inputs are inputs that market participants would use in pricing the asset or liability that are developed based on market data obtained from sources independent of the Company. Unobservable inputs are inputs that reflect assumptions the Company believes other market participants would use in pricing the asset or liability, that are developed based on the best information available in the circumstances.

The fair value hierarchy is broken down into three levels based on the observability of inputs as follows, with Level 1 being the highest and Level 3 being the lowest level:

- Level 1 - Quoted prices (unadjusted) in an active market for identical assets or liabilities

  Valuations are based on quoted prices in active markets that the Morgan Stanley Group has the ability to access for identical assets or liabilities. Valuation adjustments and block discounts are not applied to Level 1 instruments. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these products does not entail a significant degree of judgement.

- Level 2 - Valuation techniques using observable inputs

  Valuations based on one or more quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

- Level 3 - Valuation techniques with significant unobservable inputs

  Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

Where necessary, valuation adjustments will be made. Factors taken into account include liquidity risk (price range between bid and ask price), counterparty default risk, model uncertainty and concentration risks.

The availability of observable inputs can vary from product to product and is affected by a wide variety of factors, including the type of product, whether the product is new and not yet established in the marketplace, the liquidity of markets and other characteristics particular to the product. To the extent that a valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgement. Accordingly, the degree of judgement exercised by the Company in determining fair value is greatest for instruments categorised in Level 3 of the fair value hierarchy.

In order to capture any remaining realisation risks, the result of the valuation at fair value is reduced by a risk discount, which is deducted from trading assets. The risk discount is calculated using the regulatory value-at-risk based on a 99% confidence level over a holding period of 10 days.

In addition to the risk discount, at each year end 10% of the net trading result (after risk discount) is allocated to the fund for general banking risks in accordance with Section 340e (4) HGB. The allocation is made until this fund reaches an amount of 50% of the 5-years average of the positive net trading result after risk discount. The fund for general banking risks may only be reversed to offset a net trading loss for the year or if it exceeds the 50% limit.

The Company pledges cash collateral and securities in respect of its derivative portfolio in the form of initial and variation margin.

Derivatives reported within trading assets and liabilities are offset against the associated cash variation margin if, supported by a legally enforceable agreement containing a credit support annex (“CSA”), the exchange of cash collateral takes place on a daily basis taking into account the fair value of the derivative financial instruments. For each counterparty, the amount offset includes the positive and negative market values of derivatives as well as the cash variation margin paid or received.

Securities Lending and Repurchase Agreements

Securities lending and repurchase agreements are accounted for in accordance with the applicable principles of Section 340b HGB. Securities lent and securities sold under repurchase agreements continue to be recognised by the Company in accordance with their economic ownership, while securities borrowed and securities bought under repurchase agreements are not recognised on the balance sheet. Receivables and liabilities arising from repurchase agreements and securities lending transactions that meet the requirements to offset under Section 10 RechKredV are reported net.

Investments in Affiliated Companies

Investments in affiliated companies are carried at cost. If an impairment of an investment is expected to be permanent, the carrying amount is written down to the lower fair value.

Intangible Assets and Property, Plant and Equipment

Intangible assets and property, plant and equipment are reported at acquisition cost reduced by scheduled depreciation. The underlying useful lives are based on the economic useful life. Write-downs are made for any impairment that is likely to be permanent. Goodwill reported within intangible assets is amortised over its estimated useful life of 10 years in accordance with Section 253 (3) sentence 4 HGB. Low-value assets are fully depreciated in the year of acquisition.

Other Assets

Other assets are measured at acquisition cost (nominal value) considering the strict lower-of-cost-or-market principle.

Liabilities

Liabilities to credit institutions and to customers, subordinated debt and Instruments for Additional Tier 1 Regulatory Capital are recognised at their settlement amount including accrued interest, in accordance with Section 253 (1) HGB.

Prepaid Expenses and Deferred Charges

Prepaid expenses and deferred charges are released to the income statement on a straight-line basis over their term.

Provisions

Provisions for contingent liabilities are recognised at the expected settlement amount using reasonable judgement. If the remaining term is longer than one year, the provision is discounted. The Company applies the discount rate published by the Deutsche Bundesbank in accordance with the Regulation on the Discounting of Provisions.

The Company is applying accounting note IDW RH FAB 1.021 in relation to the valuation of provisions for pension and similar obligations funded by insurance contracts. This accounting note requires for matching cash flows application of the same valuation methodology assumptions for the asset and the liability.

For pensions and similar obligations where the cash flows do not match the plan assets and are not accounted for under IDW RH FAB 1.021, the Company continues to use the projected-unit-credit method. The valuation includes actuarial assumptions on demographic developments, increases in salaries and pensions as well as inflation rates. Demographic assumptions are based upon the "Heubeck-Richttafeln 2018G" tables. The discount rate is based upon the average market interest rate of the last 10 years with an assumed remaining term of 15 years as published by Deutsche Bundesbank according to Section 253 (2) HGB.

In accordance with Section 246 (2) HGB, the pension obligations are offset against the plan assets as well as the respective expenses and income. The Company has outsourced the reinsurance policies covering the general pension plan to a contractual trust arrangement ("CTA").

A provision requirement for interest rate risks is examined as part of the loss-free valuation of interest bearing financial instruments in the banking book using the present/book value method. As at 30 June 2024, the valuation resulted in no need to recognise a provision.

Deferred Tax Assets and Liabilities

Deferred tax assets and liabilities are recognised for temporary differences between the accounting and tax values for assets, liabilities and interest carry forwards. Deferred tax liabilities are netted against deferred tax assets. The Company has changed its accounting policy from 1 January 2024 whereby the remaining deferred tax assets are now recognised on the balance sheet. Previously, only deferred tax liabilities were recognised in accordance with the accounting option set out in Section 274 (1) sentence 2 HGB.

Company-specific tax rates at the time of recognition of temporary differences are used for the estimation of deferred taxes. The deferred taxes related to the head office are measured using the relevant combined German income tax rate of 32% which includes corporate tax, trade tax and solidarity surcharge. The deferred taxes related to the foreign branches are measured using the applicable statutory tax rates respectively, which range from 19% to 33%.

Valuation Units

The Company has set up valuation units for physically settling commodity derivatives and structured notes to hedge against market risk. Physically settling commodity derivatives are combined with offsetting hedging transactions. Market risks embedded within structured notes were hedged with offsetting derivatives.

For both commodity derivatives and structured notes the Company forms micro-valuation units in accordance with Section 254 HGB. There is a match in amount and maturity between the underlying and hedging transactions. In order to assess the prospective effectiveness of a valuation unit, the method of matching of critical terms is used.

For the commodity derivatives, the Company applies the freezing method, whereby the effective part of the changes in value of the hedged item and hedging instrument resulting from the hedged risk are not reported on the balance sheet.

For structured notes, the Company uses the ongoing booking method, whereby the offsetting changes in the value of the hedged risk are recognised on the balance sheet.

Provisions for impending losses are recognised for an unrealised net loss of the hedged risk (retrospective negative ineffectiveness). Any unrealised gains are not recognised.

Currency Conversion

Currency conversion is carried out in accordance with the principles of Section 256a and Section 340h HGB. Assets and liabilities denominated in a foreign currency are translated into Euros at the rates ruling at the reporting date. Foreign exchange rate fluctuations from trading assets and liabilities are reported in the net trading result. Due to the special coverage in the same currency, gains and losses resulting from currency translation in the banking book are presented net in either other operating income or expenses.

Notes to the Balance Sheet

4. Residual Maturity of Receivables and Liabilities

The following tables present the maturity structure of receivables from credit institutions and customers, liabilities to credit institutions and customers, as well as debt issuances:

€ in millions	30 Jun 2024	31 Dec 2023
Receivables from credit institutions		
Due on demand	13,655	10,594
With a remaining maturity of:		
up to three months	555	–
Total	**14,210**	**10,594**

Receivables from credit institutions due on demand include overnight cash deposits placed with the Deutsche Bundesbank of €10,111 million (31 December 2023: €9,028 million).

€ in millions	30 Jun 2024	31 Dec 2023
Receivables from customers		
Due on demand	8,434	5,303
With a remaining maturity of:		
up to three months	2,272	610
three months to one year	2,250	1,123
Total	**12,956**	**7,036**

€ in millions	30 Jun 2024	31 Dec 2023
Liabilities to credit institutions		
Due on demand	4,119	4,690
With a remaining maturity of:		
up to three months	100	–
three months to one year	100	200
Total	**4,319**	**4,890**

€ in millions	30 Jun 2024	31 Dec 2023
Liabilities to customers		
Due on demand	17,154	8,993
With a remaining maturity of:		
up to three months	3,408	20
three months to one year	2,140	972
one year to five years	63	115
Total	**22,765**	**10,100**

€ in millions	30 Jun 2024	31 Dec 2023
Debt Issuances		
With a remaining maturity of:		
one year to five years	30	30
more than five years	115	62
Total	**145**	**92**

5. Receivables and Liabilities with Affiliated Companies

The following table presents the receivables from and liabilities to affiliated companies:

€ in millions	30 Jun 2024	31 Dec 2023
Receivables from credit institutions	262	23
Receivables from customers	7,319	4,364
Liabilities to credit institutions	3,371	3,883
Liabilities to customers	17,889	4,237
Subordinated debt	3,811	3,511
Instruments for Additional Tier 1 Regulatory Capital	1,000	1,000

6. Repurchase Agreements

Trading assets include €14,945 million of securities (31 December 2023: €7,522 million) which were transferred under repurchase agreements but remain recognised on the balance sheet.

7. Trading Assets and Liabilities

With the exception of certain types of secured financing transactions ("SFTs"), the criteria used to classify financial instruments to trading assets and trading liabilities remained unchanged as at 30 June 2024. From 1 January 2024, the Company fully aligned its classification of SFTs as trading or banking instruments in accordance with their classification under the Capital Requirements Regulation ("CRR"). This change had no impact on the Net profit for the year.

The following table provides a breakdown of the trading assets and liabilities:

€ in millions	Trading assets 30 Jun 2024	Trading assets 31 Dec 2023	Trading liabilities 30 Jun 2024	Trading liabilities 31 Dec 2023
Derivative financial instruments	15,392	8,116	10,701	4,985
Receivables/ liabilities	14,911	23,329	26,713	29,597
Bonds and other fixed-income securities	16,814	9,230		
Shares and other non-fixed-income securities	443	809		
Risk discount	(18)	(22)		
Total	**47,542**	**41,462**	**37,414**	**34,582**

Derivative financial instruments include the offset of positive fair values of €415,248 million with negative fair values of €413,886 million with cash collateral received of €12,585 million and cash collateral paid of €11,223 million.

Bonds and other fixed-income securities contain €265 million of subordinated instruments (31 December 2023: nil).

The following table presents the nominal value of derivative financial instruments by type:

€ in millions	Nominal amount 30 Jun 2024	Nominal amount 31 Dec 2023
Interest-related transactions	12,250,707	11,955,687
Exchange-rate-related transactions	938,276	906,252
Equity-related transactions	382,231	144,660
Credit derivatives	74,114	46,464
Other transactions	31,117	23,993
Total	**13,676,445**	**13,077,056**

8. Non-current Assets

Non-current assets of the Company consist of “Intangible assets”, “Property, plant and equipment” as well as “Investments in affiliated companies”.

Intangible assets consist of goodwill of €34 million (31 December 2023: €37 million).

Property, plant and equipment of €22 million includes leasehold improvements of €13 million (31 December 2023: €14 million) and office equipment of €3 million (31 December 2023: €3 million).

Investments in affiliated companies of €603 million (31 December 2023: €603 million) relates to shares in MSBAG. The equity of MSBAG as at 31 December 2023 amounted to €660 million.

The following table shows changes in non-current assets:

€ in millions	Intangible assets	Property, plant and equipment
Acquisition / production cost 01 January 2024	**59**	**46**
Additions	–	3
Acquisition / production cost 30 June 2024	**59**	**49**
Accumulated depreciation 01 January 2024	**22**	**25**
Depreciation	3	2
Accumulated depreciation 30 June 2024	**25**	**27**
Carrying amount as at 31 December 2023	**37**	**21**
Carrying amount as at 30 June 2024	**34**	**22**

9. Other Assets and Liabilities

Other assets of €460 million (31 December 2023: €426 million) and other liabilities of €312 million (31 December 2023: €116 million) primarily consist of collateral paid and received in relation to listed and cleared derivatives.

10. Foreign Currencies

The following table presents the Company’s assets and liabilities denominated in foreign currencies:

€ in millions	30 Jun 2024	31 Dec 2023
Assets	11,498	6,906
Liabilities	13,160	6,513

The foreign currency primarily relates to USD.

11. Debt Issuances

The Company has issued structured notes to non-affiliated companies. As at 30 June 2024, the carrying amount of issued structured notes was €145 million (31 December 2023: €92 million).

12. Provisions

Provisions for Pensions and Similar Obligations

Provisions of €12 million (31 December 2023: €11 million) were made for pensions and similar obligations. Pensions and similar obligations recorded at the reporting date relate primarily to residual risks on unfunded inflation adjustments.

The main actuarial assumptions applied are as follows:

Actuarial assumptions	30 Jun 2024	31 Dec 2023
Discount rate	1.8%	1.8%
Income dynamics	3.0%	3.0%
Pension dynamics	2.5%	2.5%

In accordance with Section 246 (2) HGB, pension obligations of €31 million are offset against the plan assets of €19 million.

Other Provisions

Other provisions of €120 million (31 December 2023: €129 million) primarily relate to variable, deferred and share-based compensation measured at the grant date fair value of Morgan Stanley shares at the balance sheet date.

13. Subordinated Debt

As at 30 June 2024, the Company had issued subordinated debt of €1,010 million (31 December 2023: €1,010 million) and senior subordinated debt of €2,801 million (31 December 2023: €2,501 million)

The subordinated debt of €1,000 million was issued to the immediate parent MSEHSE. It has a variable interest rate of 3-month EURIBOR plus 160 basis points, matures on 27 October 2031 and has optional quarterly call dates starting from 27 October 2025.

The senior subordinated debt of €2,800 million was issued to the immediate parent MSEHSE. It has Morgan Stanley Proxy rate[1], a maturity of 13 month evergreen which is extendable to a maximum of 10 years after issuance date, and no early call option.

The Federal Financial Supervisory Authority (“BaFin”) has the authority to write down or convert into shares the above mentioned instruments prior to any insolvency or liquidation of the Company, under the applicable Resolution Legislation.

In the event of a liquidation or insolvency of the Company, the claims and interest claims of the subordinated creditors will only be repaid after the claims of all non-subordinated creditors have been satisfied.

Interest expense on subordinated and senior subordinated debt as at 30 June 2024 includes interest not yet due of €11 million (31 December 2023: €11 million).

14. Instruments for Additional Tier 1 Regulatory Capital

As at 30 June 2024, liabilities include €1,000 million of Additional Tier 1 Regulatory Capital (“AT1 Notes”) issued in accordance with CRR. The AT1 Notes, issued in 2020 and 2022, represent the Company's perpetual, unsecured and subordinated debt and bear fixed annual interest rate of 4.7% and 5.0%, respectively. Interest expenses on these instruments as at 30 June 2024 include interest not yet due of €28 million (31 December 2023: €4 million) which is disclosed within other liabilities.

15. Equity Capital

Equity as at 30 June 2024 is comprised as follows:

€ in millions	30 Jun 2024	31 Dec 2023
Subscribed capital	3,901	3,901
Capital reserve	1,931	1,931
Earnings reserve	150	66
Retained earnings	130	84
Total	**6,112**	**5,982**

Subscribed Capital

The subscribed capital is unchanged and is comprised of 3,901 million no-par-value registered shares of €1 each.

Capital Reserve

The Capital reserve is unchanged at €1,931 million.

Earnings Reserve

Net income of €84 million for the financial year ending 31 December 2023 was transferred to

[1] 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 earnings reserve by resolution of the Supervisory Board on 23 April 2024.

Notes to the Income Statement

16. Income Breakdown by Geographical Markets

The total amount of interest income, commission income, net trading result and other operating income, grouped by geographical markets pursuant to Section 34 (2) RechKredV, is as follows:

€ in millions	30 Jun 2024	30 Jun 2023
Germany	1,070	856
Other EU Countries	298	127
Total income	**1,368**	**983**

The information presented in the table above reflects the booking location of income in line with applicable Morgan Stanley Group transfer pricing policies.

17. Other Operating Income and Expenses

Other operating income of €11 million (30 June 2023: €12 million) primarily consists of payments for securities settlement in accordance with Central Securities Depositories Regulation ("CSDR") as well as service charges from ongoing operations with affiliated companies.

Other operating expenses of €36 million (30 June 2023: €43 million) consist primarily of French and Spanish financial transaction taxes and expenses related to the settlement of securities.

Additional Information

18. Valuation Units

In the first half of 2024, the Company continued to trade derivatives on CO_2 certificates which were hedged with offsetting derivatives with affiliated companies. These valuation units have an average residual maturity of one year and are not reported on the balance sheet. Nominal and fair value amounts as at 30 June 2024 are as follows:

	Nominal	Fair value	
€ in millions	amount	positive	negative
Underlying transaction	1,311	188	36
Hedging Instrument	1,311	36	188

Market risks embedded within issued structured notes were hedged with offsetting derivatives with Morgan Stanley Group companies. Nominal and fair value amounts of these valuation units as at 30 June 2024 are as follows:

	Nominal	Fair value change	
€ in millions	amount	positive	negative
Structured Note	145	2	2
Hedging Instrument	145	2	2

19. Contingent Liabilities

The Company has provided a Letter of Comfort (*Patronatserklärung*) to benefit MSBAG.

20. Employees

The average number of employees by business units was as follows:

Business Units	30 Jun 2024	31 Dec 2023
Infrastructure and Control	365	372
Institutional Securities Group	372	376
Total	**737**	**748**

Infrastructure and Control primarily consists of Finance, Human Capital Management and Corporate Services, Legal and Compliance, Operations, Risk Management and Technology.

Institutional Securities Group includes Fixed Income Division, Global Capital Markets, Institutional Equities Division and Investment Banking Division.

21. Cash Flow Statement

The cash flow statement is prepared using the indirect method and shows the net increase/ decrease in cash and cash equivalents during first half of the year.

Cash and cash equivalents represents the Company`s cash balance held with central banks due on demand and are not subject to any restrictions on disposal. Due to its narrow definition, cash and cash equivalents does not include overnight deposits placed with the Deutsche Bundesbank, which are reported within “Receivables from credit institutions”.

22. Management Board and Supervisory Board

The Management Board is comprised as follows:

- André Munkelt,
  Member of the Management Board, appointed as Chair of the Management Board with effect from 1 July 2024
- Oliver Behrens,
  resigned as Member and Chair of the Management Board with effect from 30 June 2024
- David Best,
  Member of the Management Board
- Martin Borghetto,
  Member of the Management Board
- Emmanuel Goldstein,
  Member of the Management Board
- Philipp Lingnau,
  Member of the Management Board
- Dr. Jana Währisch,
  Member of the Management Board

The Company has not granted any loans to the members of the Management Board or the Supervisory Board nor has entered into liability relationships with them.

The Supervisory Board is comprised as follows:

- Frank Mattern,
  Independent advisor
  Chair of the Supervisory Board
- Raja Akram,
  Managing Director, Morgan Stanley
- Christopher Beatty,
  Managing Director, Morgan Stanley
  appointed with effect from 3 May 2024
- David Cannon,
  Independent advisor
- Lee Guy,
  Independent advisor
  resigned with effect from 13 February 2024
- Kim Lazaroo,
  Managing Director, Morgan Stanley
- Maria Luís de Albuquerque,
  Independent advisor
  resigned with effect from 31 August 2024
- Massimiliano Ruggieri,
  Managing Director, Morgan Stanley
  appointed with effect from 3 May 2024
- Paula Smith,
  Independent advisor
  appointed with effect from 1 January 2024
- Clare Woodman,
  Managing Director, Morgan Stanley
  term expired with effect from 3 May 2024

Frankfurt am Main, 17 September 2024

Morgan Stanley Europe SE

The Management Board

André Munkelt (Chair)	David Best
Martin Borghetto	Emmanuel Goldstein
Philipp Lingnau	Dr. Jana Währisch