Morgan Stanley

Registered number: 02068222

Registered office:
25 Cabot Square
Canary Wharf
London
E14 4QA

Morgan Stanley & Co. International plc

2023 Interim Report and Financial Statements

30 June 2023

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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 2023 ("the period").

These Interim Financial Statements should be read in conjunction with, and as an update to the Group's 2022 Report and Financial Statements, available at: https://www.morganstanley.com/about-us-ir/subsidiaries

Group and Company Overview

The Company, Governance and Stakeholders

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 operates within the financial services industry and is subject to extensive supervision and regulation. The Company shares elements of its corporate governance and its supervision with MSI and the MSI Group. Throughout the Interim Financial Statements, the Directors may refer to policies, procedures and practices of MSI and the MSI Group that are relevant to the Group and/or Company.

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. There has been no change in the Group's principal activity during the period and no significant change is expected.

The Company conducts business from its headquarters in London, UK and operates branches in the Dubai International Financial Centre, the Qatar Financial Centre, South Korea, France and Switzerland.

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").

As a provider of services to global clients, the Company is 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. The CFTC are developing specific requirements to allow registered swap dealers who are domiciled outside of the US to meet CFTC requirements by reference to local prudential standards. This work is country specific with a draft proposal for the UK still to be published. These swap dealer registrations provide a comprehensive regulatory framework applicable to the Company's US-related swap and SBSD activities.

Risk Factors and Business Environment

Risk Factors

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

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

The Group has an established Risk Management Framework, to support the identification, monitoring and management of risk, including any risk acceptances.

The primary risk areas for the Group include Market, Credit, Operational, and Liquidity risks. Climate risk is one of the drivers of these risks. A description of these risks, including how they are managed is outlined in the 'Risk Management' section.

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Business Environment

During 2023, the global economic and geopolitical environment continues to be characterised by inflationary pressures, high interest rates and uncertainty regarding the possibility of a recession, driving muted activity. This environment has impacted the performance of the Group, see 'Overview of 2023 Financial Results'. To the extent that the Business Environment continues to remain uncertain it could adversely impact client confidence and related activity.

In addition to the aforementioned conditions, certain financial institutions came under significant stress in early 2023. There has been limited impact from those stresses on the results and financial condition of the Group.

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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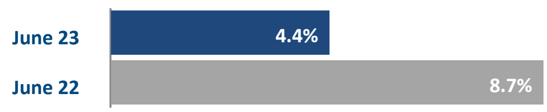
Financial Performance and Condition

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 and required regulatory risk based metrics, including, but not limited to the following:

Key Performance Indicators

Return on Shareholders' Equity (Group)



in $ millions	At 30 June 2023	At 30 June 2022
Total shareholders' equity at beginning of the period	24,233	22,175
Profit after tax	535	960
Return on shareholders' equity - annualised	4.4%	8.7%

Tier 1 Capital Ratio (Company)

in $ millions	At 30 June 2023	At 31 December 2022
Risk-weighted assets ("RWAs")	126,117	124,739
Tier 1 capital	21,743	22,202
Tier 1 capital ratio	17.2%	17.8%

Leverage Ratio (Company)

in $ millions	At 30 June 2023	At 31 December 2022
Leverage exposure	424,455	416,138
Tier 1 capital	21,743	22,202
Leverage ratio	5.1%	5.3%

Liquidity Coverage Ratio (Company)

in $ millions	At 30 June 2023	At 31 December 2022
Liquidity buffer - High quality liquid assets ("HQLA")	42,999	41,800
Liquidity coverage ratio ("LCR")[1]	183%	184%

1. Calculated as the average of the preceding twelve months

Net Stable Funding Ratio (Company)

	At 30 June 2023	At 31 December 2022
Net Stable Funding Ratio ("NSFR")	111%	110%

Senior Unsecured Credit Ratings (Company)

At 30 June 2023 and 31 December 2022, 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

The explanation behind the movements in the performance indicators can be found in 'Overview of 2023 Financial Results', as well as the 'Regulatory Capital and Leverage Requirements' and the 'Funding and Liquidity Management' sections of 'Capital and Liquidity Resource Management and Regulation'.

Overview of 2023 Financial Results

Income Statement

Set out below is an overview of the Group's financial results for the period and the prior year period.

in $ millions	Six Months Ended 2023	2022	Increase/ (decrease)	Variance %
Fee and Commission Income:				
Investment banking	333	373	(40)	-11%
Sales and trading	604	650	(46)	-7%
Investment management	11	29	(18)	-62%
Total Fee and Commission Income	**948**	**1,052**	**(104)**	**-10%**
Sales and trading net trading income	**2,521**	**2,987**	**(466)**	**-16%**
Net revenue	**3,469**	**4,039**	**(570)**	**-14%**
Staff related expenses	1,005	963	42	4%
Non-staff related expenses	1,729	1,702	27	2%
Net impairment (reversal)/loss on financial instruments	(3)	139	(142)	N/M
Non-interest expenses	**2,731**	**2,804**	**(73)**	**-3%**
Profit before tax	**738**	**1,235**	**(497)**	**-40%**
Income tax expense	203	275	(72)	-26%
Profit after tax	**535**	**960**	**(425)**	**-44%**

Non meaningful ("N/M")

The condensed consolidated income statement for the period is set out on page 17 and the geographical split is in note 14.

The Group reported a 40% decrease in profit before tax for the period, driven by lower investment banking activity and lower sales and trading activity.

30 June 2023	Net revenues ($ millions / %)		Profit before tax ($ millions / %)	
EMEA	2,279	66%	290	39%
Asia	987	28%	380	52%
Americas	203	6%	68	9%
Total	**3,469**		**738**	
30 June 2022				
EMEA	2,695	67%	573	46%
Asia	1,111	27%	547	44%
Americas	233	6%	115	10%
Total	**4,039**		**1,235**	

For a description of the activities included in the Income Statement table, refer to 'Overview of 2022 Financial Results - Income Statement' in the Strategic Report to the 2022 Report and Financial Statements.

Net Revenue

Fee and Commission Income

Investment Banking

Investment banking fee and commission income decreased 11%, primarily related to a decrease in advisory revenues due to fewer completed merger & acquisition transactions partially offset by an increase in underwriting revenues.

Sales and Trading

Sales and trading fee and commission income decreased 7%, primarily in equity products within the Europe, Middle East, and Africa ("EMEA") and Asia regions of the Group's business.

Sales and Trading Net Trading Income

Sales and trading net trading income is comprised of 'Net gains from financial instruments at fair value through profit or loss ("FVPL")' and 'Net interest expense', as set out in the condensed consolidated income statement on page 17.

Sales and trading net trading income decreased by 16%, reflecting a decrease across both equity and fixed income products.

- The equity product revenues decreased in the EMEA and Asia regions due to lower client activity.
- The fixed income product revenues decrease was primarily across EMEA and Asia as a result of a decline in the Macro products and Commodity businesses.
- 'Net interest expense' increased as a result of interest rates increasing.

Non-Interest Expenses

Staff-Related Expenses

Staff related expenses increased by 4% mainly driven by higher share-based compensation expense as a result of the reduction in the Morgan Stanley share price in the prior year period and a one-time severance cost in the current period.

Non-Staff Related Expenses

Non-staff related expenses increased by 2% and reflects an increase in management recharges relating to other services and Asia brokerage fees, partially offset by a decrease in EMEA brokerage fees.

Income Tax Expense

The Group's tax expense for the period is $203 million, compared to $275 million for the prior year period. This represents an actual effective tax rate ("ETR") of 27.5% (30 June 2022: 22.3%), compared to the average standard rate of UK corporation tax (inclusive of the UK Banking surcharge) of 27.75% (30 June 2022: 27%).

The Group's 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).

Balance Sheet

in $ millions	30 June 2023	31 December 2022 (audited)	Increase/ (decrease)	Variance %
Cash and short term deposits	18,508	18,754	(246)	-1%
Trading financial assets	335,847	329,382	6,465	2%
Secured financing	124,580	129,779	(5,199)	-4%
Trade and other receivables	80,296	81,780	(1,484)	-2%
Other assets	858	696	162	23%
Total Assets	**560,089**	**560,391**	**(302)**	**0%**
Trading financial liabilities	296,929	298,690	(1,761)	-1%
Secured borrowing	99,808	93,966	5,842	6%
Trade and other payables	89,099	97,150	(8,051)	-8%
Debt and other borrowings	50,071	45,682	4,389	10%
Other liabilities	527	670	(143)	-21%
Total Liabilities	**536,434**	**536,158**	**276**	**0%**
Total Equity	**23,655**	**24,233**	**(578)**	**-2%**

The Balance Sheet is expected to fluctuate at any point of time in line with the underlying business activity as described in the 'Income Statement' section. The movements that management deem significant are the increase in 'Debt and other borrowings' and decrease in 'Total Equity'.

- The increase in 'Debt and other borrowings' is due to an increase in unsecured funding as business activity increased towards the end of the period.
- The decrease in 'Total Equity' is primarily driven by the dividend paid of $1,000 million (30 June 2022: $nil), offset by profit after tax of $535 million for the period.

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

On 18 May 2023, the Company paid a dividend of $1,000 million (30 June 2022: $nil) to Morgan Stanley Investments (UK) ("MSIUK").

In addition, on 18 May 2023, the Board approved for the Company to target an ordinary dividend of 50% of retained profit, after the impact of Additional Tier 1 ("AT1") distributions, subject to evolving strategic opportunities and capital requirements.

Further information is available in the Pillar 3 Regulatory Disclosures Report of the MSI Group, available at https://www.morganstanley.com/about-us-ir/pillar-uk. The MSI Group's Pillar 3 disclosure includes specific disclosure of the Company as a significant subsidiary.

Regulatory Capital and Leverage Requirements

As at 30 June 2023, the Company's Total Capital Requirement ("TCR") was $13,785 million, equivalent to 10.9% of RWAs. In addition, the PRA sets a buffer if required, which is available to support the Company in a stressed market environment.

in $ millions	30 June 2023	31 December 2022
TCR	13,785	13,634

The Company's capital is monitored on an ongoing basis to ensure compliance with these 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 2023 and 31 December 2022:

in $ millions	30 June 2023	31 December 2022
Balance sheet equity	23,627	24,214
Regulatory adjustments	(1,884)	(2,012)
Tier 1 Capital	21,743	22,202
Of which		
CET1	*17,443*	*17,902*
Additional Tier 1	*4,300*	*4,300*
Tier 2 Capital	5,883	6,874
Total Capital Resources	**27,626**	**29,076**
RWAs	126,117	124,739
CET1 Ratio	13.8%	14.4%
Tier 1 Capital Ratio	17.2%	17.8%
Total Capital Ratio	21.9%	23.3%

Refer to 'Overview of 2023 Financial Results' for further detail on the decrease in total Company equity. The Total Capital Ratio decreased as compared to 31 December 2022, primarily due to the dividend paid and Tier 2 Capital redemption, partially offset by recognition of the profits for the second half of 2022.

RWAs

in $ millions	30 June 2023	31 December 2022
Credit risk RWAs	67,802	64,770
Market risk RWAs	47,508	49,162
Operational risk RWAs	10,807	10,807
Total RWAs	**126,117**	**124,739**

Leverage Ratio

The Company became subject to a minimum leverage ratio of 3.25%, from 1 January 2023, as part of the UK's implementation of the prudential standards included in the Capital Requirements Regulation ("CRRII").

The Company's leverage ratio is detailed below.

in $ millions	30 June 2023	31 December 2022
Tier 1 Capital	21,743	22,202
Leverage Exposure	424,455	416,138
Leverage Ratio	5.1%	5.3%

Leverage exposure increased over the period, primarily due to the cash products, driven by client activity.

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.

in $ millions	30 June 2023	31 December 2022
HQLA	42,999	41,800
LCR(1)	183%	184%

1. Calculated as the average of the preceding twelve months

	30 June 2023	31 December 2022
NSFR	111%	110%

Credit Ratings

At 30 June 2023, the Company's senior unsecured ratings are unchanged from 31 December 2022.

Risk Management

Risk is an inherent part of the Group's business activities and effective risk management is vital to the Group's success. The Group has an established Risk Management Framework, which leverages the risk management policies and procedures of the MSI Group and the Morgan Stanley Group to support the identification, monitoring and management of risks.

The Risk Management Framework includes a well-defined, comprehensive risk governance structure with appropriate risk management expertise, including processes for periodically assessing the efficacy of the Risk Management Framework. The Board is supported in its oversight of the Group's risk management by the executive management EMEA Risk Committee, the MSI Risk Committee and the MSI Audit Committee in addition to a number of management level committees.

This section and note 15 'Financial 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 2022 Report and Financial Statements.

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

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, correlations or other market factors, such as market liquidity, will result in losses for a position or portfolio.

Framework

The 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.

The Group uses the statistical technique known as Value at Risk ("VaR") as one of its tools 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 following table shows the Group's Management VaR at the total level as well as the contribution from primary risk categories for the period ended 30 June 2023 and compared to the year ended 31 December 2022.

	95%/ one-day VaR			
	For the six months ended 30 June 2023		For the year ended 31 December 2022	
in $ millions	Period end	Average	Period end	Average
Primary Risk Categories	26	26	24	25
Credit Portfolio(1)	8	9	12	8
Less diversification benefit(2)	(4)	(7)	(6)	(7)
Total Management VaR	**30**	**28**	**30**	**26**

(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 average VaR is primarily driven by changes to interest rate and equity exposure.

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 Group. Credit risk includes country risk, which is further described on the next page.

Framework

Credit risk exposure is managed on a global basis and in consideration of each significant legal entity within the Morgan Stanley Group. The credit risk management policies and procedures establish the framework for identifying, measuring, monitoring and controlling credit risk whilst ensuring

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transparency of material credit risks, compliance with established limits and escalating risk concentrations to appropriate senior management.

Exposure to Credit Risk

Counterparty Risk Exposure

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.

	30 June 2023		
in $ millions (audited)	Gross credit exposure[1]	Credit enhancements	Net credit exposure
Trading financial			
Derivatives	239,965	(229,406)	10,559
Secured financing	124,580	(123,420)	1,160
Trade and other receivables	1,292	(340)	952
Loan commitments	54	—	54
	365,891	**(353,166)**	**12,725**

	31 December 2022		
in $ millions (audited)	Gross credit exposure[1]	Credit enhancements	Net credit exposure
Trading financial assets:			
Derivatives	251,076	(240,879)	10,197
Secured financing	129,779	(128,908)	871
Trade and other receivables	1,298	(319)	979
Loan commitments	15	—	15
	382,168	**(370,106)**	**12,062**

(1) Gross credit exposure is the carrying amount which best represents the Group's maximum exposure to credit risk is reflected in the condensed consolidated statement of financial position.

Additional information on the exposure to credit risk, including the maximum exposure to credit risk by credit rating is presented in 'Financial Risk Management' note 15.

Country and Sovereign Risk Exposure

Definition

Country risk is the risk that events in, or affecting, a foreign country might adversely affect the Group. "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, monitors and manages country risk exposure refer to 'Credit risk – Country and Sovereign Risk Exposure' in the Strategic Report to the 2022 Report and Financial Statements.

Risk Management and Measurement

The Group's sovereign exposures consist of financial instruments entered into with sovereign and local governments. Its non-sovereign exposures primarily consist of exposures to corporations and financial institutions. The following table shows the Group's five largest non-UK net country exposures as at 30 June 2023. Exposure to other Morgan Stanley Group undertakings has been excluded from this table.

Five largest non-UK country risk net exposures:

in $ millions **Country**	Net inventory[(1)]	Net counterparty exposure[(2)]	Funded lending	Exposure before hedges	Hedges[(3)]	Total net exposure 30 June 2023[(4)(5)]	Total net exposure 31 December 2022
United States							
Sovereigns	(1,493)	42	—	(1,451)	(31)	(1,482)	79
Non-sovereigns	2,829	6,838	28	9,695	(17)	9,678	9,843
Total United States	**1,336**	**6,880**	**28**	**8,244**	**(48)**	**8,196**	**9,922**
France							
Sovereigns	278	—	—	278	—	278	310
Non-sovereigns	(532)	2,095	—	1,563	(230)	1,333	1,807
Total France	**(254)**	**2,095**	**—**	**1,841**	**(230)**	**1,611**	**2,117**
Germany							
Sovereigns	45	—	—	45	(359)	(314)	792
Non-sovereigns	(338)	1,798	—	1,460	(25)	1,435	2,628
Total Germany	**(293)**	**1,798**	**—**	**1,505**	**(384)**	**1,121**	**3,420**
Canada							
Sovereigns	405	46	—	451	—	451	48
Non-sovereigns	266	402	—	668	—	668	759
Total Canada	**671**	**448**	**—**	**1,119**	**—**	**1,119**	**807**
Republic of Korea							
Sovereigns	318	335	—	653	(25)	628	454
Non-sovereigns	(22)	475	—	453	—	453	465
Total Republic of Korea	**296**	**810**	**—**	**1,106**	**(25)**	**1,081**	**919**

(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 Group transacts in these CDS positions to facilitate client trading.
(2) Net counterparty exposure (i.e. repurchase transactions, securities lending and Over-the-Counter ("OTC") derivatives) taking into consideration legally enforceable master netting agreements and collateral.
(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 Group. 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 2023, the Group had exposure to these countries for overnight deposits with banks of approximately $1,060 million.
(5) Total net exposure represents the sum of net inventory exposure, net counterparty exposure, funded lending, unfunded lending and hedges.

Liquidity Risk

Definition

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

For further information on the Group's liquidity risk, refer to 'Liquidity Risk' in the Strategic Report to the 2022 Report and Financial Statements.

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 or systems, from human factors or from external events (e.g. fraud, theft, compliance risks, cyber-attacks or damage to physical assets). This also includes legal risk and the risks arising from Environmental, Social and Governance ("ESG") (e.g. climate risks), excluding strategic risk. Operational risk relates to the following risk event categories as defined by Basel Capital Standards: internal fraud; external fraud; employment practices and workplace safety; clients, products and business practices; business disruption and system failure; damage to physical assets; and execution, delivery and process management. The scope also includes oversight of technology risk, cybersecurity risk, information security risk, and third party risk management (supplier and affiliate risk).

For further information on the Group's operational risk including conduct risk and legal, regulatory and compliance risk, refer to 'Operational Risk' in the Strategic Report to the 2022 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. In August 2023, the Morgan Stanley Group published its 2022 ESG Report, which includes disclosure guided by the recommendations of the Taskforce on Climate-related Financial Disclosures ("TCFD") as well as other sustainability-related disclosure. The full report can be found at:

https://www.morganstanley.com/about-us/sustainability-reports-research.

For further information on the Group's Climate and environmental risks, refer to 'Climate and Environmental Risks' in the Strategic Report to the 2022 Report and Financial Statements.

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. 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:

ANTHONY MULLINEAUX

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A Mullineaux

Director

21 September 2023

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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, 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:

J Bloomer	(Chair)
C Beatty	(appointed 18 August 2023)
M Butler	
D O Cannon	
D Cantillon	(appointed 17 January 2023)
T Duhon	
A Kohli	(resigned 21 August 2023)
K Lazaroo	
A Mullineaux	
S Orlacchio	
J Pearce	
M Richards	
D A Russell	(resigned 17 January 2023)
A V Sekhar	
P D Taylor	
N P Whyte	
C Woodman	

By order of the Board

DocuSigned by:

ANTHONY MULLINEAUX

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A Mullineaux

Director

21 September 2023

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

Conclusion

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2023 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 19.

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 2023 is not prepared, in all material respects, in accordance with Article 4 of the Luxembourg Transparency Law and in accordance with European Union adopted International Accounting Standard 34 'Interim Financial Reporting'.

Basis for Conclusion

We conducted our review in accordance with International Standard on Review Engagements (UK) 2410 ("ISRE (UK)") "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. 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 will be 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 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 this ISRE (UK), 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 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 company 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 Company in accordance with ISRE (UK) “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Financial Reporting Council. Our work has been undertaken so that we might state to the company those matters we are required to state to it in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our review work, for this report, or for the conclusions we have formed.

DocuSigned by:

Deloitte LLP

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Deloitte LLP

Statutory Auditor

London

21 September 2023

MORGAN STANLEY & CO. INTERNATIONAL plc

CONDENSED CONSOLIDATED INCOME STATEMENT

Six months ended 30 June 2023

in $ millions	Note	Six months ended 30 June 2023 (unaudited)	Six months ended 30 June 2022 (unaudited)
Net gains from financial instruments at fair value through profit or loss	2	2,954	3,370
Fee and commission income	3	948	1,052
Other revenue		19	1
Interest income	4	5,212	135
Interest expense	4	(5,664)	(519)
Net interest expense		(452)	(384)
Net revenue		**3,469**	**4,039**
Non-interest expenses:			
Operating expense	5	(2,734)	(2,665)
Net impairment reversal / (loss) on financial instruments		3	(139)
PROFIT BEFORE TAX		**738**	**1,235**
Income tax expense	6	(203)	(275)
PROFIT FOR THE PERIOD		**535**	**960**

All operations were continuing in the current and prior periods.

The notes on pages 22 to 47 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 2023

in $ millions	Six months ended 30 June 2023 (unaudited)	Six months ended 30 June 2022 (unaudited)
PROFIT FOR THE PERIOD	**535**	**960**
OTHER COMPREHENSIVE INCOME AFTER INCOME TAX		
Items that will not be reclassified subsequently to profit or loss:		
Remeasurement of net defined benefit liability	—	1
Changes in fair value attributable to own credit risk on financial liabilities designated at fair value	(98)	177
Items that may be reclassified subsequently to profit or loss:		
Foreign currency translation differences arising on foreign operations	(21)	(49)
OTHER COMPREHENSIVE INCOME AFTER INCOME TAX	**(119)**	**129**
TOTAL COMPREHENSIVE INCOME	**416**	**1,089**

The notes on pages 22 to 47 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 2023

in $ millions	Note	Six months ended 30 June 2023 (unaudited)	Six months ended 30 June 2022 (unaudited)
Share capital and other equity instruments – at 1 January		**16,765**	**15,965**
Issuance of AT1 instrument		—	800
Share capital and other equity instruments – at 30 June		**16,765**	**16,765**
Share premium account – at 1 January and 30 June		**513**	**513**
Currency translation reserve - at 1 January		**60**	**107**
Foreign currency translation differences arising on foreign operations		(21)	(49)
Currency translation reserve - at 30 June		**39**	**58**
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		**(122)**	**(259)**
Changes in fair value attributable to own credit risk on financial liabilities designated at fair value		(98)	177
Realised debt valuation losses		3	—
Debt valuation reserve - at 30 June		**(217)**	**(82)**
Retained earnings and pension reserve - at 1 January		**5,614**	**4,446**
Profit for the period		535	960
Remeasurement of net defined benefit liability		—	1
Realised debt valuation losses		(3)	—
Dividends	13	(1,000)	—
Share based payments		—	(1)
Income tax - Current and Deferred Tax	6	6	—
Retained earnings and pension reserve - at 30 June		**5,152**	**5,406**
Total equity at 30 June		**23,655**	**24,063**

The notes on pages 22 to 47 form an integral part of the Interim Financial Statements.

MORGAN STANLEY & CO. INTERNATIONAL plc

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2023

in $ millions	Note	30 June 2023 (unaudited)	31 December 2022
ASSETS			
Cash and short term deposits		18,508	18,754
Trading financial assets (of which $47,346 million (2022: $38,522 million) were pledged to various parties)	8	335,847	329,382
Secured financing	7	124,580	129,779
Loans and advances		106	63
Investment securities		148	142
Trade and other receivables		80,296	81,780
Current tax assets		361	272
Deferred tax assets		184	151
Property, plant and equipment		31	33
Other assets		28	35
TOTAL ASSETS		**560,089**	**560,391**
LIABILITIES			
Bank loans and overdrafts		23	59
Trading financial liabilities	8	296,929	298,690
Secured borrowing	7	99,808	93,966
Trade and other payables		89,099	97,150
Debt and other borrowings	11	50,071	45,682
Provisions	12	131	131
Current tax liabilities		136	125
Accruals and deferred income		233	351
Post-employment benefit obligations		4	4
TOTAL LIABILITIES		**536,434**	**536,158**
EQUITY			
Share capital		12,465	12,465
Other equity instruments		4,300	4,300
Share premium account		513	513
Currency translation reserve		39	60
Capital contribution reserve		3	3
Capital redemption reserve		1,400	1,400
Debt valuation reserve		(217)	(122)
Retained earnings		5,152	5,614
TOTAL EQUITY		**23,655**	**24,233**
TOTAL LIABILITIES AND EQUITY		**560,089**	**560,391**

The notes on pages 22 to 47 form an integral part of the Interim Financial Statements.

MORGAN STANLEY & CO. INTERNATIONAL plc

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

As at 30 June 2023

in $ millions	Note	Six months ended 30 June 2023 (unaudited)	Six months ended 30 June 2022 (unaudited)
NET CASH FLOWS FROM OPERATING ACTIVITIES		1,056	13,154
INVESTING ACTIVITIES			
Proceeds from sale of property, plant and equipment		—	3
NET CASH FLOWS FROM INVESTING ACTIVITIES		**—**	**3**
FINANCING ACTIVITIES			
Dividends paid	13	(1,000)	—
Issuance of AT1 instrument		—	800
Interest on subordinated loan liabilities		(151)	—
Issuance of subordinated loan liabilities	11	—	2,500
Repayment of subordinated loan liabilities	11	(1,000)	—
Issuance of senior subordinated loan liabilities	11	1,000	600
Repayment of senior subordinated loan liabilities	11	—	(2,300)
Interest on senior subordinated loan liabilities		(127)	(53)
NET CASH FLOWS (USED IN)/FROM FINANCING ACTIVITIES		**(1,278)**	**1,547**
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(222)	14,704
Currency translation differences		12	(1,672)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		**18,695**	**28,484**
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		**18,485**	**41,516**

The notes on pages 22 to 47 form an integral part of the Interim Financial Statements.

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 2022 were approved by the Board on 20 April 2023 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 2016. Other comparative information for the six months ended 30 June 2023 is included in certain instances.

b. Accounting Policies

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

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 2023. Except for accounting policies impacted by the new standards adopted during the period (refer to 1c below), in preparing these Interim Financial Statements the Group has applied consistently the accounting policies and methods of computation used in the Group's 2022 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 1 'Presentation of Financial Statements': Disclosure of Accounting Policies were issued by the IASB in February 2021 for prospective application in accounting periods beginning on or after 1 January 2023. The amendments were endorsed by the EU in March 2022.

Amendments to IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors': Definition of Accounting Estimates were issued by the IASB in February 2021, for prospective application in accounting periods beginning on or after 1 January 2023. The amendments were endorsed by the EU in March 2022.

Amendments to IAS 12 'Income Taxes': Deferred Tax related to Assets and Liabilities arising from a Single Transaction were issued by the IASB in May 2021, for retrospective application in accounting periods beginning on or after 1 January 2023. The amendments were endorsed by the EU in August 2022.

d. New Standards and Interpretations Not Yet Adopted

At the date of authorisation of these condensed consolidated financial statements, amendments to IAS 12 'Income Taxes': International Tax Reform – Pillar Two Model Rules, issued by the IASB in May 2023, were not yet adopted by the EU. The Group is currently assessing the potential impact of the IAS 12 amendments on its condensed consolidated financial statements.

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 2022 Report and Financial Statements. The Group evaluates the critical accounting judgements and accounting estimates on an ongoing basis and believes that these are reasonable.

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

	30 June	
in $ millions	2023	2022
Assets and liabilities held for trading	**3,700**	**1,641**
Non-trading financial assets at FVPL		
Secured financing	104	(36)
Investment securities	4	2
Trade and other receivables - prepaid OTC contracts	(20)	41
Total non-trading financial assets at FVPL	**88**	**7**
Financial liabilities designated at FVPL		
Secured borrowing	(147)	2
Trade and other payables - prepaid OTC contracts	20	(71)
Debt and other borrowings - issued structured notes	(707)	1,791
Total financial liabilities designated at FVPL	**(834)**	**1,722**
Net gains from financial instruments at fair value through profit or loss	**2,954**	**3,370**

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 income from other financial instruments held at fair value can be partially offset by gains or losses reported in 'Assets and liabilities held for trading'.

3. FEE AND COMMISSION INCOME

	30 June	
in $ millions	2023	2022
Investment banking[(1)]	333	373
Commission income	368	425
Trust and other fiduciary activities	63	92
Other fee and commission income	184	162
Total fee and commission income	**948**	**1,052**
Of which, revenue from contracts with customers	*955*	*1,162*

(1) Includes advisory and underwriting revenues

Total fee and commission income is stated after the transfer of revenues totalling $7 million to other Morgan Stanley Group undertakings (30 June 2022: $110 million transferred 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 2022 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 is calculated using the effective interest rate method for financial assets and financial liabilities measured at amortised cost.

	30 June	
in $ millions	2023	2022
Financial assets measured at amortised cost	**2,368**	**150**
Trading financial assets	151	108
Non-trading financial assets at FVPL	2,693	(123)
Financial assets measured at FVPL	**2,844**	**(15)**
Total interest income	**5,212**	**135**
Of which, negative interest income	*(18)*	*(409)*
Financial liabilities measured at amortised cost	4,097	406
Financial liabilities designated at FVPL	1,567	113
Total interest expense	**5,664**	**519**
Of which, positive interest expense	*(11)*	*(355)*

The recognition of negative interest income and positive interest expense may result from transactions in certain currencies which may at times have negative interest rates. In addition, 'Interest income' includes fees paid on securities borrowed transactions. '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.

5. OPERATING EXPENSE

	30 June	
in $ millions	2023	2022
Direct staff costs	674	699
Management charges from other Morgan Stanley Group undertakings relating to staff costs	331	264
Staff-related expenses	**1,005**	**963**
Management charges from other Morgan Stanley Group undertakings relating to other services	723	669
Brokerage fees	399	379
Administration and corporate services	44	49
Professional services	60	135
Other taxes	333	334
Commission and other similar arrangements	142	113
Other	28	23
Non-staff related expenses	**1,729**	**1,702**
Total operating expense	**2,734**	**2,665**

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

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 2023.

The Group's actual ETR for the period is 27.5% (six months ended 30 June 2022: 22.3%), which is lower than the standard rate of corporation tax (inclusive of the UK Banking Surcharge) in the UK of 27.75%. The Group's 2023 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 consolidated income statement and the consolidated statement of comprehensive income, a $6 million benefit (30 June 2022: $nil) in relation to current and deferred tax on share based payments and transitional adjustments is recognised directly in the consolidated statement of changes in equity.

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 2023 and 31 December 2022.

	30 June 2023				31 December 2022			
in $ millions	FVPL	FVPL designated	Amortised cost	Total	FVPL	FVPL designated	Amortised cost	Total
Cash and short term deposits	—	—	18,508	**18,508**	—	—	18,754	**18,754**
Trading financial assets	335,847	—	—	**335,847**	329,382	—	—	**329,382**
Secured financing:								
Cash collateral on securities borrowed	16,793	—	—	**16,793**	15,569	—	—	**15,569**
Securities purchased under agreements to resell	95,940	—	—	**95,940**	104,167	—	—	**104,167**
Other secured financing	11,847	—	—	**11,847**	10,043	—	—	**10,043**
Loans and advances	—	—	106	**106**	—	—	63	**63**
Investment securities	148	—	—	**148**	142	—	—	**142**
Trade and other receivables	1,292	—	78,685	**79,977**	1,298	—	80,172	**81,470**
Total financial assets	**461,867**	**—**	**97,299**	**559,166**	**460,601**	**—**	**98,989**	**559,590**
Bank loans and overdrafts	—	—	23	**23**	—	—	59	**59**
Trading financial liabilities	296,929	—	—	**296,929**	298,690	—	—	**298,690**
Secured borrowings:					—	—	—	**—**
Cash collateral on securities loaned	—	23,749	8,768	**32,517**	—	19,766	6,046	**25,812**
Securities sold under agreements to repurchase	—	20,484	26,843	**47,327**	—	26,042	25,854	**51,896**
Other financial liabilities	—	16,862	3,102	**19,964**	—	12,984	3,274	**16,258**
Trade and other payables	—	769	87,723	**88,492**	—	718	95,703	**96,421**
Debt and other borrowings	—	14,060	36,011	**50,071**	—	12,113	33,569	**45,682**
Total financial liabilities	**296,929**	**75,924**	**162,470**	**535,323**	**298,690**	**71,623**	**164,505**	**534,818**

8. TRADING FINANCIAL ASSETS AND LIABILITIES

	30 June 2023		31 December 2022	
in $ millions	Assets	Liabilities	Assets	Liabilities
Government debt securities	20,850	21,919	13,782	17,025
Corporate and other debt	16,585	4,982	11,364	4,739
Corporate equities	58,447	25,698	53,160	24,971
Derivatives (see note 9)	239,965	244,330	251,076	251,955
	335,847	**296,929**	**329,382**	**298,690**

9. DERIVATIVES

30 June 2023				
in $ millions	Bilateral OTC	Cleared OTC	Listed derivative contracts	Total
Derivative assets				
Interest rate contracts	67,474	8,394	35	**75,903**
Credit contracts	7,790	691	—	**8,481**
Foreign exchange and gold contracts	96,587	2,558	—	**99,145**
Equity contracts	40,732	—	7,622	**48,354**
Commodity contracts	7,557	—	525	**8,082**
	220,140	**11,643**	**8,182**	**239,965**
Derivative liabilities				
Interest rate contracts	72,431	7,654	41	**80,126**
Credit contracts	7,216	908	—	**8,124**
Foreign exchange and gold contracts	94,329	2,962	8	**97,299**
Equity contracts	44,067	—	6,600	**50,667**
Commodity contracts	7,260	—	854	**8,114**
	225,303	**11,524**	**7,503**	**244,330**

31 December 2022				
in $ millions	Bilateral OTC	Cleared OTC	Listed derivative contracts	Total
Derivative assets				
Interest rate contracts	66,949	9,000	5	**75,954**
Credit contracts	7,116	266	—	**7,382**
Foreign exchange and gold contracts	120,458	2,382	1	**122,841**
Equity contracts	29,774	—	5,754	**35,528**
Commodity contracts	8,505	—	866	**9,371**
	232,802	**11,648**	**6,626**	**251,076**
Derivative liabilities				
Interest rate contracts	73,308	7,809	12	**81,129**
Credit contracts	6,572	280	—	**6,852**
Foreign exchange and gold contracts	114,830	2,614	9	**117,453**
Equity contracts	31,295	—	5,807	**37,102**
Commodity contracts	8,527	—	892	**9,419**
	234,532	**10,703**	**6,720**	**251,955**

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 15 of the Group's 2022 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.

30 June 2023 in $ millions	Client Intermediation	Mortgage and asset-backed securitisations	Total
Assets of structured entities	200	396	**596**
Liabilities of structured entities	197	156	**353**

31 December 2022 in $ millions	Client Intermediation	Mortgage and asset-backed securitisations	Total
Assets of structured entities	200	606	**806**
Liabilities of structured entities	195	330	**525**

Unconsolidated Structured Entities

The table below shows certain non-consolidated structured entities in which the Group has an interest at 30 June 2023 and at 31 December 2022. 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.

in $ millions	Client intermed-iation	Mortgage and asset-backed securitis-ations	Collateral-ised debt obligations	Total
30 June 2023				
Assets of the structured entity	17,614	9,587	631	**27,832**
Maximum exposure to loss:				
Debt and equity interests	1,268	506	78	**1,852**
Derivative and other contracts	4,026	—	—	**4,026**
Total maximum exposure to loss	**5,294**	**506**	**78**	**5,878**
Carrying value of interests - assets[1]:				
Debt and equity interests	1,268	506	78	**1,852**
Derivative and other contracts	1,433	—	—	**1,433**
Total carrying value of exposure to loss - assets	**2,701**	**506**	**78**	**3,285**
Carrying value of interests - liabilities[1]:				
Debt and equity interests	1,522	—	—	**1,522**
Derivative and other contracts	334	—	—	**334**
Total carrying value of exposure to loss - liabilities	**1,856**	**—**	**—**	**1,856**
Additional interests in structured entities[2]	**112**	**274**	**296**	**682**

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

(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.

in $ millions	Client intermed-iation	Mortgage and asset-backed securitis-ations	Collateral-ised debt obligations	Total
31 December 2022				
Assets of the structured entity	17,096	6,989	327	**24,412**
Maximum exposure to loss:				
Debt and equity interests	837	242	160	**1,239**
Derivative and other contracts	4,836	—	—	**4,836**
Total maximum exposure to loss	**5,673**	**242**	**160**	**6,075**
Carrying value of interests - assets(1):				
Debt and equity interests	837	242	160	**1,239**
Derivative and other contracts	1,319	—	—	**1,319**
Total carrying value of exposure to loss - assets	**2,156**	**242**	**160**	**2,558**
Carrying value of interests - liabilities(1):				
Debt and equity interests	1,216	—	—	**1,216**
Derivative and other contracts	223	—	—	**223**
Total carrying value of exposure to loss - liabilities	**1,439**	**—**	**—**	**1,439**
Additional interests in structured entities(2)	**62**	**216**	**303**	**581**

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

(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 15 of the 2022 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.

Sponsored unconsolidated structured entities

Details of when the Group considers itself the sponsor of certain non-consolidated structured entities are provided in note 15 of the 2022 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 2023 (31 December 2022: $nil).

The loss related to sponsored entities during the period was $64 million (30 June 2022: loss of $353 million). Gains or losses are reported under 'Net gains from financial instruments at FVPL' in the condensed consolidated income statement alongside any offsetting benefit of hedges. For the period, $146 million of assets were transferred to those sponsored entities (30 June 2022: $586 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 2023	31 December 2022
Debt and other borrowings (amortised cost)		
Subordinated loan liabilities	7,898	8,898
Senior subordinated loan liabilities	4,900	3,900
Other borrowings(1)	23,213	20,771
	36,011	**33,569**
Debt and other borrowings (designated FVPL)		
Issued structured notes	14,060	12,113
	50,071	**45,682**

(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 2023 was $26,358 million (31 December 2022: $21,665 million). The floating charge is limited to the amount of the funding received from MSIUK of $22,982 million (31 December 2022: $20,384 million).

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

in $ millions			30 June 2023	
Counterparty	Repayment Date	Interest Rate	Accrued Interest	Balance
MSIUK	21 December 2025	OBFR(1) plus 2.3%	201	4,000
MSIUK	11 August 2032	SOFR(2) plus 1.44%	69	1,400
MSIUK	13 June 2033	SOFR(2) plus 2.34%	9	2,500

in $ millions			31 December 2022	
Counterparty	Repayment Date	Interest Rate	Accrued Interest	Balance
MSIUK	21 December 2025	OBFR(1) plus 2.3%	54	5,000
MSIUK	11 August 2032	SOFR(2) plus 1.44%	24	1,400
MSIUK	13 June 2033	SOFR(2) plus 2.34%	70	2,500

(1) Overnight Bank Funding Rate ("OBFR")
(2) Secured Overnight Financing Rate ("SOFR")

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

in $ millions			30 June 2023	
Counterparty	Repayment Date	Interest Rate	Accrued Interest	Balance
MSIUK	29 July 2024(1)	MS Proxy(2)	—	4,900

in $ millions			31 December 2022	
Counterparty	Repayment Date	Interest Rate	Accrued Interest	Balance
MSIUK	30 January 2024(1)	MS Proxy(2)	—	3,900

(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 loan, including accrued interest, may be bailed in by the Bank of England in certain circumstances, such as if the Company is considered to be failing or likely to fail, or if the Morgan Stanley Group enters into resolution.

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

All amounts outstanding under subordinated loan agreements are repayable on the repayment date. Any prepayment of the $4,000 million instrument prior to contractual maturity of 21 December 2025 would require mutual agreement between the Company and the Lender. Prepayment of the $2,500 million instrument and the $1,400 million instrument is at the Company's discretion from the contractual call option date. PRA consent is required prior to any repayment.

12. PROVISIONS

in $ millions	Property	Litigation	Total
At 1 January 2023	2	129	**131**
Unused provisions reversed	—	(5)	**(5)**
Foreign exchange revaluation	—	5	**5**
At 30 June 2023	**2**	**129**	**131**

Litigation Matters

In addition to the matter 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 entities that would otherwise be the primary defendants in such cases are bankrupt or are in financial distress. These actions have included, but are not limited to, antitrust claims, claims under various false claims act statutes, and matters arising from our sales and trading businesses, and our 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 and self-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 market 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, settlements, fines, penalties, injunctions, limitations on our ability to conduct certain business, or other relief.

While the Group has identified, in Note 18 to the 2022 Report and Financial Statements and below, any individual proceedings or investigations where the Group believes a material loss to be reasonably possible and in some cases reasonably estimable, 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 possible and reasonably estimable.

In many proceedings and investigations, however, it is inherently difficult to determine whether any loss is probable or even possible or to estimate the amount of any loss. In addition, even where a loss is possible or an exposure to loss exists in excess of the liability already accrued with respect to a previously recognised loss contingency, it is not always possible to reasonably estimate the size of the possible loss or range of loss, particularly for proceedings and investigations where the factual record is being developed or contested or where plaintiffs or government entities seek substantial or indeterminate damages, restitution, disgorgement or penalties. Numerous issues may need to be resolved before a loss or additional loss, or range of loss or additional range of loss, can be reasonably estimated for a proceeding or investigation, including through potentially lengthy discovery and determination of important factual matters, determination of issues related to class certification and 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 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 reasonably estimate the amount of that loss, the Group accrues the estimated loss by a charge to income. The Group's legal expenses can, and may in the future, fluctuate from period to period, given the current environment regarding government investigations and private litigation affecting global financial services firms, including the Group.

For certain other legal proceedings and investigations the Group can, in some instances, estimate reasonably possible losses, additional losses, ranges of loss or ranges of additional loss in excess of amounts accrued (if any) but 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 condition, other than the matter referred to in the below paragraph.

Significant judgement is required in deciding when and if to recognise provisions, and the actual cost of a legal claim or regulatory fine/penalty may ultimately be materially different from the recognised provisions. The Group disclosure of the financial impact of litigation is made by individual matter except when it is not practicable or it is prejudicial to do so.

Note 18 to the 2022 Report and Financial Statements contains the full list of specific disclosures. The matter referred to in the paragraph below is the only specific disclosure requiring an update from the year end.

On 24 May 2023, the UK Competition and Markets Authority issued a Statement of Objections setting out its provisional findings that the Company and Morgan Stanley had breached UK competition law by sharing competitively sensitive information in connection with gilts and gilt asset swaps between 2009 and 2012. The Company and Morgan Stanley are contesting the provisional findings. Separately, on 16 June 2023, the Company was named as a defendant in a purported antitrust class action in the United States District Court for the Southern District of New York styled *Oklahoma Firefighters Pension and Retirement System v. Deutsche Bank Aktiengesellschaft, et al.*, alleging, inter alia, that the Company, together with a number of other financial institution defendants, violated US antitrust laws in connection with their alleged effort to fix prices of gilts traded in the United States between 2009 and 2013.

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 provisions. Whilst a range of outcomes is foreseeable, management considers the amount reserved to be a reasonable estimate of expected future liabilities after consideration of all pertinent facts.

13. DIVIDENDS

On 18 May 2023, the Company paid a dividend of $1,000 million (30 June 2022: $nil) to MSIUK.

In addition, on 18 May 2023, the Board approved for the Company to target an ordinary dividend of 50% of retained profit, after the impact of AT1 distributions, subject to evolving strategic opportunities and capital requirements.

14. SEGMENT REPORTING

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

Business Segment

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

The Group has one reportable business 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.

Geographical Regions

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 external revenues (net of interest expense) and total assets disclosed in the following table reflect the regional view of the Group's operations, on a managed basis. The attribution of external revenues (net of interest expense) and total assets is determined by a combination of client and trading desk location.

Geographical Regions	Net Revenue 30 June		Profit before Tax 30 June	
in $ millions	2023	2022	2023	2022
EMEA	2,279	2,695	290	573
Asia	987	1,111	380	547
Americas	203	233	68	115
Total	**3,469**	**4,039**	**738**	**1,235**

	Total Assets	
in $ millions	30 June 2023	31 December 2022
EMEA	298,043	339,424
Asia	111,616	114,501
Americas	150,430	106,466
Total	**560,089**	**560,391**

15. FINANCIAL RISK MANAGEMENT

15.1 Risk Management procedures

The Group's risk management procedures are consistent with those disclosed in the Group's 2022 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.

15.2 Market Risk

15.2.1 VaR for the Period

The table on the following page presents the period end, average, maximum and minimum values for the Group's management VaR for the period ended 30 June 2023 and compared to the year ended 31 December 2022.

	95%/one-day Var for the six months ended 30 June 2023				95%/one-day VaR for the year ended 31 December 2022			
in $ millions	Period end	Average	High	Low	Period end	Average	High	Low
Market risk category:								
Interest rate and credit spread	17	19	23	16	19	16	26	11
Equity price	19	20	24	12	11	18	26	11
Foreign exchange rate	9	6	11	3	11	6	14	2
Commodity price	9	9	13	4	5	7	11	2
Less diversification benefit(1)(2)	(28)	(28)	N/A	N/A	(22)	(22)	N/A	N/A
Primary Market Risk Categories	26	26	30	22	24	25	32	19
Credit Portfolio(3)	8	9	12	7	12	8	15	4
Less diversification benefit(1)(2)	(4)	(7)	N/A	N/A	(6)	(7)	N/A	N/A
Total Management VaR	**30**	**28**	**33**	**24**	**30**	**26**	**35**	**19**

(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 2023 remained at $30 million. The average VaR for the period was $28 million, compared to $26 million for the year ended 2022. The increase in average VaR is primarily driven by changes to interest rate and equity risk exposures.

15.2.2 Non-Trading Risks for the Period

The Group believes that sensitivity analysis is an appropriate representation of the Group's 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.

15.2.3 Interest Rate Risk

The Group and Company's VaR excludes certain funding liabilities and money market transactions.

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 approximately $59.3 million as at 30 June 2023, compared to a net loss or gain of $60.8 million as at 31 December 2022.

15.2.4 Funding Liabilities

The credit spread risk sensitivity of the Group's mark-to-market funding liabilities corresponds to an increase in value of approximately $6.1 million and $5.6 million for each 1 basis point widening in the Group's credit spread level at 30 June 2023 and 31 December 2022, respectively.

15.3 Credit Risk

15.3.1 Credit Risk Management

Refer to 'Credit Risk Management Framework' of the Interim Management Report and the 2022 Annual Report and Financial Statements for details of the Group's credit risk management processes.

15.3.2 Exposure to Credit Risk

The maximum exposure to credit risk ("gross credit exposure") of the Group as at 30 June 2023 is disclosed on the following page, 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 includes both financial instruments subject to expected credit loss ("ECL") and those 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.

The Group primarily incurs credit risk to institutions and sophisticated investors, mainly through its Institutional Securities business segment.

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.

Exposure to Credit Risk by Class

	30 June 2023			31 December 2022		
Class **in $ millions**	Gross credit exposure	Credit enhance-ments	Net credit exposure[1]	Gross credit exposure	Credit enhance-ments	Net credit exposure[1]
Subject to ECL:						
Cash and short-term deposits	18,508	—	18,508	18,754	—	18,754
Loans and advances	106	—	106	63	—	63
Trade and other receivables[2]	78,685	—	78,685	80,172	—	80,172
Not subject to ECL:						
Trading financial assets:						
Derivatives	239,965	(229,406)	10,559	251,076	(240,879)	10,197
Secured financing	124,580	(123,420)	1,160	129,779	(128,908)	871
Trade and other receivables[2]	1,292	(340)	952	1,298	(319)	979
	463,136	**(353,166)**	**109,970**	**481,142**	**(370,106)**	**111,036**
Unrecognised financial instruments						
Not subject to ECL:						
Loan commitments	54	—	54	15	—	15
Unsettled securities purchased under agreements to resell[3]	62,257	—	62,257	54,628	—	54,628
Total unrecognised financial instruments	**62,311**	**—**	**62,311**	**54,643**	**—**	**54,643**
	525,447	**(353,166)**	**172,281**	**535,785**	**(370,106)**	**165,679**

(1) Of the residual net credit exposure, intercompany cross product netting arrangements are in place which would allow Group an additional $9,295 million of an available $36,211 million (31 December 2022: $8,756 million of an available $34,119 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 condensed 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 16.

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							
in $ millions	AAA	AA	A	BBB	Non-Investment Grade	Unrated[(1)] / Default	Total	Net of ECL
At 30 June 2023								
Subject to ECL:								
Cash and short term deposit								
Stage 1	—	5,882	11,836	719	71	—	18,508	18,508
Stage 3	—	—	—	—	—	76	76	—
Loans and advances								
Stage 1	—	—	106	—	—	—	106	106
Trade and other receivables								
Stage 1	864	8,009	47,718	11,183	9,158	1,719	78,651	78,651
Stage 3	4	7	6	5	4	57	83	34
	868	**13,898**	**59,666**	**11,907**	**9,233**	**1,852**	**97,424**	**97,299**
Not subject to ECL:								
Trading financial assets - derivatives	3,957	15,004	153,315	52,814	14,815	60	239,965	239,965
Secured financing	854	21,419	84,609	12,234	5,464	—	124,580	124,580
Trade and other receivables	622	—	666	—	4	—	1,292	1,292
	5,433	**36,423**	**238,590**	**65,048**	**20,283**	**60**	**365,837**	**365,837**
Unrecognised financial instruments not subject to ECL:								
Unsettled securities purchased under agreements to resell	5	21,458	21,102	7,960	11,724	8	62,257	62,257
Loan commitments	—	3	—	—	51	—	54	54
	5	**21,461**	**21,102**	**7,960**	**11,775**	**8**	**62,311**	**62,311**

(1) For the unrated trade receivables, a lifetime ECL is always calculated without considering whether significant increase in credit risk ('SICR') has occurred.

The Cash and short term deposit loss allowance as at 30 June 2023 is $76 million (31 December 2022: $96 million) and Trade and other receivables loss allowance as at 30 June 2023 is $49 million (31 December 2022: $49 million).

	Investment Grade				Non-Investment Grade	Unrated[(1)] / Default	Total	Net of ECL
in $ millions	AAA	AA	A	BBB				
At 31 December 2022								
Subject to ECL:								
Cash and short term deposit								
Stage 1	212	4,869	12,600	1,019	54	—	18,754	18,754
Stage 3	—	—	—	—	—	96	96	—
Loans and advances								
Stage 1	—	—	63	—	—	—	63	63
Trade and other receivables								
Stage 1	1,985	10,523	44,737	13,657	6,943	2,300	80,145	80,145
Stage 3	4	7	4	4	1	56	76	27
	2,201	**15,399**	**57,404**	**14,680**	**6,998**	**2,452**	**99,134**	**98,989**
Not subject to ECL:								
Trading financial assets - derivatives	4,700	18,765	155,134	57,802	14,629	46	251,076	251,076
Secured financing	712	28,513	81,530	15,278	3,732	14	129,779	129,779
Trade and other receivables	733	—	561	—	4	—	1,298	1,298
	6,145	**47,278**	**237,225**	**73,080**	**18,365**	**60**	**382,153**	**382,153**
Unrecognised financial instruments not subject to ECL:								
Unsettled securities purchased under agreements to resell	—	24,849	20,732	7,602	1,382	63	54,628	54,628
Loan commitments	—	1	—	—	14	—	15	15
	—	**24,850**	**20,732**	**7,602**	**1,396**	**63**	**54,643**	**54,643**

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

15.4 Liquidity Risk

Refer to 'Liquidity Risk' of the Interim Management Report and the 2022 Report and Financial Statements for further detail on the Group's liquidity risk.

15.4.1 Maturity Analysis

In the following maturity analysis of financial liabilities, derivative contracts and other financial liabilities held as part of the Group'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 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 2023 and 31 December 2022.

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 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.

in $ millions	On demand	Less than 1 month	1 month - 3 months	3 months - 1 year	1 year - 5 years	Greater than 5 years	Total
30 June 2023							
Financial liabilities							
Bank loans and overdrafts	23	—	—	—	—	—	23
Trading financial liabilities:							
Derivatives	244,330	—	—	—	—	—	244,330
Other	52,599	—	—	—	—	—	52,599
Secured borrowing	77,266	8,281	7,782	3,754	3,048	148	100,279
Trade and other payables	87,734	—	69	578	372	29	88,782
Debt and other borrowings	1,856	258	4,817	3,122	34,016	10,317	54,386
Total financial liabilities	**463,808**	**8,539**	**12,668**	**7,454**	**37,436**	**10,494**	**540,399**
Unrecognised financial instruments							
Guarantees	374	—	—	—	—	—	374
Loan commitments	54	—	—	—	—	—	54
Unsettled securities purchased under agreements to resell	60,594	1,274	—	389	—	—	62,257
Other commitments	89	—	—	—	—	—	89
Underwriting commitments	58	—	—	—	—	—	58
Total unrecognised financial instruments	**61,169**	**1,274**	**—**	**389**	**—**	**—**	**62,832**
31 December 2022							
Financial liabilities							
Bank loans and overdrafts	59	—	—	—	—	—	59
Trading financial liabilities:							
Derivatives	251,955	—	—	—	—	—	251,955
Other	46,735	—	—	—	—	—	46,735
Secured borrowing	61,359	15,794	5,031	9,786	2,480	31	94,481
Trade and other payables	95,990	—	—	209	494	57	96,750
Debt and other borrowings	1,753	305	3,920	2,496	31,778	9,706	49,958
Total financial liabilities	**457,851**	**16,099**	**8,951**	**12,491**	**34,752**	**9,794**	**539,938**
Unrecognised financial instruments							
Guarantees	373	—	—	—	—	—	373
Loan commitments	15	—	—	—	—	—	15
Unsettled securities purchased under agreements to resell	33,777	19,833	10	1,008	—	—	54,628
Other commitments	26	—	—	—	—	—	26
Total unrecognised financial instruments	**34,191**	**19,833**	**10**	**1,008**	**—**	**—**	**55,042**

16. 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 29 of the 2022 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 15.

The increase in gross and amounts offset in trading financial assets and liabilities - derivatives is driven by changes in risk management practice for EU products with additional hedging via Morgan Stanley Europe SE.

				Amounts not offset Collateralised by:			
in $ millions	Gross amounts	Amounts offset[1][3]	Net amounts	Financial instruments	Cash collateral[2]	Net exposure[4]	Not subject to legally enforceable master netting agreement
30 June 2023							
Secured Financing:							
Cash collateral on securities borrowed	23,228	(6,435)	16,793	(16,179)	—	614	292
Securities purchased under agreement to resell	162,724	(66,784)	95,940	(95,522)	—	418	403
Trading financial assets - derivatives	582,911	(342,946)	239,965	(203,471)	(25,933)	10,561	2,040
Total Assets	**768,863**	**(416,165)**	**352,698**	**(315,172)**	**(25,933)**	**11,593**	**2,735**
Secured borrowing:							
Cash collateral on securities loaned	38,952	(6,435)	32,517	(32,516)	—	1	—
Securities sold under agreement to repurchase	114,111	(66,784)	47,327	(47,175)	—	152	10
Trading financial liabilities - derivatives	586,359	(342,029)	244,330	(207,009)	(24,326)	12,995	3,071
Total Liabilities	**739,422**	**(415,248)**	**324,174**	**(286,700)**	**(24,326)**	**13,148**	**3,081**
31 December 2022							
Secured Financing:							
Cash collateral on securities borrowed	22,999	(7,430)	15,569	(15,195)	—	374	39
Securities purchased under agreement to resell	174,929	(70,762)	104,167	(103,670)	—	497	125
Trading financial assets - derivatives	433,717	(182,641)	251,076	(210,029)	(30,850)	10,197	2,074
Total Assets	**631,645**	**(260,833)**	**370,812**	**(328,894)**	**(30,850)**	**11,068**	**2,238**
Secured borrowing:							
Cash collateral on securities loaned	33,242	(7,430)	25,812	(25,804)	—	8	—
Securities sold under agreement to repurchase	122,658	(70,762)	51,896	(51,623)	—	273	76
Trading financial liabilities - derivatives	429,972	(178,017)	251,955	(211,246)	(25,062)	15,647	2,600
Total Liabilities	**585,872**	**(256,209)**	**329,663**	**(288,673)**	**(25,062)**	**15,928**	**2,676**

(1) Includes $9,235 million and $8,317 million (31 December 2022: $11,196 million and $6,572 million) of Trading financial assets – derivatives and Trading financial liabilities – derivatives, respectively, which have been offset against cash collateral received and cash collateral paid, respectively.
(2) Cash collateral not offset is recognised within Trade and other receivables and Trade and other payables.
(3) In addition to the balances disclosed in the table above, legally enforceable master netting agreements are in place for $1,896 million (31 December 2022: $1,810 million) of other secured financing and secured borrowing balances which are presented net in the condensed consolidated statement of financial position.
(4) Intercompany cross-product legally enforceable netting arrangements are in place which would allow for an additional $9,295 million (31 December 2022: $8,756 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.

17. 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 2022 Report and Financial Statements.

30 June 2023 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	16,448	4,323	79	**20,850**
Corporate and other debt	—	15,250	1,335	**16,585**
Corporate equities	57,479	910	58	**58,447**
Derivatives:				
Interest rate contracts	171	75,053	679	**75,903**
Credit contracts	—	8,166	315	**8,481**
Foreign exchange and gold contracts	—	98,752	393	**99,145**
Equity contracts	252	47,151	951	**48,354**
Commodity contracts	1,355	6,726	1	**8,082**
Total trading financial assets	**75,705**	**256,331**	**3,811**	**335,847**
Secured financing:				
Cash collateral on securities borrowed	—	16,793	—	**16,793**
Securities purchased under agreements to resell	—	94,975	965	**95,940**
Other secured financing	—	11,847	—	**11,847**
Total secured financing	**—**	**123,615**	**965**	**124,580**
Investment securities - corporate equities	**—**	**—**	**148**	**148**
Trade and other receivables:				
Prepaid OTC contracts	—	514	156	**670**
Other	—	622	—	**622**
Total trade and other receivables	**—**	**1,136**	**156**	**1,292**
Total financial assets measured at fair value	**75,705**	**381,082**	**5,080**	**461,867**
Trading financial liabilities:				
Government debt securities	19,643	2,275	1	**21,919**
Corporate and other debt	—	4,969	13	**4,982**
Corporate equities	25,327	349	22	**25,698**
Derivatives:				
Interest rate contracts	173	79,345	608	**80,126**
Credit contracts	—	7,922	202	**8,124**
Foreign exchange and gold contracts	5	96,997	297	**97,299**
Equity contracts	597	48,996	1,074	**50,667**
Commodity contracts	1,604	6,508	2	**8,114**
Total trading financial liabilities	**47,349**	**247,361**	**2,219**	**296,929**
Secured borrowing:				
Cash collateral on securities loaned	—	23,749	—	**23,749**
Securities sold under agreements to repurchase	—	20,484	—	**20,484**
Other secured borrowing	—	16,862	—	**16,862**
Total secured borrowing	**—**	**61,095**	**—**	**61,095**
Trade and other payables - Prepaid OTC contracts	**—**	**624**	**145**	**769**
Debt and other borrowings - Issued structured notes	**—**	**13,915**	**145**	**14,060**
Total financial liabilities measured at fair value	**47,349**	**322,995**	**2,509**	**372,853**

31 December 2022 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	10,742	2,907	133	13,782
Corporate and other debt	—	10,249	1,115	11,364
Corporate equities	52,139	990	31	53,160
Derivatives:				
Interest rate contracts	247	75,292	415	75,954
Credit contracts	—	6,958	424	7,382
Foreign exchange and gold contracts	—	122,527	314	122,841
Equity contracts	253	34,161	1,114	35,528
Commodity contracts	804	8,540	27	9,371
Total trading financial assets	**64,185**	**261,624**	**3,573**	**329,382**
Secured financing:				
Cash collateral on securities borrowed	—	15,569	—	15,569
Securities purchased under agreements to resell	—	103,205	962	104,167
Other secured financing	—	10,043	—	10,043
Total secured financing	**—**	**128,817**	**962**	**129,779**
Investment securities - corporate equities	**—**	**—**	**142**	**142**
Trade and other receivables:				
Prepaid OTC contracts	—	370	192	562
Other	—	733	3	736
Total trade and other receivables	**—**	**1,103**	**195**	**1,298**
Total financial assets measured at fair value	**64,185**	**391,544**	**4,872**	**460,601**
Trading financial liabilities:				
Government debt securities	14,660	2,363	2	17,025
Corporate and other debt	—	4,736	3	4,739
Corporate equities	24,687	265	19	24,971
Derivatives:				
Interest rate contracts	260	80,380	489	81,129
Credit contracts	—	6,554	298	6,852
Foreign exchange and gold contracts	6	117,263	184	117,453
Equity contracts	450	35,635	1,017	37,102
Commodity contracts	664	8,713	42	9,419
Total trading financial liabilities	**40,727**	**255,909**	**2,054**	**298,690**
Secured borrowing:				
Cash collateral on securities loaned	—	19,766	—	19,766
Securities sold under agreements to repurchase	—	26,042	—	26,042
Other secured borrowing	—	12,984	—	12,984
Total secured borrowing	**—**	**58,792**	**—**	**58,792**
Trade and other payables - Prepaid OTC contracts	**—**	**530**	**188**	**718**
Debt and other borrowings - Issued structured notes	**—**	**12,036**	**77**	**12,113**
Total financial liabilities measured at fair value	**40,727**	**327,267**	**2,319**	**370,313**

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 Group reclassified approximately $650 million of government debt securities liabilities from Level 2 to Level 1 (year ended 2022: $759 million). These reclassifications were due to increased market activity in these instruments.

There were no material transfers from Level 1 to Level 2 during the period (year ended 2022: $838 million).

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

in $ millions	30 June 2023	31 December 2022
TRADING FINANCIAL ASSETS		
Government debt securities		
Beginning balance	133	209
Total gains/(losses) recognised in the consolidated income statement(1)	5	(4)
Purchases	20	81
Sales	(64)	(106)
Net transfers (out) of Level 3(2)	(15)	(47)
Ending balance	**79**	**133**
Unrealised gains/(losses)(3)	3	(14)
Corporate and other debt		
Beginning balance	1,115	1,190
Total (losses) recognised in the consolidated income statement(1)	(12)	(160)
Purchases	319	696
Sales	(309)	(715)
Net transfers in/(out) of Level 3(2)	222	104
Ending balance	**1,335**	**1,115**
Unrealised gains/(losses)(3)	22	(33)
Corporate equities		
Beginning balance	31	35
Total (losses) recognised in the consolidated income statement(1)	(33)	(101)
Purchases	25	37
Sales	(23)	(2)
Net transfers in of Level 3(2)	58	62
Ending balance	**58**	**31**
Unrealised (losses)(3)	(26)	(12)

in $ millions	30 June 2023	31 December 2022
Net derivative contracts(4)		
Beginning balance	264	(21)
Total (losses)/gains recognised in the consolidated income statement(1)	(249)	173
Purchases	87	65
Issuances	(137)	(201)
Settlements	209	301
Net transfers (out) of Level 3(2)	(18)	(53)
Ending balance	**156**	**264**
Unrealised (losses)/gains(3)	(209)	253
SECURED FINANCING		
Securities purchased under agreements to resell		
Beginning balance	962	863
Purchases	965	962
Sales	(962)	(863)
Ending balance	**965**	**962**
INVESTMENT SECURITIES		
Corporate equities		
Beginning balance	142	165
Total (losses) recognised in the consolidated income statement(1)	—	(3)
Purchases	7	—
Sales	(1)	(20)
Ending balance	**148**	**142**
Unrealised (losses)(3)	—	(3)
TRADE AND OTHER RECEIVABLES		
Prepaid OTC contracts		
Beginning balance	192	172
Purchases	—	17
Sales	(51)	(1)
Net transfers in/(out) of Level 3(2)	15	4
Ending balance	**156**	**192**
Other		
Beginning balance	3	3
Settlements	(3)	—
Ending balance	**—**	**3**
TRADING FINANCIAL LIABILITIES		
Government debt securities		
Beginning balance	2	—
Total losses recognised in the consolidated income statement(1)	—	1
Purchases	(1)	(1)
Sales	—	1
Net transfers in Level 3(2)	—	1
Ending balance	1	**2**
Unrealised losses(3)	—	2

in $ millions	30 June 2023	31 December 2022
Corporate and other debt		
Beginning balance	3	6
Total losses recognised in the consolidated income statement(1)	(2)	—
Purchases	(3)	(5)
Sales	11	3
Net transfers in and/or (out) of Level 3(2)	4	(1)
Ending balance	**13**	**3**
Unrealised losses(3)	(2)	—
Corporate equities		
Beginning balance	19	31
Total losses recognised in the consolidated income statement(1)	(3)	(78)
Purchases	(21)	(13)
Sales	5	44
Net transfers in Level 3(2)	22	35
Ending balance	**22**	**19**
Unrealised (losses)/gains(3)	(4)	10
TRADE AND OTHER PAYABLES		
Prepaid OTC contracts		
Beginning balance	188	172
Total gains recognised in the consolidated income statement(1)	40	—
Issuances	—	17
Settlements	(83)	(1)
Ending balance	**145**	**188**
Unrealised gains(3)	40	—
DEBT AND OTHER BORROWINGS		
Issued structured notes		
Beginning balance	77	106
Total gains/(losses) recognised in the consolidated income statement(1)	12	(17)
Total gains/(losses) recognised in consolidated statement of comprehensive income(1)	1	(2)
Issuances	107	84
Settlements	(23)	(15)
Net transfers out of Level 3(2)	(29)	(79)
Ending balance	**145**	**77**
Unrealised gains/(losses)(3)	1	(8)

(1) The total gains or (losses) are recognised in the condensed consolidated income statement as detailed in the financial instruments accounting policy (note 3c to the 2022 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 period ended 30 June 2023 related to assets and liabilities still outstanding at 31 December 2022. 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
(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 (2022: $nil) 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 (2022: $nil).

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).

30 June 2023	Fair value $ millions	Predominant valuation techniques/ Significant unobservable inputs	Range (Average)[1]
ASSETS			
Trading financial assets:			
Government debt securities	79	Comparable pricing	
		Comparable bond price	49 to 198 pts (98 pts)
Corporate and other debt:			
Mortgage and asset-backed securities	333	Comparable pricing	
		Comparable bond price	45 to 100 pts (77 pts)
Corporate bonds	909	Comparable pricing	
		Comparable bond price	38 to 138 pts (88 pts)
Loans and lending commitments	34	Comparable pricing	
		Comparable loan price	20 to 100 pts (67 pts)
Other debt	59	Comparable pricing	
		Comparable bond price	102 to 102 pts (102 pts)
Corporate equities	58	Comparable pricing	
		Comparable equity price	100% (100%)
Net derivatives contracts:[2]			
Interest rate	71	Option Model	
		Inflation Volatility	22% to 70% (44%/38%)
		Interest rate - Foreign exchange correlation	8% to 57% (38%/33%)
		Interest rate curve correlation	56% to 95% (81%/86%)
		Inflation curve	3% to 3.2% (3.1%/3.1%)
		Interest rate volatility skew	66% to 77% (70%/68%)
		Foreign exchange Volatility Skew	6% to 6% (6%/6%)
		Bond Volatility	1% to 2% (1%/1%)
Credit	113	Credit default swap model	
		Credit spread	1 to 296 bps (93 bps)
		Comparable pricing	
		Comparable bond price	8 to 99 pts (63 pts)
		Discounted Cash Flow	
		Funding spread	90 to 134 bps (134 bps)
Foreign exchange and gold[3]	96	Option model	
		Interest rate-foreign exchange correlation	N/M
		Interest rate volatility skew	N/M
		Deal execution probability	95% to 95% (95%/95%)
		Foreign exchange volatility skew	9% to 10% (9%/9%)
		Currency basis	-1% to 43% (9%/6%)
Equity	(123)	Option model	
		Equity volatility	6% to 64% (19%)
		Equity volatility skew	-3% to 0% (-1%)
		Equity equity correlation	9% to 99% (72%)
		Equity FX correlation	-79% to 65% (-26%)

30 June 2023	Fair value $ millions	Predominant valuation techniques/ Significant unobservable inputs	Range (Average)[1]
ASSETS			
Investment securities:			
Corporate equities	148	Comparable pricing	
		Comparable equity price	87% to 100% (90%)
		Discounted cash flows	
		Implied weighted average cost of capital	16% (16%)
Trade and other receivables:			
Prepaid OTC contracts	156	Discounted cash flows	
		Loss Given Default	54% to 84% (62%/54%)
Secured financing:			
Securities purchased under agreements to resell	965	Discounted cash flows	
		Funding spread	33 to 119 bps (65 bps)
LIABILITIES			
Debt and other borrowings:			
Issued structured notes	145	Option model	
		Equity volatility	11% to 71% (20%)
		Equity volatility skew	-2% to -1% (-1%)
		Equity equity correlation	49% to 89% (67%)
		Equity FX correlation	-60% to 0% (-26%)
Trade and other payables:			
Prepaid OTC contracts	145	Discounted cash flow	
		Loss Given Default	54% to 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 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).

31 December 2022	Fair value $ millions	Predominant valuation techniques/ Significant unobservable inputs	Range (Average)[1]
ASSETS			
Trading financial assets:			
Government debt securities	133	Comparable pricing	
		Comparable bond price	39 to 189 pts (82 pts)
Corporate and other debt:			
Mortgage and asset-backed securities	269	Comparable pricing	
		Comparable bond price	44 to 133 pts (91 pts)
Corporate bonds	741	Comparable pricing	
		Comparable bond price	37 to 132 pts (77 pts)
Loans and lending commitments	92	Comparable pricing	
		Comparable loan price	20 to 100 pts (73 pts)
Corporate equities	31	Comparable pricing	
		Comparable equity price	100% (100%)
Investment securities:			
Corporate equities	142	Comparable pricing	
		Comparable equity price	95% to 100% (91.6%)
		Discounted Cash Flow	
		Implied Weighted Average Cost of Capital	15.3% to 15.3% (15.3%)
Secured financing:			
Securities purchased under agreements to resell	962	Discounted cash flows	
		Funding spread	31bps to 113bps (72bps)
Trade and other receivables:			
Prepaid OTC contracts	192	Discounted cash flows	
		Loss Given Default	54% to 84% (62%/54%)
LIABILITIES			
Trading financial liabilities			
Net derivatives contracts:[2]			
Interest rate	(74)	Option model	
		Inflation volatility	22% to 65% (43%/38%)
		Interest rate-foreign exchange correlation	54% to 63% (58%/57%)
		Interest rate curve correlation	47% to 95% (78%/82%)
		Inflation curve	3.8% to 4% (3.9%/3.9%)
		Interest rate volatility skew	130% to 169% (142%/128%)
		Interest rate – inflation correlation	n/m (n/m)
		Bond volatility	9% to 53% (17%/20%)
Credit	126	Credit default swap model	
		Credit spread	1 bps to 320 bps (112 bps)
		Comparable pricing	
		Comparable bond price	8 to 97 pts (55 pts)
		Discounted Cashflow	
		Funding spread	82 bps to 127 bps (108 bps)
Foreign exchange and gold[3]	129	Option model	
		Interest rate - Foreign exchange correlation	54%-63% (58%/57%)
		Interest rate volatility skew	129% to 169% (142%/165%)
		Deal execution probability	90%-95% (95%/95%)

31 December 2022	Fair value $ millions	Predominant valuation techniques/ Significant unobservable inputs	Range (Average)[1]
		Foreign exchange volatility skew	9.6% to 10.4% (10%/10%)
		Currency basis	-2% to 7% (4%/5%)
Equity	96	Option model	
		Equity volatility	5% to 85% (22%)
		Equity volatility skew	-5% to 0% (-1%)
		Equity correlation	10% to 99% (77%)
		Equity FX correlation	-79% to 65% (-26%)
Debt and other borrowings:			
Issued structured notes	77	Option model	
		Equity volatility	17% to 58% (20%)
		Equity volatility skew	-1.2% to -0.7% (-0.7%)
		Equity correlation	50% to 93% (60%)
		Equity FX correlation	-53% to -16% (-34%)
Trade and other payables:			
Prepaid OTC contracts	188	Discounted cash flow	
		Loss Given Default	54% to 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 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 2022 Report and Financial Statements.

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 2022 Report and Financial Statements.

	30 June 2023	
in $ millions	Favourable changes	Unfavourable changes
Trading financial assets:		
Government debt securities	—	—
Corporate and other debt	59	(54)
Corporate equities	13	(19)
Net derivative contracts[1][2]	153	(129)
Secured Financing:		
Securities purchased under agreements to resell	1	(1)
Investment securities:		
Corporate equities	22	(12)
Debt and other borrowings:		
Issued structured notes	—	—
	248	**(215)**

(1) Net derivative contracts represent trading financial assets – derivative contracts net of trading financial liabilities – derivative contracts.
(2) CVA and FVA are included in the fair value, but excluded from the effect of reasonably possible alternative assumptions in the table above. CVA is deemed to be a Level 3 input when the underlying counterparty credit curve is unobservable. FVA is deemed to be Level 3 input in its entirety given the lack of observability of funding spreads in the principle market.

	31 December 2022	
in $ millions	Favourable changes	Unfavourable changes
Trading financial assets:		
Government debt securities	1	(1)
Corporate and other debt	19	(21)
Corporate equities	7	(10)
Net derivative contracts(1)(2)	168	(168)
Secured Financing:		
Securities purchased under agreements to resell	1	(1)
Investment securities:		
Corporate equities	26	(13)
Debt and other borrowings:		
Issued structured notes	1	—
	223	**(216)**

(1) Net derivative contracts represent trading financial assets – derivative contracts net of trading financial liabilities – derivative contracts.
(2) CVA and FVA are included in the fair value, but excluded from the effect of reasonably possible alternative assumptions in the table above. CVA is deemed to be a Level 3 input when the underlying counterparty credit curve is unobservable. FVA is deemed to be Level 3 input in its entirety given the lack of observability of funding spreads in the principle market.

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 2023	31 December 2022
At 1 January	473	369
New transactions	112	285
Amounts recognised in the consolidated income statement during the period	(73)	(181)
At 30 June 2023 / 31 December 2022	**512**	**473**

The balance above predominately relates to derivatives.

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.

18. 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.

			Fair value measurement using:
$ millions 30 June 2023	Carrying value	Fair value	Observable inputs (Level 2)
Subordinated loan liabilities	7,898	8,221	8,221
31 December 2022			
Subordinated loan liabilities	8,898	8,990	8,990

19. 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 $331 million (30 June 2022: $264 million) and 'Management charges from other Morgan Stanley Group undertakings relating to other services' and 'Commission and other similar arrangements' were $865 million (30 June 2022: $782 million). See note 5 for further details.